

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

Jose Joel M. Sebastian

(Contact Person)

(+632) 245 4101

(Company Telephone Number)

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Month Day
(Fiscal Year)

S	E	C	20	IS
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(Form Type)

0	4	Every 3 rd Thursday
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Month *Day*
 (Annual Meeting)

	N/A
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(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

	N/A
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Amended Articles Number/Section

Total Amount of Borrowings
(as of December 31, 2017)

1,399
as of December 31, 2017

Total No. of Stockholders

US\$104.4M

Domestic

US\$1,330.9M

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document ID

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO
SECTION 20 OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[] Preliminary Information Statement
[X] Definitive Information Statement
2. Name of Registrant as specified in its charter
International Container Terminal Services, Inc.
3. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
4. SEC Identification Number **147212**
5. BIR Tax Identification Code **000-323-228**
6. Address of Principal Office **3F ICTSI Administration Building
Manila International Container Terminal
South Access Road, Manila, Philippines
Postal Code 1012**
7. Registrant's telephone number, including area code **(632) 245-4101**
8. Date, time and place of the meeting of security holders
April 19, 2018, 10:00 a.m., Solaire Ballrooms 2 to 5, Solaire Resort and Casino, 1 Aseana Avenue, Entertainment City, Parañaque City, Metro Manila, Philippines
9. Approximate date on which the Information Statement is first to be sent or given to security holders
March 23, 2018
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding as of December 31, 2017
Common Stock, P1.00 par value	2,034,195,466

Amount of consolidated debt outstanding as of **31 December 2017: US\$1,493.6 million**
11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes ☒ No ☐

Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Common Stock**

ICTSI MANAGEMENT IS NOT SOLICITING PROXIES FOR THIS ANNUAL STOCKHOLDERS' MEETING. PLEASE DO NOT SEND ICTSI MANAGEMENT YOUR PROXY.
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ICTSI 2018 ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of International Container Terminal Services, Inc. (ICTSI) will be held at the Solaire Ballrooms 2 to 5 of the Solaire Resort & Casino, 1 Aseana Avenue, Entertainment City, Paranaque City, Metro Manila at 10:00 a.m. on Thursday, 19 April 2018, with the following agenda:

1. Call to order. The call is done to officially open the meeting.
2. Determination of existence of quorum. The presence of shareholders holding at least majority of the outstanding shares is required for the existence of a quorum.
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 20 April 2017. Said minutes record the proceedings at the last stockholders' meeting prior to this meeting.
4. Chairman's Report. The Chairman's Report will present a summary of business operation of the corporation and its subsidiaries during preceding fiscal year.
5. Approval of the Chairman's Report and the 2017 Audited Financial Statements. Having heard the report, the shareholders are asked to approve the Chairman's Report and the Audited Financial Statements.
6. Approval/ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting. Said acts, contracts, investments and resolutions are summarized in Item 15 of the Information Statement (SEC Form 20-IS) to be furnished to the shareholders and approval thereof by the stockholders is sought.
7. Election of Directors. The incumbent directors are named in Item 5 of the Information Statement, together with their respective profiles and qualifications. The directors of the corporation are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting, and until their respective successors have been elected and qualified.
8. Appointment of External Auditors. The appointment of the external auditor named in Item 7 of the Information Statement is being sought.
9. Other matters. Any other matter, which may be brought to the attention of the stockholders, may be taken up.
10. Adjournment. This is done to officially end the meeting.

The dividend policy of the Corporation is described in the section entitled "Dividends and Dividend Policy" in Item 15 of the Information Statement.

The Board of Directors fixed 16 March 2018 as the record date for the purpose of determining the Stockholders entitled to notice and to vote.

Registration starts at **9:00 a.m.** Please bring your identification documents (e.g. SSS, driver's license, passport) to facilitate registration.

Should you be unable to attend the meeting, but wish to be represented, you may send us a Proxy (in the form attached as "Schedule 1" to the Information Statement). For Stockholders whose shareholdings are lodged with the Philippine Central Depository, please secure a certification from your respective brokers and send it to us on or before **6 April 2018**.

Proxy validation will be held at the Executive Lounge, 4/F ICTSI Administration Building, South Access Road, MICT, Port of Manila on **10 April 2018 at 10:00 a.m.**

Manila, 15 February 2018.

FOR THE BOARD OF DIRECTORS



RAFAEL T. DURIAN
Corporate Secretary

PART I.A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Stockholders' Meeting of International Container Terminal Services, Inc. (ICTSI) will be held on April 19, 2018 in Solaire Ballrooms 2 to 5 of the Solaire Resort & Casino, 1 Aseana Avenue, Entertainment City, Paranaque City, Metro Manila at 10:00 a.m.

The address of the principal office of International Container Terminal Services, Inc. is ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines. This Information Statement (electronic copy in CD format) will be mailed to Stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting on or about March 23, 2018.

Item 2. Dissenters' Right of Appraisal

Under Section 81 of the Corporation Code, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and
- (3) in case of merger or consolidation.

To exercise the appraisal right the stockholder shall send a written demand on the Corporation within 30 days from the approval of the proposed amendments by the stockholders. The Corporation shall pay the fair value of the shares that the stockholder will surrender in accordance with the process, procedure and timetable provided under Section 81 to 86 of the Corporation Code.

If the dissenting stockholder and the Company cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be determined by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Company and a third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Company within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

However, the matters to be acted upon at the Annual Stockholders' Meeting are not matters with respect to which a dissenting Stockholder may exercise his appraisal right.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than election of Directors and ratification of acts of the Board of Directors and Management, there are no substantial interest, by security holdings or otherwise, of ICTSI, any Director or Officer thereof, any nominee for Director, or associate of any of the foregoing persons in any matter to be acted upon at the Annual Stockholders' Meeting.

None of the Directors of ICTSI has informed ICTSI in writing that he intends to oppose any action to be taken by ICTSI at this Annual Stockholders' Meeting.

PART I.B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of February 28, 2018, common shares issued and outstanding were 2,045,177,671 shares (including 10,982,205 treasury shares). While Preferred A and B shares outstanding as of the same date were 3,800,000 shares and 700,000,000 shares, respectively.

<u>Voting/Non Voting Shares</u>	<u>Type of Securities</u>	<u>No. of Foreign Owned shares</u>	<u>No. of Local Owned shares</u>	<u>No. of Outstanding shares</u>
Voting shares	Common shares	855,409,323	1,178,786,143	2,034,195,466
Voting shares	Preferred B shares	-	700,000,000	700,000,000
Total Outstanding Voting shares		855,409,323	1,878,786,143	2,734,195,466
Foreign Ownership Level of Total Outstanding Voting shares		31.29%		
Non Voting shares	Preferred A shares	3,800,000		
Foreign Ownership Level of Total Outstanding Voting and Non- Voting shares		31.38%		

Only Stockholders of record at the close of business on March 16, 2018 are entitled to notice and to vote at the Annual Stockholders' Meeting. The common stock and preferred B stock will vote on matters scheduled to be taken up at the Annual Meeting with each share being entitled to cast one (1) vote.

For the election of Directors, Stockholders entitled to vote may vote such number of shares for as many persons as there are Directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.

Security Ownership of Certain Beneficial Owners and Management

Beneficial Owners

The following are known to the registrant to be, directly or indirectly the record or beneficial owner of more than five (5) percent of registrant's voting securities as of February 28, 2018:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage*
Common	PCD Nominee Corporation (Non-Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City 1200	The Hongkong & Shanghai Banking Corp. Ltd. – Clients' Acct. - 4/F HSBC Centre 3058 Fifth Avenue West Bonifacio Global City Taguig, 1634 Represented by Maris Flores, Senior Vice President and Head, HSBC Securities Services and Kathy Dela Torre, Senior Vice President Client Services, only holds a legal title as custodian, and is not the beneficial owner of the lodged shares.	Foreign	320,985,085 (Lodged with PCD) Indirect	11.72%
Common	PCD Nominee Corporation (Non-Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City 1200	Deutsche Bank Manila - Clients' Acct. - 23/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, 1226 Makati City Represented by Carlos Dela Torre, Head of Securities and Custody Operations, only holds legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	307,188,171 (Lodged with PCD) Indirect	11.22%
Common	Bravo International Port Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati City 1200 Bravo International Port	Bravo International Port Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	279,675,000	10.21%

	Holdings, Inc. is a stockholder of ICTSI.				
Common	PCD Nominee Corporation (Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City 1200	AB Capital Securities, Inc., Units 1401-1403, 14th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1200 Represented by Victor L. Vital, President; Ericsson C. Wee, First Vice President; and Lamberto M. Santos, Jr., Senior Advisor (effective January 1, 2018), only holds a legal title as custodian and is not the beneficial owner of the lodged shares	Filipino	472,743,932 (Lodged with PCD) Indirect	17.27%
Preferred B	Achillion Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati City 1200 Achillion Holdings, Inc. is a stockholder of ICTSI.	Achillion Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	700,000,000	25.57%

* Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,737,995,466 (which excludes treasury shares) as of February 28, 2018.

Security Ownership of Management

As of February 28, 2018, the aggregate beneficial ownership of all Directors and executive officers totals to 1,695,212,127 shares, equivalent to 61.91 percent.

Title of Class	Name	Number of shares and nature of beneficial ownership		Citizenship	Percentage ¹
Common and Preferred B	Enrique K. Razon, Jr. ²	1,678,105,057	Direct and Indirect	Filipino	61.29% ³
Common	Andres Soriano III	8,150,481	Direct and Indirect	American	0.30%
Common	Stephen A. Paradies	4,087,573	Direct	Filipino	0.15%
Common	Jose C. Ibazeta	2,798,310	Direct	Filipino	0.10%
Common	Silverio Benny J. Tan	756,310	Direct and Indirect	Filipino	0.03%
Common	Martin L. O'Neil	533,635	Direct	American	0.02%
Common	Octavio Victor R. Espiritu	300,000	Direct	Filipino	0.01%
Common	Vivien F. Miñana	165,925	Direct	Filipino	0.01%
Common	Joseph R. Higdon	156,000	Direct	American	0.01%
Common	Jon Ramon M. Aboitiz	135,000	Direct and Indirect	Filipino	0.00%
Common	Jose Joel M. Sebastian	19,997	Direct	Filipino	0.00%
Common	Berlin D. Samonte	2,836	Direct	Filipino	0.00%
Common	Rafael T. Durian	1,000	Direct	Filipino	0.00%
Common	Rafael D. Consing, Jr.	3	Direct	Filipino	0.00%
Common	Benjamin M. Gorospe III	-		Filipino	0.00%

¹Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,737,995,466 (which excludes treasury shares) as of February 28, 2018.

²Shares in the name of Enrique K. Razon, Jr. and Razon Group.

³The percentage ownership of Enrique K. Razon, Jr. and the Razon Group is at 61.37% if based on the total number of issued and outstanding common shares and preferred B voting shares of 2,734,195,466 (which excludes treasury shares and preferred A non-voting shares) as of February 28, 2018.

Dealings with Company's Shares

Directors are required to report their dealings in Company shares within three (3) business days from all ICTSI share-related transactions.

ICTSI discloses to the Philippine Stock Exchange (PSE) the ownership (direct and indirect) and any acquisition or disposal of ICTSI securities by ICTSI directors and officers pursuant to the PSE Revised Disclosures and Securities Regulations Code. Directors and officers are likewise prohibited from buying or

selling ICTSI securities (e.g. shares of stock) during the period within which material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed.

The ICTSI shares held by its Directors in FY 2017 are as follows:

Directors	January 1, 2017	December 31, 2017
Enrique K. Razon, Jr.*	1,678,105,057	1,678,105,057
Andres Soriano III	9,150,481	8,150,481
Stephen A. Paradies	4,087,573	4,087,573
Jose C. Ibazeta	3,008,560	2,798,310
Octavio Victor R. Espiritu	300,000	300,000
Joseph R. Higdon	156,000	156,000
Jon Ramon M. Aboitiz	135,000	135,000

**Shares in the name of Enrique K. Razon, Jr. and Razon Group; consists of 978,105,057 common shares and 700,000,000 Preferred B shares*

Voting Trust Holders of 5% or More

Not applicable

Changes in Control

Not applicable

Item 5. Directors and Executive Officers

The following are information on the business experience of the members of the Board of Directors (the Board) and Executive Officers of ICTSI for the last five (5) years.

The members of the Board of Directors and Executive Officers of ICTSI as of February 28, 2018 are the following:

	Office	Name	Citizenship	Age
1	Chairman of the Board and President	Enrique K. Razon, Jr.	Filipino	58
2	Director	Jon Ramon M. Aboitiz	Filipino	69
3	Director	Octavio Victor R. Espiritu*	Filipino	74
4	Director	Joseph R. Higdon*	American	76
5	Director	Jose C. Ibazeta	Filipino	75
6	Director	Stephen A. Paradies	Filipino	64
7	Director	Andres Soriano III	American	66
	Executive Vice President	Martin L. O'Neil	American / Irish	57
	Senior Vice President, Chief Financial Officer & Compliance Officer	Rafael D. Consing, Jr.	Filipino	49
	Senior Vice President, Finance	Jose Joel M. Sebastian	Filipino	54
	Vice President and Senior Administration Officer	Vivien F. Miñana	Filipino	53
	Corporate Secretary	Rafael T. Durian	Filipino	84
	Assistant Corporate Secretary	Silverio Benny J. Tan	Filipino	61
	Assistant Corporate Secretary	Benjamin M. Gorospe III	Filipino	50

**Independent Director*

The following are the Regional Heads and Global Corporate Officers for the ICTSI group of companies as of February 28, 2018:

Office	Name	Citizenship	Age
Senior Vice President, Regional Head – Asia Pacific & MICT	Christian Martin R. Gonzalez	Filipino	42
Senior Vice President, Regional Head – Europe & Middle East and Africa	Hans-Ole Madsen	Danish	52
Senior Vice President, Regional Head – Latin America	Anders Kjeldsen*	Danish	48
Vice President, Audit and Compliance	Sandy A. Alipio	Filipino	47
Vice President, Regional Head of Business Development – Asia Pacific	Jose Manuel M. De Jesus	Filipino	53
Vice President, Engineering	Guillaume Lucci	French / American	41
Vice President, Head of Global Corporate Human Resources	Michael Robin Cruickshanks**	British	60
Vice President, Head of Global Commercial	Tico Wieske***	Dutch	54
Interim Chief Information Officer	Hanna M. Lukosavich****	American	61

*Appointed in February 2017

**Appointed in November 2017

***Appointed in February 2016

****Appointed in November 2016

The following are the business experiences of ICTSI's directors and officers for the past five years:

Directors

Enrique K. Razon, Jr., age 58, Filipino

Mr. Razon has been a Director of International Container Terminal Services, Inc. (ICTSI)* since December 1987 and has been its Chairman since 1995.

Concurrently, Mr. Razon is the Chairman and the President of ICTSI*, ICTSI Warehousing, Inc., ICTSI Foundation, Inc., Razon Industries, Inc., Bloomberry Resorts Corporation*, Prime Metroline Holdings, Inc., Quasar Holdings, Inc., Falcon Investco Holdings, Inc., Achillion Holdings, Inc., Collingwood Investment Company Ltd., Bravo International Port Holdings, Inc., and Provident Management Group, Inc.; the Chief Executive Officer (CEO) and the Chairman of Bloomberry Resorts and Hotels, Inc.; the Chairman of Sureste Realty Corp., Monte Oro Resources and Energy, Inc., Pilipinas Golf Tournament Inc., and Bloomberry Cultural Foundation, Inc.; and a Director of Sureste Properties, Inc., ICTSI (Hongkong) Ltd., Australian Container Terminals, Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital, and Xcell Property Ventures, Inc.

Mr. Razon is a member of the US-Philippines Society and the ASEAN Business Club, Philippines, Inc.

Mr. Razon received his Bachelor of Science degree, major in Business Administration, from the De La Salle University in 1980.

**Publicly-listed Corporation*

Jon Ramon M. Aboitiz, age 69, Filipino

Mr. Aboitiz has been a Director of ICTSI* since *April 2008* and was appointed as a member of the ICTSI Audit Committee in April 2010 and the current Chairman of the Related Party Transactions Committee in April 2017.

Mr. Aboitiz is also the Chairman of Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc.*, a Cebu-based investment and management enterprise engaged in numerous and diverse business concerns ranging from power generation and distribution, banking and financial services, real estate development, construction, food, ship building and cement.

Mr. Aboitiz began his career with the Aboitiz Group in 1970 after graduating from the Sta. Clara University, California, with a B.S. Commerce Degree majoring in Management. He became the President of Aboitiz & Company in 1991 until 2008. He was the President and CEO of Aboitiz Equity Ventures, Inc.* from 1993 – 2008.

Presently, he holds various positions in the Aboitiz Group including Vice Chairman of Aboitiz Power Corporation*, Vice Chairman of Union Bank of the Philippines and Chairman of the Bank's Committees namely: Executive Committee, Risk Management Committee and Nominations Committee; Vice Chairman of Compensation and Remuneration Committee, and Corporate Governance Committee. He is also a Director of Bloomberry Resorts Corporation* and is a member of its Audit Committee. He is Chairman and CEO of the Ramon Aboitiz Foundation, a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines) and Pilipinas KAO Corporation. He is also a Board of Trustee of The Santa Clara University, California USA.

**Publicly-listed Corporation*

Octavio Victor R. Espiritu, age 74, Filipino

Mr. Espiritu has been an independent Director of ICTSI* since *April 2002* and has served as the Chairman of the Audit Committee; a member of the Nomination Committee since February 2011; and the Chairman of the Risk Management Committee since April 2015. He is also the Chairman of GANESP Ventures, Inc. and a Director of Bank of the Philippine Islands*, Philippine Dealing System Holdings Corp. and Subsidiaries, and Phil Stratbase Consultancy Inc.

Mr. Espiritu was a three (3)-term former President of the Bankers Association of the Philippines; a former President and Chief Executive Officer (CEO) of Far East Bank and Trust Company; and the Chairman of the Board of Trustees of the Ateneo de Manila University for fourteen (14) years.

Mr. Espiritu received his primary, secondary, and college education from the Ateneo de Manila University, where he obtained his AB Economics degree in 1963. In 1966, he received his Master's Degree in Economics from Georgetown University in Washington DC, USA.

**Publicly-listed Corporation*

Joseph R. Higdon, age 76, American

Mr. Higdon has been an independent Director of ICTSI* since *April 2007* and the current Chairman of ICTSI's Corporate Governance Committee since April 2017. He is also an independent Director of SM Investments Corporation*, Security Bank Corporation* and The Island Institute, a non-profit organization seeking to preserve island communities along the coast of Maine and Trekkers, a community based mentoring organization.

Mr. Higdon was the Senior Vice President of Capital Research and Management, a Los Angeles (USA)-based international investment management firm, until June 2006. He joined Capital Research and Management in 1974 and has covered Philippine stocks from 1989 to 2006. He was the Vice President of the New World Fund, which focused on companies doing business in emerging countries and was a Director of Capital Strategy Research.

Mr. Higdon received his Bachelor of Science degree, major in Political Science, from the University of Tennessee in 1968.

**Publicly-listed Corporation*

Jose C. Ibazeta, age 75, Filipino

Mr. Ibazeta has been a Director of ICTSI* since *December 1987*. In 2009, he was named as a Trustee and the Vice President of ICTSI Foundation, Inc. He was a member of the Audit Committee of ICTSI* until April 2010 and a member of the Nomination Committee since February 2011. He also served as ICTSI's Treasurer until February 2007, when he was appointed as the President of the Power Sector Assets and Liabilities Management Corporation (PSALM) by the President of the Republic of the Philippines. He served as PSALM President and Chief Executive Officer (CEO) from March 1, 2007 to March 30, 2010. In April 2010, he declined his nomination to be a Director of ICTSI by reason of his appointment as the Acting Secretary of the Department of Energy, a position he held from April 1, 2010 until June 30, 2010. He was re-elected as a Director of ICTSI* in August 2010.

Mr. Ibazeta is a Consultant to the Chairman of the Board of A. Soriano Corp.; a Director of A. Soriano Corp.*, Anscor Consolidated Corp., Anscor Property Holdings, Inc., Minuet Realty Corp., Anscor Land, Inc., Phelps Dodge Philippine Energy Products Corp., Newco, Inc., Seven Seas Resorts and Leisure, Inc., A. Soriano Air Corp., Vicinetum Holdings, Inc., Vesper Industrial and Development Corp., and AG&P International Holdings, Ltd.; the Chairman and President of Island Aviation, Inc.; and a Director and the President of both Seven Seas Resorts and Leisure, Inc. and Pamalican Resort, Inc. Mr. Ibazeta is also the founding Chairman and a Director of Philippine Stratbase Consultancy, Inc.

Mr. Ibazeta is a member of the Finance Committee of the Ateneo de Manila University and the Board of Trustees of Radio Veritas and St. James the Great Parish Foundation.

Mr. Ibazeta received his Bachelor of Science in Economics degree from the Ateneo de Manila University in 1963 and his Master's Degree in Business Administration from the University of San Francisco in 1968. He completed all requirements for an MBA in Banking and Finance from New York University in 1975.

**Publicly-listed Corporation*

Stephen A. Paradies, age 64, Filipino

Mr. Paradies has been a Director of ICTSI* since *December 1987*. He has been the Chairman of the Nomination Committee of ICTSI since February 2011 and the current Chairman of the Board Risk Oversight Committee since April 2017. He is also a Director of ICTSI Warehousing, Inc. and Sociedad Puerto Industrial Aguadulce S.A. Moreover, Mr. Paradies is the Senior Vice President-Finance/Treasurer of Aboitiz & Company, Inc.; a Trustee of Bloomberg Foundation, Inc.; a Director, President and Chief Executive Officer of AEV Properties, Inc.; and a Director of Union Properties, Inc., Union Bank of the Philippines *, and NapaGapa Beverages, Inc.

Mr. Paradies received his Bachelor of Science degree, major in Business Management, from the Santa Clara University, California, USA.

**Publicly-listed Corporation*

Andres Soriano III, age 66, American

Mr. Soriano has been a Director of ICTSI since July 1992 and is currently the Chairman of ICTSI's Remuneration Sub - committee. He is the Chairman and Chief Executive Officer (CEO) of A. Soriano Corporation*; the Chairman and President of Anscor Consolidated Corp.; the Chairman of the Andres Soriano Foundation, Inc., Phelps Dodge International Philippines, Inc., Phelps Dodge Philippines Energy Products Corp., and Seven Seas Resorts and Leisure, Inc.; and a Director of Anscor Property Holdings, Inc., A. Soriano Air Corporation, and the Manila Peninsula Hotel, Inc.

Mr. Soriano was formerly the President and Chief Operating Officer (COO) of San Miguel Corporation* and later, its Chairman and CEO. He was also the Chairman of Coca Cola (Philippines), Coca Cola Amatil (Australia) and Nestle (Philippines) and was a Director of SPI Technologies, Inc., eTelecare Global Solutions, Inc., G.E. Asian Advisory and Wharton East Asia Executive Board.

Mr. Soriano received a Bachelor of Science degree in Economics, major in Finance and International Business, from Wharton School of Finance and Commerce, University of Pennsylvania in 1972.

**Publicly-listed Corporation*

Executive Officers

Martin L. O'Neil, age 57, American / Irish

Mr. O'Neil is the Executive Vice President of International Container Terminal Services, Inc. (ICTSI)*, a position he assumed in October 2015. He previously served as the Senior Vice President and the Chief Financial Officer of ICTSI* during the periods from 2006 to 2010 and July 2013 to October 2015. He is currently a Director and the Chairman of International Container Terminal Holdings, Inc. and ICTSI Ltd.; a Director of Tecon Suape S.A., ICTSI Georgia Corp., Sociedad Puerto Industrial Aguadulce S.A., Terminal Maritima de Tuxpan S.A. de C.V., ICTSI (Hong Kong) Ltd., Victoria International Container Terminal Limited and Bank of Philippine Islands (Europe).

From 2001 to 2003, he was the Head of the London office of Telegraph Hill Communications Partners, a San Francisco based firm advising on private equity investments and management of private equity portfolio companies. Prior to that, he was a Managing Director of JP Morgan & Co., where he was active in project finance, capital markets and mergers and acquisitions in New York, Hong Kong, and London. He was a Director of JP Morgan Capital Corporation, the JP Morgan's private equity investment arm, and it was during this time that he invested in and served as a Director of ICTSI International Holdings Corp. (IIHC). He joined JP Morgan & Co. in 1984.

Mr. O'Neil is a dual citizen of USA and Ireland and graduated from Harvard College in Cambridge, Massachusetts (USA), with a BA degree (Cum Laude) in 1983, and was also named a Harvard College Scholar. He currently serves as a member of Harvard's Committee on University Resources.

**Publicly-listed Corporation*

Rafael D. Consing, Jr., age 49, Filipino

Mr. Consing is the Senior Vice President and Chief Financial Officer of International Container Terminal Services, Inc. (ICTSI)*. He was appointed to the said position on October 5, 2015 and was subsequently appointed as the Compliance Officer on February 9, 2016. Prior to such role, he was the Vice President and Treasurer of ICTSI*. Concurrently, he is a Director of the following ICTSI subsidiaries: Hijo International Port Services, Inc., Subic Bay International Terminal Corp., Subic Bay International Terminal Holdings, Inc., ICTSI Subic Inc., Cordilla Properties Holdings, Inc., IW Cargo Handlers, Inc., ICTSI Warehousing, Inc., Laguna Gateway Inland Container Terminal, Inc., Intermodal Terminal Holdings, Inc., Cavite Gateway Terminal, Inc., Pakistan International Container Terminal Limited, Tecplata S.A., Contecon Manzanillo S.A., Terminal Maritima de Tuxpan, S.A. de C.V., Sociedad Puerto Industrial Aguadulce S.A., Operadora Portuaria Centroamericana S.A. de C.V., ICTSI Oregon, Inc., Global Procurement Ltd., ICTSI Honduras Ltd., Aeolina

Investments Limited, Crixus Limited, ICTSI Georgia Corp., ICTSI QFC LLC, ICTSI Project Delivery Services Co. Pte. Ltd., ICTSI South Asia Pte. Ltd., ICTSI Mauritius Ltd., Consultports S.A. de C.V., ICTSI South Pacific Limited, Motukea International Terminal Limited, South Pacific International Container Terminal Limited, Asiastar Consultants Limited, ICTSI Far East Pte. Ltd., and Manila North Harbour Port, Inc.; the Chairman of CGSA Transportadora S.L. and SPIA Spain S.L.; a Director and the Deputy Chairman of ICTSI Ltd. and International Container Terminal Holdings, Inc.; a Director A of ICTSI Capital B.V., Royal Capital B.V., ICON Logistiek B.V., ICTSI Americas B.V., ICTSI Cameroon B.V., Tecplata B.V., Global Container Capital B.V., CGSA B.V., SPIA Colombia B.V., CMSA B.V., TSSA B.V., ICTSI Treasury B.V., ICTSI Cooperatief U.A., ICTSI Oceania B.V., ICTSI Tuxpan B.V., ICTSI Africa B.V., ICTSI Global Cooperatief U.A., and ICTSI Global Finance B.V.; and a Commissioner of PT ICTSI Jasa Prima Tbk.

Mr. Consing started his career at the Multinational Investment Bancorporation in June 1989. From 1999 to 2007, he assumed various roles in HSBC, including Director and the Head of Debt Capital Markets for the Philippines, and subsequently for South East Asia, and later on as the Managing Director and the Head of the Financing Solutions Group, Asia Pacific. In HSBC, Mr. Consing was involved in strategic and situational financing and advisory activities, including acquisition and leveraged finance, debt capital markets, credit ratings and capital advisory. He also held positions in investment banking with Bankers Trust NY / Deutsche Bank and ING Barings. In 1993 to 1995, Mr. Consing served as the Vice President and the Treasurer of Aboitiz & Company, Inc. and Aboitiz Equity Ventures, Inc*.

Mr. Consing received his A.B. degree, major in Political Science, from the De La Salle University, Manila, in 1989. He is an alumnus of the Emerging CFO: Strategic Financial Leadership Program of the Stanford Graduate School of Business.

**Publicly-listed Corporation*

Jose Joel M. Sebastian, age 54, Filipino

Mr. Sebastian is the Senior Vice President, Finance. He was appointed to the said position on October 5, 2015. He joined ICTSI* as the Vice President and Controller in September 2008. Concurrently, he is a Director and the President of International Container Terminal Holdings, Inc., ICTSI Ltd., and ICTSI Georgia Corp.; the Deputy Chairman of CGSA Transportadora S.L. and SPIA Spain S.L.; a Director and the Treasurer of Bauan International Ports, Inc., Davao Integrated Port & Stevedoring Services Corp., Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Abbotsford Holdings, Inc., ICTSI Asia Pacific Business Services, Inc.; a Director A of ICTSI Capital B.V., Royal Capital B.V., ICON Logistiek B.V., ICTSI Americas B.V., ICTSI Cameroon B.V., Tecplata B.V., Global Container Capital B.V., CGSA B.V., SPIA Colombia B.V., CMSA B.V., TSSA B.V., ICTSI Treasury B.V., ICTSI Cooperatief U.A., ICTSI Oceania B.V., ICTSI Tuxpan B.V., ICTSI Africa B.V., ICTSI Global Cooperatief U.A., and ICTSI Global Finance B.V.; and a Director of Cordilla Properties Holdings, Inc., Madagascar International Container Terminal Services, Ltd., Tartous International Container Terminal, JSC., International Container Terminal Services Private Limited, ICTSI DR Congo S.A., PT ICTSI Jasa Prima Tbk, Global Procurement Ltd., ICTSI Honduras Ltd., Tecon Suape S.A., Contecon Guayaquil S.A., Contecon Manzanillo S.A., Terminal Maritima de Tuxpan, S.A. de C.V., Aeolina Investments Limited, Crixus Limited, ICTSI (M.E.) DMCC, ICTSI Middle East DMCC, ICTSI QFC LLC, ICTSI South Asia Pte. Ltd., ICTSI Project Delivery Services Co. Pte. Ltd., Consultports, S.A. de C.V., Motukea International Terminal Limited, South Pacific International Container Terminal Limited, Operadora Portuaria Centroamericana S.A. de C.V. and Manila North Harbour Port, Inc.

Mr. Sebastian started his professional career with SGV & Co. in 1984. He became a Partner in 1999. His expertise is in financial audits of publicly-listed companies in the telecommunications, port services, shipping, real estate, retail, power generation and distribution, manufacturing, media and entertainment industries.

Mr. Sebastian is a Certified Public Accountant. He graduated from the De La Salle University, Manila, in 1983 with a degree in Bachelor of Science in Commerce major in Accounting. He also attended the Accelerated Development Programme of the University of New South Wales in 1996.

**Publicly-listed Corporation*

Vivien F. Miñana, age 53, Filipino

Ms. Miñana was appointed in 2006 as the Vice President and Senior Administration Officer of ICTSI*. Prior to her appointment in 2006, she was the Vice President and Controller of ICTSI* and ICTSI Ltd. from 2000 to 2006. Currently, Ms. Miñana is the Treasurer of Container Terminals Systems Solutions Philippines, Inc.

A Certified Public Accountant, Ms. Miñana received her Master's Degree in Business Management from the Asian Institute of Management in Manila, and is a graduate of BS Accounting from the De La Salle University, Manila.

**Publicly-listed Corporation*

Regional Heads and Global Corporate Officers for the ICTSI group of companies

Christian Martin R. Gonzalez, age 42, Filipino

Mr. Gonzalez is the Senior Vice President, Regional Head-Asia Pacific and MICT of International Container Terminal Services, Inc. (ICTSI)*. He was appointed to the said position on November 9, 2015 and was transferred to the ICTSI Ltd. - Regional Operating Headquarters (ROHQ) on April 21, 2016.

Prior to his current role, he served as the Director General and Chief Executive Officer (CEO) of Madagascar International Container Terminal Services Ltd. (MICTSL), which operates the port in Toamasina, Madagascar, and thereafter, appointed as the Vice President and Head of Asia Pacific Region & Manila International Container Terminal.

When he first joined the ICTSI Group in 1997, he worked in various Operations departments before he was appointed as the Assistant Manager for Special Projects of ICTSI Ltd. He was named MICT Operations Manager in 2003. In 2006, he was designated as the Chief Operating Officer and later CEO of MICTSL in 2009. In 2010, he was designated as a Director of Bloomberry Resorts and Hotels, Inc. and The Country Club. In 2012, Mr. Gonzalez was appointed as the Head of ICTSI's Business Development for Asia region. He was also appointed as the President of ICTSI Foundation, Inc. on April 15, 2016. He is currently the Chairman and President of Cavite Gateway Terminal, Inc., Laguna Gateway Inland Container Terminal, Inc., ICTSI Asia Pacific Business Services, Inc., Intermodal Terminal Holdings, Inc., IW Cargo Handlers, Inc., ICTSI D.R. Congo S.A. and Subic Bay International Terminal Holdings, Inc.; the Chairman of Victoria International Container Terminal Limited, Pakistan International Container Terminal Limited, ICTSI Subic, Inc., Cordilla Properties Holdings, Inc., and ICTSI Far East Pte. Ltd.; President Commissioner of PT ICTSI Jasa Prima Tbk.; a Director Yantai International Container Terminal Ltd., Bauan International Port, Inc., Davao Integrated Port & Stevedoring Services Corp., Hijo International Port Services, Inc., Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Subic Bay International Terminal Corp., Sociedad Puerto Industrial Aguadulce S.A., Contecon Guayaquil S.A., ICTSI Honduras Ltd., ICTSI Ltd., ICTSI (Hong Kong) Ltd., International Container Terminal Services Private Limited, Abbotsford Holdings, Inc., ICTSI Warehousing, Inc., ICTSI Project Delivery Services Co. Pte. Ltd., ICTSI South Asia Pte. Ltd., ICTSI South Pacific Limited, Motukea International Terminal Limited, South Pacific International Container Terminal Limited, Asiastar Consultants Limited, Manila North Harbour Port, Inc., Bloomberry Resorts Corporation*, Sureste Properties, Inc., and Prime Metroline Transit Corporation; and a Commissioner of PT Makassar Terminal Services.

Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

**Publicly-listed Corporation*

Hans-Ole Madsen, age 52, Danish

Mr. Hans-Ole Madsen is the Senior Vice President, Regional Head for Europe & Middle East and Africa of International Container Terminal Services Inc. (ICTSI)* Group. Concurrently, he is the Deputy Chairman of Adriatic Gate Container Terminal; and a Director of the following ICTSI subsidiaries: Pakistan International Container Terminal Limited, Baltic Container Terminal Ltd., Batumi International Container Terminal LLC; ICTSI (M.E.) DMCC, ICTSI Middle East DMCC, ICTSI DR Congo S.A. and Madagascar International Container Terminal Services, Ltd.

Mr. Madsen has more than 30 years of international experience within the port, shipping & logistic industry.

**Publicly-listed Corporation*

Anders Kjeldsen, age 48, Danish

Mr. Kjeldsen is the Senior Vice President, Regional Head – Latin America of the International Container Terminal Services, Inc. (ICTSI)* Group. He is likewise a Director of Sociedad Puerto Industrial Aguadulce S.A. and Contecon Guayaquil S.A. Prior to joining ICTSI*, he served as Head of Latin America portfolio for APM Terminals until January 2017. Before moving to Latin America, he was appointed as portfolio Chief Operation Officer (COO) for Global Ports Investment PLC. (GPI, PLC.) in Russia for 3 years.

Prior to his role in GPI PLC., Mr. Kjeldsen headed the APM Terminals West Med where he was responsible for a total of 5 million TEU capacity, being the business units in Algeciras and Tangier. He joined the A.P. Moller-Maersk Group in 1991. During the last 27 years, he worked in most disciplines of the container terminal industry. He has been involved in terminal operations in most parts of the world such as Denmark, Germany, Netherlands, Spain, Russia and Panama.

Mr. Kjeldsen is an officer from the Danish Army and undertook several executive development programs at Wharton and IMD.

**Publicly-listed Corporation*

Sandy Alipio, age 47, Filipino

Mr. Alipio has been the Vice President for Audit and Compliance of ICTSI* since May 2014. Prior to his work at ICTSI*, he spent a decade working for the San Francisco-based, Elan Pharmaceuticals, holding several positions such as Internal Control, Senior Director, R&D Finance, Vice President of BioNeurology Finance and the Vice President of Internal Audit & SOX.

From 2000 to 2004, Mr. Alipio was a Senior Manager for Audits and Business Advisory at KPMG LLP in San Francisco. He was with Makati-based SGV and Co. from 1994 and was seconded in Chicago back in 1997. He was also a Manager for Assurance and Business Advisory Services in 2000.

A Certified Internal Auditor and a Certified Public Accountant, Mr. Alipio is a graduate of University of the Philippines, Diliman.

**Publicly-listed Corporation*

Jose Manuel M. De Jesus, age 53, Filipino

Mr. De Jesus is the Vice-President for Business Development – Asia of International Container Terminal Services, Inc. (ICTSI)*. He was appointed to the said position in September 2008. Concurrently, he is the Chairman and President of the following ICTSI subsidiaries: Bauan International Ports, Inc., Davao Integrated Port and Stevedoring Services Corp., Hijo International Port Services, Inc., Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Abbotsford Holdings, Inc., and Cordilla Properties Holdings, Inc.; a Director and the President of ICTSI Subic Inc.; the Chairman Subic Bay International Terminal Corp.; a Director and the Vice President of Cavite Gateway Terminal, Inc., Intermodal Terminal Holdings, Inc.; and a Director of Pakistan International Container Terminal Limited, Laguna

Gateway Inland Container Terminal, Inc., Australian Container Terminals, Ltd., International Container Terminal Services Private Limited, IW Cargo Handlers, Inc., New Muara Container Terminal Services SDN BHD, Subic Bay International Terminal Holdings, Inc., Motukea International Terminal Limited, South Pacific International Container Terminal Limited and ICTSI Far East Pte. Ltd.

Prior to his role as Vice President for Business Development – Asia, he was Director of Business Development for the Americas. In 2005, he headed the Asia Business Development Group. Before that, he was seconded and had held numerous posts such as Director for Strategic Planning of ICTSI*'s Regional Development Offices in Miami and Dubai, and the General Manager of Thai Laemchabang Terminals, Inc. He joined ICTSI* in 1995 as Executive Assistant to the Chairman.

Mr. De Jesus is an Industrial Management Engineering graduate of the De La Salle University in Manila.

**Publicly-listed Corporation*

Guillaume Lucci, 41, French/American

Mr. Lucci is the Vice President for Global Engineering of ICTSI*. He is a Director of Victoria International Container Terminal Limited and ICTSI Project Delivery Services Co. Pte. Ltd. Prior to joining ICTSI*, Mr. Lucci served as the Infrastructure Commercial Director for CH2M HILL in Latin America and as a Director of CH2M HILL do Brasil and Halcrow Panama S.A (Halcrow). He previously served as Halcrow's Regional Director for the Maritime Business Group in Latin America. He also served as the Principal Vice President and Director of River Consulting's Maritime Division, a subsidiary of Kinder Morgan Energy Partners (NYSE KMP), the largest independent operator of liquid and dry bulk terminals in the USA.

Mr. Lucci holds a M.S. degree in Structural Engineering, Mechanics and Materials from the University of California at Berkeley, and undergraduate degrees in Civil Engineering and in Mathematics from Florida Institute of Technology (Summa Cum Laude) and the University of Toulon et du Var, France. He is a registered Structural Engineer in Florida, USA.

**Publicly-listed Corporation*

Michael Robin Cruickshanks, age 60, British

Mr. Cruickshanks is the Vice President for Global Corporate Human Resources of ICTSI*. Mr. Cruickshanks has extensive experience within the field of human resources in the industries of investment banking and logistics. Prior to ICTSI, Mr. Cruickshanks was the HR advisor to National Commercial Bank in Jeddah, Saudi Arabia. He also worked for global Swiss-based logistics company Panalpina World Transport in the role of Global Head of Compensation and Benefits, covering 16,000 plus employees in over 90 countries. Mr. Cruickshanks also held the position of Managing Director, Compensation and Benefits for the Dutch investment bank, Rabobank International. From 1993 – 1999, he was based in Madrid, Spain and New York, U.S.A. for Santander Investment to serve as Global Head of Compensation & Benefits as well as parallel generalists role supporting front line staff.

Mr. Cruickshanks holds a BSc (Honours) degree in Zoology from Newcastle University as well as Post-graduate Diploma in Business Information Technology.

**Publicly-listed Corporation*

Tico Wieske, age 54, Dutch

Mr. Wieske joined ICTSI* in February 2016. He is the Vice President for Global Commercial, who has 28 years of shipping and transport experience. He is likewise a Director of Victoria International Container Terminal Limited, Motukea International Terminal Limited, South Pacific International Container Terminal Limited and Yantai International Container Terminals Limited. Before joining ICTSI*, he was the Global Head of Key Client Management Asia Carriers of APM Terminals, Hongkong. Prior to this, he was the Chief Commercial Officer of APM Terminals, Asia Pacific Region. He represented APM Terminals in various boards including, ACT Aqaba Container Terminal in Jordan, APMT Port of Bahrain, SAGT South Asia Gate

Way Terminals in Colombo Sri Lanka, SETV Abidjan Ivory Coast, DIT Douala Cameroon and MPS in Tema, Ghana.

Mr. Wieske earned his B.A. Economics degree in J. van Zwijndregt in Hague, the Netherlands.

**Publicly-listed Corporation*

Hanna M. Lukosavich, age 61, American

Ms. Lukosavich has been the Interim Chief Information Officer of ICTSI* since November 2016. Concurrently, she is a Senior Director with Alvarez & Marsal Performance Improvement in Houston.

Prior to joining Alvarez & Marsal, Ms. Lukosavich held CIO positions at Ferrostaal Inc., Resolution Performance Products LLC., Hercules Inc. and American Water. She also led international IT organization for Sally Beauty Inc., and served as VP of IT Strategy for Michaels Stores.

Ms. Lukosavich has more than 20 years of experience of managing global IT organizations across multiple industries while specializing in business processes improvement through implementation of ERPs such as SAP. For her accomplishments in Information Technology, Ms. Lukosavich received a Women in Technology award in 2004.

Ms. Lukosavich earned her degree in Master of Science – Computer Modelling, Software design & Accounting from Lodz University in Poland.

**Publicly-listed Corporation*

Rafael T. Durian, age 84, Filipino

Atty. Durian has been ICTSI*'s Corporate Secretary since 1987. He is likewise the Corporate Secretary of International Container Terminal Holdings, Inc. and ICTSI Foundation, Inc.; and the Corporate Secretary and a Director of Razon Industries, Inc., Sureste Realty Corp. and Provident Management Group, Inc.

Atty. Durian earned his Bachelor of Laws degree from San Beda College and is a member of the Integrated Bar of the Philippines. He was a Partner at Cruz Durian Alday & Cruz-Matters Law Office.

**Publicly-listed Corporation*

Benjamin M. Gorospe III, age 50, Filipino

Atty. Gorospe was appointed as the Assistant Corporate Secretary of ICTSI* on September 17, 2013. He is also the Global Head for Tax and Regional Legal Manager for the Americas of ICTSI*. Atty. Gorospe is a Director and the Corporate Secretary of Davao Integrated Port & Stevedoring Services Corp., Mindanao International Container Terminal Services, Inc., Cordilla Properties Holdings, Inc.; the Assistant Secretary of International Container Terminal Holdings, Inc., Global Procurement Ltd., ICTSI Ltd., ICTSI Honduras Ltd. and ICTSI Georgia Corp.; and a Director of ICTSI Far East Pte. Ltd., ICTSI South Asia Pte. Ltd., and Consultports S.A. de C.V.

Atty. Gorospe joined ICTSI* in 2003 as a Tax Manager. Prior to this, he worked with the Tax Department of SGV & Co. for five (5) years and with its Audit Department for one (1) year.

Atty. Gorospe completed his law degree at the University of the Philippines, Diliman. He is also a Certified Public Accountant. He graduated from Xavier University with a degree of Bachelor of Science in Commerce, major in Accounting.

**Publicly-listed Corporation*

Silverio Benny J. Tan, age 61, Filipino

Atty. Tan is a partner in and was managing partner from 2013 to 2015, in the law firm of Picazo Buyco Tan Fider & Santos. He is a director and corporate secretary of Prime Metroline Holdings, Inc., Bravo International

Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., OSA Industries Philippines Inc. and Negros Perfect Circles Food Corp. He is also a director of the following companies: Mapfre Insular Insurance Corporation, Celestial Corporation, Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dress Line Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Apex Mining Company Inc.*, Sureste Properties, Inc., Bloomberry Resorts and Hotels Inc., Bloomberry Resorts Corporation*, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Monte Oro Resources & Energy Inc., and Pilipinas Golf Tournaments, Inc. He is the assistant corporate secretary of ICTSI*, and ICTSI Ltd. and a trustee and the auditor of the ICTSI Foundation, Inc.

Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines - College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

**Publicly-listed Corporation*

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting, and until their respective successors have been elected and qualified.

Except for the Chairman, Enrique K. Razon, Jr., all Directors are nominees as they do not have shareholdings sufficient to elect themselves to the Board.

Directors' Attendance

Pursuant to the Company's By – laws, the Board should hold a regular meeting every month but special meetings may also be called by the Chairman of the Board or the President. The attendance of the Board for the Annual Stockholders Meeting as well as both regular and special meetings in 2017 is as follows:

Board	Name	Date of Election ¹	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Enrique K. Razon Jr.	April 20, 2017	24	24	100%
Member	Jon Ramon M. Aboitiz	April 20, 2017	24	23	96%
Member	Jose C. Ibazeta	April 20, 2017	24	22	92%
Member	Stephen A. Paradies	April 20, 2017	24	24	100%
Member	Andres Soriano III	April 20, 2017	24	24	100%
Independent	Octavio Victor R. Espiritu	April 20, 2017	24	24	100%
Independent	Joseph R. Higdon	April 20, 2017	24	20	83%

¹April 20, 2017 was when a Regular Board Meeting, Annual Stockholders Meeting and Organizational Board Meeting were conducted.

Directors' Trainings

Each director attended corporate governance trainings, continuing education program and conferences in 2017:

Name of Director	Date of Training	Program
Jon Ramon M. Aboitiz	March 28, 2017	Corporate Governance
Stephen A. Paradies	March 29, 2017	Corporate Governance
Octavio V. Espiritu	July 18, 2017	Corporate Governance
Joseph R. Higdon	April 25, 2017	Corporate Governance
Enrique K. Razon Jr.	July 18, 2017	Corporate Governance
Jose C. Ibazeta	July 18, 2017	Corporate Governance
Andres Soriano III	August 24, 2017	Corporate Governance

Directors and Executive Officers

The following have been nominated as Members of the Board of Directors for the ensuing year and their respective profiles are provided above:

Office	Name	Citizenship	Age
Chairman of the Board and President	Enrique K. Razon, Jr.	Filipino	58
Director	Jon Ramon M. Aboitiz	Filipino	69
Director	Octavio Victor R. Espiritu*	Filipino	74
Director	Joseph R. Higdon*	American	76
Director	Jose C. Ibazeta	Filipino	75
Director	Stephen A. Paradies	Filipino	64
Director	Andres Soriano III	American	66

**As Independent Director*

Nominees for Independent Directors/Nomination Committee

In line with established procedures, a formal nomination of an Independent Director is signed by an incumbent Director, and is submitted to the Corporate Secretary. The Corporate Secretary, guided by the By-Laws, Revised Manual on Corporate Governance and the Corporation Code, forwards the same to the Nomination Committee. In accordance with its Revised Manual on Corporate Governance, the Nominations Committee passes upon the qualifications of the nominee and the process includes an examination of the nominee's business background and company affiliations. The Nominations Committee ascertains that the nominee does not possess any of the disqualifications to serve as an Independent Director of ICTSI as provided in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

Octavio Victor R. Espiritu and Joseph R. Higdon were nominated as Independent Directors of ICTSI. There are no other nominees for independent directors. Octavio Victor R. Espiritu was nominated by Jose C. Ibazeta, an incumbent Director. Messrs. Espiritu and Ibazeta are not related. Joseph R. Higdon was nominated by the Chairman, Enrique K. Razon, Jr. Messrs. Higdon and Razon are not related. Information on the nominees are stated on page 8 of this Information Statement.

Section 10, Article I of ICTSI's By – laws provide non-controlling shareholders a right to nominate candidates for the Board of Directors. The amendment of ICTSI's By – laws to incorporate the provisions of SRC Rule 38 (as amended) was approved by the SEC on 23 June 2010.

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The Nomination Committee is composed of Stephen A. Paradies (Chairman), Jose C. Ibazeta and Octavio Victor R. Espiritu.

Significant Employees

No person who is not an executive officer of ICTSI is expected to make a significant contribution to ICTSI.

Family Relationships

Stephen A. Paradies is the brother-in-law and Christian R. Gonzalez is the nephew of Chairman and President, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed.

Involvement in Certain Legal Proceedings

ICTSI is not aware of any of legal cases which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, executive officers or controlling person, including:

- (a) Any bankruptcy petition filed by or against any business of which a director, executive officer or controlling partner was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the nominee's involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves subrogation claims under which insurance companies have brought claims against the operator, shipping lines and/or brokerage firms for reimbursement of their payment of insurance claims for damaged equipment, facilities and cargoes. Except as discussed below, ICTSI is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations.

MICT

The MICT Berth 6 Project is a port development project being undertaken by the Company with the approval of the PPA and in compliance with the Company's commitment under its concession contract with the PPA. The City Council of Manila issued Resolution No. 141 dated September 23, 2010, adopting the Committee Report of the ad hoc committee that investigated the reclamation done in Isla Puting Bato in Manila, which stated that the project should have had prior consultation with the City of Manila, approval and ordinance from the City of Manila, and consent from the City Mayor. The Company and its legal counsels' position is that Resolution No. 141 of the City Council of Manila is purely recommendatory and is not the final word on the issue whether the MICT Berth 6 Project is validly undertaken or not.

On November 26, 2010, the PPA, through the Office of the Solicitor General, filed a petition for *certiorari* and prohibition with application for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 before the Supreme Court. The Supreme Court granted a temporary restraining order ("TRO") enjoining the Mayor of Manila and the City Council of Manila from stopping or suspending the implementation of the MICT Berth 6 Project of the PPA. The TRO is still valid and continuing until further orders from the Supreme Court. The Supreme Court also granted the Company's motion to intervene in the case of PPA vs. City of Manila and City Council of Manila. The parties filed their respective comments and replies before the Supreme Court. As at March 6, 2018, the parties still await the Supreme Court's resolution on this case.

Notwithstanding the foregoing legal proceedings, the MICT Berth 6 Project was completed and inaugurated by the President of the Republic of the Philippines in July 2012 (see Note 21).

In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI before the Regional Trial Court of Manila, Branch 55, for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The amount of claim is ₱223.8

million (approximately US\$4.5 million) plus legal interest and attorney's fees of ₱1.0 million (US\$20.1 thousand).

PLDT initially filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard. As at March 6, 2018, the case is currently on trial.

PICT

In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against the Pakistan International Container Terminal (PICT) in the Honorable High Court of Sindh (HCS) claiming a sum of approximately US\$2.9 million alongwith the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyre Gantry Cranes in 2004. The HCS has rendered a judgement and decree in favour of PICT and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. In June 2017, KPT filed an appeal against the aforesaid judgment before the Divisional Bench of HCS. Upon advice of PICT's legal advisor, management believes that there is no merit in this claim.

Also in 2007, PICT has filed an interpleader civil suit before HCS against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of demand raised by the DDO on PICT to pay property tax out of the Handling, Marshalling and Storage (HMS) Charges payable to KPT amounting to approximately US\$0.4 million for the period from 2003 to 2007. In compliance with the Order of HCS, PICT deposited the amount with Nazir of HCS, out of amount withheld by PICT from HMS charges billed by KPT. In 2014, another demand was made by DDO amounting to approximately US\$0.9 million for the period from 2008 to 2014. On an application filed by PICT for directions, HCS ordered for deposit of the aforementioned amount out of HMS charges billed by KPT and PICT subsequently complied with the order of HCS. In 2015, HCS issued further orders directing PICT to deposit the remaining HMS charges due and payable with HCS in quarterly installments and PICT complied accordingly. The amount deposited with HCS has been netted against the HMS payable to KPT. The decision of the suit is still pending and upon the advice of PICT's legal counsel, management believes that there is full merit in this case and there may be no adverse implication against PICT.

While completing the tax audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (DCIR) modified the deemed assessment of PICT and made certain disallowances/additions on the taxable income and raised an income tax demand of approximately US\$1.24 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who partially decided the appeal in favour of PICT. Consequently, PICT made the payment of approximately US\$0.95 million, in respect of issues confirmed by the CIR(A), and filed a second appeal before the Appellate Tribunal Inland Revenue, which is now pending for adjudication. Upon advice of PICT's tax advisor, management believes that the issues involved in the appeal is expected to be decided in favour of PICT.

During the period, the Assistant Commissioner Sindh Revenue Board (AC-SRB) under Sindh Sales Tax on Services Act, 2011 raised a demand of approximately US\$4.9 million along with penalty and default surcharge, for the tax periods January 2013 to December 2014 on exempt services provided by PICT. PICT filed an Appeal with Commissioner Appeals - SRB which is pending for hearing. PICT has also filed a petition before the HCS in respect of the subject order passed by AC-SRB seeking protection from any adverse action. HCS has granted an interim order restraining AC-SRB from taking any adverse action relating to recovery of above demand. Upon advice of PICT's tax and legal advisors, management believes that PICT has a strong defense and the appeal is expected to be decided in favour of PICT.

TSSA

In 2008, a civil suit was filed by former customer Interfood Comercio (Interfood) against TSSA for damages to perishable cargo amounting to BRL7.0 million (approximately US\$3.0 million). Interfood's cargo (garlic and birdseed) was declared improper for human and animal consumption due to long storage period at TSSA before it was claimed and such cargo was destroyed by Brazilian customs authorities. The lower court and

Court of Appeals ruled in favor of Interfood. The case has been pending in the Supreme Court for more than four years. An amount of BRL12.0 million (approximately US\$3.6 million) in TSSA's bank account has been garnished by the lower court. The provision aggregating BRL13.8 million (US\$3.5 million), BRL13.8 million (US\$4.2 million) and BRL13.8 million (US\$4.2 million) were recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively. In July 2016, the State Court rendered a decision against TSSA. The said judgment, however, is still subject to a last appeal with the Supreme Court in Brasilia.

ICTSI Oregon

Due to continuing labor disruption caused by the International Longshore and Warehouse Union (ILWU) in Portland commencing in June 2012, ICTSI Oregon has filed two separate counter-claims in federal court against the ILWU seeking monetary damages. The first is a claim for damages caused by the ILWU's unlawful secondary activity under the National Labor Relations Act. The second is an antitrust claim brought against the ILWU and the Pacific Maritime Association (PMA). ICTSI Oregon also has a second counterclaim for breach of fiduciary duty against PMA. In addition, the National Labor Relations Board (NLRB) has sought and obtained two federal court injunctions against the ILWU, prohibiting illegal work stoppages as well as a finding of contempt of court against the union.

The federal district court initially stayed ICTSI Oregon's damage claim for unlawful secondary activity pending completion of administrative proceedings before the NLRB. The NLRB's administrative proceedings were completed in a manner favourable to ICTSI Oregon and the United States Court of Appeals for the District of Columbia Circuit in Washington D.C. upheld the NLRB's decisions. As a result, the federal district court in Oregon lifted the stay and has scheduled a trial of ICTSI's damage claim in November 2018. This is a substantial claim, seeking a multi-million dollar judgment against the ILWU

ICTSI Oregon's antitrust claim against ILWU and PMA was dismissed by the federal court. The judge granted ICTSI Oregon permission to appeal the dismissal to the United States Court of Appeals for the Ninth Circuit. In July 2017, the Ninth Circuit upheld the dismissal of the claim. ICTSI Oregon has filed a petition for writ of certiorari with the United States Supreme Court seeking to reverse the Ninth Circuit's decision. If ICTSI Oregon prevails on its further appeal, its antitrust claim may proceed before the trial court. Under federal law, successful antitrust plaintiffs may recover treble damages.

As with its claim against the ILWU for damages caused by illegal secondary activity, ICTSI Oregon's breach of fiduciary claim against PMA was previously stayed by the federal district court. The federal district court has lifted that stay and ICTSI Oregon's claim for breach of fiduciary duty is scheduled for trial in November 2018 along with ICTSI Oregon's damage claim against the ILWU.

On November 6, 2017, ICTSI Oregon was granted a favourable decision from the US Court of Appeals in Washington D.C. against the ILWU. The US Court of Appeals found ILWU guilty of violating federal labor laws and upheld two NLRB decisions declaring that ILWU engaged in deliberate work stoppages and slowdowns, made false safety claims, and engaged in other coercive conduct against ICTSI Oregon and its customers.

Management believes that the other cases pending between ICTSI Oregon, ILWU and PMA will be resolved in favour of ICTSI Oregon.

TICT

On 28 December 2012, TICT filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Co. ("TPGC") on the grounds of "unforeseen change of circumstances" and "Force Majeure". In early 2013, TPGC submitted to arbitration TICT's termination notice. On 1 April 2014, the arbitration panel decided in favour of TPGC. While the award has become executory on 20 April 2015, management and its legal counsels believe that TPGC will not be able to successfully enforce the award outside of Syria.

BICTL

In 2015, BICTL filed a case against Revenue Service with the Tbilisi City Court for the cancellation of the tax assessment in the amount of US\$860.7 thousand (GEL2.3 million). The case involves Value-Added Tax on fees collected by BICTL for services rendered in relation to the export of scrap materials. The Revenue Service alleged that such fees are subject to VAT while BICTL believes that it has good legal basis to treat the services as a VAT zero-rated sale of services. In March 2016, the Tbilisi City Court rendered a decision in favor of Revenue Service. BICTL has appealed the said decision with the appellate court. The first hearing was on January 17, 2018 and second hearing will be on March 7, 2018.

Certain Relationships and Related Party Transactions

Transactions with Related Parties

The table below summarizes transactions with related parties for the last three years, as disclosed in the accompanying consolidated financial statements:

			2015		2016		2017	
				Outstanding Receivable (Payable) Balance		Outstanding Receivable (Payable) Balance		Outstanding Receivable (Payable) Balance
Related Party	Relationship	Nature of Transaction	Amount		Amount		Amount	
(In Millions)								
ICBV SPIA	Joint venture	Interest-bearing loans Interest income (converted into interest-bearing loan)	US\$85.70	US\$197.20	US\$52.00	US\$249.20	US\$25.40	US\$269.48
			9.07	12.70	14.58	27.28	17.75	44.55
YICT YPH	Non-controlling shareholder	Port fees ⁽ⁱ⁾	1.10	—	1.77	—	1.59	—
		Trade transactions ⁽ⁱⁱ⁾	0.09	(0.01)	—	—	—	—
		Management fees ⁽ⁱⁱⁱ⁾	0.23	—	0.22	—	0.21	—
		Interest-bearing loans ^(iv)	—	—	21.60	(21.60)	21.60	—
		Interests on loans ^(iv)	—	—	0.07	(0.03)	0.28	—
YPG	Common shareholder	Port fees ⁽ⁱ⁾	3.72	(0.29)	2.36	(0.14)	3.10	(0.17)
		Trade transactions ⁽ⁱⁱ⁾	2.09	(0.32)	1.87	(0.02)	1.66	—
		Purchase of equipment	2.58	—	—	—	—	—
DP World	Non-controlling shareholder	Management fees ⁽ⁱⁱⁱ⁾	0.19	—	0.17	—	0.17	—
SCIPSI Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.16	(0.02)	0.20	(0.03)	0.17	(0.02)
AGCT Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.29	(0.03)	0.37	(0.02)	0.25	(0.04)
PICT Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	4.47	(0.52)	5.17	(0.03)	5.50	(0.40)
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	0.01	—	0.01	—	—	—
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vii)	0.57	0.04	0.52	0.03	0.37	0.01
LGICT NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.16	(0.16)	0.41	(0.04)	0.47	(0.04)
		Maintenance and repairs	0.04	(0.04)	0.09	(0.02)	0.14	(0.01)
BIPI Atlantic Gulf and Pacific Co. of Manila, Inc. (AG&P)	Common shareholder	Rent expense	0.07	(0.01)	0.05	(0.02)	0.06	(0.02)
		Revenues	0.42	0.25	—	—	—	—
		Utilities	—	—	0.03	—	0.03	—
IDRC Ledyá SARL	Non-controlling shareholder	Management fees	—	—	—	—	0.85	0.85

(i) YICT is authorized under the Joint Venture Agreement to collect port charges levied on cargoes; port construction fees and facility security fee in accordance with government regulations. Port fees remitted by YICT for YPH / YPG are presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income. Outstanding payable to YPH/YPG related to these port charges are presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.

(ii) Trade transactions include utilities, rental and other transactions paid by YICT to YPH and YPG.

- (iii) The Board of YICT approved a management fee of RMB6.1 million, RMB5.7 million and RMB5.2 million in 2015, 2016 and 2017, respectively, allocated among the shareholders namely: ICTSI, DP World and YPH.
- (iv) On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of April 30, 2017. The remaining loan from YPH was fully paid upon the availing of a long-term loan from ABC on April 26, 2017.
- (v) AGCT has entered into agreements with Luka Rijeka, a non-controlling shareholder, for the latter's provision of services such as equipment maintenance, power and fuel and supply of manpower, among others. Total expenses incurred by AGCT in relation to these agreements were recognized and presented in the consolidated statements of income as part of Manpower costs, Equipment and facilities-related expenses and Administrative and other operating expenses.
- (vi) PICT has entered into an agreement with Premier Mercantile Services (Private) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.
- (vii) Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.

The outstanding balances arising from these related party transactions are current and payable without the need for demand.

Outstanding balances at year-end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2015, 2016 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Aside from the transactions described above, ICTSI does not have any other transactions with its directors, executive officers, security holders or members of their immediate family.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation paid to the Chairman of the Board and President, and four (4) highest paid executive officers named below, as a group, for 2017 amounted to US\$2.5 million (2016: US\$2.2 million). The estimated amount of compensation expected to be paid in 2018 to the Chairman of the Board and President and four (4) highest paid executive officers as a group, amounted to US\$2.5 million.

Name and Principal Position	Year	Salary	Bonus and Others ^(a)	Total ^(b)
Enrique K. Razon, Jr. Chairman of the Board and President				
Martin O'Neil Executive Vice-President				
Rafael D. Consing, Jr. Senior Vice-President, Chief Financial Officer and Compliance Officer				
Vivien F. Miñana Vice-President and Senior Administration Officer				
Jose Joel M. Sebastian Senior Vice-President, Finance				
Chairman of the Board and President and four (4) highest paid executive officers, as a group	2018 (Estimate)	US\$0.3M	US\$2.2M	US\$2.5M
	2017 (Actual)	0.4M	2.1M	2.5M
	2016 (Actual)	0.4M	1.8M	2.2M
All officers and Directors, as a group, Unnamed ^(c)	2018 (Estimate)	1.1M	6.9M	8.0M
	2017 (Actual)	1.2M	6.8M	8.0M
	2016 (Actual)	0.9M	5.8M	6.7M

(a) Mainly includes non-cash compensation based on Stock Incentive Plan paid out of the allocated Treasury Shares of ICTSI

(b) Includes total compensation paid in the Philippines by the registrant and its subsidiaries

(c) Including four (4) highest paid executive officers

The members of the Board of Directors receive directors' fees as compensation in accordance with the Company's By-Laws. There are no material terms of any other arrangements or contracts where any director of ICTSI was compensated or is to be compensated, directly or indirectly, in 2016, 2017 or in the coming year, for any service provided as a director.

Named executive officers are covered by Letters of Appointment with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from ICTSI by any named executive officer from a change-in-control of the Company, except for the automatic vesting of awarded shares under the Stock Incentive Plan referred to below.

Certain officers were granted awards under the Stock Incentive Plan (SIP) in 2015, 2016 and 2017. Discussion on the SIP is further disclosed in Note 19, *Share-based Payment Plan*, to the Annual Audited Consolidated Financial Statements.

Item 7. Independent Public Accountants

The principal external auditor is the firm SGV & Co. The Group has engaged Mr. Arnel F. De Jesus, partner of SGV & Co., for the audit of the Group's books and accounts in 2017.

The appointment of the partner-in-charge will be in compliance with SEC Rule 68, Paragraph 3 (b)(iv) and SEC Memorandum Circular No. 8, Series of 2003, which require the rotation of the external auditor every five (5) years and a two-year cooling off period in the re-engagement of the same signing partner or individual auditor.

The reappointment of SGV & Co. as the Company's external auditors is part of the agenda for this year's annual stockholders meeting.

A representative of the external auditor is expected to be present at the annual stockholders' meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

External Audit Fees and Services

ICTSI paid its external auditors the following fees (in thousands) for the last three years for professional services rendered:

	2015	2016	2017
Audit Fees	US\$1,057.8	US\$1,070.2	US\$1,152.2
Audit-related Fees	880.4	379.1	437.4
Tax Fees	295.6	72.9	111.5
Other Fees	73.1	151.1	66.7

Audit Fees include the audit of the Group's annual financial statements. The consolidated audit fees increased in 2017 as a result of additional scope of work for new operating and start-up terminals.

Audited-Related Fees include the review of interim financial statements and issuance of comfort letters for the capital market raising transactions of the Group. The amount in 2015 pertains to the issuances of three comfort letters as a result of the capital market raising transaction of the Group and project financing in one of the subsidiaries while the amount in 2016 and 2017 pertains to the issuance of a comfort letter relating to the Group's liability management exercise.

Tax fees paid to SGV & Co./Ernst & Young are for tax compliance, tax advisory services and transfer-pricing studies. The amount in 2015 was higher than in 2016 and 2017 mainly due to the transfer-pricing studies and tax advisory on tax planning for the restructuring of our subsidiaries in Latin America.

Other fees mainly include due diligence services related to business development and other various one-time engagements.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The reappointment of SGV & Co. as the Company's external auditors was approved by the stockholders in a meeting held on April 20, 2017.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with ICTSI's external auditors, SyCip Gorres Velayo and Company (SGV & Co.), a member firm of Ernst & Young Global Limited, on accounting and financial statement disclosures.

Item 8. Compensation Plans

ICTSI is centered on empowering, motivating and energizing its employees' talents. The Company continues to improve and develop competencies in the people working for its success.

An Employees Stock Option Plan ("ESOP") was established in 1991 under which shares from authorized but unissued capital stock were set aside for subscription by directors, officers, and employees. A Stock Option Committee composed of three (3) directors determined the number of shares to which a particular recipient was entitled. The subscription price under the ESOP was 95% of the issue price in the initial public offering of the Company and is subject to revision by Stock Option Committee from time to time.

In January 2007, Board approved the amendment of ESOP to convert it into a restricted stock plan called the "Stock Incentive Plan" (the "SIP"). The amendment of the ESOP into an SIP was approved by the stockholders at a special meeting held in March 2007.

Under the SIP, shares from our treasury will be granted to a participant by a resolution of Stock Incentive Committee. The Committee determines who and how many will be the awarded shares under the SIP.

ICTSI currently has no stock options, warrants or rights plan.

Descriptions and explanations of the above transactions are further disclosed in Note 20, *Share-based Payment Plan*, to the Annual Audited Consolidated Financial Statements.

PART I.C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Otherwise for Exchange

Not Applicable

Item 10. Modification or Exchange of Securities

Not Applicable

Item 11. Financial and Other Information

Not applicable

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not applicable

Item 13. Acquisition or Disposition of Property

Not applicable as there is no acquisition or disposition of any property.

Item 14. Restatement of Accounts

Not applicable as there is no restatement of accounts.

Part I.D. OTHER MATTERS

Item 15. Action with Respect to Reports

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the Last Annual Stockholders' Meeting

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since April 20, 2017, the date of the last Annual Stockholders' Meeting. These are reflected in the minutes of the meetings of the

Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and to the Philippine Stock Exchange, and in the 2017 Annual Report and the Report of the Chairman.

The affirmative vote of a majority of the votes cast on this matter is necessary for the ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management, which include the following:

February 22, 2017 (Regular Meeting)

Approval to the amendment of the Seventh and Eighth Articles of the Articles of Incorporation of ICTSI

March 14, 2017 (Special Meeting)

Approval of the following: (1) Participation of ICTSI in the second phase of the Thessaloniki Port Bid; and (2) awarding of shares under ICTSI's Stock Incentive Plan

March 20, 2017 (Regular Meeting)

Approval of the following: (1) Appointment of legal representative in ICTSI's application for permits of Manila International Container Terminal; (2) appointment of authorized representatives in the application for Income Tax Holiday entitlement with BOI; and (3) authorization of the sale of motor vehicles of ICTSI

April 10, 2017 (Special Meeting)

Approval of the following: (1) Authorization of the amendments of the credit facilities with the Standard Chartered Bank; and (2) renewal of credit facilities with Metrobank

April 20, 2017 (Regular Meeting)

Approval of the following: (1) CFO Report for 2016; (2) Financial Report for the 1st Quarter of 2017; (3) creation of new board committees; (4) release of previous years appropriation in the retained earnings and new appropriations for 2017; (5) declaration of dividends; and (6) signing of agreement with HSBC for ICTSI's Employee Privilege Plan

May 2, 2017 (Special Meeting)

Approval of the following: (1) Appointment of signatories for forms regarding dividend declaration; (2) appointment of signatories in bank transactions; (3) appointment of proxy for the Annual Stockholders Meeting of Mindanao International Container Terminal Services, Inc.; and (4) establishment and renewal of credit facilities with the Bank of Tokyo

May 18, 2017 (Regular Meeting)

Approval of the following: (1) Application for BIR – Importer Clearance Certificate; (2) signing of Sub-lease Agreement with Prime BMD; and (3) appointment of Metrobank as Investment Manager

June 19, 2016 (Regular Meeting)

Approval of the following: (1) Increase of credit facilities with the Bank of Tokyo; (2) signing of Conditional Purchase agreement for the Housing Project to ICTSI's employees; (3) acting as surety to the term loan facility of Operadora Portuaria Centroamericana S.A. de C.V.; (4) renewal of the ICTSI's accreditation as an importer with Bureau of Customs; and (5) amendments in the credit facilities with the Standard Chartered Bank

June 30, 2017 (Special Meeting)

Approval of the awarding of shares under ICTSI's Stock Incentive Plan

July 11, 2017 (Special Meeting)

Approval of the return of deposits for future stock subscription in International Container Terminal Holdings, Inc.

August 15, 2017 (Special Meeting)

Approval of the awarding of shares under ICTSI's Stock Incentive Plan

August 17, 2016 (Special Meeting)

Approval of the increase of credit facilities with PNB

September 7, 2017 (Special Meeting)

Approval of the appointment of the ICTSI's Data Protection Officer

September 8, 2017 (Special Meeting)

Approval of the following: (1) Sale of treasury shares; (2) renewal of credit facilities with Bank of Tokyo; and (3) establishment of a bridge facility with Metrobank

September 14, 2017 (Special Meeting)

Approval of the return of deposits for future stock subscription in International Container Terminal Holdings, Inc.

September 21, 2017 (Regular Meeting)

Approval of the following: (1) Signing of the 25-year agreements to operate the international ports in Motukea and Lae in Papua New Guinea; (2) securing of Re-export Bond for ICTSI's dredging project; (3) signing of Share Purchase Agreement with Petron Corporation; (4) signing of Deed of Undertaking with San Miguel Holdings Corporation; and (5) signing of Agreement with IZ Investment Holdings, Inc.

October 2, 2017 (Special Meeting)

Approval of the awarding of shares under ICTSI's Stock Incentive Plan

October 11, 2017 (Special Meeting)

Approval of the following: (1) Signing of the expansion agreement for the second development phase of the Basra Gateway Terminal; (2) securing of Re-export Bond for ICTSI's dredging project and appointment of legal representatives; (3) creation and opening of account with Coins.ph; (4) appointment of legal representative in procuring necessary permits for Manila International Container Terminal; and (5) signing of Deed of Absolute Sale of shares with Petron Corporation

November 20, 2017 (Special Meeting)

Approval of the appointment of legal representatives in transacting with public and private entities for the transactions of ICTSI's Claims Department

December 18, 2017 (Special Meeting)

Approval of the following: (1) One-time increase in the Standby Letter of Credit Facility with PNB; (2) appointment of legal representatives with respect to the case of CWC vs. American President Lines; appointment of legal representatives with respect to the case of Pioneer Insurance vs. MCC Transport, et.al.

December 29, 2017 (Special Meeting)

Approval of the following: (1) Parent Guarantee of ICTSI to ICTSI South Pacific Limited; (2) appropriation of ICTSI's existing retained earnings; (3) revised Audit Committee Charter and the minutes of the Audit Committee meetings held on March 2, 2017, May 4, 2017, August 3, 2017, and November 2, 2017; and (4) new charter for the Board Risk Oversight Committee and minutes of the Board Risk Oversight Committee meetings held on May 4, 2017, August 3, 2017, and November 2, 2017

January 5, 2018 (Special Meeting)

Approval of the issuance by Royal Capital B.V. of new senior perpetual securities guaranteed by ICTSI

January 10, 2018 (Special Meeting)

Approval of the final terms and conditions of new senior perpetual securities issued by Royal Capital B.V.

January 11, 2018 (Special Meeting)

Approval of the guarantee of additional senior perpetual capital securities issued by Royal Capital B.V.

February 9, 2018 (Special Meeting)

Approval of the signing of an Exclusivity Agreement with Ecosential Foods Corporation

February 15, 2018 (Special Meeting)

Approval of the following: (1) Designation of the date and other relevant matters pertaining to the 2018 Annual Stockholders Meeting; (2) designation of Authorized Representative for application of permits and

licenses; (3) renewal of credit facilities with ANZ; and (4) review of the Company's mission and vision statements

Summary of the Minutes of the 2017 Annual Stockholders' Meeting

The Annual Meeting of Stockholders of INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (ICTSI or "Company") was called to order at 10:00 a.m., April 20, 2017, at the Solaire Ballrooms 2 to 5, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Parañaque City, pursuant to written notices given by the Corporate Secretary Atty. Rafael T. Durian.

Chairman Enrique K. Razon, Jr. presided the meeting. Assistant Corporate Secretary, Atty. Silverio Benny J. Tan, acted as secretary of the meeting ("Secretary") and took minutes of the proceedings.

The following members of the Board of Directors were present: Enrique K. Razon Jr., Andres Soriano III, Stephen A. Paradies, Octavio R. Espiritu, John Ramon Aboitiz, Joseph R. Higdon and Jose C. Ibazeta.

1. Call to Order -

The Chairman called the meeting to order and asked the secretary whether the stockholders were duly notified and if there was a quorum for the meeting.

2. Determination of Quorum -

On request of the Chairman, the Secretary certified that notices for the Annual Meeting of Stockholders of ICTSI were sent out to stockholders as of record date of March 15, 2017 starting March 24, 2017. The Secretary further certified that stockholders representing 2,359,487,120 shares, out of a total of 2,729,363,543 shares, or 86.45% of total outstanding shares were present in person or by proxy. There was, therefore, a quorum for the meeting.

3. Approval of Minutes of the Annual Meeting of Stockholders Held on April 21, 2016

The Chairman said that the first item in the agenda was the approval of the minutes of the previous Annual Meeting of Stockholders. A stockholder moved for the approval of the minutes of the Annual Stockholders Meeting dated April 21, 2016, which was duly seconded. There being no objection to the motion, the Chairman declared the motion carried.

The votes through proxies with specific instructions on this motion, are detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,282,864,625
Dissenting	None
Abstaining	None

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-01-17

"RESOLVED, that the minutes of the Annual Stockholders Meeting held on April 21, 2016 are hereby approved."

4. Chairman's Report -

The Chairman and President delivered the following report:

Overall, 2016 was a very good year for the Company. It was a year where we saw some of the large investments that we made over the last five years begin to pay off.

It was also the year when we completed most of our greenfield projects, such as Berth 27 in Umm Qasr in Iraq, Matadi in the Democratic Republic of Congo or DRC, and the near completion of two large greenfields in Buenaventura, Colombia, which we recently inaugurated, and in Melbourne, Australia, which we are about to inaugurate. These terminals will be the principal drivers of growth for the Company over the next several years.

2016 was likewise a year which brought with it many far reaching global political events, such as the presidential elections in the Philippines and the United States, and the Brexit vote. The latter two specifically bring with them uncertainties in the global trade structure and the long term status of the European Union, both of which play a large role in world trade. The new trade policies of the Trump Administration will have the largest impact on whether the free trade era and globalization will take a turn in a different direction.

So there are possibilities that headwinds for global trade could be gathering just over the horizon, although it is still too early to tell. The free trade policies of the last two decades have certainly been beneficial for Asia and Latin America.

We also witnessed the acceleration of consolidation in the shipping business, where we now have fewer but much larger shipping line customers with constantly shifting alliances. In spite of low fuel prices, the shipping industry is still struggling with over-capacity and low growth.

Even with all these uncertainties we have areas where we have a strong presence and have experienced very good growth. For ICTSI, the sheer strategic diversity of our portfolio of terminals served us in good stead once again.

An Extraordinary Season for Business Development

ICTSI is known as a solid performer in the ports development, management, and operations sector; we have not been known for flash or hype. Whenever we make a claim, we have the facts and the numbers to back us up. Today, please allow me, therefore, to bring to your attention an extraordinary season that we have just had in our global operations.

Specifically, we delivered four large and mega port infrastructure projects within the same year. More so, we delivered all but one on time, or ahead of time, and just as important, on or below budget. We have, strictly speaking, crossed a threshold as possibly the most successful port developer in the industry. I cannot name any among the major players who can claim this track record, particularly in the difficult environments where we have accomplished this.

First with Sociedad Puerto Industrial Aguadulce or SPIA, our joint venture container terminal development project with PSA in Buenaventura, Colombia. We delivered it on budget—with the development work valued at USD \$546 million—albeit seven months behind schedule. We grappled with a whole multitude of issues involving over 20 different contractors, and an extremely difficult site, among other challenges, but eventually delivered all the infrastructure, including a 21-kilometer road through a jungle.

In Africa, the Matadi Gateway Terminal or MGT is a state-of-the-art port: the first of its scale and standard for DR Congo. With an auspicious start four months ahead of schedule, we had our work cut out for us: a remote location, limited materials, hard rocky soil conditions. Yet, the USD \$95 million investment is soundly based on the solid prospects offered by the strategic location. With this infrastructure comes a primary gateway for DRC's mining and agricultural exports and all imports as revenue drivers.

In Iraq, where we have two existing terminals, we completed the construction of Berth 27, our third, on time and below budget.

In Australia, our Victoria International Container Terminal at the Port of Melbourne was completed below budget and four months ahead of schedule. This has never been achieved in the port industry for a 100 percent automated terminal. It is especially noteworthy when

considering the unprecedented complexity of the civil works requirements, along with the level of pioneering automation built right into the design.

VICT was designed, and is now fully equipped, to be totally automated and the most advanced container terminal in the world. A large portion of the US\$450 million investment went into VICT's cutting-edge technology, automation, and the highest systems for port safety. VICT is the very first terminal in Australia that can accommodate the largest Neo-Panamax container ships. For the time being, we can rightly claim that our Melbourne terminal is the most automated and modern terminal in the world.

Across Our Operations

Despite generally sluggish trade, ICTSI handled consolidated volume of 8,689,363 twenty-foot equivalent units or TEUs, up by 12 percent over 2015. The increase in volume was driven by continuing volume ramp-up in Iraq, Mexico, and Indonesia and organic trade growth in Pakistan, Madagascar, Croatia, Ecuador, and the Philippines.

Financial Performance

For the year in review, gross revenues from port operations increased seven percent in 2016 to US\$1.128 billion, from US\$1.051 billion the previous year.

ICTSI's Net Income more than tripled to US\$180 million as compared to 2015, up 207 percent over the US\$58.5 million in 2015. This includes a non-recurring charge of US\$23.4 million for the pre-termination of the lease agreement in Portland, Oregon, as against non-recurring charges of \$114.6 million in 2015. Without these non-recurring items, recurring net income would have increased 18 percent to US\$203.4 million, from US\$172.8 million.

Consolidated EBITDA increased 17 percent to US\$525.1 million in 2016, from US\$450.0 million the previous year mainly due to the continuing ramp-up and further improvement in operating efficiencies at the terminals in Iraq and Mexico; and strong operating results from the company's terminals in Madagascar, Honduras, Pakistan, Indonesia and the Philippines. Consolidated EBITDA margin continued to improve to 47 percent in 2016, from 43 percent the year earlier.

Total cash operating expenses of the Group decreased by three percent, from US\$432.3 million in 2015 to US\$419.6 million in 2016 due to a continuing cost cutting program, and favorable translation impact of local currency expenses. The decrease was tapered by higher cost contributions of new terminals in Argentina, DRC and Australia.

Fund Management

Capital expenditures for 2016 amounted to US\$391.9 million. Excluding capitalized borrowing costs and other expenses, capital expenditures amounted to US\$353.5 million, 84 percent of the US\$420.0 million capital expenditure budget for the full year 2016.

The Group's capital expenditure provision for 2017 is approximately US\$240.0 million allocated for continuing development of Puerto Cortes, Honduras, Mexico and the Manila terminal.

Before I move on, I would like to reiterate the unprecedented level of efficiency we have achieved in delivering our infrastructure projects, in terms of time, and of budget.

And now, a note of cautious hope

As we continue our strategy of expanding our global footprint, we will also single mindedly execute our cost cutting program, which we developed over a year ago, and streamline our

entire organization from the ground up, thereby gaining more efficiencies and increasing our operating leverage.

The Company is well underway with our liability management and debt reduction program, and we are constantly strengthening our balance sheet. Given potential looming uncertainties, we look to the future as a much stronger Company.

On motion duly made by a stockholder and seconded by another, and in the absence of any objection the annual report for 2016 of the Chairman was approved.

Based on the proxies with special instructions, 2,282,225,625 votes were cast in favor of the motion while 639,000 voted against, with no abstentions.

5. Approval of the Chairman's Report and the 2016 Audited Financial Statements

The Chairman informed the stockholders that the next item in the agenda is the approval of the 2016 Audited Financial Statements.

Upon a motion duly made and seconded, and in the absence of any objections, the stockholders approved the Audited Financial Statements of the Company as of December 31, 2016.

The votes through proxies with specific instructions on this motion, are detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,282,225,625
Dissenting	639,000
Abstaining	None

The following resolution was thus approved:

RESOLUTION NO. STK-02-17

"RESOLVED, that the Chairman's Report for 2016 is hereby approved."

The Chairman informed the stockholders that the next item in the agenda is the approval of the 2016 Audited Financial Statements.

Upon a motion duly made and seconded, and in the absence of any objections, the stockholders approved the Audited Financial Statements of the Company as of December 31, 2016.

The votes through proxies with specific instructions on this motion, are detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,282,225,625
Dissenting	639,000
Abstaining	None

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-03-17

"RESOLVED, that the Audited Financial Statements as of December 31, 2016 is hereby approved."

6. Approval/Ratification of Acts, Contracts, Investments and Resolutions of the Board of Directors and Management Since the Last Annual Stockholders' Meeting

The Chairman said that we now go to the approval and ratification of all acts, contracts, investments and resolutions and other activities approved by the Board and Management. A stockholder moved for the approval of all acts, contracts, investments and resolutions of the Board of Directors and Management since the Annual Stockholders Meeting of April 21, 2016 as they appear in the minutes of the Board meetings and in reports and disclosures made to the Securities and Exchange Commission and the Philippine Stock Exchange. This motion was seconded by another stockholder, and in the absence of any objection to the motion, the Chairman declared the motion carried.

The votes through proxies with specific instructions on this motion, are detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,282,225,625
Dissenting	639,000
Abstaining	None

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-04-17

"RESOLVED, that all the acts, contracts, investments, resolutions and other activities approved by the outgoing Board of Directors and Management since the last annual meeting of April 21, 2016 are hereby approved and ratified."

7. Election of Directors

The Secretary reported that the formal nomination of the following to the Board of Directors of the Company was received by the Office of the Corporate Secretary in accordance with the By-Laws, namely:

**ENRIQUE K. RAZON, JR.
JOSE C. IBAZETA
STEPHEN A. PARADIES
ANDRES SORIANO III
JON RAMON ABOITIZ**

*** OCTAVIO VICTOR ESPIRITU
*JOSEPH R. HIGDON
(*nominees for independent director)**

No other nominations were received. The Secretary further reported that the nominations were passed upon to the Nomination Committee.

A stockholder moved that since there were only seven (7) nominees for the seven (7) available seats in the Board, the Secretary be directed to cast the votes for the seven (7) nominees, except for the proxies with specific instructions, and that the said seven (7) nominees be declared duly elected for the ensuing term. The said motion was duly seconded.

The Chairman asked the body whether there was any objection, and there being none, he declared the motion carried.

The Chairman instructed the Secretary to cast a vote for the seven (7) nominees and declare them as duly elected Directors for the ensuing term, except for stockholders who voted through proxy with specific instructions. The proxies with specific instructions on this matter are detailed below:

	In favor	Against	Abstain	Total Shares Voting
Enrique K. Razon, Jr.	2,249,431,940	31,628,405	1,804,280	2,282,864,625
Jose C. Ibazeta	2,018,161,293	264,703,332	-	2,282,864,625
Stephen A. Paradies	1,980,863,577	302,001,048	-	2,282,864,625
Andres Soriano III	2,004,386,224	278,478,401	-	2,282,864,625
Jon Ramon Aboitiz	1,975,568,787	307,295,838	-	2,282,864,625
Octavio Victor R. Espiritu	2,130,708,106	152,156,519	-	2,282,864,625
Joseph R. Higdon	2,281,871,305	993,320	-	2,282,864,625

The following resolution was thus adopted and passed:

RESOLUTION NO. STK-05-17

"RESOLVED, that the following are the duly elected Directors for the ensuing term:

**Enrique K. Razon, Jr.
Jon Ramon Aboitiz
Octavio Victor R. Espiritu*
Joseph R. Higdon*
Jose C. Ibazeta
Stephen A. Paradies
Andres Soriano III"**

***As independent directors.**

8. Amendment of the Seventh and Eirth Article of the Articles of Incorporation of the Company

The Chairman said that the next item in the agenda was the amendment of the Seventh Article of the Articles of Incorporation, to delete the provision that the Preferred B Shares shall be redeemed by the Company when the nationality restrictions applicable to the Company are lifted by appropriate legislation or constitutional amendment. This amendment was approved by the Board of Directors on February 22, 2017.

The Chairman explained that the amendment to the Seventh Article is intended to give the Board of Directors of the Corporation the discretion over when the Preferred B shares should be redeemed. Under the current provision, the Board of Directors does not have this discretion because the redemption of the preferred B shares is required when the nationality restrictions applicable to the Corporation is lifted by law or constitutional amendment. Giving the Board of Directors the discretion to determine when the Preferred B shares will be redeemed provides flexibility, which is necessary to allow the Corporation to address issues or challenges which may be brought about by the lifting of the nationality restrictions.

The Chairman said that the Preferred B shares are low par value voting shares which receive no dividends. They were issued to maximize the ability of the Corporation to take in foreign equity.

Incidentally, it allows the Corporation to comply with the requirement under the MICT Contract against any change of control in the Corporation without the approval of the Philippine Ports Authority.

A stockholder moved for the approval of the proposed amendment to the Seventh Article of the Articles of Incorporation in the language previously approved by the Board of Directors in its resolution dated February 22, 2017. This motion was duly seconded. In the absence of any objection, the Chairman declared the motion carried.

The votes through proxies with specific instructions on this motion, are detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,100,879,689
Dissenting	171,488,954
Abstaining	10,495,982

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-07-17

"RESOLVED, to allow the Board of Directors the discretion on when the Preferred B shares of the Corporation will be redeemed, and for this purpose to amend the SEVENTH ARTICLE of the Amended Articles of Incorporation of the Corporation, to delete the sentence which states: "The Preferred B Shares shall be redeemed by the Corporation when the nationality restrictions applicable to the Corporation are lifted by appropriate legislation or constitutional amendment."

The Chairman then said that we now go to the approval of an amendment to the Eighth Article of the Articles of Incorporation to delete the right of first refusal and other restrictions on the right to sell shares in the Corporation other than the nationality restriction. This amendment was approved by the Board of Directors on February 22, 2017.

The Chairman explained that the amendment of the Eighth Article will clean up provisions in the Amended Articles of Incorporation, which are vestiges of the period when the Corporation was privately held. These include the right of first refusal and restrictions on sale of shares. These restrictions on the shares are no longer applicable because the shares of the Corporation are now listed in the Philippine Stock Exchange, and are freely transferable.

The nationality restriction will remain as it is currently required by law because the Corporation is engaged in port operation which, in the Philippines, is considered a public service subject to nationality restriction. Certain subsidiaries of the Corporation also own land in the Philippines, which subjects the land holding subsidiaries and the Corporation, as controlling stockholder, to the nationality restriction.

A stockholder moved for the approval of the proposed amendment to the Eighth Article of the Articles of Incorporation in the language previously approved by the Board of Directors in its resolution dated February 22, 2017. This motion was seconded by another stockholder. The Chairman asked if there was any objection to the motion, and hearing none, the Chairman declared the motion carried.

The votes through proxies with specific instructions on this motion, are detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,249,303,089
Dissenting	23,065,554
Abstaining	10,495,982

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-08-17

"RESOLVED, to clean up the Amended Articles of Incorporation of the Corporation by deleting the provisions providing for right of first refusal and other restrictions on the transfer of shares of the Corporation which were applicable before the Initial Public Offering of the Corporation, and for this purpose to delete provisions of the EIGHTH ARTICLE which states:

"The subscription for and the ownership of all shares of stock in this corporation are made and taken upon the condition that any holder of shares of stock desiring to sell or otherwise dispose of the same shall offer his stock to the other stockholders of record."

including sub-articles (a), (b), (c), (d), and (e) on the right of first refusal.

RESOLVED to retain the provision on nationality restriction provided by law which States: "No transfer of share of stock which will reduce the ownership of Filipino citizens to less than the required percentage of capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be printed in all the stock certificates to be issued by the Corporation."

9. Appointment of External Auditors

The Chairman said the next item in the agenda is the appointment of the External Auditor. A stockholder nominated Sycip Gorres Velayo and Company, which the Audit Committee had recommended, as External Auditor for 2017. Upon motion duly made and seconded, the nomination was closed. The Chairman asked the stockholders if there was any objection and there being none, he declared the resolution approved.

The votes through proxies with specific instructions on this matter, as detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,281,619,795
Dissenting	944,180
Abstaining	300,650

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-09-17

"RESOLVED, That Sycip Gorres Velayo and Company is appointed as external auditors of the company for the year 2017."

10. Other Matters

Dividend Declaration

The Chairman announced that at the meeting of the Board of Directors held earlier in the morning, April 20, 2017, the Board declared cash dividends of P 2.47 per share for stockholders of record as of May 5, 2017, payable on May 17, 2017. The stockholders applauded the announcement.

Questions and Answers

The Chairman opened the floor and gave the stockholders the opportunity to ask questions and raise issues.

A stockholder, Ms. Nora Borja, congratulated the Chairman and the Board of Directors for a very profitable year. She suggested that stockholders may be given free shuttle service from Mall of Asia to Solaire Resort & Casino and vice versa during special and annual meeting of the Company. She further suggested that few days before the meeting, the free shuttle service may be posted in the website. The Chairman responded that they will take note of the suggestion and they will look into that suggestion.

Another stockholder, Mrs. Cardino, inquired the effect of the protectionist policy of the United States on ICTSI operations. The Chairman responded that it is too early to see the impact of the campaign. However, if the protectionist campaign of Mr. Trump will be successful, it will be something bad to the rest of the world. Nevertheless, he mentioned that it is too early to tell its impact on ICTSI operations.

11. Adjournment -

The Chairman asked if there are other questions from the floor. A stockholder moved for the adjournment of the meeting, which was duly seconded. There being no objection, the Chairman announced that the meeting was adjourned. He invited the stockholders to partake of brunch courtesy of the Company, thanked them for their attendance, hoped to see them again next year, and greeted them good morning.

Compliance with Leading Practice on Corporate Governance

(a) Evaluation System

On January 25, 2007, an evaluation system to measure compliance with the Revised Manual of Corporate Governance was finalized and approved by the Board to measure or determine the level of compliance of the Board of Directors and top level management.

(b) Measures being undertaken by the Corporation to comply with the adopted leading practices on good corporate governance

Anti – Bribery Policy and Procedure

ICTSI has established its Anti – Bribery Policy and Procedure which strictly prohibits bribery of any kind, and to anyone, whether private individuals or government officials. Local business customs or culture is not a valid excuse for engaging in bribery. ICTSI employees are prohibited from asking for, accepting or receiving bribes, or any other personal benefit that would induce the employee to breach his/her duty to act in good faith, to act impartially or in accordance with a position of trust. All employees are guided by the ICTSI Anti-Bribery Compliance Policy and Procedure.

Employee Trainings

Part of ICTSI's objectives is to impart basic knowledge and skills to new employees and to assist existing employees to function more effectively by keeping them abreast of recent developments and concepts which they could use in their respective fields.

In 2017, ICTSI implemented the following programs:

- 1.) Behavioral trainings which are initiated by the company as part of organization development. These include:
 - a. Interaction Management;
 - b. Basic Management Programs and Leadership trainings;
 - c. Ports Operation and Strategy;
 - d. Ports Planning and Design;
 - e. Customer Service Training;
 - f. Employee Discipline Workshop;
 - g. People Management Conference;
 - h. Labor and Employee Relations Summit;
 - i. PSQI Leadership Training; and
 - j. Team Building Sessions.
- 2.) Company Orientation Programs which include:
 - a. Operations for Non-Operations;
 - b. Orientation for newly hired employees;
 - c. Orientation re: government mandated benefits;
 - d. Orientation for HMI;
 - e. Orientation for Retiring Employees;
 - f. Operations for Non-Operations;
 - g. Ugnayan sa Pantalan.
 - h. Claims for Non-Claims
 - i. ISO Workshop
- 3.) Technical training programs for skills enhancement
 - a. Reach Stackers, Quay Cranes, Rubber Tired Gantries, Sidelifter
 - b. Hatch Clerk Training
 - c. PISM Purchasing & Supply Chain Trainings
 - d. Certified Management Accountant Program
 - e. Digital Communication & Branding
 - f. CISCO CCNA Switching & Routing Course
 - g. Basic Non-Life Insurance
 - h. Fire Fighting Seminar & Drill
 - i. Weather 101
 - j. Port Safety & Health Standards
 - k. SAP GT Training
 - l. Commercial Claims 101
 - m. First Aid with Basic Life Support
 - n. FBI Briefing on Weapons of Mass Destruction
 - o. 8th National SE Conference Social Innovation in Practice
 - p. Business Communication

Health, Safety and Productivity of its Employees

ICTSI maintains its own medical and dental facilities for the use of its employees and their dependents. **Medical Services** include medical check-ups, consultations, treatments, minor surgeries, issuance of medical certificates and approval of sick leave applications. Further, all regular employees and their immediate dependents are provided access to clinic medicines (i.e., antibiotics, maintenance medicines, over-the-counter (OTC) medicines, etc.) Annual drug test for all employees during Company's scheduled APE and Random Drug Test per month for minimum of 100 employees is also conducted. ICTSI also provides free Chest X-Ray for dependents with suspected Pulmonary Tuberculosis.

This also includes services of duly licensed nurses whose duties are to assist the doctor in the treatment of employees and/or their dependent/s, dispense medicine to patients based on the doctor's prescription, file medical records of employees and/or their dependents, apply first aid and/or other immediate/necessary treatment to employees especially in cases of injuries sustained in accidents or incidents occurring within the company premises in the absence of a doctor, assist in transporting employee patients to accredited hospitals in case of emergencies, and conduct home visits to absent employees upon the written request from authorized representative/officer of ICTSI.

Dental Services are performed by duly licensed dentists whose duties include oral check-ups, oral prophylaxis, tooth filing, and tooth extraction.

ICTSI's medical and dental facilities provide round the clock services for employees and their dependents. ICTSI also maintains its own ambulance to address emergency medical cases. A fire truck is always on stand-by within the terminal premises to provide immediate service and assistance in cases of fire and other catastrophes.

ICTSI also introduced a health insurance plan which provides employees access to medical insurance coverage for their Out-Patient and In-Patient (hospitalization, consultation, laboratory, etc) medical needs. It is provided through an approved Health Care Provider and offers a choice of Employee. This health insurance plan varies by maximum amount limits. Employee also has the option to use his/her medical and dental reimbursement (MDR) benefit to enroll his/her dependents in any of our available Dependent Programs. This MDR benefit may also be used for the order and free delivery of medicines via MEDEXPRESS, a delivery service drugstore.

Annual Physical Exam is also conducted religiously in order to promote health awareness and early detection of illnesses. Standard exams include Physical Examination of the doctor, Electrocardiogram (ECG), X-ray, Complete Blood Count, Urinalysis, Fecalalysis and Visual Acuity Screening. During the APE event, our partner healthcare professionals also provides Cardiometabolic Workplace Wellness program which includes Biometric Tests (Blood Sugar, Cholesterol, Blood Pressure screening, Body Mass Index (BMI) /Obesity screening and Foot Doppler test) which helps us in profiling our employees and assessing their overall cardiometabolic health status thus, helping us further to reduce rates of illnesses like Hypertension, Diabetes, Dyslipidemia, etc. Also, from the baseline workforce profiling gathered during APE, we design and provide a customized wellness program like prevention of lifestyle-related diseases, Smoking Cessation campaign among others.

Employees with adverse finding after the above exams shall be directed to consult a specialist for further examination and medication. We have also tapped the services of different medical groups to provide us with seminars and briefing on diseases and medical conditions most common to our employees.

Safety Trainings

Developed Programs and policies for year 2017:

- Full implementation of Personal Protective Equipment (PPE) Policy to all- Zero Tolerance
- New uniform with high visibility marks both upper garments and working pants were distributed for operation employees.
- Conducted trainings and drills on:
 - Fire Prevention and Suppression;
 - First Aid Training and Basic Life Support-CPR;

- Room to Room orientation and Earthquake simulation drill using a 20' container ;
 - Port Safety and Health Standards and
 - Handling of Dangerous Goods Course seminar/training.
- Intensified monitoring and strict implementation of “No Rider Policy”
 - Intensified “No loitering” policy inside the yard
 - Policy on the Control of vehicle access to MICT
 - New MICT “No Smoking” Policy
 - No “Smoking Policy” while operating any equipment\New Policy on Improper Mounting and Stacking of Containers

Other Programs:

- Has an established Health and Safety Committee
- Intensified terminal inspections
- Enhance monitoring of traffic flow and movements of port equipment in the terminal
- Thorough inspection of all cargo gears of vessels at anchorage basin
- Ensure safety of visitors & port users during terminal visits, tours and orientations
- Intensified follow-up inspections
- Intensified training for ERT members
- Intensified coordination between Safety and Operations Officers and Staff. Upgrade of research and development methods
- Handling of Dangerous Good Course. Specialized training course on the proper identification, related legislative regulations and other specifications for dangerous goods handled in the port.
- Ensures compliance to the requirements of ISO 9001:2008 & 1400:2004 standards, PPA, DENR, DOLE-BWC and the BFP

Accident Prevention:

- Intensified tool box meeting in different sections, reminded/reoriented Terminal guidelines and procedures as well as safe working habits.
- Intensified mobility and visibility of Safety Officers
- Intensified yard inspections and Safety Visibility;
- Regular roving inspection and monitoring of the Terminal is being conducted daily to ensure that safety is properly implemented and exercised.
- Regular monitoring of the container stacking at the container yard.
- Ensuring that the terminal guidelines are properly implemented
- Enhance outside truck drivers orientation
- Regular inspection of firefighting equipment
- Regular inspection of building, equipment and facilities.
- Ensuring safety of dockworkers while on board vessels.
- Maintaining proper housekeeping inside the MICT premises; and
- Strict implementation of personal protective equipment for Employees, Port Users, Contractors and Visitors.

ICTSI is committed to provide a safe and healthful place of work in accordance with industry standards and in compliance with government requirements. To meet this commitment, ICTSI abides by the following principles:

- Place the highest priority on the health and safety of all employees and port users;
- Provide health and safety training to employees to empower or incident prevention program;
- Encourage employees to perform their jobs properly in accordance with established procedures and work practices;
- Ensure the Company's operation and other activities comply with applicable government regulations.
- Provide full cooperation to clients, statutory authorities and local communities;
- Communicate and consult with employees to be able to continually improve work procedures and maintain safe practices in the performance of their jobs; and
- Monitor performance and conduct regular audits to ensure health and safety management system is up

to date and continually improved.

Through these principles, ICTSI believes that:

- Accident loss can be controlled through good management combined with active employee involvement;
- Safety is the direct responsibility of all managers, supervisors, employees, contractors and port users;
- All employees will be aware of their statutory duty to take reasonable care of the health and safety of themselves and others who may be affected by their actions; and
- Health and safety for the company, in general will be steered towards a higher education.

(c) Revised Manual of Corporate Governance

The Group adopted a Manual on Corporate Governance in January 2003. Its latest Revised Manual on Corporate Governance (“CG Manual”), pursuant to SEC Memorandum Circular 19 – 2016, was submitted on May 31, 2017. The Company submitted a Certificate last January 29, 2018, which states that the Company is in full compliance of its CG Manual.

The Company likewise submitted its 2016 Annual Corporate Governance Report on May 30, 2017, pursuant to SEC Memorandum Circular 20 - 2016. In line with SEC Memorandum Circular 15 - 2017, the Company will submit its 2017 Integrated Annual Corporate Governance Report on or before May 30, 2018.

The Company’s Compliance Officer was appointed in February 2014. Last February 9, 2016, concurrent as Chief Financial Officer, Rafael D. Consing, Jr. was appointed as the new Compliance Officer. The Compliance Officer coordinates with the Philippine SEC with respect to compliance requirements, monitor compliance with the revised manual and report any governance-related issues to the Board. The Company has not deviated from its CG Manual and further commits itself to principles and best practices of governance in the attainment of corporate goals.

(d) Continuing Improvements for Corporate Governance

ICTSI continues to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance, which includes annual trainings for its Board of Directors and key officers pursuant to SEC Memorandum Circular 20-2013, and submission of its Revised CG Manual on May 31, 2017 in compliance with SEC Memorandum Circular 19-2016. These improvements are being updated and documented in its Annual Corporate Governance Report and moving forward in its Integrated Annual Corporate Governance Report (I-ACGR).

Recognition and Awards in 2017

2017

December: **Platinum Award**

For the fourth year in a row, ICTSI was honored by The Asset Corporate Awards in the Platinum category as one of the elite companies in Asia that has shown All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations at a gala dinner on December 13, 2017 in Hong Kong. ICTSI was also one of the recipients of The Asset Corporate Awards 2017 Best CEO - Enrique K. Razon, Jr.

June: ICTSI was awarded by **Corporate Governance Asia**, in the 7th Asian Excellence Recognition Awards 2017, as one of the Best Investor Relations Companies in the Philippines and Rafael D. Consing, Jr. as one of Asia’s Best CFO.

Dividends and Dividend Policy

Since 2015 to 2017, ICTSI was able to declare dividends from PhP 0.90 - PhP 2.47, which is based on the Company's unrestricted retained earnings. Dividends are payable to all common stockholders, on the basis of outstanding shares held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board. Preferred A shareholders are entitled to dividends at rates fixed by the Board. On the other hand, Preferred B shareholders earn no dividends. Discussion on the parent company retained earnings available for dividend declaration is further disclosed in *Schedule J* to the Annual Audited Consolidated Financial Statements.

The details of ICTSI's declaration of cash dividends are as follows:

	2015	2016	2017
Date of Board approval	April 16, 2015	April 21, 2016	April 20, 2017
Cash dividends per share	US\$0.020 (0.90)	US\$0.020 (0.91)	US\$0.050 (2.47)
Record date	May 4, 2015	May 5, 2016	May 5, 2017
Payment date	May 15, 2015	May 18, 2016	May 17, 2017

Item 16. Matters Not Required to be Submitted

Not Applicable

Item 17. Amendment of Charter, Bylaws or Other Documents

Not applicable

Item 18. Other Proposed Actions

Approval of the 2017 Minutes of the Annual Stockholders' Meeting

The Minutes of the Annual Stockholders' Meeting of ICTSI held on April 20, 2017 ("Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters conferred to in said Minutes since it has already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. The Minutes of the 2017 Annual stockholders Meeting, subject to the shareholders' approval, has been disclosed and uploaded in ICTSI's company website. In addition, copies of the Minutes shall be posted and will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of the Minutes.

Approval of the 2017 Audited Consolidated Financial Statements

The annual consolidated financial statements of ICTSI and subsidiaries as of and for the year ended December 31, 2017 and the accompanying notes to annual consolidated financial statements (referred to as "Consolidated Financial Statements") prepared by ICTSI and audited by SGV & Co., the independent auditors appointed by the stockholders, will be submitted for approval of the Stockholders at the Annual Stockholders' Meeting.

The Consolidated Financial Statements have been meticulously prepared in conformity with the Financial Reporting Standards reflecting the amounts based on the best estimates and informed judgment of the management with an appropriate consideration to materiality the same being the Company management's responsibility.

In this regard, management maintains a comprehensive system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. Management likewise discloses to ICTSI's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors thoroughly reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of ICTSI.

SGV & Co. have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors of ICTSI and subsidiaries.

The affirmative vote of majority of the votes cast on this proposal will constitute approval of the Consolidated Financial Statements.

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval, except where the particular proxies provide for a negative vote or an abstention. If there is an objection, the Chairman will call for a division of the house. The votes of shareholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by Stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting.

The following matters require the following votes:

Subject Matter	Votes Required
Approval of Minutes of the Annual Stockholders' Meeting	Majority of the votes cast
Approval of the 2017 Audited Financial Statements	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management	Majority of the votes cast
Election of Directors	The top seven (7) nominees with the most number of votes are elected
Reappointment of SGV & Co. as the Company's external auditors	Majority of the votes cast

Undertaking to Provide Annual Report

A copy of the 2017 ICTSI Annual Report on SEC Form 17-A for the fiscal year ended 31 December 2017, as filed with the Securities and Exchange Commission, will be sent to any stockholder at the address he indicates, without charge upon written request addressed to:

**The Corporate Secretary
International Container Terminal Services, Inc.
3F ICTSI Administration Building
Manila International Container Terminal
MICT South Access Road, Port of Manila
1012 Manila, Philippines**

Item 20. Proxies

Not applicable

Part IV. SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila on March 8, 2018.

For and behalf of the Board of Directors

By:


RAFAEL T. DURIAN
Corporate Secretary

Schedule 1 – Proxy Form

Instructions for submission of attached Proxy Form

1. Submission of the Proxy

- (a) The proxy form must be completed, signed and dated by the shareholder or his duly authorized representative, and received at the principal office and mailing address of ICTSI **not later than 5:00 p.m. on 6 April 2018**, with the following details:

Attention: Atty. Benjamin M. Gorospe III, Assistant Corporate Secretary
3/F ICTSI Administration Bldg., MICT South Access Road, Port of Manila

- (b) If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all of the joint owners.
- (c) If the shares of stock are owned in an "and/or" capacity, the proxy form must be signed by either one of the owners.
- (d) If the shares of stock are owned by a corporation, association, partnership, or unincorporated entity, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to its by-laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose.
- (e) A proxy form given by a broker or dealer in respect of shares of stock carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.
- (f) If any customer of a broker or dealer who is the beneficial owner of shares of stock executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

2. Revocation of Proxy

An owner of shares of stock who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received at ICTSI's principal office and mailing address **not later than 5:00 p.m. on 6 April 2018**. A proxy is also considered revoked if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

3. Validation of Proxies

Proxy validation will be held at the Executive Lounge, 4/F ICTSI Administration Building, South Access Road, MICT, Port of Manila on **10 April 2018 at 10:00 a.m.** Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the ICTSI's By-Laws and Rule 20(11)(b) of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.

PROXY

The undersigned (the "Principal") hereby constitutes and appoints [Name of Proxy] _____ (the "Proxy") as his/her attorney-in-fact, so that the Proxy or any other person empowered by the Proxy, shall have, without need of further authorization from the Principal, with full power and authority to represent and vote any and all of the shares of stock of the Principal in INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (the "Corporation") at any and all stockholders' meetings of the Corporation, or any adjournment thereof, on all matters that may be brought before said meetings, including the election of directors, as fully and to all intents and purposes as such Principal might do if present and acting in person.

This proxy shall be valid for a period of five (5) years from date hereof unless sooner revoked by the Principal in writing.

IN WITNESS WHEREOF, this proxy has been executed by the Principal on the date and place indicated below.

Signature over Printed Name of Principal

Date signed: _____

Place signed: _____

Management Report

Management’s Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the consolidated financial position and results of operations of ICTSI and its wholly and majority-owned subsidiaries (collectively known as “ICTSI Group”) and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the year ended December 31, 2017. References to “ICTSI”, “the Company”, and “Parent Company” pertain to ICTSI Parent Company, while references to “the Group” pertain to ICTSI and its subsidiaries.

Overview

The Group is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 2,500,000 twenty-foot equivalent units (TEUs). It also handles break bulk cargoes (BBC) and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing, and services for refrigerated containers or reefers. As of report date, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. There are 28 operating terminals in nine key ports and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico, Iraq, Argentina, DR Congo, Colombia, Australia and, recently, Lae in Papua New Guinea; an existing concession to construct and operate a port in Tuxpan, Mexico; a project to construct a barge terminal in Cavite, Philippines; and a recent agreement to operate the international port in Motukea, Papua New Guinea. The project in Cavite is expected to be completed in the second quarter of 2018. The port in Lae commenced operations on February 1, 2018 while the port in Motukea is expected to start commercial operations in the second quarter of 2018.

ICTSI was established in 1987 in connection with the privatization of Manila International Container Terminal (MICT) in the Port of Manila, and has built upon the experience gained in rehabilitating, developing and operating MICT to establish an extensive international network concentrated in emerging market economies. International acquisitions principally in Asia, Europe, Middle East and Africa (EMEA) and Americas substantially contributed to the growth in volume, revenues, EBITDA and net income. ICTSI’s business strategy is to continue to develop its existing portfolio of terminals and proactively seek acquisition opportunities that meet its investment criteria.

The Group operates principally in one industry segment which is cargo handling and related services. ICTSI has organized its business into three geographical segments:

- Asia
 - Manila - Manila International Container Terminal, Port of Manila, Philippines (MICT)
 - Zambales - New Container Terminal (NCT) 1 and 2, Subic Bay Freeport Zone, Olongapo City, Philippines (SBITC/ICTSI Subic)
 - Batangas - Bauan Terminal, Bauan, Philippines (BIPI)
 - Laguna - Laguna Gateway Inland Container Terminal, Calamba City, Laguna, Philippines (LGICT)
 - Cavite - Cavite Gateway Terminal, Tanza, Cavite, Philippines (CGT)
 - Davao - Sasa Wharf, Port of Davao (DIPSSCOR) and Hijo International Port, Davao del Norte, Philippines (HIPS)
 - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
 - Misamis Oriental - Phividec Industrial Estate, Tagaloan, Philippines (MICTSI)
 - Manila - Manila North Harbour Port, Inc., North Harbor, Manila, Philippines (MNHPI)

- Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) and Port of Tanjung Priok, Jakarta, Indonesia (OJA)
- China - Yantai International Container Terminal, Port of Yantai, Shandong Province, China (YICT)
- Pakistan - Port of Karachi, Karachi, Pakistan (PICT)
- Australia - Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia (VICT)
- Papua New Guinea - Port Motukea, Papua New Guinea (MITL) and Port of Lae, Papua New Guinea (SPICTL)
- Europe, Middle East and Africa (EMEA)
 - Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
 - Georgia - Port of Batumi, Batumi, Georgia (BICTL)
 - Croatia - Brajdica Container Terminal, Rijeka, Croatia (AGCT)
 - Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
 - DR Congo - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
 - Iraq - Basra Gateway Terminal at Port of Umm Qasr, Iraq (ICTSI Iraq)
- Americas
 - Brazil - Suape Container Terminal, Suape, Brazil (TSSA)
 - Ecuador - Port of Guayaquil, Guayaquil, Ecuador (CGSA)
 - Argentina - Port of La Plata, Buenos Aires Province, Argentina (TECPLATA)
 - Mexico - Port of Manzanillo, Manzanillo, Mexico (CMSA) and Port of Tuxpan, Mexico (TMT)
 - Colombia - Port of Buenaventura, Buenaventura, Colombia (SPIA)
 - Honduras - Puerto Cortés, Republic of Honduras (OPC)

Concessions for port operations entered into, acquired and terminated by ICTSI and subsidiaries for the last three years are summarized below:

Manila North Harbour Port, Inc., Philippines. On September 21, 2017, the BOD of ICTSI granted the authority to acquire shares in MNHPI. On the same date, ICTSI signed a Share Purchase Agreement (SPA) with Petron Corporation for the acquisition of 10,449,000 MNHPI shares, representing 34.83% of the total issued and outstanding shares of MNHPI for a consideration of Php1.75 billion (US\$33.8 million). The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the Philippine Ports Authority which was obtained on October 20, 2017. The SPA was completed on October 30, 2017. An additional investment cost of Php2.45 billion (US\$47.3 million) was incurred in relation to this acquisition.

Port of Motukea and Port of Lae, Papua New Guinea. In September 2017, ICTSI received a notification from PNG Ports Corporation Limited (PNGPCL), a Papua New Guinea (PNG) state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI through its wholly-owned subsidiaries, Motukea International Limited (MITL) and South Pacific Container Terminal Limited (SPICTL), with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG. The terminal operating agreements (TOA) and other related contracts will take effect after all the parties have complied with the agreed conditions precedent.

Starting February 1, 2018, SPICTL was allowed by PNGPCL to take over the port facilities and begin operations at the Port of Lae pursuant to the Early Operations Agreement signed by SPICTL and PNGPCL while the parties are working on the completion of the remaining condition precedents to the TOA. MITL is expected to take over the international port in Motukea in the second quarter of 2018.

Cavite Gateway Terminal, Philippines. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, Cavite Gateway Terminal (CGT), in partnership with the Philippine Department of Transportation,

launched the country's first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborne transport of containers between Port of Manila and Cavite; and service industrial locators in Cavite area. CGT's barge terminal features an annual capacity of 115,000 TEUs. As of report date, the construction of the terminal is on-going and is expected to be completed in the second quarter of 2018.

Port of Umm Qasr, Iraq. On April 8, 2014, ICTSI, through its wholly owned subsidiary ICTSI (M.E.) JLT, and General Company for Ports of Iraq (GCPI) signed the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 ("Contract") in the Port of Umm Qasr ("Port") in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract ("First Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the First Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. On March 26, 2017, a second addendum to the Contract ("Second Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, on the right to manage and operate Quay No. 21 co-terminus with the Contract and the First Addendum. The Second Addendum extended the term for the management and operation of Quay No. 19 and 20 from 13 to 21 years.

ICTSI took over Berth 20 in September 2014 and started commercial operations in November 2014, while Phase 1 of the expansion project was completed and fully operational in the first quarter of 2017. The rehabilitation works for Berth 21 are on-going and it is expected to operate in the first quarter of 2018. Phase 2 of the expansion project which will involve development of two new berths, Berths 25 and 26, including a 20-hectare yard area is expected to be completed in the second quarter of 2019.

Port of Tuxpan, Mexico. On May 27, 2015, ICTSI acquired 100.0 percent of the capital stock of Terminal Maritima de Tuxpan, S.A. de C.V. (TMT) for a total cash consideration of US\$54.5 million from Grupo TMM, S.A.B. and its subsidiary Inmobiliaria TMM, S.A. de C.V. TMT has a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. As of March 8, 2018, management is working on a development plan on TMT.

Laguna Gateway Inland Container Terminal, Philippines. On March 2, 2015, Laguna Gateway Inland Container Terminal, Inc. (LGICT) started operating the first one-stop inland container terminal located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60.0 percent-owned by IW Cargo Handlers, Inc. (IW Cargo) and the remaining 40.0 percent is owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK- Fil-Japan Shipping Corp. LGICT primarily operates as an extension of the seaport operations of the MICT. In particular, LGICT is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers, both within and outside the economic zones in the LABARZON area. Only 58 kilometers from Metro Manila, LGICT is situated on a 21-hectare property, strategically located near various economic export zones with an already existing adjacent railroad.

Extension of Contracts

Davao Sasa Port, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Since April 2016, the local office of the PPA in Davao City has granted DIPSSCOR a series of hold-over authorities for a period ranging from six months to one year. On February 22, 2018, the PPA issued AO No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018,

for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016. As of report date, the hold-over authority is yet to be issued by the PPA Port Manager.

Makar Wharf, Port of General Santos, South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Since then, the local office of the PPA in General Santos City has granted SCIPSI a series of hold-over authorities for a period of one year. On February 22, 2018, the PPA issued AO No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016. As of report date, the hold-over authority is yet to be issued by the PPA Port Manager.

Termination of Contracts

Deep Water Port, Ibeju-Lekki, Lagos State, Federal Republic of Nigeria. On May 17, 2017, ICTSI, through its subsidiary Lekki International Container Terminal Services LFTZ Enterprise (LICTSE), and Lekki Port LFTZ Enterprise (LPLE) signed a settlement and release agreement cancelling LICTSE's sub-concession agreement dated August 10, 2012, subject to payment of an agreed amount to LICTSE. The said Sub-concession Agreement (Agreement) granted LICTSE exclusive right to develop and operate, and to provide handling equipment and container terminal service at the container terminal within Lekki Port located at Ibeju Lekki, Lagos State, Federal Republic of Nigeria for a period of 21 years. On May 23, 2017, ICTSI received the agreed amounts of US\$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement, and US\$7.5 million representing compensation of costs incurred by ICTSI in relation to the project. The termination of the Sub-concession Agreement has been finalized and was deemed effective May 24, 2017.

Port of Portland, Oregon, U.S.A. In October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. In late 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. As a result, the Company has provided for probable loss on the pre-termination of the lease agreement amounting to US\$23.4 million in 2016 based on the Company's best estimate of the probable outcome of the negotiations with the Port.

On March 8, 2017, ICTSI, through ICTSI Oregon, and the Port of Portland have signed a Lease Termination Agreement and both parties have mutually agreed to terminate the 25-year Lease Agreement to operate the container facility at Terminal 6 of the Port of Portland with an effective date of March 31, 2017. The Lease Termination Agreement allows ICTSI Oregon to be relieved of its long-term lease obligations. In exchange, the Port of Portland will receive US\$11.45 million in cash compensation and container handling equipment including spare parts and tools.

Muara Container Terminal, Brunei Darussalam. The Agreement with the Brunei Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam was no longer renewed and ended effective February 21, 2017. NMCTS contributed less than 1.0 percent of the Group's revenue and about 1.0 percent of the Group's net income in 2016.

Naha International Container Terminal Inc, Naha, Japan. On April 27, 2015, ICTSI sold its 60.0 percent ownership interest in Naha International Container Terminal Inc. (NICTI) back to NICTI. The 10-year lease agreement of NICTI granted by Naha Port Authority was to expire by end of 2015 and ICTSI was no longer interested to participate in the negotiation for the extension of the lease agreement.

Others

Port of Tanjung Priok, Indonesia. On November 2, 2017, PT ICTSI Jasa Prima Tbk (IJP), an ICTSI subsidiary in Indonesia, signed a Conditional Share Purchase Agreement with PT Samudera Terminal Indonesia (STI) for the purchase of IJP's interest in PT Perusahaan Bongkar Muat Olah Jasa Andal (OJA), subject to certain conditions. As of report date, the condition precedents have not yet been fulfilled.

Results of Operations and Key Performance Indicators

Results of Operations

The following table shows a summary of the results of operations for the year ended December 31, 2017 as compared with the same period in 2016 and 2015 as derived from the accompanying audited consolidated financial statements.

Table 6.1 Audited Consolidated Statements of Income

In thousands, except % change data	For the Years Ended December 31				
	2015	2016	2017	% Change 2015 vs 2016	% Change 2016 vs 2017
Gross revenues from port operations	US\$1,051,325	US\$1,128,395	US\$1,244,438	7.3	10.3
Revenues from port operations, net of port authorities' share	882,322	944,693	1,053,911	7.1	11.6
Total income (net revenues, interest and other income)	906,183	980,396	1,104,418	8.2	12.7
Total expenses (operating, financing and other expenses)	786,566	723,355	856,155	(8.0)	18.4
EBITDA ¹	450,022	525,078	578,012	16.7	10.1
EBIT ²	323,569	377,248	404,547	16.6	7.2
Net income attributable to equity holders of the parent	58,545	180,016	182,141	207.5	1.2
Earnings per share					
Basic	US\$0.011	US\$0.066	US\$0.069	500.0	4.5
Diluted	0.011	0.065	0.069	490.9	6.2

¹ EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.

The Group's EBITDA figures are not, however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

² EBIT, or Earnings Before Interest and Taxes, is calculated by taking net revenues from port operations and deducting cash operating expenses and depreciation and amortization.

The following table presents the computation of EBITDA as derived from the Group's consolidated net income attributable to equity holders of the parent for the year:

Table 6.2 EBITDA Computation

<i>In thousands, except % change data</i>	For the Years Ended December 31				
	2015	2016	2017	% Change 2015 vs 2016	% Change 2016 vs 2017
Net income attributable to equity holders of the parent	US\$58,545	US\$180,016	US\$182,141	207.5	1.2
Non-controlling interests	10,434	13,455	25,576	29.0	90.1
Provision for income tax	50,638	63,571	40,547	25.5	(36.2)
Income before income tax	119,617	257,042	248,264	114.9	(3.4)
Add (deduct):					
Depreciation and amortization	126,453	147,830	173,465	16.9	17.3
Interest and other expenses	227,813	155,910	206,790	(31.6)	32.6
Interest and other income	(23,861)	(35,704)	(50,507)	49.6	41.5
EBITDA	US\$450,022	US\$525,078	US\$578,012	16.7	10.1

Key Performance Indicators

The five (5) key performance indicators (KPIs) include gross moves per hour per crane, crane availability and berth utilization, which affect the operations of the Group, and volume growth in twenty-foot equivalent unit (TEU) and gross revenue growth, which are both financial in nature. These KPIs are discussed in detail in the succeeding paragraphs.

2017 Compared with 2016

Gross moves per hour per crane ranged from 17.3 to 32.6 moves per hour in 2016 to 16.2 to 31.5 moves per hour in 2017. Crane availability ranged from 79.4 percent to 99.1 percent in 2016 to 81.6 percent to 99.4 percent in 2017. Berth utilization was at 16.3 percent to 76.5 percent in 2016 and 18.1 percent to 90.7 percent in 2017.

2016 Compared with 2015

Gross moves per hour per crane ranged from 17.2 to 33.5 moves per hour in 2015 to 17.3 to 32.6 moves per hour in 2016. Crane availability ranged from 90.9 percent to 100.0 percent in 2015 to 79.4 percent to 99.1 percent in 2016. Berth utilization was at 20.5 percent to 76.3 percent in 2015 and 16.3 percent to 76.5 percent in 2016.

The gross moves per hour per crane is a measure of crane productivity while working on vessels during discharging or loading operations. The crane availability relates to the efficiency of the maintenance of the crane. While berth utilization is a measure of how long the berth is utilized for a given period and this indicator measures the efficiency of the operations and the productivity on the vessel.

Comparison of Operating Results for the Years Ended December 31, 2017 and 2016

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2016 and 2017:

Table 6.3 Volume

	For the Years Ended December 31		
	2016	2017	% Change
Asia	4,552,881	4,815,905	5.8
Americas	3,004,690	2,855,580	(5.0)
EMEA	1,131,792	1,481,973	30.9
	8,689,363	9,153,458	5.3

The Group's consolidated volume increased by 5.3 percent from 8,689,363 TEUs for the year ended December 31, 2016 to 9,153,458 TEUs handled for the same period in 2017 mainly due to continuous

improvement in trade activities and continuous volume ramp-up at certain terminals; and contribution of new terminals, IDRC and VICT, partially tapered by decreased in vessel calls and lower transshipments at CGSA. Excluding new terminals, consolidated volume would have increased by 3.6 percent in 2017.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia, Pakistan and Australia, increased by 5.8 percent from 4,552,881 TEUs for the year ended December 31, 2016 to 4,815,905 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities at most of the Philippine Terminals and YICT; and contribution of a new terminal, VICT, tapered by decreased vessel calls and transshipments at PICT. Excluding VICT, volume from Asia operations would have increased by 3.8 percent in 2017. The Asia operations accounted for 52.4 percent and 52.6 percent of the consolidated volume for the years ended December 31, 2016 and 2017, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras and Mexico, decreased by 5.0 percent from 3,004,690 TEUs for the year ended December 31, 2016 to 2,855,580 TEUs for the same period in 2017 mainly due to reduced vessel calls and lower transshipments at CGSA, tapered by increased trade volumes and new services at CMSA; and marginal economic recovery and improvement in trade activities at TSSA. The Americas operations accounted for 34.6 percent and 31.2 percent of the consolidated volume for the years ended December 31, 2016 and 2017, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Georgia, Madagascar and Croatia, reported a 30.9 percent growth from 1,131,792 TEUs for the year ended December 31, 2016 to 1,481,973 TEUs for the same period in 2017 mainly due to continuous growth and ramp-up at ICTSI Iraq; continuous improvement in trade activities in the region resulting to double-digit growth at all EMEA terminals; and contribution of a new terminal, IDRC. Excluding IDRC, volume from EMEA operations would have increased by 26.3 percent in 2017. The EMEA operations accounted for 13.0 percent and 16.2 percent of the Group's consolidated volume for the years ended December 31, 2016 and 2017, respectively.

Total Income

Total income consists of: (1) Revenues from port operations, net of port authorities' share in gross revenues; (2) Interest income; (3) Foreign exchange gain; and (4) Other income.

The table below illustrates the consolidated total income for the years ended December 31, 2016 and 2017:

Table 6.4 Total Income

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2016	2017	% Change
Gross revenues from port operations	US\$1,128,395	US\$1,244,438	10.3
Port authorities' share in gross revenues	183,702	190,527	3.7
Net revenues	944,693	1,053,911	11.6
Interest income	17,651	21,853	23.8
Foreign exchange gain	4,659	5,048	8.3
Other income	13,393	23,606	76.3
	US\$980,396	US\$1,104,418	12.7

For the year ended December 31, 2017, net revenues stood at 95.4 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 2.0 percent, 0.5 percent and 2.1 percent, respectively. For the same period in 2016, net revenues stood at 96.4 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.8 percent, 0.5 percent and 1.4 percent, respectively.

Gross Revenues from Port Operations

Gross revenues from port operations include fees received for cargo handling, wharfage, berthing, storage, and special services.

The below table illustrates the consolidated gross revenues for the years ended December 31, 2016 and 2017:

Table 6.5 **Gross Revenues from Port Operations**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2016	2017	% Change
Asia	US\$581,405	US\$591,246	1.7
Americas	387,423	401,382	3.6
EMEA	159,567	251,810	57.8
	US\$1,128,395	US\$1,244,438	10.3

The Group's consolidated gross revenues from port operations increased by 10.3 percent from US\$1,128.4 million for the year ended December 31, 2016 to US\$1,244.4 million for the same period in 2017 mainly due to volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and contribution of new terminals, IDRC and VICT. Excluding new terminals, consolidated gross revenues would have increased by 6.0 percent in 2017.

Gross revenues from the Asia segment increased by 1.7 percent from US\$581.4 million for the year ended December 31, 2016 to US\$591.2 million for the same period in 2017 mainly due to volume growth at most of the Philippine terminals and YICT; and contribution of new terminal, VICT, tapered by unfavorable translation impact of the depreciation of PHP-based revenues at Philippine terminals. Excluding VICT, gross revenues from Asia operations would have decreased by 0.3 percent in 2017. The Asia operations captured 51.5 percent and 47.5 percent of the consolidated gross revenues for the years ended December 31, 2016 and 2017, respectively.

Gross revenues from the Americas segment increased by 3.6 percent from US\$387.4 million for the year ended December 31, 2016 to US\$401.4 million for the same period in 2017 mainly due to volume growth at CMSA; tariff rate adjustments at CGSA; and improvement in trade activities combined with favorable translation impact of the appreciation of Brazilian Reais (BRL) at TSSA, partially tapered by decreased vessel calls at CGSA. The Americas operations accounted for 34.3 percent and 32.3 percent of the consolidated gross revenues for the years ended December 31, 2016 and 2017, respectively.

Gross revenues from the EMEA segment grew by 57.8 percent from US\$159.6 million for the year ended December 31, 2016 to US\$251.8 million for the same period in 2017 primarily due to continuous volume growth at ICTSI Iraq; continuous improvement in trade activities in the region; and contribution of a new terminal, IDRC. Excluding IDRC, gross revenues from EMEA operations would have increased by 37.6 percent in 2017. The EMEA operations stood at 14.2 percent and 20.2 percent of the consolidated gross revenues for the years ended December 31, 2016 and 2017, respectively.

Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, grew by 3.7 percent from US\$183.7 million for the year ended December 31, 2016 to US\$190.5 million for the same period in 2017 as a result of volume growth and stronger revenues at these terminals.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 23.8 percent from US\$17.7 million for the year ended December 31, 2016 to US\$21.9 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain increased by 8.3 percent from US\$4.7 million for the year ended December 31, 2016 to US\$5.0 million for the same period in 2017 mainly due to the favorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased from US\$13.4 million for the year ended December 31, 2016 to US\$23.6 million for the same period in 2017 mainly due to the one-time gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE; and recognition of income tax credit at OPC. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

Total Expenses

The below table shows the breakdown of total expenses for 2016 and 2017.

Table 6.6 Total Expenses

	For the Years Ended December 31		
<i>(In thousands, except % change data)</i>	2016	2017	% Change
Manpower costs	US\$192,536	US\$207,583	7.8
Equipment and facilities-related expenses	119,877	157,207	31.1
Administrative and other operating expenses	107,201	111,109	3.6
Total cash operating expenses	419,614	475,899	13.4
Depreciation and amortization	147,830	173,465	17.3
Interest expense and financing charges on borrowings	75,050	100,413	33.8
Interest expense on concession rights payable	34,050	33,106	(2.8)
Equity in net loss of a joint venture and an associate	5,572	36,337	552.1
Foreign exchange loss and others	41,239	36,935	(10.4)
	US\$723,355	US\$856,155	18.4

Total cash operating expenses of the Group increased by 13.4 percent from US\$419.6 million for the year ended December 31, 2016 to US\$475.9 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; higher fuel and power consumption as a result of increase in volume; increase in fuel prices and power tariff rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals. Excluding new terminals, consolidated cash operating expenses would have increased marginally by 0.6 percent in 2017.

Manpower Costs

Manpower costs increased by 7.8 percent from US\$192.5 million for the year ended December 31, 2016 to US\$207.6 million for the same period in 2017 primarily due to contribution of new terminals, IDRC and VICT; government-mandated and contracted salary rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, partially tapered by cost optimization measures implemented; and favorable translation impact of PHP-based costs at Philippine terminals. Excluding new terminals, consolidated manpower costs would have increased marginally by 0.8 percent in 2017.

Manpower costs accounted for 45.9 percent and 43.6 percent of consolidated cash operating expenses for the years ended December 31, 2016 and 2017, respectively.

Equipment and Facilities-related Expenses

Equipment and facilities-related expenses consist mainly of repairs and maintenance costs of port equipment and facilities, fixed port leases, power and light, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses increased by 31.1 percent from US\$119.9 million for the year ended December 31, 2016 to US\$157.2 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; fixed port lease expense at VICT; increase in fuel prices and power tariff rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cancellation of port lease at ICTSI Oregon as a result of pre-termination of lease agreement; and favorable translation impact of PHP-based expenses at Philippine terminals. Excluding new terminals, consolidated equipment and facilities-related expenses would have stayed flat in 2017.

Equipment and facilities-related expenses represented 28.6 percent and 33.0 percent of consolidated cash operating expenses for the years ended December 31, 2016 and 2017, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 3.6 percent from US\$107.2 million for the year ended December 31, 2016 to US\$111.1 million for the same period in 2017 mainly due to contribution of new terminals, IDRC and VICT; increase in professional fees; and unfavorable translation impact of BRL at TSSA, tapered by reduction in insurance costs, documentary stamp taxes, travel and other office expenses in relation to cost optimization measures implemented; and favorable translation impact of Philippine-based expenses at Philippine terminals. Excluding new terminals, consolidated administrative and other operating expenses would have increased marginally by 0.7 percent in 2017.

Administrative and other operating expenses stood at 25.5 percent and 23.4 percent of consolidated cash operating expenses for the years ended December 31, 2016 and 2017, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 17.3 percent from US\$147.8 million for the year ended December 31, 2016 to US\$173.5 million for the same period in 2017 mainly due to higher depreciation arising from the depreciation of port facilities and equipment at the new terminals, IDRC and VICT; and expansion projects at ICTSI Iraq and CGSA.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 33.8 percent from US\$75.1 million for the year ended December 31, 2016 to US\$100.4 million for the same period in 2017 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US\$24.3 million in 2016 at a capitalization rate of 6.5 percent and US\$10.4 million in 2017 at a capitalization rate ranging from 2.4 percent to 6.7 percent.

Equity in Net Loss of A Joint Venture and An Associate

Equity in net loss of a joint venture and an associate increased from US\$5.6 million for the year ended December 31, 2016 to US\$36.3 million for the same period in 2017 due to the increase in the Company's share in net loss at SPIA arising from start-up costs as SPIA started operations in January 2017. Equity in net loss of a joint venture and an associate is net of the Group's share in net income of MNHPI, a 34.83%-owned associate, of US\$0.4 million from October 30, 2017 to December 31, 2017.

Foreign Exchange Loss and Others

Foreign exchange loss and others decreased from US\$41.2 million for the year ended December 31, 2016 to US\$36.9 million for the same period in 2017 primarily due to the absence of non-recurring charge on pre-termination of lease agreement at ICTSI Oregon amounting to US\$23.4 million in 2016; and recognition of probable loss on non-trade advances and solidarity contribution on equity at CGSA in 2016, tapered by restructuring and separation costs at certain terminals in 2017; and write-off of costs incurred associated with the securing of the revolving credit facility, upon cancellation of the said facility in June 2017. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

EBITDA and EBIT

Consolidated EBITDA grew by 10.1 percent from US\$525.1 million for the year ended December 31, 2016 to US\$578.0 million for the same period in 2017 primarily due to strong volume and revenues; combined with cost optimization measures implemented; and positive contribution of new terminal, IDRC, tapered by the start-up costs and fixed port lease expense at VICT. Excluding the new terminals, consolidated EBITDA would have increased by 11.1 percent in 2017. EBITDA margin slightly decreased from 46.5 percent in 2016 to 46.4 percent in 2017.

Meanwhile, consolidated EBIT increased by 7.2 percent from US\$377.2 million for the year ended December 31, 2016 to US\$404.5 million for the same period in 2017 mainly due to stronger EBITDA, tapered by higher depreciation charges. Excluding the new terminals, consolidated EBIT would have increased by 13.6 percent in 2017. EBIT margin decreased from 33.4 percent in 2016 to 32.5 percent in 2017.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax decreased from US\$257.0 million for the year ended December 31, 2016 to US\$248.3 million for the same period in 2017 primarily due to higher depreciation charges; higher interest and financing charges; restructuring and separation costs; and increase in equity in net loss of a joint venture, tapered by strong operating income; non-recurring gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE in 2017; and absence of a non-recurring charge on pre-termination of lease agreement at ICTSI Oregon in 2016. Excluding new terminals; equity in net loss of a joint venture and an associate; and the non-recurring items, consolidated income before income tax would have increased by 18.2 percent in 2017. The ratio of income before income tax to consolidated gross revenues stood at 22.8 percent and 19.9 percent in 2016 and 2017, respectively.

Consolidated provision for current and deferred income taxes decreased from US\$63.6 million for the year ended December 31, 2016 to US\$40.5 million for the same period in 2017 mainly due to income tax exemption of OPC which was finalized in the first quarter of 2017. Effective income tax rate in 2016 and 2017 stood at 24.7 percent and 16.3 percent, respectively.

Net Income

Consolidated net income increased by 7.4 percent from US\$193.5 million for the year ended December 31, 2016 to US\$207.7 million for the same period in 2017. Excluding new terminals; equity in net loss of a joint venture and an associate; and the non-recurring items, consolidated net income would have increased by 22.7 percent in 2017. The ratio of consolidated net income to gross revenues stood at 17.1 percent and 16.7 percent in 2016 and 2017, respectively.

Consolidated net income attributable to equity holders increased by 1.2 percent from US\$180.0 million for the year ended December 31, 2016 to US\$182.1 million for the same period in 2017. Excluding new terminals; equity in net loss of a joint venture and an associate; and the non-recurring items, net income

attributable to equity holders would have increased by 23.6 percent in 2017.

Basic and diluted earnings per share increased from US\$0.066 in 2016 to US\$0.069 in 2017 and US\$0.065 in 2016 to US\$0.069 in 2017, respectively.

Comparison of Operating Results for the Years Ended December 31, 2016 and 2015

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2015 and 2016:

Table 6.7 **Volume**

	For the Years Ended December 31		
	2015	2016	% Change
Asia	4,094,580	4,552,881	11.2
Americas	2,738,079	3,004,690	9.7
EMEA	943,334	1,131,792	20.0
	7,775,993	8,689,363	11.7

The Group's consolidated volume increased by 11.7 percent from 7,775,993 TEUs for the year ended December 31, 2015 to 8,689,363 TEUs handled for the same period in 2016 mainly due to new shipping lines and services, improvement in trade activities at certain terminals and continuous growth and ramp-up at ICTSI Iraq.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia and Pakistan, increased by 11.2 percent from 4,094,580 TEUs for the year ended December 31, 2015 to 4,552,881 TEUs for the same period in 2016 mainly due to improvement in trade activities at most of the Philippine terminals; and new shipping lines and services at OJA and PICT, slightly tapered by lower exports at YICT. The Asia operations accounted for 52.7 percent and 52.4 percent of the consolidated volume for the years ended December 31, 2015 and 2016, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and The United States of America, increased by 9.7 percent from 2,738,079 TEUs for the year ended December 31, 2015 to 3,004,690 TEUs for the same period in 2016 primarily arising from new shipping lines and services at CMSA and CGSA; and increased domestic volumes at TSSA, partially tapered by the full year impact of cessation of operations at ICTSI Oregon. The Americas operations accounted for 35.2 percent and 34.6 percent of the consolidated volume for the years ended December 31, 2015 and 2016, respectively.

Volume from the EMEA segment, consisting of terminals in Poland, Georgia, Madagascar, Croatia and Iraq, reported a 20.0 percent growth from 943,334 TEUs for the year ended December 31, 2015 to 1,131,792 TEUs for the same period in 2016 mainly due to continuous growth and ramp-up at ICTSI Iraq; and marginal economic recovery resulting to increase in trade activities at MICTSL and AGCT. Growth was partially offset by reduced vessel calls and trade volume at BCT. The EMEA operations accounted for 12.1 percent and 13.0 percent of the Group's consolidated volume for the years ended December 31, 2015 and 2016, respectively.

Total Income

Total income consists of: (1) Revenues from port operations, net of port authorities' share in gross revenues; (2) Interest income; (3) Foreign exchange gain; and (4) Other income.

The table below illustrates the consolidated total income for the years ended December 31, 2015 and 2016:

Table 6.8 Total Income

For the Years Ended December 31			
<i>(In thousands, except % change data)</i>	2015	2016	% Change
Gross revenues from port operations	US\$1,051,325	US\$1,128,395	7.3
Port authorities' share in gross revenues	169,003	183,702	8.7
Net revenues	882,322	944,693	7.1
Interest income	13,383	17,651	31.9
Foreign exchange gain	3,672	4,659	26.9
Other income	6,806	13,393	96.8
	US\$906,183	US\$980,396	8.2

For the year ended December 31, 2016, net revenues stood at 96.4 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.8 percent, 0.5 percent and 1.4 percent, respectively. For the same period in 2015, net revenues stood at 97.4 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.5 percent, 0.4 percent and 0.7 percent, respectively.

Gross Revenues from Port Operations

Gross revenues from port operations include fees received for cargo handling, wharfage, berthing, storage, and special services.

The below table illustrates the consolidated gross revenues for the years ended December 31, 2015 and 2016:

Table 6.9 Gross Revenues from Port Operations

For the Years Ended December 31			
<i>(In thousands, except % change data)</i>	2015	2016	% Change
Asia	US\$564,577	US\$581,405	3.0
Americas	377,639	387,423	2.6
EMEA	109,109	159,567	46.2
	US\$1,051,325	US\$1,128,395	7.3

The Group's consolidated gross revenues from port operations increased by 7.3 percent from US\$1,051.3 million for the year ended December 31, 2015 to US\$1,128.4 million for the same period in 2016 mainly due to volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and continuous growth and ramp-up at ICTSI Iraq.

Gross revenues from the Asia segment reported a growth of 3.0 percent from US\$564.6 million for the year ended December 31, 2015 to US\$581.4 million for the same period in 2016 mainly due to improvement in trade activities at most of the Philippine terminals resulting to volume growth; new contracts with shipping lines and services at OJA and PICT; and tariff rate adjustments at certain terminals, tapered by unfavorable translation impact of the depreciation of PHP-based revenues at Philippine terminals. The Asia operations captured 53.7 percent and 51.5 percent of the consolidated gross revenues for the years ended December 31, 2015 and 2016, respectively.

Gross revenues from the Americas segment increased by 2.6 percent from US\$377.6 million for the year ended December 31, 2015 to US\$387.4 million for the same period in 2016 mainly due to new shipping lines and services at CGSA and CMSA; and tariff rate adjustments and increased storage and

special services at OPC, tapered by lower storage and non-containerized revenues at TSSA; unfavorable translation impact of the depreciation of MXN-based revenues at CMSA; and discontinued vessel calls of two major shipping lines at ICTSI Oregon as a result of the continuing effect of labor disruptions and conflicts.

The Americas operations accounted for 35.9 percent and 34.3 percent of the consolidated gross revenues for the years ended December 31, 2015 and 2016, respectively.

Gross revenues from the EMEA segment grew by 46.2 percent from US\$109.1 million for the year ended December 31, 2015 to US\$159.6 million for the same period in 2016 primarily due to continuous growth and ramp-up at ICTSI Iraq; and favorable container volume mix and tariff rate adjustments at MICTSL, partially offset by weaker short-sea trade and reduced vessel calls at BCT. The EMEA operations stood at 10.4 percent and 14.2 percent of the consolidated gross revenues for the years ended December 31, 2015 and 2016, respectively.

Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, grew by 8.7 percent from US\$169.0 million for the year ended December 31, 2015 to US\$183.7 million for the same period in 2016 as a result of stronger revenues at these terminals.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 31.9 percent from US\$13.4 million for the year ended December 31, 2015 to US\$17.7 million for the same period in 2016 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain increased from US\$3.7 million for the year ended December 31, 2015 to US\$4.7 million for the same period in 2016 mainly due to the favorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income, on the other hand, increased from US\$6.8 million for the year ended December 31, 2015 to US\$13.4 million for the same period in 2016 mainly due to gain on disposal of certain property and equipment; recovery of claims from contractors and insurance, tax refunds and credits, and other income. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

Total Expenses

The table below shows the breakdown of total expenses for 2015 and 2016.

Table 6.10 **Total Expenses**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2015	2016	% Change
Manpower costs	US\$193,164	US\$192,536	(0.3)
Equipment and facilities-related expenses	124,754	119,877	(3.9)
Administrative and other operating expenses	114,382	107,201	(6.3)
Total cash operating expenses	432,300	419,614	(2.9)
Depreciation and amortization	126,453	147,830	16.9
Interest expense and financing charges on borrowings	61,231	75,050	22.6
Interest expense on concession rights payable	37,301	34,050	(8.7)
Equity in net loss of a joint venture	3,230	5,572	72.5
Foreign exchange loss and others	126,051	41,239	(67.3)
	US\$786,566	US\$723,355	(8.0)

Total cash operating expenses of the Group decreased by 2.9 percent from US\$432.3 million for the

year ended December 31, 2015 to US\$419.6 million for the same period in 2016 mainly due to improved operational efficiencies resulting to lower costs on repairs and maintenance; decline in global fuel prices; cost optimization measures implemented; favorable translation impact of PHP-based expenses at Philippine terminals and MXN-based expenses at CMSA; and lower variable cost at ICTSI Oregon, tapered by increase in variable manpower costs and higher fuel and power consumption as a result of increase in volume; and cost contribution of new terminals, Tecplata, IDRC and VICT.

Manpower Costs

Manpower costs decreased by 0.3 percent from US\$193.2 million for the year ended December 31, 2015 to US\$192.5 million for the same period in 2016 primarily due to decline in variable contracted labor services at ICTSI Oregon; and favorable translation impact of PHP-based costs at Philippine terminals and MXN-based costs at CMSA, tapered by increase in variable contracted services driven by volume growth and government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminals, IDRC and VICT.

Manpower costs accounted for 44.7 percent and 45.9 percent of consolidated cash operating expenses for the years ended December 31, 2015 and 2016, respectively.

Equipment and Facilities-related Expenses

Equipment and facilities-related expenses consist mainly of repairs and maintenance costs of port equipment and facilities, fixed port fees, power and light, maintenance expenses, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses decreased by 3.9 percent from US\$124.8 million for the year ended December 31, 2015 to US\$119.9 million for the same period in 2016 mainly due to improved operational efficiencies resulting to slightly lower costs on repairs and maintenance; decline in global prices of fuel; favorable translation impact of PHP-based expenses at Philippine terminals and MXN-based expenses at CMSA; and lower variable cost at ICTSI Oregon, tapered by higher fuel consumption driven by volume growth; and increase in fuel and power tariffs at CGSA.

Equipment and facilities-related expenses represented 28.9 percent and 28.6 percent of consolidated cash operating expenses for the years ended December 31, 2015 and 2016, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by 6.3 percent from US\$114.4 million for the year ended December 31, 2015 to US\$107.2 million for the same period in 2016 mainly due to reduction in travel, insurance costs and professional fees in relation to cost optimization measures implemented; favorable translation impact of Philippine-based expenses at Philippine terminals and MXN-based expenses at CMSA; and decrease in taxes and licenses, tapered by higher IT costs; and the contribution of new terminals, Tecplata, IDRC and VICT.

Administrative and other operating expenses stood at 26.5 percent and 25.5 percent of consolidated cash operating expenses for the years ended December 31, 2015 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 16.9 percent from US\$126.5 million for the year ended December 31, 2015 to US\$147.8 million for the same period in 2016 mainly from depreciation of Tecplata's port facilities starting January 1, 2016; and higher depreciation arising from expansion of port facilities and acquisition of port equipment at MICT, YICT and OPC.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 22.6 percent from US\$61.2 million for the year ended December 31, 2015 to US\$75.1 million for the same period in 2016 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US\$27.5 million in 2015 and US\$24.3 million in 2016. Capitalization rate slightly decreased from 6.6 percent in 2015 to 6.5 percent in 2016.

Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased by 8.7 percent from US\$37.3 million for the year ended December 31, 2015 to US\$34.1 million for the same period in 2016 mainly due to the declining principal balances of the Group's concession rights payable as of December 31, 2016.

Equity in Net Loss of A Joint Venture

Equity in net loss of a joint venture increased by 72.5 percent from US\$3.2 million for the year ended December 31, 2015 to US\$5.6 million for the same period in 2016 due to the increase in the Company's share in net loss at SPIA as a result of increase in level of start-up activities in line with the start of initial operations in the fourth quarter of 2016.

Foreign Exchange Loss and Others

Foreign exchange loss and others decreased from US\$126.1 million for the year ended December 31, 2015 to US\$41.2 million for the same period in 2016 primarily due to the absence of non-recurring impairment charges on the concession right assets of Tecplata amounting to US\$88.0 million and on the goodwill of PT ICTSI Jasa Prima Tbk (JASA) and OJA aggregating US\$26.6 million recognized in 2015, tapered by recognition of non-recurring charge on pre-termination of lease agreement at ICTSI Oregon amounting to US\$23.4 million; recognition of probable loss on non-trade advances and solidarity contribution on equity at CGSA in 2016; and unfavorable translation impact of certain currencies against US dollar in 2016. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

EBITDA and EBIT

Consolidated EBITDA grew by 16.7 percent from US\$450.0 million for the year ended December 31, 2015 to US\$525.1 million for the same period in 2016 primarily due to strong volume and revenue; combined with cost optimization measures implemented and lower operating costs. The EBITDA growth, however, was partially tapered by cost contributions of the new terminals. Consequently, EBITDA margin went up from 42.8 percent in 2015 to 46.5 percent in 2016.

Meanwhile, consolidated EBIT increased by 16.6 percent from US\$323.6 million for the year ended December 31, 2015 to US\$377.2 million for the same period in 2016 mainly due to stronger EBITDA. As a result, EBIT margin also increased from 30.8 percent in 2015 to 33.4 percent in 2016.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased from US\$119.6 million for the year ended December 31, 2015 to US\$257.0 million for the same period in 2016 primarily due to strong operating income and absence of non-recurring impairment charges recognized on the concession rights assets of Tecplata and goodwill of JASA and OJA in 2015, tapered by recognition of non-recurring charge on pre-termination of lease agreement at ICTSI Oregon; higher depreciation charges at Tecplata; and higher interest and financing charges arising from higher average loan balance and lower capitalized borrowing costs in 2016. Excluding non-recurring charges, consolidated income before income tax

would have increased by 19.9 percent in 2016. The ratio of income before income tax to consolidated gross revenues stood at 11.4 percent and 22.8 percent in 2015 and 2016, respectively.

Consolidated provision for current and deferred income taxes increased from US\$50.6 million for the year ended December 31, 2015 to US\$63.6 million for the same period in 2016 mainly due to higher taxable income as a result of strong operating income, tapered by higher deferred income tax benefit on unrealized foreign exchange loss. Effective income tax rate in 2015 and 2016 stood at 42.3 percent and 24.7 percent, respectively. Excluding non-recurring charges, effective tax rate in 2015 and 2016 would have been 21.7 percent and 22.7 percent, respectively.

Net Income

Consolidated net income increased to US\$193.5 million for the year ended December 31, 2016 from US\$69.0 million for the same period in 2015. The ratio of consolidated net income to gross revenues stood at 6.6 percent and 17.1 percent in 2015 and 2016, respectively. Excluding non-recurring charges, consolidated net income would have increased by 18.4 percent in 2016.

Consolidated net income attributable to equity holders increased to US\$180.0 million for the year ended December 31, 2016 from US\$58.5 million for the same period in 2015. Excluding non-recurring charges, consolidated net income attributable to equity holders would have increased by 17.7 percent in 2016.

Basic and diluted earnings per share increased from US\$0.011 in 2015 to US\$0.066 in 2016 and US\$0.011 in 2015 to US\$0.065 in 2016, respectively.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volume in countries where it operates, as well as certain cost items, such as labor, fuel and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, Brazilian Reais, Mexican peso and the Euro, may have a negative impact on the Group's reported levels of revenues and profits.

Financial Position

Table 6.11 Consolidated Balance Sheets

(In thousands, except % change data)	As of December 31				
	2015	2016	2017	% Change	% Change
				2015 vs 2016	2016 vs 2017
Total assets	US\$3,830,799	US\$4,182,953	US\$4,370,687	9.2	4.5
Current assets	513,717	517,866	500,981	0.8	(3.3)
Total equity	1,826,048	1,766,080	1,872,568	(3.3)	6.0
Total equity attributable to equity holders of the parent	1,674,443	1,624,397	1,707,930	(3.0)	5.1
Total interest-bearing debt	1,083,070	1,381,364	1,493,605	27.5	8.1
Current liabilities	288,751	446,547	401,320	54.6	(10.1)
Total liabilities	2,004,751	2,416,873	2,498,119	20.6	3.4
Current assets/total assets	13.4%	12.4%	11.5%		
Current ratio	1.78	1.16	1.25		
Debt-equity ratio ¹	0.59	0.78	0.80		

¹ Debt includes interest-bearing debt. Equity means Total Equity as shown in the consolidated balance sheets.

Total assets increased by 4.5 percent from US\$4.2 billion as of December 31, 2016 to US\$4.4 billion as of December 31, 2017 mainly due to investments in capital expenditures, which include the

completion of port facilities at IDRC and ICTSI Iraq, first phase and second phase at VICT and expansion project at CMSA; on-going rehabilitation and development works at OPC and terminal construction at CGT; advances extended to SPIA to fund the Group's share in the completion of port facilities at the Port of Buenaventura; and acquisition of 34.83% stake in MNHPI, tapered by settlement of lease liability at VICT. These investments are funded mainly by cash generated from the Group's operations and debt financing. Non-current assets stood at 87.6 percent and 88.5 percent of the total consolidated assets as of December 31, 2016 and December 31, 2017, respectively.

Current assets decreased by 3.3 percent from US\$517.9 million as of December 31, 2016 to US\$501.0 million as of December 31, 2017 primarily due to continuous deployment of cash to fund capital expenditures at Parent Company, tapered by strong cash inflows generated from operations. Current assets accounted for 12.4 percent and 11.5 percent of the total consolidated assets of the Group as of December 31, 2016 and December 31, 2017, respectively. Current ratio stood at 1.16 and 1.25 as of December 31, 2016 and December 31, 2017, respectively.

Total equity increased by 6.0 percent to US\$1.9 billion as of December 31, 2017 primarily due to net income generated for the period; and lower comprehensive loss as a result of net favorable exchange differences on translation of foreign operations' financial statements, tapered by payment of dividends; and distribution to holders of perpetual capital securities.

Total liabilities increased by 3.4 percent as of December 31, 2017 to US\$2.5 billion as of December 31, 2017 mainly due to drawdown from project finance facility at VICT; and loan availments at Parent Company and OPC, tapered by settlement of lease liability at VICT and the Group's Revolving Credit Facility during the period. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 33.0 percent and 34.2 percent as of December 31, 2016 and December 31, 2017, respectively.

Meanwhile, current liabilities decreased by 10.1 percent from US\$446.5 million as of December 31, 2016 to US\$401.3 million as of December 31, 2017 mainly due to settlement of lease liability at VICT and lower income tax payable at certain terminals, tapered by loan availments at Parent Company.

Material Variances Affecting the Balance Sheet

Balance sheet accounts as of December 31, 2017 with variances of plus or minus 5.0 percent against December 31, 2016 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 5.4 percent to US\$1.5 billion as of December 31, 2017 due to increase in capital expenditures arising from completion of port facilities at IDRC, first phase and second phase at VICT; expansion project at CMSA; and ongoing terminal construction at CGT.
2. Investment properties increased by 28.1 percent to US\$8.0 million as of December 31, 2017 mainly due to land acquisition at BCT.
3. Deferred tax assets increased by 22.7 percent to US\$111.1 million as of December 31, 2017 mainly due to higher deferred income tax benefit from unrealized foreign exchange loss, mainly Parent Company.
4. Investments in and advances to a joint venture and associate increased by 30.2 percent to US\$382.2 million as of December 31, 2017 due to acquisition of 34.83% stake in MNHPI and advances granted to SPIA.

Current Assets

5. Cash and cash equivalents decreased by 14.0 percent to US\$279.4 million as of December 31, 2017 mainly due to continuous deployment of cash to fund the Group's capital expenditures; settlement of lease liability at VICT; and acquisition of 34.83% stake in MNHPI, tapered by strong cash inflows generated from operations and net proceeds from debt financing.

6. Receivables increased by 9.7 percent to US\$112.9 million as of December 31, 2017 primarily due to strong revenues at CMSA, ICTSI Iraq, MICTSL and contributions of new terminals, VICT and IDRC.
7. Spare parts and supplies increased by 6.4 percent to US\$35.7 million as of December 31, 2017 primarily as a result of acquisition of spare parts at VICT.
8. Prepaid expenses and other current assets increased by 29.1 percent to US\$72.7 million as of December 31, 2017 mainly due to tax credit recognized by OPC in 2017 and timing of utilization of prepaid taxes, particularly at Parent Company and CGSA.
9. Derivative assets increased to US\$0.3 million as of December 31, 2017 due to gain on mark-to-market valuation from cross currency swap at MICTSL.

Equity

10. Treasury shares decreased by 15.9 percent to US\$15.1 million as of December 31, 2017 mainly as a result of sale of 10,000,000 treasury shares in 2017.
11. Retained earnings increased by 5.2 percent to US\$819.6 million as of December 31, 2017 mainly due to net income attributable to equity holders of the parent for the year amounting to US\$182.1 million, tapered by payment of dividends and distributions to holders of perpetual capital securities amounting to US\$100.3 million and US\$41.6 million, respectively.
12. Other comprehensive loss decreased by 10.1 percent to US\$256.6 million as of December 31, 2017 due to net favorable exchange differences on translation of foreign operations' financial statements.
13. Equity attributable to non-controlling interests increased by 16.2 percent to US\$164.6 million as of December 31, 2017 mainly due to the recognition of the non-controlling interest's share in net income.

Noncurrent Liabilities

14. Long-term debt increased by 6.3 percent to US\$1.4 billion as of December 31, 2017 mainly due to the drawdown from project finance facilities at VICT; loan availment at OPC, tapered by settlement of the Group's Revolving Credit Facility during the period.
15. Deferred tax liabilities increased by 12.8 percent to US\$80.5 million as of December 31, 2017 mainly due to the income tax effect of unrealized mark-to-market gain on interest rate swap and capitalized borrowing costs, and translation of non-monetary assets to US dollar.
16. Pension and other non-current liabilities increased by 49.3 percent to US\$135.8 million as of December 31, 2017 arising mainly from accrual of lease expense at VICT.

Current Liabilities

17. Loans payable grew by 67.2 percent to US\$61.2 million as of December 31, 2017 mainly due to a short-term loan availment at Parent Company.
18. Accounts payable and other current liabilities decreased by 20.5 percent to US\$276.6 million as of December 31, 2017 primarily due to settlement of lease liability at VICT.
19. Current portion of long-term debt and debt securities increased by 19.8 percent to US\$22.1 million as of December 31, 2017 due to increase in maturing term loans of subsidiaries in 2018.
20. Current portion of concession rights payable increased by 13.5 percent to US\$9.9 million as of December 31, 2017 arising from higher concession fees scheduled for payment at Parent Company, CGSA and MICTSL in 2018.
21. Income tax payable decreased by 8.6 percent to US\$29.5 million as of December 31, 2017 mainly due to income tax payments and income tax exemption at OPC.
22. Derivative liabilities decreased by 27.8 percent to US\$1.9 million as of December 31, 2017 due to gain on mark-to-market valuation from interest rate swap at CMSA.

Balance sheet accounts as of December 31, 2016 with variances of plus or minus 5.0 percent against December 31, 2015 balances are discussed, as follows:

Noncurrent Assets

23. Property and equipment increased by 20.2 percent to US\$1.4 billion as of December 31, 2016 mainly due to increase in capital expenditures arising from ongoing construction of port facilities, expansion projects and port equipment acquisitions at VICT, IDRC and CMSA.
24. Investment properties decreased by 8.6 percent to US\$6.3 million as of December 31, 2016 mainly due to recognition of depreciation expense for the year ended December 31, 2016.
25. Deferred tax assets increased by 18.6 percent to US\$90.6 million as of December 31, 2016 mainly due to higher deferred income tax benefit from unrealized foreign exchange loss, mainly Parent Company.
26. Investments in and advances to a joint venture and associate increased by 26.6 percent to US\$293.6 million as of December 31, 2016 due to continuous funding extended to SPIA for the Group's share on the ongoing construction and development at the Port of Buenaventura.
27. Other noncurrent assets increased by 25.8 percent to US\$172.9 million as of December 31, 2016 mainly due to increase in advances to suppliers and contractors for the construction of port facilities at OPC; and gain on mark-to-market valuation from interest rate swap at VICT.

Current Assets

28. Cash and cash equivalents decreased by 8.3 percent to US\$325.1 million as of December 31, 2016 arising from continuous deployment of cash to fund capital expenditures; and redemption of subordinated capital securities, tapered by strong cash inflows generated from operations and net proceeds from debt financing.
29. Receivables increased by 18.0 percent to US\$102.9 million as of December 31, 2016 primarily due to strong revenues at the Parent Company, CMSA, ICTSI Iraq and MICTSL.
30. Spare parts and supplies increased by 21.5 percent to US\$33.5 million as of December 31, 2016 primarily as a result of acquisition of spare parts particularly at ICTSI Iraq and TSSA.
31. Prepaid expenses and other current assets increased by 27.6 percent to US\$56.3 million as of December 31, 2016 mainly due to increase in input VAT and timing of utilization of prepaid taxes, particularly at the Parent Company, VICT and IDRC.
32. Derivative assets decreased to US\$0.1 million as of December 31, 2016 mainly due to realization of currency options entered in December 2015.

Equity

33. Treasury shares increased to US\$17.9 million as of December 31, 2016 mainly as a result of acquisition of 8,175,510 treasury shares in 2016.
34. Retained earnings increased by 7.8 percent to US\$779.4 million as of December 31, 2016 mainly due to net income attributable to equity holders of the parent for the year amounting to US\$180.0 million, tapered by payment of dividends and distributions to holders of perpetual capital securities amounting to US\$39.9 million and US\$34.2 million, respectively.
35. Perpetual capital securities decreased by 8.5 percent to US\$761.3 million as of December 31, 2016 primarily due to redemption of subordinated perpetual capital securities aggregating to US\$108.3 million in 2016.
36. Other comprehensive loss grew by 10.3 percent to US\$285.4 million as a result of net unfavorable exchange differences on translation of foreign operations' financial statements.
37. Equity attributable to non-controlling interests decreased by 6.5 percent to US\$141.7 million as of December 31, 2016 mainly due to unfavorable translation adjustments at YICT.

Noncurrent Liabilities

38. Long-term debt increased by 29.2 percent to US\$1.3 billion as of December 31, 2016 mainly due to the net proceeds from the drawdown from project finance facilities at VICT and CMSA, loan availment at CGSA and drawdown of the Group's Revolving Credit Facility during the period.
39. Deferred tax liabilities increased by 6.8 percent to US\$71.4 million as of December 31, 2016 mainly due to the income tax effect of unrealized mark-to-market gain on interest rate swap and capitalized borrowing costs, and translation of non-monetary assets to US dollar.

40. Pension and other non-current liabilities decreased by 23.8 percent to US\$91.0 million as of December 31, 2016 arising mainly from the reclassification of the current portion of the accrued lease expense at VICT to current liabilities.

Current Liabilities

41. Loans payable increased to US\$36.6 million as of December 31, 2016 mainly due to loan refinancing at YICT and loan availment at OPC.
42. Accounts payable and other current liabilities grew by 73.1 percent to US\$347.7 million as of December 31, 2016 primarily due to reclassification of the current portion of accrued lease expense and increase in payables arising from on-going port development at VICT; and higher output taxes at CMSA and MICTSL.
43. Current portion of long-term debt and debt securities decreased by 66.1 percent to US\$18.5 million as of December 31, 2016 due to settlement of maturing term loans of subsidiaries in 2016.
44. Income tax payable increased by 46.9 percent to US\$32.3 million as of December 31, 2016 due to stronger operating income at certain terminals, particularly at the Parent Company, PICT, MICTSL and ICTSI Iraq.
45. Derivative liabilities amounting to US\$2.7 million as of December 31, 2016 pertain to recognition of loss on mark-to-market valuation from interest rate swap at CMSA.

Liquidity and Capital Resources

This section discusses the Group's sources and uses of funds as well as its debt and equity capital profile.

Liquidity

The table below shows the Group's consolidated cash flows for the years ended December 31, 2015, 2016 and 2017:

Table 6.12 Consolidated Cash Flows

<i>(In thousands, except % change data)</i>	For the Year Ended December 31			% Change 2015 vs 2016	% Change 2016 vs 2017
	2015	2016	2017		
Net cash provided by operating activities	US\$407,737	US\$466,948	US\$564,012	14.5	20.8
Net cash used in investing activities	(547,611)	(468,466)	(432,381)	(14.5)	(7.7)
Net cash provided by (used in) financing activities	297,079	(21,679)	(184,772)	(107.3)	752.3
Effect of exchange rate changes on cash	2,979	(6,226)	7,509	(309.0)	(220.6)
Net increase (decrease) in cash and cash equivalents	160,184	(29,423)	(45,632)	(118.4)	55.1
Cash and cash equivalents, beginning	194,298	354,482	325,059	82.4	(8.3)
Cash and cash equivalents, end	US\$354,482	US\$325,059	US\$279,427	(8.3)	(14.0)

Consolidated cash and cash equivalents decreased by 14.0 percent to US\$279.4 million as of December 31, 2017 mainly due to continuous deployment of cash to fund the Group's capital expenditures; settlement of lease liability at VICT; and acquisition of 34.83% stake in MNHPI, tapered by strong cash inflows generated from operations and net proceeds from debt financing.

Net cash provided by operating activities increased by 20.8 percent from US\$466.9 million for the year ended December 31, 2016 to US\$564.0 million for the same period in 2017 mainly due to stronger results of operations.

Net cash used in investing activities decreased by 7.7 percent to US\$432.4 million mainly due to decreased investments in capital expenditures and lower advances granted to SPIA as the projects at the greenfield terminals near completion; and reimbursement of costs upon termination of sub-concession agreement at LICTSLE, tapered by settlement of lease liability at VICT capitalized to property and equipment amounting to US\$122.2 million; and acquisition of 34.83% stake in MNHPI. Capital

expenditures for 2017 excluding capitalized lease expense and capitalized borrowing costs amounted to US\$174.8 million. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and/or equity issuances, as necessary.

Net cash used in financing activities for the year ended December 31, 2017 amounted to US\$184.8 million mainly due to increase in dividends paid; increased debt servicing costs; and lower net cash proceeds from borrowings.

Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2015, 2016 and 2017:

Table 6.13 Capital Sources

(In thousands, except % change data)	As of December 31				
	2015	2016	2017	% Change	% Change
				2015 vs 2016	2016 vs 2017
Loans payable	US\$2,027	US\$36,598	US\$61,187	1705.5	67.2
Current portion of long-term debt	54,465	18,486	22,149	(66.1)	19.8
Long-term debt, net of current portion	1,026,578	1,326,280	1,410,269	29.2	6.3
Total short and long-term debt	1,083,070	1,381,364	1,493,605	27.5	8.1
Equity	1,826,048	1,766,080	1,872,568	(3.3)	6.0
	US\$2,909,118	US\$3,147,444	US\$3,366,173	8.2	6.9

The Group's total debt and equity capital increased by 6.9 percent as of December 31, 2017 primarily due to increase in debt financing activities to fund expansion projects, capital expenditures and other general corporate requirements; and net income generated during the period, tapered by repayment of maturing loans.

Debt Financing

The table below provides the breakdown of the Group's outstanding loans as of December 31, 2017:

Table 6.14 Outstanding Loans

(In thousands)	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
US Dollar Term Loan	Parent	2018	Floating	US\$55,000
US Dollar Term Loan	BCT	2018	Floating	4,044
US Dollar Term Loan	CGSA	2018	Fixed	2,143
				61,187
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	753,554
Secured AUD Term Loan	VICT	2023 – 2031	Fixed*	262,494
Unsecured US Dollar Bond**	Parent	2020	Fixed	179,241
Secured US Dollar Term Loan	CMSA	2027	Fixed*	166,736
Unsecured US Dollar Term Loans	CGSA	2018 – 2021	Fixed*	25,964
Unsecured US Dollar Term Loans	OPC	2020	Floating	24,500
Secured RMB Term Loan	YICT	2023	Floating	13,832
Secured Euro Term Loan	AGCT	2023 – 2024	Fixed*	6,097
				1,432,418
Total Debt				1,493,605
Less current portion and short-term				83,336
Long-term debt, net of current portion				US\$1,410,269

*Under interest rate swap agreement

**US\$18.0 million under Euro-US Dollar cross currency swap agreement

As of December 31, 2017, 62.5 percent of the Group's total debt capital is held by the Parent and ITBV, which includes the US\$179.2 million senior notes issued in 2010 and due in 2020; and US\$753.6 million MTN issued from 2013 to 2015 and due in 2023 to 2025.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of December 31, 2017:

Table 6.15 Outstanding Debt Maturities

<i>(In thousands)</i>	Amount
2018	US\$22,149
2019	37,723
2020	246,221
2021	38,655
2022 and onwards	1,087,670
Total	US\$1,432,418

Outstanding Long-term Debt as of December 31, 2017

MTN Programme

On January 9, 2013, ICTSI Treasury B.V. (ICTSI Treasury), a majority-owned subsidiary through ICTSI Ltd., established the MTN Programme that would allow ICTSI Treasury from time to time to issue medium-term notes (MTN), unconditionally and irrevocably guaranteed by ICTSI and listed on the Singapore Stock Exchange. The aggregate nominal amount of the MTN outstanding will not at any time exceed US\$750.0 million (or its equivalent in other currencies), subject to increase as described in the terms and conditions of the Programme Agreement. In August 2013, the maximum aggregate nominal amount of the MTN outstanding that may be issued under the Programme was increased to US\$1.0 billion.

Pursuant to the MTN Programme, on January 9, 2013, ICTSI Treasury and ICTSI signed a Subscription Agreement with HSBC and UBS AG, Hong Kong Branch, for the issuance of 10-year US\$300.0 million guaranteed MTN (the "Original MTN"). The Original MTN were issued on January 16, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent p.a., net of applicable taxes, set at a price of 99.014 and payable semi-annually in arrears. Moreover, on January 28, 2013, an additional US\$100.0 million guaranteed MTN was issued to form a single series with the original MTN.

In June 2013, ICTSI purchased a total of US\$6.0 million of ICTSI Treasury's US\$400.0 million MTN at US\$5.7 million.

In September 2013, ICTSI Treasury further issued US\$207.5 million notes from the MTN Programme at a fixed interest rate of 5.875 percent p.a. payable semi-annually and will be due in 2025 ("2025 Notes"), in exchange for US\$178.9 million of ICTSI's US\$450.0 million senior notes due in 2020 ("2020 Notes"). Concurrent with the exchange offer, noteholders of the 2020 Notes provided their consent to the modifications to the terms and conditions of the 2020 Notes to conform to the terms and conditions of all the notes issued under the MTN Programme. Moreover, on April 30, 2014, an additional US\$75.0 million notes were issued to form a single series with the 2025 Notes.

In January 2015, an additional US\$117.5 million notes were issued to form a single series with the 2025 Notes. Of this new issue, US\$102.6 million was used to fund the exchange for US\$91.8 million of the 2020 Notes.

As of December 31, 2017, outstanding notes under the MTN Programme amounted to US\$753.6 million.

The aggregate net proceeds of the issuances under the MTN Programme were used to fund new projects and capital expenditures, refinance some of ICTSI's existing debt and for other general corporate

purposes.

US Dollar-denominated Notes

In March 2010, ICTSI signed a Subscription Agreement with HSBC and JP Morgan Securities, Ltd. for the issuance of US\$250.0 million ten-year senior notes (the “Original Notes”) bearing interest at a fixed rate of 7.375 percent, net of applicable taxes, payable semi-annually in arrears. In April 2010, ICTSI tapped a further US\$200.0 million (the “Further Notes”) of the Original Notes increasing the size to US\$450.0 million. The Further Notes were issued in May 2010 bearing interest at the fixed rate of 7.375 percent, net of applicable taxes. The Original and Further Notes are collectively referred to as the “2020 Notes”.

The net proceeds of the 2020 Notes amounting to US\$448.1 million were used to fund ICTSI’s investments in existing and new terminal construction activities, refinance some of its existing debt and for other general corporate purposes.

The 2020 Notes were not registered with the SEC. The Notes were offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States. The 2020 Notes are traded and listed in the Singapore Stock Exchange.

In 2013 and 2015, ICTSI redeemed an aggregate of US\$270.7 million of the 2020 Notes in exchange for the 2025 Notes under the MTN Programme.

In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375% maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05% with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group’s Euro net investment in its subsidiary in Madagascar, MICTSL.

As of December 31, 2017, the outstanding balance of the 2020 Notes amounted to US\$179.2 million.

Project Finance Facilities

CMSA. On October 21, 2015, CMSA signed a US\$260.0 million Project Finance Facility with International Finance Corporation and Inter-American Development Bank (IADB). The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The terminal will have a capacity of 2.2 million TEUs when completely built. The development will be done in three phases with phase one creating capacity of 750,000 TEUs. Phase two will further increase the capacity to 1.4 million TEUs. The financing package, which has a tenor of 12 years and a long availability period of four years, will help CMSA finance the completion of phases one and two of the Project. Interest is payable semi-annually based on floating interest rate computed at 6-month LIBOR plus loan spread with a weighted average of 2.80 percent.

In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its floating rate US\$-denominated floating rate loan maturing in 2027. A total notional amount of US\$181.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, CMSA pays annual fixed interest of an average 2.44% and receives floating rate of six-month LIBOR on the notional amount.

As of December 31, 2017, outstanding balance of the loan amounted to US\$166.7 million.

VICT. On July 15, 2016, VICT signed a syndicated project finance facility with various international and regional banks for principal amount of US\$300.0 million (AUD398.0 million) with interest rates

based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.1% per annum and maturities until 2023, 2026 and 2031.

In August 2016, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD320.4 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10% to 2.5875% and receives floating rate of six-month Bank Bill Swap Bid Rate (BBSY) basis points on the notional amount.

As of December 31, 2017, outstanding balance from the project finance facility amounted to US\$262.5 million (AUD336.1 million).

US dollar and Foreign Currency-denominated Term Loans and Securities

CGSA. In October 2015, CGSA availed of a three-year unsecured Term Loan with BBP Bank, S.A. amounting to US\$4.0 million at a fixed interest rate of 6.78 percent. On March 29, 2016, CGSA (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement which consists of two tranches of loans amounting to US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II in May 2017.

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA’s floating rate US\$-denominated floating rate loan maturing in 2021. A total notional amount of US\$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount.

As of December 31, 2017, the outstanding balance of the loans aggregated to US\$28.1 million.

YICT. On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from Agricultural Bank of China at an interest rate published by People’s Bank of China (PBOC) less 5.00 percent of such base rate and a final maturity in November 2023 to refinance its maturing loan. As of December 31, 2017, the outstanding balance of the loan amounted to US\$13.8 million (RMB 90.0 million).

AGCT. As of December 31, 2017, AGCT has an outstanding loan with Raiffeisenbank Austria d.d. amounting to US\$6.1 million (EUR5.1 million). The loan carries a mark-up at the rate of 1-month EURIBOR plus 3.40 percent and is secured by AGCT’s port equipment.

The loan is under an interest rate swap agreement in which the floating rate Euro denominated loan was swapped to fixed interest. Under the interest rate swap, AGCT pays fixed interest of 5.39 percent for US\$3.5 million (EUR2.9 million) and 4.75 percent for US\$2.6 million (EUR2.2 million) and receives floating rate of one-month EURIBOR plus 3.40 bps on the US\$6.1 million (EUR5.1 million).

OPC. On July 11, 2017, OPC (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement amounting to US\$77.0 million with floating interest rate and maturity date of July 2020 to finance capital expenditures. As of December 31, 2017, the outstanding balance of the loan amounted to US\$24.5 million.

Loan Covenants

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI’s and subsidiaries’ assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI is also required to comply with a specified financial ratio relating to their debt to EBITDA up to

4 times when incurring additional debt. As of December 31, 2017, ICTSI and subsidiaries are in compliance with their loan covenants.

There was no material change in the covenants related to the Group's long-term debts. As at December 31, 2017, the Group has complied with its loan covenants.

Equity Financing

Perpetual Capital Securities

On January 29, 2015, RCBV issued US\$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 percent or US\$298.7 million. The new issue was partly used to finance the tendered US\$230.0 million 8.375 percent Subordinated Guaranteed Perpetual Capital Securities ("Original Securities") at a tender price of 107.625 or US\$247.5 million. The cash proceeds received by RCBV amounted to US\$46.7 million, net of debt issuance cost.

On August 26, 2015, RCBV issued US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities ("New Securities") unconditionally and irrevocably guaranteed by ICTSI. The cash proceeds received by RCBV amounted to US\$436.3 million, net of debt issue cost, will be used for refinancing, funding capital expenditures and general corporate purposes.

On March 10, 2016, RCBV (the "Issuer") and ICTSI (the "Guarantor") sent a notice to The Hong Kong and Shanghai Banking Corporation Limited (HSBC, as "Trustee" and "Agent") for the redemption of the remaining US\$108.3 million of the US\$350-million Subordinated Guaranteed Perpetual Capital Securities ("Securities") and payment of accrued distributions on May 5, 2016. The securities were eventually redeemed on May 2, 2016.

On October 3, 2016, RCBV tendered its US\$300.0 million 6.25 percent and US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities for redemption at a price of 106.75 and 105.75, respectively. On October 20, 2016, RCBV redeemed a total of US\$345.5 million of the tendered securities and paid the associated accrued distributions of US\$9.3 million. Together with the redemption, RCBV issued US\$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.225 percent. The new issue was used to finance the redemption and payment of accrued distributions of the tendered securities

On January 10, 2018, the Board approved the principal terms and conditions of the US\$350.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities (the "New Securities"). The New Securities were unconditionally and irrevocably guaranteed by ICTSI at par.

On January 11, 2018, the Board approved the issuance of additional Senior Guaranteed Perpetual Capital Securities amounting to US\$50.0 million ("Additional Securities") which was consolidated and formed a single series with the New Securities initially offered on January 10, 2018. The Additional Securities were also unconditionally and irrevocably guaranteed by ICTSI at par.

The cash proceeds received by RCBV from the issuance of the New and Additional Securities amounted to US\$390.3 million, net of debt issuance costs, which shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.

Risks

ICTSI and its subsidiaries' geographically diverse operations expose the Group to various market risks, particularly foreign exchange risk, interest rate risk and liquidity risk, which movements may materially impact the financial results of the Group. The importance of managing these risks has significantly increased in light of the heightened volatility in both the Philippine and international financial markets.

With a view to managing these risks, the Group has incorporated a financial risk management function in its organization, particularly in the treasury operations.

Foreign Exchange Risk

The Group has geographically diverse operations and transacts in currencies other than its functional currency. Consequently, the Group is exposed to the risk of fluctuation of the exchange rates between the US dollar and other local currencies such as Philippine Peso, BRL, MXN and EUR that may adversely affect its results of operations and financial position. The Group attempts to match its revenues and expenses whenever possible and, from time to time, engages in hedging activities. Changes in exchange rates affect the US dollar value of the Group's revenues and costs that are denominated in foreign currencies.

The Group's non-US dollar currency-linked revenues was 45.6 percent of gross revenues for the periods ended December 31, 2016 and 2017. Foreign currency-linked revenues include the following: (1) arrastre charges of MICT; and (2) non-US dollar revenues of international subsidiaries. ICTSI incurs expenses in foreign currency for the operating and start up requirements of its international subsidiaries. Concession fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

The below table provides the currency breakdown of the Group's revenue for the year ended December 31, 2017:

Table 6.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	44 % USD	56 % PhP
SBITC/ICTSI Subic	52 % USD	48 % PhP
DIPSSCOR		100 % PhP
HIPS		100 % PhP
SCIPSI		100 % PhP
BIPI		100 % PhP
MICTSI		100 % PhP
LGICT		100 % PhP
BCT	74 % USD/1% EUR	25 % PLN
TSSA		100 % BRL
MICTSL	100 % EUR*	
MTS		100 % IDR
YICT		100 % RMB
AGCT	79 % EUR	21 % HRK
CGSA	100 % USD	
BICT	100 % USD	
PICT	76 % USD	24 % PKR
OJA	66 % USD	34 % IDR
CMSA	49 % USD	51 % MXN
OPC	100 % USD	
ICTSI Iraq	89 % USD	11 % IQD
IDRC	100 % USD	
VICT		100 % AUD

*MGA pegged to the EURO

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates (cash flow interest rate risk) relates primarily to the Group's bank loans and is addressed by a periodic review of the Group's debt mix with the objective of reducing interest cost and maximizing available loan terms. The Group also enters into interest rate swap agreements in order to manage its exposure to interest rate fluctuations.

Liquidity Risk

The Group manages its liquidity profile to be able to finance its working capital and capital expenditure requirements through internally generated cash and proceeds from debt and/or equity. As part of the liquidity risk management, the Group maintains strict control of its cash and makes sure that excess cash held by subsidiaries are up streamed timely to the Parent Company. The Group also monitors the receivables and payables turnover to ensure that these are at optimal levels. In addition, it regularly evaluates its projected and actual cash flow information and continually assesses the conditions in the financial market to pursue fund raising initiatives. These initiatives may include accessing bank loans, project finance facilities and the debt capital markets.

ICTSI monitors and maintains a level of cash and cash equivalents and bank credit facilities deemed adequate to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows.

There are no other known trends, demands, commitments, events or uncertainties that will materially affect the company's liquidity.

Consolidated Financial Statements

The Group's 2017 consolidated financial statements and accompanying notes are incorporated herein by reference.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with ICTSI's external auditors, SyCip Gorres Velayo and Company (SGV & Co.), a member firm of Ernst & Young Global Limited, on accounting and financial statement disclosures.

Information on Independent Accountant

The principal external auditor is the firm SGV & Co. The Group has engaged Mr. Arnel F. De Jesus, partner of SGV & Co., for the audit of the Group's books and accounts in 2017.

External Audit Fees and Services

ICTSI paid its external auditors the following fees (in thousands) for the last three years for professional services rendered:

	2015	2016	2017
Audit Fees	US\$1,057.8	US\$1,070.2	US\$1,152.2
Audit-related Fees	880.4	379.1	437.4
Tax Fees	295.6	72.9	111.5
Other Fees	73.1	151.1	66.7

Audit Fees include the audit of the Group's annual financial statements. The consolidated audit fees increased in 2017 as a result of additional scope of work for new operating and start-up terminals.

Audited-Related Fees include the review of interim financial statements and issuance of comfort letters for the capital market raising transactions of the Group. The amount in 2015 pertains to the issuances of three comfort letters as a result of the capital market raising transaction of the Group and project financing in one of the subsidiaries while the amount in 2016 and 2017 pertains to the issuance of a comfort letter relating to the Group's liability management exercise.

Tax fees paid to SGV & Co./Ernst & Young are for tax compliance, tax advisory services and transfer-pricing studies. The amount in 2015 was higher than in 2016 and 2017 mainly due to the transfer-pricing studies and tax advisory on tax planning for the restructuring of our subsidiaries in Latin America.

Other fees mainly include due diligence services related to business development and other various one-time engagements.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The reappointment of SGV & Co. as the Company's external auditors was approved by the stockholders in a meeting held on April 20, 2017.

Estimated Capital Expenditures and Sources of Financing

The Group's capital expenditures for 2018 are expected to be approximately US\$380.0 million. The estimated capital expenditure budget will be utilized mainly for the new projects at SPICTL, MITL and CGT; for the expansion projects at BGT, CMSA and MICT; for the continuation of the rehabilitation and development work at OPC; and for maintenance requirements. The Group expects to fund these capital expenditures through a combination of available cash, internally-generated funds, third party loans and other fund raising activities, if necessary.

Compliance with Leading Practice on Corporate Governance

(a) Evaluation System

On January 25, 2007, an evaluation system to measure compliance with the Revised Manual of Corporate Governance was finalized and approved by the Board to measure or determine the level of compliance of the Board of Directors and top level management.

(b) Measures being undertaken by the Corporation to comply with the adopted leading practices on good corporate governance

Anti – Bribery Policy and Procedure

ICTSI has established its Anti – Bribery Policy and Procedure which strictly prohibits bribery of any kind, and to anyone, whether private individuals or government officials. Local business customs or culture is not a valid excuse for engaging in bribery. ICTSI employees are prohibited from asking for, accepting or receiving bribes, or any other personal benefit that would induce the employee to breach his/her duty to act in good faith, to act impartially or in accordance with a position of trust. All employees are guided by the ICTSI Anti-Bribery Compliance Policy and Procedure.

Employee Trainings

Part of ICTSI's objectives is to impart basic knowledge and skills to new employees and to assist existing employees to function more effectively by keeping them abreast of recent developments and

concepts which they could use in their respective fields.

In 2017, ICTSI implemented the following programs:

- 1.) Behavioral trainings which are initiated by the company as part of organization development. These include:
 - a. Interaction Management;
 - b. Basic Management Programs and Leadership trainings;
 - c. Ports Operation and Strategy;
 - d. Ports Planning and Design;
 - e. Customer Service Training;
 - f. Employee Discipline Workshop;
 - g. People Management Conference;
 - h. Labor and Employee Relations Summit;
 - i. PSQI Leadership Training; and
 - j. Team Building Sessions.
- 2.) Company Orientation Programs which include:
 - a. Operations for Non-Operations;
 - b. Orientation for newly hired employees;
 - c. Orientation re: government mandated benefits;
 - d. Orientation for HMI;
 - e. Orientation for Retiring Employees;
 - f. Operations for Non-Operations;
 - g. Ugnayan sa Pantalan.
 - h. Claims for Non-Claims
 - i. ISO Workshop
- 3.) Technical training programs for skills enhancement
 - a. Reach Stackers, Quay Cranes, Rubber Tired Gantries, Sidelifter
 - b. Hatch Clerk Training
 - c. PISM Purchasing & Supply Chain Trainings
 - d. Certified Management Accountant Program
 - e. Digital Communication & Branding
 - f. CISCO CCNA Switching & Routing Course
 - g. Basic Non-Life Insurance
 - h. Fire Fighting Seminar & Drill
 - i. Weather 101
 - j. Port Safety & Health Standards
 - k. SAP GT Training
 - l. Commercial Claims 101
 - m. First Aid with Basic Life Support
 - n. FBI Briefing on Weapons of Mass Destruction
 - o. 8th National SE Conference Social Innovation in Practice
 - p. Business Communication

Health, Safety and Productivity of its Employees

ICTSI maintains its own medical and dental facilities for the use of its employees and their dependents. **Medical Services** include medical check-ups, consultations, treatments, minor surgeries, issuance of medical certificates and approval of sick leave applications. Further, all regular employees and their immediate dependents are provided access to clinic medicines (i.e., antibiotics, maintenance medicines, over-the-counter (OTC) medicines, etc.) Annual drug test for all employees during

Company's scheduled APE and Random Drug Test per month for minimum of 100 employees is also conducted. ICTSI also provides free Chest X-Ray for dependents with suspected Pulmonary Tuberculosis.

This also includes services of duly licensed nurses whose duties are to assist the doctor in the treatment of employees and/or their dependent/s, dispense medicine to patients based on the doctor's prescription, file medical records of employees and/or their dependents, apply first aid and/or other immediate/necessary treatment to employees especially in cases of injuries sustained in accidents or incidents occurring within the company premises in the absence of a doctor, assist in transporting employee patients to accredited hospitals in case of emergencies, and conduct home visits to absent employees upon the written request from authorized representative/officer of ICTSI.

Dental Services are performed by duly licensed dentists whose duties include oral check-ups, oral prophylaxis, tooth filing, and tooth extraction.

ICTSI's medical and dental facilities provide round the clock services for employees and their dependents. ICTSI also maintains its own ambulance to address emergency medical cases. A fire truck is always on stand-by within the terminal premises to provide immediate service and assistance in cases of fire and other catastrophes.

ICTSI also introduced a health insurance plan which provides employees access to medical insurance coverage for their Out-Patient and In-Patient (hospitalization, consultation, laboratory, etc) medical needs. It is provided through an approved Health Care Provider and offers a choice of Employee. This health insurance plan varies by maximum amount limits. Employee also has the option to use his/her medical and dental reimbursement (MDR) benefit to enroll his/her dependents in any of our available Dependent Programs. This MDR benefit may also be used for the order and free delivery of medicines via MEDEXPRESS, a delivery service drugstore.

Annual Physical Exam is also conducted religiously in order to promote health awareness and early detection of illnesses. Standard exams include Physical Examination of the doctor, Electrocardiogram (ECG), X-ray, Complete Blood Count, Urinalysis, Fecalalysis and Visual Acuity Screening. During the APE event, our partner healthcare professionals also provides Cardiometabolic Workplace Wellness program which includes Biometric Tests (Blood Sugar, Cholesterol, Blood Pressure screening, Body Mass Index (BMI /Obesity screening and Foot Doppler test) which helps us in profiling our employees and assessing their overall cardiometabolic health status thus, helping us further to reduce rates of illnesses like Hypertension, Diabetes, Dyslipidemia, etc. Also, from the baseline workforce profiling gathered during APE, we design and provide a customized wellness program like prevention of lifestyle-related diseases, Smoking Cessation campaign among others.

Employees with adverse finding after the above exams shall be directed to consult a specialist for further examination and medication. We have also tapped the services of different medical groups to provide us with seminars and briefing on diseases and medical conditions most common to our employees.

Safety Trainings

Developed Programs and policies for year 2017:

- Full implementation of Personal Protective Equipment (PPE) Policy to all- Zero Tolerance
- New uniform with high visibility marks both upper garments and working pants were distributed for operation employees.
- Conducted trainings and drills on:
 - Fire Prevention and Suppression;
 - First Aid Training and Basic Life Support-CPR;
 - Room to Room orientation and Earthquake simulation drill using a 20' container ;
 - Port Safety and Health Standards and

- Handling of Dangerous Goods Course seminar/training.
- Intensified monitoring and strict implementation of “No Rider Policy”
- Intensified “No loitering” policy inside the yard
- Policy on the Control of vehicle access to MICT
- New MICT “No Smoking” Policy
- No “Smoking Policy” while operating any equipment/New Policy on Improper Mounting and Stacking of Containers

Other Programs:

- Has an established Health and Safety Committee
- Intensified terminal inspections
- Enhance monitoring of traffic flow and movements of port equipment in the terminal
- Thorough inspection of all cargo gears of vessels at anchorage basin
- Ensure safety of visitors & port users during terminal visits, tours and orientations
- Intensified follow-up inspections
- Intensified training for ERT members
- Intensified coordination between Safety and Operations Officers and Staff. Upgrade of research and development methods
- Handling of Dangerous Good Course. Specialized training course on the proper identification, related legislative regulations and other specifications for dangerous goods handled in the port.
- Ensures compliance to the requirements of ISO 9001:2008 & 1400:2004 standards, PPA, DENR, DOLE-BWC and the BFP

Accident Prevention:

- Intensified tool box meeting in different sections, reminded/reoriented Terminal guidelines and procedures as well as safe working habits.
- Intensified mobility and visibility of Safety Officers
- Intensified yard inspections and Safety Visibility;
- Regular roving inspection and monitoring of the Terminal is being conducted daily to ensure that safety is properly implemented and exercised.
- Regular monitoring of the container stacking at the container yard.
- Ensuring that the terminal guidelines are properly implemented
- Enhance outside truck drivers orientation
- Regular inspection of firefighting equipment
- Regular inspection of building, equipment and facilities.
- Ensuring safety of dockworkers while on board vessels.
- Maintaining proper housekeeping inside the MICT premises; and
- Strict implementation of personal protective equipment for Employees, Port Users, Contractors and Visitors.

ICTSI is committed to provide a safe and healthful place of work in accordance with industry standards and in compliance with government requirements. To meet this commitment, ICTSI abides by the following principles:

- Place the highest priority on the health and safety of all employees and port users;
- Provide health and safety training to employees to empower or incident prevention program;
- Encourage employees to perform their jobs properly in accordance with established procedures and work practices;
- Ensure the Company’s operation and other activities comply with applicable government regulations.
- Provide full cooperation to clients, statutory authorities and local communities;
- Communicate and consult with employees to be able to continually improve work procedures

- and maintain safe practices in the performance of their jobs; and
- Monitor performance and conduct regular audits to ensure health and safety management system is up to date and continually improved.

Through these principles, ICTSI believes that:

- Accident loss can be controlled through good management combined with active employee involvement;
- Safety is the direct responsibility of all managers, supervisors, employees, contractors and port users;
- All employees will be aware of their statutory duty to take reasonable care of the health and safety of themselves and others who may be affected by their actions; and
- Health and safety for the company, in general will be steered towards a higher education.

(c) Revised Manual of Corporate Governance

The Group adopted a Manual on Corporate Governance in January 2003. Its latest Revised Manual on Corporate Governance (“CG Manual”), pursuant to SEC Memorandum Circular 19 – 2016, was submitted on May 31, 2017. The Company submitted a Certificate last January 29, 2018, which states that the Company is in full compliance of its CG Manual.

The Company likewise submitted its 2016 Annual Corporate Governance Report on May 30, 2017, pursuant to SEC Memorandum Circular 20 - 2016. In line with SEC Memorandum Circular 15 - 2017, the Company will submit its 2017 Integrated Annual Corporate Governance Report on or before May 30, 2018.

The Company’s Compliance Officer was appointed in February 2014. Last February 9, 2016, concurrent as Chief Financial Officer, Rafael D. Consing, Jr. was appointed as the new Compliance Officer. The Compliance Officer coordinates with the Philippine SEC with respect to compliance requirements, monitor compliance with the revised manual and report any governance-related issues to the Board. The Company has not deviated from its CG Manual and further commits itself to principles and best practices of governance in the attainment of corporate goals.

(d) Continuing Improvements for Corporate Governance

ICTSI continues to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance, which includes annual trainings for its Board of Directors and key officers pursuant to SEC Memorandum Circular 20-2013, and submission of its Revised CG Manual on May 31, 2017 in compliance with SEC Memorandum Circular 19-2016. These improvements are being updated and documented in its Annual Corporate Governance Report and moving forward in its Integrated Annual Corporate Governance Report (I-ACGR).

Recognition and Awards in 2017

2017

December: Platinum Award

For the fourth year in a row, ICTSI was honored by The Asset Corporate Awards in the Platinum category as one of the elite companies in Asia that has shown All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations at a gala dinner on December 13, 2017 in Hong Kong. ICTSI was also one of the recipients of The Asset Corporate Awards 2017 Best CEO - Enrique K. Razon, Jr.

June: ICTSI was awarded by **Corporate Governance Asia**, in the 7th Asian Excellence Recognition Awards 2017, as one of the Best Investor Relations Companies in the Philippines and Rafael D. Consing, Jr. as one of Asia's Best CFO.

Business of Issuer

Overview

ICTSI is an international operator of common user container terminals serving the global container shipping industry whose principal business includes the operation, management, development and acquisition of container terminals focusing on facilities with total annual throughputs ranging from 50,000 TEUs to 3,000,000 TEUs. The primary mechanism for the operation of these terminals is long-term concession agreements with local port authorities and governments through ICTSI and its subsidiaries. As at March 6, 2018, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. These are 28 operating terminals in nine key ports, including the recent acquisition of shares in MNHPI and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, DR Congo, Australia and, recently, Lae in PNG; a concession to construct and operate a port in Tuxpan, Mexico; a project to construct a barge terminal in Cavite, Philippines; and a recent agreement to operate an international port in Motukea, PNG.

In 2015, 2016 and 2017, the Group handled consolidated throughput of 7,775,993 TEUs, 8,689,363 TEUs, and 9,153,458 TEUs, respectively.

The Group provides different services in each of the port operated based on the nature of business and industry of the country of operations and the general needs of customers including shipping lines, cargo owners and port users. The Group primarily handles international containerized cargoes, which include cargoes shipped in containers for international import or export. The Group's customer base mainly includes shipping lines and cargo owners. The Group also provides a number of ancillary services such as storage, container stripping and stuffing, inspection, weighing and services for refrigerated containers or reefers, as well as roll-on/roll-off and anchorage services to non-containerized cargoes or general cargoes on a limited basis.

These services fall into three general categories:

On-vessel. This refers to all work performed on board a ship. This includes the loading and unloading of cargoes, rigging gears, opening and closing hatches, securing cargo stored on board and shifting cargo to and from vessels;

Off-vessel. This refers to the services involved in moving containers from container yards to the gate. This includes the receiving, handling, checking and delivery of containers over piers, wharves, transit sheds, warehouses and open storage areas and the transfer of containers from the tail of a consignee's transportation unit; and

Other Services. At some terminals, maintenance services to ships that are docked in the harbor for which the port operator receives berthing and harbor fees from shipping lines are provided. ICTSI also offers ancillary services relating to its core services, such as container and truck weighing, use of reefer outlets to provide power to refrigerated containers and extended storage.

The fee structure for the Group's services varies across the terminals it operates based upon local regulations and practices. In some terminals, such as MICT, the Company charges shipping lines fees for on-vessel charges and charges cargo owners separately for off-vessel services. The Philippine Port Authority (PPA) sets different tariffs for on-vessel and off-vessel services. In other jurisdictions, the Group charges only the shipping lines or the cargo owners who have separate arrangements among themselves. ICTSI mostly charges cargo owners on a cash-on-delivery basis. Containers are not

allowed to leave the port facility until actual cash payment has been made and confirmed received. Shipping lines may be granted credit lines of up to 30 days.

For the three years ended December 31, 2015, 2016 and 2017, the percentage contribution of foreign operations or operations outside the Republic of the Philippines to revenues from cargo handling services and net income attributable to equity holders of the parent are as follows:

	2015	2016	2017
Gross revenues	58.8%	60.6%	64.1%
Net income attributable to equity holders of the parent*	14.8%	44.8%	42.6%

* 2015 amount includes impairment charges recognized for Tecplata and JASA and subsidiaries of US\$114.6 million. 2016 amount includes loss on pre-termination of lease agreement in IOI of US\$23.4 million.

Competition

The Group's primary competitors are other international port operators, including financial investors, shipping lines and domestic concerns that operate terminals or that provide alternate routes for shipping lines that would otherwise utilize the Group's terminals.

Asia

Currently, South Harbor is MICT's only competitor in the international marine container service market in Manila. The PPA authorized Asian Terminals, Inc. (ATI) to provide fully integrated cargo handling services at the South Harbor from March 1992 to May 2013. It was granted a 25-year extension from May 2013. The PPA's tariffs are applied uniformly to both MICT and the South Harbor. MICT has an estimated market share of 67% of the container traffic in Manila. Other Philippine terminals either dominate the market or do not have any direct competitor in their immediate area of operations.

After the Company's acquisition of 51% of YICT and divestment of its holdings in YRDICTL in July 2014, higher yielding international container cargo in the Port of Yantai has been handled exclusively by YICT. Domestic cargo has been handled exclusively by YRDICTL.

The Port of Karachi is one of South Asia's largest and busiest deep-water seaports, handling approximately 65% of Pakistan's container traffic. The port currently has three terminals: ICTSI's PICT, Karachi International Container Terminal (KICT) and South Asia Pakistan Terminals (SAPT), of which both KICT and SAPT are operated by Hutchison Port Holdings. Also on the other side of the city of Karachi is Qasim International Container Terminal (QICT), operated by Dubai Ports World at Port Qasim, which handles approximately 34% of the country's containers traffic. The Company believes that PICT captured approximately 24.0% in 2017, with QICT, KICT and SAPT handling 34.0%, 26.0% and 16%, respectively.

Americas

The Group has seven terminals in the Americas: Tecon Suape, SA (TSSA); Contecon Guayaquil, SA (CGSA); Tecplata, SA (Tecplata); Sociedad Puerto Industrial Aguadulce, S.A. (SPIA); Contecon Manzanillo, SA (CMSA); Operadora Portuaria Centroamericana, SA (OPC) and Terminal Maritima de Tuxpan, S.A de C.V (TMT). All of the terminals in the Americas are operational except for TMT as management is currently working on its development plan. Tecplata is ready to operate and is yet to service its first international shipping line.

OPC, on the other hand, dominates the Honduras market and a good portion of the El Salvador, Nicaragua and Guatemala markets. OPC faces limited competition from Puerto Castilla due to the competitor's small capacity. OPC has captured 84% of the container market in 2017.

The Manzanillo market, where CMSA operates, is currently dominated by SSA de Mexico, S.A. de C.V with 53% market share. CMSA's entry in the market is designed to address the congestion at the competing terminals and the competitor's inability to further expand their capacity to absorb the growing demand. CMSA has an estimated 30% market share in 2017.

CGSA operates the port of Guayaquil, which serves as Ecuador's main international trading gateway. The port is connected to the main terrestrial highways of Ecuador and has good access to other principal cities in the country. The Port of Guayaquil is currently experiencing higher level of competition with capacity expansion of Terminal Portuario Guayaquil (TPG), operated by the Chilean company SAAM. CGSA's market share in 2017 was 49% of the traffic at the port.

TSSA faces limited local competition operating the Port of Suape as the nearest local ports are at least 800 kilometers away following the cessation of regular container handling activities of the port at Recife in 2004. TSSA has a market share of 100% and 40% of the container traffic at Pernambuco and Northeast region of Brazil, respectively.

Europe, Middle East and Africa (EMEA)

The Group has six operating terminals in the EMEA region: Baltic Container Terminal (BCT); Madagascar International Container Terminal, Ltd. (MICTSL); Batumi International Container Terminal (BICTL); Adriatic Gateway Container Terminal (AGCT); ICTSI Iraq; and IDRC. Compared with other operating terminals in the region, BCT and AGCT faces stiffer competition. The stiff competition comes from Deepwater Container Terminal (DCT) in Gdansk, which has made efforts in 2011 to strengthen its efficiency by adding new equipment and has already commissioned the second berth in December 2016. BCT's market share in 2017 is estimated to be at 15% of the container traffic in Poland. AGCT is experiencing stiff competition as well from the ports of Koper and Trieste. In 2017, AGCT captured 13% of the market. In contrast, MICTSL is dominating the Madagascar container market and practically has no competition. ICTSI Iraq has established itself as Iraq's leading terminal by capturing 40% of the container volume in 2017 after just three years of operations. IDRC handles 58% of the container volume in the Democratic Republic of Congo.

Key Competitive Strengths

Despite the presence of competition where ICTSI and subsidiaries operate, the Group has identified the following as its key competitive strengths:

Globally diversified revenue base

ICTSI owns or operates ports in 18 countries across three geographic regions namely: Asia, the Americas, and EMEA. This geographical scoping reduces the concentration of ICTSI's business in any particular country, region or industry. In 2017, Asia accounted for 52.6% of throughput and 47.5% of consolidated gross revenues from port operations, the Americas accounted for 31.2% of throughput and 32.3% of consolidated gross revenues from port operations, and EMEA accounted for 16.2% of throughput and 20.2% of consolidated gross revenues from port operations. Moreover, port facilities in various terminals serve a number of different shipping lines, which reduces reliance on any one particular customer. There is no single dominating customer, and no customer has contributed to more than 10% of the Group's consolidated gross revenues in 2015, 2016 and 2017.

Leading market positions in key targeted markets

The Group's major terminals enjoy leading positions in their respective geographic markets. In addition, most of its major terminals are strategically located in emerging markets with strong growth and profit

potentials, including Asia, EMEA and Americas. The Company's terminals mainly serve as end-destination ports for discrete markets and cargo cachement areas. The Company believes that its strong market position in the regions where it operates allows it to enhance operating efficiencies and maximize throughput, which increases profitability. The Company owns or operates the largest container terminals in terms of volume throughput and capacity in the Philippines, Ecuador, the Brazilian state of Pernambuco, Madagascar, Yantai in China, Honduras, and more recently Iraq and DR Congo. At these terminals, there are limited opportunities for competition from other port operators, other ports or other terminals within the same ports due to high barriers to entry. Some of these barriers include the limited number of port sites, government controls and high terminal construction costs. This means that there are few substitutes for the Company's services, which allows it to maintain significant pricing power contributing to strong margins. The Company has targeted its acquisitions at port concessions that are privatized from government control. Many of these ports are in emerging markets, which generally exhibit stronger growth than developed markets; thus the Company believes that its leading position in these markets will allow it to directly capture organic growth in line with the economic growth of these markets. Furthermore, all of the Company's concession agreements are long-term agreements that ensure continued benefits from long-term GDP growth trends.

Experienced and dynamic management team

The Group's management team has extensive experience in the container terminal and container shipping sectors. Management structure is decentralized with extensive authority delegated to the regional operating units where management teams are closest to their customers and have the most comprehensive knowledge for the regulatory, labor and other key operating conditions prevailing in their respective jurisdictions. The decentralized structure also allows a lean and flat management team, which reduces administrative costs. Meanwhile, senior management at the corporate level focuses on providing overall strategy, direction and oversight as well as managing key global functions such as information technology, engineering and finance. The Group has strong financial controls over each operating entity through standardized monthly reporting, annual budget process, regular financial and operating audits, control over external sourcing of funds and capital, insurance coverage and risk management.

Established track record of improving operational efficiency and performance

The Group has also made substantial investments in terminal facilities to enhance handling capacity and operating efficiency, modernizing information technology systems and expanding and rehabilitating civil works. The Group also provides its know-how through enhanced training and improved work processes to streamline labor practices, and rationalize commercial strategies to boost yield per TEU. The Group has received commendations and recognitions for its success in improving cargo handling and assisting in the development of private sector. The Group has been cited by the World Bank for its success in public-private partnerships in South America, Africa and Europe.

Strong and stable cash flows and strong capital structure

The Group believes that its major terminals provide stable cash flows because of its globally diversified operations and long-term concession agreements, which have a capacity-weighted average remaining term of approximately 18 years. In addition, the Group's terminals focus on end-destination cargo, which accounts for substantially all of the Group's consolidated throughput volume. The Group believes that its focus on end-destination cargo limits concentration risk to individual container shipping lines in that if a shipping line that calls at one of its terminals ceases to operate, the cargo intended for that particular destination will simply transfer to another shipping line that is still calling in that terminal. As of December 31, 2017, the Company's total indebtedness was US\$1,493.6 million and its total indebtedness to total equity ratio (interest-bearing debt over total equity, as shown in the consolidated balance sheet) was 0.80 times, providing head room for future financial leverage. The Company believes that its cash flows and debt structure will provide it with a solid platform to pursue investment opportunities, supported by its active balance sheet management strategies and liability management

initiatives which have helped streamline its debt maturity profile and interest payment schedules significantly.

Demonstrated ability to control operating costs

Lastly, the Group has continuously demonstrated its ability to control operating costs effectively, which allows the Group to generate profitable margins in both weak and strong economic environments. Cost containment measures are continuously enforced all throughout the Group. These programmes may include cost reductions, equipment upgrades, and projects to improve labour efficiencies and processes. As an example, the Company recently implemented its Terminal Appointment Booking System (TABS), which helps to improve capacity and operational efficiency in its terminals. Improvements to the labor pool also come from knowledge and experience sharing across ports. The Company also plans to expand the handling capacity of its ports as needed, such as the construction of new yard facilities at the MICT.

Principal Suppliers

The Group is neither dependent on a single nor a few suppliers, of which the loss of any or more would have a material adverse effect on its operations, nor has existing major supply contracts.

Customers

Consistent with the high degree of concentration in the global shipping industry, major container shipping lines contribute significantly to the Group's business and revenues. However, ICTSI's business, primarily serving domestic markets as oppose to transshipment business, is as such not dependent on a single or a few customers, of which the loss of any or more would have a material adverse effect on the Group's operations taken as a whole (In a the domestic market the departure of a specific shipping line or consortium will not automatically result in loss of volumes to the Gateway terminal operator since cargo volumes then shift to another shipping line or consortium). Although the Group provides services to many of its customers at two or more of its terminals, each entity negotiates contracts independently at each port and generally does not entertain any bulk rebates. The Group conducts selected marketing and sales activities with its shipping line customers in each terminal and has established a global commercial department to support the business units and regions, ensuring we can take advantage of a shipping line's global presence. The Group maintains Terminal Service as well as Service Level Agreements with a number of shipping lines specifying service and performance standards. The Company will continue to maintain high-level relationships with a number of its clients, as it believes that this engagement is necessary to anticipate changes in a dynamic shipping industry and in turn to ensure alignment with ICTSI's service delivery. On the other hand, its business or profitability is not materially dependent on any relationship with any individual customer. As also seen in the previous years, ICTSI's customer base remains very broad. There is no single dominating customer, and no customer has contributed to more than 10% of the Group's consolidated revenues in 2015, 2016 and 2017.

Related Parties

Related party transactions are discussed in Part IV, Item 12 of this report, and in Note 22, *Related Party Transactions*, to the 2017 Annual Audited Consolidated Financial Statements.

Intellectual Property, Licenses, Contracts and Agreements

The "ICTSI" name and logo are registered trademarks in the Philippines. The Company also possesses copyrights for certain of the proprietary software systems, whose remaining useful lives range from one to five years. The Group sees to it that its rights for the use of these software systems are secured at all times to ensure continued use and support from vendors.

Please refer also to Note 24, *Significant Contracts and Agreements*, to the Annual Audited Consolidated Financial Statements for detailed discussion of the Group's contracts and agreements to operate, manage and develop the terminals.

Government Regulations and Licenses

The Group's operations are subject to a variety of laws and regulations promulgated by the national and local government of each jurisdiction in which it operates. Rights and obligations under the concession agreements are discussed in Note 24, *Significant Contracts and Agreements*, to the Annual Audited Consolidated Financial Statements. The Group believes that it is in compliance, in all material aspects, with applicable government regulations in each jurisdiction in which it operates. The Group is not aware of any governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on the Group's properties and operations.

Various governmental and quasi-governmental agencies and regulatory bodies require the holding of certain licenses, concessions and permits with respect to port and port-related operations. For example, the PPA regulates all port operations in the Philippines, except for ports in Misamis Oriental and Subic, which are regulated by PHIVIDEC Industrial Authority and Subic Bay Metropolitan Authority (SBMA), respectively. Services and fees being offered to the port users may be controlled and approved by the respective regulatory agency. Overseas operations are conducted under valid licenses, concessions, permits or certificates granted by the applicable regulatory body in that jurisdiction.

In addition, the fee structure for the Group's services varies across the terminals it operates based on local regulations and practices. In some terminals, the operator charges shipping lines fees for on-vessel services and charges cargo owners separately for off-vessel services. The port authority sets different tariffs for on-vessel and off-vessel services. In other jurisdictions, the operator charges only the shipping lines or the cargo owners who have separate arrangement among themselves. ICTSI charges cargo owners mostly on a cash-on-delivery basis. Containers are not allowed to leave the port facility until actual cash payment has been made and confirmed received. Shipping lines may be granted credit lines up to 30 days. Yet in some jurisdictions, release order of cargoes should come from the port authority.

The Group maintains regular dialogue with local government and regulatory authorities through its management teams or representatives in each jurisdiction, to ensure compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits or certificates.

As of December 31, 2017, there are no pending requests for government approval for any of the Group's principal activities, except those arising from new or ongoing bids to operate, manage, or develop ports, which the Group's Business Development Offices undertake.

Development Activities Expenses

Amount spent during the last three years on business development activities pursuing future port acquisitions are as follows (amounts in millions):

	Amounts	% of Revenues
2015	US\$9.2	0.88%
2016	6.2	0.55%
2017	4.0	0.32%

Insurance

The Company has established a world-class comprehensive insurance program that maintains insurance policies that cover its physical assets as well as its employees. The Company's main insurance programs

are its Global Port All Risk Property Policy, which covers handling equipment and terminal infrastructure from damage and loss due to, among others, natural catastrophe perils such as earthquake, seaquake, flood, named windstorm, tsunami, volcanic eruption and tornado, physical damage, and coverage for strikes, riots, labour disturbances and civil commotion; Terminal Operator's Liability Program, which embodies the standard terms of insurance coverage for port properties and terminal operators' liability for all its operations globally which coverage includes, but is not limited to, liabilities for cargo damage, uncollected cargo, unintended and unexpected pollution and disposal costs, third party property damage and third party liability; and Employee Benefits programs which covers among others the health care needs of its employees in the countries in which it operates and other insurance programs as reasonably needed by its terminals. The Company believes that its insurance coverage is more than adequate to cover all normal risks associated with the operation of its business and is consistent with industry standards.

Safety, Quality, Maintenance and Compliance with Environmental Laws

Equipment Inspection and Maintenance

To help ensure equipment reliability and support operational efficiency, the Group provides regular inspection and maintenance of its equipment and facilities. It has established formal procedures for periodic maintenance and inspection of equipment in line with international guidelines and manufacturers' recommendations. Formal corporate policies are issued to address maintenance of the critical components such as the structure, hoisting mechanisms, twist locks, safety devices interlocks and load path crane components. On a regular basis, the Group commissions structural professional consultants to provide testing of equipment, such as crane structures. Purchase of wire ropes is always accompanied with load test certificates. Wire ropes installed on different container handling equipment are monitored and tested for defects through visual and mechanical inspection and discarded from usage based on established discard criteria. All these activities are recorded and maintained as part of Group's Asset Management System.

Quality, Health and Safety, Environmental Management Systems and Compliance with Environmental Laws

While consistently aiming to deliver exceptional quality customer service, the Group considers no phase of its container and port operations, be it on local or overseas terminals, as being of greater importance than accident and occupational diseases/illnesses prevention, safeguarding personnel, facilities and equipment as well as environmental preservation.

In all of the Group's terminals around the world, the safety, health and security of its employees, customers and stakeholders as well as the protection and management of the environment are of paramount importance. Aside from ensuring that all of its business units are at the minimum, compliant with regulatory requirements, the Group continually exert great efforts to adhere to strict international standards on quality, health and safety and environmental management in port operations. To date, several terminals have obtained and maintained the following management system certifications:

Terminal	Certifications
MICT	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System ISO 14001:2004 Environmental Management System
BIPI	International Ship and Port Facility Security Code
DIPSSCOR	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System
MICTSI	International Ship and Port Facility Security Code
MTS	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System
PT OJA	International Ship and Port Facility Security Code
PICT	International Ship and Port Facility Security Code

Terminal	Certifications
	ISO 9001:2008 Quality Management System ISO 14001:2004 Environmental Management System OHSAS 18001:2007 Occupational Health and Safety Management System
SBITC	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System
SCIPSI	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System ISO 14001:2004 Environmental Management System OHSAS 18001:2007 Occupational Health and Safety Management System
VICT	International Ship and Port Facility Security Code
YICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management System ISO 14001:2015 Environmental Management System OHSAS 18001:2007 Occupational Health and Safety Management System
AGCT	International Ship and Port Facility Security Code
BCT	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System ISO 14001:2004 Environmental Management System ISO 22000:2005 Food Safety Management System ISO 5001:2011 Energy Management System
BGT	International Ship and Port Facility Security Code
BICT	International Ship and Port Facility Security Code
IDRC	International Ship and Port Facility Security Code
MICTSL	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management System ISO 14001:2015 Environmental Management System ISO 28000:2007 Supply Chain Security Management System
CGSA	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System ISO 14001:2004 Environmental Management System OHSAS 18001:2007 Occupational Health and Safety Management System ISO 28000:2007 Supply Chain Security Management System BASC for Safe and Secure International Trade
CMSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management System ISO 14001:2015 Environmental Management System OHSAS 18001:2007 Occupational Health and Safety Management System ISO 28000:2007 Supply Chain Security Management System
OPC	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management System ISO 14001:2015 Environmental Management System OHSAS 18001:2007 Occupational Health and Safety Management System
SPIA	International Ship and Port Facility Security Code
TSSA	International Ship and Port Facility Security Code ISO 9001:2008 Quality Management System ISO 14001:2004 Environmental Management System

The Group is fully committed in promoting a safety culture across its business operations. Over 2017, the Group has also implemented several safety programs and improvements across its terminals, which includes among others, various safety induction and training, regular safety engagements with workers, safety audits, establishment of safe working procedures based on risk assessments, usage of safety

software application, and deployment of cargo-handling equipment with enhanced safety features. Supported by the Group's Global Engineering Team, each terminal has a team to review risk control measures, promptly investigate incidents, identify risk trends and implement action plans with an aim to prevent accidents.

Costs incurred by the Group in obtaining these certifications and complying with regulatory requirements in relation to the implementation of its Health, Safety and Environmental programs amounted to US\$0.7 million in 2015, US\$0.2 million in 2016 and US\$0.3 million in 2017.

Employees

The Group has a total of 7,962, 8,009 and 7,628 permanent employees as of December 31, 2015, 2016 and 2017 respectively. The Group generally does not hire contractual employees as the Group believes that it can achieve greater efficiency with a dedicated staff of employees who are familiar with the Group's internal systems. The following table shows the number of employees by activity and location:

	As of December 31		
	2015	2016	2017
Employees by Activity			
Operations	5,207	5,129	4,997
Engineering	1,064	1,058	1,139
Finance and administration	1,059	1,148	1,194
Corporate offices	198	164	162
Others	434	510	136
Total	7,962	8,009	7,628
Employees by Geographic Region			
Asia	3,639	3,792	3,701
Americas	3,184	2,947	2,596
EMEA	1,139	1,270	1,331
Total	7,962	8,009	7,628

The number of employees decreased in 2017 as a result of termination of lease agreement in ICTSI Oregon effective March 31, 2017, pre-termination of agreement in NMCTS with the Government of Brunei Darussalam effective February 21, 2017 and in CGSA due to cost optimization and rationalization programs implemented as a response to reduction in vessel calls. The Group does not anticipate any major change or increase in its labor force in the ensuing 12 months from its existing operating terminals. There are no current or known threats from employees to engage in any work stoppage across all terminals.

Majority or a large portion of these employees are union members. As of December 31, 2015, 2016 and 2017, approximately 56.6 percent, 65.29 percent and 61.21 percent respectively, of the labor force are unionized. The Group has collective bargaining agreements (CBA) in many of the ports in which it operates.

Asia

MICT. On April 25, 2014, ICTSI and the Nagkakaisang Manggagawa sa Pantalan ng ICTSI – National Federation of Labor Unions (NMPI-NAFLU), the bargaining unit for MICT workers, renewed its CBA for another five years effective up to April 24, 2019.

A five-year CBA between ICTSI and Anchorage Labor Union-ICTSI-NAFLU (ALU-ICTSI-NAFLU), the bargaining unit for the MICT Anchorage Division, was also signed on February 27, 2014, effective until February 26, 2019.

Both CBAs contain provisions on employee benefits to union members such as: wage increases; rice and meal allowances; paid leaves; medical, dental and hospitalization benefits; life insurance; profit -

sharing; retirements; uniforms; welfare, education, access to a calamity fund; and union leave with pay. The CBAs also provide a venue for settling grievances.

On April 29, 2009, MICT was given the Outstanding Achievement on Industrial Peace and Harmony Award by the Employers Confederation of the Philippines, which indicates that the relationship between the union and MICT has developed into a partnership.

MICTSI. On March 20, 2015, a CBA was signed between MICTSI and Mindanao International Container Terminal Services, Inc. Labor Union - Federation of Democratic Labor Union Organization (MICTSILU-FDLO) with a term of five years ending on March 20, 2020. One of the provisions in the CBA is to agree on the renegotiation solely on the wage increase on the 4th and 5th year upon the expiration of the 3rd year of this agreement.

Other salient provisions of the CBA include wage increases, leaves, hours of work, medical and hospitalization benefits, retirement, education fund contribution, group life insurance, plant uniform, rice subsidy, production incentive bonus, Christmas package and signing bonus. Other matters relative to the union are periodically discussed in the Labor Management Council, consisting of representatives from the management of MICTSI and MICTSILU-FDLO, which meets once every month.

DIPSSCOR. On September 15, 2016, DIPSSCOR and DIPSSCOR Employees and Workers Union - Association of Trade Unions-TUCP (DEWU-ATU/TUCP), being the sole bargaining unit, signed a new five-year CBA. The CBA came into effect on June 1, 2016 and will expire on May 31, 2021.

The CBA contains provision on employee benefits to union members such as: wage increase, productivity incentives, rice subsidy, meal allowances, paid leaves, medical, dental and hospitalization benefits, life insurance, retirement benefits, death aids, uniforms, access to personal cash advances, union leave with pay and grievance machinery.

On March 4, 2016, DIPSSCOR received a Certificate of Compliance on Labor Relations from the Department of Labor and Employment (DOLE) for having been compliant with Labor Relations upon evaluation of the aforementioned CBA.

SCIPSI. On November 5, 2012, the management of SCIPSI and the PRO-CHAMP Labor Movement in Makar (PCM-M) entered into a CBA for a term of five years or until November 05, 2017.

In November 2009, the DOLE cited SCIPSI for Best Labor Management Cooperation (LMC) in Region XII in the Philippines given by the National Conciliation and Mediation Board (NCMB) in Mindanao and awarded as National Finalist in Outstanding LMC for Industrial Peace in the Philippines in November 2015. It is important to note that the Company's LMC is an important vehicle in disseminating its corporate values and ensuring industrial peace.

60 days before the expiration of the said CBA, petition for election was filed by two intervenors, SCIPSI Employees Union-Southern Philippines Federation of Labor (SCIPSI EU-SPFL) and Makar Port Labor Organization (MPLO) at the DOLE. The parties later agreed to the conduct of the certification election on March 9, 2018.

MTS. On April 15, 2016, MTS and Serikat Pekerja Mandiri PT Makassar Terminal Services (SPM MTS), the labor union, signed a CBA that is effective for two years from April 15, 2016 to April 14, 2018. The CBA was approved by the Pemerintah Kota Makassar, Suku Dinas Tenaga Kerja (the Department of Labor in the City of Makassar) on April 29, 2016.

The CBA contains provisions on benefits for all employees such as: wage increases, box share allowance, meal allowance, transport allowance, government and religious mandated leaves and leaves for important reasons like worker's marriage, paternity leaves, child baptism, marriage of worker's children, death of immediate worker's family member, among others.

OJA. There is no labor union in OJA.

YICT. The right to unionize is guaranteed for the employees of YICT. All employees are unionized by law. Unionism is not a big issue in China since unions are considered as partners in a stable work force.

PICT. The Democratic Employees Union (PICT-DEU) was formed on April 23, 2014 as the bargaining unit for PICT workers. The CBA was renewed on January 1, 2017 and will be effective for a period of two years.

VICT. VICT signed an Enterprise Agreement with the Australian Maritime Officers Union that was endorsed by the Fair Work Commission on October 19, 2016. It has an initial term of four years and will expire on October 19, 2020. The Agreement primarily covers rates of pay, working hours and leave entitlements. The Agreement covers the operational staff at VICT.

SBITC and ICTSI Subic. There is no labor union in SBITC and ICTSI Subic.

Americas

CGSA. There is a non-unionized Works Council since October 2008 and a CBA signed initially on July 16, 2009. The CBA was renewed in January 2017 and will be effective for the next two years. Besides the benefits that any worker is entitled by law, CBA secures for the employees some additional benefits: in-out transportation, food service and uniform. There have been no cases of strikes or walkouts since CGSA took over operations in 2007.

TSSA. The administrative and maintenance employees in TSSA are represented by the Sindicato dos Auxiliares de Administracao de Aramazens Gerais do Estado de Pernambuco (SINDAGE). The CBA with SINDAGE is renewed every two years and was last signed in June 2017. TSSA and the union have a good relationship and there had not been any major labor disturbances, such as strikes, slowdown, boycott or mass absences in years. The employees receive benefits such as dental and health insurance, local restaurant privileges, support for professional development, leaves and transportation services. The CBA will expire on June 30, 2019. Occasional workers at the customs inspections area and all other operations personnel, both represented by occasional labor unions, have entered into a CBA with TSSA. The CBA relating to customs inspections area workers will expire in February 2019. Meanwhile, the CBA relating to all other operations personnel will expire in June 2019.

CMSA. CMSA has a Collective Work Contract (CWC) signed in November 2010 with Union de Estibadores y Jornaleros del Pacifico, which is part of Confederacion Regional Obrero Mexicana (CROM). CROM has not had a strike since it was founded 95 years ago. The CWC is effective until year 2044 and extendible based on any extension on the concession agreement with Administracion Portuaria Integral de Manzanillo, S.A., de C.V. There is an annual review of the salaries and every two years there is a salaries and benefits comprehensive review. CMSA is committed to give benefits in addition to those required by the Mexican Labor Law i.e., 5% savings fund, transportation, uniforms, scholarships, contributions in the case of death of workers, sports support and life insurance. There is an additional fee of 16.23% of salary paid to the union to support the administration expenses and retirement fund of the workers.

OPC. As at March 6, 2018, OPC has an existing collective agreement signed with all employees. The collective agreement stipulates employees' benefits like pension, medical and life insurance, trainings, employee engagement, vacation bonus, meal subsidy, special leaves, salary loans, among others.

Tecplata. Tecplata has unionized employees who have representation from the National Union. However, Tecplata does not have a Collective Labor Agreement signed with the union.

EMEA

BCT. On March 20, 2008, the labor union at the terminal of BCT in Gdynia, Poland declared a strike because of a deadlock in the 2008 salary negotiations. The strike lasted until April 1, 2008. An agreement on salary regulations was signed between the Strike Committee and BCT Management Board.

Renegotiation on the CBA also began in 2009, but was suspended at the insistence of the union. The union has not approached BCT's management to resume negotiations. The new Remuneration and Work Regulations address the outstanding issues of the CBA and remain in place pending completion of the negotiations.

MICTSL. MICTSL assumed the CBA entered into by the previous port operator. The agreement sets out the obligations of the port operator with respect to matters such as medical care, housing allowances and holidays. A salary grid is produced from time to time under the agreement that sets forth applicable wages. Under the CBA and applicable employment regulations, union representatives may only be dismissed after the employer has successfully petitioned the Labour Inspectorate to do so. The right to strike is protected, provided that at least 48 hours' notice is given to management. In 2009, there was a two-day temporary operational disruption due to political unrest wherein the then President of Madagascar was ousted by the military. The disruption did not produce any adverse effect on MICTSL. In 2010, MICTSL experienced two strikes attributed to the politicization of the concession agreement and privatization of port operations. The CBA was renewed on October 1, 2015 for a period of five years, and can be subject to review three years after effectivity date upon the request of either of the parties.

AGCT. AGCT's CBA was signed on June 28, 2016 and is effective until end of 2019. The CBA regulates employment contracts, overtimes, add-ons, vacations, salary increases or decreases, other benefits, health and safety requirements and conditions for termination of employment contracts. There have been no cases of strikes or walkouts since AGCT took over operations in 2011.

ICTSI Iraq, IDRC and BICT. There is no labor union in ICTSI Iraq, IDRC and BICT.

Risks Relating to the Group's Business

The Group's business is highly dependent on regional and global economic trends.

The volume of containers the Company handles and the usage of other port-related services are influenced by the performance and growth of regional and international trading economies. The Company has a substantial port operations business within the Philippines as well as an international portfolio of terminals. Its core business consists of the management, operation and development of container terminals and the provision of cargo handling and other port-related services. Such services are required by the Company's shipping line customers for the transportation of containerized goods by sea within the global and regional marketplace. As a result, there is a correlation between the condition of global and regional economies and the volume of container throughput the Company handles. Because the Company tends to operate small- to medium-sized end-destination terminals, the Company's results of operations are highly influenced by specific conditions in the local markets where it operates. Furthermore, the global markets have experienced, and may continue to experience, economic downturn and political instability in several areas of the world, which may result in increased fuel prices, lower trade volumes, interruptions of the continuity of operations, decreases in imports and exports or reduced trading partners, which may adversely affect the Group's business and results of operations.

The Group operates in a number of emerging markets that have experienced economic and political instability.

The Group operates mainly in emerging markets, many of which have experienced political and economic instability in the past and may be continuing up to the present. Many of the countries where the Group operates or may operate in the future continue to face significant budget deficits, limited foreign currency reserves, volatile exchange rates, and highly regulated and less sophisticated banking sectors. Furthermore, many of ICTSI's subsidiaries, including the Philippines, have experienced frequent changes in governments, political scandals, terrorist attacks and civil strife. There is no assurance that the future political environment in these countries will become stable or that current or future governments will be able to adopt economic policies that will sustain economic growth.

The Group is dependent on concessions and other key contracts to conduct its business.

The conduct of the Group's business is restricted within the terms of the concession and other key contracts that put a limit to its operational and strategic options. ICTSI and subsidiaries usually only obtain the right, subject to certain conditions, to operate, manage and develop terminals for a set period of time. These contracts contain provisions that allow the relevant port authority to suspend, cancel or terminate the contract on specified grounds, including noncompliance with the terms of the contract and, in certain instances, the occurrence of a "change in control" of ICTSI without the consent of the relevant port authority or if the relevant port authority determines that the public interest may be better served by the cancellation of the contract in accordance with its regulations. Hence, there can be no assurance that further challenges in the Group's operations will not be raised or that its concessions will not be terminated for public policy reason. Also, these concessions and key contracts may limit the ability of the Group to raise tariffs that it charges to customers. The Group's major contracts and agreements are disclosed in Note 24, *Significant Contracts and Agreements*, to the Annual Audited Consolidated Financial Statements.

The Group is limited in its ability to raise the tariffs billable to customers in most terminals.

The aforementioned contracts and agreements may prescribe maximum tariffs that the Group can charge or bill shipping lines and customers and either prohibit any changes in those tariffs without prior approval of the relevant port authority or subject the tariffs to an automatic adjustment mechanism. At certain terminals, tariff increases have recently been implemented in phases causing timing differences when the Company petitioned for an increase and the actual increase in tariff. In countries in which tariffs are not prescribed, such as Poland, Brazil, Australia and DR Congo, the Group is still limited in its ability to raise tariffs by market norms, competition and local demand.

The Group faces competition at its domestic and international terminals on factors such as location, facilities, supporting infrastructure, service and price.

Competition is heightened at domestic and international terminals on factors such as location, facilities, supporting infrastructure, service and price. The Group's competitors may offer lower tariffs than what its own terminal offers in a certain location; or have greater financial resources with which to develop the ports that they operate to provide better access and improved facilities, structure and services. One of the strategies that the Group employs is to acquire terminals in emerging markets, then improve operations and grow volume organically. If trading volume increase, competitors may begin to target these same markets. Increased competition from existing and future competitors may result in a reduction in the Group's market share in locations where it operates, a decrease in volume of containers it handles, or increased price competition which could result in possible declines in the Group's cash flows, operating margins and profitability.

The Group's failure to effectively manage its existing container terminal operations and growth as a result of rapid expansion and development may adversely impact the Group's business.

The Group is rapidly expanding its container terminal operations, in particular, those located overseas. This rapid expansion into new markets diminishes the Group's management resources to effectively govern its existing container terminal operations and more ambitious growth. It has presented, and will continue to present significant challenges for the Group's management, operational and administrative systems and its ability to maintain effective systems of internal controls. The Group may not successfully integrate new acquisitions to meet its efficiency and performance standards, nor keep existing facilities up to those same standards. The Group needs to constantly develop and adjust management and administrative responsibilities to match market conditions and its growth and expansion strategies. The Group's continued development into a global terminal operator requires it to identify new qualified personnel with widespread knowledge of its industry and the countries in which it operates. Failure to identify suitable personnel for these management and administrative positions may adversely affect the Group's ability to manage its growth and continue to pursue its growth strategy and eventually impact its business, results of operations and financial condition.

The Group's results of operations and financial condition may be adversely affected by exchange rate fluctuations.

Because of the geographic diversity of the Group's business, it receives revenue and incurs expenses in a variety of currencies. Its revenues are primarily in U.S. dollars, Philippine pesos, Brazilian real, Mexican Pesos and Euros while its expenses are generally in local currencies. The Group attempts to operationally hedge its foreign exchange exposure by matching its revenues and expenses whenever possible and, from time to time, engages in hedging activities to mitigate residual foreign exchange cash flow exposures. The Company is subject to translation risks whereby changes in exchange rates impact its reported revenues in U.S. dollar terms. Because the Company reports its financial statements in U.S. dollars, increases in the value of the U.S. dollar against the currencies in which it receives revenues in its international operations, such as Philippine pesos, Brazilian real, Mexican Pesos and Euros, could restrict its revenue growth in U.S. dollar terms and vice versa. Continued fluctuations in the value of the U.S. dollar against its other subsidiaries' functional currencies could cause the Company's revenues to decrease in U.S. dollar terms and distort comparisons of its results of operations and financial condition across periods.

The Group's business has high dependence upon key personnel with special skills that are not readily available in the market.

In order for the Group to maintain its operating and performance standards, it highly leverages on the continued service of key personnel. The Group has a relatively small management team which makes it more dependent on senior personnel than some of its larger competitors. With the rapid growth of the container terminal industry, competition for skilled senior employees becomes intense and there are limited numbers of qualified candidates. The Group's business and results of operations may be adversely affected if any of the existing key personnel leaves their position and the Group fails to find a similarly competent replacement.

The Group is subject to the risk of system failures.

The Group's business is highly reliant on complex information technology and automated systems to handle its terminal operations for high productivity and efficient handling of containers. Any systems failure may result in delayed or hindered terminal operations. These events may adversely affect the achievement of the Group's planned business growth and results of operations.

The Group's facilities could be exposed to unforeseen catastrophic events over which it has little or no control.

The Group's facilities could be exposed to effects of natural disasters and other potentially catastrophic events, such as major accidents, acts of God, terrorist attacks, armed conflicts and hostilities. To cite, the Philippines is vulnerable to typhoons, earthquakes and other major natural disasters, which could

suspend MICT's operations temporarily or damage or destroy key equipment. Since operations at MICT have historically provided the majority of the Group's revenues from port operations, occurrence of a catastrophic event affecting the Philippines could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to regulations that govern operational, environmental and safety standards.

Lastly, the Group's terminal services are conducted under licenses, concessions, permits or certificates granted by applicable regulatory body in the countries in which it operates. Various environmental and safety standards may also be enforced by each jurisdiction in which the Group operates. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Group, including revocation or suspension of the Group's concessions or licenses, which may adversely impact results of operations and financial condition.

Henceforth, the Group has established an Enterprise Risk Management program to assess and ensure that the potential impact and likelihood of any of these risks are minimized and will not adversely impact the Group's business as a whole through an established risk assessment, communication, mitigation and monitoring process. These business risks, however, might result to financial statement risks for which the Group identifies and includes as part of its financial risk management objectives and policies. These risk factors are further discussed in Part III, Item 6 of this report and in Note 27, *Financial Risk Management Objectives and Policies*, to the Annual Audited Consolidated Financial Statements.

Properties

Principal Facilities

Asia

Philippines - MICT. MICT provides a full range of container cargo handling services to shipping lines transporting international containerized cargo to and from the Port of Manila with an estimated handling capacity of 3,000,000 TEUs per year. MICT occupies a total land area of 105 hectares, of which 94 hectares have been developed, and includes six berths. MICT also has a 1,750-meter long wharf which can accommodate six to seven ships, depending on the ships' sizes. In 2012, ICTSI completed the development of Berth 6, which was a condition for the extension of the MICT Contract and to accommodate increasing volume. Adjacent to the MICT wharf is a container yard, with a total stacking capacity of 62,625 TEUs, 1,534 TEUs of which are refrigeration-ready with reefer plugs. MICT also has three one hectare container freight stations (warehouses): two for imports; and one for exports. The facility also has a truck holding area, with 400 truck parking bays. MICT has three gates: two with six lanes; and one with seven lanes.

The terminal is fully equipped with security features recommended by the United States Homeland Security Agency, including gamma ray scanning devices and a closed-circuit television surveillance system.

On May 14, 2008, the Board of Investments (BOI) of the Philippines approved ICTSI's registration of the construction of Berth 6 of MICT with Pioneer status under the Omnibus Investments Code of 1987, which entitles Berth 6 to an income tax holiday for a six-year period from November 2011, among others. Berth 6 was completed and inaugurated in July 2012, and increased the terminal capacity to 2,500,000 TEUs per year. The Berth 6 features additional 14 hectares of container space, three additional quay cranes for offloading ships and ten RTGs. On July 2, 2015, the BOI approved the registration of ICTSI's construction of Berth 7 of MICT on a Non-Pioneer status under the Omnibus Investment Code of 1987. Berth 7 is entitled to an income tax holiday of three years starting from July 2017.

As of December 31, 2017, ICTSI has a total of 13 quay cranes complemented by seven reach stackers, 45 rubber-tired gantries (RTGs), and a huge fleet of transportation equipment.

Philippines - New Container Terminal 1. Subic Bay International Terminal Corporation (SBITC) originally developed, managed and operated the NSD Waterfront Area in Subic, Philippines. However, in April 2008, the NSD Waterfront Area was replaced by the New Container Terminal (NCT-1). NCT 1 is a 14-hectare terminal with a 280-meter berth and controlling depth of 13 meters, making it possible to handle post-Panamax vessels. The estimated handling capacity of NCT-1 is 300,000 TEUs per year. As of December 31, 2017, SBITC has two post-Panamax cranes, four reach stackers, two empty container handlers, three forklifts, 22 prime movers and 30 chassis.

Philippines - New Container Terminal 2. On July 27, 2011, SBMA and ICTSI signed the contract for the operation and management of NCT-2 for a period of 25 years. ICTSI subsequently assigned said contract to ICTSI Subic, Inc. (ISI) and SBMA approved the assignment through a resolution dated August 19, 2011. NCT-2 is a 14-hectare terminal, which includes a 280-meter berth with 13 meters depth. ISI has two post-Panamax quay cranes, three reach stackers and two forklifts. The new terminal has an annual throughput capacity of 300,000 TEUs.

Philippines - Bauan Terminal. Bauan International Ports, Inc. (BIPI) owns a 20-hectare facility, of which four hectares remain undeveloped, situated along the protected waters of Batangas Bay in Bauan, Batangas. The facility is a multi-purpose, multi-user terminal with a 240-meter berth with two berthing positions. The facility also contains a storage area and a car terminal facility, and is supported with various heavy lift cranes and two ten-ton forklifts. The car terminal facility can handle 254,696 completely built units per year.

Philippines - Mindanao Container Terminal (MCT). Mindanao International Container Terminal Services, Inc. or MICTSI operates the MCT located at Phividec Industrial Estate, Misamis Oriental. MICTSI has a 24-hectare terminal area for infrastructures, equipment and support facilities and handles containerized and non-containerized cargo. The terminal also has a 300-meter berth with a controlling depth of 13 meters that can service two vessels at once. The terminal is also supported by an 11-hectare yard area inclusive of container yard road networks, with a storage capacity of 6,816 TEUs. The terminal is also equipped with 262 reefer plugs at 440 volts. The estimated handling capacity of MCT is 300,000 TEUs per year. As of December 31, 2017, MICTSI has two quay cranes, a reach stacker, two empty container handlers and four RTGs.

Philippines - Sasa Wharf. DIPSSCOR is a cargo handler at the Sasa International Port in Davao City, Philippines and the facilities are not for the exclusive use of DIPSSCOR. The terminal covers an area of 16.75 hectares with 10 berthing positions of 10.6 meters in depth and occupying a total length of 1,093 meters. The total throughput capacity of the terminal is 500,000 TEUs per year. As of December 31, 2017, DIPSSCOR has three RTGs, five reach stackers, an empty container handler and 10 forklifts.

Philippines - Makar Wharf. SCIPSI is a stevedoring and cargo handling service provider at the Makar Wharf, Port of General Santos, General Santos City, Southern Mindanao. The Makar Wharf is a general purpose wharf handling domestic and international containerized, general and roll-on/roll-off cargo as well as domestic passenger traffic. The terminal surface area is 14 hectares that includes nine berths at 850 meters in length with 8-12 meters depth. The terminal is also equipped with 204 reefer plugs and has a total capacity of 250,000 TEUs per year. As of December 31, 2017, SCIPSI has four reach stackers, 22 chassis, 20 prime movers and 16 operating forklifts.

Philippines - Hijo Port. In 2012, ICTSI, through its wholly owned subsidiary, Abbotsford, together with Hijo Resources Corp., a diversified group involved in leisure and tourism, agribusiness, property development and port operations, invested in HIPS for the construction, development and operation of Hijo Port. Hijo Port is a private commercial port owned by HIPS located in Barangay Madaum, Tagum, Davao del Norte in the Gulf of Davao. The existing port sits within a reclaimed land of about 10.3 hectares. It has two berths at 120 meters and 150 meters long, and various terminal support facilities.

HIPS currently has a container handling capacity of 300,000 TEUs per annum. HIPS is currently handling break bulk cargo. As of December 31, 2017, HIPS has one mobile harbor crane, an empty container handler and two forklifts.

Philippines – Calamba, Laguna. On March 2, 2015, LGICT commenced operation of its one-stop inland container terminal located in Calamba City, Laguna. LGICT is 60%-owned by IW Cargo Handlers, Inc., a wholly-owned subsidiary of the Company, and 40% owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK Fil-Japan Shipping Corp. LGICT primarily operates as an extension of the seaport operations of MICT and is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers. LGICT is situated on a 21-hectare property that is 58 kilometers from Metro Manila, located near various economic export zones and adjacent to a railroad. As of December 31 2017, LGICT has two reach stackers and three side lifters.

Philippines – Tanza, Cavite. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, CGT, in partnership with the Philippine Department of Transportation, project launched the country's soon-to-be first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborne transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal will have an annual capacity of 115,000 TEUs, which is equivalent to 140,000 fewer truck trips on city roads each year. As at March 6, 2018, the construction of the terminal is on-going and is expected to be completed in the second quarter of 2018.

Philippines - Manila North Harbor. On September 21, 2017, ICTSI signed a Share Purchase Agreement (SPA) with Petron Corporation for the acquisition of 34.83% of the total issued and outstanding shares of MNHPI. The SPA was finalized on October 30, 2017 upon the fulfillment of certain conditions, one of which was the approval of the acquisition by the Philippine Ports Authority (PPA) which was obtained on October 20, 2017. MNHPI has a concession contract with the PPA for the development, management, operation and maintenance of Manila North Harbor. MNHPI commenced operations on April 12, 2010. MNHPI is committed to modernize and develop Manila North Harbor to transform it to a premier maritime hub. MNHPI provides cargo handling services for containerized and break-bulk cargoes to shipping lines and tramp vessel operators plying the domestic routes. Overall, the port facility can accommodate up to 2,200,000 TEUs of containerized cargoes, 2,000,000 metric tons of break-bulk cargoes and 2,500,000 passengers per year.

The 63.5 hectare land area is divided into three terminals namely, Container Terminal, Multi-Purpose Terminal, and Ro-Ro Terminal. These terminals work in synergy to optimize the port operations. At present, the total quay length is 5,758 meters equivalent to 41 berthing positions MNHPI handles an average of 4,000 vessel calls per year.

In 2017, MNHPI completed its Phase 1 Development Program which provided modern port facilities including a modern Container Terminal, Ro-Ro Terminal, a modern Passenger Terminal Complex, and One-Stop Processing Centers, all allowing efficient processing of transactions between shipping lines, MNHPI, PPA and other government agencies.

MNHPI also has a fleet of modern cargo handling equipment which include eight quay container cranes, 27 RTGs, 21 reach stackers, six empty container handlers and 33 heavy fork lifts, among others. Ancillary facilities were also built such as six weighbridges, the power center equipped with two 2.5 megawatt generator sets for back-up power, and the reefer facility with 144 plugs.

China - Port of Yantai. YICT's terminal covers an area of 76.6 hectares with four berthing positions of 14 to 17 meters in depth and occupying a total length of 1,300 meters. The estimated handling capacity of YICT is 1,300,000 TEUs per year. As of December 31, 2017, YICT has seven quay cranes, which handle loading and unloading of cargoes with the support from one empty container handler, three RTGs, five reach stackers, 17 prime movers, 20 forklifts, 20 RMGs, 32 chassis, and a large fleet of transportation vehicles.

Indonesia - Makassar Container Terminal. Makassar Terminal Services (MTS) supplies and operates equipment for PT Pelabuhan Indonesia IV (Pelindo IV), the Indonesian government agency which operates the Port of Makassar. MTS covers an area of 12.4 hectares with 850-meter berth length and seven berthing positions with 12 meters of depth. The total port terminal capacity is 650,000 TEUs with the estimated handling capacity of MTS at 250,000 TEUs per year. As of December 31, 2017, MTS has two quay cranes, three RTGs, 10 prime movers and 10 chassis.

Indonesia - Port of Tanjung Priok. In July 2012, ICTSI acquired 100% of the equity interest of OJA through its indirect majority owned subsidiary, JASA. OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and containers at the Port of Tanjung Priok, Jakarta, Indonesia. OJA has existing cooperation agreements with PT. Pelabuhan Indonesia II (Pelindo) under a profit sharing scheme. The scheme covers the terminal operations for fields 300, 301, 302 and 303, which are operated by Pelindo and located in Terminal III Operation of Tanjung Priok Port. These cooperation agreements have terms of two years that can be extended by the parties. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with Pelindo, Tanjung Priok Branch for international container stevedoring services under a profit sharing scheme. The terminal has a capacity of 400,000 TEUs per year, berth length of 600 meters and 5.86 hectares container yard. As of December 31, 2017, the terminal has seven quay cranes, seven reach stackers, five rail mounted gantries, two RTGs, 30 prime movers and 30 chassis.

Pakistan - Karachi Port. In October 2012, ICTSI, through its wholly owned subsidiary ICTSI Mauritius, completed the acquisition of a majority shareholding in PICT. PICT has a contract with Karachi Port Trust for the construction, development, operations and management of a common user container terminal at Karachi Port for a period of 21 years commencing on June 18, 2002. The terminal has a capacity of 750,000 TEUs per year and a berth length of 600 meters with a depth of 13.5 meters. As of December 31, 2017, PICT has six quay cranes supplemented by three empty container handlers, 12 reach stackers, 15 forklifts, 20 RTGs and 30 prime movers, 56 chassis and a large fleet of transportation equipment handling the existing operations at Karachi Port.

Australia – Port of Melbourne. On May 2, 2014, ICTSI, through its subsidiary in Australia, VICT, signed a contract with the Port of Melbourne Corporation for the design, construction, commissioning, maintenance, operation and financing of Melbourne’s Webb Dock new international container terminal and empty container park. The contract grants a lease concession until 2040. Phase 1 of the terminal comprised of a berth of 330 meters fitted with three neo-Panamax ship-to-shore cranes, 23.8 hectares of yard with fully automated operations from gate to quayside, delivering an estimated capacity of 350,000 TEUs. The terminal itself can handle vessels with a capacity in excess of 8,000 TEUs, and also features a 10-hectare empty container park with a working capacity of around 250,000 TEUs. Phase 2 of the terminal comprised of a 330-meter berth fitted with additional two neo-Panamax ship-to-shore cranes and 11.5 hectares of yard increasing the capacity of the terminal to 1,000,000 TEUs.

Phase 1 and Phase 2 of the project commenced commercial operations in the second quarter of 2017 and first quarter of 2018, respectively.

As of December 31, 2017, VICT has five quay cranes, one reach stacker, 20 automated stacking cranes, 11 automated container carriers, 3 forklifts and 2 prime movers.

Papua New Guinea - Port of Lae. In September 2017, ICTSI received a notification from PNGPCL, a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI’s PNG subsidiaries, MITL and SPICTL, with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG. The TOA and other related contracts will take effect after all the parties have complied with the agreed conditions precedent.

Starting February 1, 2018, SPICTL was allowed by PNGPCL to take over the port facilities and begin operations at the port of Lae pursuant to the Early Operations Agreement signed between SPICTL and

PNGPCL while the parties are working on the completion of the remaining condition precedents to the TOA. MITL is expected to take over the international port in Motukea in the second quarter of 2018.

The Port of Lae is the largest container handling facility in PNG. Lae is the capital of Morobe Province and is the second largest city in PNG. The estimated annual capacity of the Lae Tidal Basin is 250,000 TEUs. The total developed land area is 11.4 hectares and quay length is 250 meters.

Americas

Ecuador - Guayaquil Container and Multipurpose Terminal. CGSA is the exclusive operator of a container terminal in the Port of Guayaquil, Ecuador. The total land area of the terminal is 133.52 hectares, of which 92.5 hectares is developed. The total berth length is 1,717.5 meters with 10 berthing positions including tugboat berth with 10.5 meters of depth. The estimated handling capacity of CGSA is 1,400,000 TEUs per year with 3,700 reefer plugs to accommodate increasing demand for the containerization of bananas.

In 2008, CGSA completed upgrades to its inventory and maintenance processes and IT services. CGSA had also made physical improvements of the terminal including container and multipurpose yard improvements, construction of a new berth as a reinforcement of an existing one, construction of an electric substation, and acquisitions of cranes and RTGs. New reefer stations and plugs were also added to accommodate the shift from bananas as break bulk cargo to containers. As of December 31, 2017, CGSA has six quay cranes and three mobile harbor cranes that are supported by 23 RTGs, 14 reach stackers, 8 empty container handler, 42 forklifts, 63 prime movers, 64 chassis and a huge fleet of transportation equipment that handle movement of containerized cargoes at the terminal.

Brazil - Suape Container Terminal. TSSA is the exclusive operator of the container terminal in the port in Suape, Brazil until the earlier of (a) throughput of 250,000 boxes (approx. 400,000 TEUs) for three consecutive years or (b) after the first 15 years of the concession. The terminal covers a developed area of 39.4 hectares and undeveloped area of 2.5 hectares. TSSA has a 660-meter long two-berth wharf, a 30-hectare container yard, 576 reefer plugs, and a 4,900-square meter CFS and a truck weighing scale. The estimated handling capacity of TSSA is 700,000 TEUs per year.

TSSA has completed the build-out of the infrastructure of the Suape Container Terminal, including the acquisition of equipment and the development of civil works, such as yard expansions. As of December 31, 2017, TSSA has six quay cranes, six reach stackers, four empty container handlers, 13 forklifts, 14 RTGs, 38 prime movers, 48 chassis and numerous transportation equipment that complement the servicing of all movements of containerized cargoes inside the terminal.

Colombia - Port of Buenaventura. SPIA owns 225 hectares of land in the Aguadulce Peninsula in Buenaventura. SPIA was granted a 30-year concession by the Colombian National Institute of Concessions to develop, construct and operate a container handling facility in Aguadulce. The Aguadulce Peninsula is across the channel from the existing Port of Buenaventura. Buenaventura is located on the west coast of Colombia. It is the biggest port in the country and the only Colombian port on the Pacific coast. SPIA started initial operations in the fourth quarter of 2016. The terminal has a total area of 128 hectares and berth length of 600 meters with a depth of 14.5 meters, 11.3-hectare container yard and 640 reefer plugs. Estimated annual capacity of SPIA is 550,000 TEUs. The terminal can be accessed through a 20.7-kilometre road that circumvents the urban parts of Buenaventura. It also has 140 hectares along this access road for logistics development. As of December 31, 2017, SPIA has four quay cranes, three empty container handlers, three reach stackers, 10 RTGs, 32 prime movers and 34 chassis.

Argentina - La Plata Port. In October 2008, Tecplata was granted a 30-year concession to build and operate an all-purpose port terminal in the Port of La Plata, Argentina, by the *Consorcio de Gestion del Puerto La Plata*, which would expire in 2038. The port development project covers 41.2 hectares, 29.6 hectares of which is from the concession agreement and 11.6 hectares is from *Compania Fluvial del*

Sud S.A. via a Usufruct Agreement for a term of 20 years renewable at Tecplata's option for another 20 years. The development of the terminal will be done in three phases with an estimated total handling capacity of 1,000,000 TEUs. In September 2010, Tecplata signed a civil works agreement with Dycasa, S.A. and began Phase 1 of the construction of the terminal facility in October 2010. Phase 1 has an estimated handling capacity of 450,000 TEUs with 600-meter berth having four berthing positions and controlling depth of 36 feet. As of December 31, 2017, Tecplata has four quay cranes, two reach stackers, three empty container handlers, seven forklifts, 18 prime movers, 20 chassis and 9 RTGs. As at March 6, 2018, Tecplata is ready to operate.

Mexico - Port of Manzanillo. In June 2010, ICTSI signed a 34-year concession for the development and operation of the Second Specialized Container Terminal (TEC-II) at the Port of Manzanillo in Mexico. ICTSI established CMSA to operate the Port of Manzanillo. The port development project covers about 77 hectares with 1,080 meters of seafront. The development of the container terminal will be done in three phases. Construction of Phase 1A development, which started in November 2011, was completed and CMSA formally commenced commercial operations in November 2013. Phase 1A has a berth length of 720 meters with two berthing positions with a depth of 16 meters, yard capacity of 710 thousand TEUs and a handling capacity of 900,000 TEUs. Phase 1B was completed in May 2017 and started commercial operations thereafter. Phase 1B involved the construction of a yard that increased CMSA's yard capacity to 967,000 TEUs.

Phase 2A development started in December 2017 and it consists of three stages. Stage 1 Phase 2A is expected to be completed and operational in the second quarter of 2018, Stage 2 Phase 2A is expected to be completed in the second quarter of 2019 and shall be operational thereafter, while the additional yard in Stage 3 Phase 2A is expected to be completed in December 2019. The Stage 3 Phase 2A shall also involve the construction of 180 meters of berth and is expected to start development in June 2019 and be completed in June 2020.

Stage 1 Phase 2A is expected to increase yard capacity by 380,000 TEUs, Stage 2 Phase 2A by 137,000 TEUs and Stage 3 Phase 2A by 73,000 TEUs for an expected total yard capacity of 1.5 million TEUs after the completion of Phase 2A. The expansion of the berth in Stage 3 of Phase 2A shall bring additional berthing position. Two QCs and five RTGs are expected to be put to operations in 2019.

As at December 31, 2017, the handling capacity of CMSA is 960,000 TEUs with 360 reefer plugs, six quay cranes supported by three reach stackers, seven empty container handlers, 16 RTGs, 26 forklifts, 42 prime movers, 42 chassis and a huge fleet of transportation equipment.

Honduras - Puerto Cortés. On February 1, 2013, ICTSI won and was awarded the Contract for the Design, Financing, Construction, Maintenance, Operation and Exploitation of the Specialized Container and General Cargo Terminal of Puerto Cortés in the Republic of Honduras for a period of 29 years through a public hearing held in Tegucigalpa, Honduras. The Container and General Cargo Terminal of Puerto Cortés cover a developed area of 38.3 hectares and undeveloped area of 9.6 hectares. The terminal currently has 800-meter pier having three berthing positions and depth of 12.5 meters and has a capacity of 916,000 TEUs. OPC started its commercial operations in December 2013. The first phase of construction of Berth 6 is ongoing and is expected to be completed and operational in the third quarter of 2018. Upon completion of the first phase of Berth 6, the terminal will have 350 meters of additional pier with one berthing position. As of December 31, 2017, OPC has one quay crane, four mobile harbor cranes, 17 reach stackers, 21 forklifts, 47 terminal tractors and 61 chassis.

Mexico - Port of Tuxpan. On 27 May 2015, the Company acquired 100.0% of TMT from Grupo TMM, S.A.B. and Inmobiliaria TMM, S.A. de C.V. TMT is a Mexican company with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed.

EMEA

Poland – Port of Gdynia. BCT has a lease contract to operate the Container Terminal in Gdynia, Poland. The terminal covers an area of 57 hectares and its facilities include a 790-meter long wharf with five berths (four of which are for container loading and unloading operations and one of which is equipped with a hydraulic ramp for roll-on roll-off operations), a container stacking yard, a cargo handling zone, two warehouses and a rail facility with three rail tracks. The estimated handling capacity of BCT is 1,200,000 TEUs per year. As of December 31, 2017, BCT has two mobile harbor cranes, two rail-mounted gantries, three reach stackers, six quay cranes, 18 RTGs, 24 forklifts, 2 straddle carriers, 33 chassis, 34 prime movers and a large fleet of transportation equipment that handle loading and unloading of containerized cargo at the terminal.

Madagascar - Port of Toamasina. MICTSL manages, operates and develops the Port of Toamasina, Madagascar. The terminal covers an area of 19 hectares and its facilities include two berths with a combined length of 307 meters and a depth in excess of up to 12 meters. The estimated handling capacity of MICTSL is 400,000 TEUs per year. As of December 31, 2017, MICTSL has two empty container handlers, four mobile harbor cranes, two forklifts, four reach stackers, six RTGs, 19 prime movers and 20 chassis.

Georgia - Port of Batumi. BICTL operates a container terminal and a ferry and dry bulk handling facility in the Port of Batumi, in Georgia. BICTL covers an area of 13.6 hectares, 10.0 hectares of which is still undeveloped. BICTL has two berths with combined length of 465 meters and depth between 8 and 10.5 meters. The estimated handling capacity of BICTL is 150,000 TEUs per year. As of December 31, 2017, BICTL has two empty container handlers, two mobile harbor cranes, four reach stackers, seven prime movers and eight forklifts.

Croatia - Brajdica Container Terminal. In March 2011, ICTSI, through its wholly owned subsidiary, ICBV, entered into a Share Purchase Agreement with Luka Rijeka D.D., a Croatian company to acquire a 51% interest in AGCT. AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The port includes a 17 hectare yard, with a combined 790-meter quay and depth of 10.5 to 14.2 meters. The current capacity is 600,000 TEUs per year with 252 reefer plugs. As of December 31, 2017, AGCT has four quay cranes, six RTGs, two rail-mounted gantries, five reach stackers, an empty container handler, four forklifts, nine prime movers and 17 chassis to support its operations.

Iraq – Port of Umm Qasr. On April 8, 2014, ICTSI, through its wholly owned subsidiary ICTSI Dubai, and General Company for Ports of Iraq (GCPI) signed the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 (“Contract”) in the Port of Umm Qasr (“Port”) in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract (“Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. On March 26, 2017, a second addendum to the Contract (“Second Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate Quay No. 21 co-terminus with the Contract and the First Addendum. The Second Addendum extended the term for the management and operation of Quay No. 19 and 20 from 13 to 21 years. ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. The rehabilitation works for Berth 21 are on-going and it is expected to operate in the first quarter of 2018. Phase 1 of the expansion project (Berth 27) under the BOT scheme has 250 meters of berth with an estimated capacity of 300,000 TEUs. When fully developed, the facility will have 600 meters of quay with an estimated capacity of 900,000

TEUs. Berth 27 was completed and fully operational in the first quarter of 2017.

On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port. The Phase 2 expansion project will involve development of two new berths, Berths 25 and 26, including a 20-hectare yard area. This expansion will increase the Port's container handling capacity by 600,000 to 1,200,000 TEUs and its capability to handle large container vessels of up to 10,000 TEUs. The expansion project is expected to be completed in the second quarter of 2019.

The Port covers an area of 78.2 hectares, 35.2 hectares of which is still undeveloped. The Port has two berths with length of 400 meters and depth of 12.5 meters. The estimated current handling capacity of the Port is 600,000 TEUs per year. As of December 31, 2017, the terminal has two mobile harbor cranes, five empty container handlers, four quay cranes, three RTGs, 16 forklifts, 12 reach stackers, 27 chassis and 27 prime movers.

Congo - River Port in Matadi, Democratic Republic of Congo. On January 23, 2014, ICTSI, through its subsidiary, ICTSI Cooperatief, forged a business partnership with SIMOBILE for the establishment and formation of a joint venture company, ICTSI DR Congo. ICTSI DR Congo will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein. SIMOBILE is a concessionaire of a parcel of land along the Congo river in the district of Mbengu, Township of Matadi in the Democratic Republic of Congo, intended for port use. Phase 1 of the facility consists of two berths that can handle 120,000 twenty-foot equivalent units (TEUs) and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. The first phase comprised of two berths with total length of 350 meters, which service shipping lines, importers and exporters. Phase 1 was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017. As of December 31, 2017, IDRC has two mobile harbor cranes, an empty container handler, two forklifts, three reach stackers, six prime movers and seven chassis.

Other Properties Owned by ICTSI and Subsidiaries

Location	Descriptions/Owner	Encumbrance
Cabuyao, Laguna, Philippines	20-hectare property that was original site of the inland container depot project/ICTSI Warehousing, Inc. (IWI) ¹	None
Calamba, Laguna, Philippines	25-hectare property which is the site of LGICT's one-stop inland container terminal/ICTSI	None
Bauan, Batangas, Philippines	20-hectare (approximately) property in Batangas acquired from AG&P in December 1997/BIPI ²	None
Tanza, Cavite, Philippines	6-hectare property located in Tanza, Cavite acquired by Cavite Gateway Terminal, Inc. ¹ (CGT) from Capital Resources Corporation and the Heirs of Francisco Joaquin for use in the gateway terminal business of CGT.	A small portion of the property was mortgaged by the sellers to Asia Pacific Lending Corporation (APLC) ³ .
Gdynia, Poland	3.5 hectares of lot with a building owned by BCT was acquired from local real estate company. These properties are being leased to third parties.	None

¹ 100% owned by ICTSI

² 60% owned by IWI

³ The sellers have represented that the mortgages in favor of APLC have already been discharged or terminated, although the annotation of the mortgages on the titles to the property could not be cancelled due to the dissolution of APLC.

Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

Principal Market where Company's common equity is traded: Philippine Stock Exchange

Principal Market for the Company's common equity: Philippine Stock Exchange

As of the latest practicable trading date on March 7, 2018, the share prices of ICTSI were:

	<i>In US Dollar</i>	<i>In Philippine Peso</i>
Opening :	US\$2.12	₱110.00
High :	2.12	110.00
Low :	2.06	107.20
Closing :	2.10	109.40

* Amounts expressed in Philippine peso have been translated to USD using the closing exchange rate quoted from the Philippine Dealing System as at the end of March 7, 2018.

The high and low share prices for each quarter within the last two years are:

Calendar Period	Price/Common Share*			
	High		Low	
	<i>In US Dollar</i>	<i>In Philippine Peso</i>	<i>In US Dollar</i>	<i>In Philippine Peso</i>
2016				
Quarter 1	US\$1.526	₱70.30	US\$1.194	₱55.00
Quarter 2	1.445	68.00	1.202	56.55
Quarter 3	1.755	85.10	1.268	61.50
Quarter 4	1.629	81.00	1.380	68.60
2017				
Quarter 1	US\$1.792	₱89.90	US\$1.415	₱71.00
Quarter 2	2.100	106.00	1.742	87.90
Quarter 3	2.143	108.90	1.906	96.85
Quarter 4	2.145	107.10	2.019	100.80

* Amounts expressed in Philippine peso have been translated to USD using the closing exchange rates quoted from the Philippine Dealing System as at the end of each quarter in 2016 and 2017.

Holder

The number of stockholders of record as of the latest practicable date on February 28, 2018 was 1,394. Common shares issued and outstanding as of the same date were 2,045,177,671 shares (including 10,982,205 treasury shares). While Preferred A and B shares outstanding as of the same date were 3,800,000 shares and 700,000,000 shares, respectively.

As of February 28, 2018, the public ownership level of the Company is at 51.04% based only on common shares. The public ownership level of the Company is at 37.97% if both common and Preferred B voting shares are considered.

The following are the Company's top 20 registered common stockholders as of February 28, 2018:

Name	No. of Shares Held	% of Total*
1. PCD Nominee Corporation (Non-Filipino)	854,542,093	31.21%
2. PCD Nominee Corporation (Filipino)	730,224,981	26.67%
3. Bravo International Port Holdings, Inc.	279,675,000	10.21%
4. Achillion Holdings, Inc.	80,000,000	2.92%
5. Sureste Realty Corporation	23,016,176	0.84%
6. A. Soriano Corporation	22,064,102	0.81%
7. Enrique Razon	18,143,687	0.66%
8. Enrique K. Razon Jr. as voting trustee	15,936,201	0.58%
9. Stephen Paradies	4,087,473	0.15%
10. Razon Industries, Inc.	3,758,133	0.14%
11. Felicia S. Razon	868,725	0.03%
12. Cosme Maria De Aboitiz	527,343	0.02%
13. Ma. Consuela R. Medrano &/or Victorino S. Medrano Jr	250,000	0.01%
14. Jose Sy Ching	220,000	0.01%
15. Ong Tiong	213,360	0.01%
16. Silverio J. Tan	200,000	0.01%
17. Ma. Socorro S. Gatmaitan	196,000	0.01%
18. Alberto Mendoza &/or Lawrence Mendoza	192,457	0.01%
19. CBNA MLA OBO AC 6011800001	170,870	0.01%
20. Ma. Henrietta R. Santos	155,053	0.01%

As of February 28, 2018, 700,000,000 Preferred B shares (25.57%)* are held by Achillion Holdings, Inc. and 3,800,000 Preferred A shares (0.14%)* are held by International Container Terminal Holdings, Inc.

*Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,737,995,466 (which excludes treasury shares) as of February 28, 2018.

Dividends and Dividend Policy

The details of ICTSI's declaration of cash dividends are as follows:

	2015	2016	2017
Date of Board approval	April 16, 2015	April 21, 2016	April 20, 2017
Cash dividends per share	US\$0.020 (₱0.90)	US\$0.020 (₱0.91)	US\$0.050 (₱2.47)
Record date	May 4, 2015	May 5, 2016	May 5, 2017
Payment date	May 15, 2015	May 18, 2016	May 17, 2017

Dividends may be declared only out of the unrestricted retained earnings. A board resolution is required for declaration of dividends. In addition, approval of stockholders representing at least two-thirds of the outstanding capital stock is required for the payment of stock dividends. Dividends are payable to all common stockholders, on the basis of outstanding shares held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board. Preferred A shareholders are entitled to dividends at rates to be fixed by the Board. As of December 31, 2017, the Board has not set the dividend rate for Preferred A shares. On the other hand, Preferred B shareholders shall earn no dividends.

Moreover, retained earnings were reduced by distributions paid out by Royal Capital B.V., a subsidiary of ICTSI, to holders of Securities aggregating US\$33.4 million in 2015, US\$34.2 million 2016 and US\$41.6 million in 2017. Please refer also to Note 14, *Equity*, to the 2017 Audited Annual Consolidated Financial Statements.

Of the total retained earnings of US\$723.2 million, US\$779.4 million and US\$819.7 million, as of December 31, 2015, 2016 and 2017, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$650.6 million, US\$840.7 million and US\$1,070.0 million, as of December 31, 2015, 2016 and 2017, respectively, are not available for dividend distribution.

On December 23, 2015, the Board of the Parent Company approved the appropriation of US\$40.3 million for additional working capital requirements and its continuing foreign expansion projects in 2016. On April 21, 2016, the Board of the Parent Company approved the release of US\$90.0 million from appropriated retained earnings. On December 29, 2017, the Board of the Parent Company appropriated US\$25.0 million for additional working capital requirements of its continuing domestic and foreign expansion projects in 2018.

As at December 31, 2015, 2016 and 2017, total appropriated retained earnings of the Parent Company amounted to US\$427.1 million, US\$337.1 million and US\$362.1 million, respectively.

The unappropriated retained earnings of the Parent Company that is available for dividend declaration as of December 31, 2017 amounted to US\$16.7 million. On March 6, 2018, the Board of the Parent Company approved the release of US\$150.0 million from the appropriated retained earnings back to unappropriated retained earnings due to completion of the project in VICT in Australia. As of March 6, 2018, the appropriated retained earnings of the Parent Company amounting to US\$212.1 million is intended for capital expenditures for new and existing projects in MICT in Manila, OPC in Honduras, ICTSI Iraq in Iraq and CMSA in Mexico.

Recent Sale of Unregistered Securities

On May 15, 2013, ICTSI issued 53,110,811 new common shares to Mr. Enrique K. Razon, Jr. for a subscription price of Php91.00 per share. This is an exempt transaction under SRC Rule 10.1(e) (The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.)

Description of Registrant's Securities

ICTSI's capital stock comprised of common and preferred shares. Common shares are listed and traded in the Philippine Stock Exchange. Preferred shares comprising of preferred A and B shares are not traded. Details and movement in the shares of stock of ICTSI are disclosed in Note 14, *Equity*, to the 2017 Audited Annual Consolidated Financial Statements.

The stockholders of ICTSI, in a special stockholders meeting held on August 11, 2010, approved the creation of a class of voting low par value preferred shares. The stockholders representing at least 2/3 of the outstanding capital stock of ICTSI approved the amendment of the articles of incorporation of ICTSI to reclassify the existing 1,000,000,000 authorized Preferred Shares with a par value of US\$0.048 (₱1.00) per share into: (a) 993,000,000 Preferred A Shares with a par value of US\$0.048 (₱1.00) per share, inclusive of the outstanding Preferred Shares, and (b) 7,000,000 Preferred shares which were further reclassified into 700,000,000 Preferred B Shares with a par value of US\$0.0002 (₱0.01). The creation of a class of low par value voting preferred shares was authorized by the Board on June 18, 2010.

The Preferred A shares, which were subscribed to by International Container Terminal Holdings, Inc., are non-voting, entitled to dividend at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms to be provided by the Board, redeemable at such price and terms determined by the Board and have preference over common shares in the distribution of the assets of the Parent Company (see Note 14.3 to the 2017 Audited Annual Consolidated Financial Statements). As at March 6, 2018, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). As at March 6, 2018, Preferred B shares have the following features: voting; issued only to Philippine Nationals; not convertible into common shares; earn no dividend and redeemable at the option of the Board.

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

SECRETARY'S CERTIFICATE

I, **BENJAMIN M. GOROSPE III**, of legal age, Filipino and with office address at 3rd Floor, ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines, after having been duly sworn to in accordance with law, hereby certify that:

1. I am the duly appointed Assistant Corporate Secretary of International Container Terminal Services, Inc. (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with office address at ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines.
2. I hereby certify that none of the Board of Directors or Independent Directors of ICTSI are connected or employed in the Philippine government or any of the government agencies in the Philippines.
3. The foregoing is in accordance with the records of the Company and personal documents stating the qualification presently in my custody.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of March 2018 in Manila City, Philippines.


BENJAMIN M. GOROSPE III
Assistant Corporate Secretary

05 MAR 2018

SUBSCRIBED AND SWORN to before me this ___ day of March 2018 in Manila City, Philippines, affiant exhibiting to me his Passport, with Passport No. P0034218A, issued in Manila City on 24 August 2016.

Doc. No. 201;
Page No. VI;
Book No. II;
Series of 2018.


ATTY. RANDY P. BARENG
NOTARIAL PUBLIC UNTIL DEC. 31, 2019
PTR NO. MANILA 6348390, 12/14/2017
MCLE NO. V-001058 UNTIL APRIL 14, 2019
ROLL NO. 47692, ICF MANILA III, 1006106, 11/21/2017
316-IURC BLDG. BLUMENTRITT ST., SAMPALAN

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OCTAVIO VICTOR R. ESPIRITU**, Filipino, of legal age and a resident of 203 Dingalan Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **International Container Terminal Services, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ICTSI Administration Building, Manila International container Terminal, South Access Road, 1012 Manila City, Philippines, and have been its Independent Director since April 2002.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Bank of the Philippine Islands	Independent Director	April 7, 2000 to Present
Philippine Dealing System Holdings Corp. and Subsidiaries	Independent Director	May 10, 2013 to Present
Phil Stratbase Consultancy, Inc.	Director	September 1, 2004 to Present
GANESP Ventures, Inc.	Chairman	July 22, 2011 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

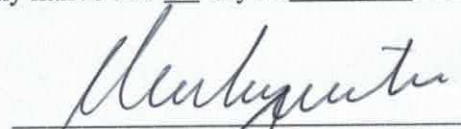
OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
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Not applicable	Not applicable	Not applicable
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6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

22 FEB 2018

IN WITNESS WHEREOF, I have hereunto set my hands this ____ day of _____ 2018 at Manila City.


OCTAVIO VICTOR R. ESPIRITU
 Affiant

22 FEB 2018

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 2018 at Manila City, affiant exhibiting to me his Passport, with No. P0623905A, issued on 14 October 2016 at DFA NCR South.

Doc. No.: 092;
 Page No.: 19;
 Book No.: 11;
 Series of 2018.

ATTY. RANDY P. BARENG
 NOTARIAL PUBLIC UNTIL DEC. 31. 2019
 PTR NO. MANILA. 0018398. 12/14/2017
 MLE NO. V. 0022550. UNTIL APRIL 14, 2019
 ROLL NO. 47092. 16P MANILA III. 1006106. 11/21/2017
 916-1001 BLDG. BLUMENTRITT ST., SAMP. M.L.A.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSEPH R. HIGDON**, American, of legal age and a resident of 128 States Point Road, Tenants Harbor, ME 04860, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **International Container Terminal Services, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ICTSI Administration Building, Manila International container Terminal, South Access Road, 1012 Manila City, Philippines, and have been its Independent Director since April 2007.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
SM Investments Corporation	Independent Director	2010 to Present
Security Bank Corporation	Independent Director	2010 to Present
Philippine Equity Partners	Independent Director	2015 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable	Not applicable	Not applicable

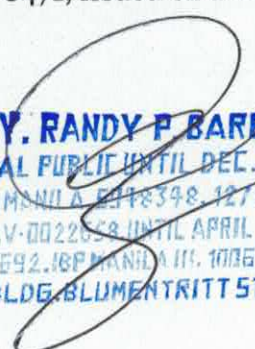
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hands this 28th day of February 2018 at Manila City.


JOSEPH R. HIGDON
Affiant
01 MAR 2018

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 2018 at Manila City, affiant exhibiting to me his Passport, with No. 513108471, issued on 2 December 2013 by the United States Department of State.

Doc. No.: Uelg;
Page No.: 34;
Book No.: 7;
Series of 2018.


ATTY. RANDY P. BARENG
NOTARIAL PUBLIC UNTIL DEC. 31 2019
PTR NO. MANILA 51148398, 12/14/2017
MELENO, V-0022058 UNTIL APRIL 14, 2019
ROLL NO. 47692, 18P MANILA III, 1006106, 11/21/2017
316-1URC BLDG. BLUMENTRITT ST., SAMP., M.L.A.

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

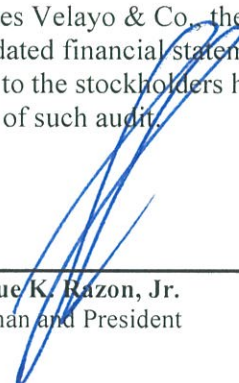
The management of International Container Terminal Services, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of and for the years ended December 31, 2015, 2016 and 2017, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

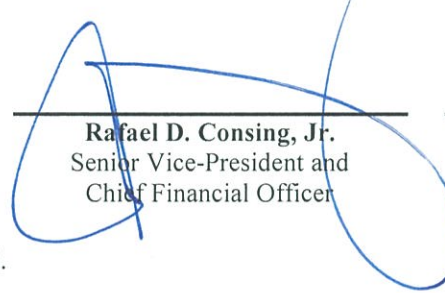
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

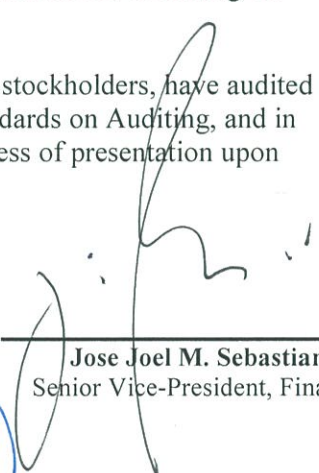
SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, have audited the consolidated financial statements in accordance with Philippine Standards on Auditing, and in their report to the stockholders have expressed their opinion on the fairness of presentation upon completion of such audit.



Enrique K. Razon, Jr.
Chairman and President



Rafael D. Consing, Jr.
Senior Vice-President and
Chief Financial Officer



Jose Joel M. Sebastian
Senior Vice-President, Finance

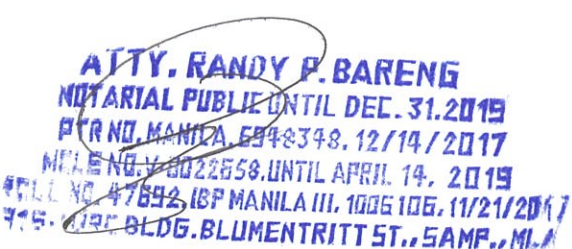
Signed this 6th day of March 2018.

SUBSCRIBED AND SWORN to before me this 6th day of March 2018 affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon, Jr.	EC5918738	09 November 2015	Manila
Rafael D. Consing, Jr.	EC3339689	02 February 2015	Manila
Jose Joel M. Sebastian	P1857283A	04 February 2017	Manila

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Page No. 43
Book No. 11
Series of 2018.

ICTSI Administration Building
Manila International Container Terminal
MICT South Access Road, Port of Manila
Manila 1012, Philippines
Telephone: 632 / 245 4101
Facsimile: 632 / 245 2245
E-mail: info@ictsi.com
URL: www.ictsi.com


ATTY. RANDY P. BARENG
NOTARIAL PUBLIC UNTIL DEC. 31, 2019
PTR NO. MANILA 5948348, 12/14/2017
MEL NO. Y 8022658, UNTIL APRIL 14, 2019
FILE NO. 47892 IBP MANILA III, 1006106, 11/21/2017
115-ABC BLDG. BLUMENTRITT ST., SAMP., MNL

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
International Container Terminal Services, Inc.
ICTSI Administration Building
MICT South Access Road, Manila

Opinion

We have audited the consolidated financial statements of International Container Terminal Services, Inc. (ICTSI) and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2015, 2016 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, 2016 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements.



Impairment Assessment of Goodwill and Finite Life Intangible Assets and Property and Equipment

Under PFRS, the Group is required to perform an impairment test on goodwill annually and on finite life intangible assets and property and equipment when impairment indicators exist. These impairment tests are significant to our audit because the balance of goodwill and finite life intangible assets and property and equipment of certain subsidiaries aggregating US\$638.2 million as of December 31, 2017, is material to the consolidated financial statements. In addition, management's assessment process is highly judgmental and involves significant estimation based on assumptions, specifically the forecasted revenue growth, earnings before interest, tax, depreciation and amortization (EBITDA) margins and weighted average cost of capital, which are affected by expected future market or economic conditions, in the country where the cash generating unit operates.

The Group's disclosure about the impairment testing of goodwill, finite life intangible assets and property and equipment are included in Note 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist to assist us in evaluating the assumptions and methodologies used by the Group in its value-in-use calculation. These assumptions include the forecasted revenue growth, EBITDA margins and weighted average cost of capital. We reviewed the basis and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth and EBITDA margins, which we compared against historical performance of the cash-generating unit, available comparable market data in the country where it is situated, regionally and worldwide or with the other subsidiaries of the Group in the region. We tested the parameters used in the determination of the discount rate against market data. We also focused on the Group'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 the goodwill and finite life non-financial assets.

Accounting for Acquisition of Manila North Harbor Port, Inc. (MNHPI)

In September 2017, the Company acquired 34.83% equity interest in MNHPI. Total investment cost as disclosed in Note 8 to the consolidated financial statements is material to the consolidated financial statements. The Group accounted for the transaction as investment in an associate, in accordance with PAS 28, *Investments in Associates and Joint Ventures*. This is significant to our audit because the accounting for this acquisition involves judgment and estimations in the determination of the provisional fair values of MNHPI's identifiable assets and liabilities.

The Group's disclosure pertaining to its investment in MNHPI are included in Note 8 to the consolidated financial statements.

Audit Response

We involved our internal specialist to assist us in reviewing the methods used by management to determine the identifiable assets and liabilities of MNHPI and the key assumptions used to determine their provisional fair values. These assumptions include the discount rate to compute the fair value of the intangible assets and concession rights payable, among others. We compared the discount rate used against the incremental borrowing rate of interest specific to MNHPI. We also reviewed the methods of determining the fair values of the other assets and liabilities in order to determine the provisional goodwill resulting from the acquisition, which is also presented as part of the investment in associate account.



Recognition of Deferred Income Taxes

The Group operates port terminals in eighteen (18) countries and holds a significant number of domestic and foreign legal entities with varying income tax laws, regulations and incentives worldwide. Due to the inherent complexity related to the different income tax laws, management's assessment process for recognition of deferred tax assets and liabilities involves significant judgments. As of December 31, 2017, the Group recognized deferred tax assets amounting to US\$111.1 million and deferred tax liabilities amounting to US\$80.5 million. In addition, deferred tax liabilities has not been recognized for undistributed cumulative earnings amounting to US\$1,070.0 million because the Parent Company has control over the earnings and the earnings are not expected to reverse in the foreseeable future.

The Group's disclosure about deferred tax assets and liabilities are included in Note 21 to the consolidated financial statements.

Audit Response

We involved our internal specialists in different countries to review the deferred tax computation made by management. We tested the significant consolidation adjustments related to deferred taxes arising from capitalization of borrowing costs at the consolidated level and fair value adjustments arising from business combination, among others. We also reviewed the basis for non-recognition of deferred tax liabilities on undistributed cumulative earnings by reviewing the historical and forecasted dividend declaration made by the entities with undistributed cumulative earnings.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17 A for the year ended December 31, 2017 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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



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

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

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

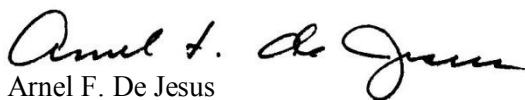
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Arnel F. De Jesus.

SYCIP GORRES VELAYO & CO.



Arnel F. De Jesus

Partner

CPA Certificate No. 43285

SEC Accreditation No. 0075-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 152-884-385

BIR Accreditation No. 08-001998-15-2015,

June 26, 2015, valid until June 25, 2018

PTR No. 6621246, January 9, 2018, Makati City

March 6, 2018



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2016	December 31, 2017
ASSETS			
Noncurrent Assets			
Intangibles (Notes 1, 5, 15, 20 and 24)	US\$1,715,582,534	US\$1,720,204,617	US\$1,747,179,994
Property and equipment (Notes 1, 6, 15, 20 and 24)	1,148,856,114	1,381,483,081	1,456,191,640
Investment properties (Notes 1, 7 and 20)	6,840,870	6,255,304	8,011,137
Investments in and advances to a joint venture and associates (Notes 1, 8 and 22)	231,915,840	293,638,405	382,227,852
Deferred tax assets (Notes 1, 4, 20 and 21)	76,372,445	90,571,814	111,104,364
Other noncurrent assets (Notes 1, 6, 9, 15, 20, 23, 24 and 26)	137,513,798	172,933,994	164,990,504
Total Noncurrent Assets	3,317,081,601	3,665,087,215	3,869,705,491
Current Assets			
Cash and cash equivalents (Notes 1, 11, 20 and 27)	354,481,813	325,058,592	279,427,071
Receivables (Notes 1, 12, 20 and 27)	87,200,481	102,930,437	112,891,114
Spare parts and supplies (Notes 1, 3, and 20)	27,595,895	33,525,428	35,669,801
Prepaid expenses and other current assets (Notes 1, 13 and 20)	44,108,114	56,285,515	72,684,300
Derivative assets (Notes 9 and 26)	331,154	65,756	308,834
Total Current Assets	513,717,457	517,865,728	500,981,120
	US\$3,830,799,058	US\$4,182,952,943	US\$4,370,686,611
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock (Note 14)	US\$236,222	US\$236,222	US\$236,222
Common stock (Note 14)	67,330,188	67,330,188	67,330,188
Additional paid-in capital (Notes 14 and 19)	534,808,153	536,216,117	547,852,934
Cost of shares held by subsidiaries (Note 14)	(74,261,595)	(74,261,595)	(74,261,595)
Treasury shares (Notes 14 and 19)	(7,547,826)	(17,904,401)	(15,059,524)
Excess of acquisition cost over the carrying value of non-controlling interests (Notes 1 and 14)	(142,555,041)	(142,555,041)	(142,555,041)
Retained earnings (Note 14)	723,158,999	779,439,375	819,667,903
Perpetual capital securities (Note 14)	831,910,439	761,341,287	761,341,287
Other comprehensive loss - net (Notes 9, 14, 23 and 26)	(258,636,420)	(285,445,364)	(256,622,429)
Total equity attributable to equity holders of the parent	1,674,443,119	1,624,396,788	1,707,929,945
Equity Attributable to Non-controlling Interests (Notes 14 and 24)	151,604,756	141,683,210	164,638,013
Total Equity	1,826,047,875	1,766,079,998	1,872,567,958
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 5, 6, 9, 15 and 26)	1,026,578,274	1,326,280,115	1,410,268,488
Concession rights payable - net of current portion (Notes 1, 5, 20, 24 and 26)	503,207,718	481,700,775	470,238,945
Deferred tax liabilities (Notes 4 and 21)	66,860,253	71,376,805	80,486,462
Other noncurrent liabilities (Notes 16, 23, 24 and 26)	119,353,699	90,968,127	135,805,108
Total Noncurrent Liabilities	1,715,999,944	1,970,325,822	2,096,799,003
Current Liabilities			
Loans payable (Notes 17 and 26)	2,027,231	36,598,275	61,187,102
Accounts payable and other current liabilities (Notes 1, 18, 20 and 22)	200,870,158	347,709,086	276,566,419
Current portion of long-term debt (Notes 5, 6, 15 and 26)	54,465,076	18,485,813	22,149,388
Current portion of concession rights payable (Notes 1, 5, 24 and 26)	8,830,040	8,760,661	9,942,171
Income tax payable (Notes 4 and 21)	22,004,517	32,314,007	29,541,111
Derivative liabilities (Notes 16 and 26)	554,217	2,679,281	1,933,459
Total Current Liabilities	288,751,239	446,547,123	401,319,650
Total Liabilities	2,004,751,183	2,416,872,945	2,498,118,653
	US\$3,830,799,058	US\$4,182,952,943	US\$4,370,686,611

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2015	2016	2017
INCOME			
Gross revenues from port operations (Notes 4 and 24)	US\$1,051,324,893	US\$1,128,394,951	US\$1,244,438,207
Interest income (Notes 11 and 22)	13,382,788	17,651,096	21,853,348
Foreign exchange gain (Note 27)	3,672,109	4,658,987	5,047,602
Gain on sale of a subsidiary (Note 1)	323,414	—	—
Other income (Notes 1, 7, 16, 20 and 26)	6,482,728	13,393,566	23,605,865
	1,075,185,932	1,164,098,600	1,294,945,022
EXPENSES			
Port authorities' share in gross revenues (Notes 1, 20, 22, 24 and 26)	169,003,118	183,702,136	190,526,773
Manpower costs (Notes 19, 22 and 23)	193,163,997	192,536,167	207,583,461
Equipment and facilities-related expenses (Notes 22 and 24)	124,753,827	119,877,144	157,207,337
Administrative and other operating expenses (Notes 22 and 25)	114,381,768	107,201,160	111,109,079
Depreciation and amortization (Notes 5, 6 and 7)	126,453,035	147,830,235	173,464,668
Interest expense and financing charges on borrowings (Notes 9, 15 and 17)	61,230,778	75,050,456	100,413,422
Interest expense on concession rights payable (Note 5)	37,301,423	34,049,611	33,106,078
Equity in net loss of a joint venture and an associate (Note 8)	3,229,754	5,571,997	36,337,377
Foreign exchange loss (Note 27)	3,742,129	4,886,956	4,885,231
Impairment losses (Notes 3 and 5)	114,561,125	—	—
Other expenses (Notes 1, 8, 9, 15, 18, 20, 22, 25 and 26)	7,747,908	36,351,260	32,047,974
	955,568,862	907,057,122	1,046,681,400
CONSTRUCTION REVENUE (EXPENSE) (Note 24)			
Construction revenue	116,078,526	55,946,602	105,610,854
Construction expense	(116,078,526)	(55,946,602)	(105,610,854)
	—	—	—
INCOME BEFORE INCOME TAX	119,617,070	257,041,478	248,263,622
PROVISION FOR INCOME TAX (Note 21)			
Current	60,705,444	69,631,408	55,719,117
Deferred	(10,067,819)	(6,060,308)	(15,172,294)
	50,637,625	63,571,100	40,546,823
NET INCOME	US\$68,979,445	US\$193,470,378	US\$207,716,799
Attributable To			
Equity holders of the parent	US\$58,545,218	US\$180,015,587	US\$182,141,250
Non-controlling interests	10,434,227	13,454,791	25,575,549
	US\$68,979,445	US\$193,470,378	US\$207,716,799
Earnings Per Share (Note 28)			
Basic	US\$0.011	US\$0.066	US\$0.069
Diluted	0.011	0.065	0.069

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2016	2017
NET INCOME FOR THE YEAR	US\$68,979,445	US\$193,470,378	US\$207,716,799
OTHER COMPREHENSIVE GAIN (LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations' financial statements (Note 14)	(97,151,895)	(39,958,650)	41,198,460
Net change in unrealized mark-to-market values of derivatives (Note 26)	93,060	6,133,973	(4,534,403)
Net unrealized loss (gain) on derivatives removed from equity and capitalized as construction in-progress (Note 26)	1,855,269	(345,539)	–
Net unrealized mark-to-market gain (loss) on available-for-sale investments (Notes 9 and 26)	72,395	(173,874)	(365,234)
Net unrealized loss on derivatives removed from equity and recognized in profit or loss (Note 26)	104,151	–	–
Share of other comprehensive gain of an associate (Note 14)	–	–	1,043,169
Income tax relating to components of other comprehensive income (loss) (Note 26)	(89,335)	(1,611,411)	1,099,025
	(95,116,355)	(35,955,501)	38,441,017
<i>Items not to be reclassified to profit or loss in subsequent periods</i>			
Share of other comprehensive loss of an associate (Note 14)	–	–	(54,681)
Actuarial gains (losses) on defined benefit plans - net of tax (Note 23)	1,360,510	(245,391)	(109,651)
	1,360,510	(245,391)	(164,332)
	(93,755,845)	(36,200,892)	38,276,685
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(US\$24,776,400)	US\$157,269,486	US\$245,993,484
Attributable To			
Equity holders of the parent	(US\$26,658,463)	US\$153,206,643	US\$210,964,185
Non-controlling interests	1,882,063	4,062,843	35,029,299
	(US\$24,776,400)	US\$157,269,486	US\$245,993,484

See accompanying Notes to Consolidated Financial Statements.



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

Attributable to Equity Holders of the Parent (Note 14)													
	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary	Treasury Shares	Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests	Retained Earnings	Perpetual Capital Securities	Other Comprehensive Loss - net	Total	Attributable to Non-controlling Interests (Note 15)	Total Equity
Balance at December 31, 2014	US\$236,222	US\$67,330,188	US\$530,677,807	(US\$72,492,481)	US\$—	(US\$1,176,660)	(US\$135,447,513)	US\$763,314,929	US\$337,032,372	(US\$173,432,739)	US\$1,316,042,125	US\$157,523,057	US\$1,473,565,182
Net income for the year	—	—	—	—	—	—	—	58,545,218	—	—	58,545,218	10,434,227	68,979,445
Other comprehensive loss (Note 14)	—	—	—	—	—	—	—	—	—	(85,203,681)	(85,203,681)	(8,552,164)	(93,755,845)
Total comprehensive income for the year (Note 14)	—	—	—	—	—	—	—	58,545,218	—	(85,203,681)	(26,658,463)	1,882,063	(24,776,400)
Cash dividends (Note 14)	—	—	—	—	—	—	—	(41,156,549)	—	—	(41,156,549)	(9,944,112)	(51,100,661)
Distributions on perpetual capital securities (Note 14)	—	—	—	—	—	—	—	(33,422,879)	—	—	(33,422,879)	—	(33,422,879)
Sale of subsidiaries (Note 1)	—	—	—	—	—	—	—	—	—	—	—	(268,056)	(268,056)
Change in non-controlling interests (Note 14)	—	—	—	—	—	—	(7,107,528)	—	—	—	(7,107,528)	2,411,804	(4,695,724)
Share-based payments (Note 19)	—	—	4,292,926	—	—	—	—	—	—	—	4,292,926	—	4,292,926
Issuance of treasury shares for share-based payments (Notes 14 and 19)	—	—	(219,641)	—	—	219,641	—	—	—	—	—	—	—
Acquisition of ICTSI common shares (Note 14)	—	—	—	—	(3,598,405)	(6,590,807)	—	—	—	—	(10,189,212)	—	(10,189,212)
Sale of shares held by a subsidiary (Note 14)	—	—	57,061	—	1,829,291	—	—	—	—	—	1,886,352	—	1,886,352
Issuance and exchange of perpetual capital securities (Note 14)	—	—	—	—	—	—	—	(23,233,696)	506,219,964	—	482,986,268	—	482,986,268
Acquisition of perpetual capital securities (Note 14)	—	—	—	—	—	—	—	(888,024)	(11,341,897)	—	(12,229,921)	—	(12,229,921)
Balance at December 31, 2015	US\$236,222	US\$67,330,188	US\$534,808,153	(US\$72,492,481)	(US\$1,769,114)	(US\$7,547,826)	(US\$142,555,041)	US\$723,158,999	US\$831,910,439	(US\$258,636,420)	US\$1,674,443,119	US\$151,604,756	US\$1,826,047,875



Attributable to Equity Holders of the Parent (Note 14)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary	Treasury Shares	Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests	Retained Earnings	Perpetual Capital Securities	Other Comprehensive Loss - net	Total	Attributable to Non-controlling Interests (Note 15)	Total Equity
Balance at December 31, 2015	US\$236,222	US\$67,330,188	US\$534,808,153	(US\$72,492,481)	(US\$1,769,114)	(US\$7,547,826)	(US\$142,555,041)	US\$723,158,999	US\$831,910,439	(US\$258,636,420)	US\$1,674,443,119	US\$151,604,756	US\$1,826,047,875
Net income for the year	-	-	-	-	-	-	-	180,015,587	-	-	180,015,587	13,454,791	193,470,378
Other comprehensive loss (Note 14)	-	-	-	-	-	-	-	-	-	(26,808,944)	(26,808,944)	(9,391,948)	(36,200,892)
Total comprehensive income for the year (Note 14)	-	-	-	-	-	-	-	180,015,587	-	(26,808,944)	153,206,643	4,062,843	157,269,486
Cash dividends (Note 14)	-	-	-	-	-	-	-	(39,893,190)	-	-	(39,893,190)	(13,984,389)	(53,877,579)
Distributions on perpetual capital securities (Note 14)	-	-	-	-	-	-	-	(34,160,584)	-	-	(34,160,584)	-	(34,160,584)
Share-based payments (Note 19)	-	-	2,641,929	-	-	-	-	-	-	-	2,641,929	-	2,641,929
Issuance of treasury shares for share-based payments (Notes 14 and 19)	-	-	(1,233,965)	-	-	1,233,965	-	-	-	-	-	-	-
Acquisition of ICTSI common shares (Note 14)	-	-	-	-	-	(11,590,540)	-	-	-	-	(11,590,540)	-	(11,590,540)
Issuance and exchange of perpetual capital securities (Note 14)	-	-	-	-	-	-	-	(49,681,437)	(70,569,152)	-	(120,250,589)	-	(120,250,589)
Balance at December 31, 2016	US\$236,222	US\$67,330,188	US\$536,216,117	(US\$72,492,481)	(US\$1,769,114)	(US\$17,904,401)	(US\$142,555,041)	US\$779,439,375	US\$761,341,287	(US\$285,445,364)	US\$1,624,396,788	US\$141,683,210	US\$1,766,079,998
Balance at December 31, 2016	US\$236,222	US\$67,330,188	US\$536,216,117	(US\$72,492,481)	(US\$1,769,114)	(US\$17,904,401)	(US\$142,555,041)	US\$779,439,375	US\$761,341,287	(US\$285,445,364)	US\$1,624,396,788	US\$141,683,210	US\$1,766,079,998
Net income for the year	-	-	-	-	-	-	-	182,141,250	-	-	182,141,250	25,575,549	207,716,799
Other comprehensive gain (Note 14)	-	-	-	-	-	-	-	-	-	28,822,935	28,822,935	9,453,750	38,276,685
Total comprehensive income for the year (Note 14)	-	-	-	-	-	-	-	182,141,250	-	28,822,935	210,964,185	35,029,299	245,993,484
Cash dividends (Note 14)	-	-	-	-	-	-	-	(100,333,742)	-	-	(100,333,742)	(12,074,496)	(112,408,238)
Distributions on perpetual capital securities (Note 14)	-	-	-	-	-	-	-	(41,578,980)	-	-	(41,578,980)	-	(41,578,980)
Share-based payments (Note 19)	-	-	3,620,110	-	-	-	-	-	-	-	3,620,110	-	3,620,110
Issuance of treasury shares for share-based payments (Notes 14 and 19)	-	-	(1,342,692)	-	-	1,342,692	-	-	-	-	-	-	-
Sale of treasury shares	-	-	9,359,399	-	-	11,069,183	-	-	-	-	20,428,582	-	20,428,582
Acquisition of ICTSI common shares (Note 14)	-	-	-	-	-	(9,566,998)	-	-	-	-	(9,566,998)	-	(9,566,998)
Balance at December 31, 2017	US\$236,222	US\$67,330,188	US\$547,852,934	(US\$72,492,481)	(US\$1,769,114)	(US\$15,059,524)	(US\$142,555,041)	US\$819,667,903	US\$761,341,287	(US\$256,622,429)	US\$1,707,929,945	US\$164,638,013	US\$1,872,567,958

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2016	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US\$119,617,070	US\$257,041,478	US\$248,263,622
Adjustments for:			
Depreciation and amortization (Notes 5, 6 and 7)	126,453,035	147,830,235	173,464,668
Interest expense on:			
Borrowings (Notes 9, 15 and 17)	61,230,778	75,050,456	100,413,422
Concession rights payable (Note 5)	37,301,423	34,049,611	33,106,078
Loss (gain) on:			
Write-off of costs of securing a revolving credit facility due to cancellation (Notes 15 and 20)	—	—	3,042,918
Sale of property and equipment - net (Note 20)	233,952	(1,501,293)	342,344
Pre-termination of lease agreement (Note 20)	—	23,432,184	—
Sale of subsidiaries (Note 1)	(323,414)	—	—
Interest income (Notes 11 and 22)	(13,382,788)	(17,651,096)	(21,853,348)
Equity in net loss of a joint venture and an associate (Note 8)	3,229,754	5,571,997	36,337,377
Share-based payments (Notes 14 and 19)	4,268,260	2,882,755	3,332,323
Unrealized foreign exchange loss (gain)	(617,469)	1,104,768	281,773
Unrealized mark-to-market loss (gain) on derivatives (Notes 20 and 26)	(331,154)	408,960	—
Dividend income (Note 20)	(646,559)	(198,706)	(198,456)
Impairment losses (Notes 3 and 5)	114,561,125	—	—
Operating income before changes in working capital	451,594,013	528,021,349	576,532,721
Decrease (increase) in:			
Receivables	(2,572,580)	(17,586,640)	(4,304,192)
Prepaid expenses and other current assets	2,213,257	(9,243,104)	(17,047,419)
Spare parts and supplies	(3,996,345)	(2,882,808)	(3,513,995)
Increase in:			
Accounts payable and other current liabilities	14,950,833	28,246,083	66,277,992
Pension liabilities	1,724,747	1,215,591	2,050,136
Cash generated from operations	463,913,925	527,770,471	619,995,243
Income taxes paid	(56,177,186)	(60,822,253)	(55,983,622)
Net cash flows provided by operating activities	407,736,739	466,948,218	564,011,621
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 6)	(252,613,499)	(275,203,651)	(213,028,926)
Intangible assets (Notes 5 and 24)	(143,423,774)	(105,775,868)	(96,594,666)
Subsidiary, net of cash acquired (Note 1)	(54,500,000)	—	—
Additional shares in a joint venture and an associate (Notes 1 and 8)	—	—	(81,191,619)
Proceeds from:			
Sale of property and equipment (Notes 6 and 20)	1,173,861	9,018,966	901,825
Sale of subsidiary, net of cash held by subsidiary (Note 1)	(110,947)	—	—
Return of amount paid to Concessionaire (Note 1)	—	—	12,500,000
Interest received	4,616,281	3,133,709	4,102,297
Dividends received	646,559	198,706	198,456
Increase in:			
Investment in and advances to a joint venture	(86,007,868)	(52,365,327)	(24,995,718)
Other noncurrent assets	(8,000,757)	(34,767,221)	(9,340,496)
Payments for concession rights	(9,390,879)	(12,705,362)	(13,481,693)
Payment for pre-termination of lease agreement (Note 1)	—	—	(11,450,000)
Net cash flows used in investing activities	(547,611,023)	(468,466,048)	(432,380,540)

(Forward)



	Years Ended December 31		
	2015	2016	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 15)	US\$212,237,826	US\$473,106,139	US\$111,106,280
Short-term borrowings (Note 17)	7,231,507	71,233,855	66,119,186
Sale of treasury shares (Note 14)	—	—	20,428,582
Issuance of perpetual capital securities (Note 14)	482,986,268	1,874,063	—
Sale of common shares held by a subsidiary (Note 14)	1,886,352	—	—
Payments of:			
Interest on borrowings and concession rights payable	(92,822,617)	(99,397,410)	(126,201,898)
Dividends (Note 14)	(52,284,328)	(53,669,360)	(112,503,197)
Long-term borrowings (Note 15)	(178,008,493)	(207,128,087)	(47,667,209)
Short-term borrowings (Note 17)	(29,745,248)	(35,697,231)	(44,244,615)
Distributions on subordinated perpetual capital securities (Note 14)	(33,422,879)	(34,160,584)	(41,578,980)
Acquisition of perpetual capital securities (Note 14)	(12,229,921)	(122,124,651)	—
Acquisition of ICTSI common shares (Note 14)	(6,590,807)	(11,590,540)	(9,566,998)
Increase (decrease) in other noncurrent liabilities	6,135,470	(4,124,707)	(663,258)
Change in non-controlling interests (Note 14)	(4,695,724)	—	—
Acquisition of ICTSI common shares by a subsidiary (Note 14)	(3,598,405)	—	—
Net cash flows provided by (used in) financing activities	297,079,001	(21,678,513)	(184,772,107)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,979,440	(6,226,878)	7,509,505
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	160,184,157	(29,423,221)	(45,631,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	194,297,656	354,481,813	325,058,592
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 11)	US\$354,481,813	US\$325,058,592	US\$279,427,071

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

1.1 General

International Container Terminal Services, Inc. (ICTSI or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Parent Company is ICTSI Administration Building, Manila International Container Terminal South Access Road, Manila. ICTSI's common shares are publicly traded in the Philippine Stock Exchange (PSE).

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 6, 2018.

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as "the Group") entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. As at March 6, 2018, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. These are 28 operating terminals in nine key ports, including the recent acquisition of shares in Manila North Harbour Port, Inc. (MNHPI), and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, Democratic Republic (DR) of Congo, Australia and recently, Lae in Papua New Guinea (PNG); an existing concession to construct and operate a port in Tuxpan, Mexico; a project to construct a barge terminal in Cavite, Philippines; and a recent agreement to operate an international port in Motukea, PNG.

Concessions for port operations entered into, acquired and terminated by ICTSI and subsidiaries for the last three years are summarized below:

River Port, Matadi, Democratic Republic of Congo. On January 23, 2014, ICTSI, through its subsidiary, ICTSI Cooperatief U.A. (ICTSI Cooperatief), forged a business partnership with La Societe de Gestion Immobiliere Lengo (SIMOBILE) for the establishment and formation of a joint venture company, ICTSI DR Congo S.A. (IDRC). IDRC, which is initially 60%-owned by ICTSI Cooperatief, will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein. On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA). SIMOBILE transferred to its subsidiary, La Societe d'Investissement et de Placement (SIP) Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA.

Phase 1 of the facility consists of two berths that can handle 120,000 twenty-foot equivalent units (TEUs) and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017.



Umm Qasr, Iraq. ICTSI, through its wholly owned subsidiary, ICTSI (M.E.) DMCC [formerly ICTSI (M.E.) JLT] (ICTSI Dubai), and General Company for Ports of Iraq (GCPI) signed on April 10, 2014 the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 (“Contract”) in the Port of Umm Qasr (“Port”) in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build in three phases, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract (“First Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the First Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. On March 26, 2017, a second addendum to the Contract (“Second Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate Quay No. 21 co-terminus with the Contract and the First Addendum. The Second Addendum extended the term for the management and operation of Quay No. 19 and 20 from 13 to 21 years.

ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. The rehabilitation works for Berth 21 are on-going and it is expected to operate in the first quarter of 2018.

Phase 1 of the expansion project (Berth 27) under the BOT scheme has 250 meters of berth with an estimated capacity of 300,000 TEUs. The facility will have 600 meters of quay with an estimated capacity of 900,000 TEUs. Berth 27 was completed and fully operational in the first quarter of 2017.

On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port. The Phase 2 expansion project will involve development of two new berths, Berths 25 and 26, including a 20-hectare yard area. This expansion will increase the Port’s container handling capacity by 600,000 TEUs to 1,200,000 TEUs and its capability to handle large container vessels of up to 10,000 TEUs. This phase of the expansion project is expected to be completed in the second quarter of 2019.

Port of Melbourne, Australia. On May 2, 2014, ICTSI, through its subsidiary in Australia, Victoria International Container Terminal Ltd. (VICT), signed a contract in Melbourne with Port of Melbourne Corporation (“POMC”) for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container Terminal (Terminal) and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The Contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5, (b) design, build and commission the new ECP at WDE, and (c) operate the Terminal and ECP until June 30, 2040. Initially, VICT was 90% owned by ICTSI through ICTSI Far East Pte. Ltd. (IFEL), a wholly owned subsidiary, and 10% by Anglo Ports Pty Limited (“Anglo Ports”). On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT. On January 7, 2016, IFEL’s ownership interest in VICT was transferred to another subsidiary, ICTSI Oceania B.V. (IOBV), making IOBV the new 100% owner of VICT.

Phase 1 of the Terminal and the ECP with capacities of 350,000 TEUs and 250,000 TEUs, respectively, commenced commercial operations in the second quarter of 2017. Phase 2 of the Terminal commenced commercial operations in the first quarter of 2018 and has increased the capacity to 1,000,000 TEUs.



Laguna Gateway Inland Container Terminal, Philippines. On March 2, 2015, Laguna Gateway Inland Container Terminal, Inc. (LGICT) started operating the first one-stop inland container terminal (ICT) located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo Handlers, Inc. (IW Cargo) and 40%-owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK - Fil-Japan Shipping Corp. The ICT primarily operates as an extension of the seaport operations of the Parent Company. In particular, the said ICT is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers, both within and outside the economic zones in the LABARZON area. Only fifty-eight (58) kilometers from Metro Manila, the ICT is situated on a twenty-one (21)-hectare property, strategically located near various economic export zones with an already existing adjacent railroad. Of the said twenty-one (21) hectares, twelve (12) hectares have already been developed and now being used for operations. Envisioned to be the first of its kind in magnitude and operations, the ICT is being developed as a 24/7 state-of-the-art facility with cutting edge terminal systems and equipment.

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100% of the capital stock of Terminal Maritima de Tuxpan, S.A de C.V (TMT) for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares of land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee of MXN23.24 plus value added tax (VAT), per square meter of assigned area, in twelve equal monthly installments; and (2) pay variable fee monthly starting year 2018. As of March 6, 2018, management is currently working on a development plan on TMT.

Brunei, Darussalam. On May 21, 2009, ICTSI, through New Muara Container Terminal Services Sdn Bhd (NMCTS), entered into an Agreement with the government of Brunei Darussalam (“Government”) for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement was valid for a period of four years from commencement date or May 22, 2009. The term was extendible for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. Since 2012, the Agreement had been extended yearly for a period of one year or until May 20, 2017 as an interim operator. The Agreement with the Government was no longer renewed and ended effective February 21, 2017.

Davao, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. On February 22, 2018, the PPA issued Administrative order (AO) No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016 entitled “Port Terminal Management Regulatory Framework”. As of March 6, 2018, the hold-over authority is yet to be issued by the PPA Port Manager.



South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of hold-over authority on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On February 22, 2018, the PPA issued AO No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016. As of March 6, 2018, the hold-over authority is yet to be issued by the PPA Port Manager.

Port of Portland, Oregon, U.S.A. In October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon, Inc. (ICTSI Oregon) to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. During the latter part of 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. As of December 31, 2016, the Company provided for the amount of probable loss on the pre-termination of the lease agreement based on the Group's best estimate of the probable outcome of the negotiations with the Port of Portland. The estimated amount of probable loss from the pre-termination of the lease agreement charged to the 2016 consolidated statement of income was US\$23.4 million, which includes the carrying value of the container handling equipment and spare parts (see Notes 20.3 and 24.19).

On March 8, 2017, ICTSI, through ICTSI Oregon, and the Port of Portland signed a Lease Termination Agreement and both parties have mutually agreed to terminate the 25-year Lease Agreement to operate the container facility at Terminal 6 of the Port of Portland with an effective date of March 31, 2017. The Lease Termination Agreement allowed ICTSI Oregon to be relieved of its long-term lease obligations. In exchange, the Port of Portland received US\$11.45 million in cash compensation on March 29, 2017 and container handling equipment including spare parts and tools on March 31, 2017.

As a result of the Lease Termination Agreement, ICTSI Oregon is no longer engaged in container operations at Terminal 6 or at any other locations. ICTSI Oregon's activities are currently devoted to supporting the on-going legal proceedings.

Cavite Gateway Terminal, Philippines. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, Cavite Gateway Terminal (CGT), in partnership with the Philippine Department of Transportation, project launched the country's soon-to-be first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborne transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal will have an annual capacity of 115,000 TEUs, which is equivalent to 140,000 fewer truck trips on city roads each year. As of March 6, 2018, the construction of the terminal is on-going and is expected to be completed in the second quarter of 2018.

Lekki International Container Terminal Services LFTZ Enterprise, Nigeria. On August 10, 2012, ICTSI, through its wholly-owned subsidiary, Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE), and Lekki Port LFTZ Enterprise (Lekki Port, the Concessionaire) signed the Sub-concession Agreement (Agreement) that grants LICTSLE, as a sub-concessionaire, an exclusive right to develop and operate, and to provide handling equipment and container terminal services at the container terminal within Lekki Port located at Ibeju Lekki,



Lagos State, Federal Republic of Nigeria for a period of 21 years. On May 17, 2017, ICTSI and Lekki Port mutually agreed to terminate the Agreement subject to a payment by Lekki Port of an agreed amount. On May 23, 2017, ICTSI received the agreed amounts of US\$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement, and US\$7.5 million representing compensation of costs incurred by ICTSI in relation to the project which was recognized as “Other income” in the 2017 consolidated statement of income (see Notes 20.1 and 24.8). The termination of the Agreement was finalized and deemed effective on May 24, 2017.

Motukea and Lae, Papua New Guinea. In September 2017, ICTSI received a notification from PNG Ports Corporation Limited (PNGPCL), a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI’s PNG subsidiaries, Motukea International Limited (MITL) and South Pacific Container Terminal Limited (SPICTL), with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG. The terminal operating agreements (TOA) and other related contracts will take effect after all the parties have complied with the agreed conditions precedent.

Starting February 1, 2018, SPICTL was allowed by PNGPCL to take over the port facilities and begin operations at the port of Lae pursuant to the Early Operations Agreement signed between SPICTL and PNGPCL while the parties are working on the completion of the remaining conditions precedent to the TOA. MITL is expected to take over the international port in Motukea in the second quarter of 2018. As of March 6, 2018, the conditions precedent have not yet been fulfilled.

Manila North Harbor, Philippines. On September 21, 2017, the Board of ICTSI granted the authority to acquire shares in MNHPI. On the same date, ICTSI signed a Share Purchase Agreement (SPA) with Petron Corporation for the acquisition of 10,449,000 MNHPI shares, representing 34.83% of the total issued and outstanding shares of MNHPI for a consideration of Php1.75 billion (US\$33.8 million). The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the Philippine Ports Authority which was obtained on October 20, 2017. The SPA was completed on October 30, 2017. An additional investment cost of Php2.45 billion (US\$47.3 million) was incurred in relation to this acquisition.

Port of Tanjung Priok, Indonesia. On November 2, 2017, PT ICTSI Jasa Prima Tbk (IJP), an ICTSI subsidiary in Indonesia, signed a Conditional Share Purchase Agreement with PT Samudera Terminal Indonesia (STI) for the purchase of IJP’s interest in PT Perusahaan Bongkar Muat Olah Jasa Andal (OJA), subject to certain conditions. As of March 6, 2018, the conditions precedent have not yet been fulfilled.

1.3 Subsidiaries, Joint Venture and Associates

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2015		2016		2017	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Subsidiaries:									
Asia									
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	100.00	–	100.00	–
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Mauritius Ltd.	Mauritius	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Aeolina Investments Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	–	64.53	–	64.53



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2015		2016		2017	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
IFEL	Singapore	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
NMCTS	Brunei	Port Management	Brunei Dollar	–	100.00	–	100.00	–	100.00
IJP and Subsidiaries	Indonesia	Maritime infrastructure and logistics	US Dollar	–	80.16	–	80.16	–	80.16
OJA	Indonesia	Port Management	US Dollar	–	80.16	–	80.16	–	80.16
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	–	95.00	–	95.00
PT Container Terminal Systems Solutions Indonesia	Indonesia	Software Developer	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI (Hongkong) Limited (IHKL)	Hong Kong	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Yantai International Container Terminals, Limited (YICT)	China	Port Management	Renminbi	–	51.00	–	51.00	–	51.00
Pentland International Holdings, Ltd.	British Virgin Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Global Procurement Ltd. (formerly ICTSI Poland)	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Honduras Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	–	100.00	–	100.00	–	100.00
International Container Terminal Services (India) Private Limited	India	Port Management	Indian Rupee	–	100.00	–	100.00	–	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	–	95.00	–	95.00
ICTSI Africa (Pty) Ltd. ⁽ⁱ⁾	South Africa	Business Development Office (BDO)	South African Rand	–	100.00	–	100.00	–	–
Australian International Container Terminals Limited (AICTL) ^(a)	Australia	Port Management	Australian Dollar	–	70.00	–	70.00	–	70.00
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	100.00	–	100.00	–
Abbotsford Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	–	65.00	–	65.00	–	65.00
DIPSSCOR	Philippines	Port Management	Philippine Peso	–	96.95	–	96.95	–	96.95
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	100.00	–	100.00	–
IW Cargo	Philippines	Port Equipment Rental	US Dollar	–	100.00	–	100.00	–	100.00
Container Terminal Systems Solutions Philippines, Inc.	Philippines	Software Developer	US Dollar	–	100.00	–	100.00	–	100.00
Bauan International Port, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00	–	60.00
Prime Staffers and Selection Bureau, Inc. ^(a)	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	100.00	–	100.00	–
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	–	100.00	–	100.00	–
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	–	83.33	–	83.33	–
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	–	83.33	–	83.33
Cordilla Properties Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
SCIPSI	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38	35.70	14.38
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	–	100.00	–	100.00	–
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Icon Logistiek B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00	–	75.00
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	1.00	99.00	1.00	99.00
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Treasury B.V. (ITBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00	–	75.00



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2015		2016		2017	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
ICTSI Americas B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Africa B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Cameroon B.V. (formerly Global Procurement B.V.)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
CMSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Tecplata B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
SPIA Colombia B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
TSSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
CGSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
SPIA Spain S.L. ^(e)	Spain	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
CGSA Transportadora S.L. ^(e)	Spain	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Crixus Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
VICT	Australia	Port Management	Australian Dollar	–	100.00	–	100.00	–	100.00
Asia Pacific Port Holdings Private Ltd. (APPH) ⁽ⁱ⁾	Singapore	Holding Company	US Dollar	–	50.50	–	50.50	–	–
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00	–	75.00
IOBV	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Asia Pacific Business Services, Inc. (APBS) ^(b)	Philippines	Business Process Outsourcing	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Ltd. Regional Operating Headquarters (ROHQ) ^(b)	Philippines	Regional Operating Headquarters	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Project Delivery Services Co. Pte. Ltd. ^(b)	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI QFC LLC ^(b)	Qatar	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI South Asia Pte. Ltd. ^(b)	Singapore	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
LGICT ^(b)	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00	–	60.00
ICTSI Middle East DMCC ^(b)	United Arab Emirates	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Global Cooperatief U.A. ^(b)	The Netherlands	Holding Company	US Dollar	100.00	–	100.00	–	100.00	–
Consultports S.A. de C.V. ^(d)	Mexico	BDO	Mexican Peso	–	–	–	100.00	–	100.00
Asiastar Consultants Limited ⁽ⁱ⁾	Hong Kong	Management Services	US Dollar	–	–	–	–	–	100.00
CGT ^(e)	Philippines	Port Management	Philippine Peso	–	–	–	100.00	–	100.00
Intermodal Terminal Holdings, Inc. ^(e)	Philippines	Holding Company	Philippine Peso	–	–	100.00	–	100.00	–
ICTSI Americas B.V. (Multinational Headquarters) ⁽ⁱ⁾	Panama	BDO	US Dollar	–	–	–	–	–	100.00
ICTSI South Pacific Limited ⁽ⁱ⁾	Papua New Guinea	Holding Company	Papua New Guinean Kina	–	–	–	–	–	100.00
MITL ⁽ⁱ⁾	Papua New Guinea	Port Management	Papua New Guinean Kina	–	–	–	–	–	100.00
SPICTL ⁽ⁱ⁾	Papua New Guinea	Port Management	Papua New Guinean Kina	–	–	–	–	–	100.00
Tungsten RE Ltd. ⁽ⁱ⁾	Bermuda	Insurance Company	US Dollar	–	–	–	–	–	100.00
Europe, Middle East and Africa (EMEA)									
Tartous International Container Terminal, Inc. (TICT)	Syria	Port Management	US Dollar	100.00	–	100.00	–	100.00	–
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	–	100.00	–	100.00



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2015		2016		2017	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Baltic Container Terminal Ltd. (BCT)	Poland	Port	US Dollar	–	100.00	–	100.00	–	100.00
Adriatic Gate Container Terminal (AGCT)	Croatia	Port	Euro	–	51.00	–	51.00	–	51.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port	US Dollar	–	100.00	–	100.00	–	100.00
LICTSLE	Nigeria	Port	US Dollar	–	100.00	–	100.00	–	100.00
IDRC	DR Congo	Port	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port	US Dollar	–	52.00	–	52.00	–	52.00
		Management		–	100.00	–	100.00	–	100.00
Americas									
Contecon Guayaquil, S.A. (CGSA) ^(h)	Ecuador	Port	US Dollar	99.99	0.01	51.00	49.00	51.00	49.00
Contecon Manzanillo S.A. (CMSA) ⁽ⁱ⁾	Mexico	Port	US Dollar	1.00	99.00	1.00	99.00	1.00	99.00
Tecon Suape, S.A. (TSSA)	Brazil	Port	Brazilian Real	–	100.00	–	100.00	–	100.00
ICTSI Oregon	U.S.A.	Port	US Dollar	–	100.00	–	100.00	–	100.00
C. Ultramar, S.A.	Panama	Management		–	100.00	–	100.00	–	100.00
Future Water, S.A.	Panama	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Kinston Enterprise, Inc.	Panama	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
International Ports of South America and Logistics SA	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Tecplata S.A. (Tecplata) ^(a)	Argentina	Port	US Dollar	–	100.00	–	100.00	–	100.00
Nuevos Puertos S. A. (NPSA)	Argentina	Management		–	100.00	–	100.00	–	100.00
Operadora Portuaria Centroamericana, S.A. (OPC)	Honduras	Holding Company	US Dollar	4.00	96.00	4.00	96.00	4.00	96.00
TMT ^(c)	Mexico	Port	US Dollar	30.00	70.00	30.00	70.00	30.00	70.00
CMSA Servicios Portuarios SA De CV ⁽ⁱ⁾	Mexico	Management	Mexican Peso	–	100.00	–	100.00	–	100.00
CMSA Servicios Profesionales Y De Especialistas SA De CV ⁽ⁱ⁾	Mexico	Manpower Services	Mexican Peso	–	–	–	–	–	100.00
Joint Venture:									
Sociedad Puerto Industrial Aguadulce SA (SPIA)	Colombia	Port	US Dollar	–	46.30	–	46.30	–	46.30
Associates:									
MNHPI ^(k)	Philippines	Port	Philippine Peso	–	–	–	–	34.83	–
Asiaview Realty and Development Corporation (ARDC)	Philippines	Management		–	–	–	–	–	–
		Realty	Philippine Peso	–	49.0	–	49.0	–	49.0

^(a) Has not yet started commercial operations as at December 31, 2017

^(b) Established in 2015

^(c) Acquired in 2015

^(d) Acquired in 2016 for US\$60.0 thousand. This was not accounted for as a business combination due to immateriality of amount involved.

^(e) Changed its functional currency from Euro to US Dollar on April 1, 2016

^(f) Changed its functional currency from Mexican Peso to US Dollar on July 1, 2016

^(g) Established in 2016

^(h) In 2016, the Parent Company's shareholdings was diluted to 51% as a result of internal restructuring.

⁽ⁱ⁾ Established in 2017

^(j) Deregistered in 2017

^(k) Acquired as an associate on October 30, 2017

On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT for US\$5.8 million. This resulted in the reduction of non-controlling interests account and the difference between the purchase price and carrying value of the non-controlling interest of US\$6.2 million was recognized under "Excess of acquisition cost over the carrying value of non-controlling interests" account in the 2015 consolidated balance sheet.

On April 27, 2015, NICTI purchased ICTSI's 60% ownership interest in NICTI for JPY107.0 million (approximately US\$0.9 million) as part of its treasury shares. The 10-year lease agreement of NICTI expired end of 2015 and ICTSI was no longer interested in participating in



the negotiation for the renewal of the lease agreement. The transaction resulted in the recognition of gain on sale amounting to US\$0.3 million in the 2015 consolidated statement of income.

In the 2015 consolidated statement of cash flows, the net cash outflow at disposal date on the sale of NICTI amounting to US\$0.1 million was derived as follows:

	Amount
Cash proceeds from sale	US\$873,569
Less cash and cash equivalents of NICTI	984,516
Net cash outflow for the sale of NICTI	(US\$110,947)

On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to SCTP SA in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, SIP Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA. The transaction was accounted for as a change in non-controlling interest and was recorded as an increase of US\$0.9 million in the "Excess of acquisition cost over the carrying value of non-controlling interests" account in the 2015 consolidated balance sheet.

On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100% of the capital stock of TMT for US\$54.5 million. The acquisition did not qualify as an acquisition of a business in accordance with Philippine Financial Reporting Standards (PFRS) 3, *Business Combination*, and was therefore accounted for as acquisition of assets, mainly composed of land and concession rights.

The fair values of the identifiable assets and liabilities of TMT at the date of acquisition were:

	Fair Value Recognized on Acquisition
Assets	
Property and equipment - land	US\$51,411,762
Intangibles - concession rights	3,246,838
Prepaid expenses and other current assets	162,744
	54,821,344
Liabilities	
Accounts payable and other current liabilities	321,344
Purchase consideration satisfied by cash	US\$54,500,000

2. Basis of Preparation and Consolidation and Statement of Compliance

2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and derivative financial instruments, which have been measured at fair value. The consolidated financial statements are presented in United States dollars (US dollar, USD or US\$), the Parent Company's functional and presentation currency. All values are rounded to the nearest US dollar unit, except when otherwise indicated.



2.2 Basis of Consolidation

The consolidated financial statements of the Group include the accounts of ICTSI and its subsidiaries where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in PICT, MTS, AICTL, CTVCC, SBITC, SBITHI, BIPI, NICTI (until April 2015), DIPSSCOR, YICT, SCIPSI, RCBV, AGCT, IJP, OJA, ITBV, HIPS, VICT (until February 2015), APPH (until December 2017), IGFBV, IDRC and LGICT, not held by the Group and are presented separately in the consolidated statement of income and the consolidated statement of comprehensive income, and consolidated balance sheet separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. The difference between the fair value of the consideration and book value of the share in the net assets acquired is presented under "Excess of acquisition cost over the carrying value of non-controlling interests" account within the equity section of the consolidated balance sheet. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statement of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate.

Transactions Eliminated on Consolidation. All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.



Accounting Policies of Subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

Functional and Presentation Currency. The Group's consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency. When there is a change in those underlying transactions, events and conditions, the entity re-assesses its functional currency. When there is a change in functional currency, the entity accounts for such change in accordance with the Group's accounting policy on Change in Functional Currency.

At the reporting date, the assets and liabilities of subsidiaries whose functional currency is not the US dollar are translated into the presentation currency of ICTSI using the Bloomberg closing rate at balance sheet date and, their statements of income are translated at the Bloomberg weighted average daily exchange rates for the year. The exchange differences arising from the translation are taken directly and deferred to the consolidated statement of comprehensive income under the "Exchange differences on translation of foreign operations' financial statements" account. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

2.3 Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes Philippine Accounting Standards (PAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council (FRSC).

3. **Summary of Significant Accounting Policies, Significant Accounting Judgments, Estimates and Assumptions**

3.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as at January 1, 2017:

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments are not applicable to the Group since none of the entities within the Group has interest in a subsidiary, a joint venture or an associate that is classified (or included in a disposal group that is classified) as held for sale.



- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 27 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the years ended December 31, 2015 and 2016.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The adoption of these amendments has no significant impact on the consolidated financial statements.

3.2 Significant Accounting Judgments, Estimates and Assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, in addition to those involving estimations, that can have significant effects on the amounts recognized in the consolidated financial statements:

Determination of Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Determination of Significant Influence over an Investee Company. Significant influence exists when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control.

On October 30, 2017, after completion of the conditions under the SPA between the Group and Petron Corporation, the Group determined that the acquisition of 10,449,000 MNHPI shares representing 34.83% ownership enables the Group to exercise significant influence over MNHPI (Note 1.2).

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3.

Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.



On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100% of the capital stock of TMT for US\$54.5 million. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3 since ICTSI obtains control of an input or set of inputs without any processes. The main purpose of the acquisition of TMT is acquisition of land and concession rights. Thus, it is unlikely that the acquired inputs would be considered a business, even if a market participant had all the processes necessary to operate the inputs as a business.

Functional Currency. Management uses judgment in assessing the functional currency of the Parent Company and its subsidiaries. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (see Note 1.3).

Service Concession Arrangements. The Group has determined that the concession contracts of the Parent Company, SBITC, MICTSL, CGSA, Tecplata, AGCT, ICTSI Subic, LICTSLE (until May 24, 2017), PICT, OPC and ICTSI Iraq are within the scope of IFRIC 12, *Service Concession Arrangements*, accounted for under the intangible asset model. The intangible assets pertaining to concession rights as at December 31, 2015, 2016 and 2017 are presented in Note 5 to the consolidated financial statements.

Gross versus Net Revenue Recognition. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements because the Group is the primary obligor who is responsible for providing the services to the customers and the Group bears the credit risk. The Group accounts and presents its revenues from port operations and the port authorities' share in revenues on a gross basis.

Operating Lease. The evaluation of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Concession contracts outside the scope of IFRIC 12 and accounted by the Group in accordance with IFRIC 4, *Determining whether an Arrangement Contains a Lease*, were determined as operating leases.

The Group has also entered into operating lease agreements on property, office spaces and/or equipment as a lessor and as a lessee. The Group, as a lessee, has determined that the lessor retains all significant risks and rewards of ownership of these properties which are on operating lease agreements. As a lessor, the Group retains substantially all the risks and benefits of ownership of the assets.

Deferred Tax Assets. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized as at December 31, 2015, 2016 and 2017 are disclosed in Note 21 to the consolidated financial statements. Unrecognized deferred tax assets on net operating loss carry-over (NOLCO) and other losses of certain subsidiaries amounted to US\$4.5 million, US\$3.3 million and US\$3.0 million as at December 31, 2015, 2016 and 2017, respectively. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable



income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

Contingencies. The Group is currently a party in a number of legal cases and negotiations involving cargo, labor, tax, contracts and other issues. The Group's estimate of the probable costs for the resolution of these cases and negotiations has been developed in consultation with outside counsels handling the defense for these matters and is based upon an analysis of probable results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these actions, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. Provision for claims and losses amounted to US\$13.3 million, US\$36.6 million and US\$29.8 million as at December 31, 2015, 2016 and 2017, respectively (see Notes 18 and 25).

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Concession Rights. The determination of the cost of concession rights on service concession arrangements requires management to make estimates and assumptions to determine the extent to which the Group receives a right or license to charge users of the public service. Management is also required to make estimates and assumptions in determining the fair value of concession rights acquired through business combinations. In making those estimates, management is required to determine a suitable discount rate to calculate the present value of these cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The carrying amounts of concession rights as at December 31, 2015, 2016 and 2017 are disclosed in Note 5 to the consolidated financial statements.

Determination of Fair Values of Identifiable Assets and Liabilities. In the process of determining the embedded goodwill in relation to the Group's acquisition of an associate, management uses estimates and assumptions in determining the fair value of identifiable assets and liabilities of the associate. Management is required to use a suitable discount rate and determine the present of value of cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The embedded goodwill and the share in the fair values of identifiable assets and liabilities of MNHPI are disclosed in Note 8 to the consolidated financial statements.

Construction Revenue and Cost Recognition. The Group's revenue from construction services in relation to its service concession arrangement is recognized using the percentage-of-completion method and measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

Expenditures to cover the work program for the development of the concession area or committed investments for each port development or project are provided in the concession agreement. When the costs incurred to date exceed the committed investments, an assessment is conducted to determine the cause of the cost overrun. Cost overruns arising from uncontrollable factors such as oil price, wage increases and changes in technical work programs due to unforeseen economic,



political and geological conditions are capitalized while all other cost overruns are treated as period costs.

Impairment of Nonfinancial Assets and Assets Not Yet Available for Use. PFRS requires nonfinancial assets to be tested for impairment when certain impairment indicators are present and intangible asset that has not yet been brought into use to be tested for impairment annually, irrespective of whether there are any indications of impairment. Nonfinancial assets include intangible assets already in use, except goodwill and intangible assets not yet available for use, property and equipment, investment properties, and investments in a joint venture and associates.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying amounts of intangible assets, including intangible assets not yet available for use, property and equipment, investment properties and investments in and advances to a joint venture and associates are disclosed in Notes 5, 6, 7 and 8 to the consolidated financial statements, respectively. There was no impairment loss recognized in 2016 and 2017. In 2015, the Group recognized an impairment charge of US\$88.0 million in respect of the concession rights - port infrastructure in Tecplata, as a result of the lower projected cash flows on its updated business plan caused by the difficult economic conditions in Argentina. The construction of the terminal in Argentina was completed and Tecplata has obtained all the required permits and is ready to operate and is yet to service its first international shipping line (see Note 5).

Impairment of Goodwill. Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows. In 2015, the Group recognized an impairment charge of US\$26.6 million in respect of the goodwill in IJP and subsidiaries as a result of the lower projected cash flows on its updated business plan than originally expected (see Note 5).

The carrying amounts of goodwill as at December 31, 2015, 2016 and 2017 are disclosed in Note 5 to the consolidated financial statements.

Estimating Useful Lives. Management determines the estimated useful lives and the related depreciation and amortization charges for its concession rights, computer software, property and equipment, and investment properties based on the period over which these assets are expected to provide economic benefits. Management's estimation of the useful lives of concession rights, computer software, property and equipment, and investment properties is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. Management will increase the depreciation and amortization charges where useful lives are less than what have previously been estimated.



A reduction in the estimated useful lives of intangible assets (including concession rights), property and equipment, and investment properties will increase recorded expenses and decrease noncurrent assets. The carrying values of concession rights, property and equipment, and investment properties are disclosed in Notes 5, 6 and 7 to the consolidated financial statements, respectively.

Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 26 to the consolidated financial statements.

Estimating Allowance for Doubtful Accounts. Allowance for doubtful accounts is calculated using two methods, each of these methods are combined to determine the total amount of reserve. The first method is specific evaluation of information available that certain customers are unable to meet their financial obligations. In these cases, management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves for customers against amounts due and to reduce receivable amounts to expected collection. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated. Second, a provision is established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, write-off experience, current economic trends, and changes in customer payment terms and other factors that may affect the Group's ability to collect payments. Full allowance is provided for receivables with contested status.

The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Group made different assumptions or utilized different estimates. An increase in the Group's allowance for doubtful accounts would increase the recorded operating expenses and decrease its current assets. The carrying values of receivables are disclosed in Note 12 to the consolidated financial statements.

Estimating Net Realizable Value of Spare Parts and Supplies. The Group carries spare parts and supplies at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of spare parts and supplies carried at net realizable value as at December 31, 2015, 2016 and 2017 amounted to US\$27.6 million, US\$33.5 million and US\$35.7 million, respectively.

The cost of these spare parts and supplies amounted to US\$28.5 million, US\$34.9 million and US\$40.1 million as at December 31, 2015, 2016 and 2017, respectively.



Write-downs of spare parts and supplies charged to the consolidated statements of income amounted to US\$0.1 million in 2015, US\$0.5 million in 2016 and US\$2.5 million in 2017.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 23 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at December 31, 2015, 2016 and 2017 are disclosed in Note 23 to the consolidated financial statements.

3.3 Significant Accounting Policies

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at acquisition date. Following initial recognition, intangible assets, except goodwill, are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred. The Group accounts for goodwill following the accounting policy on Business Combinations and Goodwill.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that intangible assets may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least annually. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income under the "Depreciation and amortization" account, which is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives such as goodwill and intangible assets not yet brought into use are not amortized but tested for impairment annually, either individually or at the cash-generating unit level, irrespective of whether there is any indication of impairment. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.



The following intangibles are recognized and determined by the Group to have finite useful lives:

Concession Rights. Concession rights are either purchased or acquired through business combinations or recognized on service concession arrangements.

Concession rights purchased or acquired through business combinations are recognized at fair value at the date of acquisition and are categorized as upfront fees.

Concession rights on service concession arrangements are recognized when the Group effectively receives a license or right to charge users for the public service it provides. Concession rights consist of:

- a. Upfront fees payments on the concession contracts;
- b. The cost of port infrastructure constructed and under construction, including related borrowing costs, and port equipment purchased and committed in accordance with the terms and conditions of the concession arrangements accounted for under IFRIC 12. These are not recognized as property and equipment of the Group but as an intangible asset; and
- c. Future fixed fee considerations in exchange for the license or right for concession arrangements accounted for under IFRIC 12. Fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in the consolidated statement of income.

Subsequent costs and expenditures related to port infrastructure and equipment arising from the Group's commitments to the concession contracts, or that increase future revenue are recognized as additions to the intangible asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property and equipment and accounted for in accordance with the accounting policy on Property and Equipment. When the Group has contractual obligations that it must fulfill as a condition of its license to: (i) maintain the infrastructure to a specified level of serviceability or, (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service concession arrangement, it recognizes and measures these contractual obligations in accordance with the accounting policy on Provisions. Repairs and maintenance and other expenses that are routine in nature are expensed and recognized in the consolidated statement of income as incurred in accordance with the accounting policy on Equipment and Facilities-related Expenses.

Concession rights are amortized using the straight-line method over the term of the concession arrangements ranging from 5 to 38 years. Upfront fees are amortized upon the effectivity of the concession agreement while port infrastructure and fixed fees are amortized when the terminal is ready for use or upon start of commercial operations, whichever is earlier.

Computer Software Cost. Computer software cost, excluding those considered as integral part of property and equipment, includes costs incurred in the development and acquisitions of computer software used in operations. Computer software is amortized when it is available for use on a straight-line method over five years.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.



Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

Initial Measurement

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred such as finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; and general administrative costs, including the costs of maintaining an internal acquisitions department or business development offices are expensed and included as part of "Administrative and other operating expenses" account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the consolidated statement of income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.



Subsequent Measurement

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments*.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized as gain or loss in the consolidated statement of income.

Goodwill is shown as part of "Intangibles" account in the consolidated balance sheet.

Acquisition of Assets

When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statement of income in accordance with the accounting policy on Equipment and Facilities-related Expenses. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and



depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income of such period.

Depreciation and amortization start when the property and equipment are available for use and computed using the straight-line method over the estimated useful lives of the assets or the terms of the operating contract with port authorities or concessions, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

Land improvements	7-25 years
Leasehold rights and improvements	5-48 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Port facilities and equipment	5-25 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Transportation equipment	3-5 years
Office equipment, furniture and fixtures	3-5 years
Miscellaneous equipment	5 years

The useful lives, depreciation and amortization method, and any residual values are reviewed periodically and adjusted prospectively, if appropriate, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and available for operational use.

Port equipment spare parts represent major components or parts of port equipment such as quay cranes, which generally include insurance spares, that are critical for the continuous operations of the terminal equipment and facilities that have significantly different patterns of consumption of economic benefits. Spare parts are classified as property and equipment if the expected time of use is more than twelve months and provided that the capitalization thresholds are met.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including intangibles and property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale



are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

All other borrowing costs are expensed as incurred.

However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Investment Properties

Investment properties consisting mainly of land and improvements and buildings are initially measured at cost including transaction costs. Subsequent to initial recognition, improvements and buildings are stated at cost less depreciation and amortization, and any impairment in value.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 15 to 25 years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in the consolidated statement of income upon retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost and the carrying amount of the property transferred do not change. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy on Property and Equipment up to the date of change in use.

Investments in a Joint Venture and in Associates

Investment in associates in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture of the Group is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the cost of investment in associates and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates and the joint venture. Goodwill, if any, relating to associates or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statement of income reflects the share of the results of operations of the associates and joint venture. Where there has been a change recognized directly in the equity of the associates and the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.



The reporting dates of the associates, the joint venture and the Parent Company are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value, and then recognizes the loss as “Equity in net loss of a joint venture and an associate” in the consolidated statement of income.

Upon loss of joint control over the joint venture and loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associates upon loss of joint control and significant influence, respectively, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Impairment of Nonfinancial Assets

Intangibles, except intangibles not yet brought into use, property and equipment, investment properties, and investment in associates and a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal or value-in-use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less costs of disposal while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s cash generating unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on spare parts and supplies, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

For these nonfinancial assets excluding goodwill and intangibles not yet brought into use, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously



recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Intangibles not yet brought into use are tested for impairment annually irrespective of whether there is any impairment indicator.

The following assets have specific characteristic for impairment testing:

Goodwill. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, which is also the operating entity acquired through business combination and to which the goodwill relates or has been allocated. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its annual impairment test for intangibles not yet brought into use and goodwill at December 31.

Investments in a Joint Venture and in Associates. After application of the equity method, the Group determines whether it is necessary to recognize additional impairment loss of the Group's investment in its associates and joint venture. The Group determines at each balance sheet date whether there is any objective evidence that the investment in a joint venture and in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and joint venture and the carrying amount of the investment, and recognizes the amount in the consolidated statement of income. The Group's investment in ARDC has been fully provided with an allowance for probable loss (see Note 8).

Fair Value Measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of non-financial assets such as investment properties and financial instruments measured at amortized cost are disclosed in Notes 7 and 26.1, respectively.

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Financial Assets and Financial Liabilities. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. Financial liabilities are classified as either financial liabilities at FVPL or as other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

There were no reclassifications within the categories of the financial assets and liabilities in 2015, 2016 and 2017.



Financial Assets and Financial Liabilities at FVPL. These include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets or financial liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value with gains or losses recognized in the consolidated statement of income.

This category includes derivative assets and liabilities (see Notes 9, 16 and 26).

Derivative Financial Instruments and Hedging

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured and accounted for in the consolidated balance sheet at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statement of income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

Cash Flow Hedges. Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable



forecast transaction and could affect the consolidated statement of income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized as “Net change in unrealized mark-to-market values of derivatives” in the consolidated statement of comprehensive income, whereas any hedge ineffectiveness is immediately recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported as “Net change in unrealized mark-to-market values of derivatives” is retained in the consolidated statement of comprehensive income until the hedged transaction impacts the consolidated statement of income. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in the statement of comprehensive income is recognized immediately in the consolidated statement of income. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similar to cash flow hedges.

Other Derivative Instruments not Accounted for as Hedges. Certain freestanding derivative instruments that provide economic hedges under the Group’s policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For bifurcated embedded derivatives in financial and non-financial contracts that are not designated or do not qualify as hedges, changes in the fair value of such transactions are recognized in the consolidated statement of income.

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Subsequent re-assessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case re-assessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR)



method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date otherwise; these are classified as noncurrent assets.

This category includes cash and cash equivalents and receivables (see Notes 11 and 12).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the EIR method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within 12 months from the balance sheet date otherwise these are classified as noncurrent assets.

The Group had no HTM investments.

AFS Investments. AFS investments are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS investments are measured at fair value with unrealized gains or losses being recognized directly in other comprehensive income (OCI). When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded in the consolidated statement of comprehensive income is recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the EIR method. Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established. AFS investments are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on balance sheet date. When current prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments where there is no active market, except investments in unquoted equity securities, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same; net present value techniques and other relevant valuation models. Investments in unquoted equity securities are carried at cost, net of accumulated impairment losses.

AFS investments consist of the Group's investments in quoted and unquoted equity shares (see Note 9).



Other Financial Liabilities (including Interest-bearing Loans and Borrowings)

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Financial liabilities are classified under this category if they are not held for trading or not designated as FVPL upon the inception of the liability.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Group's loans payable, accounts payable and other current liabilities, other noncurrent liabilities, concession rights payable and long-term debt are included under this classification.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. The Group considers factors such as the age of the receivable, payment status and collection experience in determining individually impaired financial assets. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, location and past due status.



If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments - Carried at Fair Value. If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income.

An AFS investment is considered impaired if there is prolonged or significant decline in market value against cost. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost.

AFS Investment - Carried at Cost. If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income, increases in their fair value after impairment are recognized directly in other comprehensive income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of income; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In case where data used are not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group has currently enforceable right when if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.



Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Cash does not include restricted cash, which is classified in the consolidated balance sheet either as a current or noncurrent asset depending on the relationship to the asset for which the funds are restricted. If cash is restricted for investments, the restricted portion is classified as noncurrent.

Spare Parts and Supplies

Spare parts and supplies inventories are valued at the lower of cost or net realizable value. Net realizable value is the current replacement cost.

Cost is determined by using the first-in, first-out method. If the cost of spare parts and supplies inventories exceeds its net realizable value, write-downs are made for the differences between the cost and the net realizable value.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier or vendor. This account is offset, on a per entity basis, against any output tax previously recognized.

Prepaid Port Fees, Insurance, Bonds and Other Expenses, and Advance Rent and Deposits.

Prepaid insurance, port fees, bonds and other expenses, and advance rent and non-refundable deposits are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of income when incurred.

Creditable Withholding Tax. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Tax Credits. Tax credits granted and tax credit certificates are issued by tax authorities in lieu of tax refunds, which can be used to offset against future tax liabilities and customs duties. In some jurisdictions, tax credit certificates can be sold or exchanged for cash and cash equivalents.

Advances to Suppliers and Contractors. Advances to suppliers and contractors are reclassified to the proper asset or expense account and deducted from the contractors' billings as specified in the provisions of the contract.

Prepayments that are expected to be realized within 12 months from the balance sheet date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When 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 Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.



Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Cost of Shares Held by Subsidiaries

Own equity instruments which are held by subsidiaries are treated as treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Treasury Shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. Shares vested during the reporting period are satisfied with treasury shares.

Retained Earnings

Retained earnings are the result of Group’s accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by each entity at its functional currency ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the entity’s functional currency rate of exchange at the balance sheet date. All foreign currency differences are taken to the consolidated statement of income except exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These foreign currency borrowings include long-term receivables or loans to a foreign operation denominated in either the functional currency of the parent or of the foreign operations. Related exchange differences arising from net investment in foreign operations are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing exchange rate at the balance sheet date.



Year-End Exchange Rates

The following rates of exchange have been adopted by the Group in translating foreign currency balance sheet and statement of income items as at and for the years ended December 31:

	2015		2016		2017	
	Closing	Average	Closing	Average	Closing	Average
Foreign currency to 1 unit of						
US dollar (USD or US\$):						
Argentine peso (AR\$)	12.932	9.264	15.880	14.779	18.623	16.562
Australian dollar (AUD)	1.372	1.329	1.387	1.344	1.281	1.304
Brazilian real (BRL or R\$)	3.961	3.338	3.255	3.481	3.313	3.193
Brunei dollar (BND or B\$)	1.418	1.375	1.448	1.381	1.338	1.381
Chinese renminbi (RMB)	6.494	6.285	6.945	6.648	6.507	6.756
Colombian peso (COP)	3,174.500	2,748.667	3,002.000	3,051.900	2,985.780	2,952.400
Croatian kuna (HRK)	7.036	6.859	7.177	6.807	6.192	6.621
Euro (EUR or €)	0.921	0.901	0.951	0.903	0.833	0.885
Georgian lari (GEL)	2.400	2.275	2.658	2.366	2.596	2.508
Honduran lempira (HNL)	22.368	21.846	23.492	22.835	23.588	23.485
Hong Kong dollar (HKD)	7.751	7.753	7.756	7.763	7.814	7.792
Indian rupee (INR)	66.154	64.153	67.924	67.206	63.873	65.125
Indonesian rupiah (IDR or Rp)	13,788.000	13,398.000	13,473.000	13,305.000	13,555.000	13,382.000
Iraqi dinar (IQD)	1,165.000	1,202.306	1,197.155	1,194.412	1,176.526	1,186.463
Japanese yen (JPY or ¥)	120.220	121.045	116.960	108.780	112.690	112.170
Malagasy ariary (MGA)	3,216.000	3,093.696	3,364.500	3,181.032	3,242.950	3,137.360
Mexican peso (MXN)	17.208	15.881	20.727	18.689	19.659	18.920
Pakistani rupee (PKR or Rs)	104.731	102.749	104.370	104.715	110.700	105.347
Papua New Guinean kina (PGK)	—	—	—	—	3.218	3.187
Philippine peso (₱)	47.060	45.523	49.720	47.475	49.930	50.400
Polish zloty (PLN)	3.923	3.771	4.187	3.944	3.484	3.777
Singaporean dollar (SGD)	1.419	1.375	1.447	1.381	1.336	1.381
South African rand (ZAR)	15.469	12.780	13.740	14.694	12.383	13.310

Change in Functional Currency

When there is a change in an entity's functional currency, the entity should apply the translation procedures applicable to the new functional currency prospectively from the date of change. An entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for nonmonetary items are treated as their historical cost. Exchange differences arising from the translation at the date of change are recognized as cumulative translation adjustment reported under the consolidated statement of comprehensive income and presented in the equity section of the consolidated balance sheet. Exchange differences arising from translation of a foreign operation recognized in other comprehensive income are not reclassified from equity to the consolidated statement of income until the disposal of the foreign operation.

The comparative financial statements shall be presented into the new presentation currency in accordance with the translation procedures described in PAS 21, *The Effects of Changes in Foreign Exchange Rates*, as follows:

- all assets and liabilities at the exchange rates prevailing at the balance sheet date;
- equity items at historical exchange rates;
- revenue and expense items at the approximate exchange rates prevailing at the time of transactions; and
- all resulting exchange differences are recognized in cumulative translation adjustments account, presented as part of the consolidated statement of comprehensive income.



Concession Rights Payable

Concession rights payable is recognized at the date of inception as the present value of the fixed portion of port fees or rental fees to the port authorities if the arrangement qualifies under IFRIC 12, *Service Concession Arrangements*, or IFRIC 4, *Determining whether an Agreement contains a Lease*, as a finance lease, respectively. This account is debited upon payment of port fees or rental fees to the port authorities. Such payments are apportioned between interest payment and payment of the principal. Interest arising from the accretion of concession rights payable is presented under “Interest expense on concession rights payable” account in the consolidated statement of income.

Concession rights payable that are expected to be settled for no more than 12 months after the reporting period are classified as current liabilities presented as Current portion of concession rights payable. Otherwise, these are classified as noncurrent liabilities.

Accounts Payable and Other Current Liabilities

Accounts payable is part of the working capital used in the normal operating cycle of the Group. Other current liabilities are not settled as part of the Group’s normal operating cycle but are due for settlement within 12 months after the balance sheet date. Accounts payable and other current liabilities are recognized in the period when incurred. This account classification includes the following:

Trade Payable. Trade payable represents payable to port authorities other than concession rights pertaining to upfront fees payable in installments and fixed fees, such as accrual of variable portion of port fees and those payable to suppliers and vendors of goods and services.

Accrued Expenses. Accrued expenses are comprised of accruals relating to interest, salaries and benefits, and output and other taxes, among others.

Provisions for Claims and Losses. Provisions for claims and losses pertain to estimated probable losses on cargo, labor-related and other claims from third parties. Provision for losses not settled at the balance sheet date is re-assessed and adjusted, if necessary.

Customers’ Deposits. Customers’ deposits represent advance payment of customers subject to refund or for future billing applications.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A re-assessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is substantial change in the asset.



Where a re-assessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the re-assessment for scenarios a, c, or d, and at the date of renewal or extension period for scenario b.

Group as Lessee. Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Pension Benefits

Defined Benefit Plans. The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, ROHQ, MTS, IJP, OJA, SCIPSI, MICTSL, MICTSI, AGCT, ICTSI Iraq, CGSA, CMSA, IDRC and APBS have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The pension plans of the Parent Company, BIPI, DIPSSCOR, SBITC and SCIPSI are funded.

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

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and 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 profit or loss. 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 profit or loss.

Remeasurements comprising actuarial gains and losses, difference between the return on plan assets and interest income 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 profit or loss 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 Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined Contribution Plan. YICT, ICTSI Oregon and PICT have defined contribution plans under a state pension scheme. Contributions under the plan are recorded as expense in the consolidated statement of income. There are no further obligations beyond the contribution.

Share-based Payment Transactions

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company (“equity-settled transactions”).

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”).

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates, output tax, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in substantially all its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Gross Revenues from Port Operations. Revenue is generally recognized when services are rendered.

Construction Revenue and Cost. When the Group provides construction or upgrade services on concession arrangements accounted for within the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided. The Group recognizes revenue and costs relating to construction or upgrade services by reference to the stage of completion of the contract in accordance with PAS 11, *Construction Contracts*.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield of the asset.

Dividend Income. Revenue is recognized when the Group’s right to receive the payment is established, which is generally when the Board approve the dividend, and is included as part of “Other income” account in the consolidated statement income.



Rental Income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included as part of “Other income” account in the consolidated statement of income.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is initially recognized as a liability in the consolidated balance sheet and recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to the acquisition or construction of a fixed asset, it is initially recognized as a liability in the consolidated balance sheet and recognized as income in equal amounts over the period of depreciation of the related asset.

Expenses

Expenses are recognized as incurred. Expenses constitute the following:

Port Authorities’ Share in Gross Revenues. Port authorities’ share in gross revenues includes variable fees paid to port authorities as stipulated in the concession agreements.

Manpower Costs. Manpower costs include remunerations and benefits provided by the Group to its officers and employees such as salaries, wages, allowances, and bonuses, among others.

Equipment and Facilities-related Expenses. Equipment and facilities-related expenses include fixed fees paid to port authorities as stipulated in the concession agreements that qualify as leases under IFRIC 4 and expenses incurred for general repairs and maintenance of the Group’s port facilities and other equipment such as consumption of fuel, oil and lubricants, contracted services, power, light and water, and technology and systems development expenses.

Administrative and Other Operating Expenses. Administrative and other operating expenses normally include costs of administering the business as incurred by administrative and corporate departments such as professional fees, transportation and travel, taxes and licenses, security and janitorial services, insurance and bonds, representation, utilities and general office expenses. This account also includes costs of business development offices in relation to the acquisition of new terminals or projects under exploratory stage.

Taxes

Current Tax. Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

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

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



Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses or NOLCO, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and NOLCO can be utilized except:

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each balance sheet 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 tax assets and liabilities are measured at the tax rates that are expected to apply in 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 at the balance sheet date.

Deferred tax relating to items recognized outside the consolidated statement of income is recognized outside of the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period; otherwise, these shall be recognized in profit or loss.



Project Development Costs

Project development costs that do not qualify for capitalization as port infrastructure recognized as concession rights or property and equipment are expensed as incurred.

Preoperating Expenses

Preoperating expenses are expensed as incurred.

Earnings Per Share

Basic earnings per common share is computed by dividing the net income attributable to equity holders of the parent, adjusted by the effect of cumulative distributions on subordinated perpetual capital securities classified as equity in accordance with PAS 32, *Financial Instruments:*

Presentation, by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

Diluted earnings per common share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company's stock incentive plan which are assumed to be exercised at the date of grant.

Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Geographical Segments

The Group operates principally in one industry segment which is cargo handling and related services. The Group's operating business is organized and managed separately according to location, namely Asia, Europe, the Middle East and Africa (EMEA), and Americas. Financial information on geographical segments is presented in Note 4 to the consolidated financial statements.

Provisions

General. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingent Liabilities Recognized in a Business Combination. A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the requirements for revenue recognition.

Contingencies

Contingent assets and liabilities are not recognized in the consolidated financial statements.

Contingent assets are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable and recognized in the consolidated balance sheet and the related income in the consolidated statement of income when an inflow of economic benefits is virtually certain. On the other hand, contingent liabilities are disclosed in the notes to consolidated



financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Events after the Balance Sheet Date

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

3.4 Future Changes in Accounting Policies

Pronouncements Issued but Not yet Effective

Pronouncements issued but not yet effective as at December 31, 2017 are listed below. The Group intends to adopt the following pronouncements when they become effective.

Deferred

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

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

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

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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

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

The Group does not expect any impact on its consolidated financial statements upon adoption of this amendment since the Group only has equity-settled share-based payment transactions.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but



providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

(a) Classification and measurement

Debt securities currently held as AFS under PAS 39 are expected to be classified as at fair value through other comprehensive income (FVOCI) as these are held both to collect contractual cash flows and to sell. Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement. However, the Group is still finalizing its assessment on whether the contractual cash flows of these debt financial assets are solely payments of principal and interest (SPPI) to be able to conclude that these instruments are eligible for amortized cost or FVOCI measurement.

(b) Impairment

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality.

(c) Hedge accounting

The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group will not retrospectively apply PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

The Group does not expect any significant impact of adopting this standard.

■ *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

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

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

■ *PFRS 15, Revenue from Contracts with Customers*

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

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



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

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

The amendments are not applicable to the Group since none of the entities within the Group are considered as venture capital organization or other qualifying entities.

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

The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements.

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

The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements.



Effective January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. These amendments will be effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements.
- *PFRS 16, Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting PFRS 16.
- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. These amendments will be effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
 - Whether an entity considers uncertain tax treatments separately
 - The assumptions an entity makes about the examination of tax treatments by taxation authorities



- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

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

4. Segment Information

A segment is a distinguishable component of the Group that is engaged either in providing types of services (business segment) or in providing the services within a particular economic environment (geographic segment).

The Group operates principally in one industry segment which is cargo handling and related services. ICTSI has organized its cargo handling and related business into three geographical segments:

- Asia - includes Manila International Container Terminal (MICT), BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI, LGICT, CGT and MNHPI in the Philippines; YICT in China; OJA, IJP and MTS in Indonesia; VICT in Australia; NICTI (until April 2015) in Japan; NMCTS in Brunei; PICT in Pakistan; MITL and SPICTL in PNG; and AICTL, ICTHI, ICTSI Ltd. and other holding companies and those companies incorporated in The Netherlands for the purpose of supporting the funding requirements of the Group;
- EMEA - includes BCT in Poland, BICTL in Georgia, AGCT in Croatia, MICTSL in Madagascar, LICTSLE in Nigeria, IDRC in DR Congo and ICTSI Iraq in Iraq; and
- Americas - includes TSSA in Brazil, CGSA in Ecuador, SPIA in Colombia, Tecplata in Argentina, CMSA and TMT in Mexico, OPC in Honduras and ICTSI Oregon in Oregon, U.S.A.

Management monitors the operating results of each operating unit separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to gross revenues, which is measured consistently with gross revenues from port operations in the consolidated statement of income.

Financing is managed on a group basis and centralized at the Parent Company level or at the entities created solely for the purpose of obtaining funds for the Group. Funding requirements that are secured through debt are recognized as liabilities of the Parent Company or of the entity issuing the debt instrument, classified under the geographical region of Asia and are not allocated to other geographical segments where funds are eventually transferred and used.



The tables below present financial information on geographical segments as at and for the years ended December 31:

2015				
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	4,094,580	943,334	2,738,079	7,775,993
Gross revenues	US\$564,577,184	US\$109,108,972	US\$377,638,737	US\$1,051,324,893
Capital expenditures ^(b)	210,120,324	92,312,291	93,604,658	396,037,273
Other information:				
Segment assets ^(c)	2,029,186,271	332,850,949	1,392,389,393	3,754,426,613
Segment liabilities ^(d)	1,549,562,434	76,149,743	290,174,236	1,915,886,413

2016				
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	4,552,881	1,131,792	3,004,690	8,689,363
Gross revenues	US\$581,404,186	US\$159,567,398	US\$387,423,367	US\$1,128,394,951
Capital expenditures ^(b)	226,927,004	88,288,382	76,668,281	391,883,667
Other information:				
Segment assets ^(c)	2,319,247,358	428,078,300	1,345,055,471	4,092,381,129
Segment liabilities ^(d)	1,815,738,663	76,848,886	420,594,584	2,313,182,133

2017				
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	4,815,905	1,481,973	2,855,580	9,153,458
Gross revenues	US\$591,246,219	US\$251,809,694	US\$401,382,294	US\$1,244,438,207
Capital expenditures ^(b)	210,519,043	23,085,986	74,241,270	307,846,299
Other information:				
Segment assets ^(c)	2,453,354,524	441,596,482	1,364,631,241	4,259,582,247
Segment liabilities ^(d)	1,853,420,361	90,034,899	444,635,820	2,388,091,080

^(a) Measured TEUs.

^(b) Capital expenditures include amount disbursed for the acquisition of port facilities and equipment classified as intangibles under IFRIC 12 and property and equipment as shown in the consolidated statements of cash flows.

^(c) Segment assets do not include deferred tax assets amounting to US\$76.4 million, US\$90.6 million and US\$111.1 million as at December 31, 2015, 2016 and 2017, respectively.

^(d) Segment liabilities do not include income tax payable amounting to US\$22.0 million, US\$32.3 million, and US\$29.5 million, and deferred tax liabilities amounting to US\$66.9 million, US\$71.4 million and US\$80.5 million as at December 31, 2015, 2016 and 2017, respectively.



Moreover, management monitors the Group's earnings before interest, taxes, depreciation and amortization (EBITDA) on a consolidated basis for decision-making purposes. The following table shows the computation of EBITDA as derived from the consolidated net income attributable to equity holders of the parent for the years ended December 31:

	2015	2016	2017
Net income attributable to equity holders of the parent	US\$58,545,218	US\$180,015,587	US\$182,141,250
Non-controlling interests	10,434,227	13,454,791	25,575,549
Provision for income tax	50,637,625	63,571,100	40,546,823
Income before income tax	119,617,070	257,041,478	248,263,622
Add (deduct):			
Depreciation and amortization	126,453,035	147,830,235	173,464,668
Interest and other expenses ^(a)	227,813,117	155,910,280	206,790,082
Interest and other income ^(b)	(23,861,039)	(35,703,649)	(50,506,815)
EBITDA ^(c)	US\$450,022,183	US\$525,078,344	US\$578,011,557

^(a) Interest and other expenses include the following as shown in the consolidated statements of income: foreign exchange loss; interest expense on concession rights payable; interest expense and financing charges on borrowings; impairment losses; equity in net loss of a joint venture and an associate; and other expenses.

^(b) Interest and other income include the following as shown in the consolidated statements of income: gain on sale of a subsidiary; foreign exchange gain; interest income; and other income.

^(c) EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.

The Group EBITDA figures are not, however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect the interest expense, or cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on PFRS results and uses EBITDA only as supplementary information.

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 41.2 percent, 39.5 percent and 35.9 percent of the consolidated gross revenues from port operations for the years ended December 31, 2015, 2016 and 2017, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 58.8 percent, 60.5 percent and 64.1 percent of the consolidated gross revenues from port operations for the years ended December 31, 2015, 2016 and 2017, respectively.



5. Intangibles

This account consists of:

2015							
	Concession Rights			Subtotal	Computer Software	Goodwill	Total
	Upfront Fees (See Note 24)	Fixed Fees (See Note 24)	Port Infrastructure (See Note 24)				
Cost							
Balance at beginning of year	US\$310,312,304	US\$559,981,698	US\$1,112,340,891	US\$1,982,634,893	US\$30,802,729	US\$131,531,911	US\$2,144,969,533
Acquisitions or additions (see Notes 24.5 and 24.11)	88,394	—	136,695,487	136,783,881	6,639,893	—	143,423,774
Effect of acquisition of TMT (see Note 1.3)	3,246,838	—	—	3,246,838	—	—	3,246,838
Transfers from (to) other accounts (see Note 6)	—	—	(571,726)	(571,726)	57,901	—	(513,825)
Translation adjustments	(8,592,209)	(3,659,187)	(4,499,988)	(16,751,384)	(4,111,171)	(3,834,333)	(24,696,888)
Balance at end of year	305,055,327	556,322,511	1,243,964,664	2,105,342,502	33,389,352	127,697,578	2,266,429,432
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	60,677,239	77,054,978	181,328,353	319,060,570	16,944,492	38,424,859	374,429,921
Amortization for the year	12,636,606	23,034,124	31,889,549	67,560,279	4,671,208	—	72,231,487
Impairment losses for the year	11,011,825	—	76,988,175	88,000,000	—	26,561,125	114,561,125
Transfers to other accounts (see Note 6)	—	—	—	—	(2,630,929)	—	(2,630,929)
Translation adjustments	(1,942,189)	(1,348,056)	(2,420,168)	(5,710,413)	(2,034,293)	—	(7,744,706)
Balance at end of year	82,383,481	98,741,046	287,785,909	468,910,436	16,950,478	64,985,984	550,846,898
Net Book Value	US\$222,671,846	US\$457,581,465	US\$956,178,755	US\$1,636,432,066	US\$16,438,874	US\$62,711,594	US\$1,715,582,534

2016							
	Concession Rights			Subtotal	Computer Software	Goodwill	Total
	Upfront Fees (See Note 24)	Fixed Fees (See Note 24)	Port Infrastructure (See Note 24)				
Cost							
Balance at beginning of year	US\$305,055,327	US\$556,322,511	US\$1,243,964,664	US\$2,105,342,502	US\$33,389,352	US\$127,697,578	US\$2,266,429,432
Acquisitions or additions	—	—	104,094,895	104,094,895	1,704,547	—	105,799,442
Disposals	—	—	—	—	(1,325,380)	—	(1,325,380)
Change in accounting estimate (see Note 24.10)	—	(6,360,128)	—	(6,360,128)	—	—	(6,360,128)
Transfers from (to) other accounts (see Note 6)	—	—	(7,981,412)	(7,981,412)	10,001,901	—	2,020,489
Translation adjustments	(6,244,578)	(651,140)	(581,211)	(7,476,929)	1,089,175	(1,242,787)	(7,630,541)
Balance at end of year	298,810,749	549,311,243	1,339,496,936	2,187,618,928	44,859,595	126,454,791	2,358,933,314
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	82,383,481	98,741,046	287,785,909	468,910,436	16,950,478	64,985,984	550,846,898
Amortization for the year	11,361,724	22,909,765	49,585,489	83,856,978	6,315,539	—	90,172,517
Disposals	—	—	—	—	(1,305,672)	—	(1,305,672)
Transfers from other accounts (see Note 6)	—	—	—	—	16,314	—	16,314
Translation adjustments	(1,098,610)	(305,265)	(320,594)	(1,724,469)	723,109	—	(1,001,360)
Balance at end of year	92,646,595	121,345,546	337,050,804	551,042,945	22,699,768	64,985,984	638,728,697
Net Book Value	US\$206,164,154	US\$427,965,697	US\$1,002,446,132	US\$1,636,575,983	US\$22,159,827	US\$61,468,807	US\$1,720,204,617

2017							
	Concession Rights			Subtotal	Computer Software	Goodwill	Total
	Upfront Fees (See Note 24)	Fixed Fees (See Note 24)	Port Infrastructure (See Note 24)				
Cost							
Balance at beginning of year	US\$298,810,749	US\$549,311,243	US\$1,339,496,936	US\$2,187,618,928	US\$44,859,595	US\$126,454,791	US\$2,358,933,314
Acquisitions or additions	31,825	—	109,458,821	109,490,646	2,182,645	—	111,673,291
Disposals	—	—	—	—	(12,479)	—	(12,479)
Termination of contracts (see Note 1.2)	(16,738,959)	—	—	(16,738,959)	(489,789)	—	(17,228,748)
Transfers from other accounts (see Note 6)	—	—	14,163,889	14,163,889	8,356,744	—	22,520,633
Translation adjustments	6,294,649	2,868,427	556,186	9,719,262	3,551,071	1,375,267	14,645,600
Balance at end of year	288,398,264	552,179,670	1,463,675,832	2,304,253,766	58,447,787	127,830,058	2,490,531,611
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	92,646,595	121,345,546	337,050,804	551,042,945	22,699,768	64,985,984	638,728,697
Amortization for the year	10,321,295	23,060,424	57,581,598	90,963,317	9,317,360	—	100,280,677
Disposals	—	—	—	—	(12,237)	—	(12,237)
Termination of contracts (see Note 1.2)	(988,389)	—	—	(988,389)	(489,789)	—	(1,478,178)
Translation adjustments	1,066,800	789,201	1,925,894	3,781,895	2,050,763	—	5,832,658
Balance at end of year	103,046,301	145,195,171	396,558,296	644,799,768	33,565,865	64,985,984	743,351,617
Net Book Value	US\$185,351,963	US\$406,984,499	US\$1,067,117,536	US\$1,659,453,998	US\$24,881,922	US\$62,844,074	US\$1,747,179,994



Concession Rights

Additions to concession rights under port infrastructure pertain to acquisitions of port equipment and construction mainly in Tecplata and ICTSI Iraq in 2015; acquisition of TMT on May 27, 2015; ICTSI Iraq, CGSA and MICT in 2016; and MICT, ICTSI Iraq and OPC in 2017. Additions to concession rights under port infrastructure which are not yet available for use are not amortized but tested for impairment at December 31 in accordance with the Group's accounting policy on Impairment Testing on Nonfinancial Assets (see Note 10).

The reduction in concession rights under upfront fees pertains to the termination of the Sub-concession Agreement of LICTSLE and lease agreement of ICTSI Oregon amounting to US\$12.5 million and US\$4.2 million in 2017, respectively (see Note 1.2).

Concession rights have remaining amortization periods ranging from 5 to 38 years.

Upon recognition of the fair value of fixed fee on concession contracts, the Group also recognized the corresponding concession rights payable. Maturities of concession rights payable arising from the capitalization of fixed and upfront fees as at December 31, 2017 are as follows:

	Amount
2018	US\$9,942,171
2019	16,573,548
2020	18,004,112
2021	19,508,669
2022 onwards	416,152,616
Total	US\$480,181,116

Interest expense on concession rights payable amounted to US\$37.3 million in 2015, US\$34.0 million in 2016 and US\$33.1 million in 2017.

Capitalized borrowing costs amounted to US\$20.6 million in 2015 at a capitalization rate of 6.64 percent, US\$3.1 million in 2016 at a capitalization rate of 6.42 to 6.45 percent and US\$0.5 million in 2017 at a capitalization rate of 2.40 to 2.80 percent. Unamortized borrowing costs amounted to US\$107.7 million, US\$109.3 million and US\$108.2 million as at December 31, 2015, 2016 and 2017, respectively.

Computer Software

Computer software have remaining amortization periods ranging from one to five years.

Goodwill

Goodwill arises from the excess of acquisition costs over fair values of net assets at acquisition dates of the following subsidiaries:

	2015	2016	2017
PICT	US\$29,027,938	US\$29,128,210	US\$27,462,533
AGCT	15,602,740	15,295,983	17,728,394
YICT	10,153,269	9,493,491	10,132,830
DIPSSCOR	6,476,528	6,130,027	6,104,243
Others	1,451,119	1,421,096	1,416,074
	US\$62,711,594	US\$61,468,807	US\$62,844,074

Goodwill is not amortized but subject to an annual impairment testing as at December 31 (see Note 10).



Impairment of Goodwill and Concession Rights

Tecplata. An impairment charge of US\$88.0 million in 2015 was recorded in respect of the Group's concession rights in Tecplata based on value-in-use calculation using discounted cash flows throughout the concession period. The recoverable amount of Tecplata is US\$353.3 million based on the said value-in-use calculation as of December 31, 2015. The remaining carrying value of concession rights - port infrastructure in Tecplata after the impairment charge is US\$352.7 million as at December 31, 2015. The reportable segment of Tecplata is Americas. The impairment charge in Tecplata in 2015 was as a result of lower projected cash flows on its updated business plan caused by the difficult economic conditions in Argentina (see Note 3). The remaining carrying value of concession rights - port infrastructure in Tecplata after the impairment charge approximates the prevailing depreciated replacement cost as determined by an independent technical consultant.

IJP and subsidiaries. In 2015, an impairment charge of US\$26.6 million was recorded in respect of the Group's goodwill in IJP and subsidiaries based on value-in-use calculation using discounted cash flows throughout the concession period. The recoverable amount of IJP and subsidiaries is US\$20.6 million as of December 31, 2015 based on the said value-in-use calculation. The remaining carrying value of goodwill in IJP and subsidiaries after the impairment charge is nil. The reportable segment of IJP and subsidiaries is Asia. The impairment charge in IJP and subsidiaries was as a result of lower projected cash flows on its updated business plan than originally expected (see Note 3).

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 Group used discount rates based on the industry's Weighted Average Cost of Capital (WACC). Management assumed a discount rate of 10.3 percent and 7.59 percent for Tecplata and IJP and subsidiaries as at December 31, 2015, respectively. Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. A reduction of 1.79 percent in the discount rate would give a value-in-use equal to the carrying amount of the net assets of Tecplata as of December 31, 2015. A reduction of 9.59 percent in the discount rate would give a value-in-use equal to the carrying amount of the net assets of IJP and subsidiaries.



6. Property and Equipment

This account consists of:

2015									
	Land	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US\$30,039,977	US\$289,257,718	US\$539,153,141	US\$70,421,770	US\$41,567,780	US\$13,535,928	US\$3,449,703	US\$210,345,634	US\$1,197,771,651
Additions	776,000	3,617,477	8,113,472	1,382,711	2,983,044	1,334,389	335,557	299,703,768	318,246,418
Disposals	—	(547,994)	(2,938,486)	(1,303,063)	(412,952)	(114,528)	(162,510)	(81,293)	(5,560,826)
Effect of acquisition of TMT (see Note 1.3)	51,411,762	—	—	—	—	—	—	—	51,411,762
Effect of deconsolidation of a subsidiary (see Note 1.3)	—	—	—	(28,120)	(68,273)	(219,884)	—	—	(316,277)
Transfers from (to) other accounts (see Notes 5 and 7)	4,805,661	76,093,690	31,735,004	4,670,147	670,564	3,741,306	1,642,911	(118,416,319)	4,942,964
Translation adjustments	(6,863,393)	(30,024,758)	(55,384,578)	(2,095,374)	(1,655,627)	(322,246)	(971,800)	(26,817,809)	(124,135,585)
Balance at end of year	80,170,007	338,396,133	520,678,553	73,048,071	43,084,536	17,954,965	4,293,861	364,733,981	1,442,360,107
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	—	52,895,244	134,141,450	38,627,510	29,605,068	6,702,147	1,364,560	—	263,335,979
Depreciation and amortization for the year	—	15,243,055	25,397,581	7,414,086	4,302,687	1,252,195	264,341	—	53,873,945
Disposals	—	(18,235)	(2,578,849)	(1,079,910)	(365,820)	(110,199)	—	—	(4,153,013)
Effect of deconsolidation of a subsidiary (see Note 1.3)	—	—	—	(16,299)	(55,312)	(73,997)	—	—	(145,608)
Transfers from (to) other accounts (Notes 5 and 7)	—	6,129,395	(5,078,664)	(20,863)	(569,913)	412,552	—	—	872,507
Translation adjustments	—	(8,689,095)	(9,432,793)	(944,173)	(905,047)	(142,581)	(166,128)	—	(20,279,817)
Balance at end of year	—	65,560,364	142,448,725	43,980,351	32,011,663	8,040,117	1,462,773	—	293,503,993
Net Book Value	US\$80,170,007	US\$272,835,769	US\$378,229,828	US\$29,067,720	US\$11,072,873	US\$9,914,848	US\$2,831,088	US\$364,733,981	US\$1,148,856,114

2016									
	Land and Land Improvements	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US\$80,170,007	US\$338,396,133	US\$520,678,553	US\$73,048,071	US\$43,084,536	US\$17,954,965	US\$4,293,861	US\$364,733,981	US\$1,442,360,107
Additions	14,555,500	596,602	73,011,203	1,235,665	1,647,193	10,250,970	759,318	238,207,447	340,263,898
Disposals	—	(1,941)	(1,455,499)	(23,644,870)	(531,524)	(282,937)	(76,668)	—	(25,993,439)
Transfers from (to) other accounts (see Note 5)	11,660,540	(18,012,176)	22,676,895	661,837	3,735,583	(1,486,813)	(161,177)	(21,095,178)	(2,020,489)
Translation adjustments	(9,434,928)	(7,878,427)	(574,647)	710,657	(169,306)	466,720	151,196	(24,596,145)	(41,324,880)
Balance at end of year	96,951,119	313,100,191	614,336,505	52,011,360	47,766,482	26,902,905	4,966,530	557,250,105	1,713,285,197
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	—	65,560,364	142,448,725	43,980,351	32,011,663	8,040,117	1,462,773	—	293,503,993
Depreciation and amortization for the year	—	17,624,736	25,897,023	6,469,400	4,702,819	2,384,520	231,903	—	57,310,401
Disposals	—	(1,941)	(1,083,271)	(16,656,174)	(483,191)	(233,109)	—	—	(18,457,686)
Transfers from (to) other accounts (Note 5)	—	(8,208,022)	8,139,547	467,191	1,020,020	(1,435,050)	—	—	(16,314)
Translation adjustments	—	495,188	(109,481)	(1,310,051)	12,520	302,629	70,917	—	(538,278)
Balance at end of year	—	75,470,325	175,292,543	32,950,717	37,263,831	9,059,107	1,765,593	—	331,802,116
Net Book Value	US\$96,951,119	US\$237,629,866	US\$439,043,962	US\$19,060,643	US\$10,502,651	US\$17,843,798	US\$3,200,937	US\$557,250,105	US\$1,381,483,081



2017									
	Land and Land Improvements	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US\$96,951,119	US\$313,100,191	US\$614,336,505	US\$52,011,360	US\$47,766,482	US\$26,902,905	US\$4,966,530	US\$557,250,105	US\$1,713,285,197
Additions	8,965,269	3,461,476	11,654,116	2,326,541	1,475,136	2,116,693	130,601	78,271,801	108,401,633
Disposals	—	(65,998)	(3,595,352)	(1,226,779)	(439,928)	(382,923)	(306,129)	—	(6,017,109)
Termination of contract (Note 1.2)	—	(372,517)	(8,967,138)	(470,687)	(1,026,718)	(388,616)	—	(31,975)	(11,257,651)
Transfers from (to) other accounts (see Note 5)	816,135	326,795,051	133,094,682	494,547	1,566,153	(4,649,570)	241,629	(475,258,659)	(16,900,032)
Translation adjustments	1,994,289	17,339,377	12,140,270	184,174	254,288	723,745	37,458	33,099,835	65,773,436
Balance at end of year	108,726,812	660,257,580	758,663,083	53,319,156	49,595,413	24,322,234	5,070,089	193,331,107	1,853,285,474
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	—	75,470,325	175,292,543	32,950,717	37,263,831	9,059,107	1,765,593	—	331,802,116
Depreciation and amortization for the year	1,389,254	25,937,532	33,371,797	4,127,746	4,740,157	3,091,669	178,907	—	72,837,062
Disposals	—	(65,998)	(2,936,474)	(1,029,064)	(386,182)	(355,223)	—	—	(4,772,941)
Termination of contract (Note 1.2)	—	(66,713)	(3,824,711)	(468,380)	(1,003,907)	(266,283)	—	—	(5,629,994)
Transfers to other accounts (Note 5)	—	—	—	—	—	(2,312,000)	—	—	(2,312,000)
Translation adjustments	495,519	1,918,565	2,258,395	(34,562)	84,735	504,649	(57,710)	—	5,169,591
Balance at end of year	1,884,773	103,193,711	204,161,550	35,546,457	40,698,634	9,721,919	1,886,790	—	397,093,834
Net Book Value	US\$106,842,039	US\$557,063,869	US\$554,501,533	US\$17,772,699	US\$8,896,779	US\$14,600,315	US\$3,183,299	US\$193,331,107	US\$1,456,191,640



Capitalized borrowing costs amounted to US\$6.9 million in 2015 at a capitalization rate of 6.64 percent, US\$21.2 million in 2016 at a capitalization rate of 6.45 percent and US\$9.9 million in 2017 at a capitalization rate of 5.65 to 6.73 percent. Borrowing costs capitalized mainly pertains to VICT. Unamortized borrowing costs amounted to US\$35.2 million, US\$53.7 million and US\$62.2 million as at December 31, 2015, 2016 and 2017, respectively.

Construction in progress is mainly composed of ongoing port development and expansion projects in VICT, IDRC and CMSA as of December 31, 2015; VICT and CMSA as of December 31, 2016; and VICT and CGT as of December 31, 2017 (see Note 1.2).

Fully depreciated property and equipment with cost amounting to US\$56.8 million, US\$98.0 million and US\$170.1 million as at December 31, 2015, 2016 and 2017, respectively, are still being used in the Group's operations.

Port equipment of BCT with a total carrying value of US\$3.0 million as at December 31, 2017 were pledged as collateral for its outstanding loans from its overdraft facility (see Note 17); port equipment of AGCT with a total carrying value of HRK160.4 million (approximately US\$22.8 million), HRK153.8 million (approximately US\$21.4 million) and HRK148.3 million (approximately US\$24.0 million) were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 15.2.4) as at December 31, 2015, 2016 and 2017, respectively; all present and future plant machinery, tools and equipment of PICT of up to Rs.2.0 billion (approximately US\$19.1 million) and Rs.2.0 billion (approximately US\$19.2 million) were used to secure its long-term debt from a commercial bank in Pakistan (see Note 15.2.4) as at December 31, 2015 and 2016, respectively; port equipment and intangible assets of YICT with a respective total carrying value of RMB156.1 million (approximately US\$24.0 million) and RMB82.9 million (approximately US\$12.8 million) as at December 31, 2015, respectively, and certain property and equipment of YICT with total carrying value of US\$27.2 million (RMB176.9 million) as at December 31, 2017 were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 15.2.4); certain port equipment of CMSA with a total carrying value of US\$32.8 million, US\$31.1 million and US\$42.7 million as at December 31, 2015, 2016 and 2017, respectively, were pledged as security for its long-term loans from the project finance facility (see Note 15.2.2); and all current and future assets of VICT, including port equipment, with a total carrying value of AUD887.3 million (US\$639.6 million) and AUD813.0 million (US\$639.6 million) as of December 31, 2016 and 2017, respectively, were pledged as securities for its project finance facilities (see Note 15.2.4).

7. Investment Properties

The details of investment properties are as follows:

	2015		
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US\$16,295,660	US\$674,594	US\$16,970,254
Transfer to property and equipment (see Note 6)	(4,805,661)	—	(4,805,661)
Translation adjustments	(236,695)	—	(236,695)
Balance at end of year	11,253,304	674,594	11,927,898
Accumulated Depreciation and Amortization			
Balance at beginning of year	4,345,885	396,798	4,742,683
Amortization during the year	315,872	31,731	347,603
Translation adjustments	—	(3,258)	(3,258)
Balance at end of year	4,661,757	425,271	5,087,028
Net Book Value	US\$6,591,547	US\$249,323	US\$6,840,870



2016			
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US\$11,253,304	US\$674,594	US\$11,927,898
Translation adjustments	(234,791)	(7,219)	(242,010)
Balance at end of year	11,018,513	667,375	11,685,888
Accumulated Depreciation and Amortization			
Balance at beginning of year	4,661,757	425,271	5,087,028
Amortization during the year	340,629	6,688	347,317
Translation adjustments	—	(3,761)	(3,761)
Balance at end of year	5,002,386	428,198	5,430,584
Net Book Value	US\$6,016,127	US\$239,177	US\$6,255,304

2017			
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US\$11,018,513	US\$667,375	US\$11,685,888
Additions	1,783,034	337,512	2,120,546
Translation adjustments	(17,472)	(537)	(18,009)
Balance at end of year	12,784,075	1,004,350	13,788,425
Accumulated Depreciation and Amortization			
Balance at beginning of year	5,002,386	428,198	5,430,584
Amortization during the year	340,629	6,300	346,929
Translation adjustments	—	(225)	(225)
Balance at end of year	5,343,015	434,273	5,777,288
Net Book Value	US\$7,441,060	US\$570,077	US\$8,011,137

Land and improvements mainly include land held for capital appreciation and land improvements subject to operating leases. Investment properties of MICT and IWI located in Cabuyao, Laguna have a fair value of ₱872.6 million (US\$17.5 million) as at February 7, 2018 based on a valuation performed by a qualified independent appraiser whose report was dated February 27, 2018. In March 2015, LGICT used the investment property of MICT in Calamba, Laguna to operate the first one-stop ICT. As a result, the Group reclassified the US\$4.8 million land used by LGICT from investment property to property and equipment in 2015 (see Note 6). The fair value of the land located in Calamba, Laguna used by LGICT amounted to ₱974.9 million (US\$19.5 million) as at February 7, 2018 based on a valuation performed by a qualified independent appraiser whose report was dated February 27, 2018.

Fair value of the investment properties was determined using the sales comparison approach. This means that valuations performed by qualified independent appraisers are based on sales of similar or substitute properties, significantly adjusted for differences in the nature, location or condition of the specific property. This valuation approach is categorized as *Level 3* in the fair value hierarchy as of December 31, 2015, 2016 and 2017. The significant unobservable input to the valuation is the price per square meter which ranges from ₱2,268 (US\$45.4) to ₱4,750 (US\$95.1).

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

Rental income derived from rental-earning investment properties presented as part of “Other income” account in the consolidated statements of income amounted to ₱15.7 million (US\$0.3 million) in 2015 and ₱18.8 million (US\$0.4 million) both in 2016 and 2017 (see Note 20.1). There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Group’s investment properties in 2015, 2016



and 2017. The rent agreement covering rental-earning investment properties is renewable at the option of both parties yearly.

Operating expenses related to the investment property amounted to ₱34.1 million (US\$0.7 million), ₱30.7 million (US\$0.6 million) and ₱41.3 million (US\$0.8 million) in 2015, 2016 and 2017, respectively, which pertains mainly to real property taxes.

8. Investments in and Advances to a Joint Venture and Associates

This account consists of:

	2015	2016	2017
Investment in and advances to a joint venture	US\$231,915,840	US\$293,638,405	US\$299,680,549
Investment in associates	7,474,994	7,474,994	90,022,297
	239,390,834	301,113,399	389,702,846
Less allowance for probable losses	7,474,994	7,474,994	7,474,994
	US\$231,915,840	US\$293,638,405	US\$382,227,852

Investment in and Advances to a Joint Venture

Investment in a joint venture pertains to the Group's 46.30 percent ownership interest in SPIA as at December 31, 2017. The advances to SPIA mainly represent interest-bearing loans used by SPIA to finance the construction of its terminal and its start-up operations in Colombia (see Note 22.1). SPIA started commercial operations in the fourth quarter of 2016.

The movements and details of this account are as follows:

	2015	2016	2017
Investment in a Joint Venture:			
Balance at beginning of year	US\$25,596,698	US\$22,019,569	US\$16,450,596
Acquisition of additional shares in SPIA	307,871	—	47,619
Conversion of advances to equity	—	—	5,732,420
Translation adjustments	(655,246)	3,024	—
Equity in net loss during the year	(3,229,754)	(5,571,997)	(36,752,192)
Balance at end of year	22,019,569	16,450,596	(14,521,557)
Advances to a joint venture (see Note 22.1)	209,896,271	277,187,809	314,202,106
	US\$231,915,840	US\$293,638,405	US\$299,680,549

The summarized financial information of SPIA as at and for the years ended December 31 follows:

	2015	2016	2017
Current assets, including cash and cash equivalents ^(a)	US\$3,535,750	US\$7,181,633	US\$11,703,748
Noncurrent assets	503,157,022	627,306,201	618,971,579
Current liabilities ^(b)	434,743,660	296,183,118	325,518,840
Noncurrent liabilities ^(c)	23,429,685	301,819,841	336,484,536

(a) Current assets include cash and cash equivalents amounting to US\$0.5 million, US\$3.0 million and US\$4.8 million as at December 31, 2015, 2016 and 2017, respectively.

(b) Current liabilities include income tax payable amounting to US\$48.2 thousand, US\$101.3 thousand and US\$150.8 thousand as at December 31, 2015, 2016 and 2017, respectively.

(c) Noncurrent liabilities include deferred tax liabilities amounting to US\$7.4 million as at December 31, 2015 and 2016 and US\$7.1 million as at December 31, 2017, respectively.



	2015	2016	2017
Gross revenues from port operations	US\$–	US\$1,037,994	US\$14,535,018
Operating expenses	(3,337,605)	(8,732,070)	(22,000,141)
Depreciation and amortization	(312,256)	(343,175)	(33,840,567)
Other income ^(d)	2,269,911	2,277,119	2,855,285
Other expenses ^(e)	(6,285,984)	(6,890,233)	(43,954,591)
Benefit from income tax	672,859	615,813	3,026,612
Net loss	(US\$6,993,075)	(US\$12,034,552)	(US\$79,378,384)

(d) Other income includes interest income amounting to US\$65.2 thousand in 2015, US\$51.3 thousand in 2016 and US\$149.2 thousand in 2017.

(e) Other expenses include interest expense on concession rights payable amounting to US\$1.3 million in 2015, 2016 and 2017 and interest expense on advances from ICBV and PSA amounting to nil in 2015 and 2016 and US\$35.5 million in 2017.

The difference between the carrying value of investment in SPIA against the share in net assets of SPIA represents the excess of fair value over the carrying value of the concession rights of SPIA.

Investments in Associates

The movements and details of this account are as follows:

	2015	2016	2017
Investments in Associates			
Balance at beginning of year	US\$7,474,994	US\$7,474,994	US\$7,474,994
Acquisition of shares in MNHPI (see Note 1.3)	–	–	81,144,000
Share in cumulative translation adjustments (see Note 14.7)	–	–	988,488
Equity in net income during the year	–	–	414,815
Balance at end of year	7,474,994	7,474,994	90,022,297
Less allowance for probable losses	7,474,994	7,474,994	7,474,994
	US\$–	US\$–	US\$82,547,303

The Group has a 49 percent investment in ARDC, an associate. ARDC had stopped commercial operations. The investment in ARDC was covered with a full allowance for probable losses amounting to US\$7.5 million.

On September 21, 2017, ICTSI signed a SPA with Petron Corporation for the acquisition of 10,449,000 MNHPI shares, representing 34.83% of the total issued and outstanding shares of MNHPI for a consideration of Php1.75 billion (US\$33.8 million). The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the Philippine Ports Authority. The SPA was completed on October 30, 2017. An additional investment cost of Php2.45 billion (US\$47.3 million) was incurred in relation to this acquisition.



The fair values of the identifiable assets and liabilities of MNHPI at the date of acquisition were:

	Share in the Provisional Fair Value Recognized on Acquisition
Assets	
Property and equipment	US\$358,492
Intangibles	109,199,025
Deferred tax asset	1,478,427
Other noncurrent assets	1,740,985
Cash and cash equivalents	5,712,181
Receivables	3,462,640
Spare parts and supplies	1,767,810
Prepaid expenses and other current assets	2,300,524
	126,020,084
Liabilities	
Loans payable	(37,168,452)
Accounts payable and other current liabilities	(3,500,758)
Long-term debt	(9,286,109)
Concession rights payable	(20,073,115)
Other noncurrent liabilities	(1,166,435)
Deferred tax liability	(8,401,429)
	(79,596,298)
Total identifiable net assets at fair value	46,423,786
Goodwill arising on acquisition	34,720,214
Purchase consideration and additional investment cost satisfied by cash	US\$81,144,000

The fair values of identifiable assets and liabilities of MNHPI at acquisition date are provisional as at March 6, 2018. The Group has until October 29, 2018 to finalize the fair values.

The summarized financial information of MNHPI as at and for the year ended December 31 follows:

	2017
Current assets, including cash and cash equivalents ^(a)	US\$40,501,252
Noncurrent assets	252,212,999
Current liabilities	121,800,880
Noncurrent liabilities	78,042,108

(a) Current assets include cash and cash equivalents amounting to US\$16.7 million as at December 31, 2017.

	For the period November 1, 2017 to December 31, 2017
Gross revenues from port operations	US\$12,093,570
Operating expenses	(7,515,542)
Depreciation and amortization	(2,622,283)
Other income ^(b)	913,185
Other expenses ^(c)	(1,677,959)
Net income	US\$1,190,971

(b) Other income includes foreign exchange loss amounting to US\$0.9 million in 2017.

(c) Other expenses include interest expense on concession rights payable and interest expense and financing charges on borrowings amounting to US\$0.8 million and US\$0.9 million in 2017, respectively.



As of December 31, 2017, the difference between the carrying value of investment in MNHPI against the share in net assets of MNHPI represents goodwill on MNHPI amounting to US\$34.7 million and excess of fair value over the carrying value of identifiable assets and liabilities of MNHPI amounting to US\$15.5 million.

9. Other Noncurrent Assets

This account consists of:

	2015	2016	2017
Input tax (see Note 13)	US\$67,693,033	US\$68,107,935	US\$66,873,610
Advance rent and deposits	22,519,676	40,707,414	48,076,162
Advances to suppliers and contractors (net of allowance for probable losses of US\$0.7 million, US\$3.1 million and US\$0.7 million as at December 31, 2015, 2016 and 2017, respectively)	13,037,815	25,094,374	16,842,458
Restricted cash (see Notes 15 and 25)	25,003,088	20,933,562	21,008,123
Debt issuance costs (see Note 15.2.6)	5,101,594	3,666,403	–
AFS investments (see Note 26):			
Quoted equity shares - at fair value	1,690,929	1,512,807	1,759,120
Unquoted equity shares - at cost	728,124	710,666	709,050
Derivative assets (Note 26)	–	7,970,479	4,765,819
Pension assets (see Note 23)	125,948	981	–
Prepayments and others	1,613,591	4,229,373	4,956,162
	US\$137,513,798	US\$172,933,994	US\$164,990,504

Input Tax

Input tax arises when an entity purchases goods or services from a VAT-registered supplier or vendor. This mainly includes input tax recognized by Tecplata associated with payments for the acquisition of port equipment and construction of civil works. Input tax is classified as noncurrent because it is not expected to be utilized within 12 months from the balance sheet date (see Note 13).

Advance Rent and Deposits

Advance rent and deposits mainly pertain to advance payments for future rental and deposits for future acquisition of properties and investments. The advance rent shall be reduced upon offset against related rent liability or upon recognition of rent expense. On the other hand, another asset account shall be recognized according to the nature of the properties acquired upon the application and allocation of such deposits. As at December 31, 2015, 2016 and 2017, this account comprised mainly of advances and deposits to contractors and for investments amounting to US\$16.5 million, US\$40.2 million and US\$47.1 million, respectively.

Advances to Suppliers and Contractors

Advances to suppliers and contractors mainly pertain to advance payments for the acquisition of transportation equipment and construction of port facilities.

Restricted Cash

Restricted cash pertained mainly to cash deposits placed by the Group as required by the concession agreements for MICTSL, SCIPSI and DIPSSCOR. In 2015, this account included the cash of CGSA placed in a special purpose trust to pay principal and interest due to holders of the securities and other expenses in accordance with the securitization agreement (see Note 15.2.3). The garnished cash of TSSA arising from a civil suit filed by a former customer of TSSA is likewise included in this account (see Note 25). This account also included the US\$13.0 million cash of CMSA placed in special purpose debt service and operating and maintenance reserve accounts in accordance to the project finance loan documents (see Note 15.2.2).



Debt Issuance Costs

On July 24, 2014, the Board of ICTSI approved the establishment of a loan facility programme pursuant to which a subsidiary, IGFBV, may from time to time enter into one or more loan facilities with one or more lenders under the said programme, to be guaranteed by ICTSI. In connection with the establishment of the said programme, the Board also approved the first loan facility under the programme with IGFBV as the borrower and ICTSI as the guarantor. The loan facility is a revolving credit facility with a principal amount of US\$350.0 million and a tenor of five years from signing date, July 24, 2014. In 2015, IGFBV availed a total of US\$100.0 million from the US\$350.0 million five year revolving credit facility bearing interest ranging from 2.13 to 2.14 percent per annum. In August 2015, IGFBV prepaid the US\$100.0 million loan.

In April and June 2016, IGFBV availed of loans amounting to US\$150.0 million and US\$10.0 million, respectively, from the US\$350.0 million five year revolving credit facility bearing interest ranging from 2.39 to 2.71 percent per annum. In August, November and December 2016, IGFBV partially paid loans availed in April and June 2016 totaling US\$145.0 million. The remaining balance of US\$15.0 million was fully paid on May 31, 2017.

The related debt issuance costs of the revolving facility amounting to US\$7.1 million are being amortized over five years (see Note 15.2.6). Commitment fees amounting to US\$2.3 million, US\$2.2 million and US\$1.2 million in 2015, 2016 and 2017, respectively, representing 0.78 percent per annum of the amount of the undrawn facility, is recorded as part of "Interest expense and financing charges on borrowings" account in the consolidated statements of income.

The revolving credit facility was cancelled on June 8, 2017. As a result of the cancellation, the unamortized portion of the costs of securing the loan facility amounting to US\$3.0 million was charged to profit or loss and recognized as "Other expenses" in the 2017 consolidated statement of income (see Note 20.3).

AFS Investments

Quoted Equity Shares. The net movement in unrealized mark-to-market gain on quoted AFS investments is as follows:

	2015	2016	2017
Balance at beginning of year	US\$1,053,501	US\$1,125,896	US\$952,022
Change in fair value of quoted AFS investments	72,395	(173,874)	(365,234)
Balance at end of year (see Note 14.7)	US\$1,125,896	US\$952,022	US\$586,788

Prepayments and Others

As at December 31, 2017, this account includes the minimum presumed income tax of Tecplata amounting to US\$3.9 million which is expected to be offset against its future income tax payable to be incurred more than 12 months from December 21, 2017 (see Note 21).

10. Impairment Testing on Nonfinancial Assets

The Group reviews all assets annually or more frequently to look for any indication that an asset may be impaired. These assets include property and equipment, intangible assets, investments in a joint venture and associates, intangible assets not yet available for use and goodwill. If any such indication exists, or when the annual impairment testing for an asset is required, the Group calculates the asset's recoverable amount. Irrespective of whether there is any indication of impairment, intangible assets not yet available for use and goodwill acquired in a business



combination are tested for impairment annually. ICTSI and its subsidiaries used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors such as illiquidity that market participants would reflect in pricing the future cash flows the Group expects to derive from the cash-generating unit. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts and extrapolation for periods beyond budgeted projections. These represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset.

The recoverable amount of non-financial assets of the Group subject to impairment testing has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period or remaining concession period. Projections beyond five years were used for the newly established terminals and/or greenfield projects.

Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins, working capital and capital expenditure.

Discount Rates

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 Group used discount rates based on the industry's WACC. The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. Management assumed discount rates of 4.2 percent to 11.5 percent in 2015, 7.10 percent to 10.72 percent in 2016 and 9.50 percent to 13.01 percent in 2017.

Growth Rates

Average growth rates in revenues are based on ICTSI's expectation of market developments and the changes in the environment in which it operates. ICTSI uses revenue growth rates ranging from 3 percent to 8 percent, based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates.

EBITDA Margin

The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development and growth in the industry and market. Committed operational efficiency programs are taken into consideration. Changes in the outcome of these initiatives may affect future estimated EBITDA margin.

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. However, for the newly established terminals and/or greenfield projects, management takes into consideration the capital expenditures necessary to meet the expected growth in volume and revenues. These expansionary capital expenditures of which the Group has incurred cash outflows, for the newly established terminals are deducted from the future cash flows.



Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 1.41 percent to over 100 percent, 1.09 percent to over 100 percent and 0.62 percent to over 100 percent in the discount rates, or a reduction of growth rates of 0.16 percent to over than 100 percent, 0.94 percent to over 100 percent and 0.82 percent to over 100 percent would give a value-in-use equal to the carrying amount of the cash generating units in 2015, 2016 and 2017, respectively.

11. Cash and Cash Equivalents

This account consists of:

	2015	2016	2017
Cash on hand and in banks	US\$222,125,582	US\$248,562,837	US\$212,792,304
Cash equivalents	132,356,231	76,495,755	66,634,767
	US\$354,481,813	US\$325,058,592	US\$279,427,071

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates. The carrying value of cash and cash equivalents approximates their fair value as at the balance sheet date.

Interest income derived from interest-earning bank deposits and short-term investments amounted to US\$4.3 million, US\$3.1 million and US\$4.1 million for the years ended December 31, 2015, 2016 and 2017, respectively.

12. Receivables

This account consists of:

	2015	2016	2017
Trade (see Notes 1.2 and 20.3)	US\$81,757,051	US\$93,476,622	US\$107,650,970
Advances and nontrade	10,991,992	16,858,404	12,725,127
	92,749,043	110,335,026	120,376,097
Less allowance for doubtful accounts	5,548,562	7,404,589	7,484,983
	US\$87,200,481	US\$102,930,437	US\$112,891,114

Trade receivables are noninterest-bearing and are generally on 30-60 days' credit terms.

Advances and nontrade receivables mainly include noninterest-bearing advances to suppliers and vendors that may be applied against payable or collectible within 12 months.

Movements in the allowance for doubtful accounts are summarized below:

	2015		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$5,018,342	US\$52,758	US\$5,071,100
Provision during the year	1,558,686	—	1,558,686
Write-off	(412,187)	—	(412,187)
Translation adjustments	(669,037)	—	(669,037)
Balance at end of year	US\$5,495,804	US\$52,758	US\$5,548,562



2016			
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$5,495,804	US\$52,758	US\$5,548,562
Provision during the year	1,901,534	—	1,901,534
Write-off	(591,310)	—	(591,310)
Translation adjustments	545,803	—	545,803
Balance at end of year	US\$7,351,831	US\$52,758	US\$7,404,589

2017			
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$7,351,831	US\$52,758	US\$7,404,589
Provision during the year	848,788	—	848,788
Write-off	(744,270)	—	(744,270)
Translation adjustments	(24,124)	—	(24,124)
Balance at end of year	US\$7,432,225	US\$52,758	US\$7,484,983

Allowance for doubtful accounts are based on specific assessment by the Group.

13. Prepaid Expenses and Other Current Assets

This account consists of:

	2015	2016	2017
Input tax (see Note 9)	US\$18,712,935	US\$27,756,471	US\$31,283,917
Prepaid port fees, insurance, bonds and other expenses	12,839,753	12,572,638	17,189,416
Creditable withholding taxes	6,020,411	8,894,553	14,576,148
Tax credits	3,121,327	3,236,372	7,064,208
Others	3,413,688	3,825,481	2,570,611
	US\$44,108,114	US\$56,285,515	US\$72,684,300

Input Tax

This account includes input tax recognized mainly by VICT, IDRC and CMSA from the acquisition of terminal equipment and payments of civil works in relation to the construction activities at these terminals (see Notes 6 and 9) and expected to be applied against output tax within 12 months from the balance sheet date.

Tax Credits

Tax credits consist of tax credits granted by the tax authorities and tax credit certificates issued to certain entities within the Group. Tax credits pertaining to ICTSI and TSSA amounted to US\$3.1 million and US\$3.2 million as at December 31, 2015 and 2016, respectively, and to ICTSI, TSSA, OPC and CGSA amounting to US\$7.1 million as at December 31, 2017. These tax credits can be applied against certain future tax liabilities of ICTSI, TSSA, CGSA and OPC.

14. Equity

The Group was listed with the PSE on March 23, 1992. In its initial public offering, the Parent Company offered its common shares at a price of ₱6.70. As at December 31, 2015, 2016 and 2017, the Parent Company had 1,444, 1,427 and 1,399 shareholders on record, respectively.



14.1 Capital Stock and Treasury Shares

The Parent Company's common shares are listed and traded in the PSE.

The details and movements of ICTSI's capital stock and treasury shares as at December 31 were as follows:

	Number of Shares			Issued and Subscribed		
	2015	2016	2017	2015	2016	2017
Preferred A Shares - nonvoting, non-cumulative, ₱1.00 (US\$0.048) par value	993,000,000	993,000,000	993,000,000	3,800,000	3,800,000	3,800,000
Preferred B Shares - voting, non-cumulative, ₱0.01 (US\$0.0002) par value	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000
Common Stock - ₱1.00 (US\$0.048) par value	4,227,397,381	4,227,397,381	4,227,397,381	2,045,177,671	2,045,177,671	2,045,177,671

	Number of Shares		
	2015	2016	2017
Treasury Shares			
Balance at beginning of year	(9,114,811)	(10,469,155)	(17,130,267)
Acquisitions during the year	(3,510,400)	(8,175,510)	(5,400,000)
Sale during the year	—	—	10,000,000
Issuance for share-based payments (see Note 19)	2,156,056	1,514,398	1,548,062
Balance at end of year	(10,469,155)	(17,130,267)	(10,982,205)

	Amount Issued and Subscribed		
	2015	2016	2017
Preferred Stock	US\$236,222	US\$236,222	US\$236,222
Common Stock	US\$67,781,529	US\$67,781,529	US\$67,781,529
Subscription Receivable	(451,341)	(451,341)	(451,341)
	US\$67,330,188	US\$67,330,188	US\$67,330,188
Treasury Shares			
Balance at beginning of year	(US\$1,176,660)	(US\$7,547,826)	(US\$17,904,401)
Issuance of treasury shares for share-based payments (see Note 19)	219,641	1,233,965	1,342,692
Sale during the year	—	—	11,069,183
Acquisitions during the year	(6,590,807)	(11,590,540)	(9,566,998)
Balance at end of year	(US\$7,547,826)	(US\$17,904,401)	(US\$15,059,524)

Preferred Shares

The Preferred A shares, which were subscribed by ICTHI, are nonvoting, entitled to dividend at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms to be provided by the Board, redeemable at such price and terms determined by the Board and have preference over common shares in the distribution of the assets of the Parent Company (see Note 14.3). As at March 6, 2018, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). As at March 6, 2018, Preferred B shares have the following features: voting; issued only to Philippine Nationals; not convertible into common shares; earn no dividend and redeemable at the option of the Board.

Achillion is a Philippine corporation owned and controlled by ICTSI's Chairman and President and controlling stockholder, Mr. Enrique K. Razon, Jr. The ICTSI contract with PPA on the



operation, management and development of the MICT requires the Razon Group to retain control of ICTSI.

Treasury Shares

Treasury shares came from the acquisition or transfer of ICTSI common shares held by subsidiaries. These treasury shares are subsequently reissued upon vesting of stock awards under the Stock Incentive Plan (SIP) (see Note 19).

On September 16, 2015 and November 17, 2016, the Board of ICTSI approved and authorized the re-purchase from the open market of up to 10 million and 20 million ICTSI shares, respectively. The purpose of the said authorization is to provide management the flexibility to acquire shares from the open market either for the SIP or as and when management deems the price of the shares to be undervalued. In 2015, 2016 and 2017, the Company acquired 3,510,400 treasury shares totaling US\$6.6 million, 8,175,510 treasury shares totaling US\$11.6 million and 5,400,000 treasury shares totaling US\$9.6 million, respectively.

On September 8, 2017, the Board of ICTSI approved the sale of 10 million treasury shares. The approval of sale is in response to a reverse inquiry from an investor who expressed serious interest for a sizable ownership of the Company. On the same date, ICTSI's 10 million treasury shares were sold at US\$2.07 (Php105.10) per share with net proceeds amounting to US\$20.5 million. The said transaction resulted in the increase of US\$9.4 million in additional paid-in capital and the reduction in treasury shares of US\$11.1 million.

14.2 Additional Paid-in Capital

Additional paid-in capital is increased when ICTSI grants stock awards and these stock awards vest under the SIP. Aggregate increase in additional paid-in capital amounted to US\$4.1 million, US\$1.4 million and US\$2.3 million in 2015, 2016 and 2017, respectively, as a result of granting and vesting of stock awards (see Note 19).

14.3 Cost of Shares Held by Subsidiaries

Details and movements in preferred and common shares held by subsidiaries as at December 31 are as follows:

	2014		2015		2017	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares	3,800,000	US\$72,492,481	3,800,000	US\$72,492,481	3,800,000	US\$72,492,481
Common Shares						
Balance at beginning of year	—	US\$—	734,970	US\$1,769,114	734,970	US\$1,769,114
Acquisition of ICTSI common shares by subsidiaries	1,494,940	3,598,405	—	—	—	—
Sale of shares held by subsidiaries	(759,970)	(1,829,291)	—	—	—	—
Balance at end of year	734,970	1,769,114	734,970	1,769,114	734,970	1,769,114
Total	4,534,970	US\$74,261,595	4,534,970	US\$74,261,595	4,534,970	US\$74,261,595

In March and April 2015, IWI acquired a total of 1,494,940 ICTSI common shares for US\$3.6 million. In June 2015, IWI sold 759,970 ICTSI common shares for US\$1.9 million and the related gain was credited to additional paid-in capital account amounting to US\$57 thousand.

As at December 31, 2015, 2016 and 2017, cost of preferred shares held by a subsidiary pertains to preference A shares held by ICTHI.



14.4 Non-controlling Interests

On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT for US\$5.8 million (see Notes 1.2 and 1.3). This resulted in the reduction of non-controlling interests account and the difference between the purchase price and carrying value of the non-controlling interest of US\$6.2 million was recognized under “Excess of acquisition cost over the carrying value of non-controlling interests” account in the 2015 consolidated balance sheet.

On March 2, 2015, LGICT started operating the first one-stop ICT located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo and 40%-owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK- Fil-Japan Shipping Corp (see Note 1.2). The non-controlling shareholders contributed US\$1.2 million to LGICT.

On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter’s contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, SIP Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA (see Notes 1.2 and 1.3). The transaction was accounted for as a change in non-controlling interest and was recorded as an increase of US\$0.9 million in the “Excess of acquisition cost over the carrying value of non-controlling interests” account in the 2015 consolidated balance sheet.

The dividends distributed to non-controlling shareholders are as follows:

	2015	2016	2017
PICT	US\$8,273,229	US\$11,164,344	US\$ 8,764,022
SCIPSI	688,595	1,281,148	1,481,089
AGCT	—	—	987,166
BIPI	—	846,489	799,936
DIPSSCOR	66,488	73,668	42,283
YICT	915,800	618,740	—
	US\$9,944,112	US\$13,984,389	US\$12,074,496

14.5 Retained Earnings

The details of ICTSI’s declaration of cash dividends are as follows:

	2015	2016	2017
Date of Board approval	April 16, 2015	April 21, 2016	April 20, 2017
Cash dividends per share	US\$0.020 (₱0.90)	US\$0.020 (₱0.91)	US\$0.05 (₱2.47)
Record date	May 4, 2015	May 5, 2016	May 5, 2017
Payment date	May 15, 2015	May 18, 2016	May 17, 2017

Retained earnings were reduced by distributions paid out by RCBV to holders of Perpetual Capital Securities discussed in Note 14.6 below aggregating US\$33.4 million in 2015, US\$34.2 million in 2016 and US\$41.6 million in 2017.

Of the total retained earnings of US\$723.2 million, US\$779.4 million and US\$819.7 million, as at December 31, 2015, 2016 and 2017, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$650.6 million, US\$840.7 million and



US\$1,070.0 million, as at December 31, 2015, 2016 and 2017, respectively, were not available for dividend distribution (see Note 21). As at December 31, 2017, the retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares held amounting to US\$15.1 million.

On December 23, 2015, the Board of the Parent Company approved the appropriation of US\$40.3 million for additional working capital requirements and its continuing foreign expansion projects in 2016. On April 21, 2016, the Board of the Parent Company approved the release of US\$90.0 million from appropriated retained earnings. On December 29, 2017, the Board of the Parent Company appropriated US\$25.0 million for additional working capital requirements of its continuing domestic and foreign expansion projects in 2018.

As at December 31, 2015, 2016 and 2017, total appropriated retained earnings of the Parent Company amounted to US\$427.1 million, US\$337.1 million and US\$362.1 million, respectively.

The unappropriated retained earnings of the Parent Company that is available for dividend declaration as of December 31, 2017 amounted to US\$16.7 million. On March 6, 2018, the Board of the Parent Company approved the release of US\$150.0 million from the appropriated retained earnings back to unappropriated retained earnings due to completion of the project in VICT in Australia. As of March 6, 2018, the appropriated retained earnings of the Parent Company amounting to US\$212.1 million is intended for capital expenditures for new and existing projects in MICT in Manila, OPC in Honduras, ICTSI Iraq in Iraq and CMSA in Mexico.

14.6 Perpetual Capital Securities

On April 28, 2011, RCBV (the “Issuer”) and ICTSI (the “Guarantor”) signed a Subscription Agreement with The Hong Kong and Shanghai Banking Corporation Limited (HSBC) and Citigroup Global Markets Limited (Citi) for the issuance of US\$200,000,000 8.375 percent Subordinated Guaranteed Perpetual Capital Securities (the “Original Securities”). The Original Securities confer a right to receive a return on the Original Securities (the “Distribution”) every Distribution Payment Date as described in the terms and conditions of the Original Securities. These distributions are payable semi-annually in arrears on the Distribution Payment Dates of each year. However, the Issuer may, at its sole and absolute discretion, prior to any Distribution Payment Date, resolve to defer payment of all or some of the Distribution which would otherwise be payable on that Distribution Payment Date subject to exceptions enumerated in the terms and conditions of the Original Securities. The Original Securities are perpetual securities in respect of which there is no fixed redemption date but the Issuer may, at its option change the status of the Securities or redeem the same on instances defined under its terms and conditions.

On April 29, 2011, the Board approved the terms and conditions of the Original Securities, which were subsequently issued on May 5, 2011. The net proceeds from the issue of the Original Securities amounting to US\$193.4 million were used for the development of greenfield projects, potential acquisitions and general corporate purposes.

On January 9, 2012, ICTSI tapped a further US\$150.0 million (the “Further Securities”) of the Original Securities discussed in the preceding paragraphs, increasing the size to US\$350.0 million. The Further Securities were issued on January 17, 2012. The Original and Further Securities are collectively referred to as the “Securities”. The Further Securities were issued at a price of 98.375 percent (plus interest accrued on the Securities from and including November 5, 2011 to but excluding January 17, 2012). The net proceeds from the issue of the Further Securities amounting to US\$143.6 million were used for the same purpose as the Original Securities.



The Securities were not registered with the Philippine SEC. The Securities were offered in offshore transactions outside the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States. The Securities are traded and listed in the Singapore Stock Exchange.

The Securities are treated as a liability in the financial statements of the Issuer or RCBV since it has the obligation to pay the accumulated distributions should the Guarantor declare dividends to its common stockholders. On the other hand, the Securities are treated as part of equity attributable to equity holders of the parent in the consolidated financial statements of the Group because nothing in the terms and conditions of the Securities gives rise to an obligation of the Group to deliver cash or another financial asset in the future as defined by PAS 32. However, should the Issuer decide to exercise its option to redeem the Securities, the Securities shall be treated as a financial liability from the date the redemption option is exercised. Should the Issuer also opt to not defer payment of distributions on a Distribution Payment Date, all distributions in arrears as at that date will be recognized as a financial liability until payment is made.

On January 29, 2015, RCBV issued US\$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 percent or US\$298.7 million. The new issue was partly used to finance the tendered US\$230.0 million 8.375 percent Subordinated Guaranteed Perpetual Capital Securities (“Original Securities”) at a tender price of 107.625 or US\$247.5 million. The cash proceeds received by RCBV amounted to US\$46.7 million, net of debt issuance cost. Exchange premium and unamortized debt issuance cost of the Original Securities amounting to US\$23.2 million, was directly charged against retained earnings as a result of the transaction. The transaction did not have an impact on the 2015 consolidated statement of income of the Company and was treated as an equity transaction since the perpetual capital securities are treated as part of equity in the 2015 consolidated balance sheet.

On August 26, 2015, RCBV issued US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities (“New Securities”) unconditionally and irrevocably guaranteed by ICTSI. The cash proceeds received by RCBV amounted to US\$436.3 million, net of debt issuance cost, will be used for refinancing, funding capital expenditures and general corporate purposes.

In July and August 2015, RCBV redeemed and cancelled a total of US\$11.3 million of the Subordinated Guaranteed Perpetual Capital Securities.

On May 5, 2016, RCBV redeemed the remaining US\$108.3 million of the US\$350 million Original and Further Securities and paid the accrued distributions amounting to US\$4.5 million. The difference amounting to US\$7.6 million between the total of the redemption price and accrued distributions of US\$112.8 million and the carrying amount of the remaining Original and Further Securities of US\$105.2 million was directly charged against retained earnings.

On October 3, 2016, RCBV tendered its US\$300.0 million 6.25 percent and US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities for redemption at a price of 106.75 and 105.75, respectively. On October 20, 2016, RCBV redeemed a total of US\$345.5 million of the tendered securities and paid the associated accrued distributions of US\$9.3 million. Together with the redemption, RCBV issued US\$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.225. The new issue was used to finance the redemption and payment of accrued distributions of the tendered securities. The difference amounting to US\$41.2 million between the redemption price of US\$376.2 million, including accrued distributions of US\$9.3 million, and the carrying value of the redeemed perpetual capital securities amounting to US\$335.0 million was directly charged to



retained earnings. The amount equivalent to the proceeds from the new issue, net of debt issuance costs, was recognized as additional perpetual capital securities.

RCBV paid distributions totaling US\$33.4 million, US\$34.2 million and US\$41.6 million to the holders of the Securities in 2015, 2016 and 2017, respectively (see Note 14.5). Related interest expense accrued by the Issuer or RCBV amounted to US\$8.0 million, US\$6.4 million and US\$6.4 million as at December 31, 2015, 2016 and 2017. However, the interest expense has not been recognized in the consolidated statements of income since the Securities are presented as equity attributable to equity holders of the parent.

On January 10, 2018, the Board approved the principal terms and conditions and issuance of the US\$350.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities (the “New Securities”). The New Securities were unconditionally and irrevocably guaranteed by ICTSI.

On January 11, 2018, the Board approved the issuance of additional Senior Guaranteed Perpetual Capital Securities amounting to US\$50.0 million (“Additional Securities”) which was consolidated and formed a single series with the New Securities initially offered on January 10, 2018. The Additional Securities were also unconditionally and irrevocably guaranteed by ICTSI.

The cash proceeds received by RCBV from the issuance of the New and Additional Securities amounted to US\$392.3 million, net of debt issuance costs, which shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.

14.7 Other Comprehensive Loss - Net

The details of other comprehensive net loss, net of applicable tax, as at December 31 are as follows:

	2015	2016	2017
Cumulative translation adjustments* (see Note 3.3)	(US\$260,858,628)	(US\$291,425,330)	(US\$259,625,939)
Unrealized mark-to-market gain (loss) on derivatives (see Notes 26.4 and 26.6)	(494,308)	3,682,715	247,337
Unrealized mark-to-market gain on AFS investments (see Note 9)	1,125,896	952,022	586,788
Business combination revaluation reserve	609,969	609,969	609,969
Share of other comprehensive gain of an associate (see Note 8)	—	—	988,488
Actuarial gains on defined benefit plans (see Note 23)	980,651	735,260	570,928
	(US\$258,636,420)	(US\$285,445,364)	(US\$256,622,429)

*Cumulative translation adjustments arise from the change in functional currency of the Parent Company and some of its subsidiaries' translation of foreign operations.



15. Long-term Debt

15.1 Outstanding Balances and Maturities

A summary of outstanding balance of long-term debt (net of debt issuance costs) as at December 31 is presented below:

	2015	2016	2017
US dollar-denominated notes (see Note 15.2.1)	US\$179,218,130	US\$179,228,914	US\$179,241,377
US dollar-denominated term loans (see Note 15.2.2)	95,815,693	210,314,320	217,199,722
US dollar-denominated securities (see Note 15.2.3)	13,775,607	—	—
Foreign currency-denominated loans (see Note 15.2.4)	46,505,167	190,719,874	282,423,146
US dollar-denominated medium-term notes (see Note 15.2.5)	745,728,753	749,502,820	753,553,631
Revolving credit facility (see Note 15.2.6)	—	15,000,000	—
	1,081,043,350	1,344,765,928	1,432,417,876
Less current portion	54,465,076	18,485,813	22,149,388
	US\$1,026,578,274	US\$1,326,280,115	US\$1,410,268,488

The balances of and movements in unamortized debt issuance costs, premium and discounts, net of the recognized fair value of prepayment option as at and for the years ended December 31 are shown below:

	2015	2016	2017
Balance at beginning of year	US\$37,978,896	US\$57,110,867	US\$64,810,450
Debt issuance costs during the year	10,902,688	14,437,862	623,485
Amortization during the year	(5,877,737)	(6,344,213)	(6,626,331)
Premium on exchange of notes (see Note 15.2.1)	14,107,020	—	—
Translation adjustments	—	(394,066)	(77,832)
Balance at end of year	US\$57,110,867	US\$64,810,450	US\$58,729,772

Amortization of debt issuance costs is presented as part of “Interest expense and financing charges on borrowings” in the consolidated statements of income.

Principal maturities of long-term debt (gross of unamortized debt issuance cost) as at December 31, 2017 were as follows:

	Amount
2018	US\$24,618,887
2019	45,307,067
2020	253,974,791
2021	46,524,822
2022 onwards	1,120,722,081
	US\$1,491,147,648

15.2 Details and Description

15.2.1 US Dollar-denominated Notes

On March 10, 2010, ICTSI signed a Subscription Agreement with HSBC and JP Morgan Securities, Ltd. for the issuance of ten-year senior notes (the “Original Notes”). The Original Notes were issued on March 17, 2010 with an aggregate principal amount of US\$250.0 million maturing on March 17, 2020. The Original Notes bear interest at a fixed rate of 7.375 percent, net of applicable taxes, payable semi-annually in arrears.



On April 29, 2010, ICTSI tapped a further US\$200.0 million (the “Further Notes”) of the Original Notes discussed in the preceding paragraph, increasing the size to US\$450.0 million. The Further Notes were issued on May 6, 2010. The Original and Further Notes are collectively referred to as the “Notes”. The Further Notes bear interest at the fixed rate of 7.375 percent, net of applicable taxes, and was set at a price of 102.627 for an effective yield of 7.0 percent.

The net proceeds of the Notes amounting to US\$448.1 million were used to fund ICTSI’s investments in existing and new terminal construction activities, refinance some of its existing debt and for other general corporate purposes.

The Notes were not registered with the Philippine SEC. The Notes were offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are traded and listed in the Singapore Stock Exchange.

On September 17, 2013, ITBV exchanged newly issued US\$207.5 million 5.875 percent Notes due 2025 for ICTSI’s US\$178.9 million 7.375 percent Notes due 2020. The Notes due 2020 were then reduced from US\$450.0 million to US\$271.1 million. The Notes due 2025 were issued by ITBV under its US\$1.0 billion Medium Term Note Programme (the “MTN Programme”), and are unconditionally and irrevocably guaranteed by ICTSI (see Note 15.2.5).

On January 29, 2015, a total of US\$117.5 million 5.875 percent Notes due 2025 from the MTN Programme were issued at a price of 102.625 and US\$102.6 million of which was used to exchange with holders of US\$91.8 million 7.375 percent Notes due 2020. The cash proceeds received by ITBV amounted to US\$11.6 million, net of debt issuance cost. These new Notes were consolidated and formed a single series with the US\$282.5 million 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 and April 30, 2014 (see Note 15.2.5).

As at December 31, 2017, the outstanding balance of the Notes due 2020 amounted to US\$179.2 million, net of debt issuance costs.

15.2.2 US Dollar-denominated Term Loans

CMSA. On October 21, 2015, CMSA signed a US\$260.0 million Project Finance Facility with International Finance Corporation (IFC) and Inter-American Development Bank (IADB), and participated by Standard Chartered Bank and KfW Ipelex Bank.

The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The terminal will have a capacity of 2.2 million TEUs when completely built. The development will be done in three phases with phase one creating capacity of 750,000 TEUs. Phase two, which is expected to be completed by 2020, will increase the terminal’s capacity to 1.4 million TEUs.

The financing package, which has a tenor of 12 years and a long availability period of four years, will help CMSA finance the completion of phases one and two of the Project. Interest is payable semi-annually based on floating interest rate computed at 6-month London Interbank Offered Rate (LIBOR) plus loan spread with a weighted average of 2.80 percent.

In accordance with the project finance loan documents, CMSA is required to maintain special purpose debt service and operating and maintenance reserve accounts to guarantee the debt payments and project costs disbursements and to pledge certain major port equipment as security (see Note 6).



On December 23, 2015, CMSA availed US\$95.0 million from the US\$260.0 million facility. On November 15, 2016, CMSA availed an additional US\$86.0 million from the same facility. As of December 31, 2017, the outstanding balance of the loan amounted to US\$166.7 million, net of debt issuance costs.

ICTSI Unsecured Medium-Term Loan. On October 4, 2013, ICTSI availed of unsecured medium-term loan from Australia and New Zealand Banking Group Limited, Manila Branch, amounting to US\$20.0 million. The loan bears interest at prevailing market rates, ranging from 1.1246 percent to 1.1270 percent in 2014 and 1.1406 percent to 1.1798 percent in 2015. The loan matured in November 2014 and was renewed for another year until December 4, 2015. ICTSI prepaid the loan on October 5, 2015.

BCT. On October 27, 2011, BCT entered into a facilities agreement with Bank Polska Kasa Opieki S.A. (“Bank Polska”) under which Bank Polska agreed to provide (i) term loan facility up to US\$9.2 million, (ii) a capital expenditure facility up to US\$36.3 million to finance or refinance project costs and fees, and (iii) an overdraft facility up to US\$1.0 million to finance working capital requirements. Both the term loan and capital expenditure facility bear interest at 2.65 percent over LIBOR. The utilization under the overdraft facility will bear interest at 1.75 percent over LIBOR or Warsaw Interbank Offered Rate (WIBOR), as the case may be. WIBOR is determined by the Financial Markets Association-ACI Polska for utilizations requested in Polizh Zloty.

In 2012, BCT availed: (i) US\$7.9 million from the term loan facility; and (ii) US\$0.9 million from the capital expenditure facility with Bank Polska, as discussed in the preceding paragraph. In 2013 and 2014, BCT availed US\$2.0 million and US\$10.4 million from the capital expenditure facility, respectively.

The purpose of the term loan facility under the facilities agreement is to refinance all existing financial indebtedness under the 2004 loan agreement. The 2011 loan agreement provided for substantially the same security arrangement and restrictions on the payment of dividends to ICTSI, as provided for in the 2004 loan agreement. One of the conditions precedent to any borrowing under the facilities agreement is for BCT to confirm the availability of the grant (the “EU Grant”) by the *Centrum Unijnych Projektow Transportowych* (CUPT), a Polish grant authority, in an amount not lower than PLN50.0 million (approximately equivalent to US\$16.2 million) to partly finance the cost of BCT’s projected capital expenditure requirements.

On March 29, 2012, BCT and CUPT signed the EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$17.3 million (PLN53.9 million). The confirmation of the availability of the EU Grant is a condition precedent to any borrowing under the facilities agreement with Bank Polska, as discussed above. In July 2014, BCT finalized capital expenditure projects supported by the EU Grant with an estimated total of US\$20.0 million. As at December 31, 2017, BCT has availed a total of US\$19.5 million of the EU Grant (see Note 16). In July 2014, BCT entered into a term loan facility agreement for US\$36.0 million with HSBC to refinance its current loan with Bank Polska and finalize capital expenditure projects supported by the EU Grant with an estimated total of US\$20.0 million. The new term loan bore interest at 1.70 percent over LIBOR. In December 2015, BCT prepaid in full its outstanding HSBC loans totaling US\$29.8 million and the related debt issuance cost and commitment fees totaling US\$0.4 million were derecognized and charged to the 2015 consolidated statement of income. As at December 31, 2017, BCT has no outstanding loans.



CGSA. In 2014, CGSA availed of two-year unsecured term loans with local banks, namely, Banco Bolivariano and Banco De Guayaquil (“Local Banks in Ecuador”) totaling US\$4.5 million to finance capital expenditures and working capital requirements. The term loans with local banks in Ecuador bear a fixed interest rate of 7.5 percent, respectively, with the principal payable in monthly installments. In September 2015, CGSA obtained two-year unsecured loans from Banco Del Pacifico amounting to US\$2.0 million at a fixed interest rate of 8.75 percent and, Banco Bolivariano amounting to US\$2.0 million at a fixed interest rate of 8.83 percent. In October 2015, CGSA availed of a three-year unsecured term loan with BBP Bank, S.A. amounting to US\$4.0 million at a fixed interest rate of 6.78 percent. In November 2015, CGSA obtained a two-year unsecured term loan from Banco del Pacifico amounting to US\$0.5 million at a fixed interest rate of 8.75 percent.

The outstanding balance of the term loans with local banks in Ecuador amounted to US\$9.6 million, US\$2.4 million and US\$1.1 million as at December 31, 2015, 2016 and 2017, respectively.

In January and February 2016, CGSA obtained two-year fixed-term loans with a total of US\$0.6 million from Banco del Pacifico at an interest rate of 8.75% per annum. The loans were fully paid in April 2016.

On March 29, 2016, CGSA (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender” or “MBTC”) and ICTSI (as “Surety”) signed a loan agreement which consists of two tranches of US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II matures in May 2017. In 2016, CGSA availed of loans with a total amount of US\$40.0 million. Portion of the proceeds of these loans was used to refinance the unsecured term loans of CGSA amounting to US\$9.2 million in April 2016. In 2016, CGSA paid a total amount of US\$4.5 million of the loan under Tranche II. In 2017, CGSA has paid a total amount of US\$7.6 million and US\$3.0 million of the loan under Tranche I and II, respectively. As at December 31, 2017, the outstanding balance of the loan with MBTC amounted to US\$24.9 million.

OPC. On July 11, 2017, OPC (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement amounting to US\$77.0 million with floating interest rate and maturity date of July 2020. Proceeds of the loan was used to finance capital expenditures. As at December 31, 2017, OPC availed a total of US\$24.5 million from the term loan facility.

15.2.3 US Dollar-denominated Securities

On September 23, 2011, CGSA engaged in a fiduciary contract as originator for a securitization arrangement under which it transferred its receivables and future operating revenues from selected customers such as shipping lines and banana exporters (the “securitized assets”) to a special purpose trust administered by *Administradora de Fondos de Inversión y Fideicomisos Futura Futurfid S.A.* (formerly named *Administradora de Fondos de Inversion Y Fideicomisos BG S.A.*) as trustee and handling agent. On October 24, 2011, the special purpose trust was officially approved to issue securities in three series against the securitized assets in the aggregate principal amount of US\$60.0 million with each series to mature within five years from date of issue. Series A bears variable interest at the rate of 2.5 percent plus the reference interest rate for savings posted by Central Bank of Ecuador subject to a readjustment every quarter, while Series B and Series C bear interest at a fixed rate of 7.5 percent. Principal and interest are payable quarterly for each series.



The proceeds of the securitization issue, which were remitted to CGSA as consideration for the securitized assets, were used to finance capital expenditures and expansion of port operations. On the other hand, regular cash flows from the securitized assets were used by the special purpose trust to pay principal and interest due to holders of the securities and other expenses. Any excess in the cash flows remaining with the special purpose trust, after all obligations to holders of securities and relevant third parties are fully paid, will revert to CGSA as the originator. The securities issued pursuant to the securitization agreement are currently registered with and traded in the Ecuadorian stock market.

As at December 31, 2011, CGSA has received proceeds from the issuance and placement of securities under the securitization agreement amounting to US\$55.0 million, net of debt issuance cost of US\$0.8 million. In February 2012, CGSA placed the balance of the US\$60.0 million securities, through a special purpose trust approved in 2011, amounting to US\$4.2 million. CGSA had paid US\$12.8 million in 2015 and US\$13.8 million in 2016 of the outstanding securities. As at December 31, 2017, CGSA has no outstanding securities.

15.2.4 Foreign Currency-denominated Loans

PICT. On July 11, 2011, PICT signed a five-year Rs.2.5 billion (equivalent to US\$29.1 million) Agreement for Financing on Mark-up Basis (Term Finance) with Faysal Bank Limited. The loan carries mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 1.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right (see Note 6). Principal is repayable in nine equal semi-annual installments commencing in July 2012. Proceeds of the loan were partially used to fully pay the loans with IFC and Organization of the Petroleum Exporting Countries Fund for International Development (OFID) amounting to Rs.2.4 billion (US\$27.9 million) on July 22, 2011, which were originally maturing in January 2018. The loan with remaining balance of Rs.1.5 billion was refinanced by Habib Bank Limited. The new loan carries a mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 0.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right (see Note 6). Principal is repayable in five equal semi-annual installments commencing in June 2015. The loans were fully paid on June 2, 2017.

AGCT. In March 2013, AGCT signed the first part of a ten-year loan agreement for EUR6.2 million (US\$8.1 million) with Raiffeisenbank Austria d.d. to partly finance the purchase of port equipment intended for the Brajdica Container Terminal. The principal is repayable in 112 monthly installments from January 31, 2014 up to April 30, 2023. Interest is payable monthly based on floating interest rate computed at 1-month Euro Interbank Offered Rate plus a spread of 4.2 percent. The loan is secured by AGCT's port equipment (see Note 6).

On July 22, 2013, AGCT signed the second part of the same loan agreement for EUR4.4 million (US\$5.6 million). Principal is repayable in 120 monthly installments from January 31, 2014 up to December 31, 2023. Interest is payable monthly based on floating interest rate computed at 1-month Euro Interbank Offered Rate plus a spread of 4.2 percent. The loan is secured by AGCT's port equipment (see Note 6).

On April 6, 2016, AGCT signed a loan agreement for US\$1.1 million (EUR 0.95 million). Principal is repayable in 12 monthly installments from November 30, 2016 up to October 31, 2017. Interest is payable monthly based on fixed interest rate of 3.90%. AGCT fully paid the loan on August 31, 2016.



On July 1, 2016, the spread on the interest of AGCT's loans was reduced from 4.2 percent to 3.4 percent. As at December 31, 2017, the total outstanding balance of the loans amounted to US\$6.1 million (EUR5.1 million).

YICT. The Company acquired, through the consolidation of YICT, the long-term loan with outstanding balance US\$35.8 million (RMB222.2 million) as at December 31, 2014. The long-term loan with Agricultural Bank of China (ABC), which was availed principally to finance the development project related to the construction of the container terminal, bears an interest rate of 6.15 percent per annum and matured on December 7, 2014. On December 4, 2014, YICT signed a two-year loan agreement to refinance the loan bearing a lower interest rate of 6.0 percent per annum, which was repriced at 4.75 percent per annum in 2015.

Upon maturity of the loan from ABC in December 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130.0 million) was renewed with an interest rate of 4.50 percent per annum and matured on April 30, 2017 (see Note 17). On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from ABC payable in installments with a final maturity on November 21, 2023 to refinance the maturing loan with YPH. Interest is based on the interest rate published by People's Bank of China (PBOC) less 5.00 percent of such base rate. The floating rate is subject to adjustment every twelve months. The outstanding balance of the loan amounted to US\$13.8 million (RMB90.0 million) as at December 31, 2017.

VICT. On July 15, 2016, VICT signed the syndicated project finance facilities with international and regional banks, namely: Citibank N.A., KFW IPEX-Bank, Standard Chartered Bank as Mandated Lead Arrangers and Bookrunners, Bank of China Limited, DBS Bank Ltd., Investec Bank PLC as Mandated Lead Arrangers, and Cathay United Bank as Lead Arranger, for principal amount of US\$300.0 million (AUD398.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.1% per annum and maturities until 2023, 2026 and 2031. In 2016 and 2017, VICT availed of loans from the facilities amounting to US\$196.9 million (AUD266.0 million) and US\$64.4 million (AUD84.0 million), respectively. The finance facilities are secured against IOBV's shares in VICT, all present assets of VICT, and will be secured against future assets of VICT, among others. The carrying value of VICT's assets as at December 31, 2017 amounted to AUD813.0 million (US\$639.6 million) (see Note 6).

As at December 31, 2017, the total outstanding balance of the loans amounted to US\$262.5 million (AUD336.1 million), net of debt issuance costs.

15.2.5 US Dollar-denominated Medium Term Note Programme (the "MTN Programme")

On January 9, 2013, ITBV, a majority owned subsidiary through ICTSI Ltd., established the MTN Programme that would allow ITBV from time to time to issue medium term notes (MTN), unconditionally and irrevocably guaranteed by ICTSI. The aggregate nominal amount of the MTN outstanding will not at any time exceed US\$750.0 million (or its equivalent in other currencies), subject to increase as described in the terms and conditions of the Programme Agreement. This was increased to US\$1.0 billion in August 2013.

Also, on January 9, 2013, ITBV and ICTSI signed a Subscription Agreement with HSBC and UBS AG, Hong Kong Branch, for the issuance of ten-year US\$300.0 million guaranteed MTN (the "Original MTN") under the MTN Programme. The Original MTN were issued on



January 16, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent, net of applicable taxes, and were set at a price of 99.014 and payable semi-annually in arrears.

Moreover, on January 28, 2013, ITBV and ICTSI signed a Subscription Agreement with UBS AG, Hong Kong Branch, for the issuance of an additional ten-year US\$100.0 million guaranteed MTN under the MTN Programme (the “MTN Tap”) to form a single series with the Original MTN as discussed in the preceding paragraph. The MTN Tap were issued on February 4, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent, net of applicable taxes, and were set at a price of 101.25 and payable semi-annually in arrears.

The aggregate net proceeds of the MTN amounting to US\$393.8 million were used to refinance some of ICTSI’s existing debt and for other general corporate purposes.

In June 2013, ICTSI purchased a total of US\$6.0 million of ITBV’s US\$400.0 million MTN at US\$5.7 million.

On April 25, 2014, the Board of ICTSI confirmed, ratified and approved the issuance of additional notes under the US\$1.0 billion medium term note programme of ITBV, in the aggregate nominal amount of US\$75.0 million. These new notes were consolidated and formed a single series with the US\$207.5 million, 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 (see Note 15.2.1). The said notes were issued on April 30, 2014.

On January 29, 2015, a total of US\$117.5 million 5.875 percent Notes due 2025 from the MTN Programme were issued at a price of 102.625 and US\$102.6 million of which was used to exchange with holders of US\$91.8 million 7.375 percent Notes due 2020. The cash proceeds received by ITBV amounted to US\$11.6 million, net of debt issuance cost. The 2025 Notes were issued by ITBV under its US\$1.0 billion MTN programme, and are unconditionally and irrevocably guaranteed by ICTSI. These new Notes were consolidated and formed a single series with the US\$282.5 million 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 and April 30, 2014.

As at December 31, 2017, outstanding notes under the programme was US\$753.6 million, which includes the US\$207.5 million 5.875 percent Notes due 2025 and US\$117.5 million 5.875 percent Notes due 2025 discussed in Note 15.2.1.

The MTN were not registered with the Philippine SEC. The MTN were offered in offshore transactions outside the United States in accordance with Regulation S under the Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States. The MTN are traded and listed in the Singapore Stock Exchange.

15.2.6 Revolving Credit Facility Programme

IGFBV. On July 24, 2014, the Board of ICTSI approved the establishment of a loan facility programme pursuant to which IGFBV, may from time to time enter into one or more loan facilities with one or more lenders under the said programme, to be guaranteed by ICTSI. In connection with the establishment of the said programme, the Board also approved the first loan facility under the programme with IGFBV as the borrower and ICTSI as the guarantor. The loan facility is a revolving credit facility with a principal amount of US\$350.0 million and a tenor of five years from signing date, July 24, 2014. In 2015, IGFBV has availed a total of US\$100.0 million from the US\$350.0 million five-year revolving credit facility bearing interest ranging from 2.13 to 2.14 percent per annum. In August 2015, IGFBV prepaid the US\$100.0 million loan.



In April and June 2016, IGFBV availed of loans amounting to US\$150.0 million and US\$10.0 million, respectively, from the US\$350.0 million five-year revolving credit facility bearing interest ranging from 2.39 to 2.71 percent per annum. In August, November and December 2016, IGFBV partially paid loans availed in 2016 totaling US\$145.0 million. The remaining balance of US\$15.0 million was fully paid on May 31, 2017.

The related debt issuance cost of the revolving facility amounting to US\$7.1 million was being amortized over five years (see Note 9) until the revolving credit facility was cancelled on June 8, 2017. As a result of the cancellation, the unamortized portion of the costs of securing the loan facility amounting to US\$3.0 million was charged to profit or loss and recognized as “Other expenses” in the 2017 consolidated statement of income (see Note 20.3). Commitment fees amounting to US\$2.3 million in 2015, US\$2.2 million in 2016 and US\$1.2 million in 2017, representing 0.78 percent per annum of the amount of undrawn facility, is recorded as part of “Interest expense and financing charges on borrowings” account in the consolidated statements of income.

15.3 Loan Covenants and Capitalized Borrowing Costs

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI’s and subsidiaries’ assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI is also required to maintain specified financial ratios relating to their debt to EBITDA up to 4 times when incurring additional debt. As at December 31, 2015, 2016, and 2017, ICTSI and subsidiaries were in compliance with their loan covenants.

Interest expense, net of amount capitalized as intangible assets and property and equipment, presented as part of “Interest expense and financing charges on borrowings” account in the consolidated statements of income, amounted to US\$55.0 million in 2015, US\$68.0 million in 2016 and US\$93.4 million in 2017 (see Notes 5 and 6).

16. **Other Noncurrent Liabilities**

This account consists of:

	2015	2016	2017
Accrued rental (see Note 18)	US\$92,855,916	US\$64,575,728	US\$100,323,772
Government grant (see Note 15.2.2)	17,635,847	15,741,736	13,278,509
Pension liabilities (see Note 23)	6,509,459	7,487,607	9,477,311
Derivative liability (Note 26)	—	122,736	2,441,379
Finance lease payable	905,557	146,843	725,060
Accrued taxes and others	1,446,920	2,893,477	9,559,077
	US\$119,353,699	US\$90,968,127	US\$135,805,108

Accrued Rental

The accrued rental of VICT amounted to US\$92.9 million (AUD127.4 million), US\$149.6 million (AUD207.5 million) and US\$100.3 million (AUD128.5 million) as at December 31, 2015, 2016 and 2017, respectively, calculated using the straight-line method from the inception of the contract in June 2014.

Government Grant

On March 29, 2012, BCT and CUPT, a Polish grant authority, signed the EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$17.3 million (PLN53.9 million) and on



October 21, 2013, BCT and CUPT signed a second EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$4.8 million (PLN14.6 million). The confirmation of the availability of the EU Grant was a condition precedent to any borrowing under the facility agreement of BCT. In December 2015, BCT finalized capital expenditure projects supported by the EU Grant with an estimated total of US\$19.5 million (see Note 15.2.2). In 2017, BCT availed of an additional US\$23.0 thousand EU Grant. As at December 31, 2017, BCT has availed a total of US\$19.5 million of the EU Grant. The EU Grant is treated as deferred income and is amortized over the duration of the existing concession agreement ending on May 31, 2023. The unamortized deferred income from government grant amounted to US\$17.6 million, US\$15.7 million and US\$13.3 million as at December 31, 2015, 2016 and 2017, respectively. Amortization of deferred income include under "Other income" amounted to US\$1.0 million in 2015 and US\$2.5 million both in 2016 and 2017 (see Note 20.1).

Accrued Taxes and Others

Accrued taxes and others as at December 31, 2017 include the noncurrent portion of customs duties payable in relation to the importation of port equipment in CGSA amounting to US\$7.0 million. The current portion amounting to US\$1.8 million as at December 31, 2017 is included in "Accounts payable and other current liabilities" account under accrued output and other taxes.

17. Loans Payable

Loans payable are unsecured loans obtained by ICTSI and various subsidiaries.

In 2014, ICTSI renewed its US\$10.0 million unsecured US\$-denominated short-term loan with Bank of Tokyo - Mitsubishi UFJ, Manila Branch and availed of an additional US\$10.0 million loan, which were fully outstanding as at December 31, 2014 at the amount of US\$20.0 million. In September 2015, ICTSI prepaid these short-term loans with Bank of Tokyo.

On July 1, 2014, ICTSI acquired, through the consolidation of YICT, the short-term loan with outstanding balance of US\$2.9 million (RMB 18.0 million). The short-term loan bears an interest rate of 6.15 percent per annum and had been fully repaid on February 4, 2015.

In April 2015, CGSA availed one-year loans from Banco Bolivariano and Banco Guayaquil totaling US\$6.0 million at fixed interest rate of 8.0 percent per annum. In February 2016, CGSA obtained short-term unsecured US\$ loans with a total of US\$3.5 million from Banco Guayaquil S.A., Citibank and Banco Bolivariano at annual fixed interest rates ranging from 8.89 percent to 9.12 percent. The short-term loans were fully paid in 2016.

On June 18, 2015, TSSA availed of a short-term loan amounting to US\$1.3 million from Banco Bradesco S.A. bearing fixed interest of 8.73 percent per annum and was settled on July 31, 2015.

On May 17, 2016, ICTSI availed of a US\$30.2 million (₱1.4 billion) short-term loan with Metropolitan Bank and Trust Company at an annual interest rate of 2.5 percent. On July 7 and October 7, 2016, ICTSI fully paid the short-term loan.

On November 28, 2016, OPC availed of a US\$15.0 million short-term loan from Metropolitan Bank and Trust Company. The loan bears interest at prevailing market rate and matures on November 23, 2017. On July 26, 2017, OPC prepaid the US\$15.0 million short-term loan.

On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with ABC (see Note 15.2.4). On



January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130.0 million) was renewed with an interest rate of 4.50 percent per annum and matured on April 30, 2017. On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from ABC payable in installments with a final maturity on November 21, 2023 to refinance the maturing loan with YPH. Interest is based on the interest rate published by PBOC less 5.00 percent of such base rate. The floating rate is subject to adjustment every twelve months. The outstanding balance of the loan amounted to US\$13.8 million (RMB90.0 million) as at December 31, 2017 (see Note 15.2.4).

In 2017, BCT availed loans from its overdraft facility with HSBC Bank Polska S.A with interest based on prevailing market rate. The outstanding balance of the loan amounted to US\$4.0 million as at December 31, 2017.

On March 30, 2017, CGSA availed one-year loans from Citibank, Banco Bolivariano and Banco Guayaquil totaling to US\$8.5 million at prevailing market rates. The outstanding balance of the loan amounted to US\$2.1 million as at December 31, 2017.

On May 15, 2017, ICTSI availed of short-term loans from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited, and Standard Chartered Bank totaling to US\$55.0 million with interest based on prevailing market rate and maturity date of August 11, 2017. These loans were renewed to mature on February 9, 2018. As at December 31, 2017, the outstanding balance of the loan amounted to US\$55.0 million. The short-term loans were fully paid on February 9, 2018.

Interest expense incurred related to these loans payable amounted to US\$0.4 million in 2015, US\$0.7 million in 2016 and US\$0.4 million in 2017.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2015	2016	2017
Trade (see Notes 16, 20.3 and 22.1)	US\$104,775,892	US\$200,324,689	US\$119,394,482
Accrued expenses:			
Output and other taxes (see Note 16)	23,945,495	34,693,099	53,313,749
Interest (see Notes 15 and 17)	19,608,480	22,905,888	23,497,213
Salaries and benefits	15,280,886	21,413,326	22,790,520
Others	11,231,931	15,596,870	16,272,269
Provisions for claims and losses (see Notes 24 and 25)	13,322,197	36,587,263	29,821,998
Customers' deposits	9,028,839	11,106,128	8,592,074
Dividends payable	2,477,694	3,203,531	2,459,164
Finance lease payable	1,184,146	738,489	180,898
Others (see Note 20.3)	14,598	1,139,803	244,052
	US\$200,870,158	US\$347,709,086	US\$276,566,419

Trade payables are noninterest-bearing and are generally settled on 30-60 day terms. This includes the current portion of the accrued rental of VICT amounting to US\$85.0 million (AUD117.9 million) as at December 31, 2016. As of December 31, 2015 and 2017, the current portion of VICT's accrued rental was nil.

Provisions for claims and losses pertain to estimated probable losses in connection with legal cases and negotiations involving cargo, labor, contracts and other issues. The movements in this account follow:



	2015	2016	2017
Balance at beginning of year	US\$9,644,043	US\$13,322,197	US\$36,587,263
Provision during the year (see Note 24.19)	5,490,460	25,613,823	15,959,347
Settlement during the year	(1,213,914)	(3,434,325)	(23,258,553)
Translation adjustment	(598,392)	1,085,568	533,941
Balance at end of year	US\$13,322,197	US\$36,587,263	US\$29,821,998

19. Share-based Payment Plan

Certain officers and employees of the Group receive remuneration in the form of share-based payment transactions, whereby officers and employees are given awards, in the form of ICTSI common shares, in lieu of cash incentives and bonuses under the SIP (“equity-settled transactions”). The SIP was approved by the stockholders of ICTSI on March 7, 2007, effective for a period of ten years unless extended by the Board. On March 7, 2016, the Board approved for the extension of the SIP for a further 10 years until March 2027 and the amendment of vesting period of the SIP. The vesting period of the SIP was amended from two years where 50% is to vest on the first anniversary date of the award and the other 50% to vest on the second anniversary date of the award, to three years where 25% is to vest on the first anniversary date of the award, 25% to vest on the second anniversary date of the award, and 50% to vest on the third anniversary date of the award. Unless the Stock Incentive Committee determines otherwise, when dividends are declared by the Company, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (DRIP).

The shares covered by the SIP are held under treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee. As at December 31, 2017, there were 41,378,544 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as at December 31, 2017, 10,982,205 ICTSI common shares were held under treasury and allotted for the SIP (see Note 14.1).

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. Awardees who resign or are terminated will lose any right to unvested shares. In the event of retirement of an awardee, the unvested shares shall automatically vest in full. In the event of death or total disability of an awardee, the outstanding unvested shares shall vest in full and the shares will be released to the designated heirs of the awardee. A change in control in ICTSI will trigger the automatic vesting of unvested awarded shares. There are no cash settlement alternatives.

The SIP covers permanent and regular employees of ICTSI with at least one year tenure; officers and directors of ICTSI, its subsidiaries or affiliates; or other persons who have contributed to the success and profitability of ICTSI or its subsidiaries or affiliates.

Stock awards, including DRIP shares, granted by the Stock Incentive Committee to officers and employees of ICTSI and ICTSI Ltd. for the past three years are shown below:

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
March 20, 2015	1,740,375	US\$2.51 (₱112.60)
March 14, 2016	2,567,763	US\$1.39 (₱65.00)
March 14, 2017	2,627,463	US\$1.57 (₱79.20)
May 17, 2017	113,673	US\$2.00 (₱99.50)

Fair value per share was determined based on the quoted market price of stock at the date of grant.



Movements in the stock awards (number of shares) in 2015, 2016 and 2017 follow:

	2015	2016	2017
Balance at beginning of year	3,137,000	2,721,319	3,478,125
Stock awards granted	1,740,375	2,567,763	2,741,136
Stock awards vested, issued and cancelled	(2,156,056)	(1,810,957)	(1,757,013)
Balance at end of year	2,721,319	3,478,125	4,462,248

Total compensation expense recognized on the vesting of the fair value of stock awards and presented as part of manpower costs in the consolidated statements of income amounted to US\$4.3 million in 2015, US\$2.8 million in 2016 and US\$3.3 million in 2017, respectively, under the SIP. A corresponding increase in additional paid-in capital, net of applicable tax, was also recognized in the consolidated statements of changes in equity (see Note 14.2).

20. Income and Expenses

20.1 Other Income

This account consists of:

	2015	2016	2017
Reversal of accrued taxes and other accruals (see Notes 13 and 21)	US\$1,908,130	US\$4,572,561	US\$9,477,232
Gain on termination of management contract (see Note 1.2)	—	—	7,500,000
Income from amortization of government grant (see Note 16)	1,007,593	2,463,140	2,486,258
Rental income (see Notes 6 and 7)	791,390	752,760	1,133,773
Gain on sale of property and equipment (see Note 6)	26,890	1,682,668	249,186
Dividend income	646,559	198,706	198,456
Gain on settlement of insurance and other claims	616,578	571,342	86,958
Mark-to-market gain on derivatives - net (see Note 26)	331,154	—	—
Others	1,154,434	3,152,389	2,474,002
	US\$6,482,728	US\$13,393,566	US\$23,605,865

20.2 Port Authorities' Share in Gross Revenues

This account consists of port authorities' share in gross revenues of the Group as stipulated in agreements with the port authorities where the Group operates (see Note 24). Port authorities' share in gross revenues includes variable fees aggregating US\$169.0 million in 2015, US\$183.7 million in 2016 and US\$190.5 million in 2017 (see Note 24).



20.3 Other Expenses

	2015	2016	2017
Restructuring and separation costs (see Note 18)	US\$—	US\$—	US\$18,028,269
Pre-termination cost and other bank charges (see Notes 15.1, 15.2.2, and 15.2.4)	2,700,106	2,257,130	3,515,738
Write-off of costs of securing a revolving credit facility due to cancellation (see Notes 9 and 15.2.6)	—	—	3,042,918
Management fees (see Note 22.1)	651,386	637,836	1,508,819
Loss on sale of property and equipment (see Note 6)	260,842	181,375	591,529
Wealth tax on equity of SPIA	1,126,785	929,543	372,318
Loss on pre-termination of lease agreement (see Notes 1.2 and 24.19)	—	23,432,184	—
Probable losses on non-trade advances and receivables	1,138,707	3,125,248	—
Solidarity contribution on equity of CGSA (see Note 21)	—	1,455,876	—
Mark-to-market loss on derivatives - net	—	1,031,447	—
Others	1,870,082	3,300,621	4,988,383
	US\$7,747,908	US\$36,351,260	US\$32,047,974

Restructuring and Separation Costs

Restructuring and separation costs pertain to costs incurred with respect to cost optimization and rationalization in response to market developments in certain terminals.

21. **Income Tax**

The components of recognized deferred tax assets and liabilities are as follows:

	2015	2016	2017
Deferred tax assets on:			
Unrealized foreign exchange losses	US\$33,347,387	US\$57,424,745	US\$69,500,560
Intangible assets and concession rights payable under IFRIC 12	13,651,856	14,173,405	13,153,679
NOLCO	20,641,974	12,353,824	17,640,422
Accrued retirement cost and other expenses	935,782	1,435,954	1,344,660
Allowance for doubtful accounts and other provisions	3,154,213	1,076,888	547,690
Allowance for obsolescence	104,548	139,508	572,259
Share-based payments	12,156	59,274	391,520
Others	4,524,529	3,908,216	7,953,574
	US\$76,372,445	US\$90,571,814	US\$111,104,364
Deferred tax liabilities on:			
Excess of fair value over book value of net assets of BCT, MTS, YICT, DIPSSCOR, SPIA, SCIPSI, Tecplata and AGCT	US\$24,759,382	US\$21,486,453	US\$20,121,374
Capitalized borrowing costs	15,857,615	18,373,108	18,734,817
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	11,332,408	12,745,917	16,418,860
Accelerated depreciation and translation difference between functional and local currency	11,730,982	6,394,075	9,786,719
Nonmonetary assets	2,347,545	4,152,228	3,443,319
Unrealized mark-to-market gain on derivatives	—	2,266,574	10,083,436
Unrealized foreign exchange gain	68,620	74,405	—
Others	763,701	5,884,045	1,897,937
	US\$66,860,253	US\$71,376,805	US\$80,486,462



Other deferred taxes mainly pertain to difference in tax and accounting bases for lease and depreciation.

The Parent Company is subject to income tax based on its Philippine peso books even as its functional currency is US dollars. As a result, the Parent Company's US dollar-denominated net monetary liabilities were translated to Philippine peso giving rise to the recognition of deferred tax asset on net unrealized foreign exchange losses. The deferred tax asset on net unrealized foreign exchange losses amounting to US\$33.3 million, US\$56.4 million and US\$69.5 million as at December 31, 2015, 2016 and 2017, respectively, mainly pertains to Parent Company.

Deferred tax assets on NOLCO of certain subsidiaries amounting to US\$4.5 million, US\$3.3 million and US\$3.0 million as at December 31, 2015, 2016 and 2017, respectively, were not recognized, as management believes that these subsidiaries may not have sufficient future taxable profits against which the deferred tax assets can be utilized. Deferred tax assets are recognized for subsidiaries when there is expectation of sufficient future taxable profits from which these deferred tax assets can be utilized.

As at December 31, 2015, 2016 and 2017, deferred tax liability has not been recognized on undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$650.6 million, US\$840.7 million and US\$1,070.0 million, respectively, because the Parent Company has control over such earnings, which have been earmarked for reinvestment in foreign port projects and are not expected to reverse in the foreseeable future (see Note 14.5).

ICTSI recognized deferred tax asset amounting to US\$12.2 thousand in 2015, US\$59.3 thousand in 2016 and US\$391.5 thousand in 2017, on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Notes 14.2 and 19). The Group recognized deferred tax asset on actuarial loss amounting to US\$0.2 million and US\$45.8 thousand in 2016 and 2017, respectively, and deferred tax liability on actuarial gain amounting to US\$0.6 million in 2015. The related deferred tax asset and liability were taken to equity.

A reconciliation of income tax expense on income before income tax at the statutory tax rates to provision for income tax for the years presented is as follows:

	2015	2016	2017
Income tax expense computed at statutory tax rates	US\$63,699,946	US\$74,047,123	US\$53,182,375
Add (deduct):			
Income tax incentive	(11,890,970)	(10,326,374)	(13,876,313)
Nondeductible tax losses of subsidiaries - net	407,890	207,875	2,002,481
Interest income already subjected to final tax	(927,960)	(588,979)	(668,976)
Unallowable interest expense	189,773	90,339	73,710
Others - net	(841,054)	141,116	(166,454)
Provision for income tax	US\$50,637,625	US\$63,571,100	US\$40,546,823

The statutory income tax rates applicable to each subsidiary are as follows:

Name of Company	Tax Rate	Tax Rules
Tecplata and IDRC	35.0%	Tecplata's nominal tax rate is 35 percent. In accordance with the tax reform in 2017, the tax rate will be reduced to 30% in 2018 and 2019 and further reduced to 25 percent starting 2020. In addition to the profits tax, Tecplata is subject to annual minimum presumed income tax calculated as 1 percent of the fixed and current assets (see Note 9). However, should the minimum presumed income tax exceed income tax in the previous fiscal year, such excess may be treated as payment on account of any income tax excess over minimum presumed income tax that may occur in any of the



Name of Company	Tax Rate	Tax Rules
		ten subsequent fiscal years. Tecplata obtained an exemption from the tax authority for the payment of the minimum presumed income tax starting in the second half of 2016. Minimum presumed income tax will be repealed in 2019. Tax losses can be carried forward for five years.
		The regular corporate income tax rate in DR Congo is 35 percent. The minimum tax payable is the higher of 1% of revenue and CDF2.5 million for large corporations. IDRC is entitled to an income tax holiday for four years starting from 3rd quarter of 2016.
ICTSI Oregon	34.0%	ICTSI Oregon is subject to federal tax rate of about 34 percent to 35 percent. Based on the new tax law signed in December 2017, corporate tax rate was reduced to 21 percent effective January 1, 2018. Based on the new tax law signed in December 2017, corporate tax rate was reduced to 21 percent effective January 1, 2018. ICTSI Oregon is also subject to state tax of 6.6 to 7.6 percent and city/county tax of 3.65 percent based on taxable income less federal tax. Under the federal and local state corporate income tax systems, corporations that are not an exempt and small corporation are subject to an Alternative Minimum Tax (AMT) at a rate of 20 percent. Corporations pay the minimum amount of tax subject to federal and state regulations. There is no minimum tax on corporation in a net operating loss position. However, certain states require taxes to be remitted on a gross revenue basis. In accordance with the new tax law, the AMT is repealed effective January 1, 2018. Net operating losses (NOL) can be carried forward for 20 years and carried back for two years. After the passage of the tax reform law, the NOL generated after December 31, 2017 can no longer be carried back for two years but can still be carried forward for 20 years. Further, the utilization of NOL shall be limited to 80 percent of the taxable income for the year.
PICT	33.0%	Corporate tax rate in Pakistan that applies to PICT is 33 percent. In 2014, a new provision (Section 113(c) of Income Tax Ordinance (Ordinance) 2001) is added by which companies are required to pay Alternative Corporate Tax (ACT) at 17 percent of accounting profits if the actual tax liability is less than ACT. The differential excess can be carried forward for ten years. The Government of Pakistan through Finance Act 2015 has imposed a temporary super tax in 2015. This tax was approved by the Parliament on June 30, 2015. The super tax has been levied at the rate of 3% on all taxpayers earning income amounting to PKR500.0 million or more in the previous year. PICT paid super tax amounting to US\$1.0 million (PKR100.6 million) in 2015, US\$1.3 million (PKR123.4 million) in 2016 and US\$1.3 million (PKR136.0 million) in 2017. In Pakistan, deductible depreciation is computed by applying the applicable rates, as provided in the Third Schedule to the Ordinance, to the particular category of assets on a diminishing balance method. The rate of tax depreciation ranges from 10 to 30 percent depending on the category of the assets. An initial depreciation allowance at the rate of 15 percent and 25 percent, depending on the category of assets, is also available for eligible depreciable assets, in accordance with section 23 of the Ordinance.
ICTSI and other Philippine subsidiaries (excluding SBITC, ICTSI Subic and APBS), VICT, AICTL, CMSA and TMT	30.0%	The corporate income tax rate of Philippine entities is 30 percent. On May 14, 2008, the Board of Investments (BOI) approved the registration of ICTSI's construction of Berth 6 of the MICT as "New Operator of Port Infrastructure (Berth 6)" on a Pioneer status under the Omnibus Investment Code of 1987. From November 2011, Berth 6 is entitled, among others, to an income tax holiday for a period of six years. Berth 6 was completed, inaugurated and started full commercial operations in July 2012. In 2015, 2016 and 2017, Berth 6 recognized gross revenues from port operations amounting to US\$81.2 million, US\$70.0 million and US\$70.8 million and availed of tax incentive arising from the income tax holiday of US\$11.9 million, US\$10.3 million and US\$10.9 million, respectively. On July 2, 2015, the BOI approved the registration of ICTSI's construction of Berth 7 of the MICT as "Expanding Operator of



Name of Company	Tax Rate	Tax Rules
		Container Yard” on a Non-Pioneer status under the Omnibus Investment Code of 1987. Starting July 2017, Berth 7 is entitled, among others, to an income tax holiday for a period of three years. In 2017, Berth 7 recognized gross revenues from port operations amounting to US\$4.4 million and availed of tax incentive arising from the income tax holiday of US\$0.8 million. On December 18, 2008, the Bureau of Internal Revenue issued Revenue Regulations No. 16-2008, which implemented the provisions of Republic Act 9504 on Optional Standard Deductions (OSD). This regulation allows both individuals and corporate taxpayers to use OSD in computing for taxable income. Corporations may elect a standard deduction equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions. For the years ended December 31, 2015, 2016 and 2017, BIPI, MICTSI and SCIPSI have elected to use OSD in computing for their taxable income. DIPSSCOR opted to use OSD for the year ended December 31, 2015 and itemized deductions method for the years ended December 31, 2016 and 2017 in computing for its taxable income. On March 3, 2014, HIPS was registered with the BOI as a new operator of seaport and container yard/terminal on a non-pioneer status under the Omnibus Investment Code of 1987. HIPS is entitled, among others, to an income tax holiday for four years from January 2016 or start of commercial operations, whichever is earlier. On September 26, 2016, HIPS has requested the BOI to cancel its registration in light of developments affecting the economics of the project. On March 28, 2016, LGICT was registered with the BOI as a new export services provider on a non-pioneer status under the Omnibus Investment Code of 1987. LGICT is entitled, among others, to an income tax holiday for four years from March 2016. VICT and AICTL are subject to corporate income tax rate of 30 percent. Tax losses can be carried forward indefinitely, subject to same ownership and continuity of business tests. Effective January 1, 2014, CMSA and TMT are subject to corporate income tax rate of 30 percent.
RCBV, ITBV and other subsidiaries in The Netherlands	25.0%	The corporate income tax rate in the Netherlands is 20.0 percent on taxable income of up to €200,000 and 25.0 percent on taxable income exceeding €200,000. Tax losses in Netherlands can be carried forward for nine years.
OPC	25.0%	OPC’s corporate income tax rate is 25 percent. An additional social contribution is levied on OPC calculated as 5 percent of the surplus of the net taxable income above HNL1.0 million. The Net asset tax is levied to a 1.0 percent tax rate applicable over the surplus of HNL3.0 million of the value of the total assets reflected on the balance sheet. A 5 percent temporary social contribution is levied in addition to the corporate income tax applied to the excess of net taxable income above HNL1.0 million. An AMT is levied on a taxpayer that has operating losses in two of the past five years and whose gross income in the past year is HNL100.0 million or more. AMT is computed by applying the 1.0 percent rate to gross income. OPC is exempt from AMT during its first five years of operations. A Minimum tax is levied on the 1.5 percent over the total gross income greater or equal to HNL.10.0 million during the tax period, when the Corporate income tax resulting is lower than the 1.5 percent of the gross income declared. Companies are exempted from the application of this minimum tax during their first 2 years of establishment or pre-operational period. On January 31, 2017, the Secretariat of Finance (SEFIN) issued a resolution through which it grants the Company an exemption for the life of the concession, from the payment of income tax, net asset tax, temporary joint contribution and advance of 1 percent on gross income, under Decree 30 - 2016 and by the fiscal periods 2016 and 2017. The exoneration is granted for the life of the Concession (until 2042), and it must be renewed annually until the end of the concession by SEFIN. It is stated in the



Name of Company	Tax Rate	Tax Rules
MTS, IJP, OJA, PT CTSSI and YICT	25.0%	official document that SEFIN will verify that OPC complies with the commitments and objectives stipulated in the concession contract, otherwise, the benefit of the tax exemption will be suspended. The tax authorities will verify that OPC is in compliance with its obligations and, otherwise, the benefit will be suspended. Likewise, OPC must annually update the exonerate registration. Registered as a Sino-foreign joint venture in China, Berths 61 and 62 of YICT are entitled to a full tax holiday in the first five years and 50 percent exemption in the subsequent five years starting 2008 and 2006, respectively. YICT's tax exemption is until December 2015 and starting year 2016, YICT is subjected to the 25 percent regular income tax rate. Tax losses can be carried forward for five years. In January 2015, Berths 51 and 52 of YICT were granted a full tax holiday in the first three years and 50 percent exemption in the subsequent three years. MTS, IJP and OJA are subject to corporate income tax rate in Indonesia of 25%.
CGSA	22.0%	CGSA's corporate income tax rate applicable starting 2013 was 22 percent. This tax is calculated after deducting 15 percent of social contribution on profits for workers. In 2016, the government of Ecuador passed a law with the purpose of raising funds in order to recover from the effects of the earthquake that occurred in April 2016. The law introduced the collection of solidarity contributions from various sources, increase in value-added tax rate by 2%, among others. In 2016, CGSA paid solidarity contributions from profits amounting to US\$1.0 million while ICTSI, through CGSA, paid solidarity contributions from equity amounting to US\$1.5 million (see Note 20.3).
MICTSL and SPIA	20.0%	MICTSL is subject to statutory corporate income tax rate of 20 percent. A minimum tax of MGA0.3 million plus 0.5 percent of the annual turnover is levied if the company incurs a loss or if the corporate tax rate calculated using the 20 percent rate is less than the minimum tax. SPIA is incorporated in Colombia. However, on June 26, 2012, the Colombian Government issued the formal resolution granting SPIA a Free Trade Zone status. Effective 2012, the income tax applicable to SPIA is 15 percent instead of 33 percent general corporate income tax rate in force in 2012. Subsequently, a structural tax reform passed in December 2016 increased the income tax rate for Free Trade Zone users by 5 percent, from 15% to 20% effective starting 2017.
BCT	19.0%	BCT is subject to statutory corporate income tax rate of 19 percent.
NMCTS	18.5%	The first B\$100,000 of chargeable income of NMCTS is taxed at a reduced rate of one quarter of the full rate, while the next B\$150,000 is taxed at half the full rate.
AGCT	18.0%	The statutory corporate income tax rate in Croatia for entities which operate in the free-trade zone is 15 percent from 2014 up to 2016 and 18 percent from 2017 onwards.
TSSA	15.25%	TSSA's nominal tax rate is 25.0 percent and was granted a tax rate reduction resulting to a tax rate of 15.25 percent. The tax incentive is applicable for the years 2005 to 2022 on profits from port operating services in Suape, Pernambuco.
BICTL and ICTSI Iraq	15.0%	BICTL is subject to statutory corporate income tax rate of 15 percent. Starting January 1, 2017, income tax is calculated based on distributed profit. ICTSI Iraq is subject to statutory corporate income tax rate of 15 percent. Tax losses can be carried forward up to five years provided that losses may not offset more than half of the taxable income of each of the five years and the loss may offset only income from the same source from which the loss arose. Any carry-over losses is subject to discretion of the tax authorities.



Name of Company	Tax Rate	Tax Rules
SBITC, ICTSI Subic, Inc. and APBS	5.0%	SBITC and ICTSI Subic are registered with the Subic Bay Metropolitan Authority as Subic Bay Free Port Zone Enterprises that are entitled to certain tax incentives including a preferential income tax rate of 5.0% percent based on gross revenues less allowable deductions. APBS is registered with the Philippine Economic Zone Authority as an Ecozone IT Enterprise that is entitled to certain tax incentives including a preferential income tax rate of 5.0% on gross income from Philippine Economic Zone Authority-registered activities, in lieu of all national and local taxes. APBS is also entitled to an income tax holiday of four years from date of commercial operations on December 31, 2015.
LICTSLE	0.0%	LICTSLE was located in a free trade zone governed by the Nigeria Export Processing Zones Authority. LICTSLE was exempt from all taxes, including corporate income tax.

22. Related Party Transactions

22.1 Transactions with the Shareholders and Affiliates

			2015		2016		2017
				Outstanding Receivable (Payable) Balance		Outstanding Receivable (Payable) Balance	Outstanding Receivable (Payable) Balance
Related Party	Relationship	Nature of Transaction	Amount		Amount		Amount
(In Millions)							
ICBV SPIA	Joint venture	Interest-bearing loans (see Note 8)	US\$85.70	US\$197.20	US\$52.00	US\$249.20	US\$25.40
		Interest income (converted into interest-bearing loan) (see Note 8)	9.07	12.70	14.58	27.28	17.75
YICT YPH	Non-controlling shareholder	Port fees ⁽ⁱ⁾	1.10	—	1.77	—	1.59
		Trade transactions ⁽ⁱⁱ⁾	0.09	(0.01)	—	—	—
		Management fees ⁽ⁱⁱⁱ⁾	0.23	—	0.22	—	0.21
		Interest-bearing loans ^(iv)	—	—	21.60	(21.60)	21.60
		Interests on loans ^(iv)	—	—	0.07	(0.03)	0.28
YPG	Common shareholder	Port fees ⁽ⁱ⁾	3.72	(0.29)	2.36	(0.14)	3.10
		Trade transactions ⁽ⁱⁱ⁾	2.09	(0.32)	1.87	(0.02)	1.66
		Purchase of equipment	2.58	—	—	—	—
DP World	Non-controlling shareholder	Management fees ⁽ⁱⁱⁱ⁾	0.19	—	0.17	—	0.17
SCIPSI Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.16	(0.02)	0.20	(0.03)	0.17
AGCT Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.29	(0.03)	0.37	(0.02)	0.25
PICT Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	4.47	(0.52)	5.17	(0.03)	5.50
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	0.01	—	0.01	—	—
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vii)	0.57	0.04	0.52	0.03	0.37
LGICT NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.16	(0.16)	0.41	(0.04)	0.47
		Maintenance and repairs	0.04	(0.04)	0.09	(0.02)	0.14
BIPI Atlantic Gulf and Pacific Co. of Manila, Inc. (AG&P)	Common shareholder	Rent expense	0.07	(0.01)	0.05	(0.02)	0.06
		Revenues	0.42	0.25	—	—	—



Related Party	Relationship	Nature of Transaction	2015		2016		2017	
			Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
		Utilities	US\$–	US\$–	US\$0.03	US\$–	US\$0.03	US\$–
IDRC								
Ledya SARL	Non-controlling shareholder	Management fees	–	–	–	–	0.85	0.85

- (i) YICT is authorized under the Joint Venture Agreement to collect port charges levied on cargoes; port construction fees and facility security fee in accordance with government regulations. Port fees remitted by YICT for YPH /YPG are presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income. Outstanding payable to YPH/YPG related to these port charges are presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.
- (ii) Trade transactions include utilities, rental and other transactions paid by YICT to YPH and YPG.
- (iii) The Board of YICT approved a management fee of RMB6.1 million, RMB5.7 million and RMB5.2 million in 2015, 2016 and 2017, respectively, allocated among the shareholders namely: ICTSI, DP World and YPH.
- (iv) On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of April 30, 2017. The remaining loan from YPH was fully paid upon the availment of a long-term loan from ABC on April 26, 2017 (see Notes 15.2.4 and 17).
- (v) AGCT has entered into agreements with Luka Rijeka, a non-controlling shareholder, for the latter's provision of services such as equipment maintenance, power and fuel and supply of manpower, among others. Total expenses incurred by AGCT in relation to these agreements were recognized and presented in the consolidated statements of income as part of Manpower costs, Equipment and facilities-related expenses and Administrative and other operating expenses.
- (vi) PICT has entered into an agreement with Premier Mercantile Services (Private) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.
- (vii) Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.

The outstanding balances arising from these related party transactions are current and payable without the need for demand.

Outstanding balances at year-end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2015, 2016 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2015	2016	2017
Short-term employee benefits	US\$1,247,348	US\$1,193,221	US\$1,581,345
Post-employment pension	207,407	29,659	29,061
Share-based payments	2,866,424	1,052,078	924,459
Total compensation to key management personnel	US\$4,321,179	US\$2,274,958	US\$2,534,865

23. Pension Plans

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, ROHQ, MTS, IJP, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA, IDRC and APBS have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service. Net pension expense charged to operations included as manpower costs amounted to US\$2.4 million in 2015, US\$1.9 million in 2016 and US\$3.1 million in 2017.



Pension plans consist of:

	2015	2016	2017
Pension Assets (presented as “Other noncurrent assets”)			
Asia	US\$125,948	US\$981	US\$–
Pension liabilities (presented as “Other noncurrent liabilities”)			
Asia	US\$2,328,102	US\$3,407,307	US\$3,902,514
EMEA	1,481,287	1,284,721	2,185,414
Americas	2,700,070	2,795,579	3,389,383
	US\$6,509,459	US\$7,487,607	US\$9,477,311

Pension Liabilities. The following tables summarize the components of the Group’s net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2015	2016	2017
Net pension expense:			
Current service cost	US\$1,091,454	US\$1,546,120	US\$3,621,890
Net interest cost	299,036	274,747	404,141
Past service cost	–	2,201	14,026
Effect of curtailments	(72,941)	–	(942,538)
	US\$1,317,549	US\$1,823,068	US\$3,097,519
Pension liabilities:			
Present value of defined benefit obligation	US\$6,780,186	US\$16,197,260	US\$18,307,974
Fair value of plan assets	(270,727)	(8,709,653)	(8,830,663)
	US\$6,509,459	US\$7,487,607	US\$9,477,311
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$18,225,723	US\$6,780,186	US\$16,197,260
Current service cost	1,091,454	1,546,120	3,621,890
Interest cost	308,967	763,864	820,113
Actuarial loss (gain) on obligations - net	(549,299)	350,441	(383,074)
Past service cost	–	2,201	14,026
Effect of curtailments	(72,941)	–	(942,538)
Benefits paid	(277,143)	(2,662,704)	(1,344,941)
Translation adjustment	(201,495)	(672,113)	(250,140)
Change in plan position	(11,745,080)	10,089,265	575,378
Balance at end of year	US\$6,780,186	US\$16,197,260	US\$18,307,974
Changes in fair value of plan assets:			
Balance at beginning of year	US\$11,837,710	US\$270,727	US\$8,709,653
Interest income	9,931	489,117	415,972
Actuarial loss on plan assets	(5,761)	(190,175)	(88,308)
Benefits paid	(4,177)	(2,312,809)	(1,588,039)
Actual contributions	–	657,527	848,616
Translation adjustment	(14,166)	(508,326)	(43,590)
Change in plan position	(11,552,810)	10,303,592	576,359
Balance at end of year	US\$270,727	US\$8,709,653	US\$8,830,663
Actual return on plan assets	US\$4,170	US\$298,942	US\$327,665

Pension Assets. The following tables summarize the components of the Group’s net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2015	2016	2017
Net pension expense:			
Current service cost	US\$1,055,196	US\$45,172	US\$–
Net interest cost (income)	41,231	(2,034)	–
	US\$1,096,427	US\$43,138	US\$–



	2015	2016	2017
Pension assets:			
Fair value of plan assets	US\$10,946,740	US\$576,359	US\$–
Present value of defined benefit obligation	(10,820,792)	(575,378)	–
	US\$125,948	US\$981	US\$–
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$694,033	US\$10,820,792	US\$575,378
Current service cost	1,055,196	45,172	–
Interest cost	592,983	28,795	–
Actuarial gain on obligations - net	(2,230,239)	(44,295)	–
Benefits paid	(451,434)	(23,348)	–
Translation adjustment	(584,827)	(162,473)	–
Change in plan position	11,745,080	(10,089,265)	(575,378)
Balance at end of year	US\$10,820,792	US\$575,378	US\$–
Changes in fair value of plan assets:			
Balance at beginning of year	US\$699,013	US\$10,946,740	US\$576,359
Interest income	551,752	30,829	–
Actuarial loss on plan assets	(819,692)	(41,391)	–
Benefits paid	(451,434)	(23,348)	–
Translation adjustment	(585,709)	(32,879)	–
Change in plan position	11,552,810	(10,303,592)	(576,359)
Balance at end of year	US\$10,946,740	US\$576,359	US\$–
Actual return loss on plan assets	(US\$267,940)	(US\$10,562)	(US\$–)

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2018.

The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, ROHQ, APBS, DIPSSCOR, MTS, OJA, IJP, SCIPSI, MICTSI, AGCT, BCT, MICTSL, ICTSI Iraq, CMSA, IDRC and CGSA are shown below (in percentage):

	2015	2016	2017
Discount rate			
Asia	4.54% - 8.50%	4.54% - 8.65%	5.21% - 7.40%
EMEA	2.50% - 10.42%	3.50% - 10.46%	3.25% - 10.40%
Americas	6.31% - 7.26%	7.46% - 8.13%	3.91% - 7.47%
Future salary increases			
Asia	4.00% - 10.00%	4.00% - 10.00%	3.00% - 10.00%
EMEA	3.00% - 5.00%	2.50% - 5.00%	2.50% - 5.00%
Americas	3.00% - 6.00%	3.00% - 6.00%	1.50% - 5.04%

A quantitative sensitivity analysis for significant assumption as at December 31, 2017 is shown below (amounts in millions):

	Discount rate		Future salary increases	
Sensitivity level	1.0% increase	1.0% decrease	1.0% increase	1.0% decrease
Impact on the net defined benefit obligation	(US\$1.1)	US\$1.3	US\$1.3	(US\$1.2)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.



The following payments are expected to be made in the future years out of the defined benefit plan obligation:

	2015	2016	2017
Within the next 12 months	US\$1,790,512	US\$1,393,826	US\$1,596,827
Between 2 and 5 years	4,041,206	4,689,252	4,910,600
Between 5 and 10 years	6,569,806	7,306,481	7,328,031
Beyond 10 years	38,405,548	26,792,519	24,678,316
Total expected payments	US\$50,807,072	US\$40,182,078	US\$38,513,774

The average duration of the defined benefit plan obligation as at December 31, 2017 is 17 years.

The amount of experience adjustments on pension obligations amounted to US\$0.5 million in 2015, US\$0.7 million in 2016 and US\$0.7 million in 2017. The amount of experience adjustments on plan assets amounted to US\$0.1 thousand in 2015, nil in 2016 and nil in 2017.

The plan assets of Group are being held by various trustee banks. The investing decisions of these plans are made by the respective trustees.

The following table presents the carrying amounts and fair values of the combined assets of the plans less liabilities:

	2015	2016	2017
Cash and cash equivalents	US\$3,752,941	US\$3,794,515	US\$2,489,501
Investments in debt securities	969,928	1,074,112	954,661
Investments in government securities	4,843,259	3,665,428	3,845,057
Investments in equity securities	1,584,013	688,606	1,541,764
Others	280,473	86,445	2,716
	11,430,614	9,309,106	8,833,699
Liabilities	(213,147)	(23,094)	(3,036)
	US\$11,217,467	US\$9,286,012	US\$8,830,663

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or stated at fair market values.

The plans' assets and investments consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bear interest ranging from 3.92 percent to 6.87 percent and have maturities from 2019 to 2027;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.125 percent to 11.137 percent and have maturities from 2018 to 2031; and
- Investments in equity securities include investment in shares of stock of ICTSI amounting to US\$0.6 million, US\$0.6 million and US\$0.8 million as at December 31, 2015, 2016 and 2017, respectively. For years ended December 31, 2015, 2016 and 2017, gain arising from investment in ICTSI shares amounted to US\$0.1 million, US\$0.1 million and US\$0.4 million, respectively.



The carrying amounts of investments in equity securities also approximate their fair values given that they are stated at fair market values. The voting rights over these equity securities are exercised by the authorized officers of the respective subsidiary.

- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

Defined Contribution Pension Plan

The employees of YICT are members of a state-managed retirement benefit scheme operated by the local government. YICT is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of YICT with respect to the retirement benefit scheme is to make the specified contributions.

PICT operates a recognized provident fund scheme for all its eligible employees. Equal monthly contributions are made by PICT and the employees to the fund at a rate of 8.33 percent of the basic salary.

In addition, ICTSI Oregon maintains a Safe Harbor 401k plan (401k plan), covering all of its employees, which became effective January 1, 2011. Participants who are eligible can contribute up to 100 percent of their eligible compensation and those who have reached the age of 21 years old are eligible to make contributions following six months of continuous service. All participants in the 401k plan are eligible for matching contributions of 100 percent of each dollar contributed up to 6 percent of a participant's earnings. Participant's voluntary contributions and actual earnings thereon are immediately vested. ICTSI Oregon's matching contributions to the 401k plan are immediately vested and cannot be forfeited.

Contributions made by YICT, ICTSI Oregon and PICT to the plans and recognized as expense under manpower costs totaled US\$0.8 million in 2015, US\$0.9 million both in 2016 and 2017.

24. Significant Contracts and Agreements

The Group has entered into a number of contracts and agreements mainly related to the operation, development and management of ports and container terminals. As at December 31, 2017, ICTSI and its subsidiaries and joint venture are in compliance with their concession agreements.

Agreements within the Scope of IFRIC 12

A service concession agreement is within the scope of IFRIC 12 if: (a) the grantor regulates the services, customers and the pricing of the services to be provided; and (b) the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

24.1 Contract for the Management, Operation and Development of the MICT

The Parent Company has a contract with the PPA for the exclusive management, operation, and development of the MICT for a period of 25 years starting May 18, 1988, which was extended for another 25 years until May 18, 2038.

Under the provisions of the contract, "Gross Revenues" shall include all income generated by the Parent Company from the MICT from every source and on every account except interest income,



whether collected or not, to include but not limited to harbor dues, berthing fees, wharfage, cargo handling revenues, crantage fees, stripping/stuffing charges, and all other revenues from ancillary services. Harbor dues, berthing fees, and wharfage included in gross revenues defined in the MICT contract amounted to US\$15.6 million in 2015, US\$17.1 million in 2016 and US\$17.2 million in 2017.

In addition, under the original contract, the Parent Company agreed to pay the PPA a fixed fee of US\$313.8 million payable in advance in quarterly installments converted to Philippine peso using the closing Philippine Dealing System (PDS) rate of the day before payment is made (net of harbor dues, berthing fees and wharfage allowed by PPA as deduction) and a variable fee based on percentages of the Parent Company's gross revenues ranging from 12 percent to 20 percent during the term of the contract. Under the renewal contract effective May 19, 2013, the Parent Company agreed to pay the PPA a fixed fee of US\$600.0 million payable in 100 advanced quarterly installments and pay a variable fee of 20 percent of the gross revenues.

The total variable fees paid to the PPA shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income amounted to US\$84.4 million in 2015, US\$82.5 million in 2016 and US\$82.3 million in 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$323.8 million, US\$314.4 million and US\$306.1 million, as at December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$3.4 million, US\$2.9 million and US\$3.2 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US\$320.4 million, US\$311.5 million and US\$302.8 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.

Both the original and renewal contracts contain commitments and restrictions which include, among others, prohibition on the change of Parent Company's controlling ownership without prior consent of the PPA and adherence to a container terminal equipment acquisition program and deployment schedule. Moreover, upon expiration of the term of the contract or in the event of pre-termination, all the structures, buildings, facilities and equipment of the Parent Company being used at the MICT shall automatically become the property of the PPA. The PPA has no obligation to reimburse the Parent Company for the equipment, except for those acquired during the last five years prior to the termination of the contract for which the PPA shall have the option to purchase at book value or to pay rentals. Upon expiration of the original contract of MICT in May 2013, the Parent Company executed a deed of absolute transfer to effect the transfer of ownership of the said structures, improvements, buildings, facilities and equipment, except equipment purchased during the last five years of the original contract. Berth 6 was included in the said transfer. However, ICTSI shall continue to have possession, control and use of the transferred assets for another 25 years in accordance with the terms of the renewal contract in consideration for the upfront fee payment made by the Parent Company.

In 1997, the Parent Company signed a contract for leasehold rights over the storage facilities at the MICT. Under the contract, the Parent Company is committed to pay the PPA ₱55.0 million (equivalent to US\$1.1 million as at December 31, 2017) a year from January 16, 1997 up to January 15, 2007 and a variable fee of 30 percent of revenues in excess of ₱273.0 million (equivalent to US\$5.5 million as at December 31, 2017) generated from the operation of the storage facilities. This contract was renewed on June 11, 2008 and has been made co-terminus with the MICT Management Contract, or up to May 18, 2038.



In 1998, the Parent Company also acquired a contract to handle non-containerized cargoes and the anchorage operations for a period of ten years starting January 1998. Such contract was renewed on June 11, 2008 and has been made co-terminus with the 1988 MICT Management Contract, or up to May 18, 2038. Under this contract, the Parent Company is required to pay a variable fee of 14 percent of its gross revenues from anchorage operations and 20 percent of its gross revenues from berthside operations for the first three years of the contract. Thereafter, the consideration to be paid by the Parent Company shall be a fixed fee plus a variable fee of 7.5 percent of its gross revenues from berthside operations or 20 percent of its gross revenues, whichever is higher. The fixed fee shall be determined based on the highest annual government share by the Parent Company for the handling of non-containerized cargoes at berthside for the first three years, plus 10 percent thereof.

**24.2 Contract with Subic Bay Metropolitan Authority (SBMA) and
Royal Port Services, Inc. (RPSI)**

On February 20, 2007, SBITC was awarded by the SBMA the contract to operate the New Container Terminal 1 (NCT-1) at Cubi Point in Subic for a period of 25 years. The NCT-1 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, SBITC shall pay: (i) base rent of US\$0.70 per square meter per month with 6 percent escalation on the 5th year and every three years thereafter; (ii) fixed fee of US\$500,000 every year except for the first two years of the contract; and, (iii) variable fee of 12 percent to 16 percent of SBITC's gross revenue based on the volume of containers handled at the terminal.

Total variable fees paid to SBMA, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US\$1.4 million both in 2015 and 2016 and US\$1.0 million in 2017. Fixed fees pertaining to the contract to operate NCT-1 formed part of the capitalized concession rights which are being amortized over the concession period. Related concession rights payable amounted to US\$19.1 million, US\$18.7 million and US\$18.2 million as at December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$0.7 million, US\$0.5 million and US\$0.6 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US\$19.0 million, US\$18.2 million and US\$17.6 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.

**24.3 Agreement for Public Concession with Societe de Gestion
du Port Autonome de Toamasina (SPAT)**

On June 16, 2005, the Parent Company and SPAT signed a 20-year concession agreement for a Public Service Concession for the operation of a container terminal in the Port of Toamasina. Under the agreement, the Parent Company, through MICTSL (a wholly owned subsidiary), will undertake container handling and related services in the Port of Toamasina. The Parent Company agreed to pay SPAT an entry fee of €5.0 million (US\$6.5 million) and fixed and variable fees converted to MGA using the Euro/MGA weighted exchange rate published by the Central Bank of Madagascar on the day payment is made. Fixed fees paid in 2005 to 2007 amounted to €1.0 million (US\$1.3 million) per year; for the years 2008 to 2010, the fixed fees paid amounted to €1.5 million (US\$1.9 million) per year; for 2011 to 2015, the fixed fees paid amounted to €2.0 million (US\$2.6 million) per year; and for 2016 to 2025, fixed fees will be €2.5 million (US\$3.2 million) per year. The part of fixed fees attributable to year 2025 will be prorated up to the anniversary date of the concession handover. In addition, the Parent Company agreed to pay SPAT €5.0 million (US\$6.5 million) for two quay cranes payable in three annual installments from the date of the agreement. Fixed and variable fees will be updated annually based on



inflation rate of the Euro zone of the previous year. Annual fixed fee is payable in advance in semi-annual installments. The variable fee of €36.8 (US\$47.7) per twenty-foot equivalents (TFE) is payable every 15th day of the following month. However, variable fee will be reduced by 20 percent after 12 consecutive months of operations with container traffic of more than 200,000 TFEs.

The total variable fees paid to SPAT shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$6.4 million (€5.8 million) in 2015, US\$7.4 million (€6.7 million) in 2016 and US\$8.0 million (€7.1 million) in 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$16.3 million (€15.0 million), US\$14.8 million (€14.1 million) and US\$15.6 million (€13.0 million) as at December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$1.0 million (€0.9 million), US\$1.1 million (€1.0 million) and US\$1.4 million (€1.2 million) is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$15.3 million (€14.1 million), US\$13.7 million (€13.0 million) and US\$14.2 million (€11.9 million) is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.

24.4 Concession Agreement with Autoridad Portuaria de Guayaquil (APG)

In May 2007, ICTSI, through CGSA, entered into a concession agreement with the Port Authority of Guayaquil for the exclusive operation and development of a container terminal in the Port of Guayaquil, Ecuador for a period of 20 years ending in 2027.

CGSA took over the terminal operations on August 1, 2007. The terminal handles containerized and bulk cargo. ICTSI’s technical plan is to convert the port into a modern multipurpose terminal, comprehensive of two main facilities: a dedicated container terminal of about one million TEUs capacity; and a break bulk terminal of about three million tons (banana and other fruits are the main cargo component in this field). ICTSI’s development plan covers a period of five to seven years for the terminal to reach the said capacities.

Under the concession agreement, CGSA shall pay APG the following: (i) upfront fee totaling US\$30.0 million payable over five years; (ii) fixed fees of US\$2.1 million payable quarterly; and (iii) variable fees of US\$10.4 per TEU for containers handled and US\$0.50 per ton for noncontainerized general cargo handled payable monthly. Fixed fees and variable fees are subject of annual increase according to index of adjustment factor calculated for the sum of 0.50 consumer price index (CPI) of Ecuador and 0.50 CPI of United States of America. The upfront fee, recorded as concession rights and concession rights payable at inception, is subject to interest based on three-month LIBOR rate.

In October 2014, it was subscribed and supplemented to modify the formula of calculation of variable fee since November 2014 which start to be calculated under the 9.5% of total gross revenues of CGSA.

The total variable port fees paid by CGSA to APG shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$16.5 million in 2015, US\$14.4 million in 2016 and US\$11.2 million in 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$57.2 million, US\$54.5 million and US\$51.4 million as at December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$2.8 million, US\$3.1 million and US\$3.4 million is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$54.5 million,



US\$51.4 million and US\$48.0 million is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.

24.5 Concession Agreement with La Plata

ICTSI, through Tecplata, entered into a concession agreement with La Plata on October 16, 2008. The concession is for 30 years starting from taking bare possession of the terminal or until 2038 and renewable for another 30 years with the following considerations: (i) fixed rent fee - payable on a monthly basis and in advance for AR\$5.77 (equivalent to US\$0.29) per square meter (sqm) per month (ii) variable royalty - payable monthly and based on annual traffic volume at the start of commercial operations; and (iii) assured royalty - payable annually once the terminal becomes operative to cover fixed rent fee, variable royalty, tariff for the use of waterways and port and service of containerized cargoes for the amount of US\$4.0 million, which is to be adjusted according the cost of dredging. The port of La Plata shall be operated by ICTSI through Tecplata. Tecplata took over bare possession of the terminal on November 10, 2008. On July 17, 2014, an addendum to the concession agreement was signed which indicated that the terminal is considered in commercial operations for purposes of payment of US\$4.0 million assured royalty once the terminal accepts calls from post panamax vessels. The construction of the terminal was completed and Tecplata has obtained all the required permits and is ready to operate but still not considered in commercial operations.

For the years ended December 31, 2015, 2016 and 2017, Tecplata has paid La Plata fixed rent fee amounting to US\$1.6 million, US\$1.0 million and US\$0.9 million, respectively.

The contract contains commitments and restrictions which include works and investments to be completed at different stages of the concession, to wit:, among others: (i) First Stage - construction of a dock with a length of 500 meters, a yard for handling and storage with an area of 227,600 square meters, access pavements and parking lots for trucks, service facilities and internal parking lots, margins protection to avoid erosion, and a 600-meter secondary road for access to the terminal; (ii) Second stage - extension of the main dock by 300 meters and expansion of the yard by 31,000 square meters; (iii) Third stage - expansion of the yard for handling and storage by 44,000 square meters and construction of Container Freight Station (CFS) facilities with an area of 10,000 square meters; and (iv) work completion and performance bonds amounting to US\$1.0 million and US\$2.5 million, respectively. Currently, first stage was completed with some changes (berth has 600 mts, 100 mts more than required), and the second and third stages became mandatory in 2028.

24.6 Agreement on Concession of Container and Ro-Ro Terminal Brajdica

In March 2011, ICTSI, through its wholly-owned subsidiary, ICBV, entered into a Share Purchase Agreement (SPA) with Luka Rijeka, a Croatian company, to purchase a 51.0 percent interest in AGCT. AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The concession agreement calls for a payment of fixed port fees in the amount of US\$0.60 per square meter of the occupied concession area until second quarter of 2013 and variable port fees equivalent to 1.0 percent of annual gross revenues. After the delivery or handover of the new area, port fees shall be as follows: fixed port fees of €4.0 (US\$5.2) per square meter; and variable fees based on annual volume handled. Variable fees shall be calculated in the following manner based on annual throughput: €6.4 (US\$8.3) per TEU until 350,000 TEU-volume has been handled; €4.8 (US\$6.2) per TEU for annual throughput of 350,001 to 400,000 TEUs; and €3.2 (US\$4.1) per TEU for volume handled above 400,000 TEUs.



Total variable fees paid by AGCT to the port authority shown as part of “Port authorities’ share in gross revenues” account in consolidated statements of income amounted to US\$1.2 million (HRK8.0 million) in 2015, US\$1.2 million (HRK8.4 million) in 2016 and US\$1.5 million (HRK10.0 million) in 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$12.7 million (HRK89.2 million), US\$12.1 million (HRK86.9 million) and US\$13.6 million (HRK84.3 million) as at December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$0.2 million (HRK1.3 million), US\$0.2 million (HRK1.3 million) and US\$0.2 million (HRK1.4 million) is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$12.5 million (HRK88.0 million), US\$11.9 million (HRK85.6 million) and US\$13.4 million (HRK82.9 million) is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.

**24.7 Contract for the Operation and Management
on the New Container Terminal 2 (NCT-2 Contract)**

On July 27, 2011, SBMA and ICTSI signed the concession agreement for the operation and management of NCT-2 at Cubi Point in Subic, Philippines for 25 years. On August 19, 2011, SBMA approved the assignment of ICTSI’s rights, interests and obligations in the NCT-2 contract to ICTSI Subic, which was incorporated on May 31, 2011.

The NCT-2 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, ICTSI Subic shall pay: (i) base rent of US\$1.005 per square meter per month with 6.0 percent escalation on the fifth year and every three years thereafter; (ii) fixed fee of US\$502,500 every year; and (iii) variable fee of 12.0 percent to 17.0 percent of ICTSI Subic’s gross revenue depending on the volume of containers handled at the terminal. Under the NCT-2 Contract, ICTSI Subic shall manage and provide container handling and ancillary services to shipping lines and cargo owners at NCT-2. While SBMA shall provide the equipment at NCT-2, ICTSI Subic shall also provide additional equipment and facilities it may deem necessary to efficiently manage NCT-2 and pay certain fees to SBMA in consideration for the NCT-2 Contract. Furthermore, ICTSI Subic is committed to invest a total of ₱658.0 million (approximately US\$16.0 million) for the entire duration of the concession agreement.

On August 2, 2012, SBMA issued the Notice to Proceed with the operation and management of the NCT-2 to ICTSI Subic. Consequently, ICTSI Subic recognized the present value of fixed port fees as concession rights and concession rights payable both amounting to US\$28.7 million (see Note 5).

Total variable fees paid by ICTSI Subic to SMBA shown as part of “Port authorities’ share in gross revenues” account in consolidated statements of income amounted to US\$0.1 million in 2015, US\$0.2 million in 2016 and US\$0.6 million in 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$28.4 million, US\$28.1 million and US\$27.8 million as at December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$0.3 million, US\$0.3 million and US\$0.4 million is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$27.5 million, US\$27.8 million and US\$27.4 million is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.



24.8 Sub-Concession Agreement (SCA) between ICTSI and Lekki Port

On August 10, 2012, ICTSI and Lekki Port signed the SCA, which grants ICTSI the exclusive right to develop and operate the Deep Water Port in the LFTZ, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operation date. As considerations for the SCA, ICTSI shall: (i) pay royalties calculated as a percentage of Gross Revenue as defined in the SCA; (ii) pay sub-concession fee amounting to US\$25.0 million, payable in two equal tranches; (iii) pay infrastructure fee of about US\$37.2 million; and (iv) transfer certain equipment as specified in the SCA. The container terminal will have a quay length of 1,200 meters, an initial draft of 14.5 meters with the potential for further dredging to 16 meters, and maximum handling capacity of 2.5 million TEUs. With these features, shipping lines will be able to call with the new regional standard large vessels, turning the port into a seminal destination for the West African region. On November 7, 2012, ICTSI through ICBV, established LICTSLE to operate the Deep Water Port in the LFTZ. In 2012, ICTSI paid US\$12.5 million sub-concession fee to Lekki Port, which is recognized as Concession Rights in the consolidated balance sheets (see Note 5). On January 26, 2014, ICBV executed a Share Purchase Agreement with CMA Terminals (CMAT), a member of CMA-CGM Group. Under the said Agreement, ICBV agreed to sell its 25 percent shareholdings in LICTSLE to CMAT, subject to certain conditions precedent to completion.

On May 17, 2017, ICTSI and Lekki Port mutually agreed to terminate the Agreement subject to a payment by Lekki Port of an agreed amount. On May 23, 2017, ICTSI received the agreed amounts of US\$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement, and US\$7.5 million representing compensation of costs incurred by ICTSI in relation to the project which was recognized as “Other income” in the 2017 consolidated statement of income (see Notes 1.2 and 20). The termination of the Agreement was finalized and deemed effective on May 24, 2017.

24.9 Implementation Agreement between Karachi Port Trust (KPT) and Premier Mercantile Services (PVT) Ltd. (PMS)

On June 18, 2002, KPT and PMS signed the Implementation Agreement for the exclusive construction, development, operations and management of a common user container terminal at the Karachi Port for a period of 21 years until 2023. PMS established PICT as the terminal operating company to develop, operate and maintain the site and the terminal in accordance with the Implementation Agreement. The Implementation Agreement sets forth the specific equipment and construction works to be performed based on the terminal’s productivity level; calls for the payment of fixed and variable fees; and requires the turnover of specific terminal assets at the end of the term of the Implementation Agreement. Fixed fees are in the form of Lease Payments or Handling, Marshalling and Storage charges (“HMS Charges”) at a unit rate of Rs.411 per square meter per annum in respect of the site occupied by PICT and subject to an escalation of 15 percent every three years in accordance with the Lease Agreement between KPT and PICT, which is an integral part of the of the Implementation Agreement. On the other hand, variable fees are in the form of Royalty payments at a rate of US\$12.54 per Cross Berth revenue move, subject to an escalation of 5 percent every three years.

Total variable fees paid to KPT shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$8.5 million (Rs.873.7 million) in 2015, US\$8.3 million (Rs.866.4 million) in 2016 and US\$7.6 million (Rs.803.8 million) in 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$8.3 million (Rs.874.3 million), US\$7.8 million (Rs.816.9 million) and US\$6.7 million (Rs.743.5 million) as at



December 31, 2015, 2016 and 2017, respectively. The current portion amounting to US\$0.5 million (Rs.57.4 million), US\$0.7 million (Rs.73.4 million) and US\$0.8 million (Rs.87.0 million) is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$7.8 million (Rs.816.9 million), US\$7.1 million (Rs.743.5 million) and US\$5.9 million (Rs.656.5 million) is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively.

24.10 Agreement between OPC, the Republic of Honduras and
Banco Financiera Commercial Hondurena, S.A

On February 1, 2013, ICTSI was awarded with a 29-year agreement by the Republic of Honduras, acting on behalf of the Commission for the Public-Private Alliance Promotion (COALIANZA), and Banco Financiera Comercial Hondurena, S.A. (FICOHSA Bank) for the design, financing, construction, maintenance, operation and development of the container terminal and general cargo of Puerto Cortés, Republic of Honduras (the “Agreement”). The Agreement was signed on March 21, 2013 and is valid until August 30, 2042. The Container and General Cargo Terminal of Puerto Cortés (the “Terminal”) will have 1,100 meters of quay for containers and 400 meters of quay for general cargo, 14 meters of draft, 62.2 hectares of total surface area, nine ship-to-shore cranes, and a volume capacity of approximately 1.8 million TEUs.

Pursuant to the Agreement, OPC is obliged to pay certain contributions to the following: (a) Municipality of Puerto Cortés - 4% of the gross income without considering the tax over sales, payable monthly; (b) National Port Company - US\$100,000 for each hectare occupied of the existing surfaces, from the beginning of the development of the occupied spaces and the new built surfaces referring to the Works of the National Port Company from the date of Occupation, payable annually; US\$75,000 for each hectare of the new built and/or earned to the sea surfaces referring to the mandatory works from the beginning of the operation exploration of the occupied surfaces, payable annually; a certain amount for each movement of the container of importation/exportation regardless if it is full or empty, with a right to reimbursement in an amount equivalent to 25% of the imposed amount; for the load not packed in containers - US\$1 for each ton of fractioned load that is operated in the Terminal, US\$5 for each unit of rolling load that is operated in the Terminal, US\$1 for each passenger operated in the Terminal; Upfront payment of US\$25.0 million; (c) COALIANZA - 2% of the total of the Reference Investment of the Project, paid on execution date of the Agreement; and (d) Trustee (FICOHSA Bank) - 0.37% of the annual gross income, payable monthly; and US\$1,584,835 paid on execution date of the Agreement. Total payments in relation to this Agreement aggregated US\$34.9 million, which are presented as part of “Intangibles” account in the consolidated balance sheets (see Note 5).

On October 29, 2015, the Agreement was amended to incorporate the following, among others: (a) OPC shall carry out the Works of the National Port Company relating to the construction and development of Berth 6 with a length of 550 meters out of the 1,100 meters of quay for containers under the Agreement. OPC shall complete the first phase of construction of Berth 6 by the third quarter of 2018 while second phase shall be completed no later than the second quarter of 2023; (b) 10% reduction from the original variable and fixed rates related to the annual contribution paid to the National Port Company as well as contributions per movement of container of importation/exportation, ton of load not packed in containers, unit of rolling load and terminal passenger. The reduction in variable and fixed rates shall be effective upon the commencement of the first phase of berth construction subject to annual escalation based on inflation calculated as prescribed in the amended agreement; (c) reduction in the number of port equipment investment commitment; and (d) modification in the timing of committed investment in infrastructure and equipment.



The total variable port fees paid by OPC shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income amounted to US\$10.7 million in 2015, US\$10.9 million both in 2016 and 2017. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US\$46.2 million, US\$40.2 million and US\$40.8 million as at December 31, 2015, 2016 and 2017, respectively, and is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets.

**24.11 Contract for the Construction and Operation of Three New Quays and
Management and Operation of Quay No. 20 in the Port of Umm Qasr in Iraq**

ICTSI, through its wholly owned subsidiary, ICTSI Dubai and GCPI signed on April 10, 2014 the Contract in the Port in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build in three phases, under a BOT scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, the First Addendum was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the First Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. On March 26, 2017, the Second Addendum was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate Quay No. 21 co-terminus with the Contact and the First Addendum. The Second Addendum extended the term for the management and operation of Quay No. 19 and 20 from 13 to 21 years.

ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. The rehabilitation works for Berth 21 are on-going and it is expected to operate in the first quarter of 2018.

Phase 1 of the expansion project (Berth 27) under the BOT scheme has 250 meters of berth with an estimated capacity of 300,000 TEUs. The facility will have 600 meters of quay with an estimated capacity of 900,000 TEUs. Berth 27 was completed and fully operational in the first quarter of 2017.

The total variable port fees paid by ICTSI Iraq shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income amounted to US\$7.7 million in 2015, US\$18.1 million in 2016 and US\$18.9 million in 2017.

**Agreements outside the Scope of IFRIC 12
and Accounted by the Group in Accordance with IFRIC 4**

Agreements outside the scope of IFRIC 12 are assessed in accordance with IFRIC 4. An arrangement is within the scope of IFRIC 4 if: (a) the fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

**24.12 Lease Agreement for the Installation and Exploitation of a Container Terminal for
Mixed Private Use of the Port of Suape-Complexo Industrial Portuario (Suape)**

On July 2, 2001, TSSA entered into a lease agreement with Suape for the operation and development of a container terminal in a port in Suape, Brazil for a period of 30 years starting



from the date of agreement. In consideration for the lease, TSSA shall pay Suape a fee in Brazilian Reais (R\$) consisting of three components: (i) R\$8.2 million, payable within 30 days from the date of agreement; (ii) R\$3.1 million, payable in quarterly installments; and (iii) an amount ranging from R\$15 to R\$50 (depending on the type of container and traffic, i.e., full, empty/ removal and transshipment) handled for each container, payable quarterly. For the third component of the fee (which rates per container increase by 100 percent every ten years), if the total amount paid for containers handled in the four quarters of the year is less than the assured minimum amount for such component indicated in the agreement, TSSA will pay the difference to Suape based on a certain formula. The lease fee is subject to readjustment annually, unless there is a change in legislation, which allows a reduction in the frequency of readjustment, based on a certain formula contained in the agreement. Total variable fees paid to Suape, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US\$14.8 million (R\$49.5 million) in 2015, US\$16.3 million (R\$56.9 million) in 2016 and US\$21.3 million (R\$68.2 million) in 2017. Total fixed fees paid to Suape, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US\$3.5 million (R\$11.8 million) in 2015, US\$3.7 million (R\$12.9 million) in 2016 and US\$4.2 million (R\$13.6 million) in 2017.

Under the lease agreement, TSSA undertakes to make the investment in works, equipment, systems and others necessary to develop and operate the Suape port within the agreed time frame.

Upon the expiration of the term of the contract or in the event of pre-termination, the building and other structures constructed in the port by TSSA shall become the property of Suape in addition to assets originally leased by Suape to TSSA. TSSA may remove movable goods from the container terminal, unless the parties agree otherwise.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$7.7 million (R\$25.4 million); due starting 2019 up to 2022 totaled US\$57.8 million (R\$191.5 million); and due starting 2023 onwards totaled US\$166.0 million (R\$549.8 million).

24.13 Contracts with Gdynia Port Authority (the "Harbour")

On May 30, 2003, the Parent Company and the Harbour signed three Agreements, namely Agreement on Commercial Cooperation, Lease Contract and Contract for Sale of Shares, which marked the completion of the privatization of BCT. BCT owns the terminal handling assets and an exclusive lease contract to operate the Gdynia container terminal for 20 years until 2023, extendable for another specified or unspecified period, depending on the agreement.

Under the Agreement on Commercial Cooperation, US\$78.0 million is the estimated investment for terminal improvements over the life of the concession, of which €20.0 million is necessary within the first eight-year period. As at December 31, 2017, BCT invested US\$109.0 million (€87.6 million), thus exceeding the minimum investment level required.

In the original Lease Contract signed between the Harbour and the original owners of BCT, the Harbour shall lease to BCT its land, buildings and facilities for a period of 20 years for a consideration of Polish zloty (PLN) equivalent of US\$0.62 million per month to be paid in advance. Subsequently, twenty two amendments in the contract were made reducing the monthly rental to US\$0.61 million and US\$0.55 million in May 2004 and October 2013, respectively. Under the revised Agreement with BCT, the Harbour further reduced the rental fee by US\$0.9 million (PLN2.8 million) annually effective January 1, 2005. This amount has been translated into US dollar using the average exchange rate of US dollar effective in the National Bank of Poland as at December 31, 2004, and deducted from the existing rental rate in US dollar.



Total fees paid to the Harbour pertaining to the Lease Contract, shown as part of “Equipment and facilities-related expenses” account in the consolidated statements of income, amounted to US\$6.1 million in 2015, US\$6.6 million both in 2016 and 2017.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$6.7 million; due starting 2019 up to 2022 totaled US\$26.6 million; and due starting 2023 onwards totaled US\$2.8 million.

24.14 Contract with Naha Port Authority (NPA)

On January 25, 2005, NPA and NICTI signed the basic agreement to operate Terminals 9 and 10 at the Naha port. Another agreement, a 10-year Lease Agreement, was signed on May 12, 2005 after the authorization for the project was obtained from the office of the Japanese Prime Minister pursuant to the law on Special Zones for Structural Reform. Actual port operations commenced on January 1, 2006. NICTI has committed to achieve annual handling volume of containers over 850,000 TEUs which shall include empty containers. In addition, NICTI has agreed to design, construct, operate and maintain the port facilities and terminal site including NPA’s facilities and has set up a performance bond with a local bank for a sum of ¥100.0 million as required by NPA. NICTI deposited ¥50.0 million to guarantee the performance bond. NICTI is also committed to pay fixed fees amounting to ¥87.5 million annually, starting 2009, plus a variable fee based on volume achieved payable semi-annually. In 2009, NPA and NICTI agreed to reduce the annual fixed fees as follows: ¥42.9 million for the period starting April 1, 2009 until March 30, 2010; and ¥43.08 million for the period starting April 1, 2010 until the end of the lease term.

On April 27, 2015, NICTI purchased ICTSI’s 60 percent ownership interest in NICTI for JPY107.0 million (approximately US\$0.9 million) as part of its treasury shares. The 10-year lease agreement of NICTI expired at yearend and ICTSI was no longer interested in the negotiation for the renewal of the lease agreement.

Total fixed fees paid to NPA pertaining to the contract, shown as part of “Equipment and facilities-related expenses” account in the consolidated statements of income, amounted to US\$0.2 million (¥28.8 million) for the period ended April 27, 2015. Variable fees paid to NPA, shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$0.1 million (¥11.6 million) for the period ended April 27, 2015.

24.15 Concession Agreement with Batumi Port Holdings Limited (BPHL)

In September 2007, IGC obtained the concession from BPHL to develop and operate a container terminal and a ferry and dry bulk handling facility in the Port of Batumi in Georgia. BPHL has the exclusive management right over the State-owned shares in Batumi Sea Port Limited (BSP). IGC established BICTL to operate the concession.

In relation to the concession, BICTL, through IGC, entered into a lease and operating agreement with BSP for a 48-year lease over a total area of 13.6 hectares of land in Batumi Port, consisting of Berths 4 and 5 for a container terminal, and Berth 6 as ferry terminal and for dry bulk general cargo. The lease and operating agreement will expire on June 30, 2055. IGC paid BPHL US\$31.0 million, shown as “Intangible assets” account in the consolidated balance sheets and amortized up to year 2055, in consideration of the procurement for the lease between BICTL and BSP. Under the lease and operating agreement between BICTL and BPHL, BICTL shall pay BSP an annual rent of US\$0.1 million from November 2, 2007 to 2008, US\$0.2 million from November 2, 2008 to 2009, US\$0.5 million from November 2, 2009 to 2011 and US\$0.8 million from November 2, 2011 to expiration date of the contract as stipulated in the agreement.



Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$0.6 million; due starting 2019 up to 2022 totaled US\$2.7 million; and due starting 2023 onwards totaled US\$25.7 million.

Total fixed fees shown as part of “Equipment and facilities-related expenses” account in the consolidated statements of income, amounted to US\$0.8 million in 2015, US\$0.6 million in 2016 and US\$0.7 million in 2017.

24.16 Concession Contract for the Management and Operation of the MCT

On April 25, 2008, Phividec Industrial Authority (PIA) awarded the management and operation of MCT in Misamis Oriental, in the Philippines to ICTSI. The concession contract is for a period of 25 years starting from the date of the agreement. ICTSI established MICTSI to operate the concession. Under the contract, MICTSI shall be responsible for planning, supervising and providing full terminal operations for ships, container yards and cargo handling. MICTSI shall also be responsible for the maintenance of the port infrastructure, facilities and equipment set forth in the contract and shall procure any additional equipment that it may deem necessary for the improvement of MCT’s operations. In consideration for the contract, MICTSI shall pay PIA fixed fee of ₱2,230.0 million (equivalent to US\$46.9 million) payable in advance in quarterly installments and variable fees based on percentages of MICTSI’s gross revenue ranging from 15 to 18 percent during the term of the contract. The said fixed fees will be subject to renegotiation by both parties after five years and every five years thereafter, taking into consideration variances between the projected and actual cargo volumes. The total variable fees paid to PIA, shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$1.7 million (₱78.9 million) in 2015, US\$2.0 million (₱96.4 million) in 2016 and US\$2.0 million (₱102.6 million) in 2017. Total fixed fees paid to PIA, shown as part of “Equipment and facilities-related expenses” account in the consolidated statements of income amounted to US\$1.3 million (₱60.0 million) in 2015, US\$1.3 million (₱60.0million) in 2016 and US\$1.2 million (₱60.0 million) in 2017.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$1.8 million (₱90.0 million); due starting 2019 up to 2022 totaled US\$9.2 million (₱460.0 million); and due starting 2023 onwards totaled US\$24.0 million (₱1.2 billion).

24.17 Deed of Usufruct between Tecplata and Compañía Fluvial del Sud, S.A.

In 2008, Tecplata entered into an operating lease agreement with Compañía Fluvial del Sud, S.A. for the use of land and real property in relation to Tecplata’s contract to operate the port of La Plata in Argentina. The lease agreement is for 20 years, starting in 2010, subject to renewal for another 20 years at the option of Tecplata. This agreement is accounted for as an operating lease. Consequently, Tecplata capitalized the related rental expense as part of the cost of port facilities and recognized under “Intangibles” account in the consolidated balance sheet during the period of construction until such time that the port facilities will be available for use. On December 20, 2010, Tecplata and Compañía Fluvial del Sud, S.A. executed an amendment to the lease agreement which provided that: (i) in 2010, Tecplata should not have to make any payments in connection with the lease; (ii) from January 2011, Tecplata shall pay a monthly lease of US\$17,500 (approximately AR\$87,500); and (iii) from the month following the commencement of operations in the terminal, monthly payments shall be US\$35,000 (approximately AR\$175,000), which was the amount originally agreed upon by both parties. In addition, the accumulated discount as a result of the amendment in 2010 relating to lease payments in 2011, 2012 and 2013 with respect to the original values of the lease amounting approximately US\$0.5 million (as at December 31, 2013) will be paid in 36 installments once Tecplata starts operations. Tecplata paid



US\$0.4 million each in 2015, 2016 and 2017 to Compañía Fluvial del Sud, S.A. included as part of “Equipment and facilities-related expenses” in the consolidated statements of income.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$0.4 million; due starting 2019 up to 2022 totaled US\$1.7 million; and due starting 2023 onwards totaled US\$6.7 million.

24.18 Contract Granting Partial Rights and Obligations to Contecon Manzanillo, S.A. de C.V.

In November 2009, ICTSI was declared by the Administracion Portuaria Integral de Manzanillo, S.A., de C.V. (API) the winner of a 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established CMSA on January 6, 2010 to operate the Port of Manzanillo. The concession agreement was signed on June 3, 2010. CMSA paid upfront fees of MXN50.0 million (US\$4.0 million) to API in two installments: MXN25.0 million (US\$2.0 million) on June 3, 2010, the date of signing of the contract; and another MXN25.0 million (US\$2.0 million) on September 17, 2010.

Under the terms of the contract granting partial rights and obligations, CMSA will build, equip, operate and develop the terminal that will specialize in the handling and servicing of containerized cargo. Investments in the Port of Manzanillo include maritime works, dredging, quay (including crossbeams and fenders), maneuver yards, storage installations, land access and signals, as well as all those works necessary to fulfill the productivity indexes contained in the contract.

The port facilities will be turned over by API to CMSA in three phases: (a) Phase I, North Area, Position 18: 379,534.217 square meters (sqm) of the federal land area and 18,000 sqm of the maritime area; (b) Phase II, Centre Area Position 19: 158,329.294 sqm of the federal land area and 18,000 sqm of the maritime area; (c) Phase III, South Area (Position 20): 186,355.22 sqm of the federal land area and 18,000 sqm of the maritime area. On November 30, 2010, the first phase of the ceded area was formally delivered to CMSA while a portion of the second phase of the ceded area equivalent to 42,000 sqm of the federal land area and 18,000 sqm of the maritime area were delivered in advance to CMSA. The remaining portion of the second phase of the ceded area equivalent to 116,329.294 sqm was delivered to CMSA on June 30, 2017. CMSA will formally request for the delivery of the third phase of the ceded area not later than January 1, 2020.

CMSA shall pay annual fixed fees of MXN163.0 million (US\$12.9 million), MXN75.5 million (US\$6.0 million) and MXN 83.8 million (US\$6.6 million) for the first, second and third phases of the ceded area, respectively. The annual fixed fees shall be paid and adjusted based on CPI on a monthly basis. Further, CMSA shall pay monthly variable fees of US\$13.41 (MXN248) per TEU, for a maximum of 1,500,000 TEUs per year.

CMSA started commercial operations in November 2013. The total variable fees paid by CMSA, shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income amounted to US\$11.3 million (MXN179.2 million) in 2015, US\$12.0 million in 2016 and US\$15.6 million in 2017. Total fixed fees paid by CMSA, shown as part of “Equipment and facilities-related expenses” account in the consolidated statements of income amounted to US\$11.6 million (MXN184.3 million) in 2015, US\$10.6 million in 2016 and US\$13.9 million in 2017.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$16.5 million, due starting 2019 up to 2022 totaled US\$81.2 million; and due starting 2023 onwards totaled US\$1.3 billion.



24.19 Lease Agreement between the Port of Portland and ICTSI Oregon

On May 12, 2010, ICTSI Oregon signed a 25-year lease with the Port of Portland for the container/break bulk facility at Terminal 6. Under the terms of the agreement, ICTSI Oregon and ICTSI paid the Port of Portland US\$8.0 million (US\$2.0 million on May 12, 2010 as a signing deposit; and the remaining US\$6.0 million on August 12, 2010) in addition to an annual rent payment of US\$4.5 million, subject to any increases in the consumer price index. As terminal volume increases over time, ICTSI will pay the Port of Portland additional incremental revenue per container moved. Furthermore, the Port of Portland shall; (a) demise and lease the terminal land, the improvements, cranes, and all appurtenances pertaining thereto or arising in connection therewith to ICTSI, for and during the term of the lease; (b) grant an exclusive right to conduct stevedoring services at the terminal and to operate, manage, maintain and rehabilitate the port infrastructure, as well as to provide terminal services and collect and retain user fees; and (c) grant a non-exclusive right during the term of the lease to use the common areas in connection with permitted uses of the terminal.

The US\$8.0 million upfront fee was allocated to concession rights and property and equipment amounting to US\$4.2 million and US\$3.8 million, respectively. ICTSI Oregon took over the operations of the Terminal 6 of the Port of Portland on February 12, 2011.

Total fees paid to the Port of Portland pertaining to the lease agreement, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US\$4.8 million both in 2015 and 2016 and US\$59.1 thousand in 2017.

In October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon, Inc. (ICTSI Oregon) to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. During the latter part of 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. As of December 31, 2016, the Company provided for the amount of probable loss on the pre-termination of the lease agreement based on the Group's best estimate of the probable outcome of the negotiations with the Port of Portland. The estimated amount of probable loss from the pre-termination of the lease agreement charged to the 2016 consolidated statement of income was US\$23.4 million, which includes the carrying value of the container handling equipment and spare parts (see Notes 1.2 and 20).

On March 8, 2017, ICTSI, through ICTSI Oregon, and the Port of Portland signed a Lease Termination Agreement and both parties have mutually agreed to terminate the 25-year Lease Agreement to operate the container facility at Terminal 6 of the Port of Portland with an effective date of March 31, 2017. The Lease Termination Agreement allowed ICTSI Oregon to be relieved of its long-term lease obligations. In exchange, the Port of Portland received US\$11.45 million in cash compensation on March 29, 2017 and container handling equipment, including spare parts and tools on March 31, 2017.

As a result of the Lease Termination Agreement, ICTSI Oregon is no longer engaged in container operations at Terminal 6 or at any other locations. ICTSI Oregon's activities are currently devoted to supporting the on-going legal proceedings.



24.20 Development Agreement between VICT and POMC

On May 2, 2014, ICTSI, through its subsidiary in Australia, VICT, signed a contract in Melbourne with POMC for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container Terminal (Terminal) and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The Contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5, (b) design, build and commission the new ECP at WDE, and (c) operate the Terminal and ECP until June 30, 2040.

Phase 1 of the Terminal and the ECP with capacities of 350,000 TEUs and 250,000 TEUs, respectively, are expected to commence commercial operations in the second quarter of 2017. Phase 2 of the Terminal commenced commercial operations in the first quarter of 2018 and has increased the capacity to 1,000,000 TEUs.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$62.7 million (AUD80.3 million); due starting 2019 up to 2022 totaled US\$250.9 million (AUD321.3 million); and due starting 2023 onwards totaled US\$1.2 billion (AUD1.6 billion). Accrued rent amounted to US\$92.9 million (AUD127.4 million), US\$149.6 million (AUD207.5 million) and US\$100.3 million (AUD128.5 million) as at December 31, 2015, 2016 and 2017, respectively, calculated using the straight-line method from the inception of the contract in June 2014. The noncurrent portion of the accrued rent was included as part of "Other noncurrent liabilities" account while the current portion was included as part of "Accounts payable and other current liabilities" account in the 2015, 2016 and 2017 consolidated balance sheets. The current portion of the accrued rent as of December 31, 2015 and 2017 was nil (see Notes 16 and 18).

24.21 Concession to Construct and Operate a Maritime Container Terminal in the Port of Tuxpan

On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100 percent of the capital stock of TMT for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until

May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee of MXN23.24 plus VAT, per square meter of assigned area and (2) pay variable fee starting year 2018. As of March 6, 2018, management is currently working on a development plan on TMT.

Total fees paid to the Port pertaining to the concession agreement, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US\$0.3 million (MXN4.7 million) in 2015, US\$0.4 million (MXN8.3 million) in 2016 and US\$0.5 million (MXN8.6 million) in 2017.

Minimum lease payments relating to this agreement are as follows: due in 2018 amounted to US\$0.4 million (MXN8.1 million) and due starting 2019 up to 2021 totaled US\$1.0 million (MXN19.6 million).



Agreements outside the Scope of IFRIC 12 and IFRIC 4

24.22 Shareholders' Agreement (Agreement) with AG&P

On September 30, 1997, IWI entered into an Agreement with AG&P forming BIPI. BIPI developed the property acquired from AG&P at Bauan, Batangas into an international commercial port duly licensed as a private commercial port by the PPA.

Simultaneous with the execution of the Agreement, AG&P executed a Deed of Conditional Sale in favor of IWI conveying to the latter a parcel of land for a total purchase price of ₱632.0 million (equivalent US\$12.7 million as at December 31, 2017). The said land was transferred by IWI to BIPI under a tax-free exchange of asset for shares.

24.23 Cooperation Agreement for the Procurement, Installation and Operation of Container Handling Equipment under a Revenue Sharing Scheme at the Makassar Container Terminal Port of Makassar, South Sulawesi, Indonesia

MTS has an existing agreement with PT Pelabuhan Indonesia IV (Pelindo), the Indonesian government-owned corporation that owns and operates the Makassar Container Terminal, for the procurement, installation and operation of Container Handling Equipment (CHE) at the Makassar Container Terminal under a revenue sharing scheme for ten years until 2013, renewable for another 10 years by mutual agreement. In December 2012, MTS extended the joint operation contract, which will originally expire on September 30, 2013, until February 1, 2023. Under the agreement, MTS provides and operates CHE at the Port of Makassar. For the services provided, MTS is paid by Pelindo 60 percent of the gross revenue based on the published tariff for the operation of CHE owned by MTS. MTS' share in gross revenues included under "Gross revenues from port operations" account in the consolidated statements of income amounted to US\$2.3 million (IDR30.4 billion) in 2015, US\$2.7 million (IDR35.7 billion) in 2016 and US\$3.0 million (IDR40.0 billion) in 2017.

24.24 Long-term Contract for the Operations of Cargo Handling Services at Makar Wharf

On February 20, 2006, the PPA granted SCIPSI a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other related cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines and on all vessels berthed thereat, under the terms, conditions, stipulations and covenants in the contract. SCIPSI agreed to pay PPA 10 percent of the gross income for handling domestic cargo and 20 percent of the gross income for handling foreign cargo whether billed/unbilled or collected/uncollected. The contract expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of hold-over authority on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On February 22, 2018, the PPA issued AO No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016. As of March 6, 2018, the hold-over authority is yet to be issued by the PPA Port Manager.

The total fees paid by SCIPSI to PPA shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US\$1.1 million (₱50.0 million) in 2015, US\$1.3 million (₱61.5 million) in 2016 and US\$1.3 million (₱63.9 million) in 2017.



24.25 Long-term Contract for the Operations of Cargo Handling Services at Sasa Wharf

On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines. The contract provides, among others, for DIPSSCOR to maintain a required amount of working capital, to put up a performance bond to be secured from the Government Services Insurance System, to comply with the commitments and conditions in the business plan and to maintain a determined level of handling efficiency. DIPSSCOR agreed to pay PPA 10 percent of the gross income for handling domestic cargo and 20 percent of the gross income for handling foreign cargo whether billed/unbilled or collected/uncollected. The contract expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. On February 22, 2018, the PPA issued AO No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016. As of March 6, 2018, the hold-over authority is yet to be issued by the PPA Port Manager.

The total fees paid by DIPSSCOR to PPA, shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$1.4 million (₱65.4 million) in 2015, US\$1.4 million (₱66.3 million) in 2016 and US\$1.4 million (₱71.6 million) in 2017.

24.26. Joint Venture Contract on Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL) and YICT

In January 2007, the Group (through IHKL) entered into a joint venture contract with YPG and SDIC Communications, Co. on YRDICTL to operate and manage the Yantai port in Shandong Province, China. The registered capital of YRDICTL is RMB600.0 million (equivalent to US\$99.1 million as at December 31, 2013) and the term of the joint venture is 30 years, and may be extended upon agreement of all parties. The joint venture became effective on February 28, 2007.

In 2010, YPG and SDIC invested its 40 percent stock holdings in YRDICTL into YPH. As such, the non-controlling shareholder of the Company was changed from YPG and SDIC to YPH (see Note 22.1).

Pursuant to a joint venture agreement, the Board of YRDICTL shall be comprised of five members, three of which the Group has the right to elect. The land operated by YRDICTL was contributed as an in-kind capital contribution by YPG for a period of 30 years.

On July 1, 2014, the Group, through its subsidiary IHKL, acquired 51 percent of the total equity interest of YICT and the Group sold its 60 percent ownership interest in YRDICTL to YPH. The Group entered into a joint venture agreement on YICT with DP World and YPH for a period of 29 years until September 29, 2043, and may be extended upon agreement of all parties. The objective of these transactions is to consolidate and optimize the overall port operations within the Zhifu Bay Port Area in Yantai, China. YICT became the only foreign container terminal within the Zhifu Bay Port Area. DP World China (Yantai) and YPH owns 12.5 percent and 36.5 percent ownership interest in YICT, with ICTSI as the majority shareholder.

Pursuant to the said joint venture agreement, the Board of YICT shall be comprised of six members, three of which the Group has the right to elect. The Chairman of the Board shall be appointed by the Group and the said Chairman shall be entitled to a casting vote in the event of equality of votes. The Group is also entitled to appoint the General Manager and Financial



Controller. The land operated by YICT was contributed by YPH and is valid until August 28, 2043.

YICT is authorized by YPH to collect, on its behalf, the port charges (including port charges levied on cargoes and facilities security fees) in accordance with the state regulations and shall, after retaining 50% of the port charges levied on cargoes (as the fees for maintaining the facilities within the port owned by YICT) and 80% of the facilities security fees (as the fees for maintaining and improving the security facilities within the terminal owned by YICT) collected, pay to YPH the remaining parts no later than the fifteenth (15th) day of the following month.

The total fees paid by YICT to YPH, shown as part of “Port authorities’ share in gross revenues” account in the consolidated statements of income, amounted to US\$1.9 million (RMB12.1 million) in 2015, US\$2.1 million (RMB13.7 million) in 2016 and US\$2.1 million (RMB14.2 million) in 2017.

24.27 Cooperation Agreement for Operation of Terminal Area III of the Tanjung Priok Port at Jakarta, Indonesia between PT Pelabuhan Indonesia II (Pelindo) and OJA

OJA has existing cooperation agreements with Pelindo under a revenue sharing scheme covering the terminal operations of berths 300, 301, 302 and 303 located in Terminal Area III (referred to as “Cooperation Area”) of the Tanjung Priok Port, Jakarta, Indonesia. OJA and Pelindo share a fixed percentage based on various activities or services with container handling equipment and other facilities provided and operated by OJA in the Cooperation Area including stevedoring, lift-on/lift off, reefer container plugging and monitoring, trucking, and container customs inspection. The cooperation agreement was signed on March 7, 2011 and expired on March 7, 2013. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with Pelindo for international container stevedoring services wherein the parties will share a fixed percentage of revenues. Pending the fulfillment of certain conditions, the 15-year term of the Cooperation Agreement has not yet commenced as of March 6, 2018. The refrigerated container plugging and monitoring and inspection of container customs are being renewed yearly.

OJA’s share in gross revenues included under “Gross revenues from port operations” account in the consolidated statements of income amounted to US\$3.1 million (IDR41.7 billion) in 2015, US\$8.4 million (IDR112.4 billion) in 2016 and US\$9.7 million (IDR129.7 billion) in 2017.

24.28 Shareholders’ Agreement on IDRC

On January 23, 2014, the Group, through its subsidiary, ICTSI Cooperatief, forged a business partnership with SIMOBILE for the establishment and formation of a joint venture company, IDRC. IDRC, which is then 60 percent-owned by ICTSI Cooperatief, will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein.

At incorporation, the share capital of IDRC amounted to US\$12.5 million represented by 12,500 ordinary voting shares. IDRC was incorporated for an initial term of 99 years, subject to early dissolution or prorogation. ICTSI contributed US\$2.0 million cash upon incorporation and the US\$5.5 million cash in tranches while SIMOBILE contributed land valued at US\$5.0 million. On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to SCTP SA in exchange for the latter’s contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred



to its subsidiary, SIP Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA. The transaction was accounted for as a change in non-controlling interest and was recorded as an increase of US\$0.9 million in the “Excess of acquisition cost over the carrying value of non-controlling interests” account in the 2015 consolidated balance sheet.

Pursuant to the shareholders’ agreement, the Board of IDRC shall be comprised of six members, four of which will be appointed by the Group.

The facility to be constructed in Phase 1 will consist of two berths that will be able to handle 120,000 TEUs and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. The construction of the Phase 1 started in January 2015 and initial operations started in the third quarter of 2016.

Other Contracts and Agreements

24.29 Services Agreement (“Agreement”) with the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam (the Government)

On May 21, 2009, ICTSI entered into an Agreement with the Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement was valid for a period of four years from commencement date or May 22, 2009. The term was extendible for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. In consideration for the services, the Government paid the operator US\$7.0 million for the first year, US\$6.9 million for the second year, US\$7.3 million for the third year, and US\$7.7 million for the fourth year. On the optional fifth and sixth years, the operation fees were US\$8.1 million and US\$8.5 million, respectively. The operation fees for each year were paid in 12 equal monthly installments. Since 2012, the Agreement had been extended yearly for a period of one year or until May 20, 2017 as an interim operator. However, as part of the Government's ongoing overall restructuring, state-owned enterprise Darussalam Assets Sdn Bhd will take over the Muara Container Terminal operations from the Brunei Ports Department effective February 21, 2017. The future plans for Muara Container Terminal contemplate its integration with the development of a Special Economic Zone, which is not ICTSI's core competency and will require huge investments on the part of NMCTS. As part of ICTSI's efforts at rationalising its portfolio to achieve the best possible sources of long term growth and return for its shareholders, ICTSI, through NMCTS, is no longer interested in signing a new contract with the state-owned enterprise Darussalam Assets Sdn Bhd. Thus, the Agreement was pre-terminated effective February 21, 2017.

The Agreement contained commitments and restrictions which included, among others, accomplishment of service levels consisting of crane productivity, haulage turnaround time, equipment availability, reefer services and submission of calculation and documents for billing, as well as penalties for failure to meet the service level requirements.

24.30 Agreements with PNGPCL, a state-owned enterprise in PNG

In September 2017, ICTSI received a notification from PNGPCL, a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI's PNG subsidiaries, MITL and SPICTL, with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG. The TOA require MITL and SPICTL to pay an advance rent and annual rent. The advance rent will be deductible from the annual rent over the first 10 year of the term of the TOA. The annual rent is subject to an annual review based on consumer price index



and a review based on current market rate every fifth anniversary of the TOA. The TOA also involves the sale of certain port equipment by PNGPCL to MITL and SPICTL. Under the terms of the TOA, PNGPCL is required to perform terminal site development works based on agreed schedule. During the term of the TOA, MITL and SPICTL are required to acquire and deploy certain port equipment, repair and maintain the terminal and meet defined level of performance standards. The TOA and other related contracts will take effect after all the parties have complied with the agreed conditions precedent.

Starting February 1, 2018, SPICTL was allowed by PNGPCL to take over the port facilities and begin operations at the port of Lae pursuant to the early operations agreement (EOA) signed between SPICTL and PNGPCL while the parties are working on the completion of the remaining conditions precedent to the TOA. A monthly rent shall be paid by SPICTL to PNGPCL until termination of the EOA. The obligation of SPICTL for the repairs and maintenance of the terminal under the EOA is limited. The EOA shall be terminated upon effectivity of the TOA, termination of the conditional TOA or upon mutual agreement by PNGPCL and SPICTL. MITL is expected to take over the international port in Motukea in the second quarter of 2018.

The existing contracts and agreements entered into by certain companies within the Group contain commitments and restrictions which include, among others, the prohibition of the change in subsidiaries' shareholders without the prior consent of the port authority, maintenance of minimum capitalization and certain financial ratios, investment in the works stipulated in the investment program, provisions for insurance, submission of performance bonds, non-compete arrangements, and other related matters.

25. Contingencies and Contingent Liabilities

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves subrogation claims under which insurance companies have brought claims against the operator, shipping lines and/or brokerage firms for reimbursement of their payment of insurance claims for damaged equipment, facilities and cargoes. ICTSI is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations.

MICT

The MICT Berth 6 Project is a port development project being undertaken by the Company with the approval of the PPA and in compliance with the Company's commitment under its concession contract with the PPA. The City Council of Manila issued Resolution No. 141 dated September 23, 2010, adopting the Committee Report of the ad hoc committee that investigated the reclamation done in Isla Puting Bato in Manila, which stated that the project should have had prior consultation with the City of Manila, approval and ordinance from the City of Manila, and consent from the City Mayor. The Company and its legal counsels' position is that Resolution No. 141 of the City Council of Manila is purely recommendatory and is not the final word on the issue whether the MICT Berth 6 Project is validly undertaken or not.



On November 26, 2010, the PPA, through the Office of the Solicitor General, filed a petition for *certiorari* and prohibition with application for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 before the Supreme Court. The Supreme Court granted a temporary restraining order (“TRO”) enjoining the Mayor of Manila and the City Council of Manila from stopping or suspending the implementation of the MICT Berth 6 Project of the PPA. The TRO is still valid and continuing until further orders from the Supreme Court. The Supreme Court also granted the Company’s motion to intervene in the case of PPA vs. City of Manila and City Council of Manila. The parties filed their respective comments and replies before the Supreme Court. As at March 6, 2018, the parties still await the Supreme Court’s resolution on this case.

Notwithstanding the foregoing legal proceedings, the MICT Berth 6 Project was completed and inaugurated by the President of the Republic of the Philippines in July 2012 (see Note 21).

In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI before the Regional Trial Court of Manila, Branch 55, for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The amount of claim is ₱223.8 million (approximately US\$4.5 million) plus legal interest and attorney's fees of ₱1.0 million (US\$20.1 thousand).

PLDT filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard. As of March 6, 2018, the case is currently on trial.

PICT

In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against the PICT in the Honorable High Court of Sindh (HCS) claiming a sum of approximately US\$2.9 million alongwith the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyre Gantry Cranes in 2004. The HCS has rendered a judgement and decree in favour of PICT and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. In June 2017, KPT filed an appeal against the aforesaid judgment before the Divisional Bench of HCS. Upon advice of PICT’s legal advisor, management believes that there is no merit in this claim.

Also in 2007, PICT has filed an interpleader civil suit before HCS against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of demand raised by the DDO on PICT to pay property tax out of the Handling, Marshalling and Storage (HMS) Charges payable to KPT amounting to approximately US\$0.4 million for the period from 2003 to 2007. In compliance with the Order of HCS, PICT deposited the amount with Nazir of HCS, out of amount withheld by PICT from HMS charges billed by KPT. In 2014, another demand was made by DDO amounting to approximately US\$0.9 million for the period from 2008 to 2014. On an application filed by PICT for directions, HCS ordered for deposit of the aforementioned amount out of HMS charges billed by KPT and PICT subsequently complied with the order of HCS. In 2015, HCS issued further orders directing PICT to deposit the remaining HMS charges due and payable with HCS in quarterly installments and PICT complied accordingly. The amount deposited with HCS has been netted against the HMS payable to KPT. The decision of the suit is still pending and upon the advice of PICT's legal counsel, management believes that there is full merit in this case and there may be no adverse implication against PICT.



While completing the tax audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (DCIR) modified the deemed assessment of PICT and made certain disallowances/additions on the taxable income and raised an income tax demand of approximately US\$1.24 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who partially decided the appeal in favour of PICT. Consequently, PICT made the payment of approximately US\$0.95 million, in respect of issues confirmed by the CIR(A), and filed a second appeal before the Appellate Tribunal Inland Revenue, which is now pending for adjudication. Upon advice of PICT's tax advisor, management believes that the issues involved in the appeal is expected to be decided in favour of PICT.

During the period, the Assistant Commissioner Sindh Revenue Board (AC-SRB) under Sindh Sales Tax on Services Act, 2011 raised a demand of approximately US\$4.9 million along with penalty and default surcharge, for the tax periods January 2013 to December 2014 on exempt services provided by PICT. PICT filed an Appeal with Commissioner Appeals - SRB which is pending for hearing. PICT has also filed a petition before the HCS in respect of the subject order passed by AC-SRB seeking protection from any adverse action. HCS has granted an interim order restraining AC-SRB from taking any adverse action relating to recovery of above demand. Upon advice of PICT's tax and legal advisors, management believes that PICT has a strong defense and the appeal is expected to be decided in favour of PICT.

TSSA

In 2008, a civil suit was filed by former customer Interfood Comercio (Interfood) against TSSA for damages to perishable cargo amounting to BRL7.0 million (approximately US\$3.0 million). Interfood's cargo (garlic and birdseed) was declared improper for human and animal consumption due to long storage period at TSSA before it was claimed and such cargo was destroyed by Brazilian customs authorities. The lower court and Court of Appeals ruled in favor of Interfood. The case has been pending in the Supreme Court for more than four years. An amount of BRL12.0 million (approximately US\$3.6 million) in TSSA's bank account has been garnished by the lower court. The provision aggregating BRL13.8 million (US\$3.5 million), BRL13.8 million (US\$4.2 million) and BRL13.8 million (US\$4.2 million) were recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets as at December 31, 2015, 2016 and 2017, respectively (see Note 18). In July 2016, the State Court rendered a decision against TSSA. The said judgment, however, is still subject to a last appeal with the Supreme Court in Brasilia.

TICT

On December 28, 2012, TICT filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) on the grounds of "unforeseen change of circumstances" and "Force Majeure". In early 2013, TPGC submitted to arbitration TICT's termination notice. On April 1, 2014, the arbitration panel decided in favour of TPGC. While the award has become executory on April 20, 2015, management and its legal counsels believe that TPGC will not be able to successfully enforce the award outside of Syria.

BICTL

In 2015, BICTL filed a case against Revenue Service with the Tbilisi City Court for the cancellation of the tax assessment in the amount of US\$860.7 thousand (GEL2.3 million). The case involves Value-Added Tax on fees collected by BICTL for services rendered in relation to the export of scrap materials. The Revenue Service alleged that such fees are subject to VAT while BICTL believes that it has good legal basis to treat the services as a VAT zero-rated sale of services. In March 2016, the Tbilisi City Court rendered a decision in favor of Revenue Service.



BICTL has appealed the said decision with the appellate court. The first hearing was on January 17, 2018 and second hearing will be on March 7, 2018.

ICTSI Oregon

Due to continuing labor disruption caused by the International Longshore and Warehouse Union (ILWU) in Portland commencing in June 2012, ICTSI Oregon has filed two separate counter-claims in federal court against the ILWU seeking monetary damages. The first is a claim for damages caused by the ILWU's unlawful secondary activity under the National Labor Relations Act. The second is an antitrust claim brought against the ILWU and the Pacific Maritime Association (PMA). ICTSI Oregon also has a second counterclaim for breach of fiduciary duty against PMA. In addition, the National Labor Relations Board (NLRB) has sought and obtained two federal court injunctions against the ILWU, prohibiting illegal work stoppages as well as a finding of contempt of court against the union.

The federal district court initially stayed ICTSI Oregon's damage claim for unlawful secondary activity pending completion of administrative proceedings before the NLRB. The NLRB's administrative proceedings were completed in a manner favourable to ICTSI Oregon and the United States Court of Appeals for the District of Columbia Circuit in Washington D.C. upheld the NLRB's decisions. As a result, the federal district court in Oregon lifted the stay and has scheduled a trial of ICTSI's damage claim in November 2018. This is a substantial claim, seeking a multi-million dollar judgment against the ILWU.

ICTSI Oregon's antitrust claim against ILWU and PMA was dismissed by the federal court. The judge granted ICTSI Oregon permission to appeal the dismissal to the United States Court of Appeals for the Ninth Circuit. In July 2017, the Ninth Circuit upheld the dismissal of the claim. ICTSI Oregon has filed a petition for writ of certiorari with the United States Supreme Court seeking to reverse the Ninth Circuit's decision. If ICTSI Oregon prevails on its further appeal, its antitrust claim may proceed before the trial court. Under federal law, successful antitrust plaintiffs may recover treble damages.

As with its claim against the ILWU for damages caused by illegal secondary activity, ICTSI Oregon's breach of fiduciary claim against PMA was previously stayed by the federal district court. The federal district court has lifted that stay and ICTSI Oregon's claim for breach of fiduciary duty is scheduled for trial in November 2018 along with ICTSI Oregon's damage claim against the ILWU.

On November 6, 2017, ICTSI Oregon was granted a favourable decision from the US Court of Appeals in Washington D.C. against the ILWU. The US Court of Appeals found ILWU guilty of violating federal labor laws and upheld two NLRB decisions declaring that ILWU engaged in deliberate work stoppages and slowdowns, made false safety claims, and engaged in other coercive conduct against ICTSI Oregon and its customers.

Management believes that the other cases pending between ICTSI Oregon, ILWU and PMA will be resolved in favour of ICTSI Oregon.



26. Financial Instruments

26.1 Fair Values

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments by category whose fair value is different from its carrying amount as at December 31:

	2015		2016		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US\$1,081,043,350	US\$1,189,662,762	US\$1,344,765,928	US\$1,429,709,827	US\$1,432,417,876	US\$1,547,607,808
Concession rights payable	512,037,758	591,765,695	490,461,436	548,769,262	480,181,116	510,902,353
	US\$1,593,081,108	US\$1,781,428,457	US\$1,835,227,364	US\$1,978,479,089	US\$1,912,598,992	US\$2,058,510,161

Carrying values of cash and cash equivalents, receivables, accounts payable and other current liabilities and loans payable approximate their fair values due to the short-term nature of the transactions.

The fair value of quoted AFS equity shares is based on quoted prices. For unquoted equity securities, the fair values are not reasonably determinable due to unavailability of required information for valuation. These are presented based on cost less allowance for impairment losses. The unquoted equity securities pertain mainly to investments in golf clubs whose securities are not quoted and holding company whose shares are not publicly listed.

The fair values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 1.73 percent to 15.85 percent in 2015, 1.23 percent to 12.63 percent in 2016 and 1.43 percent to 12.23 percent in 2017.

For variable interest-bearing loans repriced monthly or quarterly, the carrying amount approximates the fair value due to the regular repricing of interest rates.

The fair values of derivative assets and liabilities, specifically forward contracts and prepayment options, are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions. For cross-currency swap, interest rate swaps, currency forwards and other structured derivatives, fair values are based on counterparty bank valuation.

26.2 Fair Value Hierarchy

The following tables below present the fair value hierarchy of the Group's financial instruments as of December 31:

	2015			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
AFS investments	US\$1,690,929	US\$1,690,929	US\$—	US\$—
Derivative assets	331,154	—	331,154	—
Derivative liabilities	554,217	—	554,217	—
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,189,662,762	1,032,128,641	—	157,534,121
Concession rights payable	591,765,695	—	—	591,765,695



2016				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value:				
Derivative assets	US\$8,036,235	US\$–	US\$8,036,235	US\$–
Derivative liabilities	2,802,017	–	2,802,017	–
AFS investments	1,512,807	1,512,807	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,429,709,827	1,018,581,996	–	411,127,831
Concession rights payable	548,769,262	–	–	548,769,262
2017				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value:				
Derivative assets	US\$5,074,653	US\$–	US\$5,074,653	US\$–
Derivative liabilities	4,374,838	–	4,374,838	–
AFS investments	1,759,120	1,759,120	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,547,607,808	1,047,984,942	–	499,622,866
Concession rights payable	510,902,353	–	–	510,902,353

In 2015, 2016 and 2017, there were no transfers between *Level 1* and *Level 2* fair value measurements and no transfers into and out of *Level 3* fair value measurements

26.3 Derivative Financial Instruments

ICTSI enters into derivative transactions as economic hedges of certain underlying exposures arising from its foreign currency-denominated loans, revenues and expenses. Such derivatives, which include interest rate swaps and currency forwards, are accounted for either as cash flow hedges or transactions not designated as hedges.

26.4 Derivative Instruments Accounted for as Cash Flow Hedges

Tecplata designated an aggregate of US\$173.0 million (AR\$927.9 million) in 2013 and US\$40.3 million (AR\$308.5 million) in 2014 of its Argentine peso-denominated cash and cash equivalents as cash flow hedges of the currency risk on Argentine peso-denominated payables that would arise from forecasted Argentine peso-denominated capital expenditures. The hedging in 2013 and 2014 covered forecasted Argentine peso-denominated expenditures from April 2013 to June 2014 and from March 2014 to December 2014, respectively. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port infrastructure (including port fees during the construction period) and would be recycled to profit and loss through depreciation.



Foreign currency translation loss on Argentine peso-denominated cash and cash equivalents designated as cash flow hedges aggregating to US\$1.9 million have been transferred from equity to construction in-progress under “Intangible assets” account in the consolidated balance sheets as at December 31, 2015.

As at December 31, 2017, Tecplata does not have any outstanding Argentine peso designated as cash flow hedge.

Interest Rate Swap. In November 2014, BCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in 2021. A notional amount of US\$21.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap, BCT pays fixed interest rate of 1.87 percent and receives floating rate of six-month LIBOR on the notional amount. As at December 31, 2014, the market valuation loss on the outstanding interest rate swap amounted to US\$0.1 million. The effective portion of the change in the fair value of the interest rate swap amounting to US\$84 thousand (net of US\$20 thousand deferred tax) for the year ended December 31, 2014 was taken to equity under other comprehensive loss. The swap was terminated on December 24, 2015 due to the full prepayment of the HSBC loans. BCT paid US\$0.4 million as net compensation for the swap cancellation.

In 2014, AGCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate Euro denominated loan maturing in 2023. A notional amount of EUR5.1 million (US\$6.2 million) and EUR3.8 million (US\$4.6 million) out of the total EUR10.6 million (US\$12.8 million) floating rate loan was swapped to fixed rate. Under the interest rate swap, AGCT pays fixed interest of 6.19 percent for EUR5.1 million and 5.55 percent for EUR3.8 million and receives floating rate of one-month EURIBOR plus 4.20 bps on the notional amount. Starting July 2016, the fixed interest for EUR5.1 million and EUR3.8 million was reduced to 5.39 percent and 4.75 percent, respectively, and AGCT receives floating rate of one-month EURIBOR plus 3.40 bps on the notional amount. The market valuation loss on the outstanding interest rate swap amounted to EUR0.5 million (US\$0.6 million), EUR0.5 million (US\$0.5 million), EUR0.4 million (US\$0.4 million) as at December 31, 2015, 2016 and 2017. The effective portion of the change in the fair value of the interest rate swap amounting to EUR0.4 million (US\$0.5 million), net of EUR0.1 million (US\$0.1 million) deferred tax, EUR0.4 million (US\$0.4 million), net of EUR0.1 million (US\$0.1 million) deferred tax, and EUR0.3 million (US\$0.3 million), net of EUR0.1 million (US\$0.1 million) deferred tax, for the years ended December 31, 2015, 2016 and 2017, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

In August 2016, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD320.4 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10% to 2.5875% and receives floating rate of six-month Bank Bill Swap Bid Rate (BBSY) basis points on the notional amount. As of December 31, 2016 and 2017, the market valuation gain on the outstanding interest rate swaps amounted to AUD9.8 million (US\$7.1 million) and AUD4.6 million (US\$3.6 million), respectively. The effective portion of the change in the fair value of the interest rate swap amounting to AUD6.9 million (US\$5.1 million), net of AUD2.9 million (US\$2.0 million) and AUD3.2 million (US\$2.3 million), net of AUD1.4 million (US\$1.3 million) deferred tax for the years ended December 31, 2016 and 2017, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its floating rate US\$-denominated floating rate loan maturing in 2027. A total notional amount of US\$181.0 million floating rate loan was swapped to fixed rate. Under the



interest rate swap arrangements, CMSA pays annual fixed interest of an average 2.44% and receives floating rate of six-month LIBOR on the notional amount. As of December 31, 2016 and 2017, the market valuation loss on the outstanding interest rate swaps amounted to US\$1.5 million and US\$0.6 million, respectively. The effective portion of the change in the fair value of the interest rate swap amounting to US\$1.0 million, net of US\$0.5 million deferred tax and US\$0.4 million, net of US\$0.2 million deferred tax for the years ended December 31, 2016 and 2017, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA's floating rate US\$-denominated floating rate loan maturing in 2021. A total notional amount of US\$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount. As of December 31, 2016 and 2017, the market valuation gain on the outstanding interest rate swaps amounted to US\$0.1 million and US\$0.3 million, respectively. The effective portion of the change in the fair value of the interest rate swap amounting to US\$78.5 thousand, net of US\$33.6 thousand deferred tax and US\$0.2 million, net of US\$0.1 million deferred tax for the years ended December 31, 2016 and 2017, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

Net Investment Hedging. In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375% maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05% with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group's Euro net investment in its subsidiary in Madagascar, MICTSL. As of December 31, 2017, the market valuation loss on the outstanding cross currency swap amounted to EUR2.6 million (US\$2.2 million). The effective portion of the fair value of the cross currency swap amounting to EUR1.8 million (US\$1.5 million), net of EUR0.8 million (US\$0.7 million) deferred tax, for the year ended December 31, 2017, was taken to equity under other comprehensive loss (see Note 14.7).

26.5 Other Derivative Instruments Not Designated as Hedges

Currency Forwards. In 2017, ICTSI entered into USDPHP forwards to hedge Philippine Peso disbursements. As of December 2017, there were no outstanding USDPHP forward contracts.

26.6 Fair Value Changes on Derivatives

The net movements in fair value changes of ICTSI's derivative instruments are as follows:

	2015	2016	2017
Balance at beginning of year	(US\$751,428)	(US\$223,063)	US\$5,234,218
Net changes in fair value of derivatives:			
Designated as accounting hedges	93,060	6,133,973	(4,534,403)
Not designated as accounting hedges	331,154	(331,154)	—
	(327,214)	5,579,756	699,815
Less fair value of settled instruments	(104,151)	345,538	—
Balance at end of year	(US\$223,063)	US\$5,234,218	US\$699,815



The net movement in fair value changes of freestanding derivative instruments designated as cash flow hedges are presented in the consolidated statements of comprehensive income as follows:

	2015	2016	2017
Balance at beginning of year	(US\$2,457,453)	(US\$494,308)	US\$3,682,715
Changes in fair value of cash flow hedges:			
Designated derivatives	93,060	6,133,973	(4,534,403)
Designated cash equivalents	—	—	—
Transferred to construction in-progress	1,855,269	(345,539)	—
Transferred to consolidated statements of income	104,151	—	—
Tax effects	(89,335)	(1,611,411)	1,099,025
Balance at end of year	(US\$494,308)	US\$3,682,715	US\$247,337

The net changes in fair value of the derivatives not designated as accounting hedges and the change in fair value of cash flow hedges transferred to profit or loss are presented in the consolidated statements of income under the following accounts:

	2015	2016	2017
Foreign exchange gain	US\$—	US\$—	US\$—
Port authorities' share in gross revenues	—	—	—
Other income (expense)	227,003	(331,154)	—
	US\$227,003	(US\$331,154)	US\$—

Fair value changes on freestanding derivatives as at December 31 are presented as follows:

	2015	2016	2017
Derivative assets (see Note 9)	US\$331,154	US\$8,036,235	US\$5,074,653
Derivative liabilities (see Note 16)	(554,217)	(2,802,017)	(4,374,838)
Total	(US\$223,063)	US\$5,234,218	US\$699,815

27. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise mainly of bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's port operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

ICTSI has port operations and development projects in 18 countries as at December 31, 2017. Short-term treasury activities are carried out at the subsidiary level; however, overall policy decisions concerning the Group's financial risks are centralized at the Parent Company in Manila. The Board reviews and approves the Group's policies for managing each of these risks, as summarized below, as well as authority limits. Treasury operations are regularly reviewed annually by Internal Audit to ensure compliance with the Group's policies.

ICTSI finances its business activities through a mix of cash flows from operations and long-term loans from banks. It is the Group's policy to minimize the use of short-term loans. The Group's borrowings are in US Dollar, Philippine Peso, Euro, Chinese Renminbi, Pakistani Rupee and Australian Dollar at fixed and floating rates of interest. The Group minimizes its currency exposure by matching its currency of borrowing to the currency of operations and functional currency at the relevant business unit whenever possible. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.



In the context of PFRS 7, the main risks arising from the normal course of the Group's business are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Working Capital Management

The Parent Company has minimal working capital requirements due to the short cash collection cycle of its business. Working capital requirements are well within the credit facilities established which are adequate and available to the Parent Company to meet day-to-day liquidity and working capital requirements. The credit facilities are regularly reviewed by the Treasury Group to ensure that they meet the objectives of the Group. Most of the foreign operating subsidiaries currently do not access short-term credit facilities as their respective cash flows are sufficient to meet working capital needs.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loans and is addressed by a periodic review of the Group's debt mix with the objective of reducing interest cost and maximizing available loan terms.



The following table sets out the carrying amount, by maturity, of the Group's liabilities that are exposed to interest rate risk as at December 31:

2015								
	Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*
						(In Original Currency)	(In US Dollar)	
Liabilities								
Long-term Debt								
Floating Rate:								
US\$ Securities	3,431,988	—	—	—	—	3,431,988	US\$3,431,988	US\$3,417,041
Interest rate	Passive Referential Rate from Ecuador Central Bank (PRECIB)+2.5%							
PKR loan	597,510,934	298,755,468	—	—	—	896,266,402	8,557,836	8,557,836
Interest rate	KIBOR+0.75% spread							
Euro loan	1,012,262	1,104,286	1,196,310	1,104,286	3,974,286	8,391,430	9,114,770	9,114,770
Interest rate	EURIBOR+4.2% spread							
RMB loan	187,230,000	—	—	—	—	187,230,000	28,832,561	28,832,561
Interest rate	Prevailing market rates							
*Net of Debt Issuance Costs								
2016								
	Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*
						(In Original Currency)	(In US Dollar)	
Liabilities								
Long-term Debt								
Floating Rate:								
US\$ Loan	—	—	15,000,000	—	—	15,000,000	US\$15,000,000	US\$15,000,000
Interest rate	LIBOR + 1.95% spread							
US\$ Loan	3,000,000.00	—	—	—	—	3,000,000	3,000,000	3,000,000
Interest rate	LIBOR + 1.60% spread							
PKR loan	298,755,468	—	—	—	—	298,755,468	2,862,465	2,862,465
Interest rate	KIBOR+0.75% spread							



2017								
	Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*
						(In Original Currency)	(In US Dollar)	
Liabilities								
Long-term Debt								
Floating Rate:								
US\$ Loan	3,920,000	20,580,000	-	-	-	24,500,000	US\$24,500,000	US\$24,500,000
Interest rate	LIBOR + 1.15% spread							
RMB Loan	10,000,000	20,000,000	20,000,000	20,000,000	20,000,000	90,000,000	13,831,684	13,831,684
Interest rate	PBOC standard rate less 5%							

*Net of Debt Issuance Costs



Re-pricing of floating rate financial instruments is mostly done monthly, quarterly or semi-annually. Interest on fixed rate financial instruments is fixed until maturity of the instrument. Financial instruments not included in the above tables are either noninterest-bearing, therefore not subject to interest rate risk, or has minimal interest rate exposure due to the short-term nature of the account (i.e., cash equivalents).

The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ICTSI's income before income tax (through the impact on unhedged floating rate borrowings), at December 31 are as follows (amounts in millions unless otherwise indicated):

	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax		
		2015	2016	2017
Loans	+1.0	(US\$0.5)	(US\$0.2)	(US\$0.3)
	-1.0	0.5	0.2	0.3

Liquidity Risk

The Group monitors and maintains a certain level of cash and cash equivalents and bank credit facilities deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows. The Group's policy is that not more than 25 percent of borrowings should mature in any 12-month period. Seven percent, five percent and five percent of the Group's total borrowings, gross of debt issuance costs as at December 31, 2015, 2016 and 2017, respectively, will mature in the ensuing 12 months. The Group is re-assessing its policy in mitigating liquidity risk in line with the current developments and demands of its rapidly growing business.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31 based on contractual undiscounted payments (amounts in millions unless otherwise indicated).

	2015					Total
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
Long-term debt	US\$36.6	US\$10.6	US\$73.8	US\$566.0	US\$1,113.1	US\$1,800.1
Accounts payable and other current liabilities*	145.7	0.2	4.6	2.1	2.0	154.6
Other noncurrent liabilities*	—	—	—	104.4	8.4	112.8
Loans payable	1.5	0.5	—	—	—	2.0
Derivative liabilities	0.1	—	0.1	0.4	—	0.6
Concession rights payable	11.7	12.5	23.3	250.9	710.2	1,008.6
Total	US\$195.6	US\$23.8	US\$101.8	US\$923.8	US\$1,833.7	US\$3,078.7

*Excludes statutory liabilities and provisions for claims and losses

	2016					Total
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
Long-term debt	US\$34.4	US\$7.5	US\$47.2	US\$666.5	US\$1,178.8	US\$1,934.4
Accounts payable and other current liabilities*	245.0	11.4	8.9	—	—	265.3
Other noncurrent liabilities*	—	—	—	76.7	6.8	83.5
Loans payable	21.6	—	15.0	—	—	36.6
Derivative liabilities	0.3	—	2.4	0.1	—	2.8
Concession rights payable	11.4	12.2	22.7	235.0	627.2	908.5
Total	US\$312.7	US\$31.1	US\$96.2	US\$978.3	US\$1,812.8	US\$3,231.1

*Excludes statutory liabilities, derivative liabilities, and provisions for claims and losses



2017						
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
Long-term debt	US\$37.8	US\$8.7	US\$52.4	US\$1,077.4	US\$777.9	US\$1,954.2
Accounts payable and other current liabilities*	130.3	40.6	13.9	—	—	184.8
Other noncurrent liabilities*	—	—	—	58.6	58.3	116.9
Loans payable	61.2	—	—	—	—	61.2
Derivative liabilities	1.9	—	—	2.5	—	4.4
Concession rights payable	11.4	12.4	23.1	236.2	725.0	1,008.1
Total	US\$242.6	US\$61.7	US\$89.4	US\$1,374.7	US\$1,561.2	US\$3,329.6

* Excludes statutory liabilities, derivative liabilities and provisions for claims and losses

The financial liabilities in the above tables are gross undiscounted cash flows. However, those amounts may be settled using cash on hand and in banks, aggregating US\$222.1 million, US\$248.6 million and US\$212.8 million as at December 31, 2015, 2016 and 2017, respectively. Furthermore, cash equivalents, amounting to US\$132.4 million, US\$76.5 million and US\$66.6 million as at December 31, 2015, 2016 and 2017, respectively, may also be used to manage liquidity.

Changes in liabilities arising from financing activities

	December 31, 2016	Cash flows	Foreign exchange movement	Translation Adjustment	Changes in fair values	Others*	December 31, 2017
Long-term debt	US\$1,409,576,378	(US\$63,439,071)	(US\$317,909)	US\$18,450,108	US\$—	US\$—	US\$1,364,269,506
Loans payable	36,598,275	21,874,571	—	605,205	—	2,109,052	61,187,103
Concession rights payable	490,461,436	(13,481,693)	(180,975)	3,382,348	—	—	480,181,116
Dividends payable	3,203,531	(112,503,197)	—	12,632	—	111,746,198	2,459,164
Derivative liability	—	—	—	—	4,491,068	—	4,491,068
Accrued interest	22,905,888	(93,095,820)	(279,785)	179,839	—	93,787,091	23,497,213
Total liabilities from financing activities	US\$1,962,745,508	(US\$260,645,210)	(US\$778,669)	US\$22,630,132	US\$4,491,068	US\$207,642,341	US\$1,936,085,170

* Others includes reclassifications, accrual of dividends and accrual of interest from interest-bearing loans.

Foreign Currency Risk

As a result of operations in subsidiaries whose functional currency is not the US dollar, the Group's consolidated balance sheets can be affected significantly by movements in the subsidiaries' functional currency and US dollar exchange rates (see Note 1.3).

In respect of financial assets and liabilities held in currencies other than the functional currencies of the Parent Company and the operating subsidiaries, the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot/forward rates where necessary to address short-term imbalances.

The Group recognized in the consolidated statements of income net foreign exchange loss amounting to US\$70.0 thousand in 2015, US\$228.0 thousand in 2016 and net foreign exchange gain amounting to US\$162.4 thousand in 2017 arising from net foreign-currency denominated financial assets and liabilities as at December 31, 2015, 2016 and 2017, respectively, which resulted mainly from the movements of Philippine peso, Brazilian real, Mexican peso and Colombian peso against the US dollar and Malagasy ariary against Euro.



The following table shows the Group's significant foreign currency-denominated financial assets and liabilities and their US Dollar equivalents at December 31:

	2015		2016		2017	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
Current Financial Assets						
Cash and cash equivalents:						
Philippine peso	2,821,310,538	US\$59,951,350	950,897,686	US\$19,125,054	1,148,871,876	US\$23,009,651
EUR	1,684,231	1,829,412	16,463,959	17,315,145	12,293,881	14,758,804
AUD	1,440,013	1,049,193	140,817,070	101,500,944	15,772,555	12,316,788
USD	98,542,879	98,542,879	1,990,045	1,990,045	5,181,622	5,181,622
RMB	15,504,781	2,387,665	23,469,361	3,379,318	22,448,497	3,450,006
IDR	3,477,724,327	252,228	21,387,090,632	1,587,404	27,069,628,442	1,997,022
PKR	816,351,666	7,794,784	462,705,166	4,433,316	162,816,359	1,470,789
BRL	2,429,959	619,429	4,745,355	1,457,777	4,136,316	1,248,699
MXN	68,079,210	3,956,368	3,470,302	167,427	17,650,885	897,853
HRK	2,556,467	363,351	2,552,159	355,607	2,823,546	455,984
PLN	2,738,233	698,013	454,107	108,449	525,125	150,720
BND	1,702,328	1,200,598	4,610,355	3,183,727	130,273	97,400
ARS	14,204,997	1,098,480	678,162	42,705	185,893	9,982
MGA	2,890,926,894	898,920	6,058,886	1,801	7,809,848	2,408
INR	24,793,335	374,784	29	—	—	—
Receivable:						
EUR	1,093,157	US\$1,187,387	9,186,168	US\$9,661,093	11,333,654	US\$13,606,052
BRL	29,208,215	7,445,567	32,383,802	9,948,329	35,469,070	10,707,644
PKR	695,274,938	6,638,705	608,022,824	5,825,647	883,443,443	7,980,519
RMB	28,822,694	4,438,563	32,554,261	4,687,439	37,828,954	5,813,757
Philippine peso	480,355,808	10,207,306	201,463,663	4,051,964	240,006,619	4,806,862
PLN	7,648,719	1,949,761	736,070	175,786	1,087,604	312,162
MXN	48,685,086	2,829,295	4,543,855	219,222	5,812,506	295,666
HRK	1,533,161	217,909	1,095,441	152,634	1,643,263	265,376
IDR	25,884,219,838	1,877,301	4,194,324,435	311,313	3,493,435,916	257,723
MGA	4,912,273,273	1,527,448	2,116,720	629	3,164,275	976
BND	3,259,636	2,298,918	2,658,675	1,835,975	—	—
USD	6,598,209	6,598,209	—	—	—	—
		228,233,823		191,518,750		109,094,465
Current Financial Liabilities						
Accounts payable and other current liabilities:						
AUD	—	US\$—	142,570,858	US\$102,765,075	18,632,861	US\$14,550,401
PKR	1,232,359,783	11,766,962	1,133,443,198	10,859,856	1,146,856,805	10,360,043
BRL	40,676,672	10,369,031	21,786,975	6,692,976	23,658,372	7,142,150
Philippine peso	4,271,849,411	90,774,531	212,639,689	4,276,744	175,501,430	3,514,950
RMB	30,611,564	4,714,040	14,883,954	2,143,118	22,285,923	3,425,020
MXN	267,444,776	15,542,338	18,162,594	876,269	27,643,794	1,406,165
Georgian lari	3,081,984	1,284,160	411,392	154,804	3,481,585	1,340,979
EUR	453,263	492,334	9,827,499	10,335,580	1,043,706	1,252,969
HRK	8,129,277	1,155,416	4,842,152	674,686	6,619,636	1,069,028
PLN	10,929,904	2,786,180	2,506,764	598,659	3,315,168	951,513
USD	16,575,366	16,575,366	18,913,941	18,913,941	751,306	751,306
IDR	14,459,365,871	1,048,692	3,222,902,552	239,212	4,684,475,982	345,590
MGA	17,311,465,476	5,382,918	5,910,849	1,757	7,463,117	2,301
BND	990,894	698,847	620,532	428,515	—	—
JPY	146,490,653	1,218,521	—	—	—	—
Noncurrent Financial Liabilities						
Other noncurrent liabilities:						
AUD	—	US\$—	89,588,968	US\$64,575,728	128,525,531	US\$100,365,587
PLN	73,492,907	18,734,331	16,728,916	3,995,156	14,651,405	4,205,219
Philippine peso	16,373,167	347,921	9,712,524	195,344	12,950,585	259,375
EUR	164,580	178,766	94,281	99,156	86,144	103,416
MXN	7,331,088	426,040	372,892	17,990	689,659	35,081
MGA	—	—	217,212	65	193,616	60
IDR	5,584,981,653	405,061	3,568,854,267	264,889	698,049	51
USD	92,855,916	92,855,916	—	—	—	—



	2015		2016		2017	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
Long-term debt						
AUD	–	US\$–	249,856,742	US\$180,096,739	336,143,728	US\$262,494,638
RMB	222,230,000	35,811,780	–	–	90,000,000	13,831,684
EUR	9,495,714	11,487,915	7,379,167	7,760,670	5,078,571	6,096,825
PKR	1,493,777,418	14,860,130	298,755,468	2,862,465	–	–
Concession rights payable						
EUR	106,055,601	32,934,983	14,063,368	14,790,444	13,018,930	15,629,226
PKR	917,892,047	9,131,210	816,915,915	7,827,116	743,524,014	6,716,550
		380,983,389		441,446,954		455,850,127
Net foreign currency- denominated financial liabilities		(US\$152,749,566)		(US\$249,928,204)		(US\$346,656,504)

In translating the foreign currency-denominated monetary assets and liabilities into US dollar amounts, the Group used the exchange rates as shown in the table of exchange rates (see Note 3.3).

The following tables present the impact on the Group's income before income tax (due to change in the fair value of foreign currency denominated financial assets and liabilities) and equity (due to translation hedging), of changes in the exchange rate between the foreign currencies and the US dollar (holding all other variables held constant) as at December 31 (amounts in millions unless otherwise indicated):

	2015	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$1.9	(US\$1.6)
5% depreciation	(2.1)	1.8
	2016	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$0.9	(US\$0.8)
5% depreciation	(1.0)	0.9
	2017	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$2.1	(US\$1.3)
5% depreciation	(2.3)	1.4

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to float interest rates of the debt and derivatives and the proportion of the financial instruments in foreign currencies are all constant and on the basis of hedge designation in place at each balance sheet date.

Credit Risk

The Group trades only with recognized, creditworthy third parties and the exposure to credit risk is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with recognized third parties, collateral is not required in respect of financial assets. Moreover, counterparty credit limits are reviewed by management on an annual basis. The limits are set to minimize the concentration of risks and mitigate financial losses through potential counterparty failure.



With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, 2015, 2016 and 2017, about 62 percent, 32 percent and 45 percent, respectively, of cash and cash equivalents of the Group is with Philippine local banks. Investments of funds are made only with counterparties approved by the Board. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

At December 31, the following tables provide credit information and maximum exposure of ICTSI's financial assets (amounts in millions unless otherwise indicated):

2015				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$220.8	US\$—	US\$—	US\$220.8
Cash equivalents	132.4	—	—	132.4
Receivables				
Trade	54.9	21.4	5.5	81.8
Advances and nontrade	9.4	1.5	0.1	11.0
AFS Investments				
Unquoted equity shares	0.7	—	—	0.7
Quoted equity shares	1.7	—	—	1.7
Derivative Assets	0.3	—	—	0.3
	US\$420.2	US\$22.9	US\$5.6	US\$448.7
2016				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$247.1	US\$—	US\$—	US\$247.1
Cash equivalents	76.5	—	—	76.5
Receivables				
Trade	46.8	36.6	10.1	93.5
Advances and nontrade	9.3	7.2	0.4	16.9
AFS Investments				
Unquoted equity shares	0.7	—	—	0.7
Quoted equity shares	1.5	—	—	1.5
Derivative Assets	8.0	—	—	8.0
	US\$389.9	US\$43.8	US\$10.5	US\$444.2



2017				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$209.8	US\$—	US\$—	US\$209.8
Cash equivalents	66.6	—	—	66.6
Receivables				
Trade	66.0	34.7	7.0	107.7
Advances and nontrade	8.5	3.7	0.5	12.7
AFS Investments				
Unquoted equity shares	0.7	—	—	0.7
Quoted equity shares	1.8	—	—	1.8
Derivative Assets	5.1	—	—	5.1
	US\$358.5	US\$38.4	US\$7.5	US\$404.4

At December 31, the credit quality per class of financial assets that were neither past due nor impaired follow (amounts in millions unless otherwise indicated):

2015				
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$220.8	US\$—	US\$—	US\$220.8
Cash equivalents	132.4	—	—	132.4
Receivables:				
Trade	44.4	5.4	5.1	54.9
Advances and nontrade	9.2	0.2	—	9.4
AFS Investments				
Unquoted equity shares	0.7	—	—	0.7
Quoted equity shares	1.7	—	—	1.7
Derivative Assets	0.3	—	—	0.3
	US\$409.5	US\$5.6	US\$5.1	US\$420.2

2016				
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$247.1	US\$—	US\$—	US\$247.1
Cash equivalents	76.5	—	—	76.5
Receivables:				
Trade	36.3	5.5	5.0	46.8
Advances and nontrade	9.2	0.1	—	9.3
AFS Investments				
Unquoted equity shares	0.7	—	—	0.7
Quoted equity shares	1.5	—	—	1.5
Derivative Assets	8.0	—	—	8.0
	US\$379.3	US\$5.6	US\$5.0	US\$389.9



2017				
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$209.8	US\$—	US\$—	US\$209.8
Cash equivalents	66.6	—	—	66.6
Receivables:				
Trade	35.0	24.3	6.7	66.0
Advances and nontrade	5.5	3.0	—	8.5
AFS Investments				
Unquoted equity shares	0.7	—	—	0.7
Quoted equity shares	1.8	—	—	1.8
Derivative Assets	5.1	—	—	5.1
	US\$324.5	US\$27.3	US\$6.7	US\$358.5

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, derivative financial assets and AFS Investments - based on the credit standing of the counterparty.

Receivables - Grade A receivables pertains to those receivables from clients or customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Group are included under Grade C.

At December 31, the aging analyses of the receivables that were past due but not impaired follow (amounts in millions unless otherwise indicated):

2015					
	Past Due but Not Impaired				Total
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	
Trade	US\$14.5	US\$4.7	US\$1.8	US\$0.4	US\$21.4
Advances and nontrade	—	—	—	1.5	1.5
	US\$14.5	US\$4.7	US\$1.8	US\$1.9	US\$22.9

2016					
	Past Due but Not Impaired				Total
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	
Trade	US\$29.4	US\$4.4	US\$2.8	US\$—	US\$36.6
Advances and nontrade	6.5	—	0.4	0.3	7.2
	US\$35.9	US\$4.4	US\$3.2	US\$0.3	US\$43.8

2017					
	Past Due but Not Impaired				Total
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	
Trade	US\$20.7	US\$6.6	US\$7.4	US\$—	US\$34.7
Advances and nontrade	2.5	0.2	0.3	0.7	3.7
	US\$23.2	US\$6.8	US\$7.7	US\$0.7	US\$38.4



Capital Management

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers the total equity and debt as its capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and raise additional debt through either the bond or loan markets or prepay existing debt. No changes were made in the objectives, policies or processes during the years ended December 31, 2015, 2016 and 2017.

The Group monitors capital using gearing ratio. Gearing ratio is total debt over net worth (total equity) where total debt includes long-term debt and loans payable. Some creditor banks compute gearing ratio as total debt less cash and cash equivalents over net worth for the computation of the Group's financial covenants.

The Group's policy is to keep the gearing ratio within two times.

	2015	2016	2017
Long-term debt	US\$1,081,043,350	US\$1,344,765,928	US\$1,432,417,876
Loans payable	2,027,231	36,598,275	61,187,102
Total debt (a)	1,083,070,581	1,381,364,203	1,493,604,978
Net worth or total equity (b)	1,826,047,875	1,766,079,998	1,872,567,958
Gearing ratio (a/b)	0.59 times	0.78 times	0.80 times

28. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2015	2016	2017
Net income attributable to equity holders of the parent	US\$58,545,218	US\$180,015,587	US\$182,141,250
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (see Note 14.6)	(36,976,498)	(46,276,661)	(41,578,980)
Net income attributable to equity holders of the parent, as adjusted (a)	US\$21,568,720	US\$133,738,926	US\$140,562,270
Common shares outstanding at beginning of year	2,045,177,671	2,045,177,671	2,045,177,671
Weighted shares held by subsidiaries	(652,553)	(734,970)	(734,970)
Weighted treasury shares	(8,388,527)	(11,998,887)	(17,612,022)
Weighted average shares outstanding (b)	2,036,136,591	2,032,443,814	2,026,830,679
Effect of dilutive stock grants	10,469,155	17,130,267	10,982,205
Weighted average shares outstanding adjusted for potential common shares (c)	2,046,605,746	2,049,574,081	2,037,812,884
Basic earnings per share (a/b)	US\$0.011	US\$0.066	US\$0.069
Diluted earnings per share (a/c)	US\$0.011	US\$0.065	US\$0.069

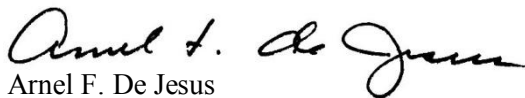


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
International Container Terminal Services, Inc. and Subsidiaries
ICTSI Administration Building
MICT South Access Road, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. (the Company) and Subsidiaries as at December 31, 2015, 2016 and 2017 and for each of the three years in the period then ended, included in this Form 17-A and have issued our report thereon dated March 6, 2018. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) 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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Arnel F. De Jesus

Partner

CPA Certificate No. 43285

SEC Accreditation No. 0075-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 152-884-385

BIR Accreditation No. 08-001998-15-2015,

June 26, 2015, valid until June 25, 2018

PTR No. 6621246, January 9, 2018, Makati City

March 6, 2018



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule A. Financial Assets

December 31, 2017

Financial Assets	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at FVPL					
Freestanding Derivatives	N/A	N/A	US\$5,074,653	N/A	US\$–
Loans and Receivables					
Cash and Cash Equivalents	N/A	N/A	279,427,071	N/A	4,106,997
Receivables	N/A	N/A	112,891,114	N/A	–
AFS investments					
Quoted Equity Shares	N/A	N/A	1,759,120	US\$1,759,120	–
Unquoted Equity Shares	N/A	N/A	709,050	N/A	–
			US\$399,861,008		US\$4,106,997

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2017

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written Off			

NOT APPLICABLE

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2017

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
ICTSI Warehousing, Inc.	US\$23,493,424	US\$1,661,193	(US\$2,588,964)	US\$—	(US\$109,267)	US\$—	US\$22,456,386	US\$22,456,386
Abbotsford Holdings, Inc.	11,330,246	1,668,896	(1,651,488)	—	565,728	—	11,913,382	11,913,382
Cavite Gateway Terminal, Inc.	3,997,394	5,199,076	(5,808,031)	—	1,544,531	—	10,741,001	10,741,001
ICTSI Ltd.	2,709,614	16,214,221	(8,425,473)	—	437,452	—	10,935,814	10,935,814
ICTSI Capital B.V.	83,296,245	20,692,898	(96,359,769)	—	15,068	—	7,644,443	7,644,443
IW Cargo Handlers, Inc.	2,761,366	286,641	(945,196)	—	(11,740)	—	2,091,071	2,091,071
ICTSI Asia Pacific Business Services, Inc.	604,220	85,355	—	—	(2,409)	—	687,166	687,166
Victoria International Container Terminal Limited	482,777	200,334	—	—	1,486	—	684,597	684,597
ICTSI Global Cooperatief U.A.	668,000	—	—	—	—	—	668,000	668,000
TecPlata S.A.	263,138	119,272	—	—	(390)	—	382,020	382,020
ICTSI Ltd. RHQ	364,485	—	—	—	(1,450)	—	363,035	363,035
Mindanao International Container Terminal Services, Inc.	2,059,459	94,363	(1,833,188)	—	(684)	—	319,950	319,950
Intermodal Terminal Holdings, Inc.	315,854	1,733,884	(1,733,651)	—	(391)	—	315,696	315,696
Contecon Manzanillo S.A.	301,832	—	—	—	(942)	—	300,890	300,890
Laguna Gateway Inland Container Terminal, Inc.	1,609,351	108,933	(1,270,520)	—	(162,470)	—	285,294	285,294
Batumi International Container Terminal, LLC.	114,185	1,502	—	—	(506)	—	115,181	115,181
PT PBM Olah Jasa Andal	96,338	1,662	—	—	(218)	—	97,782	97,782
Operadora Portuaria Centroamericana, S.A. de C.V.	94,416	—	—	—	(121)	—	94,295	94,295
Pakistan International Container Terminal Limited	61,989	3,703	—	—	(237)	—	65,455	65,455
PT Makassar Terminal Services	42,870	—	—	—	(4)	—	42,866	42,866
ICTSI Africa Pty Ltd.	23,253	—	—	—	(58)	—	23,195	23,195
Global Container Capital B.V.	12,131	—	—	—	1,202	—	13,333	13,333
Bauan International Port, Inc.	5,316	29,211	(26,291)	—	(3,211)	—	5,025	5,025

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
Subic Bay International Terminal Holdings, Inc.	2,390	3,373	–	–	(71)	–	5,692	5,692
Subic Bay International Terminal Corp.	13,568	101,295	(107,490)	–	(3,194)	–	4,179	4,179
Davao Integrated Port and Stevedoring Services Corp.	500	56,310	(52,789)	–	21	–	4,042	4,042
Yantai International Container Terminals, Limited	740	1,999	–	–	(546)	–	2,193	2,193
ICTSI Oregon, Inc.	844	–	–	–	–	–	844	844
ICTSI Project Delivery Services Co. Pte. Ltd.	22	684	–	–	7	–	713	713
Prime Staffing & Selection Bureau	435	48	–	–	(38)	–	445	445
South Cotabato Integrated Ports Services, Inc.	(263)	(43,263)	(247,812)	–	1,077,317	–	785,979	785,979
Cordilla Properties Holdings, Inc.	(7,760)	(430)	–	(317,127)	(778)	–	310,574	310,574
ICTSI (M.E.) DMCC	(22,507)	6,284	204,756	–	67,644	–	120,889	120,889
CMSA B.V.	–	2,940,283	61,125,754	–	(2,695)	–	64,063,342	64,063,342
Hijo International Port Services, Inc.	–	25,051	–	–	–	–	25,051	25,051
ICTSI South Pacific Limited	–	24,726	–	–	(2,935)	–	21,791	21,791
Manila North Harbour Port, Inc.	–	10,250	(2,032)	–	–	–	8,218	8,218
ICTSI DR Congo S.A.	–	200	–	–	–	–	200	200
SPIA Spain SL	–	–	–	–	18	–	18	18
PT ICTSI Jasa Prima Tbk.	–	10	–	–	–	–	10	10
Basra Gateway Terminal	536,194	15,976	(566,317)	–	14,147	–	–	–
ICTSI Subic, Inc.	3,874	–	(3,894)	–	20	–	–	–
	US\$135,235,940	US\$126,502,984	(US\$128,435,696)	(US\$317,12)	US\$3,420,286	US\$–	US\$135,600,222	US\$135,600,222

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule D. Intangible Assets – Other Assets

December 31, 2017

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
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See Notes 5 and 9 to the
Audited Consolidated
Financial Statements

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule E. Long-term Debt

December 31, 2017

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Noncurrent Portion of Long-term Debt" in Related Balance Sheet	Remarks
ITBV - US dollar-denominated medium-term note		US\$—	US\$753,553,631	See Notes 15 to the Audited Consolidated Financial Statements
ICTSI - US dollar-denominated notes		—	179,241,377	
CMSA - US dollar-denominated securities		6,299,767	160,435,901	
CGSA - US dollar-denominated loan		8,758,170	17,205,882	
OPC - US dollar-denominated loan		—	24,500,000	
VICT - Secured AUD term Loan		7,091,451	255,403,186	
YICT - Secured RMB term loan		—	13,831,686	
AGCT - Secured Euro term loan		—	6,096,825	
		US\$22,149,388	US\$1,410,268,488	

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2017

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
NONE		

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

December 31, 2017

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
NONE				

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule H. Capital Stock
December 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding As Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion, and Other Rights	Number of Shares Held By		
				Subsidiaries	Directors, Officers and Employees	Others
Preferred Shares						
Preferred A Shares	993,000,000	3,800,000	—	3,800,000	—	—
Preferred B Shares	700,000,000	700,000,000	—	—	700,000,000	—
Common Shares	4,227,397,381	2,034,195,466	10,982,205	734,970	995,212,127	1,038,248,369

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

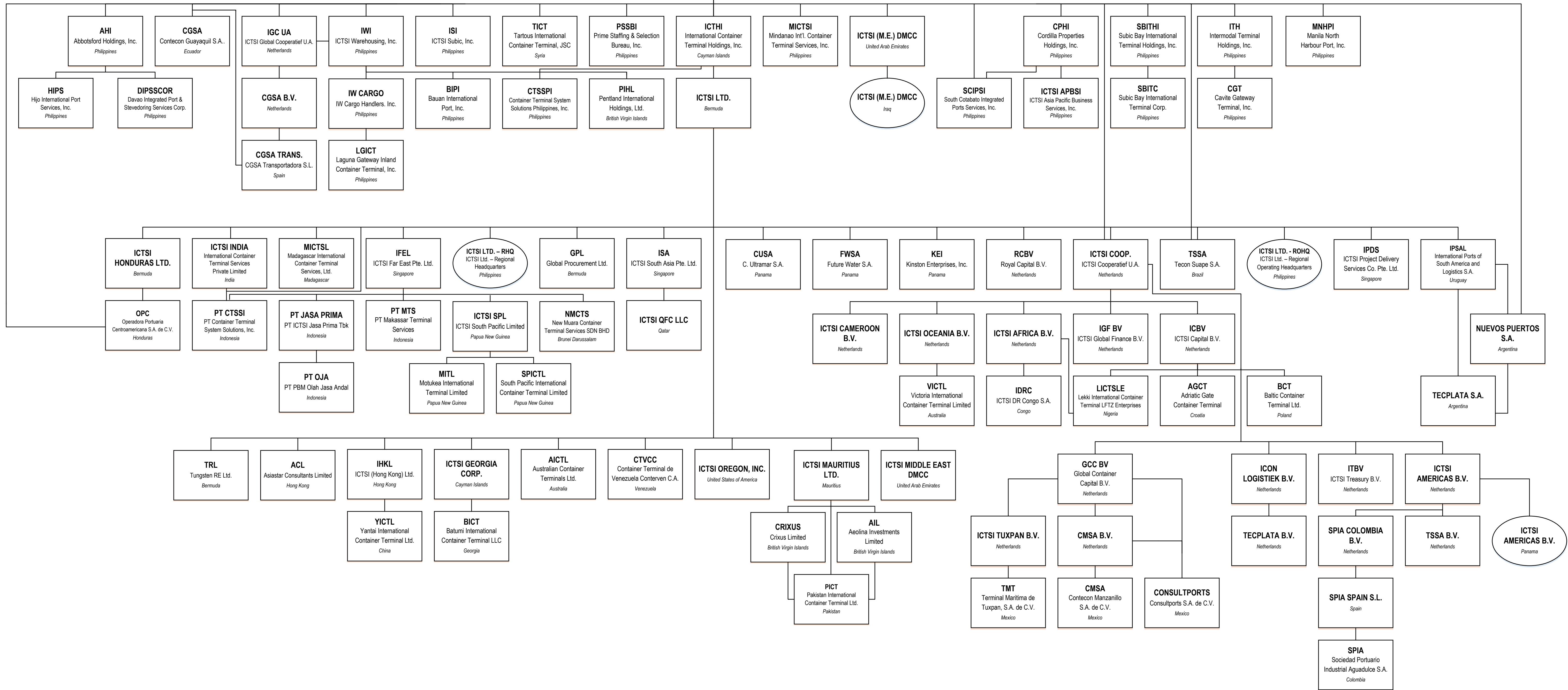
**Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2017**

Name and Designation of Creditor	Balance at Beginning of Period	Additions	Deductions		Current	Not current	Balance at End of Period
			Amounts paid	Others			
ICTSI Treasury B.V.	US\$800,700,275	US\$91,525,792	(US\$90,681,635)	US\$—	US\$18,045,368	US\$783,499,064	US\$801,544,432
Royal Capital B.V.	710,345,091	97,216,801	(90,555,094)	(233,860)	7,500,065	709,272,873	716,772,938
ICTSI Global Finance B.V.	183,558,259	19,047,995	(30,516,427)	—	8,424,644	163,665,183	172,089,827
International Container Terminal Holdings, Inc.	1,908,371	—	(7,421,708)	(10,873)	—	9,319,206	9,319,206
ICTSI Ltd. Regional Operating Headquarters	2,525,018	55,555	(1,176,258)	(71,242)	—	1,221,963	1,221,963
Adriatic Gate Container Terminal Terminal Services, Ltd.	38,016	4,084	(330,693)	(1,070)	—	363,556	363,556
Tecon Suape, S.A.	184,904	—	—	105	—	185,009	185,009
Madagascar International Container Terminal Services, Ltd.	128,717	1,621	—	(3,059)	—	127,279	127,279
Baltic Container Terminal Ltd.	58,357	—	—	362	—	58,719	58,719
Contecon Guayaquil S.A.	1,499,274	—	—	(1,455,844)	—	43,430	43,430
ICTSI (M.E.) DMCC	(89,712)	161	—	134,168	—	44,296	44,295
Sociedad Puerto Industrial Aguadulce, S.A.	(171,707)	(705)	187,146	(13,868)	—	867	867
	US\$1,700,684,863	US\$232,634,263	(US\$231,053,302)	(US\$1,655,181)	US\$33,970,077	US\$1,667,742,723	US\$1,701,771,521

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule J. Parent Company Retained Earnings Available for Dividend Declaration
December 31, 2017

	Amount
Unappropriated parent company retained earnings, beginning	US\$206,874,879
Reconciliation:	
Add (Less):	
Unrealized foreign exchange loss - net	(786,845)
Deferred tax assets	(40,637,757)
Mark-to-market gain on derivatives	(62,611,937)
Issuance of treasury shares	(475,518)
Purchase of treasury shares	(18,181,347)
Effect to retained earnings of adoption of PAS 19R	(156,917)
Unappropriated parent company retained earnings, as adjusted, beginning	84,024,558
Parent company net income actually earned/realized during the period	28,843,371
Less: Non-actual/unrealized income net of tax:	
Mark-to-market loss on derivatives	32,915,144
Unrealized foreign exchange gain - net	(566,529)
Parent company net income actually earned/realized during the period	61,191,986
Add (Less):	
Dividend declaration during the period	(100,333,742)
Appropriation of retained earnings	(25,000,000)
Decrease in deferred tax assets (excluded those recognized in OCI)	(7,747,958)
Sale of treasury shares	12,396,063
Purchase of treasury shares	(9,566,998)
Issuance of treasury shares	1,703,057
Unappropriated parent company retained earnings ,as adjusted, ending	US\$16,666,966

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (ICTSI)



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule L. List of Effective Standards and Interpretations as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	✓		
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12 – Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: Long-term Interests in Joint Ventures and Associates	Not early adopted		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendment to PAS 28 – Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property	Not early adopted		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Surface Mine			
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration	Not early adopted		
IFRIC 23	Uncertainty Over Income Tax Treatments	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities	✓		
SIC-12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Financial Soundness Indicators

	As of and for the Year Ended December 31	
	2016	2017
Liquidity ratios		
Current ratio ^(a)	1.16	1.25
Interest rate coverage ratio ^(b)	7.00	5.76
Solvency ratios		
Debt to equity ratio ^(c)	0.78	0.80
Asset to equity ratio ^(d)	2.37	2.33
Profitability ratio		
EBITDA margin ^(e)	46.5%	46.4%

^(a) Current assets over current liabilities

^(b) EBITDA over interest expense and financing charges on borrowings

^(c) Interest-bearing debt over total equity

^(d) Total assets over total equity

^(e) EBITDA over gross revenues from port operations