

COVER SHEET

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SEC Registration Number

I	N	T	E	R	N	A	T	I	O	N	A	L	C	O	N	T	A	I	N	E	R	T	E	R	M	I	N	A	L
S	E	R	V	I	C	E	S	,	I	N	C	.	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S		

(Company's Full Name)

I	C	T	S	I	A	D	M	I	N	I	S	T	R	A	T	I	O	N	B	U	I	L	D	I	N	G
M	I	C	T	S	O	U	T	H	A	C	C	E	S	S	R	O	A	D	,	M	A	N	I	L	A	

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

Jose Joel M. Sebastian

(Contact Person)

(+632) 245 4101

(Company Telephone Number)

Amended Definitive

1	2	3	1
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Month Day
(Fiscal Year)

S	E	C	2	O	I	S
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(Form Type)

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

N/A

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings
(as of December 31, 2016)

1,427

as of December 31, 2016
Total No. of Stockholders

US\$50.5M

Domestic

US\$1,330.9M

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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 (Amended)
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 20, 2017, 10:00 a.m., Solaire Ballrooms 2 to 5, Solaire Resort and Casino, 1 Asean Avenue,
Entertainment City, Parañaque City, Manila, Philippines**
9. Approximate date on which the Information Statement is first to be sent or given to security holders
March 24, 2017
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, 2016 |
|--------------------------------------|---|
| Common Stock, P1.00 par value | 2,028,047,404 |
- Amount of consolidated debt outstanding as of **31 December 2016: US\$1,381.4 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.



EXCELLENCE UNCONTAINED

ICTSI 2017 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 Asean Avenue, Entertainment City, Parañaque City, Manila at 10:00 a.m. on Thursday, 20 April 2017, 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 21 April 2016. 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 2016 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. Amendment of: (a) the Seventh Article of the Articles of Incorporation of the Corporation to delete the provision that 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, and (b) the Eighth Article of the Articles of Incorporation of the Corporation to delete the right of first refusal and other restrictions on the right to sell shares in the Corporation other than the nationality restriction.
9. Appointment of External Auditors. The appointment of the external auditor named in Item 7 of the Information Statement is being sought.
10. Other matters. Any other matter which may be brought to the attention of the stockholders may be taken up.
11. 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 17 March 2017 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 7 April 2017.

Proxy validation will be held at the Harbour Lounge, 4/F ICTSI Administration Building, South Access Road, MICT, Port of Manila on 11 April 2017 at 10:00 a.m.

Manila, 22 February 2017.

ICTSI Administration Building
Manila International Container Terminal
MICT South Access Road, Port of Manila
Manila 1012, Philippines
Telephone: 63 2 / 245 4101
Facsimile: 63 2 / 245 2245
URL: www.ictsi.com
www.mictweb.com
Email: info@ictsi.com

FOR THE BOARD OF DIRECTORS


RAFAEL Y. 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 20, 2017 in Solaire Ballrooms 2 to 5 of the Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Paranaque City, 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 24, 2017.

Item 2. Dissenters' Right of Appraisal

A Stockholder who votes against the proposed amendments to the Seventh and Eighth Articles of the Articles of Incorporation of the Corporation shall have the appraisal right. 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.

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, and the amendment of Article Seventh, which applies to Preferred B shares currently held by Achillion Holdings Inc., a corporation owned and controlled by Chairman Enrique K. Razon, Jr., 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, 2017, common shares issued and outstanding were 2,045,177,671 shares (including 17,130,267 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	837,596,391	1,190,451,013	2,028,047,404
Voting shares	Preferred B shares	-	700,000,000	700,000,000
Total Outstanding Voting shares		837,596,391	1,890,451,013	2,728,047,404
Foreign Ownership Level of Total Outstanding Voting shares		30.70%		
Non Voting shares	Preferred A shares	3,800,000		
Foreign Ownership Level of Total Outstanding Voting and Non- Voting shares		30.80%		

Only Stockholders of record at the close of business on March 17, 2017 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, 2017:

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 Building, Ayala Avenue, Makati City 1200	Deutsche Bank Manila - Clients' Acct. - 23/F Ayala Tower One Ayala Triangle, Makati City 1200 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	351,813,281 (Lodged with PCD) Indirect	12.88%
Common	PCD Nominee Corporation (Non-Filipino) Makati Stock Exchange Building, Ayala Avenue, Makati City 1200	The Hongkong & Shanghai Banking Corp. Ltd. – Clients' Acct. - 7/F HSBC Centre 3058 Fifth Avenue West Bonifacio Global City Taguig 1634 Represented by Maris Flores, Senior Vice President and Head of HSBC Securities Services; and Kathy Dela Torre, Senior Vice President of Client Services, only hold legal titles as custodians, and are not the beneficial owners of the lodged shares	Foreign	270,013,078 (Lodged with PCD) Indirect	9.88%
Common	Bravo International Port Holdings, Inc. 104 H.V. dela Costa Street, 17 th -19 th Floors, Liberty Center, Salcedo Village, Makati City 1200 Bravo International Port Holdings, Inc. is a stockholder of ICTSI	Bravo International Port Holdings, Inc. Represented by Enrique K. Razon, Jr., its President.	Filipino	279,675,000	10.24%

Common	PCD Nominee Corporation (Filipino) Makati Stock Exchange Building, Ayala Avenue, Makati City 1200	AB Capital Securities, Inc. - Units 1401-1403, 14 th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1200 Represented by Lamberto M. Santos, Jr., President; and Ericsson C. Wee, First Vice President, only hold legal titles as custodians and are not the beneficial owners of the lodged shares	Filipino	500,444,360 (Lodged with PCD) Indirect	18.32%
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	25.62%

* Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,731,847,404 (which excludes treasury shares) as of February 28, 2017

Security Ownership of Management

As of February 28, 2017, the aggregate beneficial ownership of all Directors and executive officers totals to 1,695,948,971 shares, equivalent to 62.08 percent.

Title of Class	Name	Number of shares and nature of beneficial ownership	Citizenship	Percentage ¹	
Common & Preferred B	Enrique K. Razon, Jr. ²	1,678,105,057	Direct & Indirect	Filipino	61.43% ³
Common	Andres Soriano III	9,150,481	Direct	American	0.33%
Common	Stephen A. Paradies	4,087,573	Direct	Filipino	0.15%
Common	Jose C. Ibazeta	3,008,560	Direct	Filipino	0.11%
Common	Silverio Benny J. Tan	426,700	Direct	Filipino	0.02%
Common	Martin L. O'Neil	362,675	Direct	American	0.01%
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	Filipino	0.00%
Common	Jose Joel M. Sebastian	50,000	Direct	Filipino	0.00%
Common	Rafael T. Durian	1,000	Direct	Filipino	0.00%
Common	Rafael D. Consing, Jr.	-		Filipino	0.00%
Common	Benjamin M. Gorospe III	-		Filipino	0.00%

¹ Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,731,847,404 (which excludes treasury shares) as of February 28, 2017.

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

³ The percentage ownership of Enrique K. Razon, Jr. and the Razon Group is at 61.51% if based on the total number of issued and outstanding common shares and preferred B voting shares of 2,728,047,404 (which excludes treasury shares and preferred A non-voting shares) as of February 28, 2017.

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 2016 are as follows:

Directors	January 1, 2016	December 31, 2016
Enrique K. Razon, Jr.*	1,678,105,057	1,678,105,057
Andres Soriano III	9,150,481	9,150,481
Stephen A. Paradies	4,087,573	4,087,573
Jose C. Ibazeta	3,008,560	3,008,560
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; consist 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 January 31, 2017 are the following:

	Office	Name	Citizenship	Age
1	Chairman of the Board and President	Enrique K. Razon, Jr.	Filipino	56
2	Director	Jon Ramon M. Aboitiz	Filipino	68
3	Director	Octavio Victor R. Espiritu*	Filipino	73
4	Director	Joseph R. Higdon*	American	75
5	Director	Jose C. Ibazeta	Filipino	74
6	Director	Stephen A. Paradies	Filipino	63
7	Director	Andres Soriano III	American	65
	Executive Vice President	Martin L. O'Neil	American / Irish	56
	Senior Vice President, Chief Financial Officer & Compliance Officer	Rafael D. Consing, Jr.**	Filipino	48
	Senior Vice President, Finance	Jose Joel M. Sebastian	Filipino	53
	Vice President and Senior Administration Officer	Vivien F. Miñana	Filipino	52
	Corporate Secretary	Rafael T. Durian	Filipino	83
	Assistant Corporate Secretary	Silverio Benny J. Tan	Filipino	60
	Assistant Corporate Secretary	Benjamin M. Gorospe III	Filipino	49

*Independent Director

**Appointed as Compliance Officer on February 9, 2016

The following are the Regional Heads and Global Corporate Officers for the ICTSI group of companies as of January 31, 2017:

Office	Name	Citizenship	Age
Senior Vice President, Regional Head – Asia Pacific & MICT	Christian R. Gonzalez	Filipino	41
Senior Vice President, Regional Head – Europe & Middle East and Acting Regional Head – Africa	Hans-Ole Madsen	Danish	51
Senior Vice President, Regional Head – Americas	Anders Kjeldsen*	Danish	47
Vice President, Audit and Compliance	Sandy A. Alipio	Filipino	46
Vice President, Regional Head of Business Development – Asia Pacific	Jose Manuel M. De Jesus	Filipino	52
Vice President and Head of Human Resources	Lisa Marie T. Escaler	American	46
Vice President, Engineering	Guillaume Lucci	French / American	40
Vice President, Head of Global Commercial	Tico Wieske**	Dutch	53
Interim Chief Information Officer	Hanna M. Lukosavich***	American	60

*Appointed on February 2017

**Appointed on February 2016

***Appointed on 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 56, 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., and Pilipinas Golf Tournament Inc.; and a Director of Sureste Properties, Inc., ICTSI (Hongkong) Ltd., Australian Container Terminals, Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital, Xcell Property Ventures, Inc., and Asian Tour.

Mr. Razon is a member of the American Management Association, the Management Association of the Philippines, 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 68, 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.

Mr. Aboitiz is also the Chairman of Aboitiz & Co., Inc., and Aboitiz Equity Ventures, Inc.*, an 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. He became the President of Aboitiz & Company in 1991 until 2008. He was the President and Chief Executive Officer (CEO) of Aboitiz Equity Ventures, Inc.* from 1993 – 2008.

Presently, he holds various positions in the Aboitiz Group such as the Vice Chairman of Aboitiz Power Corp.*; the Vice Chairman of Union Bank of the Philippines*; the Chairman of the bank's committees, namely the Executive Committee, and the Risk Management Committee; and the Vice Chairman of the Compensation and Remuneration Committee. He is a Director and Chairman of the Audit Committee of Bloomberry Resorts Corporation*; the Vice President and a Trustee of the Ramon Aboitiz Foundation; a Trustee and a member of the Executive Committee of the Philippine Business for Social Progress; and a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines).

Mr. Aboitiz began his career with the Aboitiz Group in 1970, right after graduating from the Sta. Clara University, California, with a degree of BS Commerce, major in Management.

**Publicly-listed Corporation*

Octavio Victor R. Espiritu, age 73, 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 75, American

Mr. Higdon has been an independent Director of ICTSI* since *April 2007*. 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 74, 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., Island Aviation, 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 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 a member of the Finance Committee of the Ateneo de Manila University and the Board of Trustees of Radio Veritas.

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

**Publicly-listed Corporation*

Stephen A. Paradies, age 63, 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 is currently a member of the Audit Committee and Stock Incentive Committee; and a Director of ICTSI Warehousing, Inc. Moreover, Mr. Paradies is the Senior Vice President/Finance, Treasurer and Board Adviser of Aboitiz & Co., Inc., and Chairman/Chief Executive Officer (CEO) of Hydro-Electric Development Corporation; a Director of Aboitiz Construction Group, Inc., Metaphil International, Inc., Prism Energy, Inc., Union Properties Inc., and Unionbank of the Philippines*.

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 65, American

Mr. Soriano has been a Director of ICTSI since *July 1992* and is currently the Chairman of ICTSI's Compensation 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 Cirrus Medical Staffing, Inc., 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 56, 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. (ICTHI) and ICTSI Ltd.; a Director of Tecon Suape S.A. (TSSA), ICTSI Georgia Corp., Sociedad Portuario Industrial Aguadulce S.A. (SPIA), Terminal Maritima de Tuxpan S.A. de C.V. (TMT), ICTSI (Hong Kong) Ltd., and Victoria International Container Terminal Limited (VICTL).

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. 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 48, 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. (HIPS), Subic Bay International Terminal Corp. (SBITC), Subic Bay International Terminal Holdings, Inc. (SBITHI), ICTSI Subic Inc. (ISI), Cordilla Properties Holdings, Inc. (CPHI), IW Cargo Handlers, Inc. (IWCH), ICTSI Warehousing, Inc. (IWI), Laguna Gateway Inland Container Terminal, Inc. (LGICT), Intermodal Terminal Holdings, Inc. (ITH), Cavite Gateway Terminal, Inc. (CGT), Pakistan International Container Terminal Limited (PICT), ICTSI Africa (Pty) Ltd., Tecplata S.A., Contecon Manzanillo S.A. (CMSA), Terminal Maritima de Tuxpan, S.A. de C.V. (TMT), Sociedad Portuario Industrial Aguadulce S.A. (SPIA), Operadora Portuaria Centroamericana S.A. de C.V. (OPC), ICTSI Oregon, Inc. (IOI), Global Procurement Ltd., ICTSI Honduras Ltd., Aeolina Investments Limited, Crixus Limited, ICTSI Georgia Corp., ICTSI QFC LLC, ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS), ICTSI South Asia Pte. Ltd. (ISA), ICTSI Mauritius Ltd., Consultports S.A. de C.V., and ICTSI Far East Pte. Ltd. (IFEL); 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. (ICTHI); 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 53, 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. (ICTHI), 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. (BIPI), Davao Integrated Port & Stevedoring Services Corp. (DIPSSCOR), Mindanao International Container Terminal Services, Inc. (MICTSI), South Cotabato Integrated Ports Services, Inc. (SCIPSI), Abbotsford Holdings, Inc. (AHI), ICTSI Asia Pacific Business Services, Inc., (IAPBSI); 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. (CPHI), Madagascar International Container Terminal Services, Ltd. (MICTSL), Tartous International Container Terminal, JSC., International Container Terminal Services Private Limited, ICTSI Africa (Pty) Ltd., ICTSI DR Congo S.A., PT ICTSI Jasa Prima Tbk, Global Procurement Ltd., ICTSI Mauritius Ltd., ICTSI Honduras Ltd., Lekki International Container Terminal Services LFTZ Enterprises (LICTSLE), Tecon Suape S.A. (TSSA), Contecon Guayaquil S.A. (CGSA), Contecon Manzanillo S.A. (CMSA), Terminal Maritima de Tuxpan, S.A. de C.V. (TMT), Aeolina Investments Limited, Crixus Limited, ICTSI (M.E.) DMCC, ICTSI Middle East DMCC, ICTSI QFC LLC, ICTSI South Asia Pte. Ltd. (ISA), ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS), and Operadora Portuaria Centroamericana S.A. de C.V. (OPC).

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 52, Filipino

Ms. Miñana was appointed in 2006 as the Vice President and Senior Administration Officer of ICTSI* and ICTSI Ltd. 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. (CTSSPI).

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 R. Gonzalez, age 41, 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 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 (MICT).

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 (COO) and later Chief Executive Officer (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. (CGT), Laguna Gateway Inland Container Terminal, Inc. (LGICT), ICTSI Asia Pacific Business Services, Inc. (IAPBSI), Intermodal Terminal Holdings, Inc. (ITH), IW Cargo Handlers, Inc. (IWCH), and Subic Bay International Terminal Holdings, Inc. (SBITHI); the Chairman of Victoria International Container Terminal Limited (VICTL), Pakistan International Container Terminal Limited (PICT), ICTSI Subic, Inc. (ISI), Cordilla Properties Holdings, Inc. (CPHI), and ICTSI Far East Pte. Ltd. (IFEL); President Commissioner of PT ICTSI Jasa Prima Tbk.; a Director Yantai International Container Terminal Ltd. (YICTL), Bauan International Port, Inc. (BIPI), Davao Integrated Port & Stevedoring Services Corp. (DIPSSCOR), Hijo International Port Services, Inc. (HIPS), Mindanao International Container Terminal Services, Inc. (MICTSI), South Cotabato Integrated Ports Services, Inc. (SCIPSI), Subic Bay International Terminal Corp. (SBITC), Contecon Guayaquil S.A. (CGSA), ICTSI Honduras Ltd., ICTSI Ltd., ICTSI (Hong Kong) Ltd., International Container Terminal Services Private Limited, Abbotsford Holdings, Inc. (AHI), ICTSI Warehousing, Inc. (IWI), ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS), ICTSI South Asia Pte. Ltd. (ISA), 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 51, Danish

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

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

**Publicly-listed Corporation*

Anders Kjeldsen, age 47, Danish

Mr. Kjeldsen is the Senior Vice President, Regional Head – Americas of the ICTSI* Group. 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 26 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 46, 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 52, 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. (BIPI), Davao Integrated Port and Stevedoring Services Corp. (DIPSSCOR), Hijo International Port Services, Inc. (HIPS), Mindanao International Container Terminal Services, Inc. (MICTSI), South Cotabato Integrated Ports Services, Inc. (SCIPSI), Abbotsford Holdings, Inc. (AHI), and Cordilla Properties Holdings, Inc. (CPHI); a Director and the President of ICTSI Subic Inc. (ISI); the Chairman Subic Bay International Terminal Corp. (SBITC); a Director and the Vice President of Cavite Gateway Terminal, Inc. (CGT), Intermodal Terminal Holdings, Inc. (ITH); and a Director of Pakistan International Container Terminal Limited (PICT), Laguna Gateway Inland Container Terminal, Inc. (LGICT), Australian Container Terminals, Ltd., International Container Terminal Services Private Limited, IW Cargo Handlers, Inc. (IWCH), Subic Bay International Terminal Holdings, Inc. (SBITHI), ICTSI Far East Pte. Ltd. (IFEL).

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*

Lisa Marie T. Escaler, age 46, American

Ms. Escaler is the Vice President and Head of Global Corporate Human Resources (HR) of ICTSI*. Ms. Escaler joined ICTSI* in January 2014.

Ms. Escaler served as the Regional Head of HR - Asia Pacific of Deckers Outdoor Corporation, a major lifestyle brand based in Santa Barbara, California. While at Deckers, Ms. Escaler served as a member of the Regional Executive Management Committee. Previously, she was a Managing Director of Citibank, N.A. and was based in New York, Hong Kong, and the Philippines. Her client groups included Global Transaction Services, Commercial Banking and several mid-office groups.

Ms. Escaler was part of the deal team in the acquisition of Lava Trading Inc. by Citigroup. Lava Trading, Inc. was named Fortune Magazine's "2004 Cool Company".

Ms. Escaler earned an Executive MBA from Kellogg School of Management, Northwestern University and the Hong Kong University of Science & Technology.

**Publicly-listed Corporation*

Guillaume Lucci, 40, French/American

Mr. Lucci is the Vice President for Global Engineering of ICTSI*. He is a Director of Victoria International Container Terminal Limited (VICTL) and ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS). 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*

Tico Wieske, age 53, 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. 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 60, 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 83, Filipino

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

Atty. Durian earned his Bachelor of Laws degree from San Beda College and 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 49, 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. (DIPSSCOR), Mindanao International Container Terminal Services, Inc. (MICTSI), Cordilla Properties Holdings, Inc. (CPHI); the Assistant Secretary of International Container Terminal Holdings, Inc. (ICTHI), 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. (ISA), 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 60, 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 2016 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 21, 2016	28	28	100
Member	Jon Ramon M. Aboitiz	April 21, 2016	28	28	100
Member	Jose C. Ibazeta	April 21, 2016	28	28	100
Member	Stephen A. Paradies	April 21, 2016	28	28	100
Member	Andres Soriano III	April 21, 2016	28	28	100
Independent	Octavio Victor R. Espiritu	April 21, 2016	28	28	100
Independent	Joseph R. Higdon	April 21, 2016	28	28	100

¹April 21, 2016 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 2016:

Name of Director	Date of Training	Program
Jon Ramon M. Aboitiz	March 28, 2016	Corporate Governance
Stephen A. Paradies	March 28, 2016	Corporate Governance
Octavio V. Espiritu	March 8, 2016	Annual Corporate Governance Training Program
Joseph R. Higdon	April 26, 2016	Advanced Corporate Governance Training Program
Enrique K. Razon Jr.	August 23, 2016	Corporate Governance
Jose C. Ibazeta	October, 2016	Corporate Governance
Andres Soriano III	October 25, 2016	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	56
Director	Jon Ramon M. Aboitiz	Filipino	68
Director	Octavio Victor R. Espiritu*	Filipino	73
Director	Joseph R. Higdon*	American	75
Director	Jose C. Ibazeta	Filipino	74
Director	Stephen A. Paradies	Filipino	63
Director	Andres Soriano III	American	65

*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 January 31, 2017, 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 22).

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. 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 claiming a sum of approximately US\$2.9 million with interest, as default payment and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyred Gantry Cranes in 2004. Upon advice of PICT's legal advisor, management is confident that there is no merit in this claim and hence there is a remote possibility that the case would be decided against PICT.

Also in 2007, PICT has filed an interpleader civil suit before the High Court of Sindh (HCS) against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of the demand 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 2003 to 2007. In 2014, another demand was made by the DDO amounting to approximately US\$0.9 million for the period 2008 to 2014. In compliance with the Order of HCS, PICT deposited the amounts with Nazir HCS. In 2015, HCS issued further orders directing PICT to deposit the remaining HMS charges due and Payable with Nazir HCS in quarterly instalment till the disposal of the suit. Accordingly, PICT complied with the orders of HCS. Upon 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.

Further, while completing the tax audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (CIR) modified the deemed assessment of PICT and made certain disallowances/additions on the taxable income and raised an income tax demand of US\$1.25 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who partly decided the appeal in favour of PICT. Consequently, PICT made the payment of 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 legal counsel, management is of the view that there is full merit in PICT's arguments and the appeal case will be decided in its favour.

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 BRL6.9 million (approximately US\$2.1 million) in TSSA's bank account is now garnished by the lower court. TSSA made an accrual for this contingency in the amount of BRL1.9 million (US\$0.8 million) in 2014 and nil in 2015 and 2016, presented as part of "Other expenses" account in the consolidated statements of income. The provision aggregating BRL13.8 million (US\$5.2 million), BRL13.8 million (US\$3.5 million) and 13.8 million (US\$4.2million) were recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets as at December 31, 2014, 2015, and 2016, respectively (see Note 19). In July 2016, the State Court has decided the case against TSSA, however, the said judgment 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.

ICTSI Oregon's damage claim for unlawful secondary activity has been stayed pending completion of administrative proceedings before the NLRB. This is a substantial claim, seeking a multi-million dollar judgment, and is unlikely to be tried in court for at least a couple of years.

ICTSI Oregon's antitrust claim was dismissed by the federal court. The judge granted ICTSI Oregon permission to appeal the dismissal to the Ninth Circuit Court of Appeals. The appeal is pending and oral argument was conducted before the Ninth Circuit Court of Appeals in Portland in October 2016. A decision is likely to be obtained in 2017. If ICTSI Oregon prevails, its antitrust claim will proceed before the trial court. Under federal law, successful antitrust plaintiffs may recover treble damages.

As to its claim against the ILWU for damages caused by illegal secondary activity, ICTSI Oregon's breach of fiduciary claim against PMA has been stayed by the federal court.

Management believes that the claims against and between ICTSI, ILWU and PMA will be favorably resolved.

Tecplata SA

Ganmar S.A. (Ganmar) challenged, in summary proceedings, the legality of the Concession Agreement for the construction and operation of the Port of La Plata by Tecplata requesting also via three preliminary injunctions the suspension of the works at the terminal. Ganmar alleges that Tecplata's concession should have been awarded through a bidding process. The preliminary injunctions requested by Ganmar were rejected both by the Civil and Commercial Court and the Court of Appeals due to lack of evidence on the illegality of the Concession Agreement and/or the lack of urgent reasons to suspend the contract. Management of Tecplata believes that there is no merit in the action filed by Ganmar and has not provided for possible obligations arising from the aforementioned legal proceedings.

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. As of March 9, 2017, BICTL is awaiting the release of the written decision after which an appeal will be filed with the appellate court.

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:

Related Party	Relationship	Nature of Transaction	2014		2015		2016	
			Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
<i>(In Millions)</i>								
ICBV								
SPIA	Joint venture	Interest-bearing loans and interests	US\$64.73	US\$115.12	US\$94.77	US\$209.90	US\$66.58	US\$276.48
Parent Company								
YRDICTL/YICT								
YPH	Non-controlling shareholder	Port fees ⁽ⁱ⁾	1.46	–	1.10	–	1.77	–
		Trade transaction ⁽ⁱⁱ⁾	0.37	(0.01)	0.09	(0.01)	–	–
		Management fees ⁽ⁱⁱⁱ⁾	–	–	0.23	–	0.22	–
		Interest-bearing loans ^(iv)	–	–	–	–	21.60	(21.60)
		Interests on loans ^(iv)	–	–	–	–	0.07	(0.03)
YPG	Common shareholder	Port fees ⁽ⁱ⁾	3.02	(0.77)	3.72	(0.29)	2.36	(0.14)
		Trade transaction ⁽ⁱⁱ⁾	1.80	(0.13)	2.09	(0.32)	1.87	(0.02)
		Purchase of equipment	–	–	2.58	–	–	–
DP World	Non-controlling shareholder	Management fees ⁽ⁱⁱⁱ⁾	–	–	0.19	–	0.17	–
Tecplata								
NPSA		Purchase of additional shares	6.00	–	–	–	–	–
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.17	(0.01)	0.16	(0.02)	0.20	(0.03)
AGCT								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.27	–	0.29	(0.03)	0.37	(0.02)
PICT								
Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	3.62	(0.68)	4.47	(0.52)	5.17	(0.03)
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	0.01	–	0.01	–	0.01	–
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vii)	0.81	0.08	0.57	0.04	0.52	0.03
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	–	–	0.16	(0.16)	0.41	(0.04)
		Maintenance and repairs	–	–	0.04	(0.04)	0.09	(0.02)
BIPI								
Atlantic Gulf and Pacific Co. of Manila, Inc. (AG&P)	Common shareholder	Rent expense	0.06	–	0.07	(0.01)	0.05	(0.02)
		Revenues	2.09	0.03	0.42	0.25	–	–
		Utilities	–	–	–	–	0.03	–

(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 YPG and YPH.

(iii) The BOD of YICT approved a management fee of RMB6.1 million and RMB5.7 million in 2015 and 2016, 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 (see Note 16.2.4).

(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 income statement 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, 2014, 2015 and 2016, 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 2016 amounted to US\$2.2 million (2015: US\$4.3 million). The estimated amount of compensation expected to be paid in 2017 to the Chairman of the Board and President and four (4) highest paid executive officers as a group, amounted to US\$2.3 million.

Name and Principal Position	Year	Salary	Bonus and Others ^(a)	Total ^(b)
Enrique K. Razon, Jr. <i>Chairman of the Board and President</i>				
Martin O'Neil <i>Executive Vice-President</i>				
Rafael D. Consing, Jr. <i>Senior Vice-President and Chief Financial Officer</i>				
Vivien F. Miñana <i>Vice-President and Senior Administration Officer</i>				
Jose Joel M. Sebastian <i>Senior Vice-President, Finance</i>				
Chairman of the Board and President and four (4) highest paid executive officers, as a group	2017 (Estimate)	US\$0.5M	US\$1.8M	US\$2.3M
	2016 (Actual)	0.4M	1.8M	2.2M
	2015 (Actual)	0.5M	3.8M	4.3M
All officers and Directors, as a group, Unnamed ^(c)	2017 (Estimate)	1.0	5.9	6.9M
	2016 (Actual)	0.9	5.8	6.7M
	2015 (Actual)	1.1	8.3	9.4M

(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 2015, 2016 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, upon resignation, retirement or any other termination of the named executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company (except for the automatic vesting of awarded shares under the Stock Incentive Plan referred to below) or a change in the named executive officers' responsibilities following a change-in-control.

ICTSI's directors and named executive officers do not hold any outstanding warrants or options as of December 31, 2016. There were no adjustments or amendments made on the options previously awarded to any officers and directors of ICTSI. Certain officers were granted awards under the Stock Incentive Plan (SIP) in 2014, 2015 and 2016. Discussion on the SIP is further disclosed in Note 20, *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 2016.

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:

	2014	2015	2016
Audit Fees	US\$939.3	US\$1,057.8	US\$1,070.2
Audit-Related Fees	–	880.4	379.1
Tax Fees	92.0	295.6	72.9
Other Fees	14.8	73.1	151.1

Audit Fees include the audit of the Group's annual financial statements. The consolidated audit fees increased in 2015 and 2016 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 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. In 2015, the amount increased 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, composed of Octavio Victor R. Espiritu (Chairman), Jon Ramon Aboitiz and Stephen A. Paradies 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 21, 2016.

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 21, 2016, 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 2016 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:

March 7, 2016 (Special Meeting)

Granting of Special Power of Attorney to Roberto Gonzalez Torre to represent the Company in Ecuador.

March 14, 2016 (Special Meeting)

Approved the: (a) opening of account with Philippine Equity Partners, Inc. (PEPI); (b) participation in the bidding for Davao Sasa Port Modernization Project; (c) appointment of authorized signatories and representatives for the company's account with AB Capital Securities, Inc.; (d) company representatives in connection with the annual reporting before the superintendency of corporation in Argentina; and (e) participation in the request for proposal for the investment in and operation of International Container Terminals in Motukea and Lae, Papua New Guinea .

March 22, 2016 (Special Meeting)

Approved the: (a) company representatives to act for and in behalf of the company in the complaint for injunction filed before the Regional Trial Court of Manila, Branch 14 with Civil Case No. 16-135530; (b) authority of Picazo Buyco Tan Fider & Santos Law Offices to represent the company in the complaint for injunction filed before the Regional Trial Court of Manila, Branch 14 with Civil Case No. 16-135530; and c) vesting of shares in favor of members of the management team under the company's stock incentive program.

March 31, 2016 (Special Meeting)

Approved the: (a) retirement of Mr. Fernando L. Gaspar; and (b) renewal of credit facilities with Metropolitan Bank & Trust Corporation.

April 21, 2016 (Regular Meeting)

Approved the: (a) application for occupancy permit for MICT Berth 7 south yard expansion; (b) authorized representatives for transactions pertaining to motor vehicle of the company; (c) appointment of representative to attend in the mediation of the case filed before the Court of Appeals-Philippine Mediation Center; (d) appointment of representative to SCIPSI's annual stockholders meeting; (e) declaration of cash dividends; and (f) release of appropriated retained earnings.

May 17, 2016 (Special Meeting)

Approved the accelerated vesting of shares under the Stock Incentive Plan (SIP).

May 24, 2016 (Special Meeting)

Approved the: (a) authorized bank signatories; (b) appointment of representative for the execution of settlement agreement between Diageo Philippines, Inc.; and (c) appointment of representative to Land Transportation Office.

June 17, 2016 (Special Meeting)

Approved the: (a) authorized representative for the application for a Certificate of Import / Clearance from Marina; and (b) appointment of representative for the petition for nullification of CMO 30-2015, CMO 11-2016 and CMO 12-2016 versus customs Commissioner Alberto D. Lina, the Bureau of Customs and Manila North Harbour Port, Inc., filed before the Regional Trial Court of Manila.

June 30, 2016 (Special Meeting)

Approved the: (a) authorized representative for the banks; (b) accommodation to act as surety for ICTSI Subic, Inc. (c) renewal of credit facilities with China Banking Corporation.; (d) application of credit facilities with Standard Chartered Bank; and (e) authorizing the equity investment to International Container Terminal Holdings, Inc.

July 27, 2016 (Special Meeting)

Approved the authorized signatories for the banks.

August 15, 2016 (Special Meeting)

Approved the company representative in the execution of VMoney Merchant Agreement.

August 19, 2016 (Special Meeting)

Approved the re-appointment of Mr. Martin L. O'Neil as Executive Vice President.

September 8, 2016 (Special Meeting)

Authorizing the Business Process Outsourcing International, Inc. (BPO) to process compute and request payroll crediting of the corporation's confidential employees' salaries and bonuses.

September 20, 2016 (Special Meeting)

Approved the: (a) authority of Mr. Christian L. Lozano to act as proxy during any regular or special meetings of the Orchard Golf & Country Club; (b) participation of the company in the invitation to submit expression of interest in operating the Ruakura Inland Port in New Zealand; and (c) authorizing Mr. Justin Tolentino to represent the company in the execution of omnibus affidavit to be submitted to the Philippine Ports Authority.

September 30, 2016 (Special Meeting)

Approved the: (a) accelerated vesting of shares under the stock incentive plan (SIP); and (b) authorizing the equity investment to International Terminal Holdings, Inc.

October 3, 2016 (Special Meeting)

Authorizing the issuance of new senior perpetual securities.

October 14, 2016 (Special Meeting)

Approved the: (a) confirmation of the final terms and conditions of the New Senior Perpetual Securities; (b) company representatives for the case filed before the Housing and Land Use Regulatory Board.; and (c) appointment of Mr. Jose Manuel M. De Jesus to represent the company in granting Manila Electric Company a permanent easement of right of way in relation to the installation (and retirement) of electrical facilities over the company's property located at the LGICT compound, San Cristobal, Calamba City, Laguna.

October 27, 2016 (Special Meeting)

Approved the awarding of shares under the Company's Stock Incentive Plan (SIP).

November 17, 2016 (Special Meeting)

Approved the disclosure on share buy back transactions.

November 23, 2016 (Special Meeting)

Approved the short term loan facility for Operadora Portuaria Centroamericana, S.A. de C.V. (OPC).

December 16, 2016 (Special Meeting)

Authorizing the (1) conversion of ICTSI's Deposits for Future Stock Subscription ("DFFS") into equity and advances and (2) return of DFFS and approval of the (1) revised Audit Committee Charter, (2) Audit Committee Meeting minutes of the meetings held on May 5, 2016, August 4, 2016 and November 30, 2016, and (3) Risk Management Committee minutes of the meetings held on August 4, 2016 and November 4, 2016.

December 23, 2016 (Special Meeting)

Approved the purchase of properties located in Capipisa, Tanza, Cavite.

February 10, 2017 (Special Meeting)

Approval of the: (a) amendment of credit facilities with the Standard Chartered Bank; (b) election of the members of the Board of Trustees of the ICTSI Retirement Fund; (c) appointment of BDO Unibank Inc. – Trust and Investments Group as the Investment Manager of ICTSI Retirement Fund; and (d) authorized signatories in relation to the account of the ICTSI Retirement Fund; and (e) review of the Company's mission and vision statements.

Summary of the Minutes of the 2016 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 21, 2016, 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 -

The Secretary of the meeting certified that written notices were sent out starting March 30, 2016 to all stockholders as of record date of March 18, 2016. He further certified that stockholders representing 2,338,728,277 shares, out of a total of 2,733,252,516 shares, or 85% of total issued and outstanding shares were present in person or by proxy in the meeting. There was, therefore, a quorum for the meeting.

3. Approval of Minutes of the Annual Meeting of Stockholders Held on April 16, 2015 -

A stockholder moved for the approval of the minutes of the Annual Stockholders Meeting dated April 16, 2015. The motion was duly seconded. There being no objection to the motion, the Chairman declared the resolution approved and instructed the Secretary to record a vote approving the motion, noting the votes through proxies with specific instructions, as detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,334,728,277
Dissenting	None
Abstaining	None

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-01-16

"RESOLVED, that the minutes of the Annual Stockholders Meeting held on April 16, 2015 are hereby approved."

4. Chairman’s Report -

The Chairman and President delivered the following report:

The year 2015 was overshadowed by global economic uncertainty, which resulted in stress to the economies of certain countries and regions around the world. The continuing slowdown of China has sent China-reliant countries, such as Brazil, into deep recessions. Most oil producing countries and regions are also experiencing severe slowdowns due to the collapse in oil prices.

All of these negative economic headwinds led to weak global demand as reflected in flat global trade. Add to this the spreading conflict in the Middle East and terrorist attacks in the west, and you will be hard pressed to be optimistic about the near and medium term prospects for global growth.

There are of course bright spots in our own portfolio. We have several star performers such as Honduras, Iraq and Pakistan to name but a few, which provided strong volume growth and cash flow, not the countries you would normally expect to be drivers of growth. The Philippines likewise remains a bright spot, and should have healthy economic growth this year.

We certainly have our share of troubled spots as well that have been a drag on our results led by Brazil, which I cannot describe by any other term but an economic disaster, where volume continues to decline as the country falls deeper into recession and political instability. Argentina is another one. However, we are turning cautiously optimistic with the recent election of a new government, which seems to be very serious in executing the right economic reforms. We hope that the country will return to growth in the next year or so.

Throughout the year, there were currency devaluations in several countries where we are exposed in local currency, again with Brazil in the forefront with the largest devaluation against the Dollar. In most areas though, our revenue is in U.S dollars, so we are able to offset the currency losses.

So 2015 was a mixed bag to say the least, but when looked at as a whole, due to our diverse portfolio, we still managed to grow volume by five percent, and revenue more or less flat over the previous year. This speaks well of our strategy of geographical diversity, not reliant on one area or region. It clearly proves the resiliency of the company's business even in the most difficult economic environment. Experience tells us that times like these require us to be cautious, but also times like these eventually lead to great opportunities.

Business Development

In January, our greenfield project in Matadi, Democratic Republic of Congo officially broke ground. We expect the terminal to be completed by the third quarter of this year, and will have an initial capacity of 175,000 TEUs.

In February, we gained full ownership of Victoria International Container Terminal in Melbourne, Australia when we acquired Anglo Ports' 10 percent share in the Australian unit. VICT's development is on schedule, and we expect the terminal to be operational by the fourth quarter of 2016. Upon full completion of Phase 2, the 1 million-TEU annual capacity VICT will be the Group's first fully automated terminal, and the most advanced container handling facility in the Asia Pacific region.

In April, we divested our interest in Naha International Container Terminal in Okinawa, Japan when we sold our 60 percent ownership back to Naha International Container Terminal, Inc. as treasury shares. Our 10-year lease effectively expired last year, and we had earlier expressed our non-interest in renewing the NICT lease with the Naha Port Authority.

In May, we acquired from Grupo TMM 100 percent ownership of Terminal Maritima de Tuxpan (TMT) in Veracruz, Mexico. TMT holds an extendable 20-year concession for the development and operation of a projected one million-TEU annual capacity terminal in Tuxpan. The Tuxpan terminal will complement our existing business in Manzanillo. We plan to consolidate operations in the two terminals and expand our services through the Pacific and the Gulf of Mexico.

Group Volumes

To date, the ICTSI Group is involved in 30 terminal concessions and port development projects in 20 countries.

For 2015, we handled consolidated volumes of 7,775,993 TEUs, a five percent increase from 2014.

The increase was driven by continued volume ramp-up in Manzanillo, Mexico and Puerto Cortes, Honduras; new shipping line contracts and services in Karachi, Pakistan, Guayaquil, Ecuador, and Subic Bay, Philippines; favorable impact of consolidation in Yantai, China; and the contribution from our new operations in Umm Qasr, Iraq, which opened in November 2014. Excluding the new volume from Iraq, organic volume increased three percent.

All three regions posted single-digit TEU growth: Asia Pacific with 7.2 percent; Americas, 1.9 percent; and EMEA, 1.4 percent.

Asia Pacific accounted for over half of Group volume with 52.7 percent. This is followed by the Americas with 35.2 percent, and EMEA with 12.1 percent.

Financial Performance

Gross revenue from port operations were US\$1.051 billion, one percent lower compared to US\$1.061 billion the year before. The slight decline was largely due to weakening currencies in some countries that we operate in.

In addition, revenue was affected by loss of vessel calls at ICTSI Oregon in Portland, USA due to the continuing labor disruption, and weaker trade at Baltic Container Terminal in Gdynia, Poland. The decrease was partially offset by tariff rate adjustments in certain terminals.

Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization or EBITDA of US\$450 million was two percent higher than the US\$443 million generated the previous year. EBITDA margin improved to 43 percent in 2015 from 42 percent in 2014.

Largely because of one-time, non-cash charges, net income attributable to equity holders was US\$58.5 million, down 68 percent compared to the US\$182 million earned in 2014.

In 2015, we took impairment charges of US\$114.6 million related to reduced value of our TecPlata terminal in Argentina and of Jakarta, Indonesia operator OJA.

In addition, we recognized non-recurring gains. These include gains from our divestment in Japan, and tax charges in Buenaventura, Colombia and Pakistan.

Excluding the effect of these one-time adjustments and non-recurring charges, recurring net income would have increased by one percent to US\$174.7 million, from US\$172.6 million in 2014.

Diluted earnings per share declined 85 percent to 1.1 cents, from 7.5 cents again due to said one-time charges.

Consolidated cash operating expenses decreased by five percent in 2015 to US\$432.3 million, from US\$454.5 million the year earlier. The decrease was the result of lower equipment and facilities-related expenses. We likewise also benefited from lower global fuel prices and maintenance expenses. In addition, the depreciation of local currencies in various ports meant cash operating expenses of these ports were translated to a lower US dollar equivalent upon consolidation.

The reduction, however, was tapered by start-up costs in Iraq, Mexico, Australia and DR Congo. Excluding costs associated with the new projects, consolidated cash operating expenses would have decreased by seven percent in 2015.

Capital expenditure mainly related to construction and procurement of equipment amounted to US\$353.5 million, approximately 67 percent of the original US\$530 million 2015 capital expenditure budget.

Capex was directed mainly to the completion of new terminals in Mexico, Honduras and Iraq, capacity expansion in Manila; and greenfield projects in DR Congo and Australia.

In addition, we invested US\$95.1 million in the development of Sociedad Puerto Industrial Aguadulce, our joint venture container terminal development project with PSA International in Colombia.

We have set 2016 capex at US\$420 million, mainly allocated for ongoing projects in DR Congo, Iraq and Australia. In Colombia, we allocated approximately US\$60 million for our share to complete the initial phase of the project.

Fund Management

In January, we launched a liability management initiative that involved the issuance of US\$117.5 million in senior bonds and US\$300 million in perpetual securities. These were exchanged with outstanding

higher yielding securities. The transaction was part of our ongoing capital management program that achieved two objectives – first, to extend the duration of debt maturities and a call option for the perpetual securities and second, to reduce our cost of capital. In August, we issued US\$450 million of new perpetual securities. The funds raised were used to finance capital expenditures, refinance existing debt and for other general corporate purposes.

The Asset Asian Awards and IFR Asia hailed our US\$450 million perpetual securities issue as the Philippines’ Best Corporate Bond and the Philippine Capital Market Deal of the Year, respectively.

In October, Contecon Manzanillo S.A., our subsidiary in Mexico signed a US\$260 million 12-Year Project Finance Facility with the International Finance Corp., Inter-American Development Bank, and syndicate banks. We drew US\$95 million from the facility in December.

Vigilance

We remain vigilant as we face challenges in the coming months and the next few years. We relentlessly explore new ways to continuously improve the business, cut costs, and make ourselves more and more efficient.

We always have your interests, our shareholders, in mind. We have immediately implemented measures that would mitigate the effects of a contracting global economy. No stranger to volatility, we have instructed Management to look into areas of our operations where we could best optimize costs, and save on capital and administrative expenses, while maintaining the global operational standards we are associated with.

In our almost 30 years in the business, we have made solid investments that we know will secure the company’s growth for decades to come.

Thank you for your continued trust.

5. Approval of the Chairman’s Report and the 2015 Audited Financial Statements -

A stockholder moved for the approval of the Chairman’s Report for 2015. Another stockholder seconded the motion. There being no objection, the Chairman declared the motion approved, noting the votes through proxies with specific instructions, as detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,334,089,277
Dissenting	None
Abstaining	639,000

The following resolution was thus approved:

RESOLUTION NO. STK-02-15

"RESOLVED, that the Chairman’s Report for 2015 is hereby approved."

A stockholder moved for the approval the Audited Financial Statements as of December 31, 2015 which was duly seconded. The Chairman asked the body whether there was any objection and there being none, he declared the resolution approved, and instructed the secretary of the meeting to record a vote in favor of the resolution, noting as well the votes through proxies with specific instructions, as detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,334,089,277
Dissenting	None
Abstaining	639,000

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-03-15

"RESOLVED, that the Audited Financial Statements as of December 31, 2015 is hereby approved."

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

A stockholder moved for the approval of all acts, contracts, investments and resolutions and other activities approved by the outgoing Board and Management. Another stockholder seconded the motion. There being no objection, the Chairman declared the motion carried and approved, taking note of the votes through proxies with specific instructions, as detailed below:

VOTES	NUMBER OF VOTES CAST
Approving	2,334,089,277
Dissenting	None
Abstaining	639,000

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-04-15

"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 16, 2015 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.	* OCTAVIO VICTOR ESPIRITU
JOSE C. IBAZETA	*JOSEPH R. HIGDON
STEPHEN A. PARADIES	(*nominees for independent director)
ANDRES SORIANO III	
JON RAMON ABOITIZ	

The Office of the Corporate Secretary received no other nomination. He further reported that the Nomination Committee passed upon the nominations.

A stockholder said that since there are only seven (7) nominees for the seven (7) seats available in the Board, he moves that 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. Another stockholder seconded the motion.

The Chairman asked the body whether there was any objection and there being none, he declared the motion approved and directed 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, as detailed below:

Election of Directors	In favor	Against	Abstain	Total Shares Voting
Enrique K. Razon Jr.	2,304,214,926	29,838,391	674,960	2,334,728,277
Jon Ramon Aboitiz	1,995,852,930	338,875,347	-	2,334,728,277
Octavio Espiritu	2,329,001,423	5,726,854	-	2,334,728,277
Joseph Higdon	2,334,728,277	-	-	2,334,728,277
Stephen Paradies	2,025,657,587	309,070,690	-	2,334,728,277
Jose Ibazeta	1,975,874,274	358,854,003	-	2,334,728,277
Andres Soriano III	2,006,046,373	328,681,904	-	2,334,728,277

The following resolution was thus adopted and passed:

RESOLUTION NO. STK-05-16

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

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

***As independent directors.**

8. Appointment of External Auditor -

A stockholder nominated Sycip Gorres Velayo and Company as External Auditor of the Company. Another stockholder seconded the nomination. Another stockholder moved to close the nomination, which was duly seconded. The Chairman asked the body whether there was any objection and there being none, he declared the resolution approved, and the Chairman instructed the Secretary to record the votes, as detailed below, except those voting through proxies with specific instructions:

VOTES	NUMBER OF VOTES CAST
Approving	2,333,142,807
Dissenting	1,585,470
Abstaining	-

The following resolution was thus adopted and approved:

RESOLUTION NO. STK-07-16

"RESOLVED, That Sycip Gorres Velayo and Company is appointed as external auditors of the company for the year 2016."

9. Other Matters

The Chairman announced that at the meeting held earlier this morning, April 21, 2016, the Board declared cash dividends of P0.91 per share for stockholders of record as of May 5, 2016, payable on May 18, 2016. The stockholders applauded.

Questions and Answers

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

One stockholder asked about expectations in 2016 considering that economic situation is still unchanged. The Chairman replied that he thinks that challenges remain from 2015 and 2016 and probably more since the world trade and global economy slows down dramatically over the last couple of years. The challenges are to control cost and to maintain revenue, opportunities in new terminals not just in Congo and Australia which will be open this year and in Colombia. Those three and other existing terminals like Mexico, Iraq and Honduras will bring growth over the next couple of years. The same stockholder also asked about Oregon. The Chairman responded that the problem continues and it's a lengthy court battle. Hopefully, a resolution will be granted this year or next year.

10. Adjournment -

A stockholder moved for the adjournment of the meeting. Another stockholder duly seconded the motion. There being no objection, the Chairman announced that the meeting was adjourned. He invited the stockholders to partake of a brunch prepared by 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 2016, ICTSI implemented the following programs in its flagship operations in Manila International Container Terminal (MICT):

- 1.) Behavioral trainings which are initiated by the company as part of organization development. These include:
 - a. 7 Habits of Highly Effective People;
 - b. Team building;
 - c. Interaction Management;
 - d. Basic Management Programs and Leadership trainings;
 - e. Ports Operation and Strategy;
 - f. Ports Planning and Design;
 - g. Work Attitude and Values Enhancement Seminar / Tatak ICTSI;
 - h. Customer Service Training;
 - i. Employee Discipline Workshop;
 - j. People Management Conference;
 - k. Labor and Employee Relations Summit;
 - l. PSQI Leadership Training;
 - m. Team Building Sessions; and
 - n. STAR Program for Supervisors.

- 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. Counterfeit Detection;
 - h. Ugnayan sa Pantalan;
 - i. Claims for Non-Claims;
 - j. ISO Workshop; and
 - k. CFS Warehousing.

- 3.) Technical training programs for skills enhancement
 - a. Reach Stackers, Quay Cranes, Rubber Tired Gantries, Sidelifter;
 - b. Hatch Clerk Training;
 - c. Crosby Rigging Training;
 - d. PISM Purchasing & Supply Chain Trainings;
 - e. NIAT Bookkeeper Certification;
 - f. Certified Management Accountant Program;
 - g. Digital Communication & Branding;
 - h. CISCO CCNA Switching & Routing Course; and
 - i. Basic Non-Life Insurance.

Health, Safety and Productivity of its Employees

ICTSI (MICT) 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 (MICT)'s medical and dental facilities provide round the clock services for employees and their dependents. ICTSI (MICT) 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 (MICT) 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 Training

Programs and policies for year 2016 in ICTSI (MICT):

- Full implementation of Personal Protective Equipment (PPE) Policy to all- Zero Tolerance;
- Distributed new uniform with high visibility marks both upper garments and working pants for operation employees;
- Conducted trainings and drills on the following: Fire Prevention and Suppression; Fire Explosion; First Aid with Basic Life Support; Earthquake Preparedness; Chemical Safety; and Port Safety and Health Standards;
- Intensified the monitoring and strict implementation of "No Rider Policy"; and
- Intensified the "No loitering" policy inside the yard.

Other Programs:

- Intensified the terminal inspections;
- Enhanced monitoring of traffic flow and movements of port equipment in the terminal;
- Thorough inspection of all cargo gears of vessels at anchorage basin;
- Safeguarding of visitors & port users during terminal visits, tours and orientations;
- Intensified the follow-up inspections;

- Intensified the training for ERT members;
- Intensified the coordination between Safety and Operations Officers and Staff and upgraded the research and development methods;
- Conducted specialized training course on the proper identification, related legislative regulations and other specifications for dangerous goods handled in the port;
- Full compliance to the requirements of ISO 9001:2008 & 1400:2004 standards, PPA, DENR, DOLE-BWC and the BFP; and
- Conducted refresher course to ICTSI equipment operators (Dock work Safety and Health Course).

Accident Prevention:

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

ICTSI (MICT) 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 and submitted to SEC its latest Revised Manual on Corporate Governance ("CG Manual") on July 30, 2014. The Company submitted a Certificate last January 5, 2017, which states that the Company is in full compliance thereof. The Company likewise submitted its 2015 Consolidated Changes in the Annual Corporate Governance Report

on January 8, 2016 and will submit its 2016 Annual Corporate Governance Report on or before May 30, 2017, pursuant to SEC Memorandum Circular 20 - 2016. 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. These improvements are being updated and documented in its Annual Corporate Governance Report.

Recognition and Awards in 2016

2016

December: **Platinum Award**

For the third 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 15, 2016 in Hong Kong.

Best Project Finance Deal

The syndicated loan facility worth AUD398 million signed by Victoria International Container Terminal and seven leading global financial institutions was awarded Best Project Finance Deal by FinanceAsia's Achievement Awards for Australia and New Zealand 2016. The awarding ceremony was held on February 7, 2017 in Australia at a gala dinner organized by FinanceAsia.

Best Corporate Liability Management

ICTSI's USD345.4 million tender offer and USD375 million perpetual bonds issued on 13 October 2016 are cited as Best Corporate Liability Management at The Asset Regional House & Deal Awards 2016. The awarding ceremony will be held on February 28, 2017 in Hong Kong at a gala dinner to be organized by The Asset.

November: **Perpetual Bond of the Year**

ICTSI's USD450 million perpetual bonds issued on 15 August 2015 is cited as the Perpetual Bond of the Year at the Corporate Finance Deals of the Year 2016 organized by World Finance.

Best Philippine Deal

ICTSI's USD345.4 million tender offer and USD375 million perpetual bonds issued on 13 October 2016 are cited as the Best Philippine Deal at the FinanceAsia Achievement Awards 2016. The awarding ceremony was held on February 16, 2017 in Hong Kong at a gala dinner organized by FinanceAsia.

October: ICTSI is one of the recipients of the first **Institutional Investors' Governance Awards**. The awarding ceremony was held during the 2016 Investors Forum which was hosted by the Fund Managers Association of the Philippines (FMAP), the Institute of Corporate Directors (ICD), the Philippine Investment Funds Association (PIFA), the Trust Officers Association of the Philippines (TOAP), and PJS Corporate Support Inc. on October 6, 2016 at the Manila Polo Club.

Dividends and Dividend Policy

Since 2014 to 2016, ICTSI was able to declare dividends from PhP 0.85 - PhP 0.91, 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
Date of BOD approval	April 16, 2015	April 21, 2016
Amount of cash dividends per share	US\$0.020 (₱0.90)	US\$0.020 (₱0.91)
Record date	May 4, 2015	May 5, 2016
Payment date	May 15, 2015	May 18, 2016

Item 16. Matters Not Required to be Submitted

Not Applicable

Item 17. Amendment of Charter, Bylaws or Other Documents

The amendment of the Seventh Article of the Amended Articles of Incorporation of the Corporation is being proposed, to delete the provision which states that 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 amendment of the Eighth Article of the Amended Articles of Incorporation of the Corporation is being proposed to delete the right of first refusal and other restrictions on the right to sell shares in the Corporation other than the nationality restriction..

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.

Preferred B shares are low par value voting shares which receives no dividends. They were issued to Achillion Holdings Inc., a corporation controlled by the Chairman Enrique K. Razon Jr., 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.

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.

Item 18. Other Proposed Actions

Approval of the 2016 Minutes of the Annual Stockholders' Meeting

The Minutes of the Annual Stockholders' Meeting of ICTSI held on April 21, 2016 ("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 2016 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 2016 Audited Consolidated Financial Statements

The annual consolidated financial statements of ICTSI and subsidiaries as of and for the year ended December 31, 2016 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 2016 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
Amendment of the Seventh and Eight Articles of the Articles of Incorporation of the Corporation	Two-thirds (2/3) of outstanding capital stock
Reappointment of SGV & Co. as the Company's external auditors	Majority of the votes cast

Undertaking to Provide Annual Report

A copy of the 2016 ICTSI Annual Report on SEC Form 17-A for the fiscal year ended 31 December 2016, 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 17, 2017.

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 7 April 2017**, 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 7 April 2017**. 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 Harbour Lounge, 4/F ICTSI Administration Building, South Access Road, MICT, Port of Manila on **11 April 2017 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 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: _____

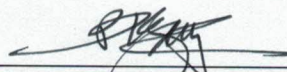
REPUBLIC OF THE PHILIPPINES)
MANILA CITY) S.S.

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 in accordance with law, hereby certify that:

1. I am the duly appointed Assistant Corporate Secretary of International Container Terminal Services, Inc. ("ICTSI" or 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 14th day of March 2017 in Manila City, Philippines.


BENJAMIN M. GOROSPE III
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Manila City, Philippines, this 14th day of March 2017 affiant exhibiting to me his Philippine Passport, with No. P0034218A, issued in Manila City on 24 August 2016.

Doc. No. 421;
Page No. 85;
Book No. II;
Series of 2017.

ATTY. RANDY P. BARENG
NOTARY PUBLIC UNTIL DEC. 31 2017
PTR NO. 5977835, MLA. 01-03-2017
IBF NO. 946487, MLA. 10-28-15 ROLL NO. 476
MCLE COMPLIANCE V 0022658, 04-14-2019
16-1, URC BLDG., BLUMENTRITT ST. SAMP. M.A.

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

UNDERTAKING

I, **BENJAMIN M. GOROSPE III**, of legal age, Filipino, with office address at 3rd Floor, ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines, after having been duly sworn in accordance with law, hereby state 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 undertake to submit the certifications from the Independent Directors of the Company on their qualification and disqualification under the SRC and its Implementing Rules and Regulations within 15 days from the date of the Company's Annual Stockholders' Meeting on 20 April 2017.

IN WITNESS WHEREOF, I have hereunto set my hands this 14th day of March 2017 in Manila City.



BENJAMIN M. GOROSPE III
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Manila City, Philippines, this 14th day of March 2017 affiant exhibiting to me his Philippine Passport, with No. PO034218A, issued in Manila City on 24 August 2016.

Doc. No.: 420 ;
Page No.: 89 ;
Book No.: II ;
Series of 2017.

ATTY. RANDY P. BARENG
NOTARY PUBLIC UNTIL DEC. 31 2017
PTR NO. 5817835, M.L.A. 01-03-2017
BP NO. 946487, M.L.A. 10-28-15 ROLL NO. 47677
MCLE COMPLIANCE V 0022658, 04-14-2019
316-1, URC BLDG., BLUMENTRITT ST. SAMP. M.L.A.

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, 2016. 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 March 9, 2017, the Group is involved in 28 terminal concessions and port development projects in 18 countries worldwide. There are 25 operating terminals in eight 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 and Colombia; an ongoing port development project in Australia; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The projects in DR Congo and Colombia have started initial operations in the third quarter and fourth quarter of 2016, respectively. Phase 1 of the project in Australia is expected to commence commercial operations in the second quarter of 2017. Construction of the port in accordance with the sub-concession agreement in Nigeria is currently in the planning stage.

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)
 - 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)
 - 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)
- 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)
 - Nigeria - Deep Water Port, Ibeju-Lekki, Lagos State, Federal Republic of Nigeria (LICTSLE)
 - DR Congo - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
 - Iraq - 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 and acquired by ICTSI and subsidiaries for the last three years are summarized below:

Matadi Gateway Terminal, Matadi, Democratic Republic of Congo. On January 23, 2014, the Company, 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 (IDRC). ICTSI Cooperatief and SIMOBILE initially owned 60.0 percent and 40.0 percent of IDRC, respectively. On May 19, 2015, ICTSI Cooperatief and SIMOBILE transferred their respective 8.0 percent and 2.0 percent 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, La Societe d'Investissement et de Placement Sprl (SIP Sprl), its 10% ownership in IDRC. Thereafter, IDRC is owned 52.0 percent by ICTSI, 28.0 percent by SIMOBILE, 10.0 percent by SIP Sprl and 10.0 percent by SCTP SA. IDRC will build, manage, develop and operate Matadi Gateway Terminal as a new container terminal in phases, as well as provide exclusive container handling services and general cargo services therein. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal commenced in January 2015 and was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017.

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 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. ICTSI took over Berth 20 in September 2014 and started commercial operations in November 2014, while Phase 1 of the expansion project is expected to be completed and be operational by the first quarter of 2017.

Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia. On May 2, 2014, ICTSI, through its subsidiary in Australia, Victoria International Container Terminal Ltd. (VICT), signed a contract 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. The Phase 1 construction of the Terminal and ECP commenced in the fourth quarter of 2014 and is expected to commence commercial operations in the second quarter of 2017. Phase 2 is expected to be completed in the last quarter of 2017.

Port of Yantai, Shandong Province, China. On July 1, 2014, the Company, through its subsidiary, ICTSI (Hong Kong) Limited (IHKL), acquired 51.0 percent of the total equity interest of Yantai International Container Terminals Limited (YICT) for a total cash consideration of US\$137.3 million (RMB854.2 million). On the same date, the Company sold its 60.0 percent ownership interest in YRDICTL to Yantai Port Holdings (YPH) for a total cash consideration of US\$94.8 million (RMB588.1 million). The objective of these transactions is to consolidate and optimize the overall port operations within the Zhifu Bay Port area in Yantai. After the consolidation, YICT became the only foreign container terminal within the Zhifu Bay Port area. ICTSI took control over the operations of YICT on the same date.

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.

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 9, 2017, management is currently working on a development plan on TMT.

Davao Sasa Port, Philippines. 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 that expired on April 20, 2016.

The tender process for the Davao Sasa Port Modernization project has started and ICTSI is one of the short-listed bidders. Since April 2016, the local office of the Philippine Ports Authority in Davao City has granted DIPSSCOR a series of hold-over authorities for a period of six months. The latest hold-over authority is until April 20, 2017.

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. The latest hold-over authority is until February 24, 2018.

On June 30, 2014, ICTSI, through its subsidiaries, ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a termination agreement cancelling ICTSI's container port agreement for the management of the Kattupalli Container Terminal in Tamil, Nadu. In accordance with the termination agreement, LTSB paid ICTSI India approximately US\$15.9 million (INR957.5 million) as reimbursement of the license fee the latter paid to operate the terminal plus management fees and other amounts due to ICTSI India.

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.

Muara Container Terminal, Brunei Darussalam. The Agreement with the Brunei Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam is expiring on May 20, 2017 after yearly extension from 2012. The Agreement with the Brunei Government 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.

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.

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, 2016 as compared with the same period in 2015 and 2014 as derived from the accompanying audited consolidated financial statements.

Table 6.1 Audited Consolidated Statements of Income

<i>In thousands, except % change data</i>	For the Years Ended December 31			% Change 2014 vs 2015	% Change 2015 vs 2016
	2014	2015	2016		
Gross revenues from port operations	US\$1,061,152	US\$1,051,325	US\$1,128,395	(0.9)	7.3
Revenues from port operations, net of port authorities' share	897,504	882,322	944,693	(1.7)	7.1
Total income (net revenues, interest and other income)	968,736	906,183	980,396	(6.5)	8.2
Total expenses (operating, financing and other expenses)	723,341	786,566	723,355	8.7	(8.0)
EBITDA ¹	443,009	450,022	525,078	1.6	16.7
EBIT ²	321,323	323,569	377,248	0.7	16.6
Net income attributable to equity holders of the parent	181,988	58,545	180,016	(67.8)	207.5
Earnings per share					
Basic	US\$0.075	US\$0.011	US\$0.066	(85.3)	500.0
Diluted	0.075	0.011	0.065	(85.3)	490.9

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			% Change <i>2014 vs 2015</i>	% Change <i>2015 vs 2016</i>
	2014	2015	2016		
Net income attributable to equity holders of the parent	US\$181,988	US\$58,545	US\$180,016	(67.8)	207.5
Non-controlling interests	9,525	10,434	13,455	9.5	29.0
Provision for income tax	53,882	50,638	63,571	(6.0)	25.5
Income before income tax	245,395	119,617	257,042	(51.3)	114.9
Add (deduct):					
Depreciation and amortization	121,686	126,453	147,830	3.9	16.9
Interest and other expenses	147,160	227,813	155,910	54.8	(31.6)
Interest and other income	(71,232)	(23,861)	(35,704)	(66.5)	49.6
EBITDA	US\$443,009	US\$450,022	US\$525,078	1.6	16.7

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.

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.

2015 Compared with 2014

Gross moves per hour per crane ranged from 16.5 to 29.9 moves per hour in 2014 to 17.2 to 33.5 moves per hour in 2015. Crane availability ranged from 91.0 percent to 99.9 percent in 2014 to 90.9 percent to 100.0 percent in 2015. Berth utilization was at 23.1 percent to 105.2 percent in 2014 and 20.5 percent to 76.3 percent in 2015.

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, 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 6.3 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 6.4 Total Income

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	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 6.5 Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	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 below table shows the breakdown of total expenses for 2015 and 2016.

Table 6.6 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.

Comparison of Operating Results for the Years Ended December 31, 2015 and 2014

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2014 and 2015:

Table 6.7 Volume

	For the Years Ended December 31		
	2014	2015	% Change
Asia	3,820,572	4,094,580	7.2
Americas	2,687,447	2,738,079	1.9
EMEA	930,616	943,334	1.4
	7,438,635	7,775,993	4.5

Consolidated volume handled by the Group increased by 4.5 percent for the year ended December 31, 2015 mainly due to new shipping lines and services; continuous growth and ramp-up at CMSA and OPC; increased demand for services at SBITC; and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, consolidated volume would have increased by 2.6 percent in 2015.

Volume handled by the Asia operations, consisting of terminals in the Philippines, China, Indonesia and Pakistan increased by 7.2 percent for the year ended December 31, 2015. The increase was a result of the favorable impact of the consolidation of terminal operations at YICT, which took effect in July 2014; new shipping lines and services at PICT; increase in trade volume at MICT as a result of the easing of the modified truck ban policy which was imposed by the City of Manila in early 2014 and was lifted in September 2014; and increased demand for services at SBITC. The Asia operations accounted for

51.4 percent and 52.7 percent of consolidated TEU volume for the years ended December 31, 2014 and 2015, respectively.

Volume from the Americas, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and the United States of America, increased by 1.9 percent for the year ended December 31, 2015 primarily due to increased vessel calls as a result of the continuous growth and ramp-up at CMSA and OPC; as well as new shipping lines and services at CGSA. The growth in the segment's volume, however, was tempered by lower imports at CGSA due to higher trade tariffs imposed by the Ecuadorian government to mitigate the falling oil prices; lower imports at TSSA as a result of the slowdown of the Brazilian economy and significant depreciation of the Brazilian Reais against the US dollar; and discontinued vessel calls from two major shipping lines, Hanjin Shipping Co. (Hanjin) and Hapag Lloyd, at ICTSI Oregon as a result of continuous labor disruptions. Hanjin has discontinued vessel service several times in the past but eventually came back. The Americas comprised 36.1 percent and 35.2 percent of the consolidated volume for the years ended December 31, 2014 and 2015, respectively.

The EMEA operations, on the other hand, consisting of terminals in Poland, Georgia, Madagascar, Croatia and Iraq, reported an increase of 1.4 percent for the year ended December 31, 2015 mainly due to the contribution of a new terminal, ICTSI Iraq. Growth was partially offset by reduced trade volume in the region as a result of slow economic recovery and significant currency depreciation. Excluding ICTSI Iraq, volume for the segment would have decreased by 14.7 percent in 2015. The EMEA operations accounted for 12.5 percent and 12.1 percent of the consolidated volume for the years ended December 31, 2014 and 2015, respectively.

Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2014 and 2015:

Table 6.8 Total Income

<i>(In thousands, except % change data)</i>	For the Year Ended December 31		
	2014	2015	% Change
Gross revenues from port operations	US\$1,061,152	US\$1,051,325	(0.9)
Port authorities' share in gross revenues	163,648	169,003	3.3
Net revenues	897,504	882,322	(1.7)
Gain on sale of subsidiaries	44,957	323	(99.3)
Interest income	10,915	13,383	22.6
Foreign exchange gain	1,157	3,672	217.4
Other income	14,203	6,483	(54.4)
	US\$968,736	US\$906,183	(6.5)

For the year ended December 31, 2015, net revenues accounted for 97.4 percent of the total consolidated income while interest income, foreign exchange gain and other income represented 1.5 percent, 0.4 percent and 0.7 percent, respectively. For the same period in 2014, net revenues, interest income and foreign exchange gain, gain on sale of subsidiaries and other income stood at 92.6 percent, 1.1 percent, 0.1 percent, 4.6 percent and 1.5 percent of the total consolidated income, 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, 2014 and 2015:

Table 6.9 Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2014	2015	% Change
Asia	US\$531,484	US\$564,577	6.2
Americas	424,575	377,639	(11.1)
EMEA	105,093	109,109	3.8
	US\$1,061,152	US\$1,051,325	(0.9)

The Group's consolidated gross revenues from port operations slightly decreased by 0.9 percent from US\$1,061.2 million for the year ended December 31, 2014 to US\$1,051.3 million for the same period in 2015 mainly due to unfavorable container volume mix, lower storage revenues and ancillary services and unfavorable impact of significant currency depreciation. The downward impact was tapered by tariff rate adjustments at certain terminals; new contracts with shipping lines and services; continuous growth and ramp up at CMSA and OPC, favorable impact of consolidation of terminal operations at YICT and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq and the translation impact of currency depreciation of the Brazilian Reais (BRL) at TSSA (-41.7%); Euro (EUR) at MICTSL (-19.7%), Mexican peso (MXN) at CMSA (-19.3%) and Philippine peso (PHP) at Philippine terminals (-2.5%), consolidated gross revenues would have increased by 2.0 percent in 2015.

Gross revenues from the Asia segment increased by 6.2 percent from US\$531.5 million for the year ended December 31, 2014 to US\$564.6 million for the same period in 2015 mainly attributable to favorable impact of consolidation of terminal operations at YICT; favorable mix and higher ancillary services at SBITC; new contracts with shipping lines and services at PICT, tapered by the unfavorable translation impact of the depreciation of PHP against US dollar (-2.5%) at Philippine terminals. Excluding the translation impact of PHP, gross revenues of the Asia segment would have increased by 8.0 percent in 2015. The Asia segment contributed 50.1 percent and 53.7 percent of the consolidated gross revenues for the years ended December 31, 2014 and 2015, respectively.

Gross revenues from the Americas segment reported a decline of 11.1 percent from US\$424.6 million for the year ended December 31, 2014 to US\$377.6 million for the year ended December 31, 2015 arising mainly from unfavorable container volume mix, lower storage and non-containerized revenues at TSSA; lower imports at CGSA due to higher trade tariffs imposed by Ecuadorian government; combined with unfavorable translation impact of the depreciation of BRL against the US dollar (-41.7%) at TSSA and MXN (-19.3%) at CMSA; and discontinued vessel calls of two major shipping lines at ICTSI Oregon as a result of the continuous labor slowdown. The decline in gross revenues was tapered by tariff rate adjustments at certain terminals; new shipping lines and services at CGSA; and volume growth and stronger ancillary revenues due to continuous growth and ramp-up at CMSA and OPC. Excluding the translation impact of BRL and MXN, gross revenues of the Americas segment would have decreased by 3.1 percent in 2015. The Americas segment accounted for 40.0 percent and 35.9 percent of the consolidated gross revenues for the years ended December 31, 2014 and 2015, respectively.

Gross revenues from the EMEA segment, on the other hand, grew by 3.8 percent from US\$105.1 million for the year ended December 31, 2014 to US\$109.1 million for the year ended December 31, 2015 primarily due to the contribution of a new terminal, ICTSI Iraq; and tariff rate adjustments at certain terminals, tapered by weaker short-sea trade and reduced vessel calls at BCT; and unfavorable translation impact of the depreciation of EUR against the US dollar (-19.7%). Excluding ICTSI Iraq and translation

impact of EUR, the segment's gross revenues would have decreased by 7.5 percent in 2015. The EMEA segment captured 9.9 percent and 10.4 percent of the consolidated gross revenues for the years ended December 31, 2014 and 2015, 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, increased by 3.3 percent from US\$163.6 million for the year ended December 31, 2014 to US\$169.0 million for the same period in 2015 due to stronger revenues at these terminals and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, port authorities' share in gross revenues would have decreased by 1.4 percent in 2015.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income grew by 22.6 percent from US\$10.9 million for the year ended December 31, 2014 to US\$13.4 million for the same period in 2015 primarily due to higher interest income earned from advances granted to SPIA, a joint venture associate.

Foreign exchange gain increased from US\$1.2 million for the year ended December 31, 2014 to US\$3.7 million for the same period in 2015 due to the favorable translation impact of a weaker MXN against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

In January 2014, the Company recognized a non-recurring gain on sale of a non-operating subsidiary amounting to US\$13.2 million. Moreover, in July 2014, the Company sold its 60.0 percent ownership interest at YRDICTL to YPH for US\$94.8 million (RMB 588.1 million), and at the same time, acquired 51.0 percent interest in YICT with the objective to consolidate and optimize the overall port operations within the Zhifu Bay Port area. The sale resulted in the recognition of a gain amounting to US\$31.8 million in 2014.

Other income declined by 54.4 percent from US\$14.2 million for the year ended December 31, 2014 to US\$6.5 million for the year ended December 31, 2015. Other income in 2014 included the non-recurring gains on termination of the management contract at ICTSI India and settlement of an insurance claim at CGSA totaling US\$4.5 million. 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 2014 and 2015.

Table 6.10 Total Expenses

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2014	2015	% Change
Manpower costs	US\$205,399	US\$193,164	(6.0)
Equipment and facilities-related expenses	135,481	124,754	(7.9)
Administrative and other operating expenses	113,615	114,382	0.7
Total cash operating expenses	454,495	432,300	(4.9)
Depreciation and amortization	121,686	126,453	3.9
Interest expense and financing charges on borrowings	58,856	61,231	4.0
Interest expense on concession rights payable	38,066	37,301	(2.0)
Foreign exchange loss and others	50,238	129,281	157.3
	US\$723,341	US\$786,566	8.7

Total cash operating expenses of the Group dropped by 4.9 percent from US\$454.5 million for the year ended December 31, 2014 to US\$432.3 million for the same period in 2015 due to decrease in significant operating costs such as fuel costs due to decline in global prices of fuel and operational efficiencies; and costs on repairs and maintenance and equipment rental due to capital acquisitions and upgrades at certain terminals; decline in variable costs at ICTSI Oregon; and the favorable translation impact of BRL at TSSA, EUR at MICTSL, MXN at CMSA and PHP at Philippine terminals. The decrease, however, was reduced by the contributions and start-up costs of a new terminal and projects, including ICTSI Iraq, VICT, IDRC, LICTSLE, TMT and LGICT; and higher insurance costs arising from increased risk coverage. Excluding the new terminal and projects and the translation impact of currency depreciation, consolidated cash operating expenses would have decreased marginally by 0.3 percent in 2015.

Manpower Costs

Manpower costs decreased by 6.0 percent from US\$205.4 million for the year ended December 31, 2014 to US\$193.2 million for the same period in 2015 primarily due to decline in contracted services at ICTSI Oregon and the favorable translation impact of BRL at TSSA, EUR at MICTSL, MXN at CMSA and PHP at Philippine terminals, tapered by increased headcount as a result of the consolidation at YICT; government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminal and projects, including ICTSI Iraq, VICT, IDRC and LGICT. Excluding the new terminal and projects and the translation impact of currency depreciation, consolidated manpower costs would have decreased marginally by 0.5 percent in 2015.

Manpower costs accounted for 45.2 percent and 44.7 percent of cash operating expenses for the years ended December 31, 2014 and 2015, respectively.

Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses dropped by 7.9 percent from US\$135.5 million for the year ended December 31, 2014 to US\$124.8 million for the year ended December 31, 2015 mainly due to lower fuel cost as a result of decrease in global fuel prices; and lower equipment rentals and repairs and maintenance as a result of equipment acquisitions and upgrades at certain terminals; decline in variable costs at ICTSI Oregon; and the favorable translation impact of BRL at TSSA, EUR at MICTSL, MXN at CMSA and PHP at Philippine terminals. The decrease was slightly tapered by higher power costs driven by power tariff adjustments at certain terminals; and the contribution of a new terminal and projects, including ICTSI Iraq, IDRC and LGICT. Excluding the new terminal and projects and translation impact of currency depreciation, consolidated equipment and facilities-related expenses would have decreased by 2.0 percent in 2015.

Equipment and facilities-related expenses represented 29.8 percent and 28.9 percent of cash operating expenses for the years ended December 31, 2014 and 2015, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses slightly increased by 0.7 percent from US\$113.6 million for the year ended December 31, 2014 to US\$114.4 million for the year ended December 31, 2015 mainly due to contributions and start-up costs of a new terminal and projects, including ICTSI Iraq, VICT, IDRC, LICTSLE, TMT and LGICT; and higher insurance costs arising from increased risk coverage of the Group's assets. These increased expenses were partially offset by the favorable foreign exchange

translation impact of the BRL at TSSA, the EUR at MICTSL, the MXN at CMSA and the PHP at Philippine terminals. Excluding the new terminal and projects and translation impact of currency depreciation, consolidated administrative expenses and other operating expenses would have increased by 2.2 percent.

Administrative and other operating expenses stood at 25.0 percent and 26.5 percent of the total cash operating expenses for the years ended December 31, 2014 and 2015, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 3.9 percent from US\$121.7 million for the year ended December 31, 2014 to US\$126.5 million for the same period in 2015 mainly due to the acquisition of port facilities and equipment upon consolidation of YICT, acquisition of port equipment and improvement of yard facilities at MICT and OPC, and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, depreciation and amortization expense would have increased by 3.5 percent in 2015.

Interest and Financing Charges on Borrowings

Financing charges increased by 4.0 percent from US\$58.9 million for the year ended December 31, 2014 to US\$61.2 million for the same period in 2015 primarily due to the increased level of outstanding debt and credit lines tapered by the lower financing cost as a result of the exchange of ICTSI senior notes for lower cost notes under the MTN Programme in January 2015 as part of the Group's liability management exercise. Capitalized borrowing costs on qualifying assets increased from US\$25.0 million in 2014 to US\$27.5 million in 2015 arising from the construction activities at Tecplata during the year and the ongoing construction activities at VICT, IDRC and ICTSI Iraq. Capitalization rate decreased from 6.8 percent in 2014 to 6.6 percent in 2015.

Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased by 2.0 percent from US\$38.1 million for the year ended December 31, 2014 to US\$37.3 million for the same period in 2015 mainly due to the declining principal balances of the Group's concession rights payable as of December 31, 2015.

Foreign Exchange Loss and Others

Foreign exchange loss and others grew by 157.3 percent from US\$50.2 million for the year ended December 31, 2014 to US\$129.3 million for the same period in 2015 primarily due to the non-recurring impairment charges on the concession rights assets of Tecplata amounting to US\$88.0 million as a result of the lower projected cash flows on its updated business plan caused by the prevailing and challenging economic conditions in Argentina and on the goodwill of PT ICTSI Jasa Prima Tbk (JASA) and OJA aggregating US\$26.6 million as a result of lower projected cash flows on its updated business plan than originally expected. Other expenses in 2015 also includes recognition of a one-time wealth tax on equity in SPIA amounting to US\$1.3 million in accordance with the new tax reform of Colombia in 2015. The 2014 amount, on the other hand, included an impairment charge on the goodwill at Tecplata amounting to US\$38.1 million and a loss recognized on settlement of an insurance claim at BCT amounting to US\$0.9 million in 2014.

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 increased marginally by 1.6 percent from US\$443.0 million for the year ended December 31, 2014 to US\$450.0 million for the year ended December 31, 2015 primarily due to the strong operating results in Asia and the positive contribution of a new terminal, ICTSI Iraq. Excluding the new terminal and projects and translation impact of currency depreciation, consolidated EBITDA would have increased by 2.3 percent in 2015. Consequently, EBITDA margin went up to 42.8 percent in 2015 from 41.7 percent in 2014.

Meanwhile, consolidated EBIT slightly increased by 0.7 percent from US\$321.3 million for the year ended December 31, 2014 to US\$323.6 million for the year ended December 31, 2015 mainly due to the increase in EBITDA. As a result, EBIT margin also increased from 30.3 percent in 2014 to 30.8 percent in 2015.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax dropped by 51.3 percent from US\$245.4 million for the year ended December 31, 2014 to US\$119.6 million for the year ended December 31, 2015. The decrease was primarily due to the impact of a net non-recurring loss of US\$115.5 million in 2015 compared to a net non-recurring gain of US\$10.4 million recognized by the Company in 2014. The 2015 net non-recurring loss consists of a one-time wealth tax for equity in SPIA and impairment charges recognized on the concession rights assets of Tecplata and goodwill of JASA and OJA, net of a gain on sale of a subsidiary. On the other hand, the Company's 2014 net non-recurring gain consisted of gains on sale of subsidiaries, gains on termination of a management contract and settlement of an insurance claim at CGSA, net of an impairment charge recognized on the goodwill of Tecplata and loss recognized on the settlement of an insurance claim at BCT. Excluding the non-recurring gains and losses, consolidated income before income tax would have increased marginally by 0.1 percent. The ratio of income before income tax to consolidated gross revenues stood at 23.1 percent and 11.4 percent in 2014 and 2015, respectively.

Consolidated provision for current and deferred income taxes decreased by 6.0 percent from US\$53.9 million for the year ended December 31, 2014 to US\$50.6 million for the same period in 2015 mainly due to higher deferred income tax benefit on unrealized foreign exchange loss in 2015, tapered by recognition of a one-time super tax at PICT amounting to US\$1.0 million in accordance with Finance Act 2015 of Pakistan. The current provision for income tax was reduced by MICT's Berth 6 income tax holiday incentive amounting to US\$12.3 million and US\$11.9 million for the year ended December 31, 2014 and 2015, respectively. Effective income tax rate in 2014 and 2015 stood at 22.0 percent and 42.3 percent, respectively. Excluding the impairment charges recognized in 2014 and 2015, effective income tax rate would have been 19.0 percent and 21.6 percent, respectively.

Net Income

Consolidated net income decreased by 64.0 percent from US\$191.5 million for the year ended December 31, 2014 to US\$69.0 million for the year ended December 31, 2015. Excluding the non-recurring items recognized in 2014 and 2015, consolidated net income would have increased by 1.8 percent in 2015. The ratio of consolidated net income to gross revenues stood at 18.0 percent and 6.6 percent in 2014 and 2015, respectively.

Net income attributable to equity holders decreased by 67.8 percent from US\$182.0 million for the year ended December 31, 2014 to US\$58.5 million for the same period in 2015. Excluding non-recurring gains and losses, net income attributable to equity holders would have increased by 1.2 percent in 2015.

Basic and diluted earnings per share decreased from US\$0.075 in 2014 to US\$0.011 in 2015.

Comparison of Operating Results for the Years Ended December 31, 2014 and 2013

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2013 and 2014:

Table 6.7 Volume

	For the Years Ended December 31		
	2013	2014	% Change
Asia	3,790,334	3,820,572	0.8
Americas	1,725,324	2,687,447	55.8
EMEA	794,182	930,616	17.2
	6,309,840	7,438,635	17.9

The Group's consolidated volume increased by 17.9 percent for the year ended December 31, 2014 primarily due to the contribution of new terminals, CMSA, OPC and ICTSI Iraq; continuous improvement in international and domestic trade; and new shipping lines. Excluding new terminals, consolidated volume would have increased by 2.2 percent in 2014.

Volume handled by the Asia operations, comprised of terminals in the Philippines, China, Indonesia and Pakistan, increased by 0.8 percent for the year ended December 31, 2014 mainly due to the favorable impact of consolidation of terminal operations at YICT, which took effect in July 2014; increased demand for services at SBITC; and new shipping lines at PICT. Meanwhile, the growth in the segment's volume was narrowed down by the slight decline in throughput at MICT as a result of the modified truck ban policy imposed by the City of Manila early this year, weaker volume at DIPSSCOR arising from the shared market with a newly-opened port, and lower imports and exports at MICTSI. The Asia operations accounted for 60.1 percent and 51.4 percent of the consolidated volume for the years ended December 31, 2013 and 2014, respectively.

Throughput from the Americas operations, composed of terminals in Brazil, Ecuador, Honduras, Mexico and the United States of America, surged by 55.8 percent for the year ended December 31, 2014 mainly due to the contribution of new terminals, CMSA and OPC; continuous shift to banana containerization at CGSA; and improvements in international and local trade at TSSA. The increase in the segment's volume was reduced by lower vessel calls at ICTSI Oregon as a result of the continuous labor disruptions. Excluding CMSA and OPC, the segment's volume would have increased marginally by 0.6 percent in 2014. The Americas operations accounted for 27.3 percent and 36.1 percent of the consolidated volume for the years ended December 31, 2013 and 2014, respectively.

Meanwhile, the EMEA operations, consisting of terminals in Poland, Georgia, Madagascar and Croatia, reported a double-digit increase of 17.2 percent for the year ended December 31, 2014 resulting from the higher volume brought in by major shipping lines at BCT, growth in international trade at AGCT and MICTSL, and contribution of new terminal, ICTSI Iraq, tapered by lower vessel calls at BICT. Excluding ICTSI Iraq, volume for the segment would have increased by 12.6 percent in 2014. The EMEA operations captured 12.6 percent and 12.5 percent of the consolidated volume for the years ended December 31, 2013 and 2014, respectively.

Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2013 and 2014:

Table 6.8 Total Income

<i>(In thousands, except % change data)</i>	For the Year Ended December 31		
	2013	2014	% Change
Gross revenues from port operations	US\$852,394	US\$1,061,152	24.5
Port authorities' share in gross revenues	115,535	163,648	41.6
Net revenues	736,859	897,504	21.8
Gain on sale of subsidiaries	-	44,957	100.00
Interest income	12,025	10,915	(9.2)
Foreign exchange gain	3,663	1,157	(68.4)
Other income	4,783	14,203	196.9
	US\$757,330	US\$968,736	27.9

For the year ended December 31, 2014, net revenues accounted for 92.6 percent of the total consolidated income while interest income and foreign exchange gain represented 1.1 percent and 0.1 percent, respectively. For the same period in 2013, net revenues, interest income and foreign exchange gain stood at 97.3 percent, 1.6 percent and 0.5 percent of the total consolidated income, 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, 2013 and 2014:

Table 6.9 Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2013	2014	% Change
Asia	US\$457,856	US\$531,484	16.1
Americas	304,279	424,575	39.5
EMEA	90,260	105,093	16.4
	US\$852,395	US\$1,061,152	24.5

The Group's consolidated gross revenues from port operations reached a record high of close to US\$1.1 billion for the year ended December 31, 2014, a 24.5 percent surge from US\$852.4 million reported for the same period in 2013. The increase was mainly due to the contribution of new terminals, CMSA, OPC and ICTSI Iraq; organic volume growth; favorable volume mix; and new contracts with shipping lines and forwarders. Excluding new terminals, gross revenues would have increased by 8.3 percent in 2014.

Gross revenues from the Asia segment climbed 16.1 percent from US\$457.9 million for the year ended December 31, 2013 to US\$531.5 million for the same period in 2014 mainly attributable to volume growth, favorable volume mix and favorable impact of consolidation at YICT, tapered by lower volume at DIPSSCOR. The Asia segment contributed 53.7 percent and 50.1 percent of the consolidated gross revenues for the years ended December 31, 2013 and 2014, respectively.

Gross revenues from the Americas segment increased remarkably by 39.5 percent from US\$304.3 million for the year ended December 31, 2013 to US\$424.6 million for the year ended December 31, 2014 arising mainly from the contribution of new terminals, CMSA and OPC. Excluding new terminals, gross revenues for the segment would have declined by 4.4 percent in 2014 due to unfavorable volume mix arising from government-imposed import restrictions and lower non-containerized revenues at CGSA;

lower vessel calls at ICTSI Oregon as a result of the continuous labor slowdown; and weaker BRL (-9.0%) and lower BBC revenues at TSSA. Excluding the translation impact of BRL, gross revenues for the segment would have increased by 42.4 percent in 2014. The Americas segment accounted for 35.7 percent and 40.0 percent of the consolidated gross revenues for the years ended December 31, 2013 and 2014, respectively.

Meanwhile, gross revenues from the EMEA segment grew by 16.4 percent from US\$90.3 million for the year ended December 31, 2013 to US\$105.1 million for the year ended December 31, 2014 primarily due to volume growth, favorable volume mix, and strong revenues from project cargoes at BCT; higher revenues from project cargoes at BICT; tariff rate adjustments at MICTSL; and addition of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, gross revenues for the segment would have increased by 12.4 percent in 2014. The EMEA segment captured 10.6 percent and 9.9 percent of the consolidated gross revenues for the years ended December 31, 2013 and 2014, respectively.

Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities, surged by 41.6 percent from US\$115.5 million for the year ended December 31, 2013 to US\$163.6 million for the same period in 2014 due to stronger revenues; higher port fees at TSSA; and the contribution of new terminals, CMSA, OPC and ICTSI Iraq. Excluding new terminals, port authorities' share in gross revenues would have increased by 24.5 percent in 2014.

Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income declined by 9.2 percent from US\$12.0 million for the year ended December 31, 2013 to US\$10.9 million for the same period in 2014 primarily due to lower interest income earned on Tecplata's cash deposits and placements.

Foreign exchange gain dropped by 68.4 percent from US\$3.7 million for the year ended December 31, 2013 to US\$1.2 million for the same period in 2014 mainly due to the unfavorable translation of the Parent Company's net monetary assets due to a weaker Philippine peso against US dollar in 2014 (2014: -0.7%; 2013: -8.1%). In 2013, the Parent Company was in a net monetary liability position. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Gain on sale of subsidiaries of US\$45.0 million consists of a one-time gain on sale of a non-operating subsidiary amounting to US\$13.2 million recognized in January 2014 and a gain of US\$31.8 million recognized in July 2014 arising from the sale of the Group's 60.0 percent ownership interest in YRDICTL to YPH for US\$94.8 million (RMB 588.1 million). An acquisition of 51.0 percent ownership in YICT was made on the same date. These transactions were entered into to consolidate and optimize the overall port operations within the Zhifu Bay Port area.

Other income grew by 196.9 percent from US\$4.8 million for the year ended December 31, 2013 to US\$14.2 million for the same period in 2014 mainly due to the recognition of gain on termination of a management contract amounting to US\$2.9 million, and gain on settlement of an insurance claim of US\$1.6 million. 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 2013 and 2014.

Table 6.10 Total Expenses

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2013	2014	% Change
Manpower costs	US\$154,587	US\$205,399	32.9
Equipment and facilities-related expenses	105,334	135,481	28.6
Administrative and other operating expenses	99,616	113,615	14.1
Total cash operating expenses	359,537	454,495	26.4
Depreciation and amortization	99,484	121,686	22.3
Interest expense and financing charges on borrowings	42,653	58,856	38.0
Interest expense on concession rights payable	27,943	38,066	36.2
Foreign exchange loss and others	12,746	50,238	294.1
	US\$542,363	US\$723,341	33.4

Total cash operating expenses of the Group grew by 26.4 percent from US\$359.5 million for the year ended December 31, 2013 to US\$454.5 million for the same period in 2014 due to the contributions and start-up costs of new terminals and projects, CMSA, OPC, ICTSI Iraq, IDRC and VICT; and higher volume-related expenses such as on-call labor and contracted services, repairs and maintenance, power and light, and fuel consumption. In addition, higher manpower costs due to government-mandated and contracted salary rate adjustments in certain terminals, the cessation of ICTSI Oregon's rent rebate program beginning January 2014, and increased business development activities also contributed to the increase in cash operating expenses. Excluding new terminals and projects, cash operating expenses would have increased by 7.2 percent in 2014.

Manpower Costs

Manpower costs increased by 32.9 percent from US\$154.6 million for the year ended December 31, 2013 to US\$205.4 million for the same period in 2014 primarily due to the contributions of new terminals and projects, CMSA, OPC, ICTSI Iraq and VICT; increase in manpower as a result of the consolidation at YICT; higher on-call labor and contracted services driven by volume; and government-mandated and contracted salary rate adjustments in certain terminals. Excluding new terminals and projects, manpower costs would have increased by 10.6 percent in 2014.

Manpower costs accounted for 43.0 percent and 45.2 percent of cash operating expenses for the years ended December 31, 2013 and 2014, 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, technical and systems development and maintenance expenses, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses went up by 28.6 percent from US\$105.3 million for the year ended December 31, 2013 to US\$135.5 million for the year ended December 31, 2014 mainly due to the contributions of new terminals and projects, CMSA, OPC, ICTSI Iraq and IDRC; cessation of ICTSI Oregon's rent rebate program; higher repairs and maintenance costs, and higher power and fuel usage caused by increased yard utilization at MICT; increased reefer services and higher power rates at CGSA; and higher volume-related expenses at YICT resulting from the consolidation. Excluding new terminals and projects, equipment and facilities-related expenses would have increased by 1.8 percent in 2014.

Equipment and facilities-related expenses represented 29.3 percent and 29.8 percent of cash operating expenses for the years ended December 31, 2013 and 2014, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses surged by 14.1 percent from US\$99.6 million for the year ended December 31, 2013 to US\$113.6 million for the year ended December 31, 2014 mainly due to contributions and start-up costs of new terminals and projects, CMSA, OPC, ICTSI Iraq, VICT and IDRC; increased taxes and licenses at certain terminals; and higher frequency of travels due to increased business development activities. Excluding new terminals and projects, administrative and other operating expenses would have increased by 7.4 percent in 2014.

Administrative and other operating expenses stood at 27.7 percent and 25.0 percent of the total cash operating expenses for the years ended December 31, 2013 and 2014, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 22.3 percent from US\$99.5 million for the year ended December 31, 2013 to US\$121.7 million for the year ended December 31, 2014 due to the full year amortization of concession rights on MICT's contract renewal and OPC's new concession contract; depreciation of port facilities and equipment at CMSA; and higher depreciation arising from yard expansion at MICTSL and acquisition of port facilities and equipment at YICT.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 38.0 percent from US\$42.7 million for the year ended December 31, 2013 to US\$58.9 million for the year ended December 31, 2014 primarily due to lower capitalized borrowing costs, as CMSA has completed the construction of its port facilities and started commercial operations in November 2013; the issuance of additional US\$75.0 million MTN in April 2014; and loans acquired as part of the consolidation at YICT totaling US\$38.7 million (RMB 240.2 million) as of December 31, 2014. Capitalized borrowing costs on qualifying assets amounted to US\$35.6 million in 2013 and US\$25.0 million in 2014. Capitalization rate decreased from 7.6 percent in 2013 to 6.8 percent in 2014.

Interest Expense on Concession Rights Payable

Interest expense on concession rights payable increased by 36.2 percent from US\$27.9 million for the year ended December 31, 2013 to US\$38.1 million for the same period in 2014 mainly due to higher interest incurred on the concession rights payable recognized from the renewal of the concession contract at MICT in May 2013, and OPC's new concession contract.

Foreign Exchange Loss and Others

Foreign exchange loss and others grew by 294.1 percent from US\$12.7 million for the year ended December 31, 2013 to US\$50.2 million for the same period in 2014 primarily due to the recognition of a noncash impairment charge on the goodwill of Tecplata in 2014 amounting to US\$38.1 million. The noncash impairment charge recognized on the goodwill of Tecplata was driven by lower projected cash flows on its updated business plan caused by the prevailing and unfavorable economic conditions in Argentina. Other expenses in 2014 also include equity in net loss at SPIA amounting to US\$2.2 million and loss recognized on the settlement of an insurance claim at BCT of US\$0.9 million, tapered by the decline in foreign exchange loss arising mainly from the deconsolidation of SPIA in November 2013.

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 increased by 17.4 percent from US\$377.3 million for the year ended December 31, 2013 to US\$443.0 million for the year ended December 31, 2014 primarily due to stronger revenues and the positive contribution of new terminals, particularly CMSA and OPC. Excluding new terminals, consolidated EBITDA would have increased by 4.6 percent in 2014. However, EBITDA margin declined to 41.7 percent in 2014 from 44.3 percent in 2013 due to higher port fees and cash operating expenses arising mainly from start-up costs of new terminals and project costs at VICT and IDRC.

Meanwhile, consolidated EBIT grew by 15.7 percent from US\$277.8 million for the year ended December 31, 2013 to US\$321.3 million for the year ended December 31, 2014 mainly due to stronger operating results. EBIT margin, however, declined from 32.6 percent in 2013 to 30.3 percent in 2014 due to higher depreciation and amortization expense, port fees and cash operating expenses.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 14.2 percent from US\$215.0 million for the year ended December 31, 2013 to US\$245.4 million for the year ended December 31, 2014 primarily due to strong operating income; and contributions of new terminals, particularly CMSA and OPC. Non-recurring gains recognized on the sale of subsidiaries, termination of management contract, and settlement of an insurance claim, reduced by the noncash impairment charge recognized on the goodwill of Tecplata and loss on settlement of insurance claim at BCT also contributed to the increase. Excluding non-recurring gains and losses, consolidated income before income tax would have increased by 9.3 percent in 2014. The ratio of income before income tax to consolidated gross revenues stood at 25.2 percent and 23.1 percent in 2013 and 2014, respectively.

Consolidated provision for current and deferred income taxes increased by 57.1 percent from US\$34.3 million for the year ended December 31, 2013 to US\$53.9 million for the same period in 2014 mainly due to stronger operating income and lower deferred income tax benefit on unrealized foreign exchange loss in 2014. The current provision for income tax was reduced by MICT's Berth 6 income tax holiday incentive amounting to US\$10.4 million and US\$12.3 million for the year ended December 31, 2013 and 2014, respectively. Effective income tax rate in 2013 and 2014 stood at 16.0 percent and 22.0 percent, respectively.

Net Income

Consolidated net income increased by 6.0 percent from US\$180.7 million for the year ended December 31, 2013 to US\$191.5 million for the year ended December 31, 2014 mainly due to strong revenues and operating income, and net non-recurring gains tapered by higher depreciation and amortization expense and interest expense and financing charges on borrowings during the year. Excluding non-recurring transactions, consolidated net income would have increased by 0.8 percent in 2014. The ratio of consolidated net income to gross revenues stood at 21.2 percent and 18.0 percent in 2013 and 2014, respectively.

Net income attributable to equity holders increased by 5.6 percent from US\$172.4 million for the year ended December 31, 2013 to US\$182.0 million for the same period in 2014. Excluding non-recurring gains and losses, net income attributable to equity holders would have increased marginally by 0.1 percent in 2014.

Basic and diluted earnings per share increased from US\$0.072 and US\$0.071, respectively, in 2013 to US\$0.075 in 2014 due to stronger operating results.

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 Reals, 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

<i>(In thousands, except % change data)</i>	As of December 31				
	2014	2015	2016	% Change	% Change
				<i>2014 vs 2015</i>	<i>2015 vs 2016</i>
Total assets	US\$3,400,770	US\$3,830,799	US\$4,182,126	12.6	9.2
Current assets	359,623	513,717	525,010	42.8	2.2
Total equity	1,473,565	1,826,048	1,766,080	23.9	(3.3)
Total equity attributable to equity holders of the parent	1,316,042	1,674,443	1,624,397	27.2	(3.0)
Total interest-bearing debt	1,070,447	1,083,070	1,381,364	1.2	27.5
Current liabilities	283,545	288,751	445,843	1.8	54.4
Total liabilities	1,927,205	2,004,751	2,416,046	4.0	20.5
Current assets/total assets	10.6%	13.4%	12.6%		
Current ratio	1.27	1.78	1.18		
Debt-equity ratio ¹	0.73	0.59	0.78		

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

Total assets increased by 9.2 percent from US\$3.8 billion as of December 31, 2015 to US\$4.2 billion as of December 31, 2016 mainly due to investments in capital expenditures, which include the ongoing construction of port facilities at VICT and IDRC and expansion projects at ICTSI Iraq, CGSA and CMSA; and advances extended to SPIA to fund the Group's share on the ongoing construction and development at the Port of Buenaventura. These investments were funded mainly by cash generated from the Group's operations; and net proceeds from the issuances of perpetual capital securities in 2015 and debt financing. Non-current assets stood at 86.6 percent and 87.4 percent of the total consolidated assets as of December 31, 2015 and December 31, 2016, respectively.

Current assets increased by 2.2 percent from US\$513.7 million as of December 31, 2015 to US\$525.0 million as of December 31, 2016 primarily due to stronger cash inflows generated from operations; increase in receivables as a result of revenue growth; increase in prepaid taxes due to timing of utilization; and net proceeds from debt financing, tapered by continuous deployment of cash to fund capital expenditures during the period; and redemption of subordinated perpetual capital securities in May 2016. Current assets accounted for 13.4 percent and 12.6 percent of the total consolidated assets of the Group as of December 31, 2015 and December 31, 2016, respectively. Current ratio stood at 1.78 as of December 31, 2015 and 1.18 as of December 31, 2016.

Total equity decreased by 3.3 percent to US\$1.8 billion as of December 31, 2016 primarily due to redemption of subordinated perpetual capital securities; and purchase of treasury shares, tapered by net income generated for the period.

Total liabilities increased by 20.5 percent to US\$2.4 billion as of December 31, 2016 mainly due to loan availments at CGSA, drawdown from project finance facilities at CMSA and VICT; drawdown from the Group's Revolving Credit Facility; and increase in liability arising from the accrual of lease expense at VICT. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 28.3 percent and 33.0 percent as of December 31, 2015 and December 31, 2016, respectively.

Meanwhile, current liabilities went up by 54.4 percent from US\$288.8 million as of December 31, 2015 to US\$445.8 million as of December 31, 2016 mainly due to reclassification of the current portion of the accrued lease expense at VICT; loan availment at OPC; and higher income tax payable as a result of higher taxable income at certain terminals.

Material Variances Affecting the Balance Sheet

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

1. 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.
2. 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.
3. 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.
4. 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.
5. Other noncurrent assets increased by 20.0 percent to US\$165.0 million as of December 31, 2016 mainly due to increase in advances to suppliers and contractors for the construction of port facilities at OPC.

Current Assets

6. 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.
7. 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.
8. 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.
9. 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.
10. Derivative assets increased to US\$7.2 million as of December 31, 2016 mainly due to gain on mark-to-market valuation from interest rate swap at VICT.

Equity

11. Treasury shares increased to US\$17.9 million as of December 30, 2016 mainly as a result of acquisition of 8,175,510 treasury shares in 2016.
12. 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\$53.7 million and US\$34.2 million, respectively.
13. 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.
14. Other comprehensive loss grew by 10.4 percent to US\$285.4 million as a result of net unfavorable exchange differences on translation of foreign operations' financial statements.
15. 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

16. 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.
17. 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.
18. Pension and other non-current liabilities decreased by 23.9 percent to US\$90.8 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

19. Loans payable increased to US\$36.6 million as of December 31, 2016 mainly due to loan availments at YICT and OPC.
20. 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.
21. Current portion of long-term debt and debt securities decreased by 66.1 percent to US\$18.5 million as of December 30, 2016 due to settlement of maturing term loans of subsidiaries in 2016.
22. 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.
23. Derivative liabilities amounting to US\$2.0 million as of December 31, 2016 pertain to recognition of loss on mark-to-market valuation from interest rate swap at CMSA.

Balance sheet accounts as of December 31, 2015 with variances of plus or minus 5.0 percent against December 31, 2014 balances are discussed, as follows:

Noncurrent Assets

24. Property and equipment increased by 22.9 percent to US\$1.1 billion as of December 31, 2015 brought about by land recognized from the acquisition of TMT and increase in capital expenditures arising from ongoing construction and terminal equipment acquisitions at VICT, IDRC, OPC, BCT, MICT and CMSA and reclassification of land used by LGICT from investment properties.
25. Investments in and advances to a joint venture and associate surged by 64.8 percent to US\$231.9 million as of December 31, 2015 due to continuous funding extended to SPIA for the Group's share on the ongoing construction and development at the Port of Buenaventura.

26. Investment properties dropped by 44.1 percent to US\$6.8 million as of December 31, 2015 as a result of reclassification of land used by LGICT to property and equipment.
27. Deferred tax assets grew by 31.9 percent to US\$76.4 million as a result of higher deferred income tax benefit from unrealized foreign exchange loss, mainly Parent Company.
28. Other noncurrent assets increased by 9.7 percent to US\$137.5 million due to increased input VAT on capital expenditures and cash reserves requirement for the Project Finance Facility at CMSA.

Current Assets

29. Cash and cash equivalents grew by 82.4 percent to US\$354.5 million as of December 31, 2015 arising from cash inflows generated from operations and net proceeds from issuances of perpetual capital securities in August 2015 and drawdown from the Project Finance Facility at CMSA in December 2015, tapered by continuous deployment of cash to fund capital expenditures and settlement of debt during the period.
30. Spare parts and supplies increased by 5.6 percent to US\$27.6 million as of December 31, 2015 primarily as a result of acquisition of port equipment spare parts particularly at OPC and CGSA.
31. Prepaid expenses and other current assets decreased by 8.8 percent to US\$44.1 million as of December 31, 2015 primarily as a result of input VAT refund at MICT.
32. Derivative asset amounting to US\$0.3 million was recognized as of December 31, 2015 due to gain on mark-to-market valuation from currency options entered in December 2015.

Equity

33. Treasury shares surged by 541.5 percent to US\$7.5 million as of December 31, 2015 mainly as a result of acquisition of 3,510,400 treasury shares totaling US\$6.6 million in September 2015.
34. Excess of acquisition cost over the carrying value of minority interest increased by 5.2% to US\$142.6 million as of December 31, 2015 mainly as a result of acquisition of 10% non-controlling interest in VICT; and the transfer of 8% ownership interest in IDRC.
35. Perpetual capital securities surged by 146.8 percent to US\$831.9 million as of December 31, 2015 primarily due to RCBV's issuance of a US\$300.0 million, 6.25 percent perpetual capital securities which was partly used to finance the tendered US\$230.0 million, 8.375 percent outstanding subordinated perpetual capital securities in January 2015; and issuance of US\$450.0 million, 5.50 percent perpetual capital securities in August 2015. The proceeds will be used for refinancing, funding capital expenditures and general corporate purposes.
36. Retained earnings decreased by 5.3 percent to US\$723.2 million as of December 31, 2015 primarily due to dividends and distributions to holders of perpetual capital securities amounting to US\$41.2 million and US\$33.4 million, respectively, tapered by net income attributable to equity holders of the parent for the year amounting to US\$58.5 million.
37. Other comprehensive loss grew by 49.1 percent to US\$258.6 million as a result of net unfavorable exchange differences on translation of foreign operations' financial statements.

Noncurrent Liabilities

38. Pension and other non-current liabilities increased by 103.4 percent to US\$119.4 million as of December 31, 2015 arising mainly from the receipt of EU grant at BCT and accrual of lease expense at VICT.

Current Liabilities

39. Loans payable dropped by 91.7 percent to US\$2.0 million as of December 31, 2015 mainly due to repayment of US\$-denominated short term-loans and a foreign currency-denominated short-term loans.
40. Accounts payable and other current liabilities increased by 8.2 percent to US\$200.9 million as of December 31, 2015 primarily due to higher accounts payable arising from expansion and port equipment acquisitions at CMSA, OPC and VICT.

41. Current portion of long-term debt and debt securities increased by 14.0 percent to US\$54.5 million as of December 31, 2015 due to maturing term loans of subsidiaries in 2016.
42. Current portion of concession rights payable increased by 17.6 percent to US\$8.8 million as of December 31, 2015 arising from higher concession fees scheduled for payment in 2016 at MICTSL.
43. Income tax payable increased by 26.7 percent to US\$22.0 million as of December 31, 2015 mainly due to higher taxable income particularly at OPC and CGSA.
44. Derivative liabilities decreased by 26.2 percent to US\$0.6 million as of December 31, 2015 due to mark-to-market adjustments on outstanding interest rate swap transactions at certain terminals.

Balance sheet accounts as of December 31, 2014 with variances of plus or minus 5.0 percent against December 31, 2013 balances are discussed, as follows:

Noncurrent Assets

45. Property and equipment increased by 32.0 percent to US\$934.4 million as of December 31, 2014 mainly due to civil works and acquisition of port equipment in certain terminals; contribution of new terminals, VICT, ICTSI Iraq and IDRC; and the consolidation of YICT in July 2014.
46. Investments in and advances to a joint venture and associate grew by 80.0 percent to US\$140.7 million as of December 31, 2014 brought about by the continuous funding extended to SPIA for the Group's share on the ongoing construction and development at the Port of Buenaventura.
47. Other noncurrent assets increased by 10.6 percent to US\$125.3 million due to higher non-current portion of input VAT at Tecplata for its continuing capital expenditures.

Current Assets

48. Cash and cash equivalents declined by 19.8 percent to US\$194.3 million as of December 31, 2014 as a result of the Group's continuous deployment of funds to finance ongoing port development activities.
49. Receivables increased by 6.7 percent to US\$90.8 million as of December 31, 2014 due to strong revenues; contribution of new terminals, CMSA and OPC; and the consolidation of YICT, reduced by the settlement of insurance claims at CGSA and BCT.
50. Spare parts and supplies grew by 21.0 percent to US\$26.1 million as of December 31, 2014 primarily as a result of acquisition of port equipment spare parts particularly at TSSA and OPC.
51. Prepaid expenses and other current assets declined by 22.6 percent to US\$48.4 million as of December 31, 2014 mainly due to the refund of input VAT at CMSA.
52. Non-current assets held for sale amounting to US\$16.3 million as of December 31, 2013 pertain to the investment property of a non-operating subsidiary which was sold in January 2014. As of December 31, 2014, non-current assets held for sale is nil.
53. Derivative assets was reduced to nil as of December 31, 2014 as a result of the repayment of the Parent Company's peso-denominated loans in November 2014.

Equity

54. Treasury shares declined by 14.4 percent to US\$1.2 million mainly due to the vesting of shares under the stock incentive plan.
55. Retained earnings increased by 17.5 percent to US\$763.3 million as of December 31, 2014 due to stronger net income attributable to equity holders of the parent for the year amounting to US\$182.0 million, reduced by dividends and distributions to holders of perpetual capital securities amounting to US\$39.1 million and US\$29.3 million, respectively.
56. Other comprehensive loss increased by 44.2 percent to US\$173.4 million primarily due to weaker local currencies, particularly PHP, RMB, BRL, EUR, MXN, HKR and IDR against the US dollar, and the derecognition of cumulative translation adjustments as a result of the sale of CICTI in January 2014 and deconsolidation of YRDICTL in July 2014.

57. Equity attributable to non-controlling interests surged by 52.0 percent to US\$157.5 million as of December 31, 2014 mainly due to the sale and deconsolidation of YRDICTL, consolidation of YICT, non-controlling interest contribution of IDRC, and acquisition of non-controlling interest at Tecplata, reduced by the sale of CICTI in January 2014 and dividends declared to non-controlling interest amounting to US\$11.6 million.

Noncurrent Liabilities

58. Long-term debt, net of current portion, increased by 10.2 percent to US\$998.2 million as of December 31, 2014 due to the issuance of US\$75.0 million medium-term notes under the MTN Programme in April 2014; availment of long-term notes by BCT and CGSA; and acquisition of YICT's long-term loan as part of the consolidation in July 2014 reduced by the repayments of loans and securities at CGSA, AGCT, BCT and Parent Company totaling US\$46.8 million.
59. Deferred tax liabilities increased by 11.8 percent to US\$68.1 million as of December 31, 2014 mainly due to the consolidation of YICT in July 2014.
60. Pension liabilities and other non-current liabilities increased to US\$58.7 million as of December 31, 2014 arising from the accrual of lease expense at VICT and EU grant at BCT.

Current Liabilities

61. Loans payable increased by 103.8 percent to US\$24.5 million mainly due to new short-term loans obtained by the Parent Company and CGSA, and the consolidation of YICT, reduced by the scheduled amortizations.
62. Accounts payable and other current liabilities increased by 16.4 percent to US\$185.7 million as of December 31, 2014 primarily due to higher accounts payable arising from port equipment acquisitions at VICT and ICTSI Iraq.
63. Current portion of long-term debt and debt securities grew by 40.2 percent to US\$47.8 million as of December 31, 2014 arising from higher term loans of subsidiaries scheduled for repayment in 2015 and the consolidation of YICT.
64. Income tax payable increased by 9.2 percent to US\$17.4 million as of December 31, 2014 mainly due to higher taxable income particularly at OPC and MICT.

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, 2014, 2015 and 2016:

Table 6.12 Consolidated Cash Flows

<i>(In thousands, except % change data)</i>	For the Year Ended December 31				
	2014	2015	2016	% Change 2014 vs 2015	% Change 2015 vs 2016
Net cash provided by operating activities	US\$387,821	US\$407,737	US\$466,948	5.1	14.5
Net cash used in investing activities	(340,777)	(547,611)	(468,466)	60.7	(14.5)
Net cash provided by (used in) financing activities	(94,138)	297,079	(21,679)	415.6	(107.3)
Effect of exchange rate changes on cash	(843)	2,979	(6,226)	453.4	(309.0)
Net increase (decrease) in cash and cash equivalents	(47,937)	160,184	(29,423)	434.2	(118.4)
Cash and cash equivalents, beginning	242,235	194,298	354,482	(19.8)	82.4
Cash and cash equivalents, end	US\$194,298	US\$354,482	US\$325,059	82.4	(8.3)

Consolidated 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.

Net cash provided by operating activities increased by 14.5 percent from US\$407.7 million for the year ended December 31, 2015 to US\$466.9 million for the same period in 2016 mainly due to stronger results of operations.

Net cash used in investing activities decreased by 14.5 percent to US\$468.5 million mainly due to the absence of acquisition of a subsidiary; and lower advances granted to SPIA at US\$52.4 million in 2016 as the project at the Port of Buenaventura nears completion. In May 2015, the Group acquired a subsidiary, TMT, for US\$54.5 million. Capital expenditures for 2016 amounted to US\$391.9 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, 2016 amounted to US\$21.7 million mainly due to redemption of subordinated perpetual capital securities amounting to US\$108.3 million; increased distribution to holders of perpetual securities; and increased debt servicing costs, tapered by net cash proceeds from the drawdown from project finance facilities at CMSA and VICT; drawdown from the Group's Revolving Credit Facility and loan availments at CGSA and OPC. Net cash provided by financing activities for the year ended December 31, 2015 includes net proceeds from issuance and exchanges of debt and equity instruments amounting to US\$482.3 million.

Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2014, 2015 and 2016:

Table 6.13 Capital Sources

<i>(In thousands, except % change data)</i>	As of December 31				
	2014	2015	2016	% Change	% Change
				2014 vs 2015	2015 vs 2016
Loans payable	US\$24,479	US\$2,027	US\$36,598	(91.7)	1705.5
Current portion of long-term debt	47,774	54,465	18,486	14.0	(66.1)
Long-term debt, net of current portion	998,194	1,026,578	1,326,280	2.8	29.2
Total short and long-term debt	1,070,447	1,083,070	1,381,364	1.2	27.5
Equity	1,473,565	1,826,048	1,766,080	23.9	(3.3)
	US\$2,544,012	US\$2,909,118	US\$3,147,444	14.4	8.2

The Group's total debt and equity capital increased by 8.2 percent as of December 31, 2016 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, 2016:

Table 6.14 Outstanding Loans

<i>(In thousands)</i>	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
Secured RMB Term Loan	YICT	2017	Fixed	US\$21,598
US Dollar Term Loan	OPC	2017	Floating	15,000
				36,598
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	749,503
Secured AUD Term Loan	VICT	2023 – 2031	Fixed*	180,097
Unsecured US Dollar Bond	Parent	2020	Fixed	179,229
Secured US Dollar Term Loan	CMSA	2027	Fixed*	172,370
Unsecured US Dollar Term Loans	CGSA	2017 – 2021	Fixed/Floating	37,944
Unsecured US Dollar Term Loan	IGFBV	2019	Floating	15,000
Secured Euro Term Loan	AGCT	2023 – 2024	Fixed	7,761
Secured Pakistani Rupee Term Loan	PICT	2017	Floating	2,862
				1,344,766
Total Debt				1,381,364
Less current portion and short-term				55,084
Long-term debt, net of current portion				US\$1,326,280

*Under interest rate swap agreement

As of December 31, 2016, 70.1 percent of the Group's total debt capital is held by the Parent, ITBV and IGFBV, which includes the US\$179.2 million senior notes issued in 2010 and due in 2020; US\$749.5 million MTN issued from 2013 to 2015 and due in 2023 to 2025 and US\$11.3 million term loan due in 2019, respectively.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of December 31, 2016:

Table 6.15 Outstanding Debt Maturities

<i>(In thousands)</i>	Amount
2017	US\$19,917
2018	16,503
2019	39,974
2020	214,436
2021 and onwards	1,053,936
Total	US\$1,344,766

Outstanding Debt as of December 31, 2016

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, 2016, outstanding notes under the MTN Programme amounted to US\$749.5 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, and was set at a price of 102.627 for an effective yield of 7.0 percent. The Original and Further Notes are collectively referred to as the “Notes”.

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 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.

In September 2013, ICTSI Treasury 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 ("2020 Notes"). The 2020 Notes were then reduced from US\$450.0 million to US\$271.1 million. In January 2015, a total of US\$117.5 million 5.875 percent Senior Unsecured Notes due 2025 were issued to form a single series with the 2025 Notes 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 Senior Notes due 2020.

As at December 31, 2016, the outstanding balance of the 2020 Notes amounted to US\$179.2 million.

Revolving Credit Facility Programme

On July 24, 2014, the Board of Directors 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 under the said programme to be guaranteed by ICTSI with one or more lenders.

In connection with the establishment of the said programme, the Board of Directors 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 and bears interest at LIBOR plus a spread of 1.95 percent.

As of December 31, 2016, outstanding balance amounted to US\$15.0 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. As of December 31, 2016, the outstanding balance of the loans aggregated to US\$37.9 million.

YICT. On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from Yantai Port Holdings 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 Agricultural Bank of China. As of December 31, 2016, the outstanding balances of the short-term loan of YICT amounted to US\$21.6 million (RMB 150.0 million).

PICT. As of December 31, 2016, PICT has an outstanding loan with Habib Bank Limited amounting to US\$2.9 million (Rs.298.8 million). The loan carries a mark-up at the rate of six months KIBOR plus 0.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right.

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, which is expected to be completed by year 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 LIBOR

plus loan spread with a weighted average of 2.80 percent. As of December 31, 2016, outstanding balance of the loan amounted to US\$172.4 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. As of December 31, 2016, outstanding balance from the project finance facility amounted to US\$180.1 million (AUD249.9 million).

OPC. 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 LIBOR plus a spread of 1.6 percent and matures on November 23, 2017.

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 maintain specified financial ratios relating to their debt to EBITDA, debt to equity and earnings level relative to current debt service obligations. As of December 31, 2016, 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, 2016, 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.

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 were 48.7 percent and 45.6 percent of gross revenues for the periods ended December 31, 2015 and 2016, respectively. 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, 2016:

Table 6.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	42 % USD	58 % PhP
SBITC/ICTSI Subic	44 % USD	56 % 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	
PTMTS		100 % IDR
YICT		100 % RMB
AGCT	85 % EUR	15 % HRK
CGSA	100 % USD	
NMCTS		100% BND
ICTSI Oregon	100 % USD	
BICTL	100 % USD	
PICT	76 % USD	24 % PKR
OJA	70 % USD	30 % IDR
CMSA	48 % USD	52 % MXN
OPC	100 % USD	
ICTSI Iraq	94 % USD	6 % IQD
IDRC	100 % USD	

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 2016 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 2016.

External Audit Fees and Services

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

	2014	2015	2016
Audit Fees	US\$939.3	US\$1,057.8	US\$1,070.2
Audit-Related Fees	–	880.4	379.1
Tax Fees	92.0	295.6	72.9
Other Fees	14.8	73.1	151.1

Audit Fees include the audit of the Group's annual financial statements. The consolidated audit fees

increased in 2015 and 2016 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 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. In 2015, the amount increased 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 21, 2016.

Estimated Capital Expenditures and Sources of Financing

The Group's capital expenditures for 2017 are expected to be approximately US\$240.0 million, excluding the Group's estimated share on the joint venture project with PSA amounting to US\$25.0 million to complete the development of the Port of Buenaventura at SPIA. The estimated capital expenditure budget will be utilized mainly to complete the Phase 2 of the terminal construction at VICT; to complete the development of port facilities at IDRC and expansion projects at ICTSI Iraq and CMSA; to continue the rehabilitation and development work at OPC; to begin the expansion project at MICT; 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 2016, ICTSI implemented the following programs in its flagship operations in Manila International Container Terminal (MICT):

- 1.) Behavioral trainings which are initiated by the company as part of organization development. These include:
 - a. 7 Habits of Highly Effective People;
 - b. Team building;
 - c. Interaction Management;
 - d. Basic Management Programs and Leadership trainings;
 - e. Ports Operation and Strategy;
 - f. Ports Planning and Design;
 - g. Work Attitude and Values Enhancement Seminar / Tatak ICTSI;
 - h. Customer Service Training;
 - i. Employee Discipline Workshop;
 - j. People Management Conference;
 - k. Labor and Employee Relations Summit;
 - l. PSQI Leadership Training;
 - m. Team Building Sessions; and
 - n. STAR Program for Supervisors.

- 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. Counterfeit Detection;
 - h. Ugnayan sa Pantalan;
 - i. Claims for Non-Claims;
 - j. ISO Workshop; and
 - k. CFS Warehousing.

- 3.) Technical training programs for skills enhancement
 - a. Reach Stackers, Quay Cranes, Rubber Tired Gentries, Sidelifter;
 - b. Hatch Clerk Training;
 - c. Crosby Rigging Training;
 - d. PISM Purchasing & Supply Chain Trainings;
 - e. NIAT Bookkeeper Certification;
 - f. Certified Management Accountant Program;
 - g. Digital Communication & Branding;

- h. CISCO CCNA Switching & Routing Course; and
- i. Basic Non-Life Insurance.

Health, Safety and Productivity of its Employees

ICTSI (MICT) 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 (MICT)'s medical and dental facilities provide round the clock services for employees and their dependents. ICTSI (MICT) 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 (MICT) 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 Training

Programs and policies for year 2016 in ICTSI (MICT):

- Full implementation of Personal Protective Equipment (PPE) Policy to all- Zero Tolerance;
- Distributed new uniform with high visibility marks both upper garments and working pants for operation employees;
- Conducted trainings and drills on the following: Fire Prevention and Suppression; Fire Explosion; First Aid with Basic Life Support; Earthquake Preparedness; Chemical Safety; and Port Safety and Health Standards;
- Intensified the monitoring and strict implementation of “No Rider Policy”; and
- Intensified the “No loitering” policy inside the yard.

Other Programs:

- Intensified the terminal inspections;
- Enhanced monitoring of traffic flow and movements of port equipment in the terminal;
- Thorough inspection of all cargo gears of vessels at anchorage basin;
- Safeguarding of visitors & port users during terminal visits, tours and orientations;
- Intensified the follow-up inspections;
- Intensified the training for ERT members;
- Intensified the coordination between Safety and Operations Officers and Staff and upgraded the research and development methods;
- Conducted specialized training course on the proper identification, related legislative regulations and other specifications for dangerous goods handled in the port;
- Full compliance to the requirements of ISO 9001:2008 & 1400:2004 standards, PPA, DENR, DOLE-BWC and the BFP; and
- Conducted refresher course to ICTSI equipment operators (Dock work Safety and Health Course).

Accident Prevention:

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

ICTSI (MICT) 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 and submitted to SEC its latest Revised Manual on Corporate Governance ("CG Manual") on July 30, 2014. The Company submitted a Certificate last January 5, 2017, which states that the Company is in full compliance thereof. The Company likewise submitted its 2015 Consolidated Changes in the Annual Corporate Governance Report on January 8, 2016 and will submit its 2016 Annual Corporate Governance Report on or before May 30, 2017, pursuant to SEC Memorandum Circular 20 - 2016. 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. These improvements are being updated and documented in its Annual Corporate Governance Report.

Recognition and Awards in 2016

2016

December: **Platinum Award**

For the third 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 15, 2016 in Hong Kong.

Best Project Finance Deal

The syndicated loan facility worth AUD398 million signed by Victoria International Container Terminal and seven leading global financial institutions was awarded Best Project Finance Deal by FinanceAsia's Achievement Awards for Australia and New Zealand 2016. The awarding ceremony was held on February 7, 2017 in Australia at a gala dinner organized by FinanceAsia.

Best Corporate Liability Management

ICTSI's USD345.4 million tender offer and USD375 million perpetual bonds issued on 13 October 2016 are cited as Best Corporate Liability Management at The Asset Regional House & Deal Awards 2016. The awarding ceremony will be held on February 28, 2017 in Hong Kong at a gala dinner to be organized by The Asset.

November: **Perpetual Bond of the Year**

ICTSI's USD450 million perpetual bonds issued on 15 August 2015 is cited as the Perpetual Bond of the Year at the Corporate Finance Deals of the Year 2016 organized by World Finance.

Best Philippine Deal

ICTSI's USD345.4 million tender offer and USD375 million perpetual bonds issued on 13 October 2016 are cited as the Best Philippine Deal at the FinanceAsia Achievement Awards 2016. The awarding ceremony was held on February 16, 2017 in Hong Kong at a gala dinner organized by FinanceAsia.

October: ICTSI is one of the recipients of the first **Institutional Investors' Governance Awards**. The awarding ceremony was held during the 2016 Investors Forum which was hosted by the Fund Managers Association of the Philippines (FMAP), the Institute of Corporate Directors (ICD), the Philippine Investment Funds Association (PIFA), the Trust Officers Association of the Philippines (TOAP), and PJS Corporate Support Inc. on October 6, 2016 at the Manila Polo Club.

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 to 2,500,000 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. Currently, the Group is involved in 28 terminal concessions and port development projects in 18 countries

worldwide. These are 25 operating terminals in eight 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, Mexico, Honduras, Iraq, Argentina, Colombia and DR Congo; an ongoing port development project in Australia; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The projects in DR Congo and Colombia started initial operations in the third quarter and fourth quarter of 2016, respectively. Phase 1 of the project in Australia is expected to commence commercial operations in the second quarter of 2017. Construction of the port in accordance with the sub-concession agreement in Nigeria is currently in the planning stage.

In 2014, 2015 and 2016 the Group handled consolidated throughput of 7,438,635 TEUs, 7,775,993 TEUs, and 8,689,363 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 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 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, 2014, 2015 and 2016, 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:

	2014	2015	2016
Gross revenues	61.1%	58.8%	60.5%
Net income attributable to equity holders of the parent*	57.3%	14.8%	31.6%

* Decreased in 2015 mainly because of the 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 Harbour 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 Harbour 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 Harbour. MICT has an estimated market share of 67% of the container traffic in Manila. Other Philippine terminals either dominate the market share 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 the South Asia's largest and busiest deep-water seaports, handling about 60% of Pakistan's cargo traffic. The port currently has three terminals: ICTSI's PICT, Karachi International Container Terminal (KICT) operated by Hutchison Port Holdings, and Qasim International Container Terminal (QICT) operated by Dubai Ports World. The Company believes that PICT captured 26% of the market in 2016, with QICT and KICT handling 38% and 36%, 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). TSSA, CGSA, CMSA, OPC and Tecplata are operating; SPIA was substantially completed and started its initial operations in the fourth quarter of 2016; and as at March 9, 2017, management is currently working on a development plan on TMT.

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. As CGSA handles substantially the country's container traffic, it faces limited competition, generally, from small private ports. CGSA has an estimated market share of 67% of the traffic at the port.

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 2016.

The Manzanillo market, where CMSA operates, is currently dominated by SSA de Mexico, S.A. de C.V with 60% 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 26% market share.

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 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. Currently, BCT's market share is estimated to be at 15.7% of the container traffic in Poland. In contrast, MICTSL is dominating the Madagascar container market and practically has no competition.

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 2016, Asia accounted for 52.4% of throughput and 51.5% of consolidated gross revenues from port operations, the Americas accounted for 34.6% of throughput and 34.3% of consolidated gross revenues from port operations, and EMEA accounted for 13.0% of throughput and 14.2% 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 2014, 2015 and 2016.

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, Madagascar, Honduras and Iraq. 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 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

Furthermore, 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 revenue-weighted average remaining term of approximately 17 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.

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.

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 Gate-way 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, and concentrates on such commercial activities in jurisdictions in which it is a new entrant to ensure an early ramp-up of volumes as part of the commercial strategy. 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 2014, 2015 and 2016.

Related Parties

Related party transactions are discussed in Part IV, Item 12 of this report, and in Note 23, *Related Party Transactions*, to the 2016 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 25, *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 25, *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, 2016, 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
2014	US\$9.3	0.88%
2015	9.2	0.88%
2016	6.2	0.55%

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

The Group provides regular inspection and maintenance of its equipment and facilities. It has established formal procedures for the maintenance and inspection of equipment that follow international guidelines or manufacturers' recommendations. Formal corporate policies are issued to address maintenance of critical components such as the structure, hoisting mechanisms, twist locks, safety devices interlocks and load path crane components. From time to time, the Group commissions structural professional consultants to provide testing of equipment, such as crane structures. Purchase of wire ropes are always accompanied with load test certificates which are requirement that the suppliers must comply. 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 in the Asset Management System.

The Group also strives to adhere to strict standards of quality, safety and consistency of service in managing the ports. The operations of MICT received an ISO 9001:2008 Quality Management Systems Certification and an ISO 14001:2004 Environmental Management Systems Certification. CGSA has received five certifications: ISO 9001:2008 Quality Management Systems Certification; OHSAS 18001:2007 Occupational Health and Safety Certification; ISO 28000:2007 Supply Chain Security Management Systems Certification, ISO 14001:2004 Environmental Management Systems Certification and BASC for Safe and Secure International Trade. BCT has received four certifications: ISO 9001:2008 Quality Management Systems Certification, ISO 14001:2004 Environmental Management Systems Certification, ISO 22000:2005 Food Safety Management Certification and ISO5001:2011 Energy Management Systems Certification. TSSA has received two certifications: ISO 9001:2008 Quality Management Systems Certification and an ISO 14001:2004 Environmental Management Systems Certification. PICT has received ISO 9001:2008 Quality Management Systems Certification. MICTSL has received two certifications: ISO 9001:2008 Quality Management Systems Certification and ISO 14001:2004 Environmental Management Systems Certification. CMSA has received four certifications: ISO 9001:2008 Quality Management Systems Certification, ISO 14001:2004 Environmental Management Systems Certification, OHSAS 18001:2007 for Occupational Health and Safety Certification and ISO 28000:2007 for Supply Chain Security Management Systems Certification. PTMTS has received ISO 9001:2008 Quality Management Systems Certification. SCIPSI has received three certifications: ISO 9001:2008 Quality Management Systems Certification, 14001:2004 Environmental Management Systems Certification and OHSAS 18001:2007 Occupational Health and Safety Certification. DIPSSCOR has received ISO 9001:2008 Quality Management Systems Certification. YICT has received ISO 9001:2008 Quality Management Systems Certification. As a component of ICTSI Enterprise Risk Management mitigation program under the company Group Board Audit Committee, the Global Health, Safety, Security and Environment (HSSE) Section has been established in the third quarter of 2015 tasks to come up with global HSSE Manual that will be the foundation for tackling occupational health, safety and environment challenges based on the development of global guidelines and locally customized programs and ensure implementation and compliance of relevant health and safety regulatory requirements in all ICTSI Terminals. Recently, ICTSI has launched the formation of Global Health, Safety, Security and Environmental (HSSE) Department, managed from the Corporate Office specifically to monitor and streamline the implementation of the above quality, safety, security and environmental management systems.

All of the Group's terminals are compliant with the regulations set forth under the International Ship and Port Facility Security (ISPS) Code, a comprehensive set of required and voluntary measures implemented under the International Convention for the Safety of Life at Sea to enhance the security of ships and port facilities, developed in response to the perceived threats to ships and port facilities. The Port Facility Security Plan is assessed regularly for relevancy and effectiveness. ISPS certifications are maintained valid and renewed as it expires. As part of the Group's efforts to be ISPS Code compliant, it has included weighing and scanning stations at the ports' gates or premises.

Costs incurred by ICTSI and subsidiaries in obtaining these certifications including complying with environmental laws amounted to US\$0.6 million in 2014, US\$0.7 million in 2015 and US\$0.2 million in 2016. The cost, particularly of the Parent Company, had been substantially minimized but still within compliance due to the reduction of testing interval, test parameters and contract enhancement modification, such as, in used oil and solid waste collection.

Employees

The Group has a total of 7,967, 7,962 and 8,009 permanent employees as of December 31, 2014, 2015 and 2016 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		
	2014	2015	2016
Employees by Activity			
Operations	5,073	5,207	5,129
Engineering	1,023	1,064	1,058
Finance and administration	1,245	1,059	1,116
Corporate offices	186	198	164
Others	440	434	542
Total	7,967	7,962	8,009
Employees by Geographic Region			
Asia	3,674	3,639	3,792
Americas	3,254	3,184	2,947
EMEA	1,039	1,139	1,270
Total	7,967	7,962	8,009

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, 2014, 2015 and 2016, approximately 56.4 percent, 56.6 percent and 65.29 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 Employee Conference of the Philippines, which indicates that the relationship between the union and MICT has developed into a partnership.

YICT/YRDICT. The right to unionize is guaranteed for the employees of YICT/YRDICT. 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 first CBA was signed on January 16, 2015, effective for a period of two years. The CBA expired on January 17, 2017 and negotiations for the renewal of the CBA are in progress.

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 on September 25, 2015 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 on February 28, 2015. 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, 2017, with the base date amended in February 2016. 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 expired in February 2017 and is currently under negotiation for renewal. Meanwhile, the CBA relating to all other operations personnel will expire in June 2017.

ICTSI Oregon. The labor union that performs stevedoring and terminal work for ICTSI Oregon is the International Longshore and Warehouse Union (ILWU). ILWU are not employees of ICTSI Oregon. ICTSI Oregon is a member of the Pacific Maritime Association (PMA), a West Coast employers group that negotiates a coastwise CBA on behalf of its members. Individual negotiations by members are not allowed. Non-members may negotiate directly with the union. The current ILWU-PMA contract expired on June 30, 2014 and currently still subject to negotiation. A tentative agreement was ratified in May 2015 retroactive to July 2014. Under the ratified CBA, slowdowns, work stoppages or other interruptions are handled through the contract arbitration process. Resolution of this coastwise agreement did not necessarily alleviate the ILWU's slowdowns and other actions against ICTSI Oregon as the slowdown and disruptions continued.

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.

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 of a review three years after effectivity date upon the request of either of the parties.

Risks Relating to the Group's Business

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

The volume of containers that the Group handles and the usage of other port-related services are influenced by the performance and growth of regional and international trading economies. The Group's business consists of the management, operation and development of container terminals and the provision of cargo handling and other port-related services within the Philippines as well as an international portfolio of terminals. Such services are required by the Group'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 Group handles. 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 its 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 25, *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 and there may be timing differences between the events that caused the Company to petition for an increase and the actual increase in tariff. In countries in which tariffs are not prescribed, such as Poland and Brazil, 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.

Consequently, 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. 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 manage 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. 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 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 function to assess these risks and ensure that any of these risks will not adversely impact the Group's business as a whole. 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 28, *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 2,750,000 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 of the Philippines approved ICTSI's registration of the construction of Berth 6 of the 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 new berth features additional 14 hectares of container space, two additional quay cranes for offloading ships and ten RTGs. A third quay crane was delivered in 2013. On July 2, 2015, the Board of Investments (BOI) approved the registration of ICTSI's construction of Berth 7 of the MICT as "New Operator of Port Infrastructure (Berth 6)" 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 or actual date of commercial operations, whichever is earlier.

As of December 31, 2016, 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, 2016, 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. 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. ICTSI Subic, Inc has two post-Panamax quay cranes and two reach stackers. 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 250,000 TEUs per year. As of December 31, 2016, MICTSI has a reach stacker, two quay cranes, 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, 2016, DIPSSCOR has three RTGs, six reach stackers, an empty container handler and 12 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, 2016, SCIPSI has three reach stackers, 14 chassis, 14 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, 2016, 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 2016, LGICT has two reach stackers and three side lifters.

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, 2016, 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, 2016, MTS has two quay cranes, three RTGs, and 10 prime movers.

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, 2016, the terminal has a mobile harbor crane, two reach stackers, seven quay cranes, 30 rail mounted gantries, and thirty-one fleet of transportation equipment supporting its operations.

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 exclusive 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, 2016, PICT has six quay cranes supplemented by three empty container handlers, 11 reach stackers, 16 forklifts, 20 RTGs and 35 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, the Company and Anglo Ports, through their 90%-owned subsidiary, 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 will comprise one berth of 330 meters fitted with three neo-Panamax ship-

to-shore cranes, 23.7 hectares of yard and off-dock area with fully automated operations from gate to quayside, delivering an estimated capacity of 350,000 to 500,000 TEUs. The terminal itself will be able to handle vessels with a capacity in excess of 8,000 TEUs, and will also feature a 10-hectare empty container park with a working capacity of around 200,000 TEUs.

The investment for the development of the new international container terminal and empty container park is estimated at approximately AUD439 million (US\$407 million) for Phase 1 and 2. An additional investment of AUD150 million (US\$139 million) is estimated to increase the capacity of the terminal from 1.6 million to 1.8 million TEUs. Phase 1 of the project is expected to commence commercial operations in the second quarter of 2017. The second phase is expected to be completed in the last quarter of 2017 and is expected to add an additional two neo-Panamax ship-to-shore cranes on a second 330-metre berth.

On full completion and as required, the aggregate 35.4-hectare terminal will comprise up to eight neo-Panamax ship-to-shore cranes in 660 meters of berth, and will be able to handle 1.6 million to 1.8 million TEUs annually, with the empty container park's capacity increasing to 280,000 TEUs.

On February 4, 2015, a share sale agreement between the Company and Anglo Ports for the Company's acquisition of Anglo Ports' 10.0% stake in VICT took effect. VICT became a wholly-owned indirect subsidiary of the Company as a result of the sale.

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 148 hectares, of which 115.4 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 3,800 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, 2016, CGSA has six quay cranes and three mobile harbor cranes that are supported by 23 RTGs, 14 reach stackers 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 41.1 hectares and undeveloped area of 4.5 hectares. TSSA has a 660-meter long two-berth wharf, a 30-hectare container yard, 576 reefer plugs, and a 4,000-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, 2016, TSSA has six quay cranes, six reach stackers, six 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. As of December 31, 2016, SPIA has three empty container handlers, three reach stackers, four quay cranes and 10 RTGs.

Argentina - Porta de la Plata. 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 *Consortio 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, 2016, 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 9, 2017, 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. The handling capacity of CMSA is 750,000 TEUs in 2016 with 360 reefer plugs. The total berth length of the first phase is 720 meters with two berthing positions with 16 meters of depth. As of December 31, 2016, CMSA has six quay cranes supported by five reach stackers, five empty container handlers, 16 RTGs, 22 forklifts, 32 prime movers, 32 chassis and a huge fleet of transportation equipment.

United States of America - Port of Portland. In May 2010, ICTSI Oregon, a subsidiary of ICTSI, signed a 25-year lease with the Port of Portland in Oregon, U.S.A. for the operation of the container/ break bulk facility at Terminal 6. ICTSI established ICTSI Oregon to operate the Port of Portland. In February 2011, ICTSI Oregon took over the terminal operations. The terminal includes a 78-hectare container/break bulk facility at Terminal 6 with 869-meter berth having three berthing positions and controlling depth of 13.1 meters. The facility also includes a 78-hectare container yard and 0.5-hectare hazardous cargo control area. The estimated handling capacity of ICTSI Oregon is 700,000 TEUs per year. As of December 31, 2016, ICTSI Oregon has 10 forklifts, 23 reach stackers and 54 chassis, which will be transferred to the Port of Portland on March 31, 2017 in accordance with the Lease Termination Agreement signed by ICTSI Oregon and the Port of Portland on March 8, 2017.

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 36.3 hectares and undeveloped area of 10.5 hectares. The terminal currently has 800-meter pier having three berthing positions and depth of 12.5 meters and has a capacity of 680,000 TEUs. OPC started its commercial operations in December 2013. As of December 31, 2016, OPC has one quay crane, four mobile harbor cranes, 17 reach stackers, 26 forklifts, and a huge fleet of transportation equipment.

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 - Gdynia Container Terminal. BCT has the exclusive lease contract to operate the Gdynia Container Terminal in Gdynia, Poland. The terminal covers an area of 57 hectares and its facilities include an 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, a warehouse 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, 2016, BCT has two mobile harbor cranes, two rail-mounted gantries, three reach stackers, eight quay cranes, 18 RTGs, 23 forklifts, 33 chassis, 37 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, 2016, MICTSL has one empty container handler, three mobile harbor cranes, four forklifts, four reach stackers, six RTGs, 19 prime movers and 21 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, 2016, BICTL has two empty container handlers, two mobile harbor cranes, four reach stackers, eight 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, 2016, 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. 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. Phase 1 of the expansion project under the BOT scheme will have 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. Phase 1 is expected to be completed and fully operational by first quarter of 2017.

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, 2016, the terminal has two mobile harbor crane, one empty container handler, two quay cranes, 12 forklifts, 12 reach stackers, 20 chassis and 20 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 Matado 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. The facility to be constructed in Phase 1 will consist of two berths that will be able to handle 175,000 TEUs and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. The first phase comprise two berths with an expected 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.

Nigeria - Deep Water Port in the Lagos Free Trade Zone (LFTZ). On August 10, 2012, ICTSI and Lekki Port LFTZ Enterprise signed a sub-concession agreement, which grants ICTSI the exclusive right to develop and operate, and to provide certain handling equipment and container terminal services for a period of 21 years from the start of commercial operations. The container terminal will have a quay length of 1,200 meters, an initial draft of 14 meters with the potential for further dredging to 16.5 meters, and maximum capacity of 2,500,000 TEUs. With these features, shipping lines will be able to call with the new regional standard large vessels.

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. Construction of the port in accordance with the sub-concession agreement is currently in the planning stage. As at March 9, 2017, the conditions precedent have not been satisfied.

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

¹ 100% owned by ICTSI

² 60% owned by IWI

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 9, 2017, the share prices of ICTSI were:

	<i>In US Dollar</i>	<i>In Philippine Peso</i>
Opening :	US\$1.52	₱76.50
High :	1.53	76.90
Low :	1.48	74.50
Closing :	1.51	75.95

* 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 9, 2017.

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>
2015				
Quarter 1	US\$2.635	₱117.80	US\$2.416	₱108.00
Quarter 2	2.528	114.00	2.351	106.00
Quarter 3	2.418	113.00	1.606	75.05
Quarter 4	1.849	87.00	1.423	66.95
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

* 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 2015 and 2016.

Holder

The number of stockholders of record as of the latest practicable date on February 28, 2017 was 1,427. Common shares issued and outstanding as of the same date were 2,045,177,671 shares (including 17,130,267 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, 2017, the public ownership level of the Company is at 50.85% based only on common shares. The public ownership level of the Company is at 37.81% 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, 2017:

Name	No. of Shares Held	% of Total*
1. PCD Nominee Corporation (Non-Filipino)	832,729,161	30.48%
2. PCD Nominee Corporation (Filipino)	745,112,639	27.28%
3. Bravo International Port Holdings Inc.	279,675,000	10.24%
4. Achillion Holdings, Inc.	80,000,000	2.93%
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. Razon Industries, Inc.	6,058,133	0.22%
10. Stephen Paradies	4,087,473	0.15%
11. Deerhaven, LLC	4,000,000	0.15%
12. Felicia S. Razon	868,725	0.03%
13. Cosme Maria De Aboitiz	527,343	0.02%
14. Ma. Consuela R. Medrano &/or Victorino S. Medrano Jr	250,000	0.01%
15. Jose Manuel M. De Jesus	241,600	0.01%
16. Jose Sy Ching	220,000	0.01%
17. Ong Tiong	213,360	0.01%
18. Silverio J. Tan	200,000	0.01%
19. Ma. Socorro S. Gatmaitan	196,000	0.01%
20. Alberto Mendoza &/or Lawrence Mendoza	192,457	0.01%

As of February 28, 2017, 700,000,000 Preferred B shares (25.62%)* 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 2,731,847,404 (which excludes treasury shares) as of February 28, 2017.*

Dividends and Dividend Policy

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

	2014	2015	2016
Date of Board approval	April 10, 2014	April 16, 2015	April 21, 2016
Cash dividends per share	US\$0.019 (₱0.85)	US\$0.020 (₱0.90)	US\$0.020 (₱0.91)
Record date	April 28, 2014	May 4, 2015	May 5, 2016
Payment date	May 9, 2014	May 15, 2015	May 18, 2016

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, 2016, 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\$29.3 million in 2014, US\$33.4 million 2015 and US\$34.2 million in 2016. Please refer also to Note 15, *Equity*, to the 2016 Audited Annual Consolidated Financial Statements.

Of the total retained earnings of US\$763.3 million, US\$723.2 million and US\$779.4 million, as of

December 31, 2014, 2015 and 2016, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$562.5 million, US\$650.6 million and US\$840.7 million, as of December 31, 2014, 2015 and 2016, respectively, are not available for dividend distribution.

On December 29, 2014, the existing appropriation of US\$313.2 million was released from appropriation due to the completion of foreign and local projects such as CMSA and was re-appropriated for the same amount for new and ongoing projects, among others, in Subic, Australia, Colombia and Iraq. On the same date, the Parent Company appropriated additional US\$73.6 million of its retained earnings for additional working capital requirements and domestic and foreign expansion projects in the ensuing year. On December 23, 2015, the Parent Company appropriated US\$40.3 million for additional working capital requirements and its continuing foreign expansion projects in 2016. On April 21, 2016, the Parent Company released US\$90.0 million from appropriated retained earnings. As at December 31, 2014, 2015 and 2016, total appropriated retained earnings of the Parent Company amounted to US\$386.8 million, US\$427.1 million and US\$337.1 million, respectively.

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 15, *Equity*, to the 2016 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 15.3 to the 2016 Audited Annual Consolidated Financial Statements). As of December 31, 2016, 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 9, 2017, 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.

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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, 2014, 2015 and 2016, 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 9th day of March 2017.

SUBSCRIBED AND SWORN to before me this ^{MAR 10 2017} day of March 2017 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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Book No. 11
Series of 2017.

ATTY. RANDY P. BARENG
NOTARY PUBLIC UNTIL DEC. 31 2017
PTR NO. 5911835, M.L.A. 01-03-2017
IBP NO. 946487, M.L.A. 10-28-15 ROLL NO. 47671
MCLE COMPLIANCE V 0622658, 04-14-2014
116-LURE BLDG., BLUMENTRIT ST. SAMP. M.L.A.

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. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2014, 2015 and 2016, and the consolidated statements of income, 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, 2014, 2015 and 2016, 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 (PSAs). 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 as disclosed in Notes 6, 7 and 11 to the consolidated financial statements aggregating US\$348.7 million as of December 31, 2016, 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.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. 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 also 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 the 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 derivation 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.

Provision for probable loss on pre-termination of lease agreement with The Port of Portland

As discussed in Note 25 to the consolidated financial statements, the Group and The Port of Portland reached an agreement to pre-terminate the lease agreement between ICTSI Oregon, Inc., a subsidiary in the United States of America, and The Port of Portland on March 8, 2017. Such an event was considered by the Group as an adjusting event after the balance sheet date and accordingly recognized a provision for the probable loss on pre-termination of such lease



agreement amounting to \$23.4 million as of December 31, 2016, which is material to the consolidated financial statements. This matter is important to our audit because the provision involves significant management judgment and estimation.

Audit Response

Our audit procedures included, among others, discussion with management about the details of the plan, status of negotiation with the counterparty and reading the minutes of meeting of the Board of Directors' approving the termination plan and the lease termination agreement signed on March 8, 2017. We evaluated management's estimate of the provision by reading the terms of the lease agreement with respect to the consequences of early termination and comparing such terms against the subsequent settlement agreement.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17 A for the year ended December 31, 2016 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, 2016, 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

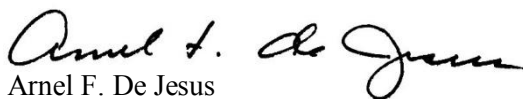
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. 5908688, January 3, 2017, Makati City

March 9, 2017



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2015	December 31, 2016
ASSETS			
Noncurrent Assets			
Intangibles (Notes 1, 4, 6, 16, 21 and 25)	US\$1,770,539,612	US\$1,715,582,534	US\$1,720,204,617
Property and equipment (Notes 1, 4, 7, 16, 21 and 25)	934,435,672	1,148,856,114	1,381,483,081
Investment properties (Notes 1, 8 and 21)	12,227,571	6,840,870	6,255,304
Investments in and advances to a joint venture and an associate (Notes 1 and 9)	140,718,921	231,915,840	293,638,405
Deferred tax assets (Notes 1, 4, 5, 21 and 22)	57,882,550	76,372,445	90,571,814
Other noncurrent assets (Notes 1, 4, 7, 10, 16, 21, 24, 25 and 27)	125,342,996	137,513,798	164,963,515
Total Noncurrent Assets	3,041,147,322	3,317,081,601	3,657,116,736
Current Assets			
Cash and cash equivalents (Notes 1, 4, 12, 21 and 28)	194,297,656	354,481,813	325,058,592
Receivables (Notes 1, 4, 13, 21 and 28)	90,819,288	87,200,481	102,930,437
Spare parts and supplies (Notes 1, 4 and 21)	26,139,888	27,595,895	33,525,428
Prepaid expenses and other current assets (Notes 1, 4, 14 and 21)	48,366,228	44,108,114	56,285,515
Derivative assets (Note 27)	-	331,154	7,209,706
Total Current Assets	359,623,060	513,717,457	525,009,678
Total Assets	US\$3,400,770,382	US\$3,830,799,058	US\$4,182,126,414
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock (Note 15)	US\$236,222	US\$236,222	US\$236,222
Common stock (Note 15)	67,330,188	67,330,188	67,330,188
Additional paid-in capital (Notes 15 and 20)	530,677,807	534,808,153	536,216,117
Cost of shares held by subsidiaries (Note 15)	(72,492,481)	(74,261,595)	(74,261,595)
Treasury shares (Notes 15 and 20)	(1,176,660)	(7,547,826)	(17,904,401)
Excess of acquisition cost over the carrying value of non-controlling interests (Note 15)	(135,447,513)	(142,555,041)	(142,555,041)
Retained earnings (Note 15)	763,314,929	723,158,999	779,439,375
Perpetual capital securities (Note 15)	337,032,372	831,910,439	761,341,287
Other comprehensive loss - net (Notes 10, 15, 24 and 27)	(173,432,739)	(258,636,420)	(285,445,364)
Total equity attributable to equity holders of the parent	1,316,042,125	1,674,443,119	1,624,396,788
Equity Attributable to Non-controlling Interests (Notes 4, 15 and 25)	157,523,057	151,604,756	141,683,210
Total Equity	1,473,565,182	1,826,047,875	1,766,079,998
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 4, 6, 7, 10, 16 and 27)	998,193,586	1,026,578,274	1,326,280,115
Concession rights payable - net of current portion (Notes 1, 4, 6, 21, 25 and 27)	518,730,363	503,207,718	481,700,775
Deferred tax liabilities (Notes 4, 5 and 22)	68,065,690	66,860,253	71,376,805
Other noncurrent liabilities (Notes 17, 24 and 25)	58,670,555	119,353,699	90,845,390
Total Noncurrent Liabilities	1,643,660,194	1,715,999,944	1,970,203,085
Current Liabilities			
Loans payable (Notes 4, 18 and 27)	24,479,272	2,027,231	36,598,275
Accounts payable and other current liabilities (Notes 1, 4, 19, 21, 23 and 27)	185,665,716	200,870,158	347,709,086
Current portion of long-term debt (Notes 4, 6, 7, 16 and 27)	47,773,885	54,465,076	18,485,813
Current portion of concession rights payable (Notes 6, 25 and 27)	7,505,989	8,830,040	8,760,661
Income tax payable (Notes 4, 5 and 22)	17,368,716	22,004,517	32,314,007
Derivative liabilities (Note 27)	751,428	554,217	1,975,489
Total Current Liabilities	283,545,006	288,751,239	445,843,331
Total Liabilities	1,927,205,200	2,004,751,183	2,416,046,416
Total Liabilities	US\$3,400,770,382	US\$3,830,799,058	US\$4,182,126,414

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2015	2016
INCOME			
Gross revenues from port operations (Note 25)	US\$1,061,152,193	US\$1,051,324,893	US\$1,128,394,951
Interest income (Note 12)	10,915,149	13,382,788	17,651,096
Foreign exchange gain (Note 28)	1,156,709	3,672,109	4,658,987
Gain on sale of subsidiaries (Notes 1 and 4)	44,956,617	323,414	–
Other income (Notes 1, 8, 17, 21, 23 and 27)	14,203,365	6,482,728	13,393,566
	<u>1,132,384,033</u>	<u>1,075,185,932</u>	<u>1,164,098,600</u>
EXPENSES			
Port authorities' share in gross revenues (Notes 1, 21, 23, 25 and 27)	163,648,155	169,003,118	183,702,136
Manpower costs (Notes 20, 23 and 24)	205,398,916	193,163,997	192,536,167
Equipment and facilities-related expenses (Notes 23 and 25)	135,480,833	124,753,827	119,877,144
Administrative and other operating expenses (Notes 23 and 26)	113,615,160	114,381,768	107,201,160
Depreciation and amortization (Notes 6, 7 and 8)	121,686,193	126,453,035	147,830,235
Interest expense and financing charges on borrowings (Notes 10, 16 and 18)	58,855,664	61,230,778	75,050,456
Interest expense on concession rights payable (Note 6)	38,065,934	37,301,423	34,049,611
Equity in net loss of a joint venture (Note 9)	2,188,511	3,229,754	5,571,997
Foreign exchange loss (Note 28)	4,259,091	3,742,129	4,886,956
Impairment losses (Notes 3 and 6)	38,147,779	114,561,125	–
Other expenses (Notes 1, 9, 10, 16, 21, 23, 26 and 27)	5,643,111	7,747,908	36,351,260
	<u>886,989,347</u>	<u>955,568,862</u>	<u>907,057,122</u>
CONSTRUCTION REVENUE (EXPENSE) (Note 25)			
Construction revenue	106,174,672	116,078,526	55,946,602
Construction expense	(106,174,672)	(116,078,526)	(55,946,602)
	<u>–</u>	<u>–</u>	<u>–</u>
INCOME BEFORE INCOME TAX	<u>245,394,686</u>	<u>119,617,070</u>	<u>257,041,478</u>
PROVISION FOR INCOME TAX (Note 22)			
Current	60,759,365	60,705,444	69,631,408
Deferred	(6,877,551)	(10,067,819)	(6,060,308)
	<u>53,881,814</u>	<u>50,637,625</u>	<u>63,571,100</u>
NET INCOME	<u>US\$191,512,872</u>	<u>US\$68,979,445</u>	<u>US\$193,470,378</u>
Attributable To			
Equity holders of the parent	US\$181,988,167	US\$58,545,218	US\$180,015,587
Non-controlling interests	9,524,705	10,434,227	13,454,791
	<u>US\$191,512,872</u>	<u>US\$68,979,445</u>	<u>US\$193,470,378</u>
Earnings Per Share (Note 29)			
Basic	US\$0.075	US\$0.011	US\$0.066
Diluted	0.075	0.011	0.065

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2015	2016
NET INCOME FOR THE YEAR	US\$191,512,872	US\$68,979,445	US\$193,470,378
OTHER COMPREHENSIVE LOSS			
<i>Items to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations' financial statements (Note 15)	(58,470,094)	(97,151,895)	(39,958,650)
Net change in unrealized mark-to-market values of derivatives (Note 27)	(6,933,792)	93,060	6,133,973
Net unrealized loss (gain) on derivatives removed from equity and capitalized as construction in-progress (Note 27)	6,240,237	1,855,269	(345,539)
Net unrealized mark-to-market gain (loss) on available-for-sale investments (Notes 10 and 27)	(5,167)	72,395	(173,874)
Net unrealized loss on derivatives removed from equity and recognized in profit or loss (Note 27)	2,831,048	104,151	–
Income tax relating to components of other comprehensive income (loss)	149,244	(89,335)	(1,611,411)
	(56,188,524)	(95,116,355)	(35,955,501)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains (losses) on defined benefit plans - net of tax (Note 24)	(1,716,070)	1,360,510	(245,391)
	(57,904,594)	(93,755,845)	(36,200,892)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	US\$133,608,278	(US\$24,776,400)	US\$157,269,486
Attributable To			
Equity holders of the parent	US\$128,862,532	(US\$26,658,463)	US\$153,206,643
Non-controlling interests	4,745,746	1,882,063	4,062,843
	US\$133,608,278	(US\$24,776,400)	US\$157,269,486

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, 2014, 2015 AND 2016

Attributable to Equity Holders of the Parent (Note 15)

	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	Non-controlling Interests (Note 15)	Total Equity
Balance at December 31, 2013	US\$236,222	US\$67,329,951	US\$526,490,736	(US\$72,492,481)	US\$-	(US\$1,374,486)	(US\$137,037,648)	US\$649,700,110	US\$337,032,372	(US\$120,307,104)	US\$1,249,577,672	US\$103,659,705	US\$1,353,237,377
Net income for the year	-	-	-	-	-	-	-	181,988,167	-	-	181,988,167	9,524,705	191,512,872
Other comprehensive loss (Note 15)	-	-	-	-	-	-	-	-	-	(53,125,635)	(53,125,635)	(4,778,959)	(57,904,594)
Total comprehensive income for the year (Note 15)	-	-	-	-	-	-	-	181,988,167	-	(53,125,635)	128,862,532	4,745,746	133,608,278
Cash dividends (Note 15)	-	-	-	-	-	-	-	(39,060,848)	-	-	(39,060,848)	(11,611,683)	(50,672,531)
Distributions on subordinated perpetual securities (Note 15)	-	-	-	-	-	-	-	(29,312,500)	-	-	(29,312,500)	-	(29,312,500)
Sale of subsidiaries (Notes 1 and 4)	-	-	-	-	-	-	-	-	-	-	-	(61,400,952)	(61,400,952)
Change in non-controlling interests (Notes 4 and 15)	-	-	-	-	-	-	1,590,135	-	-	-	1,590,135	(2,590,146)	(1,000,011)
Share-based payments (Note 20)	-	-	4,383,537	-	-	-	-	-	-	-	4,383,537	-	4,383,537
Collection of subscriptions receivable	-	237	1,360	-	-	-	-	-	-	-	1,597	-	1,597
Issuance of treasury shares for share-based payments (Notes 15 and 20)	-	-	(197,826)	-	-	197,826	-	-	-	-	-	-	-
Effect of business combination (Note 4)	-	-	-	-	-	-	-	-	-	-	-	124,720,387	124,720,387
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
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 15)	-	-	-	-	-	-	-	-	-	(85,203,681)	(85,203,681)	(8,552,164)	(93,755,845)
Total comprehensive income for the year (Note 15)	-	-	-	-	-	-	-	58,545,218	-	(85,203,681)	(26,658,463)	1,882,063	(24,776,400)
Cash dividends (Note 15)	-	-	-	-	-	-	-	(41,156,549)	-	-	(41,156,549)	(9,944,112)	(51,100,661)
Distributions on perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(33,422,879)	-	-	(33,422,879)	-	(33,422,879)
Sale of subsidiaries (Notes 1 and 4)	-	-	-	-	-	-	-	-	-	-	-	(268,056)	(268,056)
Change in non-controlling interests (Notes 4 and 15)	-	-	-	-	-	-	(7,107,528)	-	-	-	(7,107,528)	2,411,804	(4,695,724)
Share-based payments (Note 20)	-	-	4,292,926	-	-	-	-	-	-	-	4,292,926	-	4,292,926
Issuance of treasury shares for share-based payments (Notes 15 and 20)	-	-	(219,641)	-	-	219,641	-	-	-	-	-	-	-
Acquisition of ICTSI common shares (Note 15)	-	-	-	-	(3,598,405)	(6,590,807)	-	-	-	-	(10,189,212)	-	(10,189,212)
Sale of shares held by a subsidiary (Note 15)	-	-	57,061	-	1,829,291	-	-	-	-	-	1,886,352	-	1,886,352
Issuance and exchange of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(23,233,696)	506,219,964	-	482,986,268	-	482,986,268
Acquisition of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(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 15)

	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	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 15)	-	-	-	-	-	-	-	-	-	(26,808,944)	(26,808,944)	(9,391,948)	(36,200,892)
Total comprehensive income for the year (Note 15)	-	-	-	-	-	-	-	180,015,587	-	(26,808,944)	153,206,643	4,062,843	157,269,486
Cash dividends (Note 15)	-	-	-	-	-	-	-	(39,893,190)	-	-	(39,893,190)	(13,984,389)	(53,877,579)
Distributions on perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(34,160,584)	-	-	(34,160,584)	-	(34,160,584)
Share-based payments (Note 20)	-	-	2,641,929	-	-	-	-	-	-	-	2,641,929	-	2,641,929
Issuance of treasury shares for share-based payments (Notes 15 and 20)	-	-	(1,233,965)	-	-	1,233,965	-	-	-	-	-	-	-
Acquisition of ICTSI common shares (Note 15)	-	-	-	-	-	(11,590,540)	-	-	-	-	(11,590,540)	-	(11,590,540)
Issuance and exchange of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(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

See accompanying Notes to Consolidated Financial Statements.



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US\$245,394,686	US\$119,617,070	US\$257,041,478
Adjustments for:			
Depreciation and amortization (Notes 6, 7 and 8)	121,686,193	126,453,035	147,830,235
Interest expense on:			
Borrowings (Notes 16 and 18)	58,855,664	61,230,778	75,050,456
Concession rights payable (Note 6)	38,065,934	37,301,423	34,049,611
Loss (gain) on:			
Pre-termination of lease agreement (Note 21)	–	–	23,432,184
Sale of property and equipment - net (Note 21)	(547,960)	233,952	(1,501,293)
Sale of subsidiaries (Notes 1 and 4)	(44,956,617)	(323,414)	–
Termination of management contract (Notes 1, 6 and 21)	(2,880,829)	–	–
Termination of pre-payment option (Notes 21 and 27)	737,581	–	–
Settlement of insurance claims - net (Note 21)	(724,871)	–	–
Interest income (Note 12)	(10,915,149)	(13,382,788)	(17,651,096)
Equity in net loss of a joint venture (Note 9)	2,188,511	3,229,754	5,571,997
Share-based payments (Notes 15 and 20)	4,370,775	4,268,260	2,882,755
Unrealized foreign exchange loss (gain)	1,059,336	(617,469)	1,104,768
Unrealized mark-to-market loss (gain) on derivatives (Notes 21 and 27)	–	(331,154)	408,960
Dividend income (Note 21)	(1,578,798)	(646,559)	(198,706)
Impairment losses (Notes 3 and 6)	38,147,779	114,561,125	–
Operating income before changes in working capital	448,902,235	451,594,013	528,021,349
Decrease (increase) in:			
Receivables	2,440,585	(2,572,580)	(17,586,640)
Prepaid expenses and other current assets	12,530,779	2,213,257	(9,243,104)
Spare parts and supplies	(4,944,583)	(3,996,345)	(2,882,808)
Increase (decrease) in:			
Accounts payable and other current liabilities	(13,684,428)	14,950,833	28,246,083
Pension liabilities	1,760,843	1,724,747	1,215,591
Cash generated from operations	447,005,431	463,913,925	527,770,471
Income taxes paid	(59,184,221)	(56,177,186)	(60,822,253)
Net cash flows provided by operating activities	387,821,210	407,736,739	466,948,218
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 7)	(146,004,075)	(252,613,499)	(275,203,651)
Intangible assets (Notes 6 and 25)	(133,045,049)	(143,423,774)	(105,775,868)
Subsidiaries, net of cash acquired (Notes 1 and 4)	(135,422,490)	(54,500,000)	–
Proceeds from:			
Sale of property and equipment (Notes 7 and 21)	5,042,277	1,173,861	9,018,966
Sale of subsidiaries, net of cash held by subsidiaries (Notes 1 and 4)	94,579,587	(110,947)	–
Termination of management contract (Notes 1, 6 and 21)	15,879,734	–	–
Interest received	7,090,360	4,616,281	3,133,709
Dividends received	1,651,566	646,559	198,706
Increase in investment in and advances to a joint venture (Notes 9 and 23)	(61,286,055)	(86,007,868)	(52,365,327)
Decrease (increase) in other noncurrent assets (Note 10)	18,770,249	(8,000,757)	(34,767,221)
Payments for concession rights	(8,033,121)	(9,390,879)	(12,705,362)
Net cash flows used in investing activities	(340,777,017)	(547,611,023)	(468,466,048)

(Forward)



	Years Ended December 31		
	2014	2015	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 16)	US\$112,934,078	US\$212,237,826	US\$473,106,139
Short-term borrowings (Note 18)	15,000,000	7,231,507	71,233,855
Issuance of perpetual capital securities (Note 15)	–	482,986,268	1,874,063
Sale of common shares held by a subsidiary (Note 15)	–	1,886,352	–
Payments of:			
Long-term borrowings (Notes 4 and 16)	(46,764,112)	(178,008,493)	(207,128,087)
Acquisition of perpetual capital securities (Note 15)	–	(12,229,921)	(122,124,651)
Interest on borrowings and concession rights payable	(92,351,339)	(92,822,617)	(99,397,410)
Dividends (Note 15)	(49,551,834)	(52,284,328)	(53,669,360)
Distributions on subordinated perpetual capital securities (Note 15)	(29,312,500)	(33,422,879)	(34,160,584)
Short-term borrowings (Notes 4 and 18)	(7,030,474)	(29,745,248)	(35,697,231)
Acquisition of own common shares (Note 15)	–	(6,590,807)	(11,590,540)
Increase in other noncurrent liabilities (Note 16)	8,938,126	6,135,470	(4,124,707)
Change in non-controlling interests (Note 15)	(6,000,011)	(4,695,724)	–
Acquisition of ICTSI common shares by a subsidiary (Note 15)	–	(3,598,405)	–
Net cash flows provided by (used in) financing activities	(94,138,066)	297,079,001	(21,678,513)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(843,010)	2,979,440	(6,226,878)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(47,936,883)	160,184,157	(29,423,221)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	242,234,539	194,297,656	354,481,813
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 12)			
	US\$194,297,656	US\$354,481,813	US\$325,058,592

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 9, 2017.

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 9, 2017, the Group is involved in 28 terminal concessions and port development projects in 18 countries worldwide. These are 25 operating terminals in eight 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, Mexico, Honduras, Iraq, Argentina, Colombia and DR Congo; an ongoing port development project in Australia; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The projects in DR Congo and Colombia started initial operations in the third quarter and fourth quarter of 2016, respectively. Phase 1 of the project in Australia is expected to commence commercial operations in the second quarter of 2017. Construction of the port in accordance with the sub-concession agreement in Nigeria is currently in the planning stage.

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 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. 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 8, 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 (“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.

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.

Phase 1 of the expansion project under the BOT scheme will have 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. Phase 1 is expected to be completed and fully operational by first quarter of 2017.

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. 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. 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 construction of the Terminal with a capacity of 1,000,000 TEUs is expected to be completed in the last quarter of 2017.

Port of Kattupalli, India. On June 30, 2014, ICTSI, through its subsidiaries, ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a termination agreement cancelling ICTSI’s container port agreement for the management and operation of the Kattupalli Container Terminal in Tamil,



Nadu, India. In accordance with the termination agreement, LTSB agreed to pay ICTSI India approximately US\$15.9 million (INR957.5 million) as reimbursement of the license fee the latter paid to operate the terminal plus management fees and other amounts due to the latter. The transaction resulted to recognition of a gain on termination of management contract of US\$2.9 million (INR175.1 million) in 2014 presented under “Other income” account, which represents the difference between the US\$13.0 million book value of the intangible asset derecognized and the US\$15.9 million proceeds from the termination collected on July 9, 2014.

Yantai, China. On July 1, 2014, ICTSI, through its subsidiary, ICTSI (Hongkong) Limited (IHKL), acquired 51 percent of the total equity interest of Yantai International Container Terminals, Limited (YICT). On the same date, ICTSI sold its 60 percent ownership interest in Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL) (see Note 4.1). The objective of these transactions is to consolidate and optimize the overall port operations within the Zhifu Bay Port Area. YICT became the only foreign container terminal and YRDICTL is dedicated to handling local container cargo within the Zhifu Bay Port Area.

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 percent 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; and (2) pay variable fee starting year 2018. As of March 9, 2017, 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 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 Brunei 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. The tender process for the Davao Sasa Port Modernization project has started and ICTSI is one of the short-listed bidders. On April 15, 2016, the local office of the PPA in Davao City granted DIPSSCOR a hold-over authority for a period of six months until October 20, 2016 over the cargo handling services at Sasa Wharf, Port of Davao. On September 8, 2016, another hold-over authority for a period of six months until April 20, 2017 was granted by the PPA office in Davao City.

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. On February 19, 2016, the local office of the PPA in General Santos City granted SCIPSI a hold-over authority for a period of one year until February 19, 2017 over the cargo handling services at Makar Wharf, Port of General Santos. On February 25, 2017, another hold-over authority for a period of one year until February 24, 2018 was granted by the PPA office in General Santos City.

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 of December 31, 2016, the Group has 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 (see Notes 21 and 25.20).

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.

1.3 Subsidiaries and Joint Venture

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2014		2015		2016	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Asia									
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	-	100.00	-	100.00	-
Container Terminal Systems Solutions, Inc. (CTSSI) ^(a)	Mauritius	Software Developer	US Dollar	-	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
IFEL	Singapore	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2014		2015		2016	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
NMCTS	Brunei	Port	Brunei Dollar						
PT ICTSI Jasa Prima Tbk (JASA) and Subsidiaries	Indonesia	Management Maritime infrastructure and logistics	US Dollar	-	100.00	-	100.00	-	100.00
PT PBM Olah Jasa Andal (OJA)	Indonesia	Port	US Dollar	-	80.16	-	80.16	-	80.16
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Management Port	Indonesian Rupiah	-	80.16	-	80.16	-	80.16
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	-	95.00	-	95.00	-	95.00
IHKL	Hong Kong	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
YICT ^(c)	China	Port Management	Renminbi	-	100.00	-	100.00	-	100.00
Pentland International Holdings, Ltd.	British Virgin Islands	Holding Company	US Dollar	-	51.00	-	51.00	-	51.00
ICTSI Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Global Procurement Ltd. (GPL, 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
ICTSI India	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.	South Africa	Business Development Office (BDO)	South African Rand	-	100.00	-	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. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	-	100.00	-	100.00	-	100.00
Bauan International Ports, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	-	60.00	-	60.00	-	60.00
Prime Staffers and Selection Bureau, Inc. (PSSBI) ^(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. (Cordilla)	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
Naha International Container Terminal, Inc. (NICTI) ^(b)	Japan	Port Management	Japanese Yen	60.00	-	-	-	-	-
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) ^(b)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership						
				2014		2015		2016		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
ICTSI Americas B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
ICTSI Africa B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
ICTSI Cameroon B.V. (formerly Global Procurement B.V.) ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
CMSA B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
Tecplata B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
SPIA Colombia B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
TSSA B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
CGSA B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
SPIA Spain SL ^(b)	Spain	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
CGSA Transportadora SL ^(b)	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 ^(a)	Australia	Port Management	US Dollar	-	90.00	-	100.00	-	100.00	
Asia Pacific Port Holdings Private Ltd. (APPH) ^(d)	Singapore	Holding Company	US Dollar	-	50.50	-	50.50	-	50.50	
ICTSI Global Finance B.V. (IGFBV) ^(b)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00	
IOBV ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
ICTSI Tuxpan B.V. ^(b)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00	
ICTSI Asia Pacific Business Services, Inc. ^(b)	Philippines	Business Process Outsourcing	US Dollar	-	-	-	100.00	-	100.00	
ICTSI Ltd. Regional Operating Headquarters (ROHQ) ^(b)	Philippines	Regional Operating Headquarters	US Dollar	-	-	-	100.00	-	100.00	
ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS) ^(b)	Singapore	Port Equipment Sale and Rental	US Dollar	-	-	-	100.00	-	100.00	
ICTSI QFC LLC ^(b)	Qatar	Holding Company	US Dollar	-	-	-	100.00	-	100.00	
ICTSI South Asia Pte. Ltd. ^(b)	Singapore	Holding Company	US Dollar	-	-	-	100.00	-	100.00	
LGICT ^(b)	Philippines	Port Management	Philippine Peso	-	-	-	60.00	-	60.00	
ICTSI Middle East DMCC ^(b)	United Arab Emirates	Holding Company	US Dollar	-	-	-	100.00	-	100.00	
ICTSI Global Cooperatief U.A. ^(b)	The Netherlands	Holding Company	US Dollar	-	-	100.00	-	100.00	-	
Consultports S.A. de C.V. ^(k)	Mexico	BDO	Mexican Peso	-	-	-	-	-	100.00	
Cavite Gateway Terminal, Inc. (CGT) ^(m)	Philippines	Port Management	Philippine Peso	-	-	-	-	-	100.00	
Intermodal Terminal Holdings, Inc. ^(m)	Philippines	Holding Company	Philippine Peso	-	-	-	-	-	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	
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	-	100.00	-	100.00	-	100.00	
Adriatic Gate Container Terminal (AGCT) ^(f)	Croatia	Port Management	Euro	-	51.00	-	51.00	-	51.00	
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	-	100.00	-	100.00	-	100.00	
Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) ^(a)	Nigeria	Port Management	US Dollar	-	100.00	-	100.00	-	100.00	
IDRC ^(a)	DR Congo	Port Management	US Dollar	-	60.00	-	52.00	-	52.00	
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq) ^(b)	Iraq	Port Management	US Dollar	-	100.00	-	100.00	-	100.00	



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2014		2015		2016	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Americas									
Contecon Guayaquil, S.A. (CGSA) ^(a)	Ecuador	Port Management	US Dollar	99.99	0.01	99.99	0.01	51.00	49.00
Contecon Manzanillo S.A. (CMSA) ^(b)	Mexico	Port Management	US Dollar	1.00	99.00	1.00	99.00	1.00	99.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	-	100.00	-	100.00	-	100.00
ICTSI Oregon, Inc. (ICTSI Oregon)	U.S.A.	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
C. Ultramar, S.A.	Panama	Holding Company	US Dollar	-	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 (IPSAL)	Uruguay	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Tecplata S.A. (Tecplata) ^(a)	Argentina	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
Nuevos Puertos S. A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	4.00	96.00	4.00	96.00
OPC	Honduras	Port Management	US Dollar	30.00	70.00	30.00	70.00	30.00	70.00
TMT ^(d)	Mexico	Port Management	Mexican Peso	-	-	-	100.00	-	100.00
Sociedad Puerto Industrial Aguadulce SA (SPIA) ^(e)	Colombia	Port Management	US Dollar	-	45.65	-	46.30	-	46.30

^(a) Has not yet started commercial operations as at December 31, 2016

^(b) Established in 2014

^(c) Acquired in 2014

^(d) Acquired in March 2014 for US\$89.1 thousand. This was not accounted for as a business combination due to immateriality of amount involved.

^(e) Became a joint venture starting November 1, 2013 and changed its functional currency from Colombian Peso to US Dollar in 2014

^(f) Changed its functional currency from Croatian Kuna to Euro in 2014

^(g) Dissolved on January 5, 2015

^(h) Established in 2015

⁽ⁱ⁾ Acquired in 2015

^(j) Disposed in 2015

^(k) Acquired in 2016 for US\$60.0 thousand. This was not accounted for as a business combination due to immateriality of amount involved.

^(l) Changed its functional currency from Mexican Peso to US Dollar on July 1, 2016

^(m) Established in 2016

⁽ⁿ⁾ In 2016, the Parent Company's shareholdings was diluted to 51% as a result of internal restructuring.

In 2014, ICTSI, through its subsidiaries ICTSI Ltd. and IPSAL, purchased 45.08 percent ownership in NPSA, non-controlling shareholder of Tecplata, for US\$6.0 million. The purchase was accounted for as an acquisition of non-controlling interests. This transaction effectively increased ICTSI's ownership in Tecplata to 100.00 percent in 2014 (see Note 15.4).

On November 28, 2013, ICTSI and the other shareholders of CICTI (the "Sellers") entered into a conditional Share Purchase Agreement (SPA) with Cebu Asian Rim Property and Development Corporation and Hongkong Land (Philippines) BV (the "Buyers") for the sale of its entire ownership in CICTI. On January 13, 2014, and upon fulfillment of conditions under the SPA, the Sellers executed a Deed of Absolute Sale in favor of the Buyers. ICTSI's share in the net proceeds from the sale amounted to US\$26.6 million (₱1.2 billion). Net cash inflow from the sale of CICTI, which excludes the cash and cash equivalents of CICTI as at date of sale, amounted to US\$26.5 million. The sale resulted in the recognition of gain on sale amounting to US\$13.2 million in the 2014 consolidated statement of income shown as part of "Gain on sale of subsidiaries" account.

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 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 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 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. 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 percent 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 transferred and 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, YRDICTL (until June 30, 2014), YICT, SCIPSI, RCBV, AGCT, JASA, OJA, ITBV, HIPS, VICT (until February 2015), APPH, IGFBV, IDRC, Tecplata and NPSA (both until March 2014) 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 reassesses 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, 2016:

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The adoption of these amendments has no impact on the consolidated financial statements of the Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Group is an existing PFRS preparer, this standard is not applicable.



- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
 - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The adoption of these amendments has no significant impact on the consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The adoption of these amendments has no impact on the consolidated financial statements given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The adoption of these amendments has no impact on the consolidated financial statements since the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.



The adoption of these amendments has no impact on consolidated financial statements as these amendments apply to separate financial statements. The Group did not elect to change the method of accounting from cost to equity in the respective separate financial statements of the parent company and its subsidiaries that are issuing separate financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)

These improvements are effective for annual periods beginning on or after January 1, 2016. Unless otherwise stated, these amendments have no significant impact on the Group's consolidated financial statements. They include:

- *Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *Amendment to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *Amendment to PAS 34, Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



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.

In 2013, after the sale of the 45.64 percent equity interest in SPIA, management had determined that it has joint control with PSA International Pte. Ltd. (PSA) over the operation of SPIA. Based on the significant provisions of the agreement between ICTSI and PSA, all significant resolutions should be passed with the consent of each party. This joint arrangement is classified as a joint venture since the parties have rights to the net assets of the arrangement.

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 percent 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, TICT, CGSA, Tecplata, AGCT, ICTSI Subic, LICTSLE, 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, 2014, 2015 and 2016 are presented in Note 6 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, 2014, 2015 and 2016 are disclosed in Note 22 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\$5.2 million, US\$11.0 million and US\$15.0 million as at December 31, 2014, 2015 and 2016, respectively. These losses relate to subsidiaries that have a history of losses, do not expire 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\$9.6 million, US\$13.3 million and US\$36.6 million as at December 31, 2014, 2015 and 2016, respectively (see Notes 19 and 26).

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, 2014, 2015 and 2016 are disclosed in Note 6 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 an associate.

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 an associate are disclosed in Notes 6, 7, 8 and 9 to the consolidated financial statements, respectively. There was no impairment loss in 2014 and 2016. 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 prevailing and challenging 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 6).

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 2014, the Group recognized an impairment charge of



US\$38.1 million in respect of the goodwill in Tecplata as a result of the lower projected cash flows on its updated business plan caused by the prevailing and challenging economic conditions in Argentina. In 2015, the Group recognized an impairment charge of US\$26.6 million in respect of the goodwill in JASA and subsidiaries as a result of the lower projected cash flows on its updated business plan than originally expected (see Note 6).

The carrying amounts of goodwill as at December 31, 2014, 2015 and 2016 are disclosed in Note 6 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, 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 6, 7 and 8 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 27 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 13 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, 2014, 2015 and 2016 amounted to US\$26.1 million, US\$27.6 million and US\$33.5 million, respectively.

The cost of these spare parts and supplies amounted to US\$27.2 million, US\$28.5 million and US\$34.9 million as at December 31, 2014, 2015 and 2016, respectively.

Write-downs of spare parts and supplies amounted to US\$0.3 million in 2014, US\$0.1 million in 2015 and US\$0.5 million in 2016 were recognized in the consolidated statements of income under "Equipment and facilities-related expenses" account.

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 24 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, 2014, 2015 and 2016 are disclosed in Note 24 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 6 to 39 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 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; 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 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 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 reassessment 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 are initially measured at cost including transaction costs. Subsequent to initial recognition, improvements 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 an Associate and a Joint Venture

Investment in an associate 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 an associate 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 associate and the joint venture. Goodwill, if any, relating to an associate 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 associate and joint venture. Where there has been a change recognized directly in the equity of the associate 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 associate and joint venture are eliminated to the extent of the interest in the associate and joint venture.



The reporting dates of the associate, the joint venture and the Parent Company are identical and the accounting policies of the associate 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 associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate 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 associate or joint venture and its carrying value, and then recognizes the loss as “Equity in net losses of a joint venture and associate” in the consolidated statement of income.

Upon loss of joint control over the joint venture and loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associate 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 an associate 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 an Associate and a Joint Venture. 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 associate and joint venture. The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate and a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate 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 an associate has been fully provided with an allowance for probable loss (see Note 9).

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 8 and 27.1, 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 2014, 2015 and 2016.

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 Note 27).

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.

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 reassessment 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 reassessment 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 12 and 13).

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 10).

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 effective interest rate 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 Company; 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, provisions are made currently 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 Advanced Rent and Deposits. Prepaid insurance, port fees, bonds and other expenses, and advanced rent and 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 Credit Certificates. 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.

Non-monetary 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:

	2014		2015		2016	
	Closing	Average	Closing	Average	Closing	Average
Foreign currency to 1 unit of						
US dollar (USD or US\$):						
Argentine peso (AR\$)	8.465	8.121	12.932	9.264	15.880	14.779
Australian dollar (AUD)	1.223	1.108	1.372	1.329	1.387	1.344
Brazilian real (BRL or R\$)	2.658	2.355	3.961	3.338	3.255	3.481
Brunei dollar (BND or B\$)	1.325	1.267	1.418	1.375	1.448	1.381
Chinese renminbi (RMB)	6.206	6.162	6.494	6.285	6.945	6.648
Colombian peso (COP)	2,376.510	2,001.650	3,174.500	2,748.667	3,002.000	3,051.900
Croatian kuna (HRK)	6.335	5.756	7.036	6.859	7.177	6.807
Euro (EUR or €)	0.827	0.753	0.921	0.901	0.951	0.903
Georgian lari (GEL)	1.885	1.766	2.400	2.275	2.658	2.366
Honduran lempira (HNL)	21.020	20.507	22.368	21.846	23.492	22.835
Hong Kong dollar (HKD)	7.755	7.755	7.751	7.753	7.756	7.763
Indian rupee (INR)	63.044	61.032	66.154	64.153	67.924	67.206
Indonesian rupiah (IDR or Rp)	12,388.000	11,881.000	13,788.000	13,398.000	13,473.000	13,305.000
Iraqi dinar (IQD)	1,195.025	1,188.193	1,165.000	1,202.306	1,197.155	1,194.412
Japanese yen (JPY or ¥)	119.780	105.920	120.220	121.045	116.960	108.780
Malagasy ariary (MGA)	2,585.000	2,475.430	3,216.000	3,093.696	3,364.500	3,181.032
Mexican peso (MXN)	14.752	13.314	17.208	15.881	20.727	18.689
Pakistani rupee (PKR or Rs)	100.523	101.034	104.731	102.749	104.370	104.715
Philippine peso (₱)	44.720	44.395	47.060	45.523	49.720	47.475
Polish zloty (PLN)	3.544	3.156	3.923	3.771	4.187	3.944
Singaporean dollar (SGD)	1.326	1.267	1.419	1.375	1.447	1.381
South African rand (ZAR)	11.571	10.850	15.469	12.780	13.740	14.694

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 reassessed 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 reassessment 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 reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment 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, JASA, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA 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 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 interests 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 interests 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 reassessed 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 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, EMEA, and Americas. Financial information on geographical segments is presented in Note 5 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, 2016 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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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, 2017

- *Amendment to PFRS 12, 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.
- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.
- *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 on the reversal of that deductible temporary difference. 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.



Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

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 is assessing the potential effect of the amendments on its consolidated financial statements.

- 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 forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied 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 or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- 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 should be applied retrospectively, with earlier application permitted.

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.

Adoption of these amendments is not expected to have 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 non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities 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.

Adoption of these amendments is not expected to have significant impact on the consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

4. Business Combinations and Disposals

The Group, in the process of acquiring new ports, recognizes goodwill from business combination representing the expected synergies and other benefits from combining the acquiree's net assets with those of the acquirer.

4.1 Acquisition of YICT and Sale of YRDICTL in 2014

On July 1, 2014, ICTSI, through its subsidiary IHKL, acquired 51 percent of the total equity interest of YICT for a total cash consideration of approximately US\$137.3 million (RMB854.2 million) paid in four installments. On the same date, ICTSI sold its 60 percent ownership interest in YRDICTL to Yantai Port Holdings (YPH) for a total cash consideration of approximately US\$94.8 million (RMB588.1 million) paid in two installments in July 2014. All the proceeds from the sale of YRDICTL were used to partially fund the acquisition of YICT. The



contracts also provide for contingent consideration for the sale and acquisition transactions, based on the change in net asset value of YICT and YRDICTL from August 31, 2013 to June 30, 2014 subject to external audit. IHKL expected to receive from Yantai Port Group (YPG) a net amount of US\$1.0 million (RMB6.1 million) in 2015 representing the additional consideration for the sale and acquisition transactions based on the change in net asset value of YICT and YRDICTL from August 31, 2013 to June 30, 2014 in accordance with the contract. On June 12, 2015, IHKL received from YPG a net amount of US\$0.8 million (RMB5.2 million). The receipt of the final net contingent consideration in 2015 resulted in the reduction of gain on sale of YRDICTL by US\$0.2 million (RMB0.9 million).

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 and YRDICTL is dedicated to handling local container cargo within the Zhifu Bay Port Area. DP World China (Yantai) and YPH owns 12.5 percent and 36.5 percent ownership interest, respectively, in YICT, with ICTSI as the majority shareholder. YRDICTL is now 100 percent owned by YPH and dedicated to handling local container cargo.

The fair values of the identifiable assets and liabilities of YICT at the date of acquisition were:

	Final Fair Value Recognized on Acquisition
Assets	
Property and equipment	US\$222,168,465
Intangibles	81,736,381
Other noncurrent assets	433,653
Cash and cash equivalents	1,888,381
Receivables - net of allowance for doubtful accounts of US\$74.8 thousand	5,307,382
Spare parts and supplies	599,354
Prepaid expenses and other current assets	63,120
	312,196,736
Liabilities	
Deferred tax liabilities	US\$11,663,798
Loans payable	4,513,872
Accounts payable and other current liabilities	2,735,273
Current portion of long-term debt	38,566,201
	57,479,144
Total identifiable net assets at fair value	254,717,592
Non-controlling interest measured at proportionate fair value	(124,811,620)
Goodwill arising on acquisition	10,239,388
Purchase consideration transferred and satisfied by cash	US\$140,145,360

In the 2014 consolidated statement of cash flows, the net cash outflow on the acquisition amounting to US\$135.4 million was derived as follows:

	Amount
Cash paid at acquisition date	US\$137,310,871
Less cash and cash equivalents of YICT	1,888,381
Net cash outflow at acquisition date	135,422,490
Add cash paid for contingent consideration in 2015	2,834,489
Net cash outflow	US\$138,256,979



Net cash inflow from the sale of YRDICTL amounted to US\$68.0 million, which excludes the cash and cash equivalents of YRDICTL as at date of sale amounting to US\$26.7 million (RMB165.8 million). This amount also excludes the additional amount received from YPG in 2015 amounting to US\$3.7 million (RMB23.7 million). Adjusted gain on sale of YRDICTL after the receipt of the final net contingent consideration in 2015 is US\$31.7 million.

The carrying values of the assets and liabilities of YRDICTL at the date of disposal were:

	Carrying Value at Disposal Date
Assets	
Property and equipment	US\$75,936,567
Intangibles	27,044,395
Deferred tax assets	418,463
Other noncurrent assets	17,731
Cash and cash equivalents	26,725,571
Receivables	4,222,680
Spare parts and supplies	380,263
Prepaid expenses and other current assets	98,433
	US\$134,844,103
Liabilities	
Deferred tax liabilities	US\$1,269,212
Accounts payable and other current liabilities	1,130,400
	US\$2,399,612

Gross revenues and net income attributable to equity holders of the parent of YICT from acquisition date to December 31, 2014 amounted to US\$16.5 million (RMB101.9 million) and US\$0.4 million (RMB2.7 million). If the acquisition and sale had taken place at the beginning of the year, consolidated revenues would have been higher by US\$0.7 million (RMB4.2 million) and net income attributable to equity holders of the parent would have been lower by US\$0.8 million (RMB4.9 million) for the year ended December 31, 2014.

4.2 Sale of NICTI

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 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.

5. 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 MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI, LGICT and CGT in the Philippines; YRDICTL (until June 30, 2014) and YICT (starting July 1, 2014) in China; OJA, JASA and MTS in Indonesia; VICT in Australia; NICTI (until April 27, 2015) in Japan; NMCTS in Brunei; PICT in Pakistan; 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 its 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:

	2014			
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	3,820,572	930,616	2,687,447	7,438,635
Gross revenues	US\$531,484,228	US\$105,092,686	US\$424,575,279	US\$1,061,152,193
Capital expenditures ^(b)	84,371,708	57,890,248	136,787,168	279,049,124
Other information:				
Segment assets ^(c)	1,670,614,107	264,308,937	1,407,964,788	3,342,887,832
Segment liabilities ^(d)	1,541,031,122	101,750,427	198,989,245	1,841,770,794

	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)	2,318,975,587	428,078,300	1,344,500,713	4,091,554,600
Segment liabilities ^(d)	1,815,466,894	76,848,886	420,039,824	2,312,355,604

^(a) Measured in twenty-foot equivalent units (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\$57.9 million, US\$76.4 million and US\$90.6 million as at December 31, 2014, 2015 and 2016, respectively.

^(d) Segment liabilities do not include income tax payable amounting to US\$17.4 million, US\$22.0 million and US\$32.3 million, and deferred tax liabilities amounting to US\$68.1 million, US\$66.9 million and US\$71.4 million as at December 31, 2014, 2015 and 2016, 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:

	2014	2015	2016
Net income attributable to equity holders of the parent	US\$181,988,167	US\$58,545,218	US\$180,015,587
Non-controlling interests	9,524,705	10,434,227	13,454,791
Provision for income tax	53,881,814	50,637,625	63,571,100
Income before income tax	245,394,686	119,617,070	257,041,478
Add (deduct):			
Depreciation and amortization	121,686,193	126,453,035	147,830,235
Interest and other expenses ^(a)	147,160,090	227,813,117	155,910,280
Interest and other income ^(b)	(71,231,840)	(23,861,039)	(35,703,649)
EBITDA ^(c)	US\$443,009,129	US\$450,022,183	US\$525,078,344

^(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 other expenses.

^(b) Interest and other income include the following as shown in the consolidated statements of income: gain on sale of subsidiaries; 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 38.9 percent, 41.2 percent and 39.5 percent of the consolidated gross revenues from port operations for the years ended December 31, 2014, 2015 and 2016, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 61.1 percent, 58.8 percent and 60.5 percent of the consolidated gross revenues from port operations for the years ended December 31, 2014, 2015 and 2016, respectively.

6. Intangibles

This account consists of:

2014							
	Concession Rights			Subtotal	Computer Software	Goodwill (See Note 4)	Total
	Upfront Fees (See Note 25)	Fixed Fees (See Note 25)	Port Infrastructure (See Note 25)				
Cost							
Balance at beginning of year	US\$270,936,455	US\$563,264,220	US\$988,907,866	US\$1,823,108,541	US\$26,341,138	US\$123,382,523	US\$1,972,832,202
Acquisitions or additions (see Notes 25.6 and 25.11)	-	-	130,519,963	130,519,963	2,525,086	-	133,045,049
Effect of business combination (see Note 4.1)	90,861,849	-	-	90,861,849	-	10,239,388	101,101,237
Effect of deconsolidation of subsidiaries (see Note 4.1)	(34,517,481)	-	-	(34,517,481)	(65,550)	(1,291,320)	(35,874,351)
Effect of termination of management contract (see Note 1.2)	(14,196,942)	-	-	(14,196,942)	-	-	(14,196,942)
Transfers from (to) other accounts (see Note 7)	-	-	(5,738,343)	(5,738,343)	3,394,658	-	(2,343,685)
Translation adjustments	(2,771,577)	(3,282,522)	(1,348,595)	(7,402,694)	(1,392,603)	(798,680)	(9,593,977)
Balance at end of year	310,312,304	559,981,698	1,112,340,891	1,982,634,893	30,802,729	131,531,911	2,144,969,533
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	50,358,908	54,625,165	151,670,373	256,654,446	13,796,260	277,080	270,727,786
Amortization for the year	12,151,179	23,277,728	29,919,555	65,348,462	4,619,308	-	69,967,770
Impairment loss for the year	-	-	-	-	-	38,147,779	38,147,779
Effect of business combination (see Note 4.1)	9,125,468	-	-	9,125,468	-	-	9,125,468
Effect of deconsolidation of subsidiaries (see Note 4.1)	(8,811,125)	-	-	(8,811,125)	(18,831)	-	(8,829,956)
Effect of termination of management contract (see Note 1.2)	(1,198,038)	-	-	(1,198,038)	-	-	(1,198,038)
Transfers from other accounts (see Note 7)	-	-	(222,637)	(222,637)	(379,632)	-	(602,269)
Translation adjustments	(949,153)	(847,915)	(38,938)	(1,836,006)	(1,072,613)	-	(2,908,619)
Balance at end of year	60,677,239	77,054,978	181,328,353	319,060,570	16,944,492	38,424,859	374,429,921
Net Book Value	US\$249,635,065	US\$482,926,720	US\$931,012,538	US\$1,663,574,323	US\$13,858,237	US\$93,107,052	US\$1,770,539,612

2015							
	Concession Rights			Subtotal	Computer Software	Goodwill (See Note 4)	Total
	Upfront Fees (See Note 25)	Fixed Fees (See Note 25)	Port Infrastructure (See Note 25)				
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 25.6 and 25.12)	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 7)	-	-	(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 7)	-	-	-	-	(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							
	Upfront Fees (See Note 25)	Fixed Fees (See Note 25)	Port Infrastructure (See Note 25)	Subtotal	Computer Software	Goodwill (See Note 4)	Total
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 25.11)	-	(6,360,128)	-	(6,360,128)	-	-	(6,360,128)
Transfers from (to) other accounts (see Note 7)	-	-	(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 7)	-	-	-	-	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

Concession Rights

Additions to concession rights under upfront fees pertain to the acquisition through business combination of YICT on July 1, 2014, representing land use rights with useful life of 30 years, partially offset by the sale of YRDICTL in 2014 (see Note 4.1). Additions to concession rights under port infrastructure pertain to acquisitions of port equipment and construction mainly in Tecplata and OPC in 2014 and in Tecplata and ICTSI Iraq in 2015; acquisition of TMT on May 27, 2015; and in ICTSI Iraq, CGSA and Parent Company in 2016. 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 11). As discussed in Note 1.2, ICTSI signed a termination agreement cancelling ICTSI's container port agreement for the management and operation of the Kattupalli Container Terminal in Tamil, Nadu, India on June 30, 2014.

Concession rights have remaining amortization periods ranging from 6 to 39 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, 2016 are as follows:

	Amount
2017	US\$8,760,661
2018	15,111,367
2019	16,413,024
2020	17,833,577
2021 onwards	432,342,807
Total	US\$490,461,436

Interest expense on concession rights payable amounted to US\$38.1 million in 2014, US\$37.3 million in 2015 and US\$34.0 million in 2016.

Capitalized borrowing costs amounted to US\$24.3 million in 2014 at a capitalization rate of 6.82 percent, US\$20.6 million in 2015 at a capitalization rate of 6.64 percent and US\$3.1 million in 2016 at a capitalization rate of 6.42 to 6.45 percent. Unamortized borrowing costs amounted to US\$88.3 million, US\$107.7 million and US\$109.3 million as at December 31, 2014, 2015 and 2016, 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:

	2014	2015	2016
PICT	US\$30,243,084	US\$29,027,938	US\$29,128,210
AGCT	17,329,864	15,602,740	15,295,983
YRDICTL/YICT (see Note 4.1)	10,624,814	10,153,269	9,493,491
DIPSSCOR	6,815,417	6,476,528	6,130,027
JASA and subsidiaries	26,561,125	-	-
Others	1,532,748	1,451,119	1,421,096
	US\$93,107,052	US\$62,711,594	US\$61,468,807

Goodwill is not amortized but subject to an annual impairment testing as at December 31 (see Note 11).

Impairment of Goodwill and Concession Rights

Tecplata. An impairment charge of US\$38.1 million in 2014 and US\$88.0 million in 2015 was recorded in respect of the Group's goodwill and concession rights, respectively, in Tecplata based on value-in-use calculation using discounted cash flows throughout the concession period. The recoverable amount of Tecplata is US\$413.0 million and US\$353.3 million based on the said value-in-use calculation as of December 31, 2014 and 2015, respectively. The remaining carrying value of goodwill and concession rights - port infrastructure in Tecplata after the impairment charge is nil and US\$352.7 million, respectively as at December 31, 2015. The reportable segment of Tecplata is Americas. The impairment charges in Tecplata were as a result of lower projected cash flows on its updated business plan caused by the prevailing and unfavorable 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.

JASA and subsidiaries. In 2015, an impairment charge of US\$26.6 million was recorded in respect of the Group's goodwill in JASA and subsidiaries based on value-in-use calculation using discounted cash flows throughout the concession period. The recoverable amount of JASA 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 JASA and subsidiaries after the impairment charge is nil. The reportable segment of JASA and subsidiaries is Asia. The impairment charge in JASA 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 12.54 percent and 10.3 percent for Tecplata as of December 31, 2014 and 2015, respectively, and 7.59 percent for JASA and subsidiaries as at December 31, 2015. Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. A reduction of 0.86 percent and 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, 2014 and 2015, respectively. 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 JASA and subsidiaries.



7. Property and Equipment

This account consists of:

	2014								
	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Notes 1 and 4)	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US\$22,568,996	US\$204,024,407	US\$455,241,574	US\$67,735,897	US\$38,236,379	US\$7,725,110	US\$3,366,429	US\$130,298,555	US\$929,197,347
Additions	7,635,000	1,347,539	31,378,648	2,966,409	4,322,279	2,574,116	544,438	143,157,116	193,925,545
Disposals	–	(16,096)	(3,938,272)	(1,327,597)	(133,747)	(75,305)	(1,025,276)	–	(6,516,293)
Effect of business combination (see Note 4.1)	–	87,182,424	43,088,279	2,317,355	1,172,676	1,295,580	–	127,248,834	262,305,148
Effect of deconsolidation of subsidiaries (see Notes 1.3, 4.1 and 4.2)	–	(70,945,512)	(47,555,842)	(1,196,908)	(1,015,017)	(299,006)	–	–	(121,012,285)
Transfers from (to) other accounts (see Note 6)	–	83,620,879	90,693,120	715,321	(32,873)	2,472,401	748,181	(176,550,369)	1,666,660
Translation adjustments	(164,019)	(15,955,923)	(29,754,366)	(788,707)	(981,917)	(156,968)	(184,069)	(13,808,502)	(61,794,471)
Balance at end of year	30,039,977	289,257,718	539,153,141	70,421,770	41,567,780	13,535,928	3,449,703	210,345,634	1,197,771,651
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	–	39,949,523	117,167,969	31,640,707	26,283,070	4,794,529	1,213,322	–	221,049,120
Depreciation and amortization for the year	–	12,334,067	26,188,907	7,551,889	4,342,660	682,954	270,165	–	51,370,642
Disposals	–	–	(883,174)	(970,565)	(84,478)	(47,165)	(26,746)	–	(2,012,128)
Effect of deconsolidation of subsidiaries (see Notes 1.3, 4.1 and 4.2)	–	(18,837,284)	(24,022,845)	(1,057,681)	(908,763)	(249,145)	–	–	(45,075,718)
Effect of business combination (see Note 4.1)	–	20,743,894	15,563,630	1,948,303	952,525	928,331	–	–	40,136,683
Transfers from (to) other accounts	–	444,752	(62,330)	24,100	(596,508)	652,199	(17,461)	–	444,752
Translation adjustments	–	(1,739,708)	189,293	(509,243)	(383,438)	(59,556)	(74,720)	–	(2,577,372)
Balance at end of year	–	52,895,244	134,141,450	38,627,510	29,605,068	6,702,147	1,364,560	–	263,335,979
Net Book Value	US\$30,039,977	US\$236,362,474	US\$405,011,691	US\$31,794,260	US\$11,962,712	US\$6,833,781	US\$2,085,143	US\$210,345,634	US\$934,435,672



2015									
	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Notes 1, 4 and 23)	Transportation Equipment	Office Equipment, Furniture and Fixtures (See Note 4)	Miscellaneous Equipment (See Note 4)	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 6 and 8)	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 6 and 8)	–	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 (See Notes 1, 4 and 19)	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 6)	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 6)	–	(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



Capitalized borrowing costs amounted to US\$0.6 million in 2014 at a capitalization rate of 6.82 percent, US\$6.9 million in 2015 at a capitalization rate of 6.64 percent and US\$19.0 million in 2016 at a capitalization rate of 6.45 percent. Borrowing costs capitalized in 2015 and 2016 mainly pertains to VICT. Unamortized borrowing costs amounted to US\$28.9 million, US\$35.2 million and US\$53.7 million as at December 31, 2014, 2015 and 2016, respectively.

Construction in progress is mainly composed of ongoing port development and expansion projects in Australia, China, Poland and Mexico as of December 31, 2014; Australia, DR Congo and Mexico as of December 31, 2015; and Australia and Mexico as of December 31, 2016 (see Note 1.2).

Fully depreciated property and equipment with cost amounting to US\$41.7 million, US\$56.8 million and US\$98.0 million as at December 31, 2014, 2015 and 2016, respectively, are still being used in the Group's operations.

Port equipment of BCT with a total carrying value of US\$54.0 million as at December 31, 2014 and both nil as at December 31, 2015 and 2016 were pledged as collateral for its outstanding term loan facility (see Note 16.2.2); port equipment of AGCT with a total carrying value of HRK166.0 million (approximately US\$26.2 million), HRK160.4 million (approximately US\$22.8 million) and HRK153.8 million (approximately US\$21.4 million) were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 16.2.4) as at December 31, 2014, 2015 and 2016, respectively; and all present and future plant machinery, tools and equipment of PICT of up to Rs.2.0 billion (approximately US\$19.9 million), 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 16.2.4) as at December 31, 2014, 2015 and 2016, respectively; and port equipment and intangible assets of YICT with a respective total carrying value of RMB307.5 million (approximately US\$49.6 million), RMB156.1 million (approximately US\$24.0 million) and nil; and RMB87.6 million (approximately US\$14.1 million), RMB82.9 million (approximately US\$12.8 million) and nil were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 16.2.4) as at December 31, 2014, 2015 and 2016, respectively; and certain port equipment of CMSA with a total carrying value of US\$32.8 million and US\$31.1 million as at December 31, 2015 and 2016, respectively, were pledged as security for its long-term loans from the project finance facility (see Note 16.2.2).

8. Investment Properties

The details of investment properties are as follows:

	2014		Total
	Land and Improvements	Building and Others	
Cost			
Balance at beginning of year	US\$16,330,507	US\$673,791	US\$17,004,298
Additions	–	803	803
Translation adjustments	(34,847)	–	(34,847)
Balance at end of year	16,295,660	674,594	16,970,254
Accumulated Depreciation and Amortization			
Balance at beginning of year	4,030,013	365,336	4,395,349
Amortization during the year	315,872	31,909	347,781
Translation adjustments	–	(447)	(447)
Balance at end of year	4,345,885	396,798	4,742,683
Net Book Value	US\$11,949,775	US\$277,796	US\$12,227,571



	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 7)	(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

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 US\$14.8 million as at February 3, 2017 as determined based on valuations performed by qualified independent appraiser whose report was dated February 22, 2017. 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. The fair value of the land located in Calamba, Laguna used by LGICT amounted to US\$16.2 million as at February 3, 2017 as determined based on valuations performed by qualified independent appraiser whose report was dated February 22, 2017.

Fair value of the investment properties was determined using the sales comparison approach. This means that valuations performed by qualified independent appraiser are based on sales of similar or substitute properties, significantly adjusted for differences in the nature, location or condition of the specific property. This is categorized as *Level 3* in the fair value hierarchy as of December 31, 2014, 2015 and 2016. The significant unobservable input to the valuation is the price per square meter which ranges from US\$51.6 (₱2,565) to US\$76.4 (₱3,800).

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on 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 US\$0.2 million in 2014, nil in 2015 and 2016 (see Note 21.1). 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 2014, 2015 and 2016. 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 US\$45 thousand in 2014, US\$34 thousand in 2015 and US\$57 thousand in 2016, respectively, which pertains mainly to real property taxes.

9. Investments in and Advances to a Joint Venture and an Associate

This account consists of:

	2014	2015	2016
Investment in and advances to a joint venture	US\$140,718,921	US\$231,915,840	US\$293,638,405
Investment in an associate	7,474,994	7,474,994	7,474,994
	148,193,915	239,390,834	301,113,399
Less allowance for probable losses	7,474,994	7,474,994	7,474,994
	US\$140,718,921	US\$231,915,840	US\$293,638,405

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, 2016. The advances to SPIA mainly represent interest-bearing loans used by SPIA to finance the construction of the terminal in Colombia which was substantially completed in the fourth quarter of 2016 (see Note 23.1).

SPIA started its initial operations in the fourth quarter of 2016.

The movements and details of this account are as follows:

	2014	2015	2016
Investment in a Joint Venture:			
Balance at beginning of year	US\$27,785,209	US\$25,596,698	US\$22,019,569
Acquisition of additional shares in SPIA (see Note 1.3)	–	307,871	–
Translation adjustments	–	(655,246)	3,024
Equity in net loss during the year	(2,188,511)	(3,229,754)	(5,571,997)
Balance at end of year	25,596,698	22,019,569	16,450,596
Advances to a joint venture (see Note 23.1)	115,122,223	209,896,271	277,187,809
	US\$140,718,921	US\$231,915,840	US\$293,638,405

The summarized financial information of SPIA as at and for the years ended December 31 follows:

	2014	2015	2016
Current assets, including cash and cash equivalents ^(a)	US\$27,044,606	US\$3,535,750	US\$7,181,633
Noncurrent assets	304,781,051	503,157,022	627,306,201
Current liabilities ^(b)	260,188,415	434,743,660	296,183,118
Noncurrent liabilities ^(c)	18,280,291	23,429,685	301,819,841

(a) Current assets include cash and cash equivalents amounting to US\$24.3 million, US\$0.5 million and US\$3.0 million as at December 31, 2014, 2015 and 2016, respectively.

(b) Current liabilities include income tax payable amounting to US\$43.7 thousand, US\$48.2 thousand and US\$101.3 thousand as at December 31, 2014, 2015 and 2016, respectively.

(c) Noncurrent liabilities include deferred tax liabilities amounting to US\$7.4 million as at December 31, 2014, 2015 and 2016, respectively.



	2014	2015	2016
Gross revenues from port operations	US\$–	US\$–	US\$1,037,994
Operating expenses	(2,576,869)	(3,337,605)	(8,732,070)
Depreciation and amortization	(217,526)	(312,256)	(343,175)
Other income ^(d)	2,674,872	2,269,911	2,277,119
Other expenses ^(e)	(5,142,315)	(6,285,984)	(6,890,233)
Benefit from income tax	467,728	672,859	615,813
Net loss	(US\$4,794,110)	(US\$6,993,075)	(US\$12,034,552)

(d) Other income includes interest income amounting to US\$34.8 thousand in 2014, US\$65.2 thousand in 2015 and US\$51.3 thousand in 2016.

(e) Other expenses include interest expense on concession rights payable amounting to US\$1.3 million in 2014, 2015 and 2016.

The difference between the carrying value of investment in SPIA against the share in net assets of SPIA represents the fair value of the concession rights of SPIA.

Investment in an Associate

The Group also has a 49 percent investment in Asiaview Realty and Development Corporation (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.

10. Other Noncurrent Assets

This account consists of:

	2014	2015	2016
Input tax (see Note 14)	US\$61,375,338	US\$67,693,033	US\$68,107,935
Advance rent and deposits	25,394,012	22,519,676	40,707,414
Advances to suppliers and contractors (net of allowance for probable losses of US\$0.7 million, US\$0.7 million and US\$3.1 million as at December 31, 2014, 2015 and 2016, respectively)	11,286,677	13,037,815	25,094,374
Restricted cash (see Notes 16, 21.2, 25.15 and 26)	15,155,886	25,003,088	20,933,562
Debt issuance costs (see Note 16.2.6)	7,074,391	5,101,594	3,666,403
AFS investments (see Note 27):			
Quoted equity shares - at fair value	1,574,744	1,690,929	1,512,807
Unquoted equity shares - at cost	749,133	728,124	710,666
Pension assets (see Note 24)	4,980	125,948	981
Prepayments and others	2,727,835	1,613,591	4,229,373
	US\$125,342,996	US\$137,513,798	US\$164,963,515

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 purchase of terminal equipment and civil works in relation to the completed and ongoing construction activities at these terminals. The input tax is classified as noncurrent because it is not expected to be utilized within 12 months from the balance sheet date (see Note 14).

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, 2014, 2015 and 2016, this account comprised mainly of advances and deposits to contractors and for investments amounting to US\$19.1 million, US\$16.5 million and US\$40.2 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 2014 and 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 16.2.3). 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 26). In 2015 and 2016, 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 16.2.2).

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 drew down 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 drawn in April and June 2016 totaling US\$145.0 million. As at December 31, 2016, outstanding balance of the loan amounted to US\$15.0 million.

The related debt issuance costs of the revolving facility amounting to US\$7.1 million are being amortized over five years (see Note 16.2.6). Commitment fees amounting to US\$1.4 million in 2014, US\$2.3 million in 2015 and US\$2.2 million in 2016, 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.

AFS Investments

Quoted Equity Shares. The net movement in unrealized mark-to-market gain on quoted AFS investments is as follows:

	2014	2015	2016
Balance at beginning of year	US\$1,058,668	US\$1,053,501	US\$1,125,896
Change in fair value of quoted AFS investments	(5,167)	72,395	(173,874)
Balance at end of year (see Note 15.7)	US\$1,053,501	US\$1,125,896	US\$952,022



Prepayments and Others

As at December 31, 2016, this account includes the minimum presumed income tax of Tecplata amounting to US\$3.9 million (AR\$62.7 million) that is expected to be offset against its future income tax payable more than 12 months from the balance sheet date.

11. 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 an associate, 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 7.0 percent to 12.7 percent in 2014, 4.2 percent to 11.5 percent in 2015 and 7.10 percent to 10.72 percent in 2016.

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 18 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 in the 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 volumes 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 2.05 percent to over 100 percent, 1.41 percent to over 100 percent and 1.09 percent to over 100 percent in the discount rates, or a reduction of growth rates of 2.66 percent to over 100 percent, 0.16 percent to over than 100 percent and 0.94 percent to over 100 percent would give a value-in-use equal to the carrying amount of the cash generating units in 2014, 2015 and 2016, respectively.

12. Cash and Cash Equivalents

This account consists of:

	2014	2015	2016
Cash on hand and in banks	US\$113,124,658	US\$222,125,582	US\$248,562,837
Cash equivalents	81,172,998	132,356,231	76,495,755
	US\$194,297,656	US\$354,481,813	US\$325,058,592

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.

As at December 31, 2014, an aggregate of US\$2.0 million (AR\$17.2 million) equivalent of Argentine peso-denominated cash and cash equivalents remained designated by Tecplata as cash flow hedges of the variability of Argentine peso cash flows that is required to settle Argentine peso-denominated payments for the civil works construction and operating expenses at the terminal in Argentina (see Note 27.4). As at December 31, 2015 and 2016, ICTSI did not have any outstanding Argentine peso-denominated cash and cash equivalents designated as cash flow hedge.

Interest income derived from interest-earning bank deposits and short-term investments amounted to US\$7.5 million, US\$4.3 million and US\$3.1 million for the years ended December 31, 2014, 2015 and 2016, respectively.



13. Receivables

This account consists of:

	2014	2015	2016
Trade (see Notes 1.2 and 21.3)	US\$87,688,106	US\$81,757,051	US\$93,476,622
Advances and nontrade	8,202,282	10,991,992	16,858,404
	95,890,388	92,749,043	110,335,026
Less allowance for doubtful accounts	5,071,100	5,548,562	7,404,589
	US\$90,819,288	US\$87,200,481	US\$102,930,437

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:

	2014		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$3,268,447	US\$52,758	US\$3,321,205
Provision during the year	1,973,585	-	1,973,585
Write-off	(10,473)	-	(10,473)
Translation adjustments	(213,217)	-	(213,217)
Balance at end of year	US\$5,018,342	US\$52,758	US\$5,071,100

	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

Allowance for doubtful accounts are based on specific assessment by the Group.



14. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2015	2016
Input tax (see Note 10)	US\$23,679,699	US\$18,712,935	US\$27,756,471
Prepaid port fees, insurance, bonds and other expenses	10,781,152	12,839,753	12,572,638
Creditable withholding taxes	6,052,672	6,020,411	8,894,553
Tax credit certificates	4,418,417	3,121,327	3,236,372
Others	3,434,288	3,413,688	3,825,481
	US\$48,366,228	US\$44,108,114	US\$56,285,515

Input Tax

This account includes input tax expected to be applied against output tax within 12 months from the balance sheet date pertaining to input tax recognized mainly by the Parent Company, VICT, IDRC and CMSA associated with the purchase of terminal equipment and payments of civil works in relation to the construction activities at these terminals (see Note 10).

Tax Credit Certificates

Tax credit certificates pertain to tax credit certificates issued to ICTSI and TSSA amounting to US\$4.4 million, US\$3.1 million and US\$3.2 million as at December 31, 2014, 2015 and 2016, respectively. These tax credit certificates can be applied against certain future tax liabilities of ICTSI and TSSA, as allowed by their respective tax authorities.

15. 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, 2014, 2015 and 2016, the Parent Company had 1,470, 1,444 and 1,427 shareholders on record, respectively.

15.1 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					
	Authorized			Issued and Subscribed		
	2014	2015	2016	2014	2015	2016
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		
	Issued and Subscribed		
	2014	2015	2016
Treasury Shares			
Balance at beginning of year	(11,252,311)	(9,114,811)	(10,469,155)
Acquisitions during the year	-	(3,510,400)	(8,175,510)
Issuance for share-based payments (see Note 20)	2,137,500	2,156,056	1,514,398
Balance at end of year	(9,114,811)	(10,469,155)	(17,130,267)

	Amount Issued and Subscribed		
	2014		
	2014	2015	2016
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			
Balance at beginning of year	(451,578)	(451,341)	(451,341)
Collections during the year	237	-	-
Balance at end of year	(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\$1,374,486)	(US\$1,176,660)	(US\$7,547,826)
Issuance of treasury shares for share-based payments (see Note 20)	197,826	219,641	1,233,965
Acquisitions during the year	-	(6,590,807)	(11,590,540)
Balance at end of year	(US\$1,176,660)	(US\$7,547,826)	(US\$17,904,401)

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 15.3). As at March 9, 2017, 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 9, 2017, 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 20).

On September 16, 2015 and November 17, 2016, the Board of Directors 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 and 2016, the Company acquired 3,510,400 treasury shares totaling US\$6.6 million and 8,175,510 treasury shares totaling US\$11.6 million, respectively.



15.2 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\$4.2 million, US\$4.1 million and US\$1.4 million in 2014, 2015 and 2016, respectively, as a result of granting and vesting of stock awards (see Note 20).

15.3 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		2016	
	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\$–	–	US\$–	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
Total	3,800,000	US\$72,492,481	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, 2014, 2015 and 2016, cost of preferred shares held by a subsidiary pertains to preference A shares held by ICTHI.

15.4 Non-controlling Interests

In March 2014, ICTSI, through its subsidiaries ICTSI Ltd. and IPSAL, purchased the remaining 45.08 percent ownership in NPSA for US\$6.0 million. The purchase was accounted for as an acquisition of non-controlling interests. This transaction effectively increased ICTSI's ownership in Tecplata from 96.25 percent to 100.00 percent.

As discussed in Note 1.2, 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 is 60 percent-owned by ICTSI Cooperatief. At incorporation, the share capital of IDRC amounted to US\$12.5 million represented by 12,500 ordinary voting shares. ICTSI contributed US\$2.0 million cash upon incorporation and the US\$5.5 million cash in tranches while SIMOBILE, non-controlling shareholder, contributed land valued at US\$5.0 million.

On July 1, 2014, ICTSI, through its subsidiary IHKL, acquired 51 percent of the total equity interest of YICT (see Note 1.2). On the same date, the Company sold its 60 percent ownership interest in YRDICTL to YPH (see Note 4.1).

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 Note 1.2). 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:

	2014	2015	2016
PICT	US\$8,355,030	US\$8,273,229	US\$11,164,344
SCIPSI	1,034,495	688,595	1,281,148
BIPI	1,621,804	–	846,489
YICT	524,461	915,800	618,740
DIPSSCOR	75,893	66,488	73,668
	US\$11,611,683	US\$9,944,112	US\$13,984,389

15.5 Retained Earnings

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

	2014	2015	2016
Date of Board approval	April 10, 2014	April 16, 2015	April 21, 2016
Cash dividends per share	US\$0.019 (₱0.85)	US\$0.020 (₱0.90)	US\$0.020 (₱0.91)
Record date	April 28, 2014	May 4, 2015	May 5, 2016
Payment date	May 9, 2014	May 15, 2015	May 18, 2016

Retained earnings were reduced by distributions paid out by RCBV to holders of Perpetual Capital Securities discussed in Note 15.6 below aggregating US\$29.3 million in 2014, US\$33.4 million in 2015 and US\$34.2 million in 2016.

Of the total retained earnings of US\$763.3 million, US\$723.2 million and US\$779.4 million, as at December 31, 2014, 2015 and 2016, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$562.5 million, US\$650.6 million and US\$840.7 million, as at December 31, 2014, 2015 and 2016, respectively, were not available for dividend distribution (see Note 22).

On December 29, 2014, the existing appropriation of US\$313.2 million was released from appropriation due to the completion of foreign and local projects such as CMSA and was re-appropriated for the same amount for new and ongoing projects, among others, in Subic, Australia, Colombia and Iraq. On the same date, the Parent Company appropriated additional US\$73.6 million of its retained earnings for additional working capital requirements and domestic and foreign expansion projects in the ensuing year. On December 23, 2015, the Parent Company



appropriated US\$40.3 million for additional working capital requirements and its continuing foreign expansion projects in 2016. On April 21, 2016, the Parent Company released US\$90.0 million from appropriated retained earnings.

As at December 31, 2014, 2015 and 2016, total appropriated retained earnings of the Parent Company amounted to US\$386.8 million, US\$427.1 million and US\$337.1 million, respectively.

15.6 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\$29.3 million, US\$33.4 million and US\$34.2 million to the holders of the Securities in 2014, 2015 and 2016, respectively (see Note 15.5). Related interest expense accrued by the Issuer or RCBV amounted to US\$4.5 million, US\$8.0 million and US\$6.4 million as at December 31, 2014, 2015 and 2016. 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.



15.7 Other Comprehensive Loss - Net

The details of other comprehensive net loss, net of applicable tax, as at December 31 are as follows:

	2014	2015	2016
Cumulative translation adjustments* (see Note 3.3)	(US\$172,258,897)	(US\$260,858,628)	(US\$291,425,330)
Unrealized mark-to-market gain (loss) on derivatives (see Notes 27.4 and 27.6)	(2,457,453)	(494,308)	3,682,715
Unrealized mark-to-market gain on AFS investments (see Note 10)	1,053,501	1,125,896	952,022
Business combination revaluation reserve	609,969	609,969	609,969
Actuarial gains (losses) on defined benefit plans (see Note 24)	(379,859)	980,651	735,260
	(US\$173,432,739)	(US\$258,636,420)	(US\$285,445,364)

*Cumulative translation adjustments arise from the change in functional currency of the Parent Company and some of its subsidiaries' translation of foreign operations.

16. Long-term Debt

16.1 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:

	2014	2015	2016
US dollar-denominated notes (see Note 16.2.1)	US\$271,691,732	US\$179,218,130	US\$179,228,914
US dollar-denominated term loans (see Note 16.2.2)	47,384,334	95,815,693	210,314,320
US dollar-denominated securities (see Note 16.2.3)	26,477,470	13,775,607	-
Foreign currency-denominated loans (see Note 16.2.4)	62,159,825	46,505,167	190,719,874
US dollar-denominated medium-term notes (see Note 16.2.5)	638,254,110	745,728,753	749,502,820
Revolving credit facility (see Note 16.2.6)	-	-	15,000,000
	1,045,967,471	1,081,043,350	1,344,765,928
Less current portion	47,773,885	54,465,076	18,485,813
	US\$998,193,586	US\$1,026,578,274	US\$1,326,280,115

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:

	2014	2015	2016
Balance at beginning of year	US\$40,223,720	US\$37,978,896	US\$57,110,867
Debt issuance costs during the year	921,431	10,902,688	14,043,796
Amortization during the year	(3,166,255)	(5,877,737)	(6,344,213)
Premium on exchange of notes (see Note 16.2.1)	-	14,107,020	-
Balance at end of year	US\$37,978,896	US\$57,110,867	US\$64,810,450

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, 2016 were as follows:

	Amount
2017	US\$21,016,542
2018	23,375,845
2019	48,550,297
2020	221,842,044
2021 onwards	1,094,791,650
	US\$1,409,576,378

16.2 Details and Description

16.2.1 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 16.2.5).

In January 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 16.2.5).

As at December 31, 2016, the outstanding balance of the Notes due 2020 amounted to US\$179.2 million, net of debt issuance costs.



16.2.2 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 IpeX 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 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 (see Note 2) and to pledge certain major port equipment as security (see Note 7).

In December 2015, CMSA availed US\$95.0 million from the US\$260.0 million facility. In November 2016, CMSA availed an additional US\$86.0 million from the same facility. As of December 31, 2016, the outstanding balance of the loan amounted to US\$172.4 million, net of debt issuance costs.

ICTSI Unsecured Medium-Term Loan. In October 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, when it was settled.

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 Polish Zloty.

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 by the *Centrum Unijnych Projektow Transportowych* (CUPT), a Polish grant authority (the "EU Grant"), 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, 2016, BCT has availed a total of US\$19.5 million of the EU Grant.

On April 27, 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. On October 28, 2013, BCT availed of another US\$2.0 million from the same capital expenditure facility. Both the term loan and capital expenditures facilities bear interest at 2.65 percent over LIBOR. In 2014, BCT availed a total of US\$10.4 million from the capital expenditure facility, which bears interest at 2.65 percent over LIBOR.

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 will bear interest at 1.70 percent over LIBOR. On September 2, 2014, the Company availed of US\$19.6 million from the HSBC term loan facility agreement to prepay the loan from Bank Polska. As at December 31, 2014, the aggregate outstanding balance under the term loan and capital expenditure facilities, net of related debt issuance cost, amounted to US\$23.5 million. As a result of the prepayment of the loan from Bank Polska, the related debt issuance cost and commitment fees totaling US\$1.2 million were derecognized and charged to the 2014 consolidated statement of income.

In December 2015, BCT prepaid in full its 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, 2016, 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\$4.0 million, US\$9.6 million and US\$2.4 million as at December 31, 2014, 2015 and 2016, 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”) 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. As at December 31, 2016, the outstanding balance of the loan with MBTC amounted to US\$35.5 million.

16.2.3 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 Inversión 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\$11.9 million in 2014, US\$12.8 million in 2015 and US\$13.8 million in 2016 of the outstanding securities. As at December 31, 2016, CGSA has no outstanding securities.

16.2.4 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. 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 7). Principal is repayable in five equal semi-annual installments commencing in June 2015. As at December 31, 2016, outstanding principal balance of the loan amounted to Rs.0.3 billion (US\$2.9 million).

Corporate Notes Facility Agreement (FXCN Note). In November 2008, ICTSI completed an FXCN Note for US\$18.4 million (₱855.0 million), which amount was increased by an Accession Agreement up to US\$25.0 million (₱1.2 billion), with several institutions arranged by HSBC Manila. The net proceeds of the FXCN Note were used for capital expenditures and working capital requirements. The FXCN Note is unsecured and has maturities of five and a half, and seven years. Interest rate is at 9.5 percent for the five and a half-year FXCN Note and 10.25 percent for the seven-year FXCN Note. One percent of principal is payable every year and the remaining balance is due in 2014 for the five and a half-year FXCN Note and in 2015 for the seven-year FXCN Note. The entire facility was fully drawn in 2008. In May 2012, ICTSI prepaid the five and a half-year FXCN note. In November 2014, ICTSI prepaid the seven-year FXCN Note.

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 7).

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 7).

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, 2016, the total outstanding balance of the loans amounted to US\$7.8 million (EUR7.4 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 to fully pay the loan with ABC (see Note 18).



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. On July 25, October 4 and November 30, 2016, *VICT* availed of loans from the facilities amounting to US\$67.7 million (AUD91.0 million), US\$25.8 million (AUD35.0 million) and US\$103.4 million (AUD140.0 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, 2016 amounted to AUD887.3 million (US\$639.6 million).

As at December 31, 2016, the total outstanding balance of the loans amounted to US\$180.1 million (AUD249.9 million), net of debt issuance costs.

16.2.5 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 16.2.1). The said notes were issued on April 30, 2014.



In January 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, 2016, outstanding notes under the programme was US\$749.5 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 16.2.1.

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.

16.2.6 Revolving Credit Facility Programme

IGFBV. On July 24, 2014, the Board of Directors 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 drawn down 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 drawn in April and June 2016 totaling US\$145.0 million. As at December 31, 2016, outstanding balance of the loan amounted to US\$15.0 million.

The related debt issuance cost of the revolving facility amounting to US\$7.1 million is being amortized over five years (see Note 10). Commitment fees amounting to US\$1.4 million in 2014, US\$2.3 million in 2015 and US\$2.2 million in 2016, 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.

16.3 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. As at December 31, 2014, 2015, and 2016, 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\$55.1 million in 2014, US\$55.0 million in 2015 and US\$68.0 million in 2016 (see Notes 6 and 7).

17. Other Noncurrent Liabilities

This account consists of:

	2014	2015	2016
Accrued rental (see Note 19)	US\$38,660,114	US\$92,855,916	US\$64,575,728
Government grant	10,740,113	17,635,847	15,741,736
Pension liabilities (see Note 24)	6,388,013	6,509,459	7,487,607
Finance lease payable	2,123,641	905,557	146,843
Others	758,674	1,446,920	2,893,476
	US\$58,670,555	US\$119,353,699	US\$90,845,390

Accrued Rental

The accrued rental of VICT amounted to US\$38.7 million (AUD47.3 million), US\$92.9 million (AUD127.4 million) and US\$149.6 million (AUD207.5 million) as at December 31, 2014, 2015 and 2016, respectively, calculated using the straight-line method from the inception of the contract in June 2014. As at December 31, 2016, the current portion of accrued rental amounting to US\$85.0 million (AUD117.9 million) classified as Trade payable under “Accounts payable and other current liabilities” was paid on January 3, 2017 (see Note 19).

Government Grant

On March 29, 2012, BCT and Centrum Unijnych Projektow Transportowych (CUPT), a Polish grant authority, signed a grant agreement (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 is 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. In 2016, BCT availed of an additional US\$0.6 million EU Grant. As at December 31, 2016, 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\$10.7 million, US\$17.6 million and US\$15.7 million as at December 31, 2014, 2015 and 2016, respectively. Amortization of deferred income include under “Other income” amounted to US\$0.3 million in 2014, US\$1.0 million in 2015 and US\$2.5 million in 2016 (see Note 21.1).

18. 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.



In 2014, CGSA availed one-year loans from Citibank, Banco Bolivariano and Banco del Pacifico totaling US\$5.0 million at interest rates ranging from 7.50 percent to 7.75 percent p.a. Outstanding balance under the loans was US\$1.7 million as at December 31, 2014. 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 July 1, 2014, the ICTSI acquired, through the consolidation of YICT, the short-term loan with outstanding balance of US\$2.9 million (RMB 18.0 million) (see Note 4.1). The short-term loan bears an interest rate of 6.15 percent per annum and had been fully repaid on February 4, 2015.

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 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 16.2.4). On January 12, 2017, YICT prepaid US\$1.5 million (RMB10 million) and the balance of US\$20.1 million (RMB140 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of March 31, 2017.

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 LIBOR plus a spread of 1.6 percent and matures on November 23, 2017.

Interest expense incurred related to these loans payable amounted to US\$0.6 million in 2014, US\$0.4 million in 2015 and US\$0.7 million in 2016.

19. Accounts Payable and Other Current Liabilities

This account consists of:

	2014	2015	2016
Trade (see Notes 17, 21.3 and 23.1)	US\$94,990,286	US\$104,775,892	US\$200,324,689
Accrued expenses:			
Output and other taxes	20,132,905	23,945,495	34,693,099
Interest (see Notes 16.3 and 18)	20,489,465	19,608,480	22,905,888
Salaries and benefits	15,448,106	15,280,886	21,413,326
Others	11,935,721	11,231,931	15,596,870
Provisions for claims and losses (see Notes 25 and 26)	9,644,043	13,322,197	36,587,263
Customers' deposits	7,582,449	9,028,839	11,106,128
Dividends payable	3,661,080	2,477,694	3,203,531
Finance lease payable	1,261,631	1,184,146	738,489
Others (see Note 21.3)	520,030	14,598	1,139,803
	US\$185,665,716	US\$200,870,158	US\$347,709,086

Trade payables are noninterest-bearing and are generally settled on 30-60 day terms.



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:

	2014	2015	2016
Balance at beginning of year	US\$11,279,320	US\$9,644,043	US\$13,322,197
Provision during the year (see Note 25.20)	4,537,286	5,490,460	25,613,823
Settlement during the year	(5,363,050)	(1,213,914)	(3,434,325)
Translation adjustment	(809,513)	(598,392)	1,085,568
Balance at end of year	US\$9,644,043	US\$13,322,197	US\$36,587,263

20. 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. 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, 2016, there were 38,601,138 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as at December 31, 2016, 17,130,267 ICTSI common shares were held under treasury and allotted for the SIP (see Note 15.1).

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. 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 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 14, 2014	1,892,000	US\$2.24 (₱100.00)
March 20, 2015	1,740,375	US\$2.51 (₱112.60)
March 14, 2016	2,567,763	US\$1.39 (₱65.00)

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 2014, 2015 and 2016 follow:

	2014	2015	2016
Balance at beginning of year	3,382,500	3,137,000	2,721,319
Stock awards granted	1,892,000	1,740,375	2,567,763
Stock awards vested, issued and cancelled	(2,137,500)	(2,156,056)	(1,810,957)
Balance at end of year	3,137,000	2,721,319	3,478,125

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\$4.4 million in 2014, US\$4.3 million in 2015 and US\$2.8 million in 2016, 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 15.2).

21. Income and Expenses

21.1 Other Income

This account consists of:

	2014	2015	2016
Reversal of accrued and other expenses (see Notes 1.2 and 25.20)	US\$3,385,818	US\$1,908,130	US\$4,572,561
Income from amortization of government grant (see Note 17)	276,994	1,007,593	2,463,140
Gain on sale of property and equipment (see Note 7)	568,911	26,890	1,682,668
Rental income (see Notes 7 and 8)	915,838	791,390	752,760
Dividend income	1,578,798	646,559	198,706
Gain on settlement of insurance and other claims	1,589,680	616,578	571,342
Mark-to-market gain on derivatives - net (see Note 27)	—	331,154	—
Gain on termination of management contract (see Note 1.2)	2,880,829	—	—
Others	3,006,497	1,154,434	3,152,389
	US\$14,203,365	US\$6,482,728	US\$13,393,566

21.2 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 25). Port authorities' share in gross revenues includes variable fees aggregating US\$163.6 million in 2014, US\$169.0 million in 2015 and US\$183.7 million in 2016 (see Note 25).

On May 20, 2013, ICTSI hedged Philippine peso-denominated variable fees that were to be payable from January to October 2014. Foreign currency translation losses previously deferred in equity formed part of variable fees upon accrual of the hedged port fees. ICTSI recognized foreign currency losses amounting to US\$3.1 million as part of "Port authorities' share in gross revenues" account in the 2014 consolidated statement of income (see Notes 12 and 27.4).



21.3 Other Expenses

	2014	2015	2016
Loss on pre-termination of lease agreement (see Notes 1.2 and 25.20)	US\$–	US\$–	US\$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 22)	–	–	1,455,876
Pre-termination cost and other bank charges (see Notes 16.1, 16.2.2, 16.2.4 and 27.5)	3,677,007	2,700,106	2,257,130
Mark-to-market loss on derivatives - net	–	–	1,031,447
Wealth tax on equity of SPIA	–	1,126,785	929,543
Management fees (see Note 23.1)	214,199	651,386	637,836
Loss on sale of property and equipment (see Note 7)	20,951	717,485	178,543
Loss on settlement of insurance claim (see Note 13)	864,809	–	–
Others	866,145	1,413,439	3,303,453
	US\$5,643,111	US\$7,747,908	US\$36,351,260

22. **Income Tax**

The components of recognized deferred tax assets and liabilities are as follows:

	2014	2015	2016
Deferred tax assets on:			
Unrealized foreign exchange losses	US\$20,281,411	US\$33,347,387	US\$57,424,745
Intangible assets and concession rights payable under IFRIC 12	11,588,311	13,651,856	14,173,405
NOLCO	14,363,418	20,641,974	12,353,824
Accrued retirement cost and other expenses	1,488,685	935,782	1,435,954
Allowance for doubtful accounts and other provisions	3,251,201	3,154,213	1,076,888
Allowance for obsolescence	119,476	104,548	139,508
Share-based payments	9,593	12,156	59,274
Others	6,780,455	4,524,529	3,908,216
	US\$57,882,550	US\$76,372,445	US\$90,571,814
Deferred tax liabilities on:			
Excess of fair value over book value of net assets of BCT, MTS, YRDICTL/YICT, DIPSSCOR, SPIA, SCIPSI, Tecplata and AGCT	US\$28,060,329	US\$24,759,382	US\$21,486,453
Capitalized borrowing costs	16,246,367	15,857,615	18,373,108
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	10,119,728	11,332,408	12,745,917
Accelerated depreciation and translation difference between functional and local currency	11,970,379	11,730,982	6,394,075
Nonmonetary assets	–	2,347,545	4,152,228
Unrealized mark-to-market gain on derivatives	–	–	2,266,574
Unrealized foreign exchange gain	–	68,620	74,405
Others	1,668,887	763,701	5,884,045
	US\$68,065,690	US\$66,860,253	US\$71,376,805

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\$20.2 million, US\$33.3 million and US\$56.4 million as at December 31, 2014, 2015 and 2016, respectively, mainly pertains to Parent Company.

Deferred tax assets on NOLCO of certain subsidiaries amounting to US\$5.2 million, US\$11.0 million and US\$15.0 million as at December 31, 2014, 2015 and 2016, 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, 2014, 2015 and 2016, deferred tax liability has not been recognized on undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$562.5 million, US\$650.6 million and US\$840.7 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 15.5).

ICTSI recognized deferred tax asset amounting to US\$9.6 thousand in 2014, US\$12.2 thousand in 2015 and US\$59.3 thousand in 2016, on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Notes 15.2 and 20). The Group recognized deferred tax asset on actuarial loss amounting to US\$0.7 million in 2014, and US\$0.2 million in 2016 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:

	2014	2015	2016
Income tax expense computed at statutory tax rates	US\$65,578,674	US\$63,699,946	US\$74,047,123
Add (deduct):			
Income tax incentive	(12,322,197)	(11,890,970)	(10,326,374)
Nondeductible tax losses of subsidiaries - net	478,201	407,890	207,875
Interest income already subjected to final tax	(346,730)	(927,960)	(588,979)
Unallowable interest expense	174,078	189,773	90,339
Others - net	319,788	(841,054)	141,116
Provision for income tax	US\$53,881,814	US\$50,637,625	US\$63,571,100

The statutory income tax rates applicable to each subsidiary are as follows:

Name of Company	Tax Rate	Tax Rules
NICTI	42.0%	Combined tax rate of 42 percent is composed of 28 percent imposed by Japan Government and the other 14 percent imposed by the City and Prefecture.
Tecplata and IDRC	35.0%	Tecplata's nominal tax rate is 35 percent. In addition, Tecplata is subject to minimum presumed income tax by applying the effective 1% rate on computable assets as at each year-end (see Note 10). This tax is supplementary to income tax. Tecplata's obligation for each fiscal year shall be the higher of these two taxes. However, should the minimum presumed income tax exceed income tax in a given fiscal year, such excess may be computed as payment on account of any income tax excess over minimum presumed income tax that may occur in any of the ten subsequent fiscal years. Tax losses can be carried forward for five years.



Name of Company	Tax Rate	Tax Rules
ICTSI Oregon	34.0%	<p>The regular corporate income tax rate in Democratic Republic of 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 2017.</p> <p>ICTSI Oregon is subject to federal tax rate of about 34 percent to 35 percent. ICTSI Oregon is also subject to state tax of 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. Net operating losses can be carried forward for 20 years and carried back for two years.</p>
PICT	33.0%	<p>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.</p> <p>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 and US\$1.3 million (PKR123.4 million) in 2016.</p> <p>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.</p>
ICTSI India	30.9%	<p>The corporate tax rate is 30.9 percent for companies with income less than INR10 million, 33.063 percent with income more than INR10 million and less than INR100 Million and 33.99 percent for companies with income more than INR100 million. A Minimum Alternate Tax (MAT) is imposed at 18.5 percent (plus any applicable surcharge and cess) on the adjusted book profits of corporations whose tax liability is less than 18.5 percent of their book profits. A credit is available for MAT paid against tax payable on normal income; the credit may be carried forward for offset against income tax payable in the following 10 years.</p>
ICTSI and other Philippine subsidiaries, excluding SBITC, ICTSI Subic, APBS, VICT, AICTL, CMSA and TMT	30.0%	<p>The corporate income tax rate of Philippine entities is 30 percent.</p> <p>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 (see Note 25.1). In 2014, 2015 and 2016, Berth 6 recognized gross revenues from port operations amounting to US\$85.8 million, US\$81.2 million and US\$70.0 million and availed of tax incentive arising from the income tax holiday of US\$12.3 million, US\$11.9 million and US\$10.5 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 Container Yard" on a Non-Pioneer status under the Omnibus</p>



Name of Company	Tax Rate	Tax Rules
		<p>Investment Code of 1987. Berth 7 is entitled to an income tax holiday of three years starting from July 2017 or actual date of commercial operations, whichever is earlier.</p> <p>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, 2014, 2015 and 2016, BIPI, MICTSI and SCIPSI have elected to use OSD in computing for their taxable income. DIPSSCOR opted to use OSD for the years ended December 31, 2014 and 2015 and itemized deductions method for the year ended December 31, 2016 in computing for its taxable income.</p> <p>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.</p> <p>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 or start of commercial operations, whichever is earlier.</p> <p>VICT and AICTL are subject to corporate income tax rate of 30 percent. Tax losses can be carried forward indefinitely.</p> <p>CMSA's corporate income tax rate is 30 percent applicable until 2012 and 29 percent in 2013. Effective January 1, 2014, the tax rate is 30 percent.</p>
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 solidarity 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 Alternate Minimum Tax (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% 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% 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.
MTS, JASA, OJA, PT CTSSI and YICT	25.0%	<p>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.</p> <p>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.</p>



Name of Company	Tax Rate	Tax Rules
		MTS, JASA 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 21.3).
MICTSL	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.
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. The balance of chargeable income is taxed at the full rate. Income tax rate in 2014 and 2015 was 20% and was reduced to 18.5% in 2016.
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, SPIA, AGCT and ICTSI Iraq	15.0%	BICTL is subject to statutory corporate income tax rate of 15 percent. 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. The statutory corporate income tax rate in Croatia for entities which operate in the free-trade zone is 10 percent until 2013, 15 percent from 2014 up to 2016 and 18 percent from 2017 onwards. 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.
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 (PEZA)-registered activities, in lieu of all national and local taxes. APBS is also entitled to an income tax holiday of four years from start date of commercial operations.
LICTSLE	0.0%	LICTSLE is located in a free trade zone governed by the Nigeria Export Processing Zones Authority. LICTSLE is exempt from all taxes, including corporate income tax.



23. Related Party Transactions

23.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2014		2015		2016	
			Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
<i>(In Millions)</i>								
ICBV								
SPIA	Joint venture	Interest-bearing loans and interests	US\$64.73	US\$115.12	US\$94.77	US\$209.90	US\$66.58	US\$276.48
Parent Company								
YRDICTL/YICT								
YPH	Non-controlling shareholder	Port fees ⁽ⁱ⁾	1.46	–	1.10	–	1.77	–
		Trade transactions ⁽ⁱⁱ⁾	0.37	(0.01)	0.09	(0.01)	–	–
		Management fees ⁽ⁱⁱⁱ⁾	–	–	0.23	–	0.22	–
		Interest-bearing loans ^(iv)	–	–	–	–	21.60	(21.60)
		Interests on loans ^(iv)	–	–	–	–	0.07	(0.03)
YPG	Common shareholder	Port fees ⁽ⁱ⁾	3.02	(0.77)	3.72	(0.29)	2.36	(0.14)
		Trade transactions ⁽ⁱⁱ⁾	1.80	(0.13)	2.09	(0.32)	1.87	(0.02)
		Purchase of equipment	–	–	2.58	–	–	–
DP World	Non-controlling shareholder	Management fees ⁽ⁱⁱⁱ⁾	–	–	0.19	–	0.17	–
Tecplata								
NPSA		Purchase of additional shares	6.00	–	–	–	–	–
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.17	(0.01)	0.16	(0.02)	0.20	(0.03)
AGCT								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.27	–	0.29	(0.03)	0.37	(0.02)
PICT								
Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	3.62	(0.68)	4.47	(0.52)	5.17	(0.03)
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	0.01	–	0.01	–	0.01	–
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vii)	0.81	0.08	0.57	0.04	0.52	0.03
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	–	–	0.16	(0.16)	0.41	(0.04)
		Maintenance and repairs	–	–	0.04	(0.04)	0.09	(0.02)
BIPI								
Atlantic Gulf and Pacific Co. of Manila, Inc. (AG&P)	Common shareholder	Rent expense	0.06	–	0.07	(0.01)	0.05	(0.02)
		Revenues	2.09	0.03	0.42	0.25	–	–
		Utilities	–	–	–	–	0.03	–

(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 and RMB5.7 million in 2015 and 2016, 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 (see Notes 16.2.4 and 18).

(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, 2014, 2015 and 2016, 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.

23.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2014	2015	2016
Short-term employee benefits	US\$1,308,292	US\$1,247,348	US\$1,193,221
Post-employment pension	36,657	207,407	29,659
Share-based payments	2,210,114	2,866,424	1,052,078
Total compensation to key management personnel	US\$3,555,063	US\$4,321,179	US\$2,274,958

24. Pension Plans

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, ROHQ, MTS, JASA, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA 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\$1.8 million in 2014, US\$2.4 million in 2015 and US\$1.9 million in 2016.

Pension plans consist of:

	2014	2015	2016
Pension Assets (presented as "Other noncurrent assets")			
Asia	US\$4,980	US\$125,948	US\$981
Pension liabilities (presented as "Other noncurrent liabilities")			
Asia	US\$2,779,733	US\$2,328,102	US\$3,407,307
EMEA	1,458,896	1,481,287	1,284,721
Americas	2,149,384	2,700,070	2,795,579
	US\$6,388,013	US\$6,509,459	US\$7,487,607

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.

	2014	2015	2016
Net pension expense:			
Current service cost	US\$1,841,442	US\$1,091,454	US\$1,546,120
Net interest cost	79,092	299,036	274,747
Effect of curtailment	(163,571)	(72,941)	-
	US\$1,756,963	US\$1,317,549	US\$1,820,867



	2014	2015	2016
Pension liabilities:			
Present value of defined benefit obligation	US\$18,225,723	US\$6,780,186	US\$16,197,260
Fair value of plan assets	(11,837,710)	(270,727)	(8,709,653)
	US\$6,388,013	US\$6,509,459	US\$7,487,607
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$3,869,264	US\$18,225,723	US\$6,780,186
Current service cost	1,841,442	1,091,454	1,546,120
Interest cost	665,491	308,967	763,864
Actuarial loss (gain) on obligations - net	2,116,986	(549,299)	350,441
Past service cost	—	—	2,201
Effect of curtailments	(163,571)	(72,941)	—
Benefits paid	(1,551,089)	(277,143)	(2,662,704)
Translation adjustment	118,029	(201,495)	(672,113)
Change in plan position	11,329,171	(11,745,080)	10,089,265
Balance at end of year	US\$18,225,723	US\$6,780,186	US\$16,197,260
Changes in fair value of plan assets:			
Balance at beginning of year	US\$145,601	US\$11,837,710	US\$270,727
Interest income	586,399	9,931	489,117
Actuarial loss on plan assets	(246,703)	(5,761)	(190,175)
Benefits paid	(882,159)	(4,177)	(2,312,809)
Actual contributions	135,873	—	657,527
Translation adjustment	(86,660)	(14,166)	(508,326)
Change in plan position	12,185,359	(11,552,810)	10,303,592
Balance at end of year	US\$11,837,710	US\$270,727	US\$8,709,653
Actual return on plan assets	US\$339,696	US\$4,170	US\$298,942

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.

	2014	2015	2016
Net pension expense:			
Current service cost	US\$51,559	US\$1,055,196	US\$45,172
Net interest cost (income)	(6,237)	41,231	(2,034)
	US\$45,322	US\$1,096,427	US\$43,138
Pension assets:			
Fair value of plan assets	US\$699,013	US\$10,946,740	US\$576,359
Present value of defined benefit obligation	(694,033)	(10,820,792)	(575,378)
	US\$4,980	US\$125,948	US\$981
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$11,918,500	US\$694,033	US\$10,820,792
Current service cost	51,559	1,055,196	45,172
Interest cost	28,527	592,983	28,795
Actuarial loss (gain) on obligations - net	58,300	(2,230,239)	(44,295)
Benefits paid	(28,601)	(451,434)	(23,348)
Translation adjustment	(5,081)	(584,827)	(162,473)
Change in plan position	(11,329,171)	11,745,080	(10,089,265)
Balance at end of year	US\$694,033	US\$10,820,792	US\$575,378



	2014	2015	2016
Changes in fair value of plan assets:			
Balance at beginning of year	US\$12,902,148	US\$699,013	US\$10,946,740
Interest income	34,764	551,752	30,829
Actuarial loss on plan assets	(18,822)	(819,692)	(41,391)
Benefits paid	(28,601)	(451,434)	(23,348)
Translation adjustment	(5,117)	(585,709)	(32,879)
Change in plan position	(12,185,359)	11,552,810	(10,303,592)
Balance at end of year	US\$699,013	US\$10,946,740	US\$576,359
Actual return (loss) on plan assets	US\$15,942	(US\$267,940)	(US\$10,562)

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2017.

The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, ROHQ, DIPSSCOR, MTS, OJA, JASA, SCIPSI, MICTSI, AGCT, BCT, MICTSL, CMSA and CGSA are shown below (in percentage):

	2014	2015	2016
Discount rate			
Asia	4.20% - 8.50%	4.54% - 8.50%	4.54% - 8.65%
EMEA	2.75% - 8.98%	2.50% - 10.42%	3.50% - 10.46%
Americas	6.54% - 7.30%	6.31% - 7.26%	7.46% - 8.13%
Future salary increases			
Asia	3.00% - 10.00%	4.00% - 10.00%	4.00% - 10.00%
EMEA	2.50% - 5.00%	3.00% - 5.00%	2.50% - 5.00%
Americas	2.37% - 3.00%	3.00% - 6.00%	3.00% - 6.00%

A quantitative sensitivity analysis for significant assumption as at December 31, 2016 is shown below (amounts in millions):

Sensitivity level	Discount rate		Future salary increases	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	(US\$0.9)	US\$1.0	US\$1.3	(US\$0.9)

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:

	2014	2015	2016
Within the next 12 months	US\$1,796,785	US\$1,790,512	US\$1,393,826
Between 2 and 5 years	5,703,310	4,041,206	4,689,252
Between 5 and 10 years	7,478,648	6,569,806	7,306,481
Beyond 10 years	47,715,985	38,405,548	26,792,519
Total expected payments	US\$62,694,728	US\$50,807,072	US\$40,182,078

The average duration of the defined benefit plan obligation as at December 31, 2016 is 16 years.



The amount of experience adjustments on pension obligations amounted to US\$0.9 million in 2014, US\$0.5 million in 2015 and US\$0.7 million in 2016. The amount of experience adjustments on plan assets amounted to nil in 2014, US\$0.1 thousand in 2015 and nil in 2016.

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:

	2014	2015	2016
Cash and cash equivalents	US\$3,880,455	US\$3,752,941	US\$3,794,515
Investments in debt securities	2,026,955	969,928	1,074,112
Investments in government securities	5,441,558	4,843,259	3,665,428
Investments in equity securities	1,456,117	1,584,013	688,606
Others	115,568	280,473	86,445
	12,920,653	11,430,614	9,309,106
Liabilities	(383,930)	(213,147)	(23,094)
	US\$12,536,723	US\$11,217,467	US\$9,286,012

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 7.20 percent and have maturities from 2017 to 2027;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.125 percent to 11.375 percent and have maturities from 2017 to 2035; and
- Investments in equity securities include investment in shares of stock of ICTSI amounting to US\$1.1 million, US\$0.6 million and US\$0.6 million as at December 31, 2014, 2015 and 2016, respectively. For each of the years ended December 31, 2014, 2015 and 2016, gain arising from investment in ICTSI shares amounted to US\$0.1 million.

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 YRDICTL/YICT are members of a state-managed retirement benefit scheme operated by the local government. YRDICTL/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 YRDICTL/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 84 percent of their eligible compensation and those who have reached the age of 21 years old are eligible to make contributions on their first day of 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 YRDICTL/YICT, ICTSI Oregon and PICT to the plans and recognized as expense under manpower costs totaled US\$0.7 million in 2014, US\$0.8 million in 2015 and US\$0.9 million in 2016.

25. 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, 2016, 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.

25.1 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\$14.9 million in 2014, US\$15.6 million in 2015 and US\$17.1 million in 2016.

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\$81.5 million in 2014, US\$84.4 million in 2015 and US\$82.5 million in 2016. 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\$332.2 million, US\$323.8 million and US\$314.4 million, as at December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$3.3 million, US\$3.4 million and US\$2.9 million is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$329.0 million, US\$320.4 million and US\$311.5 million is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, 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, 2016) 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, 2016) 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.



25.2 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\$0.8 million in 2014 and US\$1.4 million both in 2015 and 2016. 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\$19.4 million, US\$19.1 million and US\$18.7 million as at December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$382.8 thousand, US\$653.0 thousand and US\$459.5 thousand is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US\$19.4 million, US\$19.0 million and US\$18.2 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively.

25.3 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\$8.1 million (€6.1 million) in 2014, US\$6.4 million (€5.8 million) in 2015 and US\$7.4 million (€6.7 million) in 2016. 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\$18.6 million (€15.4 million),



US\$16.3 million (€15.0 million) and US\$14.8 million (€14.1 million) as at December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$0.5 million (€0.4 million), US\$1.0 million (€0.9 million) and US\$1.1 million (€1.0 million) is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$18.2 million (€15.0 million), US\$15.3 million (€14.1 million) and US\$13.7 million (€13.0 million) is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively.

25.4 Investment Agreement with Tartous Port General Co. (TPGC)

On March 24, 2007, ICTSI, through TICT entered into a ten-year Investment Agreement with the TPGC to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous container terminal in Syria with an option to extend it for five additional years. An entry fee of US\$5.0 million was made upon the approval of the Investment Agreement which was amortized over the period of the concession. Under the Investment Agreement, ICTSI is committed to make all necessary investment under a development plan to be approved by the port authority. Under the plan, ICTSI is expected to invest approximately US\$39.5 million for facilities improvement and equipment acquisition over the concession period, including the rehabilitation and development of existing facilities and the construction of an administration building, workshop, reefer racks and terminal gates.

Pursuant to the Investment Agreement, TICT was granted the right to operate Tartous container terminal. As a consideration for the right to operate Tartous container terminal, TICT should pay annual fees of US\$3,008,000 payable on a quarterly basis at the end of each quarter and variable fees of US\$11.48 per full TEU and US\$5.74 per empty TEU, which were re-evaluated each year on the basis of the official European Union inflation rate.

TICT filed a Notice of Termination of the above-mentioned Investment Agreement on December 28, 2012. As a result of the termination of the Investment Agreement, ICTSI wrote-off its investment in TICT equivalent to the net assets of TICT as at December 28, 2012, amounting to US\$0.8 million. Management believes that TICT has no obligation to settle the concession rights payable corresponding to the present value of fixed fees, which was recognized at inception of the Investment Agreement upon filing the Notice of Termination on the basis discussed in Note 26. TICT formally ceased operating the Tartous container terminal on January 27, 2013.

25.5 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. The upfront fee, recorded as concession rights and concession rights payable at inception, is subject to interest based on three-month LIBOR rate.



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\$16.3 million in 2014, US\$16.5 million in 2015 and US\$14.4 million in 2016. 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\$59.8 million, US\$57.2 million and US\$54.5 million as at December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$2.5 million, US\$2.8 million and US\$3.1 million is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$57.2 million, US\$54.5 million and US\$51.4 million is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively.

25.6 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\$4.77 (equivalent to US\$0.30) 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. 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. As at March 9, 2017, the construction of the terminal is 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, 2014, 2015 and 2016, Tecplata has paid La Plata fixed rent fee amounting to US\$1.7 million, US\$1.6 million and US\$1.0 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 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.

25.7 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 the 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 (HRK7.2 million) in 2014, US\$1.2 million (HRK8.0 million) in 2015 and US\$1.2 million (HRK8.4 million) in 2016. 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\$14.3 million (HRK90.7 million), US\$12.7 million (HRK89.2 million) and US\$12.1 million (HRK86.9 million) as at December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$0.2 million (HRK1.2 million), US\$0.2 million (HRK1.3 million) and US\$0.2 million (HRK1.3 million) is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$14.1 million (HRK89.5 million), US\$12.5 million (HRK88.0 million) and US\$11.9 million (HRK85.6 million) is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively.

25.8 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 6).

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 both in 2014 and 2015 and US\$0.2 million in 2016. 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\$28.6 million, US\$28.4 million and US\$28.1 million as at December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$0.2 million, US\$0.3 million and US\$0.3 million is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$28.0 million,



US\$27.5 million and US\$27.8 million is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively.

25.9 Sub-Concession Agreement (SCA) between ICTSI and Lekki Port LFTZ Enterprise (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 Lekki International Container Terminal Services LFTZ Enterprise (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 6). 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. As at March 9, 2017, the conditions precedent have not been satisfied.

Construction of the terminal in accordance with the SCA is currently in the planning stage.

25.10 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\$6.9 million (Rs.700.5 million) in 2014, US\$8.5 million (Rs.873.7 million) in 2015 and US\$8.3 million (Rs.866.4 million) in 2016. 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\$9.1 million (Rs.917.9 million), US\$8.3 million (Rs.874.3 million) and US\$7.8 million (Rs.816.9 million) as at



December 31, 2014, 2015 and 2016, respectively. The current portion amounting to US\$0.4 million (Rs.43.6 million), US\$0.5 million (Rs.57.4 million) and US\$0.7 million (Rs.73.4 million) is presented as “Current portion of concession rights payable” and the noncurrent portion amounting to US\$8.7 million (Rs.874.3 million), US\$7.8 million (Rs.816.9 million) and US\$7.1 million (Rs.743.5 million) is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively.

25.11 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 6).

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 second 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\$9.4 million in 2014, US\$10.7 million in 2015 and US\$10.9 million in 2016. 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\$44.2 million, US\$46.2 million and US\$40.2 million as at December 31, 2014, 2015 and 2016, respectively, and is presented as “Concession rights payable - net of current portion” in the consolidated balance sheets.

25.12 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

On April 8, 2014, ICTSI Dubai and GCPI signed a contract for the management and operation of Quay No. 20 in the Port of Umm Qasr North and the construction and operation of three new quays. 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. The parties will share a fixed percentage of revenues.

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.

Phase 1 of the expansion project under the BOT scheme will have 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. Phase 1 is expected to be completed and fully operational by 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\$1.7 million in 2014, US\$7.7 million in 2015 and US\$18.1 million in 2016.

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.

25.13 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\$18.6 million (R\$43.8 million) in 2014, US\$14.8 million (R\$49.5 million) in 2015 and US\$16.3 million (R\$56.9 million) in 2016. 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\$4.7 million (R\$11.1 million) in 2014, US\$3.5 million (R\$11.8 million) in 2015 and US\$3.7 million (R\$12.9 million) in 2016.

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 2017 amounted to US\$6.9 million (R\$22.6 million); due starting 2018 up to 2021 totaled US\$46.5 million (R\$151.3 million); and due starting 2022 onwards totaled US\$189.1 million (R\$615.5 million).

25.14 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, 2016, 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\$6.5 million in 2014, US\$6.1 million in 2015 and US\$6.6 million in 2016.



Minimum lease payments relating to this agreement are as follows: due in 2017 amounted to US\$6.6 million; due starting 2018 up to 2021 totaled US\$26.5 million; and due starting 2022 onwards totaled US\$9.4 million.

25.15 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. Such performance bond is classified as restricted cash and is presented under "Other noncurrent assets" account in the consolidated balance sheet as of December 31, 2014. 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\$0.5 million (¥50.6 million) in 2014 and 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\$0.3 million (¥33.4 million) in 2014 and US\$0.1 million (¥11.6 million) for the period ended April 27, 2015.

25.16 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 2017 amounted to US\$0.6 million; due starting 2018 up to 2021 totaled US\$2.5 million; and due starting 2022 onwards totaled US\$26.5 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 both in 2014 and 2015 and US\$0.6 million in 2016.

25.17 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 percent 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\$1.9 million (₱85.8 million) in 2014, US\$1.7 million (₱78.9 million) in 2015 and US\$2.0 million (₱96.4 million) in 2016. 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\$1.4 million (₱60.0 million) in 2014, US\$1.3 million (₱60.0 million) in 2015 and US\$1.3 million (₱60.0million) in 2016.

Minimum lease payments relating to this agreement are as follows: due in 2017 amounted to US\$1.6 million (₱80.0 million); due starting 2018 up to 2021 totaled US\$8.6 million (₱430.0 million); and due starting 2022 onwards totaled US\$26.5 million (₱1.3 billion).

25.18 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 to be 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\$0.9 million in 2014 and US\$0.4 million both in 2015 and 2016 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 2017 amounted to US\$0.4 million; due starting 2018 up to 2021 totaled US\$1.7 million; and due starting 2022 onwards totaled US\$2.9 million.

25.19 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\$4.1 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 will be 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.

For the first part of the ceded area, CMSA will pay fixed fees of MXN163.0 million (US\$13.2 million) divided into 12 monthly payments, payable in advance. When CMSA receives the second and third phases of the ceded area, CMSA will pay additional annual fixed fees of US\$5.9 million (MXN72.3 million) and US\$6.8 million (MXN83.8 million), respectively. Further, CMSA shall pay monthly variable fees of US\$16.2 (MXN200) 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\$10.2 million (MXN135.5 million) in 2014, US\$11.3 million (MXN179.2 million) in 2015 and US\$12.0 million in 2016. 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\$13.2 million (MXN176.0 million) in 2014, US\$11.6 million (MXN184.3 million) in 2015 and US\$10.6 million in 2016.



Minimum lease payments relating to this agreement are as follows: due in 2017 amounted to US\$13.8 million, due starting 2018 up to 2021 totaled US\$69.5 million; and due starting 2022 onwards totaled US\$1.1 billion.

25.20 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 in 2014, 2015 and 2016.

Minimum lease payments relating to this agreement are as follows: due in 2017 amounted to US\$5.0 million; due starting 2018 up to 2021 totaled US\$20.9 million; and due starting 2022 onwards totaled US\$95.0 million.

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 of December 31, 2016, the Group has 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 (see Notes 1.2, 19 and 21).

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.



25.21 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 construction of the Terminal with a capacity of 1,000,000 TEUs is expected to be completed in the last quarter of 2017.

Minimum lease payments relating to this agreement are as follows: due in 2017 amounted to US\$85.0 million (AUD117.9 million); due starting 2018 up to 2021 totaled US\$111.1 million (AUD154.1 million); and due starting 2022 onwards totaled US\$1.3 billion (AUD1.8 billion). Accrued rent amounted to US\$38.7 million (AUD47.3 million), US\$92.9 million (AUD127.4 million) and US\$149.6 million (AUD207.5 million) as at December 31, 2014, 2015 and 2016, respectively, calculated using the straight-line method from the inception of the contact 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 2014, 2015 and 2016 consolidated balance sheets. The current portion of accrued rent amounting to US\$85.0 million (AUD117.9 million) as at December 31, 2016 was paid on January 3, 2017. The current portion of the accrued rent as of December 31, 2015 and 2014 was nil.

25.22 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 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 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 9, 2017, 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 and US\$0.4 million (MXN8.3 million) in 2016.

Minimum lease payments relating to this agreement are as follows: due in 2017 amounted to US\$0.4 million (MXN8.1 million) and due starting 2018 up to 2021 totaled US\$1.3 million (MXN27.7 million).



Agreements outside the Scope of IFRIC 12 and IFRIC 4

25.23 Shareholders' Agreement (Agreement) with Atlantic Gulf & Pacific Company of Manila, Inc. (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\$14.2 million as at December 31, 2013). The said land was transferred by IWI to BIPI under a tax-free exchange of asset for shares.

25.24 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, with a minimum guaranteed revenue equivalent to 50,000 TEUs production annually. MTS' share in gross revenues included under "Gross revenues from port operations" account in the consolidated statements of income amounted to US\$3.0 million (IDR35.1 billion) in 2014, US\$2.3 million (IDR30.4 billion) in 2015 and US\$2.7 million (IDR35.7 billion) in 2016.

25.25 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, bagging and crated cargo handling services 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. On February 19, 2016, the local office of the PPA in General Santos City granted SCIPSI a hold-over authority for a period of one year until February 19, 2017 over the cargo handling services at Makar Wharf, Port of General Santos. On February 25, 2017, another hold-over authority for a period of one year until February 24, 2018 was granted by the PPA office in General Santos City. 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\$1.0 million (₱46.5 million) in 2014, US\$1.1 million (₱50.0 million) in 2015 and US\$1.3 million (₱61.5 million) in 2016.



25.26 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 concession contract expired on April 20, 2016, however, on April 15, 2016, the local office of the PPA in Davao City granted DIPSSCOR a hold-over authority for a period of six months until October 20, 2016 over the cargo handling services at Sasa Wharf, Port of Davao. On September 8, 2016, another hold-over authority for a period of six months until April 20, 2017 was granted by the PPA office in Davao City. 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 (₱64.1 million) in 2014, US\$1.4 million (₱65.4 million) in 2015 and US\$1.4 million (₱66.3 million) in 2016.

25.27 Joint Venture Contract on YRDICTL and YICT

In January 2007, the Group (through ICTSI (Hong Kong) Limited) 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 Yantai Port Holdings (YPH). As such, the non-controlling shareholder of the Company was changed from YPG and SDIC to YPH (see Note 23.1).

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.

As discussed in Note 4.1, 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\$0.9 million (RMB5.8 million) in 2014, US\$1.9 million (RMB12.1 million) in 2015 and US\$2.1 million (RMB13.7 million) in 2016.

25.28 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.

OJA’s share in gross revenues included under “Gross revenues from port operations” account in the consolidated statements of income amounted to US\$2.6 million (IDR30.8 billion) in 2014, US\$3.1 million (IDR41.7 billion) in 2015 and US\$8.4 million (IDR112.4 billion) in 2016.

25.29 Shareholders’ Agreement on IDRC

On January 23, 2014, the Group, through its subsidiary, 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 (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 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. 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. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal started in January 2015 and initial operations started in the third quarter of 2016.

Other Contracts and Agreements

25.30 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.

25.31 Operation of Container Port Agreement in L&T Shipbuilding Limited (LTSB) and ICTSI India and ICTSI Ltd.

On April 6, 2011, L&T Shipbuilding Limited (LTSB) and the subsidiaries of ICTSI namely, ICTSI Ltd. and ICTSI India, signed the Container Port Agreement for the Management and Operations of the Kattupalli Container Terminal in Tamil Nadu, India, which was originally scheduled to commence operations in March 2012 (see Note 1.2). The contract is effective until November 30, 2038.

Under the contract, ICTSI India has agreed to supervise, direct and manage the operations and maintenance of the Kattupalli Container Terminal and all activities incidental thereto, including undertaking recruitment and training of personnel of LTSB, developing operations and maintenance plans, procedures and manuals and achieve the Operations, Maintenance, Safety and Performance Standards in accordance with Good Industry Practices. ICTSI India agreed to pay



LTSB the Contractor License Fee of US\$18.0 million in installments as follows: Indian Rupees (INR) equivalent to US\$12.0 million within 90 days from effective date of the agreement; and INR equivalent to US\$6.0 million on or prior to 90 days prior to the scheduled date of commencement. ICTSI India has made an aggregate payment to LTSB amounting to US\$16.2 million in 2011 and the remaining US\$1.8 million was paid in January and February 2013 for US\$1.0 million and US\$0.8 million, respectively. The terminal has started commercial operations in January 2013.

In exchange for the Contract License Fee, ICTSI India shall receive the following fee: years one to two, US\$1.15 million per year; years three to five, 3.3 percent of gross revenue; years six to 15, 8.25 percent of gross revenues; and years 16 to 27, 9.9 percent of gross revenues. ICTSI India has started earning this fee in April 2012.

As discussed in Note 1.2, ICTSI, through its subsidiaries ICTSI Ltd. and ICTSI India, and LTSB signed a termination agreement cancelling ICTSI's container port agreement for the management and operation of the Kattupalli Container Terminal in Tamil, Nadu, India on June 30, 2014.

The existing contracts and agreements entered into by certain subsidiaries contain certain 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.

26. 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 cases involve 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 Parent 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 Parent 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 9, 2017, 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 Notes 22 and 25.32).

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. 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 claiming a sum of approximately US\$2.9 million with interest, as default payment and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyred Gantry Cranes in 2004. Upon advice of PICT’s legal advisor, management is confident that there is no merit in this claim and hence there is a remote possibility that the case would be decided against PICT.

Also in 2007, PICT has filed an interpleader civil suit before the High Court of Sindh (HCS) against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of the demand 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 2003 to 2007. In 2014, another demand was made by the DDO amounting to approximately US\$0.9 million for the period 2008 to 2014. In compliance with the Order of HCS, PICT deposited the amounts with Nazir HCS. In 2015, HCS issued further orders directing PICT to deposit the remaining HMS charges due and Payable with Nazir HCS in quarterly instalment until the disposal of the suit. Accordingly PICT complied with the orders of HCS. Upon 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.

Further, while completing the tax audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (CIR) modified the deemed assessment of PICT and made certain disallowances/additions on the taxable income and raised an income tax demand of



US\$1.25 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who partly decided the appeal in favour of PICT. Consequently, PICT made the payment of 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 legal counsel, management is of the view that there is full merit in PICT's arguments and the appeal case will be decided in its favour.

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 BRL6.9 million (approximately US\$2.1 million) in TSSA's bank account is now garnished by the lower court. TSSA made an accrual for this contingency in the amount of BRL1.9 million (US\$0.8 million) in 2014 and nil in 2015 and 2016, presented as part of "Other expenses" account in the consolidated statements of income. The provision aggregating BRL13.8 million (US\$5.2 million), BRL13.8 million (US\$3.5 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, 2014, 2015, and 2016, respectively (see Note 19). In July 2016, the State Court has decided the case against TSSA, however, the said judgment is still subject to a last appeal with the Supreme Court in Brasilia.

Tecplata

Ganmar S.A. (Ganmar) challenged, in summary proceedings, the legality of the Concession Agreement for the construction and operation of the Port of La Plata by Tecplata requesting also via three preliminary injunctions the suspension of the works at the terminal. Ganmar alleges that Tecplata's concession should have been awarded through a bidding process. The preliminary injunctions requested by Ganmar were rejected both by the Civil and Commercial Court and the Court of Appeals due to lack of evidence on the illegality of the Concession Agreement and/or the lack of urgent reasons to suspend the contract. Management of Tecplata believes that there is no merit in the action filed by Ganmar and has not provided for possible obligations arising from the aforementioned legal proceedings.

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. As of March 9, 2017, BICTL is awaiting the release of the written decision after which an appeal will be filed with the appellate court.



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.

ICTSI Oregon's damage claim for unlawful secondary activity has been stayed pending completion of administrative proceedings before the NLRB. This is a substantial claim, seeking a multi-million dollar judgment, and is unlikely to be tried in court for at least a couple of years.

ICTSI Oregon's antitrust claim was dismissed by the federal court. The judge granted ICTSI Oregon permission to appeal the dismissal to the Ninth Circuit Court of Appeals. The appeal is pending and oral argument was conducted before the Ninth Circuit Court of Appeals in Portland in October 2016. A decision is likely to be obtained in 2017. If ICTSI Oregon prevails, its antitrust claim will proceed before the trial court. Under federal law, successful antitrust plaintiffs may recover treble damages.

As to its claim against the ILWU for damages caused by illegal secondary activity, ICTSI Oregon's breach of fiduciary claim against PMA has been stayed by the federal court.

Management believes that the claims against and between ICTSI, ILWU and PMA will be favorably resolved.

27. Financial Instruments

27.1 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:

	2014		2015		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US\$1,045,967,471	US\$1,127,987,745	US\$1,081,043,350	US\$1,189,662,762	US\$1,344,765,928	US\$1,429,709,827
Concession rights payable	526,236,352	613,893,908	512,037,758	591,765,695	490,461,436	548,769,262
	US\$1,572,203,823	US\$1,741,881,653	US\$1,593,081,108	US\$1,781,428,457	US\$1,835,227,364	US\$1,978,479,089

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 0.04 percent to 15.95 percent in 2014, 1.73 percent to 15.85 percent in 2015 and 1.23 percent to 12.63 percent in 2016.

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.

27.2 Fair Value Hierarchy

The following tables below present the fair value hierarchy of the Group's financial instruments as of December 31:

2014				
	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\$1,574,744	US\$1,574,744	US\$-	US\$-
Derivative liabilities	751,428	-	751,428	-
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,127,987,745	990,846,666	-	137,141,079
Concession rights payable	613,893,908	-	-	613,893,908
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\$7,209,706	US\$–	US\$7,209,706	US\$–
Derivative liabilities	1,975,489	–	1,975,489	–
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

In 2014, 2015 and 2016, 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

27.3 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.

27.4 Derivative Instruments Accounted for as Cash Flow Hedges

Translation hedging. On May 20, 2013, ICTSI designated US\$39.4 million (₱1.75 billion) of its Philippine peso-denominated cash equivalents as cash flow hedges of the currency risk on Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees payments from January to October 2014.

Foreign currency translation gains or losses on the Philippine peso-denominated short-term investments that qualify as highly effective cash flow hedges are deferred in equity. Any ineffective portion is recognized directly in earnings. Foreign currency translation gains or losses deferred in equity would form part of variable fees, presented as “Port authorities’ share in gross revenues” in the consolidated statement of income, when the hedged variable PPA fee is recognized. As at December 31, 2013, US\$39.4 million (₱1.75 billion) of cash equivalents are hedged against the remaining forecasted Philippine peso-denominated variable port fees to the PPA (see Note 12). Foreign currency translation loss on Philippine peso-denominated cash equivalents designated as cash flow hedges aggregating to US\$3.1 million have been recognized under equity as of December 31, 2013. Foreign currency losses amounting to US\$3.1 million in 2014 was presented as part of “Port authorities’ share in gross revenues” in the 2014 consolidated statement of income (see Note 21.2).

As at December 31, 2014, 2015 and 2016, ICTSI does not have any outstanding Philippine peso designated as cash flow hedge.

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\$6.2 million have been recognized under equity in 2014, and US\$6.2 million, US\$1.9 million and nil have been transferred from equity to construction in-progress under “Intangible assets” account in the consolidated balance sheets as at December 31, 2014, 2015 and 2016, respectively. No ineffectiveness was recognized in the consolidated statements of income for the years ended December 31, 2014, 2015 and 2016, respectively.

As at December 31, 2016, 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 (see Note 15.7). 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. The market valuation loss on the outstanding interest rate swap amounted to EUR0.5 million (US\$0.6 million) as at December 31, 2014 and 2015, and EUR0.5 million (US\$0.5 million) as at December 31, 2016. 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\$0.5 million), net of EUR0.1 million (US\$0.1 million) deferred tax and, EUR0.4 million (US\$0.4 million), net of EUR0.1 million (US\$0.1 million) deferred tax for the year ended December 31, 2014, 2015 and 2016, respectively, was taken to equity under other comprehensive loss (see Note 15.7).

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, the market valuation gain on the outstanding interest rate swaps amounted to AUD9.8 million (US\$7.1 million). 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) deferred tax for the year ended December 31, 2016 was taken to equity under other comprehensive loss (see Note 15.7).



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, the market valuation loss on the outstanding interest rate swaps amounted to US\$1.5 million. 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 for the year ended December 31, 2016 was taken to equity under other comprehensive loss (see Note 15.7).

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, the market valuation loss on the outstanding interest rate swaps amounted to US\$0.1 million. 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 for the year ended December 31, 2016 was taken to equity under other comprehensive loss (see Note 15.7).

27.5 Other Derivative Instruments Not Designated as Hedges

Embedded Prepayment Options. In 2008, embedded prepayment options were identified in ICTSI's two loan contracts with HSBC or the FXCN Note with outstanding principal amounts of US\$15.0 million (₱715.0 million) (the 5.5-year loan) and US\$10.3 million (₱490.0 million) (the 7-year loan) as at December 31, 2008 (see Note 16.2.4). The prepayment options are exercisable on the third (for the 5.5-year loan) and fourth (for the seven-year loan) anniversary of issue or any interest payment date thereafter. The 5.5-year loan can be preterminated at 102 percent of the outstanding principal if the remaining term at the time of prepayment is at least 18 months; and at 101 percent if the remaining term is less than 18 months. The seven-year loan can be preterminated at 103 percent of the outstanding principal if the remaining term at the time of prepayment is at least 36 months; 102 percent if the remaining term is less than 36 but more than 12 months; or 101 percent if the remaining term is 12 months or less.

The fair value of the embedded derivatives at inception aggregating to US\$0.2 million was recorded as a derivative asset and a corresponding amount was recorded as a premium on the host loan contracts. The derivative asset is marked-to-market through profit or loss while the loan premium is amortized over the life of the respective loans.

In November 2014, ICTSI exercised the prepayment option on its 7-year FXCN Note with outstanding principal amount of US\$10.3 million (₱463.1 million). Fair value of the embedded derivative as of exercise date amounting to US\$0.7 million in 2014 was charged to "Other expense" account in the 2014 consolidated statement of income (see Note 21.3).

Currency Options and Forwards. In 2015, ICTSI entered into AUD put and US\$ call currency options with Australia and New Zealand Banking Group Limited and Deutsche Bank AG, London Branch. ICTSI also entered into sell US\$ and buy AUD forward contracts with HSBC. As of December 31, 2016, there were no outstanding forward contracts.



27.6 Fair Value Changes on Derivatives

The net movements in fair value changes of ICTSI's derivative instruments are as follows:

	2014	2015	2016
Balance at beginning of year	US\$737,581	(US\$751,428)	(US\$223,063)
Net changes in fair value of derivatives:			
Designated as accounting hedges	(751,428)	93,060	5,234,217
Not designated as accounting hedges	–	331,154	(331,154)
	(13,847)	(327,214)	4,680,000
Less fair value of settled instruments	737,581	(104,151)	(554,217)
Balance at end of year	(US\$751,428)	(US\$223,063)	US\$5,234,217

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:

	2014	2015	2016
Balance at beginning of year	(US\$4,744,190)	(US\$2,457,453)	(US\$494,308)
Changes in fair value of cash flow hedges:			
Designated derivatives	(751,428)	93,060	6,133,973
Designated cash equivalents	(6,182,364)	–	–
Transferred to construction in-progress	6,240,237	1,855,269	(345,539)
Transferred to consolidated statements of income	2,831,048	104,151	–
Tax effects	149,244	(89,335)	(1,611,411)
Balance at end of year	(US\$2,457,453)	(US\$494,308)	US\$3,682,715

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:

	2014	2015	2016
Foreign exchange gain	US\$241,297	US\$–	US\$–
Port authorities' share in gross revenues	(3,072,345)	–	–
Other income (expense)	–	227,003	(331,154)
	(US\$2,831,048)	US\$227,003	(US\$331,154)

Fair value changes on freestanding derivatives as at December 31 are presented as follows:

	2014	2015	2016
Derivative assets	US\$–	US\$331,154	US\$7,209,706
Derivative liabilities	(751,428)	(554,217)	(1,975,489)
Total	(US\$751,428)	(US\$223,063)	US\$5,234,217

28. 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 had port operations and development projects in 18 countries as at December 31, 2016. 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:

		2014						
		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*
		<i>(In Original Currency)</i>					<i>(In US Dollar)</i>	
Liabilities								
Long-term Debt								
Floating Rate:								
US\$ Loan	–	1,880,000	4,230,000	5,170,000	12,220,000	23,500,000	US\$23,500,000	US\$23,458,852
Interest rate	LIBOR+1.70% spread							
US\$ Loan	20,000,000	–	–	–	–	20,000,000	20,000,000	19,914,363
Interest rate	Prevailing market rates							
US\$ Securities	3,200,958	3,431,988	–	–	–	6,632,946	6,632,946	6,563,697
Interest rate	Passive Referential Rate from Ecuador Central Bank (PRECB)+2.5%							
PKR loan	597,510,934	597,510,934	298,755,468	–	–	1,493,777,336	14,860,130	14,860,130
Interest rate	KIBOR+0.75% spread							
Euro loan	1,104,286	1,012,262	1,104,286	1,196,310	5,078,571	9,495,715	11,487,915	11,487,915
Interest rate	EURIBOR+4.2% spread							
RMB loan	35,000,000	187,230,000	–	–	–	222,230,000	35,811,780	35,811,780
Interest rate	Prevailing market rates							

*Net of Debt Issuance Costs

		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*
		<i>(In Original Currency)</i>					<i>(In US Dollar)</i>	
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 (PRECB)+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					Total	Net Debt*
	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		
						(In Original Currency)	(In US Dollar)
Liabilities							
Long-term Debt							
Floating Rate:							
US\$ Loan	–	–	15,000,000	–	–	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
Interest rate	LIBOR + 1.60% spread						
PKR loan	298,755,468	–	–	–	–	298,755,468	2,862,465
Interest rate	KIBOR+0.75% spread						

*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		
		2014	2015	2016
Loans	+1.0	(US\$0.9)	(US\$0.5)	(US\$0.2)
	-1.0	0.9	0.5	0.2

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, seven percent and five percent of the Group's total borrowings, gross of debt issuance costs as at December 31, 2014, 2015 and 2016, respectively, will mature in the ensuing 12 months. The Group is reassessing 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).

	2014					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\$34.2	US\$8.2	US\$62.3	US\$613.7	US\$815.3	US\$1,533.7
Accounts payable and other current liabilities*	134.8	0.1	13.4	–	–	148.3
Other noncurrent liabilities*	–	–	–	47.1	5.3	52.4
Loans payable	–	4.6	19.9	–	–	24.5
Derivative liabilities	–	–	0.7	0.1	–	0.8
Concession rights payable	11.8	12.3	22.9	249.9	766.8	1,063.7
Total	US\$180.8	US\$25.2	US\$119.2	US\$910.8	US\$1,587.4	US\$2,823.4

*Excludes statutory liabilities and provisions for claims and losses

	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	6.7	83.4
Loans payable	21.6	—	15.0	—	—	36.6
Derivative liabilities	0.3	—	—	0.2	1.5	2.0
Concession rights payable	11.4	12.2	22.7	235.0	627.2	908.5
Total	US\$312.7	US\$31.1	US\$93.8	US\$978.4	US\$1,814.2	US\$3,230.2

* Excludes statutory 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\$113.1 million, US\$222.1 million and US\$248.6 million as at December 31, 2014, 2015 and 2016, respectively. Furthermore, cash equivalents, amounting to US\$81.2 million, US\$132.4 million and US\$76.5 million as at December 31, 2014, 2015 and 2016, respectively, may also be used to manage liquidity.

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\$3.1 million in 2014, US\$70.0 thousand in 2015 and US\$228.0 thousand in 2016 arising from net foreign-currency denominated financial assets and liabilities as at December 31, 2014, 2015 and 2016, 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:

	2014		2015		2016	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
Current Financial Assets						
Cash and cash equivalents:						
AUD	1,951,743	US\$1,595,550	1,440,013	US\$1,049,193	140,817,070	US\$101,500,944
Philippine peso	2,337,570,433	52,271,253	2,821,310,538	59,951,350	950,897,686	19,125,054
EUR	366,740	443,682	1,684,231	1,829,412	16,463,959	17,315,145
PKR	724,044,010	7,202,805	816,351,666	7,794,784	462,705,166	4,433,316
RMB	23,952,248	3,859,842	15,504,781	2,387,665	23,469,361	3,379,318
BND	1,620,340	1,223,268	1,702,328	1,200,598	4,610,355	3,183,727
USD	1,081,420	1,081,420	98,542,879	98,542,879	1,990,045	1,990,045
IDR	4,493,918,380	362,764	3,477,724,327	252,228	21,387,090,632	1,587,404
BRL	1,416,818	399,824	2,429,959	619,429	4,745,355	1,457,777
HRK	2,087,392	329,522	2,556,467	363,351	2,552,159	355,607
MXN	84,565,915	5,732,699	68,079,210	3,956,368	3,470,302	167,427
PLN	3,143,494	887,091	2,738,233	698,013	454,107	108,449
ARS	22,254,446	2,628,995	14,204,997	1,098,480	678,162	42,705
MGA	1,589,883,146	615,042	2,890,926,894	898,920	6,058,886	1,801
INR	999,929,186	15,860,890	24,793,335	374,784	29	—
JPY	171,257,938	1,429,771	—	—	—	—

(Forward)



	2014		2015		2016	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
Receivable:						
EUR	907,257	US\$1,097,599	1,093,157	US\$1,187,387	9,186,168	US\$9,661,093
BRL	31,460,030	8,877,986	29,208,215	7,445,567	32,383,802	9,948,329
PKR	406,238,467	4,041,269	695,274,938	6,638,705	608,022,824	5,825,647
RMB	30,111,796	4,852,437	28,822,694	4,438,563	32,554,261	4,687,439
Philippine peso	274,581,790	6,140,022	480,355,808	10,207,306	201,463,663	4,051,964
BND	1,003,665	757,711	3,259,636	2,298,918	2,658,675	1,835,975
IDR	8,366,103,644	675,339	25,884,219,838	1,877,301	4,194,324,435	311,313
MXN	36,999,169	2,508,163	48,685,086	2,829,295	4,543,855	219,222
PLN	3,575,676	1,009,052	7,648,719	1,949,761	736,070	175,786
HRK	1,651,382	260,692	1,533,161	217,909	1,095,441	152,634
MGA	5,500,274,365	2,127,766	4,912,273,273	1,527,448	2,116,720	629
USD	8,093,370	8,093,370	6,598,209	6,598,209	-	-
		136,365,824		228,233,823		191,518,750
Current Financial Liabilities						
Accounts payable and other current liabilities:						
AUD	10,209,742	8,346,464	-	-	142,570,858	102,765,075
USD	196,628	196,628	16,575,366	16,575,366	18,913,941	18,913,941
PKR	859,622,162	8,551,540	1,232,359,783	11,766,962	1,133,443,198	10,859,856
EUR	463,984	561,328	453,263	492,334	9,827,499	10,335,580
BRL	41,242,935	11,638,711	40,676,672	10,369,031	21,786,975	6,692,976
Philippine peso	4,212,535,467	94,198,020	4,271,849,411	90,774,531	212,639,689	4,276,744
RMB	26,666,748	4,297,276	30,611,564	4,714,040	14,883,954	2,143,118
MXN	159,250,583	10,795,552	267,444,776	15,542,338	18,162,594	876,269
HRK	11,593,636	1,830,208	8,129,277	1,155,416	4,842,152	674,686
PLN	7,601,616	2,145,168	10,929,904	2,786,180	2,506,764	598,659
BND	509,564	384,693	990,894	698,847	620,532	428,515
IDR	8,394,001,052	677,591	14,459,365,871	1,048,692	3,222,902,552	239,212
Georgian lari	2,175,433	1,154,076	3,081,984	1,284,160	411,392	154,804
MGA	19,559,397,889	7,566,498	17,311,465,476	5,382,918	5,910,849	1,757
JPY	181,811,564	1,517,879	146,490,653	1,218,521	-	-
Noncurrent Financial Liabilities						
Other noncurrent liabilities:						
USD	-	-	92,855,916	92,855,916	-	-
AUD	47,290,660	38,660,114	-	-	89,588,968	64,575,728
PLN	4,050,851	1,143,146	73,492,907	18,734,331	16,728,916	3,995,156
IDR	3,570,447,533	288,218	5,584,981,653	405,061	3,568,854,267	264,889
Philippine peso	6,118,854	136,826	16,373,167	347,921	9,712,524	195,344
EUR	8,877,594	10,740,113	164,580	178,766	94,281	99,156
MXN	5,282,245	358,082	7,331,088	426,040	372,892	17,990
MGA	601,814,508	232,810	-	-	217,212	65
PKR	44,215,071	439,852	-	-	-	-
HRK	889,219	140,375	-	-	-	-
Long-term debt						
AUD	-	-	-	-	249,856,742	180,096,739
EUR	1,493,777,418	14,860,130	9,495,714	11,487,915	7,379,167	7,760,670
PKR	222,230,000	35,811,780	1,493,777,418	14,860,130	298,755,468	2,862,465
RMB	-	-	222,230,000	35,811,780	-	-
PHP	9,495,714	11,487,915	-	-	-	-
Concession rights payable						
EUR	-	-	106,055,601	32,934,983	14,063,368	14,790,444
PKR	106,055,601	32,934,983	917,892,047	9,131,210	816,915,915	7,827,116
		301,095,976		380,983,389		441,446,954
Net foreign currency-denominated financial liabilities		(US\$156,243,313)		(US\$81,993,363)		(US\$249,928,204)

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):

	2014	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$2.4	(US\$3.1)
5% depreciation	(2.7)	3.4
	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

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, 2014, 2015 and 2016, about 28 percent, 62 percent and 32 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):

2014				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$111.3	US\$–	US\$–	US\$111.3
Cash equivalents	81.2	–	–	81.2
Receivables				
Trade	67.7	15.0	5.0	87.7
Advances and nontrade	6.4	1.7	0.1	8.2
AFS Investments				
Unquoted equity shares	0.7	–	–	0.7
Quoted equity shares	1.6	–	–	1.6
	US\$268.9	US\$16.7	US\$5.1	US\$290.7
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	7.2	–	–	7.2
	US\$389.1	US\$43.8	US\$10.5	US\$443.4



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):

2014				
Neither Past Due nor Impaired				
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$111.3	US\$–	US\$–	US\$111.3
Cash equivalents	81.2	–	–	81.2
Receivables:				
Trade	59.3	6.4	2.0	67.7
Advances and nontrade	6.3	0.1	–	6.4
AFS Investments				
Unquoted equity shares	0.7	–	–	0.7
Quoted equity shares	1.6	–	–	1.6
	US\$260.4	US\$6.5	US\$2.0	US\$268.9

2015				
Neither Past Due nor Impaired				
	Grade A	Grade B	Grade C	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	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				
	Grade A	Grade B	Grade C	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	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	7.2	–	–	7.2
	US\$378.5	US\$5.6	US\$5.0	US\$389.1

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):

2014					
Past Due but Not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
Trade	US\$10.6	US\$3.1	US\$0.5	US\$0.8	US\$15.0
Advances and nontrade	–	0.1	–	1.6	1.7
	US\$10.6	US\$3.2	US\$0.5	US\$2.4	US\$16.7

2015					
Past Due but Not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
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					
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
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

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, 2014, 2015 and 2016.

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.

	2014	2015	2016
Long-term debt	US\$1,045,967,471	US\$1,081,043,350	US\$1,344,765,928
Loans payable	24,479,272	2,027,231	36,598,275
Total debt (a)	1,070,446,743	1,083,070,581	1,381,364,203
Net worth or total equity (b)	1,473,565,182	1,826,047,875	1,766,079,997
Gearing ratio (a/b)	0.73 times	0.59 times	0.78 times



29. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2014	2015	2016
Net income attributable to equity holders of the parent	US\$181,988,167	US\$58,545,218	US\$180,015,587
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (see Note 15.6)	(29,312,500)	(36,976,498)	(46,276,661)
Net income attributable to equity holders of the parent, as adjusted (a)	US\$152,675,667	US\$21,568,720	US\$133,738,926
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)
Weighted treasury shares	(9,649,186)	(8,388,527)	(11,998,887)
Weighted average shares outstanding (b)	2,035,528,485	2,036,136,591	2,032,443,814
Effect of dilutive stock grants	9,114,811	10,469,155	17,130,267
Weighted average shares outstanding adjusted for potential common shares (c)	2,044,643,296	2,046,605,746	2,049,574,081
Basic earnings per share (a/b)	US\$0.075	US\$0.011	US\$0.066
Diluted earnings per share (a/c)	US\$0.075	US\$0.011	US\$0.065

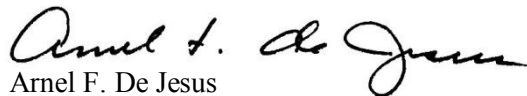


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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, 2014, 2015 and 2016 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 9, 2017. 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. 5908688, January 3, 2017, Makati City

March 9, 2017



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule A. Financial Assets

December 31, 2016

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\$7,209,706	N/A	US\$-
Loans and Receivables					
Cash and Cash Equivalents	N/A	N/A	325,058,592	N/A	2,622,443
Receivables	N/A	N/A	102,930,437	N/A	-
AFS investments					
Quoted Equity Shares	N/A	N/A	1,512,807	US\$1,512,807	-
Unquoted Equity Shares	N/A	N/A	710,666	N/A	-
			US\$437,422,208		
					US\$2,622,443

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, 2016

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, 2016

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 Capital B.V.	US\$135,664,461	US\$6,851,943	(US\$59,197,310)	US\$-	(US\$22,849)	US\$-	US\$83,296,245	US\$83,296,245
ICTSI Warehousing, Inc.	24,211,279	1,501,119	(984,504)	-	(1,234,470)	-	23,493,424	23,493,424
Abbotsford Holdings, Inc.	14,897,435	2,018,905	(5,028,415)	-	(557,679)	-	11,330,246	11,330,246
IW Cargo Handlers, Inc.	2,908,663	160,420	(191,825)	-	(115,892)	-	2,761,366	2,761,366
Mindanao International Container Terminal Services, Inc.	3,641,084	4,020,536	(5,666,648)	-	64,487	-	2,059,459	2,059,459
Laguna Gateway Inland Container Terminal, Inc.	1,577,405	24,586	(72,274)	-	79,634	-	1,609,351	1,609,351
ICTSI Asia Pacific Business Services, Inc.	254,898	370,963	-	-	(21,641)	-	604,220	604,220
Basra Gateway Terminal	405,769	-	-	-	130,425	-	536,194	536,194
Victoria International Container Terminal Limited	412,054	72,879	-	-	(2,156)	-	482,777	482,777
ICTSI Ltd. RHQ	818,882	-	(436,863)	-	(17,534)	-	364,485	364,485
Contecon Manzanillo S.A.	314,065	466	-	-	(12,699)	-	301,832	301,832
TecPlata S.A.	268,698	-	-	-	(5,560)	-	263,138	263,138
SPIA Spain SL	173,007	-	-	-	(1,300)	-	171,707	171,707
Batumi International Container Terminal, LLC.	116,952	-	-	-	(2,767)	-	114,185	114,185
PT PBM Olah Jasa Andal	97,063	-	-	-	(725)	-	96,338	96,338
Operadora Portuaria Centroamericana, S.A. de C.V.	86,949	-	-	-	7,467	-	94,416	94,416
Pakistan International Container Terminal Limited	50,589	5,996	-	-	5,404	-	61,989	61,989
PT Makassar Terminal Services	42,851	-	-	-	19	-	42,870	42,870
ICTSI Africa Pty Ltd.	21,378	-	-	-	1,875	-	23,253	23,253
Subic Bay International Terminal Corp.	1,026,445	448,057	(1,577,337)	-	116,403	-	13,568	13,568
Global Container Capital B.V.	10,862	-	-	-	1,269	-	12,131	12,131
Bauan International Port, Inc.	41,920	198,215	(252,787)	-	17,968	-	5,316	5,316
ICTSI Subic, Inc.	5,239,955	3,894	(5,279,885)	-	39,910	-	3,874	3,874

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.	1,846	–	–	–	544	–	2,390	2,390
ICTSI Oregon, Inc.	827	1,053	–	–	(1,036)	–	844	844
Yantai International Container Terminals, Limited	636	–	–	–	104	–	740	740
Davao Integrated Port and Stevedoring Services Corp.	249,225	592,806	(847,621)	–	6,090	–	500	500
Prime Staffing & Selection Bureau	47	46	–	–	342	–	435	435
ICTSI Project Delivery Services Co. Pte. Ltd.	22,240	–	(33,129)	–	10,911	–	22	22
Cavite Gateway Terminal, Inc.	–	3,991,204	–	–	6,190	–	3,997,394	3,997,394
ICTSI Ltd.	–	3,810,862	(745,308)	–	(355,940)	–	2,709,614	2,709,614
ICTSI Global Cooperatief U.A.	–	668,000	–	–	–	–	668,000	668,000
Intermodal Terminal Holdings, Inc.	–	315,904	–	–	(50)	–	315,854	315,854
ICTSI Middle East DMCC	–	–	–	–	89,712	–	89,712	89,712
Contecon Guayaquil S.A	31,696,643	766,456	(32,511,049)	–	47,950	–	–	–
International Container Terminal Holdings, Inc.	24,239,954	8,138	(24,167,753)	–	(80,339)	–	–	–
ICTSI (M.E.) DMCC	231,132	–	(258,497)	–	27,365	–	–	–
PT ICTSI Jasa Prima Tbk.	126,116	–	(126,116)	–	–	–	–	–
South Cotabato Integrated Ports Services, Inc.	64,238	398,098	(474,994)	–	12,658	–	–	–
Adriatic Gate Container Terminal Terminal Services, Ltd.	56,632	–	(99,935)	–	43,303	–	–	–
	US\$248,972,200	US\$26,230,546	(US\$137,952,250)	US\$–	(US\$1,722,607)	US\$–	US\$135,527,889	US\$135,527,889

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets – Other Assets
December 31, 2016

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 6 and 10 to the Audited Consolidated Financial Statements

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule E. Long-term Debt
December 31, 2016

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\$749,502,820	
ICTSI - US dollar-denominated notes		-	179,228,914	
CMSA - US dollar-denominated securities		3,810,600	168,559,276	
CGSA - US dollar-denominated loan		11,980,388	25,964,056	
VICT - Secured AUD term Loan		(1,329,018)	181,425,758	
PICT - Secured Pakistani Rupee term loan		2,862,466	-	
AGCT - Secured Euro term loan		1,161,377	6,599,291	
IGFBV - Revolving US dollar Credit Facility		-	15,000,000	
		US\$18,485,813	US\$1,326,280,115	

See Notes 16 to the Audited Consolidated Financial Statements

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2016

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, 2016

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
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NONE

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2016

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	2,028,047,404	17,130,267	734,970	995,948,971	1,031,363,463

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

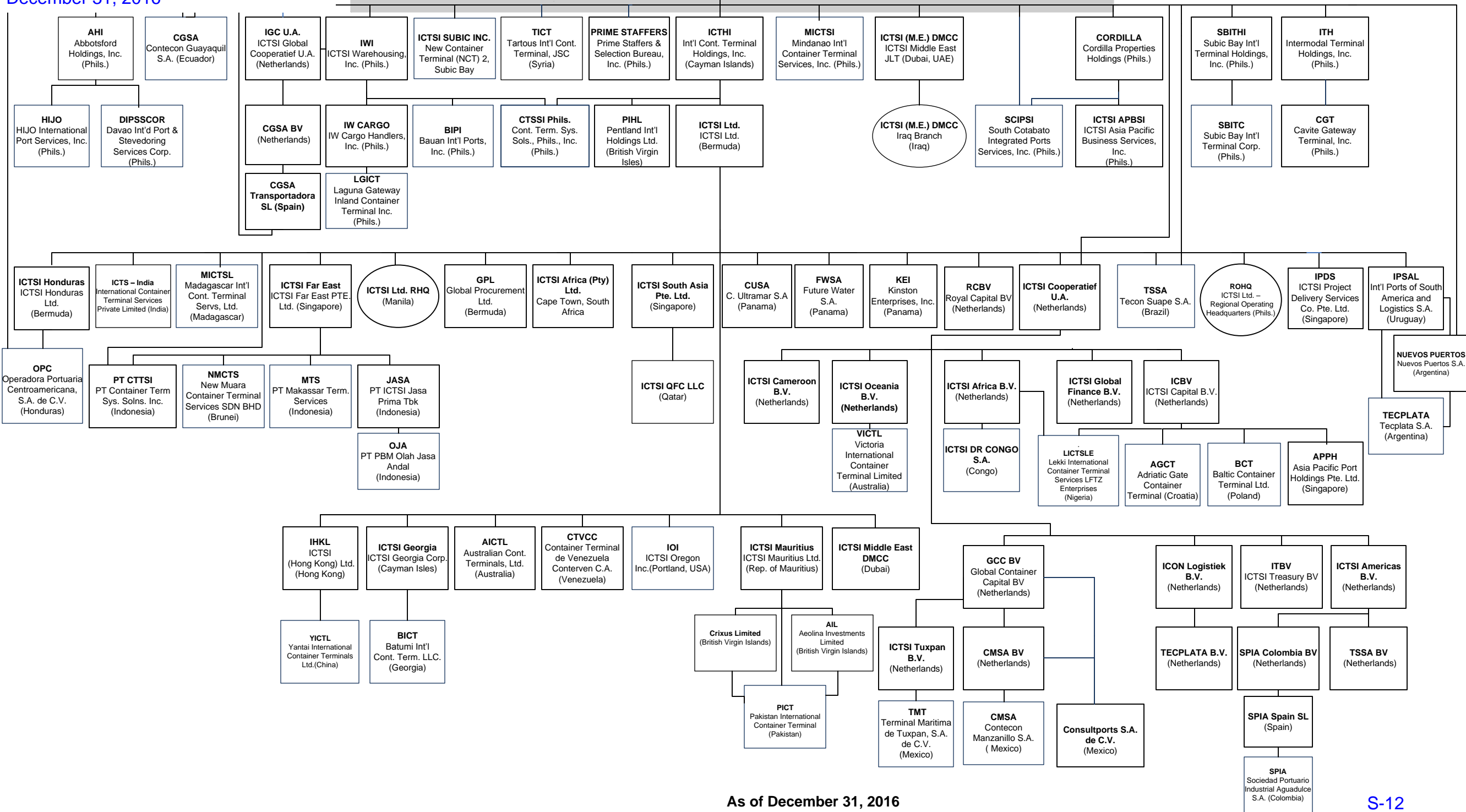
**Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2016**

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\$799,896,390	US\$44,983,606	(US\$44,179,721)	US\$–	US\$17,313,992	US\$783,386,283	US\$800,700,275
Royal Capital B.V.	816,671,383	180,590,375	(286,916,712)	45	8,306,494	702,038,597	710,345,091
ICTSI Global Finance B.V.	96,314,279	170,642,729	(83,398,749)	–	6,169,748	177,388,511	183,558,259
ICTSI Ltd. Regional Operating Headquarters	3,074,044	4,632,855	(4,656,000)	(525,881)	–	2,525,018	2,525,018
Tecon Suape, S.A.	182,072	–	–	2,832	184,904	–	184,904
Madagascar International Container Terminal Services, Ltd.	117,233	–	–	11,484	128,717	–	128,717
Baltic Container Terminal Ltd.	58,472	–	–	(115)	58,357	–	58,357
Cordilla Properties Holdings, Inc.	8,843	386,562	(386,562)	(1,083)	–	7,760	7,760
International Container Terminal Holdings, Inc.	–	1,908,371	–	–	–	1,908,371	1,908,371
Contecon Guayaquil S.A.	–	1,455,876	–	43,398	1,499,274	–	1,499,274
Adriatic Gate Container Terminal Terminal Services, Ltd.	–	–	–	38,016	–	38,016	38,016
ICTSI (M.E.) DMCC	–	–	–	22,507	–	22,507	22,507
South Cotabato Integrated Ports Services, Inc.	–	–	–	263	–	263	263
	US\$1,716,322,716	US\$404,600,374	(US\$419,537,744)	(US\$408,534)	US\$33,661,486	US\$1,667,315,326	US\$1,700,976,812

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule J. Parent Company Retained Earnings Available for Dividend Declaration
December 31, 2016

	Amount
Unappropriated parent company retained earnings, beginning	US\$64,035,993
Reconciliation:	
Add (Less):	
Unrealized foreign exchange loss - net	(786,845)
Deferred tax assets	(22,922,446)
Mark-to-market gain on derivatives	(22,212,527)
Issuance of treasury shares	(1,895,525)
Purchase of treasury shares	(6,590,807)
Effect to retained earnings of adoption of PAS 19R	(156,917)
Unappropriated parent company retained earnings, as adjusted, beginning	9,470,926
Parent company net income actually earned/realized during the period	92,732,076
Less: Non-actual/unrealized income net of tax:	
Mark-to-market gain on derivatives	(40,399,410)
Unrealized foreign exchange gain - net	—
Parent company net income actually earned/realized during the period	52,332,666
Add (Less):	
Dividend declaration during the period	(39,893,190)
Reversal of appropriated of retained earnings	90,000,000
Decrease in deferred tax assets (excluded those recognized in OCI)	(17,715,311)
Purchase of treasury shares	(11,590,540)
Issuance of treasury shares	1,420,007
Unappropriated parent company retained earnings ,as adjusted, ending	US\$84,024,558

CONTAINER TERMINAL SERVICES, INC. (ICTSI)



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule L. List of Effective Standards and Interpretations as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		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, 2016		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: Mandatory Effective Date of PFRS 9 and Transition Disclosures	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, 2016		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	Not early adopted		
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	Not early adopted		
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	Not early adopted		
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, 2016		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: 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	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	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	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	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 Surface Mine			✓
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration	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	
	2015	2016
Liquidity ratios		
Current ratio ^(a)	1.78	1.18
Interest rate coverage ratio ^(b)	7.35	7.00
Solvency ratios		
Debt to equity ratio ^(c)	0.59	0.78
Asset to equity ratio ^(d)	2.10	2.37
Profitability ratio		
EBITDA margin ^(e)	42.8%	46.5%

(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

**CERTIFICATE OF THE PREPARATION OF THE FINANCIAL STATEMENTS
AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant who principally prepared or is responsible for the preparation of the attached Consolidated Financial Statements and notes to the Consolidated Financial Statements of **International Container Terminal Services, Inc.** (the Company) for the period ended December 31, 2016.

In discharging this responsibility, I hereby declare that:

- I, am the Financial Reporting Department Manager of ICTSI Ltd. – Regional Operating Headquarters, the global corporate office of the entities under the Company.
- I, am the _____ (state position), of _____ (name of organization) and was contracted to perform this service.

Furthermore, in my preparation of the Consolidated Financial Statements and notes to the Consolidated Financial Statements, I was not assisted by or did not avail the services of SyCip Gorres Velayo & Co. who or which is the external auditor of the Company who rendered the audit opinion for the said Consolidated Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.


ALLAN ANICETO P. ALMERO

PROFESSIONAL IDENTIFICATION CARD NUMBER: 0112065
VALID UNTIL: 4/16/2019

ACCREDITATION NUMBER: *
VALID UNTIL: *

** As of March 9, 2017, the approval from BOA on the application for accreditation as CPA in Commerce and Industry that was submitted on December 23, 2016 has not yet been received.*

SUBSCRIBED AND SWORN to before me this ^{MAR 10 2017} _____ day of March 2017 affiant personally appeared before me, exhibiting to me his respective government issued identification card with photograph as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Allan Aniceto P. Almero	P0036851A	24 August 2016	DFA NCR South

Doc. No. 384
Page No. 77
Book No. 11
Series of 2017.

ATTY. RANDY P. BARENG
NOTARY PUBLIC UNTIL DEC. 31 2017
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MCLE COMPLIANCE V 0022658, 04-14-2019
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