COVER SHEET

1	4	7	2	1	2

SEC Registration Number

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

(Company's Full Name)

ICTSI Administration Building, MICT South Access Road, Manila

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

Jose Joel M. Sebastian
(Contact Person)

245-4101
(Company Telephone Number)

12	**31**
Month	*Day*

(Fiscal Year)

SEC 17Q
(Form Type)

04	**Every 3rd Thursday**
Month	*Day*

(Annual Meeting)

N/A
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

None
Amended Articles Number/Section

1,407
as at September 30, 2017
Total No. of Stockholders

Total Amount of Borrowings

US$98.3M	**US$1,370.5M**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2017**

2. Commission identification number: **147212**

3. BIR Tax Identification No. **000-323-228**

1. Exact name of issuer as specified in its charter:
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.

5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: ___________________ (SEC Use Only)

7. Address of issuer's principal office: **ICTSI Administration Building, MICT South Access Road, Manila** Postal Code: **1012**

8. Registrant's telephone number, including area code: **(632) 245-4101**

9. Former name, former address, and former fiscal year: **Not applicable**

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

Title of Each Class	Number of shares outstanding as at September 30, 2017
Common	**2,034,099,497** Shares

11. Are any or all of the Securities listed on a Stock Exchange?
Yes [**x**] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange **Common shares**

12. Indicate by check mark whether the issuer:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).
Yes [x] No [ ]

(b) has been subject to such filing for the past 90 days. Yes [**x**] No [ ]

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

The audited consolidated balance sheet as at December 31, 2016 and the unaudited interim condensed consolidated financial statements as at September 30, 2017 and for the three and nine months ended September 30, 2016 and 2017 and the related notes to unaudited interim condensed consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries (collectively referred to as “the Group”) are filed as part of this Form 17-Q on pages 2 to 31.

Operating segments are also reported in the notes to unaudited interim condensed consolidated financial statements.

There are no other material events subsequent to the end of this interim period that have not been reflected in the unaudited interim condensed consolidated financial statements filed as part of this report.

International Container Terminal Services, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

As at September 30, 2017
(with Comparative Audited Figures as at December 31, 2016)
and for the Three and Nine Months Ended September 30, 2016 and 2017

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

As at September 30, 2017

(With Comparative Audited Figures as at December 31, 2016)

(In Thousands)

	December 31, 2016 *(Audited)*	**September 30, 2017** *(Unaudited)*
ASSETS		
Noncurrent Assets		
Intangibles (Note 5)	US$1,720,205	**US$1,711,723**
Property and equipment (Note 6)	1,381,483	**1,454,132**
Investment properties	6,255	**5,904**
Investments in and advances to a joint venture and an associate (Notes 8 and 16)	293,638	**306,428**
Deferred tax assets - net	90,572	**86,883**
Other noncurrent assets (Notes 7 and 19)	164,964	**166,243**
Total Noncurrent Assets	3,657,117	**3,731,313**
Current Assets		
Cash and cash equivalents (Note 9)	325,059	**319,843**
Receivables (Note 10)	102,930	**116,307**
Spare parts and supplies	33,525	**38,200**
Prepaid expenses and other current assets (Note 11)	56,285	**69,810**
Derivative assets (Note 19)	7,210	**6,181**
Total Current Assets	525,009	**550,341**
	US$4,182,126	**US$4,281,654**
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Capital stock:		
Preferred stock	US$236	**US$236**
Common stock	67,330	**67,330**
Additional paid-in capital (Note 15)	536,216	**547,363**
Cost of shares held by subsidiaries (Note 15)	(74,261)	**(74,261)**
Treasury shares (Note 15)	(17,904)	**(15,178)**
Excess of acquisition cost over the carrying value of non-controlling interests	(142,555)	**(142,555)**
Retained earnings (Note 15)	779,439	**807,632**
Perpetual capital securities (Note 15)	761,341	**761,341**
Other comprehensive loss - net (Notes 15 and 19)	(285,445)	**(253,002)**
Total equity attributable to equity holders of the parent	1,624,397	**1,698,906**
Equity Attributable to Non-controlling Interests (Notes 1, 3 and 15)	141,683	**158,800**
Total Equity	1,766,080	**1,857,706**
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 16 and 19)	1,326,280	**1,386,054**
Concession rights payable - net of current portion (Notes 5 and 19)	481,701	**472,737**
Deferred tax liabilities - net	71,377	**68,573**
Other noncurrent liabilities (Note 13)	90,845	**111,362**
Total Noncurrent Liabilities	1,970,203	**2,038,726**
Current Liabilities		
Loans payable (Notes 12 and 16)	36,598	**60,340**
Accounts payable and other current liabilities (Notes 13, 14 and 16)	347,709	**262,537**
Current portion of long-term debt (Notes 12, 16 and 19)	18,486	**22,430**
Current portion of concession rights payable (Notes 5 and 19)	8,761	**10,034**
Income tax payable	32,314	**24,983**
Derivative liabilities (Note 19)	1,975	**4,898**
Total Current Liabilities	445,843	**385,222**
Total Liabilities	2,416,046	**2,423,948**
	US$4,182,126	**US$4,281,654**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2017**	2016	**2017**
INCOME				
Gross revenues from port operations (Notes 16 and 20)	US$284,212	**US$314,553**	US$835,026	**US$918,269**
Foreign exchange gain (Note 3)	505	**239**	3,690	**5,177**
Interest income (Notes 8, 9 and 16)	4,743	**5,868**	12,962	**16,490**
Other income (Notes 1 and 13)	1,902	**1,996**	7,749	**20,734**
	291,362	**322,656**	859,427	**960,670**
EXPENSES				
Port authorities' share in gross revenues (Note 16)	45,464	**47,692**	134,599	**139,981**
Manpower costs (Notes 15 and 16)	48,106	**52,126**	144,003	**152,465**
Equipment and facilities-related expenses (Note 16)	30,368	**43,366**	87,529	**112,678**
Depreciation and amortization	36,630	**45,988**	109,839	**129,273**
Administrative and other operating expenses (Note 16)	27,398	**26,224**	78,566	**78,288**
Interest expense and financing charges on borrowings (Notes 5, 6, 12 and 16)	16,649	**25,081**	56,608	**74,942**
Interest expense on concession rights payable (Note 5)	9,175	**8,298**	27,531	**24,808**
Equity in net loss of a joint venture (Note 8)	1,455	**6,896**	4,677	**25,610**
Foreign exchange loss (Note 3)	2,201	**190**	5,493	**2,635**
Other expenses (Notes 12 and 16)	4,305	**2,786**	10,230	**11,971**
	221,751	**258,647**	659,075	**752,651**
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	14,917	**20,187**	41,701	**59,553**
Construction expense	(14,917)	**(20,187)**	(41,701)	**(59,553)**
	–	**–**	–	**–**
INCOME BEFORE INCOME TAX	69,611	**64,009**	200,352	**208,019**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	14,251	**14,346**	50,975	**43,001**
Deferred	(2,844)	**(3,355)**	(1,436)	**(3,117)**
	11,407	**10,991**	49,539	**39,884**
NET INCOME	US$58,204	**US$53,018**	US$150,813	**US$168,135**
ATTRIBUTABLE TO:				
Equity holders of the parent	US$54,637	**US$45,680**	US$141,920	**US$149,316**
Non-controlling interests	3,567	**7,338**	8,893	**18,819**
	US$58,204	**US$53,018**	US$150,813	**US$168,135**
Earnings Per Share (Note 17)				
Basic	US$0.022	**US$0.017**	US$0.052	**US$0.058**
Diluted	0.021	**0.017**	0.052	**0.058**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2017**	2016	**2017**
NET INCOME FOR THE PERIOD	US$58,204	**US$53,018**	US$150,813	**US$168,135**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations' financial statements (Notes 3 and 15)	13,359	**13,414**	2,397	**43,393**
Net change in unrealized mark-to-market values of derivatives (Notes 15 and 19)	(1,109)	**287**	(13,436)	**(4,010)**
Net unrealized mark-to-market gain (loss) on available-for-sale investments (Note 15)	177	**(71)**	177	**89**
Income tax relating to components of other comprehensive income (Notes 15 and 19)	411	**(204)**	3,999	**856**
Items not to be reclassified to profit or loss in subsequent periods				
Actuarial gains (losses) on defined benefit plans - net of tax	315	**–**	270	**(912)**
	13,153	**13,426**	(6,593)	**39,416**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	US$71,357	**US$66,444**	US$144,220	**US$207,551**
ATTRIBUTABLE TO:				
Equity holders of the parent	US$68,051	**US$56,605**	US$138,013	**US$181,759**
Non-controlling interests	3,306	**9,839**	6,207	**25,792**
	US$71,357	**US$66,444**	US$144,220	**US$207,551**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 and 2017

(In Thousands)

	Attributable to Equity Holders of the Parent												
	Preferred Stock	Common Stock	Additional Paid-in Capital (Note 15)	Preferred Shares Held by a Subsidiary (Note 15)	Common Shares Held by a Subsidiary (Note 15)	Treasury Shares (Note 15)	Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests (Notes 1 and 15)	Retained Earnings (Note 15)	Perpetual Capital Securities (Note 15)	Other Compre-hensive Loss - net (Note 15)	Total	Non-controlling Interests (Note 15)	Total Equity
Balance at December 31, 2015	US$236	US$67,330	US$534,808	(US$72,492)	(US$1,769)	(US$7,548)	(US$142,555)	US$723,159	US$831,910	(US$258,636)	US$1,674,443	US$151,605	US$1,826,048
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	141,920	–	(3,907)	138,013	6,207	144,220
Share-based payments (Note 15)	–	–	2,290	–	–	–	–	–	–	–	2,290	–	2,290
Issuance of treasury shares	–	–	(508)	–	–	508	–	–	–	–	–	–	–
Acquisition of ICTSI common shares (Note 15)	–	–	–	–	–	(4,037)	–	–	–	–	(4,037)	–	(4,037)
Cash dividends (Note 15)	–	–	–	–	–	–	–	(40,043)	–	–	(40,043)	(10,845)	(50,888)
Redemption of perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(7,624)	(105,241)	–	(112,865)	–	(112,865)
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(21,750)	–	–	(21,750)	–	(21,750)
Balance at September 30, 2016	US$236	US$67,330	US$536,590	(US$72,492)	(US$1,769)	(US$11,077)	(US$142,555)	US$795,662	US$726,669	(US$262,543)	US$1,636,051	US$146,967	US$1,783,018
Balance at December 31, 2016	**US$236**	**US$67,330**	**US$536,216**	**(US$72,492)**	**(US$1,769)**	**(US$17,904)**	**(US$142,555)**	**US$779,439**	**US$761,341**	**(US$285,445)**	**US$1,624,397**	**US$141,683**	**US$1,766,080**
Total comprehensive income for the period	–	–	–	–	–	–	–	**149,316**	–	**32,443**	**181,759**	**25,792**	**207,551**
Share-based payments (Note 15)	–	–	**2,909**	–	–	–	–	–	–	–	**2,909**	–	**2,909**
Issuance of treasury shares	–	–	**(1,224)**	–	–	**1,224**	–	–	–	–	–	–	–
Acquisition of ICTSI common shares (Note 15)	–	–	–	–	–	**(9,567)**	–	–	–	–	**(9,567)**	–	**(9,567)**
Cash dividends (Note 15)	–	–	–	–	–	–	–	**(100,334)**	–	–	**(100,334)**	**(8,675)**	**(109,009)**
Sale of treasury shares (Note 15)	–	–	**9,462**	–	–	**11,069**	–	–	–	–	**20,531**	–	**20,531**
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	**(20,789)**	–	–	**(20,789)**	–	**(20,789)**
Balance at September 30, 2017	**US$236**	**US$67,330**	**US$547,363**	**(US$72,492)**	**(US$1,769)**	**(US$15,178)**	**(US$142,555)**	**US$807,632**	**US$761,341**	**(US$253,002)**	**US$1,698,906**	**US$158,800**	**US$1,857,706**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Nine Months Ended September 30	
	2016	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	US$200,352	**US$208,019**
Adjustments for:		
Depreciation and amortization	109,839	**129,273**
Interest expense on:		
Borrowings (Notes 5, 6, 12 and 16)	56,608	**74,942**
Concession rights payable (Note 5)	27,531	**24,808**
Equity in net loss of a joint venture (Note 8)	4,677	**25,610**
Write-off of costs of securing a revolving credit facility due to cancellation (Note 12)	–	**3,043**
Share-based payments (Note 15)	2,198	**2,536**
Loss (gain) on disposal of property and equipment	(1,872)	**223**
Interest income (Notes 8, 9 and 16)	(12,962)	**(16,490)**
Unrealized foreign exchange loss (gain)	2,458	**(537)**
Dividend income	(199)	**(198)**
Unrealized mark-to-market loss on derivatives	409	**–**
Operating income before changes in working capital	389,039	**451,229**
Increase in:		
Receivables	(3,915)	**(8,426)**
Spare parts and supplies	(2,190)	**(5,036)**
Prepaid expenses and other current assets	(13,751)	**(29,168)**
Increase (decrease) in:		
Accounts payable and other current liabilities	(842)	**24,089**
Pension liabilities	174	**1,534**
Cash generated from operations	368,515	**434,222**
Income taxes paid	(45,142)	**(44,124)**
Net cash provided by operating activities	323,373	**390,098**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Intangible assets (Note 5)	(84,278)	**(54,772)**
Property and equipment (Note 6)	(205,389)	**(155,697)**
Subsidiary, net of cash acquired (Note 1)	340	**–**
Net proceeds from:		
Return of amount paid to Concessionaire (Note 1)	–	**12,500**
Sale of property and equipment	9,101	**608**
Interest received	2,394	**3,203**
Dividends received	199	**198**
Payments for concession rights (Note 5)	(8,203)	**(10,097)**
Payment for pre-termination of lease agreement (Note 1)	–	**(11,450)**
Increase in other noncurrent assets	(10,843)	**(14,567)**
Increase in investments and advances to a joint venture	(39,541)	**(25,175)**
Net cash used in investing activities	(336,220)	**(255,249)**

	For the Nine Months Ended September 30	
	2016	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Long-term borrowings (Note 12)	US$252,695	**US$81,732**
Short-term borrowings (Note 12)	33,670	**65,250**
Sale of treasury shares (Note 15)	–	**20,531**
Payments of:		
Interest on borrowings and concession rights payable (Notes 5 and 12)	(90,806)	**(108,418)**
Dividends (Note 15)	(49,841)	**(107,951)**
Short-term borrowings (Note 12)	(20,612)	**(41,960)**
Long-term borrowings (Note 12)	(96,123)	**(40,669)**
Distributions on subordinated perpetual capital securities (Note 15)	(21,750)	**(20,789)**
Redemption of perpetual capital securities (Note 15)	(112,865)	**–**
Acquisition of ICTSI common shares (Note 15)	(4,037)	**(9,567)**
Increase (decrease) in other noncurrent liabilities	(274)	**13,152**
Net cash used in financing activities	(109,943)	**(148,689)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,966)	**8,624**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(127,756)	**(5,216)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	354,482	**325,059**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 9)	US$226,726	**US$319,843**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED 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 Company is ICTSI Administration Building, MICT South Access Road, Manila. ICTSI's common shares were listed with the Philippine Stock Exchange (PSE) on March 23, 1992 at an offer price of ₱6.70. ICTSI has 2,034,099,497 common shares outstanding held by 1,407 shareholders on record as at September 30, 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 November 2, 2017, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. These are 27 operating terminals in nine key ports, including the recent acquisition of shares in Manila North Harbor Philippines, Inc. (MNHPI), and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, DR Congo and Australia; an acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico; and recently, a project to construct a barge terminal in Cavite, Philippines, and agreements to operate two international ports in Papua New Guinea (PNG).

Concessions for port operations entered into, acquired and terminated by ICTSI and subsidiaries for the last two 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 10, 2014 the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 ("Contract") in the Port of Umm Qasr ("Port") in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build in three phases, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract ("First Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the First Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. On March 26, 2017, a second addendum to the Contract ("Second Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate Quay No. 21 co-terminus with the Contact and the First Addendum. The Second Addendum extended the term for the management and operation of Quay No. 19 and 20 from 13 to 21 years.

ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. The rehabilitation works for Berth 21 are on-going and it is expected to operate in the last quarter of 2017.

Phase 1 of the expansion project (Berth 27) under the BOT scheme has 250 meters of berth with an estimated capacity of 300,000 TEUs. The facility will have 600 meters of quay with an estimated capacity of 900,000 TEUs. Berth 27 was completed and fully operational in the first quarter of 2017.

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

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, commenced 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.

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Immobiliaria 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 November 2, 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 to operate 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. On April 18, 2017, the hold-over authority was extended by the PPA office in Davao City for a period of ten months until February 25, 2018 or upon award of the Terminal Management contract to the winning bidder in a public bidding, whichever comes first.

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 Directors (BOD) of ICTSI Ltd. has authorized the management of ICTSI Oregon, Inc. (ICTSI Oregon) to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. In late 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. In 2016, the Company has provided for the amount of probable loss on the pre-termination of the lease agreement based on the Company'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 audited consolidated statement of income for the year ended December 31, 2016 was US$23.4 million.

On March 8, 2017, ICTSI, through ICTSI Oregon, and the Port of Portland signed a Lease Termination Agreement and both parties have mutually agreed to terminate the 25-year Lease Agreement to operate the container facility at Terminal 6 of the Port of Portland with an effective date of March 31, 2017. The Lease Termination Agreement allowed ICTSI Oregon to be relieved of its long-term lease obligations. In exchange, the Port of Portland received US$11.45 million in cash compensation on March 29, 2017 and container handling equipment including spare parts and tools on March 31, 2017.

Cavite Gateway Terminal, Philippines. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, Cavite Gateway Terminal (CGT), in partnership with the Philippine Department of Transportation, project launched the country's soon-to-be first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborn transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal will have an annual capacity of 115,000 TEUs, which is equivalent to 140,000 fewer truck trips on city roads each year. As of November 2, 2017, the construction of the terminal is on-going and is expected to be completed in the first quarter of 2018.

Lekki International Container Terminal Services LFTZ Enterprise, Nigeria. On August 10, 2012, ICTSI, through its wholly-owned subsidiary, Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE), and Lekki Port LFTZ Enterprise (Lekki Port, the Concessionaire) signed the Sub-concession Agreement (Agreement) that grants LICTSLE, as a sub-concessionaire, an exclusive right to develop and operate, and to provide handling equipment and container terminal services at the container terminal within Lekki Port located at Ibeju Lekki, Lagos State, Federal Republic of Nigeria for a period of 21 years. On May 17, 2017, ICTSI and Lekki Port have mutually agreed to terminate the Agreement subject to a payment by Lekki Port of an agreed amount. On May 23, 2017, ICTSI received the agreed amounts of US$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement, and US$7.5 million representing compensation of costs incurred by ICTSI in relation to the project recognized as "Other income" in the unaudited interim consolidated statement of income. The termination of the Agreement was finalized and deemed effective on May 24, 2017.

Motukea and Lae, Papua New Guinea. On July 28, 2017, ICTSI signed two 25-year agreements to operate the international ports in Motukea and Lae in PNG. The agreements were signed by ICTSI's PNG subsidiaries, Motukea International Limited (MITL) and South Pacific Container Terminal Limited (SPICTL), with the PNG state-owned enterprise, PNG Ports Corporation Limited (PNGPCL) for the operation, management and development of the two ports. The agreements and other related contracts will take effect after all the parties have complied with the agreed conditions precedent. ICTSI is expected to take over the two ports in the first quarter of 2018.

Manila North Harbor, Philippines. On September 21, 2017, the BOD of ICTSI granted the authority to acquire shares in MNHPI. On the same date, ICTSI signed a Share Purchase Agreement (SPA) with Petron Corporation for the acquisition of 10,449,000 MNHPI shares, representing 34.83% of the total issued and outstanding shares of MNHPI for a total consideration of Php1.75 billion. The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the Philippine Ports Authority. The SPA was completed on October 30, 2017.

Port of Tanjung Priok, Indonesia. On November 2, 2017, PT ICTSI Jasa Prima Tbk (IJP), an ICTSI subsidiary in Indonesia, signed a Conditional Share Purchase Agreement with PT Samudera Terminal Indonesia (STI) for the purchase of IJP's interest in PT Perusahaan Bongkar Muat Olah Jasa Anda (OJA), subject to certain conditions.

1.3 Subsidiaries and Joint Venture

				Percentage of Ownership			
	Place of	Nature of	Functional	December 31, 2016		**September 30, 2017**	
	Incorporation	Business	Currency	Direct	Indirect	**Direct**	**Indirect**
Subsidiaries:							
Asia							
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	**100.00**	**–**
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Mauritius Ltd.	Mauritius	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Aeolina Investments Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	**–**	**64.53**
IFEL	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**
NMCTS	Brunei	Port Management	Brunei Dollar	–	100.00	**–**	**100.00**

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership December 31, 2016 Direct	Indirect	**September 30, 2017 Direct**	**Indirect**
IJP and Subsidiaries	Indonesia	Maritime infrastructure and logistics	US Dollar	–	80.16	**–**	**80.16**
OJA	Indonesia	Port Management	US Dollar	–	80.16	**–**	**80.16**
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	**–**	**95.00**
PT Container Terminal Systems Solutions Indonesia	Indonesia	Software Developer	US Dollar	–	100.00	**–**	**100.00**
ICTSI (Hongkong) Limited (IHKL)	Hong Kong	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Yantai International Container Terminals, Limited (YICT)	China	Port Management	Renminbi	–	51.00	**–**	**51.00**
Pentland International Holdings, Ltd.	British Virgin Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Georgia Corp.	Cayman Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Global Procurement Ltd. (formerly ICTSI Poland)	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Honduras Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	–	100.00	**–**	**100.00**
International Container Terminal Services (India) Private Limited	India	Port Management	Indian Rupee	–	100.00	**–**	**100.00**
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	**–**	**95.00**
ICTSI Africa (Pty) Ltd. [i]	South Africa	Business Development Office (BDO)	South African Rand	–	100.00	**–**	**–**
Australian International Container Terminals Limited (AICTL) [a]	Australia	Port Management	Australian Dollar	–	70.00	**–**	**70.00**
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	**100.00**	**–**
Abbotsford Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	–	65.00	**–**	**65.00**
DIPSSCOR	Philippines	Port Management	Philippine Peso	–	96.95	**–**	**96.95**
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	**100.00**	**–**
IW Cargo Handlers, Inc.	Philippines	Port Equipment Rental	US Dollar	–	100.00	**–**	**100.00**
Container Terminal Systems Solutions Philippines, Inc.	Philippines	Software Developer	US Dollar	–	100.00	**–**	**100.00**
Bauan International Port, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
Prime Staffers and Selection Bureau, Inc. [a]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	**100.00**	**–**
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	–	**100.00**	**–**
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	–	**83.33**	**–**
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	**–**	**83.33**
Cordilla Properties Holdings Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
SCIPSI	Philippines	Port Management	Philippine Peso	35.70	14.38	**35.70**	**14.38**
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	–	**100.00**	**–**
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Icon Logistiek B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	**1.00**	**99.00**
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Treasury B.V. (ITBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Americas B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Africa B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Cameroon B.V. (formerly Global Procurement B.V.)	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CMSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Tecplata B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
SPIA Colombia B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
TSSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CGSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
SPIA Spain S.L.	Spain	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CGSA Transportadora S.L.	Spain	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Crixus Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
VICT	Australia	Port Management	US Dollar	–	100.00	**–**	**100.00**
Asia Pacific Port Holdings Private Ltd. (APPH)	Singapore	Holding Company	US Dollar	–	50.50	**–**	**50.50**
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
IOBV	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Asia Pacific Business Services, Inc.	Philippines	Business Process Outsourcing	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Operating Headquarters	Philippines	Regional Operating Headquarters	US Dollar	–	100.00	**–**	**100.00**
ICTSI Project Delivery Services Co. Pte. Ltd.	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	**–**	**100.00**
ICTSI QFC LLC	Qatar	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI South Asia Pte. Ltd.	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership December 31, 2016 Direct	Indirect	**September 30, 2017 Direct**	**Indirect**
Laguna Gateway Inland Container Terminal, Inc. (LGICT)	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
ICTSI Middle East DMCC	United Arab Emirates	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Global Cooperatief U.A.	The Netherlands	Holding Company	US Dollar	100.00	–	**100.00**	**–**
Consultports S.A. de C.V. [(b)]	Mexico	BDO	Mexican Peso	–	100.00	**–**	**100.00**
Asiastar Consultants Limited [(d)]	Hong Kong	Management Services	US Dollar	–	–	**–**	**100.00**
Intermodal Terminal Holdings, Inc. (ITH) [(e)]	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
CGT [(f)]	Philippines	Port Management	Philippine Peso	–	100.00	**–**	**100.00**
ICTSI Americas B.V. (Multinational Headquarters) [(h)]	Panama	BDO	US Dollar	–	–	**–**	**100.00**
ICTSI South Pacific Limited [(j)]	Papua New Guinea	Holding Company	Papua New Guinean Kina	–	–	**–**	**100.00**
MITL [(j)]	Papua New Guinea	Port Management	Papua New Guinean Kina	–	–	**–**	**100.00**
SPICTL [(j)]	Papua New Guinea	Port Management	Papua New Guinean Kina	–	–	**–**	**100.00**
Europe, Middle East and Africa (EMEA)							
Tartous International Container Terminal, Inc.	Syria	Port Management	US Dollar	100.00	–	**100.00**	**–**
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	**–**	**100.00**
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	**–**	**100.00**
Adriatic Gate Container Terminal (AGCT)	Croatia	Port Management	Euro	–	51.00	**–**	**51.00**
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	**–**	**100.00**
LICTSLE	Nigeria	Port Management	US Dollar	–	100.00	**–**	**100.00**
IDRC	DR Congo	Port Management	US Dollar	–	52.00	**–**	**52.00**
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	–	100.00	**–**	**100.00**
Americas							
Contecon Guayaquil, S.A. (CGSA) [(g)]	Ecuador	Port Management	US Dollar	51.00	49.00	**51.00**	**49.00**
Contecon Manzanillo S.A. (CMSA) [(c)]	Mexico	Port Management	US Dollar	1.00	99.00	**1.00**	**99.00**
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	**–**	**100.00**
ICTSI Oregon	U.S.A.	Port Management	US Dollar	–	100.00	**–**	**100.00**
C. Ultramar, S.A.	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Future Water, S.A.	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Kinston Enterprise, Inc.	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
International Ports of South America and Logistics SA	Uruguay	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Tecplata S.A. (Tecplata) [(a)]	Argentina	Port Management	US Dollar	–	100.00	**–**	**100.00**
Nuevos Puertos S. A.	Argentina	Holding Company	US Dollar	4.00	96.00	**4.00**	**96.00**
Operadora Portuaria Centroamericana, S.A. (OPC)	Honduras	Port Management	US Dollar	30.00	70.00	**30.00**	**70.00**
TMT	Mexico	Port Management	Mexican Peso	–	100.00	**–**	**100.00**
Joint Venture -							
Sociedad Puerto Industrial Aguadulce SA (SPIA)	Colombia	Port Management	US Dollar	–	46.30	**–**	**46.30**

(a) *Has not yet started commercial operations as at September 30, 2017*
(b) *Acquired in March 2016 for US$60.0 thousand. This was not accounted for as a business combination due to immateriality of amount involved.*
(c) *Changed its functional currency from Mexican Peso to US Dollar on July 1, 2016*
(d) *Established in May 2016*
(e) *Established in September 2016*
(f) *Established in November 2016*
(g) *In 2016, the Parent Company's shareholdings was diluted to 51% as a result of internal restructuring.*
(h) *Established in March 2017*
(i) *Deregistered in June 2017*
(j) *Establish in June 2017*

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements as at September 30, 2017 and for the three and nine months ended September 30, 2016 and 2017 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 unaudited interim condensed consolidated financial statements are presented in United States dollar (US dollar, USD or US$), the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand US dollar unit, except when otherwise indicated. Any discrepancies in the tables between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

2.2 Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2016.

3. Summary of Significant Accounting Policies

3.1 Basis of Consolidation

The unaudited interim condensed 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, DIPSSCOR, YICT, SCIPSI, RCBV, AGCT, IJP, OJA, ITBV, HIPS, APPH, IGFBV, IDRC and LGICT not held by the Group and are presented separately in the unaudited interim consolidated statement of income and the unaudited interim consolidated statement of comprehensive income, and interim 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 interim 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 unaudited interim consolidated statement of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to the unaudited interim 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 period or year using uniform accounting policies as those of the Parent Company.

Functional and Presentation Currency. The unaudited interim condensed 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 events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that 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 unaudited statements of income are translated at the Bloomberg weighted average daily exchange rates for the period. The exchange differences arising from the translation are taken directly to the unaudited interim consolidated statement of comprehensive income. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the unaudited interim consolidated statement of comprehensive income relating to that particular foreign operation is recognized in the unaudited interim consolidated statement of income.

The following rates of exchange have been adopted by the Group in translating foreign currency income statement and balance sheet items as at and for the nine months ended September 30:

	2016		**2017**	
	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of US dollar:				
Argentine peso (AR$)	15.31	14.56	**17.32**	**16.25**
Australian dollar (AUD)	1.30	1.35	**1.28**	**1.31**
Brazilian real (BRL or R$)	3.26	3.54	**3.16**	**3.17**
Brunei dollar (BND)	1.36	1.37	**1.36**	**1.39**
Chinese renminbi (RMB)	6.67	6.58	**6.65**	**6.80**
Colombian peso (COP)	2,882.06	3,062.24	**2,937.65**	**2,940.92**
Croatian kuna (HRK)	6.69	6.75	**6.34**	**6.70**
Euro (€)	0.89	0.90	**0.85**	**0.90**
Georgian lari (GEL)	2.34	2.32	**2.47**	**2.48**
Honduran lempira (HNL)	23.03	22.70	**23.39**	**23.47**
Hong Kong dollar (HKD)	7.76	7.76	**7.81**	**7.79**
Indian rupee (INR)	66.61	67.13	**65.28**	**65.26**
Indonesian rupiah (IDR)	13,042.00	13,322.00	**13,472.00**	**13,330.00**
Iraqi dinar (IQD)	1,194.74	1,193.14	**1,178.67**	**1,188.53**
Japanese yen (JPY)	101.35	108.50	**112.51**	**111.93**
Malagasy ariary (MGA)	3,128.00	3,153.50	**3,053.55**	**3,128.30**
Mexican peso (MXN)	19.39	18.30	**18.25**	**18.90**
Pakistani rupee (PKR or Rs.)	104.46	104.70	**105.39**	**104.99**
Philippine peso (₱)	48.50	46.95	**50.82**	**50.24**
Polish zloty (PLN)	3.82	3.90	**3.65**	**3.84**
Singaporean dollar (SGD)	1.36	1.37	**1.36**	**1.39**
South African rand (ZAR)	13.72	14.96	**13.56**	**13.21**

3.2 Changes in Accounting Policies

3.2.1 New and Amended Standards Adopted in 2017

The accounting policies adopted for the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2016 except that the Group has adopted the following new and amended standards starting January 1, 2017:

New Pronouncements	Impact on the Interim Condensed Consolidated Financial Statements
PFRS 12, *Clarification of the Scope of the Standard (Amendments)*	
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.	These amendments are not applicable to the Group since none of the entities within the Group has interest in a subsidiary, a joint venture or an associate that is classified (or included in a disposal group that is classified) as held for sale.
PAS 7, *Statement of Cash Flows, Disclosure Initiative (Amendments)*	
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.	The adoption of these amendments will result in additional disclosures in the 2017 annual consolidated financial statements.
PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)*	
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.	The adoption of these amendments has no significant impact on the interim condensed consolidated financial statements.
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.	

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

4. **Segment Information**

A segment is a distinguishable component of the Group that is engaged either in providing types of services (business segment) or in providing the services within a particular economic environment (geographic segment).

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

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI, LGICT and CGT in the Philippines; YICT in China; OJA, IJP and MTS in Indonesia; VICT in Australia; 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 interim 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 table below presents financial information on geographical segments as at December 31, 2016 (audited) and as at September 30, 2017 (unaudited) and for the three and nine months ended September 30, 2016 and 2017 (unaudited):

	2016							
	As at and for the Three Months Ended September 30				As at and for the Nine Months Ended September 30			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Volume [(a)]	1,129,277	290,595	750,687	2,170,559	3,364,342	823,003	2,247,847	6,435,192
Gross revenues	US$144,956	US$42,780	US$96,476	US$284,212	US$435,112	US$111,957	US$287,957	US$835,026
Capital expenditures [(b)]	82,639	24,653	17,100	124,392	177,947	69,263	50,729	297,939
Other information:								
Segment assets [(c)]	2,318,975	428,078	1,344,501	4,091,554	2,318,975	428,078	1,344,501	4,091,554
Segment liabilities [(d)]	1,815,467	76,849	420,039	2,312,355	1,815,467	76,849	420,039	2,312,355

	2017							
	As at and for the Three Months Ended September 30				**As at and for the Nine Months Ended September 30**			
	Asia	**EMEA**	**Americas**	**Consolidated**	**Asia**	**EMEA**	**Americas**	**Consolidated**
Volume [(a)]	**1,218,390**	**380,771**	**692,046**	**2,291,207**	**3,577,607**	**1,075,696**	**2,183,308**	**6,836,611**
Gross revenues	**US$147,444**	**US$68,962**	**US$98,147**	**US$314,553**	**US$435,072**	**US$178,848**	**US$304,349**	**US$918,269**
Capital expenditures [(b)]	**24,639**	**4,366**	**16,106**	**45,111**	**156,641**	**13,387**	**44,032**	**214,060**
Other information:								
Segment assets [(c)]	**2,407,895**	**431,614**	**1,355,262**	**4,194,771**	**2,407,895**	**431,614**	**1,355,262**	**4,194,771**
Segment liabilities [(d)]	**1,836,424**	**81,340**	**412,628**	**2,330,392**	**1,836,424**	**81,340**	**412,628**	**2,330,392**

[(a)] *Measured in 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 statement of cash flows.*

[(c)] *Segment assets do not include deferred tax assets amounting to US$90.6 million and US$86.9 million as at December 31, 2016 (audited) and September 30, 2017 (unaudited), respectively.*

[(d)] *Segment liabilities do not include income tax payable amounting to US$32.3 million and US$25.0 million and deferred tax liabilities amounting to US$71.4 million and US$68.6 million as at December 31, 2016 (audited) and September 30, 2017 (unaudited), 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 unaudited interim consolidated net income attributable to equity holders of the parent for the three and nine months ended September 30:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2017**	2016	**2017**
Net income attributable to equity holders of the parent	US$54,637	**US$45,680**	US$141,920	**US$149,316**
Non-controlling interests	3,567	**7,338**	8,893	**18,819**
Provision for income tax	11,407	**10,991**	49,539	**39,884**
Income before income tax	69,611	**64,009**	200,352	**208,019**
Add (deduct):				
Depreciation and amortization	36,630	**45,988**	109,839	**129,273**
Interest and other expenses [(a)]	33,785	**43,251**	104,539	**139,966**
Interest and other income [(b)]	(7,150)	**(8,103)**	(24,401)	**(42,401)**
EBITDA [(c)]	US$132,876	**US$145,145**	US$390,329	**US$434,857**

[(a)] *Interest and other expenses include the following as shown in the unaudited interim consolidated statement of income: foreign exchange loss; interest on concession rights payable; interest expense and financing charges on borrowings; equity in net loss of a joint venture; and other expenses.*

[(b)] *Interest and other income include the following as shown in the unaudited interim consolidated statement of income: 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 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 39.2% and 35.6% of the unaudited consolidated gross revenues from port operations for the three months ended September 30, 2016 and 2017, respectively, and 39.9% and 35.8% of the unaudited consolidated gross revenues from port operations for the nine months ended September 30, 2016 and 2017, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 60.8% and 64.4% of the unaudited consolidated gross revenues from port operations for the three months ended September 30, 2016 and 2017, respectively, and 60.1% and 64.2% of the unaudited consolidated gross revenues from port operations for the nine months ended September 30, 2016 and 2017, respectively.

5. Concession Rights and Concession Rights Payable

5.1 Concession Rights

Concession rights are presented as part of intangibles in the interim consolidated balance sheet. Concession rights include upfront fee payments recognized on the concession contracts, cost of port infrastructure constructed and port equipment purchased, and present value of future fixed fee considerations in exchange for the license or right to operate ports. Concession rights are amortized over the term of the concession agreements.

Additions to concession rights under port infrastructure mainly pertain to construction of various civil works and acquisitions of port facilities and equipment in ICTSI, ICTSI Iraq and OPC as at September 30, 2017.

Borrowing costs capitalized amounted to US$2.4 million for the nine months ended September 30, 2016 with capitalization rate of 6.43 percent and nil for the nine months ended September 30, 2017.

5.2 Concession Rights Payable

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 portion of port fees as at September 30, 2017 are as follows (amount in thousands):

	Amount
2017 [1]	US$3,528
2018	15,267
2019	16,584
2020	18,022
2021 onwards	429,370
Total	US$482,771

[1] *October 1, 2017 through December 31, 2017*

Total fixed portion of port fees paid by the Group for the three and nine months ended September 30, 2016 and 2017 amounted to US$11.9 million and US$11.7 million and US$35.7 million and US$34.8 million, respectively. These port fees are allocated to payments of interest and reduction to or payments of concession rights payable.

Interest expense on concession rights payable amounted to US$9.2 million and US$8.3 million and US$27.5 million and US$24.8 million for the three and nine months ended September 30, 2016 and 2017, respectively. The annualized weighted average interest rate was 7.28% and 6.85% as at September 30, 2016 and 2017, respectively.

Reduction to concession rights payable, shown as payments to concession rights in the unaudited interim consolidated statement of cash flows for the nine months ended September 30, 2016 and 2017 amounted to US$8.2 million and US$10.1 million, respectively.

6. Property and Equipment

Property and equipment increased due to construction of various civil works and acquisitions of terminal equipment in various ports, mainly in VICT as at September 30, 2017. There were no major disposals or write-downs of property and equipment for the nine months ended September 30, 2016 and 2017.

Borrowing costs capitalized amounted to US$16.3 million for the nine months ended September 30, 2016 with capitalization rate of 6.43 percent and US$8.6 million for the nine months ended September 30, 2017 with capitalization rates ranging from 5.79 to 6.73 percent. Borrowing costs capitalized in 2016 mainly pertains to VICT and IDRC which started construction in November 2014 and January 2015, respectively, while borrowing costs capitalized in 2017 pertains to VICT.

7. Other Noncurrent Assets

This account includes noncurrent portion of input tax, restricted cash, advances to suppliers and contractors, advanced rent and deposits, AFS investments, pension assets and others.

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

This account mainly pertains to ICTSI's investment in and advances to SPIA. This account increased in 2017 mainly due to additional interest-bearing loans extended to SPIA (see Note 16.1). The loans were used by SPIA to finance its start-up operations and the remaining construction of its terminal in Colombia.

9. Cash and Cash Equivalents

For the purpose of unaudited interim consolidated statements of cash flows, balances of cash and cash equivalents as at September 30 were as follows:

	2016 *(Unaudited)*	**2017** *(Unaudited)*
Cash on hand and in banks	US$144,065	**US$178,383**
Cash equivalents	82,661	**141,460**
	US$226,726	**US$319,843**

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.

10. Receivables

This account consists of:

	December 31, 2016 *(Audited)*	**September 30, 2017** *(Unaudited)*
Trade	US$93,477	**US$111,356**
Advances and nontrade	16,858	**11,489**
	110,335	**122,845**
Less allowance for doubtful accounts	7,405	**6,538**
	US$102,930	**US$116,307**

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.

11. **Prepaid Expenses and Other Current Assets**

This account includes input tax, tax credit certificates, creditable withholding taxes, and prepaid port fees, insurance, bonds and other expenses. This account increased in 2017 mainly because of income tax credit recognized by OPC in 2017 amounting to US$5.8 million. Tax credit certificates can be applied against certain future tax liabilities of the entities within the Group, as allowed by their respective tax authorities.

12. **Long-term Debt and Loans Payable**

12.1 Maturities of Long-term Debt

Maturities of long-term debt, net of unamortized debt issue costs, premium and discount of US$59.8 million, as at September 30, 2017 are as follows (amount in thousand):

	Amount
2017 (1)	US$4,118
2018	21,068
2019	36,695
2020	237,550
2021 and onwards	1,109,053
Total	US$1,408,484

(1) *October 1, 2017 through December 31, 2017*

12.2 US Dollar-denominated Revolving Credit Facility

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 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 2.94 percent per annum. In August, November and December 2016, IGFBV partially paid loans drawn in April and June 2016 totaling US$145.0 million. The remaining balance of US$15.0 million was fully paid on May 31, 2017.

The revolving credit facility was cancelled on June 8, 2017. As a result of the cancellation, the unamortized portion of the costs of securing the loan facility amounting to US$3.0 million was charged to profit or loss and recognized as “Other expenses” in the unaudited interim consolidated statement of income.

12.3 US Dollar-denominated Loans

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$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II matured in May 2017. The loans were fully drawn in 2016. Portion of the proceeds of these loans was used to refinance the unsecured US$ short-term and term-loan of CGSA amounting to US$9.2 million in April 2016. In 2017, CGSA has paid a total amount of US$5.7 million and US$3.0 million of the loan under Tranche I and II, respectively. The outstanding balance of the loan amounted to US$26.8 million as at September 30, 2017.

In 2017, BCT availed loans from its overdraft facility with HSBC Bank Polska S.A with interest based on prevailing market rate. The outstanding balance of the loan amounted to US$1.1 million as at September 30, 2017.

On March 30, 2017, CGSA availed one-year loans from Citibank, Banco Bolivariano and Banco Guayaquil totaling to US$8.5 million at prevailing market rates. The outstanding balance of the loan amounted to US$4.3 million as at September 30, 2017.

On May 15, 2017, ICTSI availed of short-term loans from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited, and Standard Chartered Bank totaling to US$55.0 million with interest based on prevailing market rate and maturity date of August 11, 2017. These loans were renewed to mature on November 9, 2017. As at September 30, 2017, the outstanding balance of the loan amounted to US$55.0 million.

On November 28, 2016, OPC availed of a US$15.0 million short-term loan from Metropolitan Bank and Trust Company. The loan bears interest at prevailing market rate and matures on November 23, 2017. On July 26, 2017, OPC prepaid the US$15.0 million short-term loan.

On July 11, 2017, OPC (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement amounting to US$77.0 million with floating interest rate and maturity date of July 2020. Proceeds of the loan was used to finance capital expenditures. As at September 30, 2017, OPC availed a total of US$16.5 million from the term loan facility.

12.4 Foreign Currency-denominated Loans

On July 15, 2016, VICT signed the syndicated project finance facilities 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 3.10 percent per annum and maturities until 2023, 2026 and 2031. In 2017, VICT availed additional loans from the facilities amounting to US$42.5 million (AUD55.0 million). As at September 30, 2017, the outstanding principal balance of the loans amounted to US$251.5 million (AUD321.0 million).

On December 5, 2016, YICT obtained a US$21.6 million (RMB150.0 million) short-term loan from Yantai Port Holdings (YPH) at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's loan with Agricultural Bank of China (ABC). On January 12 and March 1, 2017, YICT prepaid a total amount of US$3.0 million (RMB20.0 million) and the balance of US$18.9 million (RMB130.0 million) was renewed with an interest rate of 4.50 percent per annum and matured on April 30, 2017. On April 26, 2017, YICT obtained a US$21.8 million (RMB150.0 million) loan from ABC payable in installments with a final maturity on November 21, 2023 to refinance the maturing loan with YPH. Interest is based on the interest rate published by People's Bank of China (PBOC) less 5.00 percent of such base rate. The floating rate is subject to adjustment every twelve months. The outstanding balance of the loan amounted to US$15.0 million (RMB100.0 million) as at September 30, 2017.

12.5 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 comply with a specified financial ratio relating to their debt to EBITDA up to 4 times when incurring additional debt. As at September 30, 2017, ICTSI and subsidiaries are in compliance with their loan covenants.

Interest expense, net of amount capitalized as intangible assets and property and equipment, amounted to US$16.6 million and US$25.1 million and US$56.6 million and US$74.9 million for the three and nine months ended September 30, 2016 and 2017, respectively (see Notes 5 and 6). Interest expense includes amortization of debt issue costs amounting to US$1.4 million and US$1.6 million, and US$4.0 million and US$5.6 million for the three and nine months ended September 30, 2016 and 2017, respectively.

There was no material change in the covenants related to the Group's long-term debts. As at September 30, 2017, the Group has complied with its loan covenants.

There were no other significant transactions pertaining to the Group's long-term debt as at September 30, 2017, except as discussed above.

13. **Other Noncurrent Liabilities**

This account consists of:

	December 31, 2016	**September 30, 2017**
Accrued rental	US$64,576	**US$84,919**
Government grant	15,742	**13,917**
Pension liabilities	7,487	**9,107**
Finance lease payable	147	**814**
Others	2,893	**2,605**
	US$90,845	**US$111,362**

Accrued Rental

The accrued rental of VICT amounted to US$149.6 million (AUD207.5 million) as at December 31, 2016 and US$117.3 million (AUD149.8 million) as at September 30, 2017, calculated using the straight-line method from the inception of the contract in June 2014. The current portion of accrued rental amounting to US$85.0 million (AUD117.9 million) as at December 31, 2016 and US$32.4 million (AUD41.4 million) as at September 30, 2017 was classified as Trade payable under "Accounts payable and other current liabilities" (see Note 14).

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 2017, BCT did not avail any additional grant. As at September 30, 2017, BCT has availed a total of US$19.5 million of the EU Grant. The EU Grant is treated as deferred income and is amortized over the duration of the existing concession agreement ending on May 31, 2023. The unamortized deferred income from government grant amounted to US$15.7 million and US$13.9 million as at December 31, 2016 and September 30, 2017, respectively. Amortization of deferred income included under "Other income" account of the unaudited interim consolidated statements of income amounted to US$0.6 million both for the three months ended September 30, 2016 and 2017 and US$1.8 million both for the nine months ended September 30, 2016 and 2017.

14. **Accounts Payable and Other Current Liabilities**

This account includes trade payables, output and other taxes payables, accruals for interest, salaries and benefits and others, customers' deposits, provisions for claims and losses and other current liabilities. This account decreased in 2017 mainly due to payment of VICT's accrued rental amounting to US$89.3 million (AUD117.9 million) in January 2017 (see Note 13).

15. **Equity**

15.1 Stock Incentive Plan

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.

On March 14 and May 17, 2017, the Stock Incentive Committee granted 2,627,463 and 113,673 shares of stock awards, respectively, to officers and employees of ICTSI and ICTSI Ltd., including its regional operating headquarters. As of these dates of the grant, the fair values of the shares were US$1.57 (₱79.20) and US$2.00 (₱99.50), respectively. The fair value per share was determined based on the market price of stock at the date of grant.

As at September 30, 2017, there were 41,228,601 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as at September 30, 2017, 11,078,174 ICTSI common shares were held under treasury and allotted for the SIP.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US$0.7 million and US$1.0 million, and US$2.2 million and US$2.5 million for the three and nine months ended September 30, 2016 and 2017, respectively.

15.2 Dividends Declared

On April 20, 2017, the Board of ICTSI declared a US$0.05 (₱2.47) cash dividend per share to stockholders of record dated May 5, 2017 paid on May 17, 2017.

15.3 Cost of Shares Held by Subsidiaries

As at December 31, 2016 and September 30, 2017, ICTHI held 3,800,000 of ICTSI's preferred A shares while IWI held 734,970 common shares of ICTSI.

15.4 Treasury Shares

In 2016, the Company acquired 3,102,960 of its own common shares totaling US$4.0 million.

In 2017, the Company acquired 5,400,00 of its own common shares totaling US$9.6 million.

On September 8, 2017, the Board of Directors of ICTSI approved the sale of 10 million treasury shares. The approval of sale is in response to a reverse inquiry from an investor who expressed serious interest for a sizable ownership of the Company. The Company may use the proceeds in a number of its expansion and acquisition opportunities currently under review. On the same date, ICTSI's 10 million treasury shares were sold at US$2.07 (Php105.10) per share with net proceeds amounting to US$20.5 million. The said transaction resulted in the increase of US$9.5 million in additional paid-in capital and the reduction in treasury shares of US$11.1 million.

15.5 Other Comprehensive Loss

This account consists of:

	Cumulative Translation Adjustments	Mark-to-Market Gains (Losses) on Derivatives	Revaluation Increment	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Actuarial Gains on Defined Benefit Plans	Total Comprehensive Income (Loss)
Balance at January 1, 2016	(US$260,859)	(US$494)	US$610	US$1,126	US$981	(US$258,636)
Translation differences arising from translation of foreign operations' financial statements	5,083	–	–	–	–	5,083
Net change in actuarial gains on defined benefit plans	–	–	–	–	270	270
Net change in unrealized mark-to-market values of derivatives	–	(13,436)	–	–	–	(13,436)
Net change in unrealized mark-to-market values of AFS investments	–	–	–	177	–	177
Income tax relating to components of other comprehensive income	–	3,999	–	–	–	3,999
Balance at September 30, 2016	(US$255,776)	(US$9,931)	US$610	US$1,303	US$1,251	(US$262,543)

	Cumulative Translation Adjustments	Mark-to-Market Gains (Losses) on Derivatives	Revaluation Increment	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Actuarial Gains (Losses) on Defined Benefit Plans	Total Comprehensive Income (Loss)
Balance at January 1, 2017	**(US$291,425)**	**US$3,683**	**US$610**	**US$952**	**US$735**	**(US$285,445)**
Translation differences arising from translation of foreign operations' financial statements	**36,420**	**–**	**–**	**–**	**–**	**36,420**
Net change in actuarial losses on defined benefit plans	**–**	**–**	**–**	**–**	**(912)**	**(912)**
Net change in unrealized mark-to-market values of derivatives	**–**	**(4,010)**	**–**	**–**	**–**	**(4,010)**
Net change in unrealized mark-to-market values of AFS investments	**–**	**–**	**–**	**89**	**–**	**89**
Income tax relating to components of other comprehensive income	**856**	**–**	**–**	**–**	**–**	**856**
Balance at September 30, 2017	**(US$254,149)**	**(US$327)**	**US$610**	**US$1,041**	**(US$177)**	**(US$253,002)**

15.6 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.

Interest expense on Perpetual Capital Securities amounted to US$10.9 million and US$10.4 million and US$35.8 million and US$31.2 million for the three and nine months ended September 30, 2016 and 2017. However, the interest expense has not been recognized in the unaudited interim consolidated statements of income but instead directly charged against retained earnings since the Perpetual Capital Securities are presented as equity attributable to equity holders of the parent.

15.7 Non-controlling Interests

The dividends distributed to non-controlling shareholders for the nine months period ended September 30 are as follows (in thousands):

	2016	**2017**
PICT	US$9,298	**US$6,489**
AGCT	–	**959**
BIPI	847	**800**
SCIPSI	668	**397**
DIPSSCOR	32	**30**
	US$10,845	**US$8,675**

16. Related Party Transactions

16.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2016 Transaction Amount for the Three Months Ended September 30	2016 Transaction Amount for the Nine Months Ended September 30	2016 Outstanding Receivable (Payable) Balance Amount as at December 31	**2017** Transaction Amount for the Three Months Ended September 30	**2017** Transaction Amount for the Nine Months Ended September 30	**2017** Outstanding Receivable (Payable) Balance Amount as at September 30
					(In Millions)			
ICBV								
SPIA	Joint venture	Interest-bearing loans (see Note 8)	US$14.00	US$39.60	US$249.20	**US$5.70**	**US$25.40**	**US$274.60**
		Interest income (converted into interest-bearing loan) (see Note 8)	3.77	10.57	27.28	**4.60**	**13.20**	**40.48**
Parent Company								
YICT								
Yantai Port Group (YPG)	Common shareholder	Port fees (i)	0.61	1.90	(0.14)	**0.71**	**2.17**	**(0.48)**
		Trade transactions (ii)	0.39	1.37	(0.02)	**0.33**	**1.20**	**(0.03)**
YPH	Non-controlling shareholder	Port fees (i)	0.37	1.18	–	**0.33**	**0.96**	**–**
		Trade transactions (ii)	0.06	0.19	–	**0.06**	**0.19**	**–**
		Management fees (iii)	0.05	0.17	–	**0.05**	**0.16**	**–**
		Interest-bearing loans (iv)	–	–	(21.60)	**–**	**–**	**–**
		Interests on loans (iv)	–	–	(0.03)	**–**	**–**	**–**
DP World	Non-controlling shareholder	Management fees (iii)	0.04	0.13	–	**0.04**	**0.13**	**–**
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.04	0.14	(0.03)	**0.04**	**0.12**	**(0.01)**
AGCT								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services (v)	0.09	0.28	(0.02)	**0.06**	**0.18**	**(0.01)**

Related Party	Relationship	Nature of Transaction	2016 Transaction Amount for the Three Months Ended September 30	2016 Transaction Amount for the Nine Months Ended September 30	2016 Outstanding Receivable (Payable) Balance Amount as at December 31	**2017** Transaction Amount for the Three Months Ended September 30	**2017** Transaction Amount for the Nine Months Ended September 30	**2017** Outstanding Receivable (Payable) Balance Amount as at September 30
					(In Millions)			
PICT								
Premier Mercantile Services (Private) Limited	Common shareholder	Stevedoring and storage charges [vi]	1.41	3.95	(0.03)	**1.26**	**4.30**	**(0.01)**
		Container handling revenue [vii]	–	–	–	**0.01**	**0.03**	**0.01**
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue [vii]	0.13	0.42	0.03	**0.09**	**0.31**	**0.03**
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	–	0.01	–	–	–	–
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.12	0.35	(0.04)	**0.11**	**0.31**	**(0.05)**
		Maintenance and repairs	0.03	0.08	(0.02)	**0.03**	**0.10**	**(0.02)**
BIPI								
Atlantic, Gulf and Pacific Company of Manila Inc.	Common shareholder	Rent expense	–	0.05	(0.02)	**0.04**	**0.05**	**(0.05)**
		Rent income	–	–	–	**0.05**	**0.11**	**–**
		Utilities	–	0.02	–	**0.01**	**0.01**	**–**

(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 unaudited interim 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 unaudited interim 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 RMB4.5 million (US\$0.7 million) and RMB3.7 million (US\$0.5 million) for the period ended September 30, 2016 and 2017, respectively, allocated among the shareholders namely: ICTSI, DP World and YPH.

(iv) On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with Agricultural Bank of China (ABC). On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of April 30, 2017. The remaining loan from YPH was fully paid upon the availment of a long-term loan from ABC on April 26, 2017.

(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 unaudited interim 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) Premier Mercantile Services (Private) Limited, Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.

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

16.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of the following for the nine months ended September 30 (amount in thousands):

	2016	**2017**
Short-term employee benefits	US\$937	**US\$1,179**
Share-based payments	1,419	**924**
Post-employment pension	24	**22**
Total compensation to key management personnel	US\$2,380	**US\$2,125**

17. **Earnings Per Share Computation**

The table below shows the computation of basic and diluted earnings per share for the three and nine months ended September 30 (amounts are in thousands, except number of shares and per share data):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2017**	2016	**2017**
Net income attributable to equity holders of the parent	US$54,637	**US$45,680**	US$141,920	**US$149,316**
Adjustment for the effect of cumulative distributions on subordinated perpetual capital securities (see Note 15.6)	(10,875)	**(10,395)**	(35,775)	**(31,184)**
Net income attributable to equity holders of the parent, as adjusted (a)	US$43,762	**US$35,285**	US$106,145	**US$118,132**
Common shares outstanding at beginning of year	2,045,177,671	**2,045,177,671**	2,045,177,671	**2,045,177,671**
Weighted average treasury shares	(11,638,223)	**(17,628,017)**	(11,638,223)	**(17,628,017)**
Weighted average shares held by a subsidiary	(734,970)	**(734,970)**	(734,970)	**(734,970)**
Weighted average common shares issued during the period	–	–	–	–
Weighted average shares outstanding (b)	2,032,804,478	**2,026,814,684**	2,032,804,478	**2,026,814,684**
Effect of dilutive stock awards	12,065,581	**11,078,174**	12,065,581	**11,078,174**
Weighted average shares outstanding adjusted for potential common shares (c)	2,044,870,059	**2,037,892,858**	2,044,870,059	**2,037,892,858**
Basic earnings per share (a/b)	US$0.022	**US$0.017**	US$0.052	**US$0.058**
Diluted earnings per share (a/c)	US$0.021	**US$0.017**	US$0.052	**US$0.058**

18. **Contingencies**

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. 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 the existing legal actions and proceedings, if any, will not have a material adverse impact on the Group's unaudited interim condensed consolidated financial position and results of operations.

19. **Financial Instruments**

19.1 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:

	December 31, 2016		**September 30, 2017**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Financial Liabilities				
Other financial liabilities:				
Long-term debt	US$1,344,766	US$1,429,710	**US$1,408,484**	**US$1,529,253**
Concession rights payable	490,462	548,769	**482,771**	**534,249**
	US$1,835,228	US$1,978,479	**US$1,891,255**	**US$2,063,502**

Carrying values of cash and cash equivalents, receivables, accounts payable and other current liabilities and loans payable approximate their fair values due to the short-term nature of the transactions.

The fair value of quoted AFS equity shares is based on quoted prices. For unquoted equity securities, the fair values are not reasonably determinable due to unavailability of required information for valuation. These are presented based on cost less allowance for impairment losses. The unquoted equity securities pertain mainly to investments in golf clubs whose securities are not quoted and holding company whose shares are not publicly listed.

The fair values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 1.23 percent to 12.63 percent as at December 31, 2016 and 1.40 percent to 12.16 percent as at September 30, 2017.

For variable interest-bearing loans repriced monthly or quarterly, the carrying amount approximates the fair value due to the regular repricing of interest rates.

19.2 Fair Value Hierarchy

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

	December 31, 2016			
	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:				
Derivative assets	US$7,210	US$−	US$7,210	US$−
Derivative liabilities	1,975	−	1,975	−
AFS investments	1,513	1,513	−	−
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,429,710	1,018,582	−	411,128
Concession rights payable	548,769	−	−	548,769

	September 30, 2017			
	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:				
Derivative assets	**US$6,181**	**US$−**	**US$6,181**	**US$−**
Derivative liabilities	**4,898**	**−**	**4,898**	**−**
AFS investments	**2,297**	**2,297**	**−**	**−**
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	**1,529,253**	**1,052,517**	**−**	**476,736**
Concession rights payable	**534,249**	**−**	**−**	**534,249**

In 2016 and 2017, there were no transfers between *Level 1* and *Level 2* fair value measurements and no transfers into and out of *Level 3* fair value measurements.

19.3 Derivative Instruments

Interest Rate Swaps. 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. As at September 30, 2017, the market valuation loss on the outstanding interest rate swap amounted to EUR0.5 million (US$0.4 million). The effective portion of the fair value of the interest rate swap amounting to EUR0.4 million (US$0.3 million), net of EUR0.1 million (US$0.1 million) deferred tax for the nine months period ended September 30, 2017, was taken to equity under other comprehensive loss.

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 September 30, 2017, the net market valuation loss on the outstanding interest rate swaps amounted to US$2.6 million. The effective portion of the fair value of the interest rate swap amounting to US$1.8 million, net of US$0.8 million deferred tax, for the nine months period ended September 30, 2017, was taken to equity under other comprehensive loss.

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 at September 30, 2017, the market valuation gain on the outstanding interest rate swaps amounted to AUD7.7 million (US$6.0 million). The effective portion of the fair value of the interest rate swap amounting to AUD5.0 million (US$4.0 million), net of AUD2.7 million (US$2.0 million) deferred tax, for the nine months period ended September 30, 2017, was taken to equity under other comprehensive loss.

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 September 30, 2017, the market valuation gain on the outstanding interest rate swaps amounted to US$144.8 thousand. The effective portion of the fair value of the interest rate swap amounting to US$101.4 thousand, net of US$43.4 thousand deferred tax, for the nine months period ended September 30, 2017, was taken to equity under other comprehensive loss.

Net Investment Hedging. In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375% maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05% with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group's Euro net investment in its subsidiary in Madagascar, MICTSL. As of September 30, 2017, the market valuation loss on the outstanding cross currency swap amounted to EUR2.2 million (US$1.9 million). The effective portion of the fair value of the cross currency swap amounting to EUR1.5 million (US$1.3 million), net of EUR0.7 million (US$0.6 million) deferred tax, for the nine months period ended September 30, 2017, was taken to equity under other comprehensive loss.

20. Trends, Events, or Uncertainties Affecting Recurring Revenues and Profit

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 real, Mexican peso and the Euro, may have a negative impact on the Group's reported levels of revenues and profits.

Item 2. 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 unaudited interim consolidated financial statements and related notes. References to "ICTSI", "the Company", and "Parent Company" pertain to ICTSI Parent Company, while references to "the Group" pertain to ICTSI and its subsidiaries.

2.1 Overview

The Group is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 2,500,000 twenty-foot equivalent units (TEUs). It also handles break bulk cargoes (BBC) and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing, and services for refrigerated containers or reefers. As of report date, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. There are 27 operating terminals in nine key ports, including the recent acquisition of 34.83% stake in Manila North Harbor Philippines, Inc. (MNHPI) effective October 30, 2017, and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico, Iraq, Argentina, DR Congo, Colombia and Australia; an acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico; and recently a project to construct a barge terminal in Cavite, Philippines; and agreements to operate the international ports in Motukea and Lae in Papua New Guinea. The project in Cavite is expected to be completed in the first quarter of 2018. The Group is expected to take over the Papua New Guinea ports in the first quarter of 2018.

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

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

- Asia
  - Manila - Manila International Container Terminal, Port of Manila, Philippines (MICT)
  - Zambales - New Container Terminal (NCT) 1 and 2, Subic Bay Freeport Zone, Olongapo City, Philippines (SBITC/ICTSI Subic)
  - Batangas - Bauan Terminal, Bauan, Philippines (BIPI)
  - Laguna - Laguna Gateway Inland Container Terminal, Calamba City, Laguna, Philippines (LGICT)
  - Cavite – Cavite Gateway Terminal, Tanza, Cavite, Philippines (CGT)
  - Davao - Sasa Wharf, Port of Davao (DIPSSCOR) and Hijo International Port, Davao del Norte, Philippines (HIPS)
  - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
  - Misamis Oriental - Phividec Industrial Estate, Tagaloan, Philippines (MICTSI)
  - Manila - Manila North Harbor Philippines, Inc., North Harbor, Manila, Philippines (MNHPI)
  - Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) and Port of Tanjung Priok, Jakarta, Indonesia (OJA)
  - China - Yantai International Container Terminal, Port of Yantai, Shandong Province, China (YICT)
  - Pakistan - Port of Karachi, Karachi, Pakistan (PICT)
  - Australia - Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia (VICT)

- o Papua New Guinea - Port Motukea International Terminal Limited (MITL) and South Pacific International Container Terminal Limited (SPICTL)

- ▪ EMEA
  - o Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
  - o Georgia - Port of Batumi, Batumi, Georgia (BICT)
  - o Croatia - Brajdica Container Terminal, Rijeka, Croatia (AGCT)
  - o Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
  - o DR Congo - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
  - o Iraq - Port of Umm Qasr, Iraq (ICTSI Iraq)

- ▪ Americas
  - o Brazil - Suape Container Terminal, Suape, Brazil (TSSA)
  - o Ecuador - Port of Guayaquil, Guayaquil, Ecuador (CGSA)
  - o Argentina - Port of La Plata, Buenos Aires Province, Argentina (TECPLATA)
  - o Mexico - Port of Manzanillo, Manzanillo, Mexico (CMSA) and Port of Tuxpan, Mexico (TMT)
  - o Colombia - Port of Buenaventura, Buenaventura, Colombia (SPIA)
  - o Honduras - Puerto Cortés, Republic of Honduras (OPC)

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

Manila North Harbor Philippines, Inc. On September 21, 2017, the BOD of ICTSI granted the authority to acquire shares in MNHPI. On the same date, ICTSI signed a Share Purchase Agreement (SPA) with Petron Corporation for the acquisition of 10,449,000 MNHPI shares, representing 34.83% of the total issued and outstanding shares of MNHPI for a total consideration of Php1.75 billion. The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the Philippine Ports Authority. The SPA was completed on October 30, 2017.

Port Motukea International Terminal Limited (MITL) and South Pacific International Container Terminal Limited (SPICTL). On July 28, 2017, ICTSI through its wholly-owned subsidiaries, Motukea International Terminal Limited (MITL) and South Pacific International Container Terminal Limited (SPICTL), signed two 25-year agreements with PNG Ports Corporation Limited (PNGPCL) for the operation, management and development of the international ports in Motukea and Lae in Papua New Guinea. The agreements and other related contracts will take effect after all the parties have complied with the agreed conditions precedent. The Group is expected to take over the Papua New Guinea ports in the first quarter of 2018.

Cavite Gateway Terminal, Philippines. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, Cavite Gateway Terminal (CGT), in partnership with the Philippine Department of Transportation, launched the country's first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborn transport of containers between Port of Manila and Cavite; and service industrial locators in Cavite area. CGT's barge terminal features an annual capacity of 115,000 TEUs. As of report date, the construction of the terminal is on-going and is expected to be completed in the first quarter of 2018.

Port of Umm Qasr, Iraq. On March 1, 2016, ICTSI, through ICTSI Dubai, was granted by General Company for Ports of Iraq (GCPI) the right to manage and operate an additional existing quay (Berth 19) for a total of 13 years, with the first three years for the completion of rehabilitation works. On the same date, the original term for the management and operation of Berth 20 was extended from 10 to 13 years. On March 26, 2017, ICTSI, through ICTSI Dubai, was further granted the right to manage and operate Berth 21 co-terminus with Berths 19 and 20. On the same date, the term for the management and operation of Berth 19 and 20 was further extended from 13 to 21 years. The rehabilitation works for Berth 21 are on-going and it is expected to operate in the last quarter of 2017.

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

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 report date, management is currently working on a development plan on TMT.

<u>Extension of Contracts</u>
Davao Sasa Port, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Since April 2016, the local office of the Philippine Ports Authority in Davao City has granted DIPSSCOR a series of hold-over authorities for a period ranging from six months to one year. As of report date, the latest hold-over authority was extended by the PPA office in Davao City until February 25, 2018, or upon award of the Terminal Management contract to the winning bidder in a public bidding, whichever comes first.

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.

<u>Termination of Contracts</u>
Port of Tanjung Priok, Indonesia. On November 2, 2017, PT ICTSI Jasa Prima Tbk (IJP), an ICTSI subsidiary in Indonesia, signed a Conditional Share Purchase Agreement with PT Samudera Terminal Indonesia (STI) for the purchase of IJP's interest in PT Perusahaan Bongkar Muat Olah Jasa Anda (OJA), subject to certain conditions.

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

Port of Portland, Oregon, U.S.A. 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, ICTSI Oregon paid US$11.45 million in cash compensation and transferred container handling equipment including spare parts and tools to the Port of Portland in March 2017.

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.

Muara Container Terminal, Brunei Darussalam. The Agreement with the Brunei Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam which was expiring on May 20, 2017 was no longer renewed and ended effective February 21, 2017.

2.2 Results of Operations and Key Performance Indicators

2.2.1 Results of Operations

The following table shows a summary of the results of operations for the third quarter and nine months ended September 30, 2017 as compared with the same period in 2016 as derived from the accompanying unaudited interim consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change	2016	**2017**	% Change
Gross revenues from port operations	US$284,212	**US$314,553**	10.7	US$835,026	**US$918,269**	10.0
Revenues from port operations, net of port authorities' share	238,748	**266,861**	11.8	700,427	**778,288**	11.1
Total income (net revenues, interest and other income)	245,898	**274,964**	11.8	724,828	**820,689**	13.2
Total expenses (operating, financing and other expenses)	176,287	**210,955**	19.7	524,476	**612,670**	16.8
EBITDA[1]	132,876	**145,145**	9.2	390,329	**434,857**	11.4
EBIT[2]	96,246	**99,157**	3.0	280,490	**305,584**	8.9
Net income attributable to equity holders of the parent	54,637	**45,680**	(16.4)	141,920	**149,316**	5.2
Earnings per share						
Basic	US$0.022	**US$0.017**	(19.1)	US$0.052	**US$0.058**	11.6
Diluted	0.021	**0.017**	(19.1)	0.052	**0.058**	11.7

[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 unaudited interim consolidated net income attributable to equity holders of the parent for the third quarter and nine months ended September 30, 2017 as compared with the same period in 2016:

Table 2.2 EBITDA Computation

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change	2016	**2017**	% Change
Net income attributable to equity holders of the parent	US$54,637	**US$45,680**	(16.4)	US$141,920	**US$149,316**	5.2
Minority interests	3,567	**7,338**	105.7	8,893	**18,819**	111.6
Provision for income tax	11,407	**10,991**	(3.6)	49,539	**39,884**	(19.5)
Income before income tax	69,611	**64,009**	(8.0)	200,352	**208,019**	3.8
Add (deduct):						
Depreciation and amortization	36,630	**45,988**	25.5	109,839	**129,273**	17.7
Interest and other expenses	33,785	**43,251**	28.0	104,539	**139,966**	33.9
Interest and other income	(7,150)	**(8,103)**	13.3	(24,401)	**(42,401)**	73.8
EBITDA	US$132,876	**US$145,145**	9.2	US$390,329	**US$434,857**	11.4

2.2.2 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 TEU volume growth and gross revenue growth, which are both financial in nature. These KPIs are discussed in detail in the succeeding paragraphs.

2017 Compared with 2016

Gross moves per hour per crane ranged from 19.1 to 32.5 moves per hour in 2016 to 18.0 to 31.8 moves per hour in 2017. Crane availability ranged from 85.9 percent to 99.2 percent in 2016 to 87.0 percent to 99.3 percent in 2017. Berth utilization was at 16.0 percent to 86.7 percent in 2016 and 13.0 percent to 91.3 percent in 2017.

2016 Compared with 2015

Gross moves per hour per crane ranged from 17.3 to 29.4 moves per hour in 2015 to 19.1 to 32.5 moves per hour in 2016. Crane availability ranged from 90.6 percent to 99.2 percent in 2015 to 85.9 percent to 99.2 percent in 2016. Berth utilization was at 20.0 percent to 70.6 percent in 2015 and 16.0 percent to 86.7 percent in 2016.

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

2.3 Comparison of Operating Results for the Third Quarters Ended September 30, 2017 and 2016

2.3.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the third quarters ended September 30, 2016 and 2017:

Table 2.3 Volume

	For the Three Months Ended September 30		
	2016	**2017**	% Change
Asia	1,129,277	**1,218,390**	7.9
Americas	750,687	**692,046**	(7.8)
EMEA	290,595	**380,771**	31.0
	2,170,559	**2,291,207**	5.6

The Group's consolidated volume increased by 5.6 percent from 2,170,559 TEUs for the third quarter of 2016 to 2,291,207 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities and continuous volume ramp-up at certain terminals; and contribution of new terminals, IDRC and VICT. Excluding new terminals, consolidated volume would have increased by 3.4 percent in 2017.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia, Pakistan and Australia increased by 7.9 percent from 1,129,277 TEUs for the third quarter of 2016 to 1,218,390 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities at most of the Philippine Terminals and YICT; and contribution of a new terminal, VICT, tapered by lower trade volumes and transshipments at PICT. Excluding VICT, volume from Asia operations would have increased by 4.9 percent in 2017. The Asia operations accounted for 52.0 percent and 53.2 percent of the consolidated volume for the third quarters ended September 30, 2016 and 2017, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras and Mexico, decreased by 7.8 percent from 750,687 TEUs for the third quarter of 2016 to 692,046 TEUs for the same period in 2017 mainly due to reduced vessel calls and lower transshipments at CGSA, tapered by increased trade volumes and new services at CMSA; and marginal economic recovery and improvement in trade activities at TSSA. The Americas operations accounted for 34.6 percent and 30.2 percent of the consolidated volume for the third quarters ended September 30, 2016 and 2017, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Georgia, Madagascar and Croatia, reported a 31.0 percent growth from 290,595 TEUs for the third quarter of 2016 to 380,771 TEUs for the same period in 2017 mainly due to continuous growth and ramp-up at ICTSI Iraq; continuous improvement in trade activities in the region resulting to double-digit growth at all EMEA terminals; and contribution of a new terminal, IDRC. Excluding IDRC, volume from EMEA operations would have increased by 27.4 percent in 2017. The EMEA operations accounted for 13.4 percent and 16.6 percent of the Group's consolidated volume for the third quarters ended September 30, 2016 and 2017, respectively.

2.3.2 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 third quarters ended September 30, 2016 and 2017:

Table 2.4 Total Income

	For the Three Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Gross revenues from port operations	US$284,212	**US$314,553**	10.7
Port authorities' share in gross revenues	45,464	**47,692**	4.9
Net revenues	238,748	**266,861**	11.8
Interest income	4,743	**5,868**	23.7
Foreign exchange gain	505	**239**	(52.7)
Other income	1,902	**1,996**	4.9
Total income	US$245,898	**US$274,964**	11.8

For the third quarter of 2017, net revenues stood at 97.1 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 2.1 percent, 0.1 percent and 0.7 percent, respectively. For the same period in 2016, net revenues stood at 97.1 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.9 percent, 0.2 percent and 0.8 percent, respectively.

2.3.2.1 Gross Revenues from Port Operations

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

Table 2.5 Gross Revenues from Port Operations

	For the Three Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Asia	US$144,956	**US$147,444**	1.7
Americas	96,476	**98,147**	1.7
EMEA	42,780	**68,962**	61.2
	US$284,212	**US$314,553**	10.7

The Group's consolidated gross revenues from port operations increased by 10.7 percent from US$284.2 million for the third quarter of 2016 to US$314.6 million for the same period in 2017 mainly due to volume growth and tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and contribution of new terminals, IDRC and VICT. Excluding new terminals, consolidated gross revenues would have increased by 6.4 percent in 2017.

Gross revenues from the Asia segment increased by 1.7 percent from US$145.0 million for the third quarter of 2016 to US$147.4 million for the same period in 2017 mainly due volume growth at most of the Philippine terminals and YICT; and contribution of a new terminal, VICT, tapered by lower trade volumes at PICT; lower storage revenues; termination of management contract at NMCTS and unfavorable translation impact of the depreciation of Philippine peso (PHP)-based revenues at Philippine terminals. Excluding VICT and the translation depreciation impact of the Philippine peso, gross revenues from Asia operations would have increased by 2.5 percent in 2017. The Asia operations captured 51.0 percent and 46.9 percent of the consolidated gross revenues for the third quarters ended September 30, 2016 and 2017, respectively.

Gross revenues from the Americas segment increased by 1.7 percent from US$96.5 million for the third quarter of 2016 to US$98.1 million for the same period in 2017 mainly due to volume growth at CMSA; improvement in trade activities combined with favorable translation impact of the appreciation of Brazilian Reais (BRL) at TSSA; and tariff rate adjustments at CGSA, tapered by decreased vessel calls at CGSA. The Americas operations accounted for 33.9 percent and 31.2 percent of the consolidated gross revenues for the third quarters ended September 30, 2016 and 2017, respectively.

Gross revenues from the EMEA segment grew by 61.2 percent from US$42.8 million for the third quarter of 2016 to US$69.0 million for the same period in 2017 primarily due to continuous growth and ramp-up at ICTSI Iraq; continuous improvement in trade activities at MICTSL and AGCT; and contribution of a new terminal, IDRC. Excluding IDRC, gross revenues from EMEA operations would have increased by 47.7 percent in 2017. The EMEA operations stood at 15.1 percent and 21.9 percent of the consolidated gross revenues for the third quarters ended September 30, 2016 and 2017, respectively.

2.3.2.2 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 4.9 percent from US$45.5 million for the third quarter ended September 30, 2016 to US$47.7 million for the same period in 2017 as a result of higher revenues at these terminals.

2.3.2.3 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 23.7 percent from US$4.7 million for the third quarter of 2016 to US$5.9 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased by 52.7 percent from US$0.5 million for the third quarter of 2016 to US$0.2 million for the same period in 2017 mainly due to the unfavorable 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 by 4.9 percent from US$1.9 million for the third quarter of 2016 to US$2.0 million for the same period in 2017 mainly due to higher gain from disposal of fixed assets. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

2.3.3 Total Expenses

The table below shows the breakdown of total expenses for the third quarters ended September 30, 2016 and 2017.

Table 2.6 Total Expenses

	For the Three Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Manpower costs	US$48,106	**US$52,126**	8.4
Equipment and facilities-related expenses	30,368	**43,366**	42.8
Administrative and other operating expenses	27,398	**26,224**	(4.3)
Total cash operating expenses	105,872	**121,716**	15.0
Depreciation and amortization	36,630	**45,988**	25.5
Interest expense and financing charges on borrowings	16,649	**25,081**	50.6
Interest expense on concession rights payable	9,175	**8,298**	(9.6)
Equity in net loss of a joint venture	1,455	**6,896**	374.0
Foreign exchange loss and others	6,506	**2,976**	(54.3)
Total expenses	US$176,287	**US$210,955**	19.7

Total cash operating expenses of the Group increased by 15.0 percent from US$105.9 million for the third quarter ended September 30, 2016 to US$121.7 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; increase in fuel prices and power tariff rate adjustments at certain terminals; unfavorable translation impact of BRL at TSSA, tapered by cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals. Excluding new terminals, consolidated cash operating expenses would have decreased by 0.2 percent in 2017.

2.3.3.1 Manpower Costs

Manpower costs increased by 8.4 percent from US$48.1 million for the third quarter of 2016 to US$52.1 million for the same period in 2017 primarily due to cost contribution of new terminals, IDRC and VICT; government-mandated and contracted salary rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA; partially tapered by manpower cost optimization measures implemented; and favorable translation impact of PHP-based costs at Philippine terminals. Excluding new terminals, consolidated manpower costs would have increased marginally by 0.9 percent in 2017.

Manpower costs accounted for 45.4 percent and 42.8 percent of consolidated cash operating expenses for the third quarters ended September 30, 2016 and 2017, respectively.

2.3.3.2 Equipment and Facilities-Related Expenses

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

Equipment and facilities-related expenses increased by 42.8 percent from US$30.4 million for the third quarter of 2016 to US$43.4 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; recognition of fixed port lease expense at VICT; increased fuel prices at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cancellation of port lease at ICTSI Oregon as a result of pre-termination of lease agreement in March 2017; and favorable translation impact of PHP-based expenses at Philippine terminals. Excluding new terminals, consolidated equipment and facilities-related expenses would have increased by 3.3 percent in 2017.

Equipment and facilities-related expenses represented 28.7 percent and 35.6 percent of consolidated cash operating expenses for the third quarters ended September 30, 2016 and 2017, respectively.

2.3.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by 4.3 percent from US$27.4 million for the third quarter of 2016 to US$26.2 million for the same period in 2017 mainly due to decrease in insurance costs, taxes and licenses, travel and other office expenses in relation to cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals, tapered by cost contribution of new terminals; increase in professional fees; and unfavorable translation impact of BRL at TSSA. Excluding new terminals, consolidated administrative and other operating expenses would have decreased by 6.2 percent in 2017

Administrative and other operating expenses stood at 25.9 percent and 21.6 percent of consolidated cash operating expenses for the third quarters ended September 30, 2016 and 2017, respectively.

2.3.3.4 Depreciation and Amortization

Depreciation and amortization expense increased by 25.5 percent from US$36.6 million for the third quarter of 2016 to US$46.0 million for the same period in 2017 mainly due to higher depreciation arising from the depreciation of port facilities and equipment at IDRC and VICT; and expansion projects at ICTSI Iraq.

2.3.3.5 Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 50.6 percent from US$16.6 million for the third quarter of 2016 to US$25.1 million for the same period in 2017 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets recognized in 2017 as the Group completed the construction of port facilities at Phase 1 of VICT, ICTSI Iraq and IDRC. Capitalized borrowing costs on qualifying assets amounted to US$8.2 million in 2016 at a capitalization rate of 6.4 percent and US$1.3 million in 2017 at a capitalized rate ranging from 5.8 percent to 6.7 percent.

2.3.3.6 Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased by 9.6 percent from US$9.2 million for the third quarter of 2016 to US$8.3 million for the same period in 2017 mainly due to reduction of fixed port fees at OPC.

2.3.3.7 Equity in Net Loss of A Joint Venture

Equity in net loss of a joint venture increased from US$1.5 million in the third quarter of 2016 to US$6.9 million for the same period in 2017 due to the increase in the Company's share in net loss at SPIA arising from start-up costs upon start of operations in January 2017.

2.3.3.8 Foreign Exchange Loss and Others

Foreign exchange loss and others decreased from US$6.5 million for the third quarter of 2016 to US$3.0 million for the same period in 2017 primarily due to the recognition of one-time solidarity contribution tax and provision for claims at CGSA in 2016; and lower foreign exchange loss arising from favorable translation impact of certain currencies against US dollar in 2017. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

2.3.4 EBITDA and EBIT

Consolidated EBITDA increased by 9.2 percent from US$132.9 million for the third quarter of 2016 to US$145.1 million for the same period in 2017 primarily due to strong revenue combined with cost optimization measures implemented; and positive contribution of a new terminal, IDRC, tapered by start-up costs and fixed port lease expense at VICT. Excluding the new terminals, consolidated EBITDA would have increased by 12.0 percent in 2017. EBITDA margin slightly decreased from 46.8 percent in 2016 to 46.1 percent in 2017.

Meanwhile, consolidated EBIT increased by 3.0 percent from US$96.2 million for the third quarter of 2016 to US$99.2 million for the same period in 2017 mainly due to stronger EBITDA. EBIT margin decreased from 33.9 percent in 2016 to 31.5 percent in 2017.

2.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax decreased by 8.0 percent from US$69.6 million for the quarter ended September 30, 2016 to US$64.0 million for the same period in 2017 primarily due to higher depreciation charges; higher interest and financing charges; and increase in equity in net loss of a joint venture, tapered by strong operating income. Excluding new terminals, consolidated income before income tax would have increased by 20.0 percent in 2017. The ratio of income before income tax to consolidated gross revenues stood at 24.5 percent and 20.3 percent in 2016 and 2017, respectively.

Consolidated provision for current and deferred income taxes decreased by 3.6 percent from US$11.4 million for the third quarter of 2016 to US$11.0 million for the same period in 2017 mainly due to income tax exemption at OPC which was finalized in the first quarter of 2017, tapered by higher taxable income at most of the terminals. Effective income tax rate in 2016 and 2017 stood at 16.4 percent and 17.2 percent, respectively.

2.3.6 Net Income

Consolidated net income decreased by 8.9 percent from US$58.2 million for the quarter ended September 30, 2016 to US$53.0 million for the same period in 2017. Excluding new terminals, consolidated net income would have increased by 14.6 percent in 2017. The ratio of consolidated net income to gross revenues stood at 20.5 percent and 16.9 percent in 2016 and 2017, respectively.

Consolidated net income attributable to equity holders decreased by 16.4 percent from US$54.6 million for the quarter ended September 30, 2016 to US$45.7 million for the same period in 2017. Excluding new terminals, consolidated net income attributable to equity holders would have increased by 14.5 percent in 2017.

Basic earnings per share decreased from US$0.022 during the three months ended September 30, 2016 to US$0.017 for the same period in 2017 while diluted earnings per share decreased from US$0.021 during the three months ended September 30, 2016 to US$0.017 for the same period in 2017.

2.4 Comparison of Operating Results for the Nine Months Ended September 30, 2017 and 2016

2.4.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the nine months ended September 30, 2016 and 2017:

Table 2.7 Volume

	For the Nine Months Ended September 30		
	2016	**2017**	% Change
Asia	3,364,342	**3,577,607**	6.3
Americas	2,247,847	**2,183,308**	(2.9)
EMEA	823,003	**1,075,696**	30.7
	6,435,192	**6,836,611**	6.2

Consolidated volume handled by the Group increased by 6.2 percent from 6,435,192 TEUs for the first nine months of 2016 to 6,836,611 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities and continuous volume ramp-up at several terminals; and contribution of new terminals, IDRC and VICT. Excluding new terminals, consolidated volume would have increased by 4.6 percent in 2017.

Volume from the Asia segment increased by 6.3 percent from 3,364,342 TEUs for the first nine months of 2016 to 3,577,607 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities at most of the Philippine terminals and YICT; increased vessel calls at OJA and contribution of a new terminal, VICT, tapered by lower trade volumes and transshipments at PICT. Excluding VICT, volume from Asia operations would have increased by 4.6 percent in 2017. The Asia operations accounted for 52.3 percent of the consolidated volume for the nine months ended September 30, 2016 and 2017.

Volume from the Americas segment decreased by 2.9 percent from 2,247,847 TEUs for the first nine months of 2016 to 2,183,308 TEUs for the same period in 2017 as a result of reduced vessel calls and lower transshipments at CGSA, tapered by increased trade volumes and new services at CMSA; marginal economic recovery and improvement in trade activities at TSSA; and increase in agricultural exports at OPC. The Americas operations accounted for 34.9 percent and 31.9 percent of the consolidated volume for the nine months ended September 30, 2016 and 2017, respectively.

Volume from the EMEA segment increased by 30.7 percent from 823,003TEUs for the first nine months of 2016 to 1,075,696 TEUs for the same period in 2017 mainly due to continuous growth and ramp-up at ICTSI Iraq; continuous improvement in trade activities at MICTSL, BCT and AGCT; and contribution of a new terminal, IDRC. Excluding IDRC, volume from EMEA operations would have increased by 25.1

percent in 2017. The EMEA segment stood at 12.8 percent and 15.7 percent of the consolidated volume for the nine months ended September 30, 2016 and 2017, respectively.

2.4.2 Total Income

Table 2.8 Total Income

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Gross revenues from port operations	US$835,026	**US$918,269**	10.0
Port authorities' share in gross revenues	134,599	**139,981**	4.0
Net revenues	700,427	**778,288**	11.1
Interest income	12,962	**16,490**	27.2
Foreign exchange gain	3,690	**5,177**	40.3
Other income	7,749	**20,734**	167.6
Total income	US$724,828	**US$820,689**	13.2

For the nine months ended September 30, 2017, net revenues accounted for 94.8 percent of the total consolidated income while interest income, foreign exchange gain, and other income represented 2.0 percent, 0.6 percent and 2.6 percent, respectively. For the same period in 2016, net revenues accounted for 96.6 percent of the total consolidated income while interest income, foreign exchange gain, and other income represented 1.8 percent, 0.5 percent and 1.1 percent, respectively.

2.4.2.1 Gross Revenues from Port Operations

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

Table 2.9 Gross Revenues from Port Operations

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Asia	US$435,112	**US$435,072**	-
Americas	287,957	**304,349**	5.7
EMEA	111,957	**178,848**	59.7
	US$835,026	**US$918,269**	10.0

The Group's consolidated gross revenues from port operations increased by 10.0 percent from US$835.0 million for the first nine months of 2016 to US$918.3 million for the same period in 2017 mainly due to volume growth, tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and contribution of new terminals, IDRC and VICT. Excluding new terminals, consolidated gross revenues would have increased by 5.5 percent in 2017.

Gross revenues from the Asia segment stayed flat at US$435.1 million for the first nine months of 2016 and for the same period in 2017 mainly due to unfavorable translation impact of the depreciation of Philippine peso (PHP)-based revenues and lower storage revenues, tapered by volume growth at several Philippine terminals and YICT; new services at OJA; and contribution of a new terminal, VICT. Excluding VICT and the translation depreciation impact of the PHP, gross revenues from Asia operations would have increased by 1.7 percent in 2017. The Asia segment accounted for 52.1 percent and 47.4 percent of the consolidated gross revenues for the nine months ended September 30, 2016 and 2017, respectively.

Gross revenues from the Americas segment increased by 5.7 percent from US$288.0 million for the first nine months of 2016 to US$304.3 million for the same period in 2017 mainly due to volume growth at CMSA; tariff rate adjustments at CGSA; and improvement in trade activities combined with favorable translation impact of the appreciation of Brazilian Reais (BRL) at TSSA, partially tapered by decreased vessel calls at CGSA. The Americas segment stood at 34.5 percent and 33.1 percent of the consolidated gross revenues for the nine months ended September 30, 2016 and 2017, respectively.

Gross revenues from the EMEA segment grew by 59.7 percent from US$112.0 million for the first nine months of 2016 to US$178.8 million for the same period in 2017 primarily due to continuous growth and ramp-up at ICTSI Iraq; continuous improvement in trade activities at MICTSL, BCT and AGCT; and contribution of a new terminal, IDRC. Excluding IDRC, gross revenues from EMEA operations would have increased by 34.0 percent in 2017. The EMEA operations accounted for 13.4 percent and 19.5 percent of the consolidated gross revenues for the nine months ended September 30, 2016 and 2017, respectively.

2.4.2.2 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 4.0 percent from US$134.6 million for the first nine months of 2016 to US$140.0 million for the same period in 2017 as a result of volume growth and stronger revenues at these terminals.

2.4.2.3 Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income increased by 27.2 percent from US$13.0 million for the first nine months of 2016 to US$16.5 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain increased by 40.3 percent from US$3.7 million for the first nine months of 2016 to US$5.2 million for the same period in 2017 mainly due to the favorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased from US$7.7 million for the first nine months of 2016 to US$20.7 million for the same period in 2017 mainly due to the one-time gain from reimbursement of costs incurred related to the terminated sub-concession agreement at LICTSLE; and recognition of income tax credit at OPC. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

2.4.3 Total Expenses

The table below shows the breakdown of total expenses for the nine months ended September 30, 2016 and 2017:

Table 2.10 Total Expenses

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Manpower costs	US$144,003	**US$152,465**	5.9
Equipment and facilities-related expenses	87,529	**112,678**	28.7
Administrative and other expenses	78,566	**78,288**	(0.4)
Total cash operating expenses	310,098	**343,431**	10.7
Depreciation and amortization	109,839	**129,273**	17.7
Interest expense and financing charges on borrowings	56,608	**74,942**	32.4
Interest expense on concession rights payable	27,531	**24,808**	(9.9)
Equity in net loss of a joint venture	4,677	**25,610**	447.6
Foreign exchange loss and others	15,723	**14,606**	(7.1)
Total expenses	US$524,476	**US$612,670**	16.8

The Group's cash operating expenses increased by 10.7 percent from US$310.1 million for the nine months ended September 30, 2016 to US$343.4 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; higher fuel consumption as a result of increase in volume; increase in fuel prices and power tariff rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals and MXN-based expenses at CMSA.

Excluding new terminals, consolidated cash operating expenses would have decreased by 1.5 percent in 2017.

2.4.3.1 *Manpower Costs*

Manpower costs increased by 5.9 percent from US$144.0 million for the first nine months of 2016 to US$152.5 million for the same period in 2017 primarily due to cost contribution of new terminals, IDRC and VICT; government-mandated and contracted salary rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, partially tapered by cost optimization measures implemented; and favorable translation impact of PHP-based costs at Philippine terminals and MXN-based costs at CMSA. Excluding new terminals, consolidated manpower costs would have decreased by 1.7 percent in 2017.

Manpower costs accounted for 46.5 percent and 44.4 percent of consolidated cash operating expenses for the nine months ended September 30, 2016 and 2017, respectively.

2.4.3.2 *Equipment and Facilities-related Expenses*

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

Equipment and facilities-related expenses grew by 28.7 percent from US$87.5 million for the first nine months of 2016 to US$112.7 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; fixed port lease expense at VICT; increase in fuel prices and power tariff rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cancellation of port lease at ICTSI Oregon as a result of pre-termination of lease agreement; and favorable translation impact of PHP-based expenses at Philippine terminals and MXN-based expenses at CMSA. Excluding new terminals, consolidated equipment and facilities-related expenses would have marginally increased by 0.3 percent in 2017.

Equipment and facilities-related expenses stood at 28.2 percent and 32.8 percent of consolidated cash operating expenses for the nine months ended September 30, 2016 and 2017, respectively.

2.4.3.3 *Administrative and Other Operating Expenses*

Administrative and other operating expenses marginally decreased by 0.4 percent from US$78.6 million for the first nine months of 2016 to US$78.3 million for same period in 2017 mainly due to decrease in insurance costs, travel, taxes and licenses, and other office expenses in relation to cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals and MXN-based expenses at CMSA, tapered by cost contribution of new terminals; increase in professional fees; and unfavorable translation impact of BRL at TSSA. Excluding new terminals, consolidated administrative and other operating expenses would have decreased by 3.3 percent in 2017.

Administrative and other operating expenses accounted for 25.3 percent and 22.8 percent of consolidated cash operating expenses for the six months ended September 30, 2016 and 2017, respectively.

2.4.3.4 *Depreciation and Amortization*

Depreciation and amortization expense increased by 17.7 percent from US$109.8 million for the first nine months of 2016 to US$129.3 million for the same period in 2017 mainly due to higher depreciation arising from the depreciation of port facilities and equipment at IDRC and VICT; and expansion projects at ICTSI Iraq and CGSA.

2.4.3.5 *Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 32.4 percent from US$56.6 million for the first nine months of 2016 to US$74.9 million for the same period in 2017 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets in 2017. Capitalized borrowing costs on qualifying assets amounted to US$16.3 million in 2016 at a capitalization rate of 6.4 percent and US$8.6 million in 2017 at a capitalized rate ranging from 5.8 percent to 6.7 percent.

2.4.3.6 *Interest Expense on Concession Rights Payable*

Interest on concession rights payable decreased by 9.9 percent from US$27.5 million for the first nine months of 2016 to US$24.1 million for the same period in 2017 mainly due to reduction of fixed port fess at OPC.

2.4.3.7 *Equity in Net Loss of A Joint Venture*

Equity in net loss of a joint venture increased from US$4.7 million for the first nine months of 2016 to US$25.6 million for the same period in 2017 due to the increase in the Company's share in net loss at SPIA arising from start-up costs upon start of operations in January 2017.

2.4.3.8 *Foreign Exchange Loss and Others*

Foreign exchange loss and others decreased by 7.1 percent from US$15.7 million for the first nine months of 2016 to US$14.6 million for the same period in 2017 mainly due to recognition of one-time solidarity contribution tax and provision for claims at CGSA in 2016 and lower foreign exchange loss arising from favorable translation impact of certain currencies against US dollar in 2017, tapered by write-off of costs incurred associated with the securing of the revolving credit facility, upon cancellation of the said facility in June 2017; and employee termination costs. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

2.4.4 EBITDA and EBIT

Consolidated EBITDA increased by 11.4 percent from US$390.3 million for the first nine months of 2016 to US$434.9 million for the same period in 2017 primarily due to strong volume and revenue; combined with cost optimization measures implemented; and positive contribution of new terminal, IDRC, tapered by the start-up costs and fixed port lease expense at VICT. Excluding the new terminals, consolidated EBITDA would have increased by 11.3 percent in 2017. Consequently, EBITDA margin went up from 46.7 percent in 2016 to 47.4 percent in 2017.

Meanwhile, consolidated EBIT went up by 8.9 percent from US$280.5 million for the first nine months of 2016 to US$305.6 million for the same period in 2017 mainly due to stronger EBITDA. EBIT margin decreased from 33.6 percent to 33.3 percent for the nine months ended September 30, 2016 and 2017, respectively.

2.4.5 Income Before Income Tax and Provision for Income Tax

The Group's consolidated income before income tax increased by 3.8 percent from US$200.4 million for the first nine months of 2016 to US$208.0 million for the same period in 2017 primarily due to strong operating income; and one-time gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE, tapered by higher depreciation charges; higher interest and financing charges; and increase in equity in net loss of a joint venture. Excluding new terminals and one-time gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE, consolidated income before income tax would have increased by 22.6 percent in 2017. The ratio of income before income tax to consolidated gross revenues stood at 24.0 percent and 22.7 percent in 2016 and 2017, respectively.

Consolidated provision for current and deferred income taxes decreased by 19.5 percent from US$49.5 million for the first nine months of 2016 to US$39.9 million for the same period in 2017 mainly due to income tax exemption of OPC which was finalized in the first quarter of 2017, tapered by higher taxable income at most of the terminals. Effective income tax rate in 2016 and 2017 stood at 24.7 percent and 19.2 percent, respectively.

2.4.6 Net Income

Consolidated net income increased by 11.5 percent from US$150.8 million for the first nine months of 2016 to US$168.1 million for the same period in 2017. Excluding new terminals and one-time gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE, consolidated net income would have increased by 28.3 percent in 2017. The ratio of consolidated net income to gross revenues stood at 18.1 percent and 18.3 percent for the nine months ended September 30, 2016 and 2017, respectively.

Consolidated net income attributable to equity holders increased by 5.2 percent from US$141.9 million for nine months ended September 30, 2016 to US$149.3 million for the same period in 2017. Excluding new terminals and one-time gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE, consolidated net income attributable to equity holders would have increased by 30.3 percent in 2017.

Basic and diluted earnings per share increased from US$0.052 during the nine months ended September 30, 2016 to US$0.058 for the same period in 2017.

2.5 Trends, Events or Uncertainties Affecting Revenues and Profits

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

2.6 Financial Position

Table 2.11 Consolidated Condensed Balance Sheets

(In thousands, except % change data)	December 31, 2016	**September 30, 2017**	% Change
Total assets	US$4,182,126	**US$4,281,654**	2.4
Current assets	525,009	**550,341**	4.8
Total equity	1,766,080	**1,857,706**	5.2
Total equity attributable to equity holders of the parent	1,624,397	**1,698,906**	4.6
Total interest-bearing debt	1,381,364	**1,468,824**	6.3
Current liabilities	445,843	**385,222**	(13.6)
Total liabilities	2,416,046	**2,423,948**	0.3
Current assets/total assets	12.6%	**12.9%**	
Current ratio	1.18	**1.43**	
Debt-equity ratio[1]	0.78	**0.79**	

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

Total assets increased by 2.4 percent to US$4.3 billion as of September 30, 2017 mainly due to investments in capital expenditures, which include the ongoing terminal construction of the second phase at VICT; completion of port facilities at IDRC and ICTSI Iraq, first phase at VICT and expansion project at CMSA; and advances extended to SPIA to fund the Group's share in the completion of port facilities at the Port of Buenaventura, tapered by settlement of lease liability at VICT. These investments are funded mainly by cash generated from the Group's operations and debt financing. Non-current assets stood at

87.4 percent and 87.1 percent of the total consolidated assets as of December 31, 2016 and September 30, 2017, respectively.

Current assets increased by 4.8 percent from US$525.0 million as of December 31, 2016 to US$550.3 million as of September 30, 2017 primarily due to stronger cash inflows generated from operations, tapered by settlement of lease liability at VICT; and continuous deployment of cash to fund capital expenditures at Parent Company. Current assets accounted for 12.6 percent and 12.9 percent of the total consolidated assets of the Group as of December 31, 2016 and September 30, 2017, respectively. Current ratio stood at 1.18 and 1.43 as of December 31, 2016 and September 30, 2017, respectively.

Total equity increased marginally by 5.2 percent to US$1.9 billion as of September 30, 2017 primarily due to net income generated for the period; and decrease in other comprehensive loss as a result of net favorable exchange differences on translation of foreign operations' financial statements, tapered by payment of dividends; and distribution to holders of perpetual capital securities.

Total liabilities increased marginally by 0.3 percent as of September 30, 2017 to US$2.4 billion as of September 30, 2017 mainly due to loan availments at Parent Company and CGSA; and drawdown from project finance facility at VICT, tapered by settlement of lease liability at VICT. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 33.0 percent and 34.3 percent as of December 31, 2016 and September 30, 2017, respectively.

Meanwhile, current liabilities decreased by 13.6 percent from US$445.8 million as of December 31, 2016 to US$385.2 million as of September 30, 2017 mainly due to settlement of lease liability at VICT and lower income tax payable at certain terminals, tapered by loan availments at Parent Company and CGSA.

2.6.1 Material Variances Affecting the Balance Sheet

Balance sheet accounts as of September 30, 2017 with variances of plus or minus 5.0 percent against December 31, 2016 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 5.3 percent to US$1.5 billion as of September 30, 2017 due to increase in capital expenditures arising from ongoing terminal construction of the second phase at VICT; completion of port facilities at IDRC, first phase at VICT and expansion project at CMSA.
2. Investment properties decreased by 5.6 percent to US$5.9 million as of September 30, 2017 mainly due to depreciation expense recognized during the period.

Current Assets

3. Cash and cash equivalents decreased by 1.6 percent to US$319.8 million as of September 30, 2017 due to the settlement of lease liability at VICT and continuous deployment of cash to fund capital expenditures, tapered by strong cash inflows generated from operations; proceeds from drawdown from the project finance facility at VICT; and loan availments at Parent Company and CGSA during the period.
4. Receivables increased by 13.0 percent to US$116.3 million as of September 30, 2017 primarily due to strong revenues at CMSA, ICTSI Iraq, MICTSL and contributions of new terminals, VICT and IDRC.
5. Spare parts and supplies increased by 13.9 percent to US$38.2 million as of September 30, 2017 primarily as a result of acquisition of spare parts particularly at VICT.
6. Prepaid expenses and other current assets increased by 24.0 percent to US$69.8 million as of September 30, 2017 mainly due to tax credit recognized by OPC in 2017.
7. Derivative assets decreased by 14.3 percent to US$6.2 million as of September 30, 2017 mainly due to unrealized loss on mark-to-market valuation of interest rate swap at VICT.

Equity

8. Treasury shares decreased by 15.2 percent to US$15.2 million as of September 30, 2017 mainly as a result of sale of 10,000,000 treasury shares in 2017.
9. Other comprehensive loss decreased by 11.4 percent to US$252.9 million as of September 30, 2017 due to net favorable exchange differences on translation of foreign operations' financial statements.
10. Equity attributable to non-controlling interest increased by 12.1 percent to US$158.8 million as of September 30, 2017 mainly due to the recognition of the non-controlling interest's share in net income.

Noncurrent Liabilities

11. Pension and other non-current liabilities increased by 22.6 percent to US$111.4 million as of September 30, 2017 arising mainly from accrual of 1ease expense at VICT.

Current Liabilities

12. Loans payable increased by 64.9 percent to US$60.3 million as of September 30, 2017 mainly due to loan availments at Parent Company and CGSA.
13. Accounts payable and other current liabilities decreased by 24.5 percent to US$262.5 million as of September 30, 2017 primarily due to settlement of lease liability at VICT.
14. Current portion of long-term debt increased by 21.3 percent to US$22.4 million as of September 30, 2017 due to increase in maturing term loans of subsidiaries in 2018.
15. Current portion of concession rights payable increased by 14.5 percent to US$10.0 million as of September 30, 2017 mainly arising from higher concession fees scheduled for payment in the next twelve months.
16. Income tax payable decreased by 22.7 percent to US$25.0 million as of September 30, 2017 mainly due to income tax payments and income tax exemption at OPC.
17. Derivative liabilities increased by 147.9 percent to US$4.9 million as of September 30, 2017 mainly due to unrealized loss on mark-to-market valuation from interest rate swap at CMSA and unrealized loss on mark-to-market valuation from cross currency swap at Parent Company.

2.7 Liquidity and Capital Resources

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

2.7.1 Liquidity

The table below shows the Group's consolidated cash flows as of September 30, 2016 and 2017:

Table 2.12 Consolidated Cash Flows

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2016	**2017**	% Change
Net cash provided by operating activities	US$323,373	**US$390,098**	20.6
Net cash used in investing activities	(336,220)	**(255,249)**	(24.1)
Net cash used in financing activities	(109,943)	**(148,690)**	35.2
Effect of exchange rate changes on cash and cash equivalents	(4,966)	**8,625**	(273.7)
Net decrease in cash and cash equivalents	(127,756)	**(5,216)**	(95.9)
Cash and cash equivalents, beginning	354,482	**325,059**	(8.3)
Cash and cash equivalents, end	US$226,726	**US$319,843**	41.1

Consolidated cash and cash equivalents increased by 41.1 percent to US$319.8 million as of September 30, 2017 due to strong cash inflows generated from operations and net proceeds from debt financing, tapered by settlement of lease liability at VICT and continuous deployment of cash to fund capital expenditures.

Net cash provided by operating activities increased by 20.6 percent from US$323.4 million for the nine months ended September 30, 2016 to US$390.1 million for the same period in 2017 mainly due to strong results of operations.

Net cash used in investing activities decreased to US$255.2 million for the nine months ended September 30, 2017 mainly due to decreased investments in capital expenditures and lower advances granted to SPIA as the projects at the greenfield terminals near completion; and reimbursement of costs upon termination of sub-concession agreement at LICTSLE, tapered by settlement of lease liability at VICT capitalized to property and equipment amounting to US$89.3 million and pre-termination fee at ICTSI Oregon amounting to US$11.5 million. Capital expenditures for 2017 excluding capitalized lease expense and capitalized borrowing costs amounted to US$113.5 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 increased from US$109.9 million for the nine months ended September 30, 2016 to US$148.7 million for the same period in 2017 mainly due to increase in dividends paid; increased debt servicing costs; and lower net cash proceeds from borrowings. In addition, 2016 includes proceeds from redemption of subordinated perpetual capital securities amounting to US$108.3 million.

2.7.2 Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2016 and September 30, 2017:

Table 2.13 Capital Sources

(In thousands, except % change data)	December 31, 2016	**September 30, 2017**	% Change
Loans payable	US$36,598	**US$60,340**	64.9
Current portion of long-term debt	18,486	**22,430**	21.3
Long-term debt, net of current portion	1,326,280	**1,386,054**	4.5
Total short and long-term debt	1,381,364	**1,468,824**	6.3
Equity	1,766,080	**1,857,706**	5.2
	US$3,147,444	**US$3,326,530**	5.7

The Group's total debt and equity capital increased by 5.7 percent as of September 30, 2017 primarily due to net income generated during the period and increase in debt financing activities to fund expansion projects and capital expenditures, repayment of maturing loans, and other general corporate requirements.

2.7.2.1 Debt Financing

The table below provides the breakdown of the Group's outstanding loans as of September 30, 2017:

Table 2.14 Outstanding Loans

(In thousands)	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
US Dollar Term Loan	Parent	2017	Floating	US$55,000
US Dollar Term Loan	CGSA	2018	Fixed	4,275
US Dollar Term Loan	BCT	2018	Floating	1,065
				60,340
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	752,509
Secured AUD Term Loan	VICT	2023 – 2031	Fixed*	240,930
Unsecured US Dollar Bond**	Parent	2020	Fixed	179,238
Secured US Dollar Term Loan	CMSA	2027	Fixed*	169,088
Unsecured US Dollar Term Loans	CGSA	2017 – 2021	Fixed	28,209
Unsecured US Dollar Term Loans	OPC	2020	Floating	16,500
Secured RMB Term Loan	YICT	2023	Floating	15,032
Secured Euro Term Loan	AGCT	2023 – 2024	Fixed*	6,978
				1,408,484
Total Debt				1,468,824
Less current portion and short-term				82,770
Long-term debt, net of current portion				**US$1,386,054**

**Under interest rate swap agreement*

***US$16.1 million under Euro-US Dollar cross currency swap agreement*

As of September 30, 2017, 63.4 percent of the Group's total debt capital is held by the Parent and ITBV, which includes the US$179.2 million senior notes issued in 2010 and due in 2020; and US$752.5 million MTN issued from 2013 to 2015 and due in 2023 to 2025.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of September 30, 2017:

Table 2.15 Outstanding Debt Maturities

(In thousands)	Amount
2017	US$4,118
2018	21,068
2019	36,695
2020	237,550
2021 and onwards	1,109,052
Total	US$1,408,483

Outstanding Long-term Debt as of September 30, 2017

MTN Programme

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

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

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

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

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

As of September 30, 2017, outstanding notes under the MTN Programme amounted to US$752.5 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. The Original and Further Notes are collectively referred to as the “2020 Notes”.

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

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

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

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

As of September 30, 2017, the outstanding balance of the 2020 Notes amounted to US$179.2 million.

Project Finance Facilities

CMSA. On October 21, 2015, CMSA signed a US$260.0 million Project Finance Facility with International Finance Corporation and Inter-American Development Bank (IADB). The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The terminal will have a capacity of 2.2 million TEUs when completely built. The development will be done in three phases with phase one creating capacity of 750,000 TEUs. Phase two will further increase the capacity to 1.4 million TEUs. The financing package, which has a tenor of 12 years and a long availability period of four years, will help CMSA finance the completion of phases one and two of the Project. Interest is payable semi-annually based on floating interest rate computed at 6-month LIBOR plus loan spread with a weighted average of 2.80 percent. As of September 30, 2017, outstanding balance of the loan amounted to US$169.1 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 September 30, 2017, outstanding balance from the project finance facility amounted to US$240.9 million (AUD307.5 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 September 30, 2017, the outstanding balance of the loans aggregated to US$32.5 million.

YICT. On April 26, 2017, YICT obtained a US$21.8 million (RMB150.0 million) loan from Agricultural Bank of China at an interest rate published by People's Bank of China (PBOC) less 5.00 percent of such base rate and a final maturity in November 2023 to refinance its maturing loan. As of September 30, 2017, the outstanding balance of the loan amounted to US$15.0 million (RMB 100.0 million).

AGCT. As of September 30, 2017, AGCT has an outstanding loan with Raiffeisenbank Austria d.d. amounting to US$7.0 million (EUR5.9 million). The loan carries a mark-up at the rate of 1-month EURIBOR plus 3.40 percent and is secured by AGCT's port equipment.

OPC. On July 11, 2017, OPC (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement amounting to US$77.0 million with floating interest rate and maturity date of July 2020 to finance capital expenditures. As of September 30, 2017, the outstanding balance of the loan amounted to US$16.5 million.

2.7.2.2 Loan Covenants

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI's and subsidiaries' assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI is also required to comply with a specified financial ratio relating to their debt to EBITDA up to 4 times when incurring additional debt. As of September 30, 2017, ICTSI and subsidiaries are in compliance with their loan covenants.

There was no material change in the covenants related to the Group's long-term debts. As at September 30, 2017, the Group has complied with its loan covenants.

2.7.2.3 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 US$350.0 million Subordinated Guaranteed Perpetual Capital 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 issue cost.

On August 18, 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 May 2, 2016, RCBV (the "Issuer") and ICTSI (the "Guarantor") redeemed 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.

On October 3, 2016, RCBV tendered the 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.

2.8 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.

2.8.1 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 46.3 percent and 45.2 percent of gross revenues for the periods ended September 30, 2016 and 2017, 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 table below provides the currency breakdown of the Group's revenue for the nine months ended September 30, 2017:

Table 2.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	44 % USD	56 % PhP
SBITC/ICTSI Subic	52 % USD	48 % PhP
DIPSSCOR		100 % PhP
HIPS		100 % PhP
SCIPSI		100 % PhP
BIPI		100 % PhP
MICTSI		100 % PhP
LGICT		100 % PhP
BCT	75 % USD	25 % PLN
TSSA		100 % BRL
MICTSL	100 % EUR*	
PTMTS		100 % IDR
YICT		100 % RMB
AGCT	78 % EUR	22 % HRK
CGSA	100 % USD	
BICT	100 % USD	
PICT	77 % USD	23 % PKR
OJA	66 % USD	34 % IDR
CMSA	50 % USD	50 % MXN
OPC	100 % USD	
ICTSI Iraq	90 % USD	10 % IQD
IDRC	100 % USD	
VICT		100 % AUD

**MGA pegged to the EURO*

2.8.2 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.

2.8.3 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.

PART II – OTHER INFORMATION

There are no other information not previously reported in SEC Form 17-C that need to be reported in this section.

ANNEX 1

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

SCHEDULE OF AGING OF RECEIVABLES
As at September 30, 2017
(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US$104,082	US$9,268	US$113,350
Six months to one year	749	45	794
Over one year	1,866	297	2,163
	US$106,697	US$9,610	US$116,307

ANNEX 2

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
As at and for the Nine Months Ended September 30

	2016	**2017**
Liquidity ratios		
Current ratio [a]	1.06	**1.43**
Interest rate coverage ratio [b]	6.90	**5.80**
Solvency ratios		
Debt to equity ratio [c]	0.70	**0.79**
Asset to equity ratio [d]	2.26	**2.30**
Profitability ratio		
EBITDA margin [e]	46.7%	**47.4%**

[a] *Current assets over current liabilities*

[b] *EBITDA over interest expense and financing charges on borrowings*

[c] *Interest-bearing debts over total equity*

[d] *Total assets over total equity*

[e] *EBITDA over gross revenues from port operations*

ANNEX 3

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES
LIST OF EFFECTIVE PFRS STANDARDS AND INTERPRETATIONS*
September 30, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	✓		
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12 - Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: 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	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	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	✓		
	Amendment to PAS 40: Transfers of Investment Property	Not early adopted		
PAS 41	Agriculture			✓

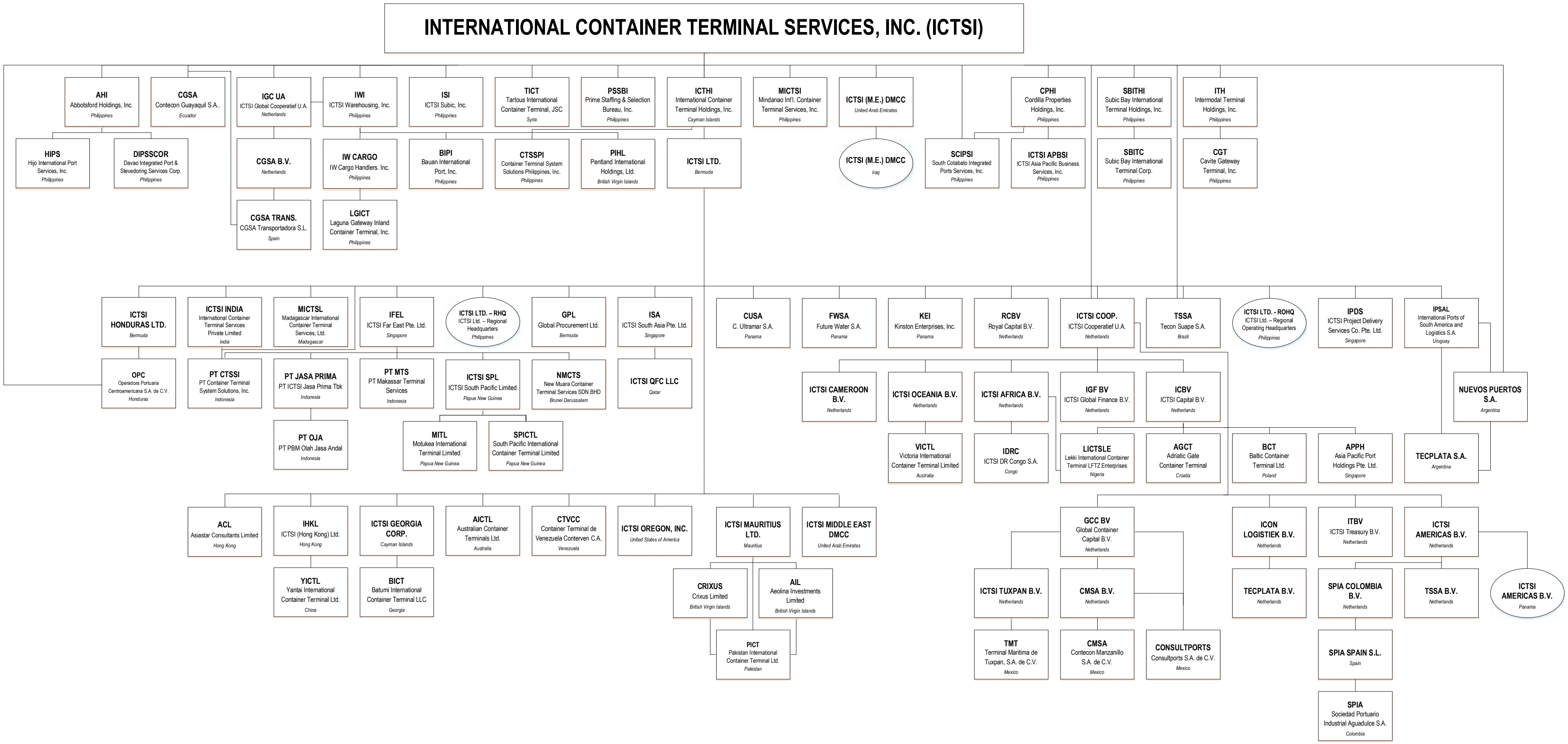
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
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	✓		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
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	✓		

ANNEX 4

ICTSI Group – Map of Subsidiaries

International Container Terminal Services, Inc.
EXCELLENCE UNCONTAINED



As of September 30, 2017

SIGNATURES

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

Registrant **INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.**

By

[redacted]

Rafael D. Consing, Jr.
Senior Vice President and
Chief Financial Officer

November 2, 2017

[redacted]

Jose Joel M. Sebastian
Senior Vice President, Finance

November 2, 2017