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)

1 2 *Month* **3 1** *Day*
(Fiscal Year)

SEC 17Q
(Form Type)

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

N/A
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

None
Amended Articles Number/Section

1,456
as at June 30, 2015
Total No. of Stockholders

Total Amount of Borrowings

US$39.9M	**US$1,133.7M**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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 **June 30, 2015**

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 June 30, 2015
Common	**2,038,196,360** 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, 2014 and the unaudited interim condensed consolidated financial statements as at June 30, 2015 and for the three and six months ended June 30, 2014 and 2015 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 34.

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 June 30, 2015
(with Comparative Audited Figures as at December 31, 2014)
and for the Three and Six Months Ended June 30, 2014 and 2015

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

As at June 30, 2015

(With Comparative Audited Figures as at December 31, 2014)

(In Thousands)

	December 31, 2014 *(Audited)*	**June 30, 2015** *(Unaudited)*
ASSETS		
Noncurrent Assets		
Intangibles (Notes 1 and 6)	US$1,770,540	**US$1,791,320**
Property and equipment (Notes 1 and 7)	934,436	**1,029,550**
Investment properties	12,227	**12,015**
Investments in and advances to a joint venture and associate (Notes 9 and 16)	140,719	**192,305**
Deferred tax assets (Note 15)	57,882	**66,552**
Other noncurrent assets (Notes 1 and 8)	125,343	**153,639**
Total Noncurrent Assets	3,041,147	**3,245,381**
Current Assets		
Cash and cash equivalents (Note 10)	194,298	**178,611**
Receivables (Note 11)	90,819	**77,529**
Spare parts and supplies	26,140	**26,254**
Prepaid expenses and other current assets (Note 1)	48,366	**48,507**
Total Current Assets	359,623	**330,901**
	US$3,400,770	**US$3,576,282**
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 14)	530,678	**532,518**
Cost of shares held by subsidiaries (Note 14)	(72,492)	**(74,261)**
Treasury shares	(1,177)	**(980)**
Excess of acquisition cost over the carrying value of non-controlling interests (Notes 1 and 14)	(135,448)	**(141,989)**
Retained earnings (Note 14)	763,315	**784,710**
Perpetual capital securities (Note 14)	337,032	**406,952**
Other comprehensive loss - net (Note 14)	(173,433)	**(208,939)**
Total equity attributable to equity holders of the parent	1,316,041	**1,365,577**
Equity Attributable to Non-controlling Interests (Notes 1 and 14)	157,523	**159,282**
Total Equity	1,473,564	**1,524,859**
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12 and 19)	998,194	**1,099,124**
Concession rights payable - net of current portion (Notes 6 and 19)	518,730	**510,351**
Deferred tax liabilities	68,066	**65,228**
Pension and other noncurrent liabilities (Note 13)	58,671	**91,278**
Total Noncurrent Liabilities	1,643,661	**1,765,981**
Current Liabilities		
Loans payable (Note 12)	24,479	**26,257**
Accounts payable and other current liabilities (Notes 1 and 16)	185,666	**179,555**
Current portion of long-term debt (Notes 12 and 19)	47,774	**48,204**
Current portion of concession rights payable (Notes 6 and 19)	7,506	**8,657**
Income tax payable	17,369	**21,950**
Derivative liabilities	751	**819**
Total Current Liabilities	283,545	**285,442**
	US$3,400,770	**US$3,576,282**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2015**	2014	**2015**
INCOME				
Gross revenues from port operations (Notes 1, 16 and 20)	US$261,421	**US$256,045**	US$510,285	**US$552,107**
Gain on sale of a subsidiary (Note 1)	–	**323**	13,150	**323**
Foreign exchange gain (Note 3)	753	**1,585**	1,229	**2,550**
Interest income (Note 16)	2,629	**2,977**	5,200	**5,595**
Equity in net income of a joint venture (Notes 9 and 16)	1,312	**–**	1,009	**–**
Other income (Notes 1, 4 and 18)	5,096	**2,031**	6,013	**2,691**
	271,211	**262,961**	536,886	**563,266**
EXPENSES				
Port authorities' share in gross revenues (Notes 1 and 16)	40,079	**39,471**	77,086	**88,264**
Manpower costs (Notes 14 and 16)	51,382	**46,229**	99,119	**96,382**
Equipment and facilities-related expenses (Note 16)	33,308	**30,702**	67,676	**70,124**
Depreciation and amortization	30,487	**31,294**	60,778	**62,264**
Administrative and other operating expenses (Note 16)	28,025	**29,805**	54,163	**59,966**
Interest expense and financing charges on borrowings (Notes 6, 7 and 12)	14,093	**13,571**	27,422	**27,781**
Interest expense on concession rights payable (Notes 1 and 6)	9,552	**9,330**	19,085	**18,675**
Equity in net loss of a joint venture (Note 9)	–	**615**	–	**1,221**
Foreign exchange loss (Note 3)	1,342	**51**	1,713	**1,840**
Other expenses (Note 16)	1,278	**3,116**	2,145	**5,540**
	209,546	**204,184**	409,187	**432,057**
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	16,736	**16,171**	55,152	**31,873**
Construction expense	(16,736)	**(16,171)**	(55,152)	**(31,873)**
	–	**–**	–	**–**
INCOME BEFORE INCOME TAX	61,665	**58,777**	127,699	**131,209**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current (Note 15)	14,308	**19,443**	27,657	**32,723**
Deferred (Notes 3 and 15)	(3,535)	**(9,571)**	(5,510)	**(7,221)**
	10,773	**9,872**	22,147	**25,502**
NET INCOME	US$50,892	**US$48,905**	US$105,552	**US$105,707**
ATTRIBUTABLE TO:				
Equity holders of the parent	US$49,334	**US$46,408**	US$101,686	**US$100,409**
Noncontrolling interests	1,558	**2,497**	3,866	**5,298**
	US$50,892	**US$48,905**	US$105,552	**US$105,707**
Earnings Per Share (Note 17)				
Basic	US$0.021	**US$0.019**	US$0.043	**US$0.042**
Diluted	0.021	**0.019**	0.043	**0.042**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2015**	2014	**2015**
NET INCOME FOR THE PERIOD	US$50,892	**US$48,905**	US$105,552	**US$105,707**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations (Notes 3 and 14)	5,736	**1,742**	14,430	**(38,297)**
Net change in unrealized mark-to-market values of derivatives (Note 14)	(185)	**229**	(7,096)	**(68)**
Net unrealized loss removed from equity and recognized in profit or loss (Note 14)	849	**–**	1,698	**–**
Net unrealized loss removed from equity and capitalized as construction in-progress (Note 14)	110	**–**	7,148	**1,855**
Net unrealized mark-to-market gain (loss) on available-for-sale investments (Note 14)	(59)	**–**	(42)	**4**
Income tax relating to components of other comprehensive income (Note 14)	–	**(203)**	–	**(24)**
	6,451	**1,768**	16,138	**(36,530)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	US$57,343	**US$50,673**	US$121,690	**US$69,177**
ATTRIBUTABLE TO:				
Equity holders of the parent	US$58,661	**US$46,481**	US$119,914	**US$64,903**
Noncontrolling interests	(1,318)	**4,192**	1,776	**4,274**
	US$57,343	**US$50,673**	US$121,690	**US$69,177**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 and 2015
(In Thousands)

	Attributable to Equity Holders of the Parent												
	Preferred Stock	**Common Stock**	**Additional Paid-in Capital** (Note 14)	**Preferred Shares Held by a Subsidiary**	**Common Shares Held by a Subsidiary** (Note 14)	**Treasury Shares**	**Excess of Acquisition Cost over the Carrying Value of Noncontrolling Interests** (Notes 1 and 14)	**Retained Earnings** (Note 14)	**Perpetual Capital Securities** (Note 14)	**Other Compre-hensive Loss** (Note 14)	**Total**	**Noncontrolling Interests** (Note 14)	**Total Equity**
Balance at December 31, 2013	US$236	US$67,330	US$526,491	(US$72,492)	US$–	(US$1,374)	(US$137,038)	US$649,700	US$337,032	(US$120,307)	US$1,249,578	US$103,659	US$1,353,237
Total comprehensive income for the period	–	–	–	–	–	–	–	101,686	–	18,228	119,914	1,776	121,690
Cash dividends (Note 14)	–	–	–	–	–	–	–	(39,061)	–	–	(39,061)	(6,467)	(45,528)
Distributions on perpetual capital securities (Note 14)	–	–	–	–	–	–	–	(14,656)	–	–	(14,656)	–	(14,656)
Sale of a subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	–	–	(8,812)	(8,812)
Change in noncontrolling interest (Notes 1 and 14)	–	–	–	–	–	–	1,590	–	–	–	1,590	(7,590)	(6,000)
Share-based payments (Note 14)	–	–	1,973	–	–	–	–	–	–	–	1,973	–	1,973
Collection of subscriptions receivable	–	–	1	–	–	–	–	–	–	–	1	–	1
Issuance of treasury shares	–	–	(198)	–	–	198	–	–	–	–	–	–	–
Balance at June 30, 2014	US$236	US$67,330	US$528,267	(US$72,492)	US$–	(US$1,176)	(US$135,448)	US$697,669	US$337,032	(US$102,079)	US$1,319,339	US$82,566	US$1,401,905

	Attributable to Equity Holders of the Parent												
	Preferred Stock	**Common Stock**	**Additional Paid-in Capital** (Note 14)	**Preferred Shares Held by a Subsidiary**	**Common Shares Held by a Subsidiary** (Note 14)	**Treasury Shares**	**Excess of Acquisition Cost over the Carrying Value of Noncontrolling Interests** (Notes 1 and 14)	**Retained Earnings** (Note 14)	**Perpetual Capital Securities** (Note 14)	**Other Compre-hensive Loss** (Note 14)	**Total**	**Noncontrolling Interests** (Note 14)	**Total Equity**
Balance at December 31, 2014	**US$236**	**US$67,330**	**US$530,678**	**(US$72,492)**	**US$–**	**(US$1,177)**	**(US$135,448)**	**US$763,315**	**US$337,032**	**(US$173,433)**	**US$1,316,041**	**US$157,523**	**US$1,473,564**
Total comprehensive income for the period	–	–	–	–	–	–	–	**100,409**	–	**(35,506)**	**64,903**	**4,274**	**69,177**
Share-based payments (Note 14)	–	–	**2,037**	–	–	–	–	–	–	–	**2,037**	–	**2,037**
Issuance of treasury shares	–	–	**(197)**	–	–	**197**	–	–	–	–	–	–	–
Acquisition of ICTSI common shares (Note 14)	–	–	–	–	**(3,598)**	–	–	–	–	–	**(3,598)**	–	**(3,598)**
Sale of shares held by a subsidiary (Note 14)	–	–	–	–	**1,829**	–	–	–	–	–	**1,829**	–	**1,829**
Cash dividends (Note 14)	–	–	–	–	–	–	–	**(41,260)**	–	–	**(41,260)**	**(4,068)**	**(45,328)**
Issuance and exchange of perpetual capital securities (Note 14)	–	–	–	–	–	–	–	**(23,234)**	**69,920**	–	**46,686**	–	**46,686**
Distributions on perpetual capital securities (Note 14)	–	–	–	–	–	–	–	**(14,520)**	–	–	**(14,520)**	–	**(14,520)**
Sale of a subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	–	–	**(268)**	**(268)**
Changes in non-controlling interest (Notes 1 and 14)	–	–	–	–	–	–	**(6,541)**	–	–	–	**(6,541)**	**1,821**	**(4,720)**
Balance at June 30, 2015	**US$236**	**US$67,330**	**US$532,518**	**(US$72,492)**	**(US$1,769)**	**(US$980)**	**(US$141,989)**	**US$784,710**	**US$406,952**	**(US$208,939)**	**US$1,365,577**	**US$159,282**	**US$1,524,859**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Six Months Ended June 30	
	2014	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	US$127,699	**US$131,209**
Adjustments for:		
Depreciation and amortization	60,778	**62,264**
Interest expense on:		
Borrowings (Notes 6, 7 and 12)	27,422	**27,781**
Concession rights payable (Notes 1 and 6)	19,085	**18,675**
Interest income	(5,200)	**(5,595)**
Share-based payments (Note 14)	1,961	**2,005**
Equity in net loss (income) of a joint venture (Note 9)	(1,009)	**1,221**
Dividend income	–	**(642)**
Gain on sale of a subsidiary (Note 1)	(13,150)	**(323)**
Unrealized foreign exchange loss	382	**203**
Gain on sale of property and equipment	(568)	**(50)**
Gain on termination of management contract (Note 1)	(2,881)	**–**
Gain on settlement of insurance claim (Note 18)	(1,590)	**–**
Unrealized mark-to-market loss on derivatives	185	**–**
Operating income before changes in working capital	213,114	**236,748**
Decrease (increase) in:		
Receivables (Note 11)	(16,540)	**10,675**
Spare parts and supplies	(2,807)	**(1,264)**
Prepaid expenses and other current assets	(1,733)	**(198)**
Increase (decrease) in:		
Accounts payable and other current liabilities	(1,448)	**549**
Pension liabilities	68	**462**
Cash generated from operations	190,654	**246,972**
Income taxes paid	(25,675)	**(27,977)**
Net cash provided by operating activities	164,979	**218,995**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Intangible assets (Notes 1 and 6)	(59,577)	**(56,419)**
Property and equipment (Notes 1 and 7)	(44,884)	**(80,302)**
Subsidiary, net of cash acquired (Note 1)	–	**(54,500)**
Increase in other noncurrent assets (Note 8)	(49,728)	**(29,884)**
Proceeds from sale of a subsidiary, net of cash held by subsidiary (Note 1)	26,539	**(111)**
Increase in investments and advances to a joint venture (Notes 9 and 16)	(23,884)	**(52,868)**
Interest received	5,125	**5,596**
Proceeds from sale of property and equipment	4,099	**1,063**
Payments for concession rights (Note 6)	(4,028)	**(4,699)**
Dividends received	73	**642**
Net cash used in investing activities	(146,265)	**(271,482)**

(Forward)

	For the Six Months Ended June 30	
	2014	**2015**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Long-term borrowings (Note 12)	US$84,713	**US$112,360**
Issuance and exchange of perpetual capital securities (Note 14)	–	**46,686**
Short-term borrowings (Note 12)	5,000	**7,346**
Sale of common shares held by a subsidiary	–	**1,829**
Payments of:		
Dividends (Note 14)	(46,335)	**(47,872)**
Interest on borrowings and concession rights payable (Notes 6 and 12)	(42,529)	**(43,624)**
Long-term borrowings (Note 12)	(7,065)	**(11,812)**
Short-term borrowings (Note 12)	(2,770)	**(5,553)**
Increase in other noncurrent liabilities	5,956	**3,478**
Acquisition of ICTSI common shares by a subsidiary (Note 14)	–	**(3,598)**
Distributions on subordinated perpetual capital securities (Note 14)	(14,656)	**(14,520)**
Change in noncontrolling interest (Notes 1 and 14)	(6,000)	**(6,061)**
Net cash provided by (used in) financing activities	(23,686)	**38,659**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	284	**(1,859)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,688)	**(15,687)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	242,235	**194,298**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 10)	US$237,547	**US$178,611**

See accompanying 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 2,038,196,360 common shares outstanding held by 1,456 shareholders on record as at June 30, 2015.

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 August 4, 2015, the Group is involved in 30 terminal concessions and port development projects in 20 countries worldwide. These are 24 operating terminals in eight key ports and an inland container terminal in the Philippines, two in Indonesia and one each in Brunei, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras and Iraq; four ongoing port development projects in Argentina, Colombia, Congo and Australia; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The expected start of commercial operations of the ongoing projects are fourth quarter of 2015 for Argentina, second quarter of 2016 for Colombia, second half of 2016 for Congo, and end of 2016 for Australia. The construction of the terminal in Nigeria is expected to start in 2016 and is scheduled to commence initial operations in first half of 2019.

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

Puerto Cortés in Honduras. On February 1, 2013, ICTSI won and was awarded the Contract for the Design, Financing, Construction, Preservation, Operation and Development of the Container and General Cargo of Puerto Cortés ("Agreement") in the Republic of Honduras for a period of 29 years through a public hearing held in Tegucigalpa, Honduras. On March 13, 2013, ICTSI and ICTSI Brazil Ltd. established Operadora Portuaria Centroamericana, S.A. de C.V. (OPC) to sign the Agreement with the Republic of Honduras acting through the Commission for the Public-Private Alliance Promotion (COALIANZA), a decentralized legal entity of the Presidency of the Republic. The said Agreement was signed on March 21, 2013 and shall be valid until August 30, 2042. OPC shall operate the Container and General Cargo Terminal of Puerto Cortes ("Terminal") and it shall carry out the design, financing, construction, preservation, and development of the Terminal and the provision of its services according to certain service and productivity levels.

In accordance with the Agreement, OPC paid an upfront fee of US$25.0 million (70.0 percent upon the execution of the Agreement and the remaining 30.0 percent in September 2013). OPC is also liable for monthly payments equivalent to 4.0 percent of its gross income to the Municipality of Puerto Cortés and 0.37 percent of its annual gross income to the Trustee Bank in accordance

with the provisions set forth in the Legal Executive Order Number 082-2012. Furthermore, OPC shall pay the National Port Company the following: US$100,000 annually for each hectare occupied of the existing surfaces; US$75,000 annually for each hectare occupied of the newly built surfaces; and certain variable fees based on container moved, load, and/or passenger that uses the port. Such amounts shall be updated annually based on the formula agreed by the parties to the Agreement. Upon execution of the Agreement, OPC paid 2.0 percent of the total of the Referral Investment to COALIANZA in accordance with Legal Executive Order Number 143-2010 and a single payment to the Trustee Bank. OPC formally took over the Terminal in November 2013 and started commercial operations in December 2013.

Manila International Container Terminal in Philippines. On May 19, 2013, ICTSI's concession contract for the Manila International Container Terminal or MICT ("MICT Contract") was extended for another 25 years up to May 18, 2038, upon completion of agreed additional investments in port equipment and infrastructures, payment of upfront fees amounting to ₱670.0 million (US$16.4 million), and turnover and execution of Deed of Transfer of port facilities and equipment currently being used at MICT and part of committed investment under the original concession agreement, among others. Under the renewal agreement and for the extended term of the MICT Contract, ICTSI shall be liable and committed to: (i) pay the Philippine Ports Authority (PPA) a fixed fee of US$600.0 million payable in 100 advanced quarterly installments; (ii) pay annual fixed fee on storage and berthside operations of ₱55.8 million (approximately US$1.3 million); (iii) pay variable fee of 20 percent of the gross revenue earned at MICT; (iv) upgrade, expand and develop the MICT, particularly the construction and development of Berth 7; (v) continuously align its Management Information System (MIS) with the MIS of the PPA with the objective towards paperless transaction and reporting system; and (vi) pay certain other fees based on the attainment of agreed volume levels.

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.

The facility to be constructed in Phase 1 will consist of two berths that will be able to handle 120,000 TEUs and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal commenced in January 2015 and is expected to start its initial operations in second half of 2016.

Umm Qasr, Iraq. ICTSI, through its wholly owned subsidiary, ICTSI (M.E.) DMCC [formerly ICTSI (M.E.) JLT] (ICTSI Dubai), and General Company for Ports of Iraq (GCPI) signed on April 8, 2014 the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 ("Contract") in the Port of Umm Qasr ("Port") in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build, 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.

ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014.

Phase 1 of the expansion project under the BOT scheme will have 250 meters of berth with an estimated capacity of 300,000 TEUs. When fully developed, the facility will have 600 meters of quay with an estimated capacity of 900,000 TEUs. Phase 1 is expected to be completed by third quarter of 2016.

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. 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 construction of the Terminal with a capacity of 350,000 TEUs and ECP with a capacity of 250,000 TEUs commenced and expected to be ready for operation by December 31, 2016. Phase 2 construction of the Terminal with a capacity of more than 1,000,000 TEUs and ECP with a capacity of 250,000 TEUs is expected to be completed by second quarter of 2017.

Port of Kattupalli, India. On June 30, 2014, ICTSI, through its subsidiaries, ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a termination agreement cancelling ICTSI's container port agreement for the management and operation of the Kattupalli Container Terminal in Tamil, Nadu, India. In accordance with the termination agreement, LTSB agreed to pay ICTSI India approximately US$15.9 million (INR957.5 million) as reimbursement of the license fee the latter paid to operate the terminal plus management fees and other amounts due to the latter. The transaction resulted to recognition of a gain on termination of management contract of US$2.9 million (INR175.1 million) in 2014 presented under "Other income" account, which represents the difference between the US$13.0 million book value of the intangible asset derecognized and the US$15.9 million proceeds from the termination collected on July 9, 2014.

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

Laguna Gateway Inland Container Terminal, Philippines. On March 2, 2015, Laguna Gateway Inland Container Terminal, Inc. (LGICT) started operating the first one-stop inland container terminal (ICT) located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo Handlers, Inc. (IW Cargo) and the remaining 40% is owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK - Fil-Japan Shipping Corp. The ICT primarily operates as an extension of the seaport operations of the MICT. In particular, the said ICT is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers, both within and outside the economic zones in the LABARZON area. Only fifty eight (58) kilometers from Metro Manila, the ICT is situated on a twenty one (21)-hectare property, strategically located near various economic export zones with an already existing adjacent railroad. Of the said twenty one (21) hectares, four (4) hectares have already been previously developed and available for immediate operations. Envisioned to be the first of its kind in magnitude and operations, the ICT will be developed as a 24/7 state-of-the-art facility with cutting edge terminal systems and equipment.

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and 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 land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee of MXN23.24 plus VAT, per square meter of assigned area and (2) pay variable fee starting year 2018.

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 is valid for a period of four years from commencement date or May 22, 2009. The term may be extended for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. In 2012, NMCTS got an extension for one year or until May 22, 2014. On April 3, 2014, NMCTS got another extension for one year or until May 20, 2015. In 2015, NMCTS got another extension for one year or until May 20, 2016 as an interim operator pending the result of the tender process, which NMCTS participated in. The said one year contract can be pre-terminated by the Brunei Government with a 30-day notice to NMCTS.

1.3 Subsidiaries and Joint Venture

The subsidiaries include:

				Percentage of Ownership			
				December 31, 2014		**June 30, 2015**	
	Place of Incorporation	Nature of Business	Functional Currency	Direct	Indirect	**Direct**	**Indirect**
Asia							
Abbotsford Holdings, Inc. (AHI)	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
ICTSI Dubai	United Arab Emirates	Business Development Office (BDO)	US Dollar	100.00	–	**100.00**	**–**
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	**100.00**	**–**
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	–	**100.00**	**–**
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	**100.00**	**–**
Cordilla Properties Holdings Inc. (Cordilla)	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	**100.00**	**–**
Prime Staffing and Selection Bureau, Inc. (PSSBI)[(a)]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	**100.00**	**–**
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	**1.00**	**99.00**
Aeolina International Limited (AIL)	British Virgin Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CGSA, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CGSA Transportadora SL	Spain	Holding Company	Euro	–	100.00	**–**	**100.00**
CMSA, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Container Terminal Systems Solutions, Inc. (CTSSI)[(h)]	Mauritius	Software Developer	US Dollar	–	100.00	**–**	**–**
Container Terminal Systems Solutions Philippines, Inc. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	–	100.00	**–**	**100.00**
Crixus Limited	British Virgin Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Global Procurement Ltd. (GPL, formerly ICTSI Poland)	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Global Procurement, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Icon Logistiek 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 Africa (Pty) Ltd.	South Africa	BDO	South African Rand	–	100.00	**–**	**100.00**
ICTSI Americas, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Brazil	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Georgia Corp. (IGC)	Cayman Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI India	India	Port Management	Indian Rupee	–	100.00	**–**	**100.00**
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Operating Headquarters	Philippines	Regional Operating Headquarters	US Dollar	–	–	**–**	**100.00**
ICTSI Mauritius	Mauritius	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Oceania B.V.[(c)]	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Tuxpan B.V.[(c)]	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
IFEL	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**
IHKL	Hong Kong	Holding Company	US Dollar	–	100.00	**–**	**100.00**
IW Cargo	Philippines	Port Equipment Rental	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, 2014 Direct	Indirect	**June 30, 2015 Direct**	**Indirect**
Pentland International Holdings, Ltd. (PIHL)	British Virgin Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	–	100.00	**–**	**100.00**
SPIA Colombia, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
SPIA Spain SL	Spain	Holding Company	Euro	–	100.00	**–**	**100.00**
Tecplata, 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**
VICT[a]	Australia	Port Management	Australian Dollar	–	90.00	**–**	**100.00**
Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR)	Philippines	Port Management	Philippine Peso	–	96.95	**–**	**96.95**
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	**–**	**95.00**
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	**–**	**95.00**
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**
PT ICTSI Jasa Prima Tbk (JASA) and Subsidiaries	Indonesia	Maritime Infrastructure and Logistics	US Dollar	–	80.16	**–**	**80.16**
PT PBM Olah Jasa Andal (OJA)	Indonesia	Port Management	US Dollar	–	80.16	**–**	**80.16**
ICTSI Global Finance B.V. (IGFBV)[c]	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Treasury B.V. (ITBV or ICTSI Treasury)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
Australian International Container Terminals Limited (AICTL)[a]	Australia	Port Management	Australian Dollar	–	70.00	**–**	**70.00**
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	–	65.00	**–**	**65.00**
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	**–**	**64.53**
Bauan International Ports, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
LGICT[b]	Philippines	Port Management	Philippine Peso	–	–	**–**	**60.00**
Naha International Container Terminal, Inc. (NICTI)[k]	Japan	Port Management	Japanese Yen	60.00	–	**–**	**–**
YICT[e]	China	Port Management	Renminbi	–	51.00	**–**	**51.00**
South Cotabato Integrated Port Services, Inc. (SCIPSI)	Philippines	Port Management	Philippine Peso	35.70	14.38	**35.70**	**14.38**
Asia Pacific Port Holdings Private Ltd. (APPH)[d]	Singapore	Holding Company	US Dollar	–	50.50	**–**	**50.50**
Europe, Middle East and Africa (EMEA)							
Tartous International Container Terminal (TICT)[i]	Syria	Port Management	US Dollar	100.00	–	**100.00**	**–**
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	**–**	**100.00**
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	**–**	**100.00**
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)[c]	Iraq	Port Management	US Dollar	–	100.00	**–**	**100.00**
LICTSLE[a]	Nigeria	Port Management	US Dollar	–	100.00	**–**	**100.00**
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	**–**	**100.00**
IDRC[a, c]	Congo	Port Management	US Dollar	–	60.00	**–**	**52.00**
Adriatic Gate Container Terminal (AGCT)[g]	Croatia	Port Management	Euro	–	51.00	**–**	**51.00**
Americas							
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	99.99	0.01	**99.99**	**0.01**
Operadora Portuaria Centroamericana, S.A. de C.V. (OPC)	Honduras	Port Management	US Dollar	30.00	70.00	**30.00**	**70.00**
Nuevos Puertos S.A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	**4.00**	**96.00**
Contecon Manzanillo S.A. (CMSA)	Mexico	Port Management	Mexican Peso	1.00	99.00	**1.00**	**99.00**
ICTSI Oregon, Inc. (ICTSI Oregon)	U.S.A.	Port Management	US Dollar	–	100.00	**–**	**100.00**
International Ports of South America and Logistics SA (IPSAL)	Uruguay	Holding Company	US Dollar	–	100.00	**–**	**100.00**
C. Ultramar, S.A. (CUSA)	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Future Water, S.A. (FWSA)	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Kinston Enterprise Corporation (KEC)	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	**–**	**100.00**
Tecplata S.A (Tecplata)[a]	Argentina	Port Management	US Dollar	–	100.00	**–**	**100.00**
TMT[j]	Mexico	Port Management	Mexican Peso	–	–	**–**	**100.00**
Sociedad Puerto Industrial Aguadulce SA (SPIA)[a, f]	Colombia	Port Management	US Dollar	–	45.65	**–**	**46.30**

[a] *Not yet started commercial operations as at June 30, 2015*
[b] *Established in 2015*
[c] *Established in 2014*
[d] *Acquired in March 2014 for US$89.1 thousand. This was not accounted for as a business combination due to the immateriality of amount involved.*
[e] *Acquired in 2014*
[f] *Changed its functional currency from Colombian Peso to US Dollar in 2014*
[g] *Changed its functional currency from Croatian Kuna to Euro in 2014*
[h] *Dissolved on January 5, 2015*
[i] *Ceased commercial operations on January 27, 2013*
[j] *Acquired in 2015*
[k] *Disposed in 2015*

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

In March 2014, ICTSI through its subsidiaries, ICTSI Ltd. and IPSAL, purchased the remaining 45.08 percent ownership in NPSA, noncontrolling shareholder of Tecplata, for US$6.0 million. The purchase was accounted for as an acquisition of noncontrolling interests. This transaction effectively increased ICTSI's ownership in Tecplata from 96.25 percent to 100.00 percent (see Note 14.6).

On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT for US$6.2 million. This resulted in the reduction of non-controlling interests account and the difference between the purchase price and carrying value of the non-controlling interest of US$6.5 million was recognized under "Excess of acquisition cost over the carrying value of non-controlling interests" account in the 2015 consolidated balance sheet.

On April 27, 2015, NICTI purchased ICTSI's 60 percent ownership interest in NICTI for JPY107.0 million (approximately US$0.9 million) as part of its treasury shares. The 10-year lease agreement of NICTI will expire at yearend and negotiations for its renewal will soon commence and ICTSI is no longer interested in participating in the said negotiations. The transaction resulted in the recognition of gain on sale amounting to US$0.3 million in the 2015 interim unaudited consolidated statement of income.

In the interim unaudited consolidated statements of cash flows, the net cash outflow at disposal date on the sale of NICTI amounting to US$0.1 million was derived as follows:

	Amount
Cash proceeds from sale	US$874
Less cash and cash equivalents of NICTI	985
Net cash outflow for the sale of NICTI	(US$111)

On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. Thereafter, IDRC is owned 52% by ICTSI, 38% by SIMOBILE and 10% by SCTP SA. The derecognition of the carrying value of the 8% ownership interest in IDRC was treated as advance payment for future services and recorded as part of "Other Noncurrent Assets" account in the 2015 interim unaudited consolidated balance sheet.

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 TMT for US$54.5 million. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3, *Business Combination*, and was therefore accounted for as acquisition of assets, mainly composed of land and concession rights.

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

	Fair Value Recognized on Acquisition
Assets	
Property and equipment - land	US$51,411
Intangibles - concession rights	3,247
Prepaid expenses and other current assets	163
	54,821
Liabilities	
Accounts payable and other current liabilities	321
Purchase consideration transferred and satisfied by cash	US$54,500

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The interim unaudited condensed consolidated financial statements as at June 30, 2015 and for the three and six months ended June 30, 2014 and 2015 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 interim unaudited 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 interim unaudited 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, 2014.

3. Summary of Significant Accounting Policies

3.1 Basis of Consolidation

The interim unaudited 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, NICTI (until April 27, 2015), DIPSSCOR, LGICT, YRDICTL (until June 30, 2014), YICT, SCIPSI, RCBV, AGCT, JASA, OJA, ITBV, HIPS, VICT (until February 4, 2015), APPH, IGFBV and IDRC not held by the Group and are presented separately in the interim unaudited consolidated statement of income and the interim unaudited 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 interim unaudited consolidated statement of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to the interim unaudited 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 interim unaudited 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 interim unaudited consolidated statement of comprehensive income. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the interim unaudited consolidated statement of comprehensive income relating to

that particular foreign operation is recognized in the interim unaudited 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 six months ended June 30:

	2014		**2015**	
	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of US dollar:				
Argentine peso (AR$)	8.13	7.83	**9.09**	**8.82**
Australian dollar (AUD)	1.06	1.09	**1.30**	**1.28**
Brazilian reais (BRL or R$)	2.21	2.30	**3.10**	**2.97**
Brunei dollar (BND)	1.25	1.26	**1.35**	**1.35**
Chinese renminbi (RMB)	6.20	6.17	**6.20**	**6.22**
Colombian peso (COP)	1,877.44	1,959.00	**2,606.00**	**2,486.84**
Croatian kuna (HRK)	5.53	5.56	**6.81**	**6.83**
Euro (€)	0.73	0.73	**0.90**	**0.90**
Georgian lari (GEL)	1.76	1.76	**2.25**	**2.19**
Honduran lempira (HNL)	20.97	19.87	**21.92**	**21.80**
Hong Kong dollar (HKD)	7.75	7.76	**7.75**	**7.75**
Indian rupee (INR)	60.19	60.79	**63.65**	**62.87**
Indonesian rupiah (IDR)	11,875.00	11,734.00	**13,339.00**	**12,971.00**
Iraqi dinar (IQD)	1,205.08	1,178.58	**1,207.51**	**1,203.97**
Japanese yen (JPY)	101.33	102.48	**122.50**	**120.27**
Malagasy ariary (MGA)	2,356.00	2,350.61	**3,239.00**	**2,955.89**
Mexican peso (MXN)	12.97	13.11	**15.74**	**15.14**
Pakistani rupee (PKR or Rs.)	98.72	100.90	**101.78**	**101.62**
Philippine peso (₱)	43.65	44.49	**45.09**	**44.56**
Polish zloty (PLN)	3.04	3.05	**3.76**	**3.71**
Singaporean dollar (SGD)	1.25	1.26	**1.35**	**1.35**
South African rand (ZAR)	10.64	10.70	**12.17**	**11.92**

3.2 Changes in Accounting Policies

3.2.1 New and Amended Standards Adopted in 2015

The accounting policies adopted for the interim unaudited 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, 2014 except that the Group has adopted the following new and amended standards starting January 1, 2015:

New Pronouncements	Impact on the Interim Unaudited Condensed Consolidated Financial Statements
PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments) The amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.	Not applicable

3.2.2 Annual Improvements to PFRSs (2010-2012 Cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and did not have a material impact on the Group.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - *Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

3.2.3 Annual Improvements to PFRSs (2011-2013 Cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and did not have a material impact on the Group.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

▪ PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

▪ PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

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

4. **Business Combination**

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

Acquisition of YICT and Sale of YRDICTL in 2014

On July 1, 2014, ICTSI, through its subsidiary IHKL, acquired 51 percent of the total equity interest of YICT for a total cash consideration of approximately US$137.3 million (RMB854.2 million) paid in four installments. On the same date, ICTSI sold its 60 percent ownership interest in YRDICTL to Yantai Port Holdings (YPH) for a total cash consideration of approximately US$94.8 million (RMB588.1 million) paid in two installments in July 2014. All the proceeds from the sale of YRDICTL were used to partially fund the acquisition of YICT. The contracts also provide for contingent consideration for the sale and acquisition transactions, based on the change in net asset value of YICT and YRDICTL from August 31, 2013 to June 30, 2014 subject to external audit. IHKL expects to receive from YPG a net amount of US$1.0 million (RMB6.1 million) in 2015 representing the additional consideration for the sale and acquisition transactions based on the change in net asset value of YICT and YRDICTL from August 31, 2013 to June 30, 2014 in accordance with the contract. On June 12, 2015, IHKL received from YPG a net amount of US$0.8 million (RMB5.2 million). The receipt of the final net contingent consideration in 2015 resulted in the reduction of gain on sale of YRDICTL by US$0.2 million (RMB0.9 million).

The objective of these transactions is to consolidate and optimize the overall port operations within the Zhifu Bay Port Area in Yantai, China. YICT became the only foreign container terminal and YRDICTL is dedicated to handling local container cargo within the Zhifu Bay Port Area. DP World China (Yantai) and YPH owns 12.5 percent and 36.5 percent ownership interest, respectively, in YICT, with ICTSI as the majority shareholder. YRDICTL will now be 100 percent owned by YPH and will be dedicated to handling local container cargo.

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

	Final Fair Value Recognized on Acquisition
	In Thousands
Assets	
Property and equipment	US$222,168
Intangibles	81,736
Other noncurrent assets	435
Cash and cash equivalents	1,888
Receivables - net of allowance for doubtful accounts of US$74.8 thousand	5,308
Spare parts and supplies	599
Prepaid expenses and other current assets	63
	312,197
Liabilities	
Deferred tax liabilities	US$11,664
Loans payable	4,514
Accounts payable and other current liabilities	2,735
Current portion of long-term debt	38,566
	57,479
Total identifiable net assets at fair value	254,718
Non-controlling interest measured at proportionate fair value	(124,812)
Goodwill arising on acquisition	10,239
Purchase consideration transferred and satisfied by cash	US$140,145

In the consolidated statements of cash flows, the net cash outflow at acquisition date on the acquisition amounting to US$135.4 million was derived as follows:

	Amount
Cash paid at acquisition date	US$137,311
Less cash and cash equivalents of YICT	1,888
Net cash outflow at acquisition date	US$135,423
Add cash paid for contingent consideration in 2015	2,834
Net cash outflow for the acquisition	US$138,257

Net cash inflow from the sale of YRDICTL amounted to US$68.0 million, which excludes the cash and cash equivalents of YRDICTL as at date of sale amounting to US$26.7 million (RMB165.8 million) as at December 31, 2014. This amount also excludes the additional amount received from YPG in 2015 amounting to US$3.7 million (RMB23.7 million). Adjusted gain on sale of YRDICTL after the receipt of the final net contingent consideration in 2015 is US$31.7 million.

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

	Carrying Value at Disposal Date
	In Thousands
Assets	
Property and equipment	US$75,937
Intangibles	27,044
Deferred tax assets	418
Other noncurrent assets	18
Cash and cash equivalents	26,726
Receivables	4,223
Spare parts and supplies	380
Prepaid expenses and other current assets	98
	US$134,844

	Carrying Value at Disposal Date
	In Thousands
Liabilities	
Deferred tax liabilities	US$1,269
Accounts payable and other current liabilities	1,131
	US$2,400

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

5. Segment Information

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

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

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI and LGICT in the Philippines, YRDICTL and YICT in China, OJA, JASA and MTS in Indonesia, NICTI in Japan (until April 27, 2015), NMCTS in Brunei, ICTSI India in India, PICT in Pakistan, VICT in Australia, AICTSL, ICTHI, ICTSI Ltd. and holding companies with regional area headquarters in the Philippines and those 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 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, ICTSI Oregon in Oregon, U.S.A and OPC in Honduras.

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 unaudited 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, 2014 (audited) and as at June 30, 2015 (unaudited) and for the three and six months ended June 30, 2014 and 2015 (unaudited):

	2014							
	As at and for the Three Months Ended June 30				As at and for the Six Months Ended June 30			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Volume[a]	891,640	225,095	692,193	1,808,928	1,791,512	436,954	1,337,557	3,566,023
Gross revenues	US$123,933	US$25,778	US$111,710	US$261,421	US$246,176	US$51,924	US$212,185	US$510,285
Capital expenditures[b]	6,874	12,122	21,453	40,449	19,123	23,452	61,886	104,461
Other information:								
Segment assets[c]	1,670,614	264,309	1,407,965	3,342,888	1,670,614	264,309	1,407,965	3,342,888
Segment liabilities[d]	1,541,031	101,750	198,990	1,841,771	1,541,031	101,750	198,990	1,841,771

	2015							
	As at and for the Three Months Ended June 30				**As at and for the Six Months Ended June 30**			
	Asia	**EMEA**	**Americas**	**Consolidated**	**Asia**	**EMEA**	**Americas**	**Consolidated**
Volume[a]	**1,004,548**	**216,057**	**684,752**	**1,905,357**	**2,009,463**	**461,944**	**1,416,723**	**3,888,130**
Gross revenues	**US$135,517**	**US$24,837**	**US$95,691**	**US$256,045**	**US$296,975**	**US$51,755**	**US$203,377**	**US$552,107**
Capital expenditures[b]	**28,323**	**26,802**	**17,350**	**72,475**	**43,671**	**53,842**	**39,208**	**136,721**
Other information:								
Segment assets[c]	**1,801,799**	**304,742**	**1,403,189**	**3,509,730**	**1,801,799**	**304,742**	**1,403,189**	**3,509,730**
Segment liabilities[d]	**1,659,238**	**103,456**	**201,551**	**1,964,245**	**1,659,238**	**103,456**	**201,551**	**1,964,245**

[a] *Measured in TEUs.*

[b] *Capital expenditures include amount spent for the acquisition of port facilities and equipment classified as intangibles under IFRIC 12 and property and equipment as shown in the unaudited statement of cash flows.*

[c] *Segment assets do not include deferred tax assets amounting to US$57.9 million and US$66.6 million as at December 31, 2014 (audited) and June 30, 2015 (unaudited), respectively.*

[d] *Segment liabilities do not include income tax payable amounting to US$17.4 million and US$22.0 million and deferred tax liabilities amounting to US$68.1 million and US$65.2 million as at December 31, 2014 (audited) and June 30, 2015 (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 interim unaudited consolidated net income attributable to equity holders of the parent for the three and six months ended June 30:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2015**	2014	**2015**
Net income attributable to equity holders of the parent	US$49,334	**US$46,408**	US$101,686	**US$100,409**
Noncontrolling interests	1,558	**2,497**	3,866	**5,298**
Provision for income tax	10,773	**9,872**	22,147	**25,502**
Income before income tax	61,665	**58,777**	127,699	**131,209**
Add (deduct):				
Depreciation and amortization	30,487	**31,294**	60,778	**62,264**
Interest and other expenses[a]	26,265	**26,683**	50,365	**55,057**
Interest and other income[b]	(9,790)	**(6,916)**	(26,601)	**(11,159)**
EBITDA[c]	US$108,627	**US$109,838**	US$212,241	**US$237,371**

[a] *Interest and other expenses include the following as shown in the interim unaudited 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 interim unaudited consolidated statement of income: gain on sale of a subsidiary; foreign exchange gain; interest income; and other income.*

[c] *EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.*

The Group EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently 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 37.5% and 40.5% of the unaudited consolidated gross revenues from port operations for the three months ended June 30, 2014 and 2015, respectively, and 37.7% and 42.3% of the unaudited consolidated gross revenues from port operations for the six months ended June 30, 2014 and 2015, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 62.5% and 59.5% of the unaudited consolidated gross revenues from port operations for the three months ended June 30, 2014 and 2015, respectively, and 62.3% and 57.7% of the unaudited consolidated gross revenues from port operations for the six months ended June 30, 2014 and 2015, respectively.

6. Concession Rights and Concession Rights Payable

6.1 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 acquisitions of port facilities and equipment in OPC, construction of various civil works in Tecplata and ICTSI Iraq and acquisition of TMT as at June 30, 2015 (see Note 1.3).

On June 30, 2014, the Group derecognized its US$13.0 million concession rights under upfront fee payment as a result of the termination of the management contract in Kattuppalli, India (see Note 1.2).

Borrowing costs capitalized amounted to US$11.5 million for the six months ended June 30, 2014 with capitalization rate of 6.66 percent and US$13.0 million for the six months ended June 30, 2015 with capitalization rate of 6.49 percent (see Note 12.5).

6.2 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 and upfront fees as at June 30, 2015 are as follows (amount in thousands):

	Amount
2015[1]	US$1,983
2016	12,979
2017	14,095
2018	15,259
2019 onwards	474,692
Total	US$519,008

[1] *July 1, 2015 through December 31, 2015*

Total fixed portion of port fees and upfront fees paid by the Group for the three and six months ended June 30, 2014 and 2015 amounted to US$11.6 million and US$11.7 million and US$23.1 million and US$23.4 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$9.6 million and US$9.3 million and US$19.1 million and US$18.7 million for the three and six months ended June 30, 2014 and 2015, respectively. The annualized weighted average interest rate was 7.08% and 7.14% as at June 30, 2014 and 2015, respectively.

Reduction to concession rights payable, shown as payments to concession rights in the interim unaudited consolidated statement of cash flows for the six months ended June 30, 2014 and 2015 amounted to US$4.0 million and US$4.7 million, respectively.

7. 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, IDRC and BCT as at June 30, 2015. There were no major disposals or write-downs of property and equipment for the six months ended ended June 30, 2014 and 2015.

Borrowing costs capitalized amounted to nil for the six months ended June 30, 2014 and US$2.0 million for the six months ended June 30, 2015 with capitalization rate of 6.49 percent. Borrowing costs capitalized in 2015 mainly pertains to VICT and IDRC which started construction in November 2014 and January 2015, respectively.

8. Other Noncurrent Assets

This account includes advances to suppliers and contractors, input tax, advanced rent and deposits, restricted cash, AFS investments, pension assets and others. This account increased in 2015 mainly because of increase in deposits and advances to suppliers and contractors and input tax associated with the ongoing purchase and construction of terminal facilities and equipment in various ports.

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

This account mainly pertains to ICTSI's investment in and advances to SPIA. This account increased in 2015 mainly due to additional interest-bearing loans extended to SPIA (see Note 16.1). The loans were used by SPIA to finance its ongoing construction of the terminal in Colombia.

10. Cash and Cash Equivalents

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

	2014 *(Unaudited)*	**2015** ***(Unaudited)***
Cash on hand and in banks	US$73,385	**US$126,381**
Cash equivalents	164,162	**52,230**
	US$237,547	**US$178,611**

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.

11. Receivables

This account consists of:

	December 31, 2014 *(Audited)*	**June 30, 2015** *(Unaudited)*
Trade	US$87,688	**US$73,474**
Advances and nontrade	8,202	**9,169**
	95,890	**82,643**
Less allowance for doubtful accounts	5,071	**5,114**
	US$90,819	**US$77,529**

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.

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$52.3 million, as at June 30, 2015 are as follows (amount in thousand):

	Amount
2015[1]	US$35,967
2016	50,572
2017	4,348
2018	2,257
2019 and onwards	1,054,184
Total	US$1,147,328

[1] *July 1, 2015 through December 31, 2015*

12.2 US Dollar-denominated Notes

ITBV. In January 2015, a total of US$117.5 million 5.875 percent Senior Unsecured Notes due 2025 from the MTN Programme were issued at a price of 102.625 and US$102.6 million of which was used to exchange with holders of US$91.8 million 7.375 percent Senior Notes due 2020. The cash proceeds received by ITBV amounted to US$11.6 million, net of debt issue cost. The 2025 Notes were issued by ITBV under its US$1.0 billion MTN programme, and are unconditionally and irrevocably guaranteed by ICTSI. These new Notes were consolidated and formed a single series with the US$282.5 million 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 and April 30, 2014.

BCT. In 2015, BCT availed a total of US$2.9 million from the term loan facility with The Hong Kong and Shanghai Banking Corporation Limited, which bear interest at 1.70 percent over LIBOR payable semi-annually starting December 31, 2016 until June 30, 2021.

12.3 US Dollar-denominated Revolving Credit Facility

IGFBV. On July 24, 2014, the Board of Directors (the Board) of ICTSI approved the establishment of a loan facility programme pursuant to which a subsidiary, IGFBV, may from time to time enter into one or more loan facilities with one or more lenders under the said programme, to be guaranteed by ICTSI. In connection with the establishment of the said programme, the Board also approved the first loan facility under the programme with IGFBV as the borrower and ICTSI as the guarantor. The loan facility is a revolving credit facility with a principal amount of US$350.0 million and a tenor of five years from signing date, July 24, 2014.

In 2015, IGFBV drawn down a total of US$100.0 million from the US$350.0 million five year revolving credit facility bearing interest ranging from 2.13 to 2.14 percent per annum.

12.4 Loans Payable

In April 2015, CGSA availed one-year loans from Banco Bolivariano and Banco Guayaquil totaling US$6.0 million at fixed interest rate of 8.0 percent per annum.

On June 18, 2015, TSSA availed of a short-term loan amounting to US$1.3 million from Banco Bradesco S.A. due on August 18, 2015 bearing fixed interest of 8.73 percent per annum.

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 maintain specified financial ratios relating to their debt to EBITDA of not less than 4 times and cash flow and earnings level relative to current debt service obligations. As at June 30, 2015, 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$14.1 million and US$13.6 million, and US$27.4 million and US$27.8 million for the three and six months ended June 30, 2014 and 2015, respectively (see Notes 6 and 7). Interest expense includes amortization of debt issue costs amounting to US$0.8 million and US$1.0 million, and US$1.4 million and US$1.9 million for the three and six months ended June 30, 2014 and 2015, respectively.

There was no material change in the covenants related to the Group's long-term debts.

There were no other significant transactions pertaining to the Group's long-term debt as at June 30, 2015, except as discussed above.

13. Pension and Other Noncurrent Liabilities

This account consists of:

	December 31, 2014 *(Audited)*	**June 30, 2015** ***(Unaudited)***
Accrued rental	US$38,660	**US$67,396**
Government grant	10,740	**15,256**
Pension liabilities	6,246	**6,657**
Finance lease payable	2,124	**1,566**
Others	901	**403**
	US$58,671	**US$91,278**

Accrued Rental

VICT recorded an accrued rental amounting to US$38.7 million (AUD47.3 million) as at December 31, 2014 and US$67.4 million (AUD 87.4 million) as at June 30, 2015, calculated using the straight-line method from the inception of the contract in June 2014. In accordance with VICT's contract, VICT is required to start paying the lease upon start of the commercial operations in year 2017.

Government Grant

On March 29, 2012, BCT and Centrum Unijnych Projektow Transportowych (CUPT), a Polish grant authority (the "EU Grant"), signed the EU Grant whereby CUPT would grant BCT a subsidy amounting to US$17.3 million (53.9 million Polish zloty). The confirmation of the availability of the EU grant is a condition precedent to any borrowing under the facility agreement of BCT. In July 2014, BCT finalized capital expenditure projects supported by the European Union grants with an estimated total of US$20.0 million. In 2015, BCT availed of an additional US$4.7 million grant. As at June 30, 2015, BCT has availed a total of US$15.8 million of the grant. The grant is treated as deferred income and is amortized over the duration of the existing concession agreement ending on May 31, 2023. The unamortized deferred income from government grant amounted to US$10.7 million and US$15.3 million as at December 31, 2014 and June 30, 2015, respectively.

14. Equity

14.1 Stock Incentive Plan

On March 20, 2015, the Stock Incentive Committee granted another 1,740,375 shares of stock awards to officers and employees of ICTSI and ICTSI Ltd., 50% of which will vest on March 20, 2016 while another 50% will vest on March 20, 2017. The fair value of the shares was US$2.51 (₱112.60) at the date of grant. The fair value per share was determined based on the market price of stock at the date of grant.

Total number of shares granted under the Stock Incentive Plan (SIP) aggregated 36,033,375 shares as at June 30, 2015. Also, on March 16, 2015, 2,133,500 shares vested under the SIP.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US$0.9 million and US$1.2 million, and US$2.0 million and US$2.0 million for the three and six months ended June 30, 2014 and 2015, respectively.

14.2 Dividends Declared

On April 16, 2015, the Board of ICTSI declared a US$0.020 (₱0.90) cash dividend per share to stockholders of record dated May 4, 2015 paid on May 15, 2015.

14.3 Cost of Shares Held by Subsidiaries

In March and April 2015, IWI acquired a total of 1,494,940 ICTSI common shares for US$3.6 million. In June 2015, IWI sold 759,970 ICTSI common shares for US$1.8 million.

As at December 31, 2014 and June 30, 2015, cost of preferred shares held by a subsidiary pertains to preference A shares held by ICTHI.

14.4 Other Comprehensive Loss

This account consists of:

	Cumulative Translation Adjustments	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, 2014	(US$123,312)	US$610	US$1,059	US$1,336	(US$120,307)
Translation differences arising from translation of foreign operations' financial statements	16,520	–	–	–	16,520
Net change in unrealized mark-to-market values of derivatives	1,750	–	–	–	1,750
Net change in unrealized mark-to-market values of AFS investments	–	–	(42)	–	(42)
Income tax relating to components of other comprehensive income	–	–	–	–	–
Balance at June 30, 2014	(US$105,042)	US$610	US$1,017	US$1,336	(US$102,079)

	Cumulative Translation Adjustments	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, 2015	**(US$174,717)**	**US$610**	**US$1,054**	**(US$380)**	**(US$173,433)**
Translation differences arising from translation of foreign operations' financial statements	**(37,273)**	**–**	**–**	**–**	**(37,273)**
Net change in unrealized mark-to-market values of derivatives	**1,787**	**–**	**–**	**–**	**1,787**
Net change in unrealized mark-to-market values of AFS investments	**–**	**–**	**4**	**–**	**4**
Income tax relating to components of other comprehensive income	**(24)**	**–**	**–**	**–**	**(24)**
Balance at June 30, 2015	**(US$210,227)**	**US$610**	**US$1,058**	**(US$380)**	**(US$208,939)**

14.5 Perpetual Capital Securities

On January 29, 2015, RCBV issued US$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 percent or US$298.7 million. The new issue was partly used to finance the tendered US$230.0 million 8.375 percent Subordinated Guaranteed Perpetual Capital Securities ("Original Securities) at a tender price of 107.625 or US$247.5 million. The cash proceeds received by RCBV amounted to US$46.7 million, net of debt issue cost. A reduction of US$23.2 million, representing the exchange premium and unamortized debt issue cost of the Original Securities, was recognized directly in the retained earnings as a result of the transaction. The transaction did not have an impact in the 2015 interim unaudited consolidated statement of income of the Company and was treated as an equity transaction since the perpetual capital securities are treated as part of equity in the interim consolidated balance sheet.

RCBV paid distributions totaling US$14.5 million to the holders of the Securities as of June 30, 2015. Related interest expense accrued by the Issuer or RCBV amounting to US$7.3 million and US$7.2 million and US$14.7 million and US$14.4 million for the three and six months ended June 30, 2014 and 2015, respectively, was not recognized in the unaudited interim consolidated

statement of income since the Securities are presented as equity attributable to equity holders of the parent.

14.6 Noncontrolling Interests

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

On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT for US$6.2 million. This resulted in the reduction of non-controlling interests account and the difference between the purchase price and carrying value of the non-controlling interest of US$6.5 million was recognized under "Excess of acquisition cost over the carrying value of non-controlling interests" account in the 2015 interim unaudited consolidated balance sheet.

On March 2, 2015, LGICT started operating the first one-stop ICT located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo and the remaining 40% is owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK- Fil-Japan Shipping Corp. The non-controlling shareholders contributed US$0.6 million to LGICT.

In March and June 2015, PICT declared dividends amounting to US$0.03 per share (PKR3.5 per share) and US$0.05 per share (PKR5.0 per share), respectively. Dividends distributed to non-controlling shareholders totaled US$3.2 million (PKR329.0 million).

On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. Thereafter, IDRC is owned 52% by ICTSI, 38% by SIMOBILE and 10% by SCTP SA. The derecognition of the carrying value of the 8% ownership interest in IDRC was treated as advance payment for future services and recorded as part of "Other Noncurrent Assets" account in the 2015 interim unaudited consolidated balance sheet.

15. Income Tax

Deferred tax assets and benefit from deferred income tax accounts increased mainly due to the increase of the deferred tax on unrealized foreign exchange loss in the tax books of the Parent Company.

The provision for income tax was reduced by the income tax holiday incentive of MICT's berth 6 amounting to US$2.4 million and US$2.3 million and US$5.3 million and US$7.7 million for the three and six months ended June 30, 2014 and 2015, respectively.

16. **Related Party Transactions**

16.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2014 Transaction Amount for the Three Months Ended June 30	2014 Transaction Amount for the Six Months Ended June 30	2014 Outstanding Receivable (Payable) Balance Amount as at December 31	**2015** Transaction Amount for the Three Months Ended June 30	**2015** Transaction Amount for the Six Months Ended June 30	**2015** Outstanding Receivable (Payable) Balance Amount as at June 30
					(In Millions)			
ICBV								
SPIA	Joint venture	Interest-bearing loans (see Note 9)	US$12.52	US$23.88	US$115.12	**US$36.88**	**US$52.56**	**US$167.69**
YRDICTL/YICT								
YPH	Noncontrolling shareholder	Port fees[(i)]	0.33	0.63	(0.16)	**0.47**	**0.81**	**(0.10)**
Tecplata								
NPSA	Noncontrolling shareholder	Purchase of additional shares	–	6.00	–	–	–	–
SCIPSI								
Asian Terminals, Inc.	Noncontrolling shareholder	Management fees	0.04	0.08	(0.01)	**0.04**	**0.08**	**(0.01)**
AGCT								
Luka Rijeka	Noncontrolling shareholder	Provision of services[(ii)]	0.07	0.15	–	**0.08**	**0.14**	**(0.03)**
PICT								
Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges[(iii)]	0.76	1.60	(0.68)	**1.21**	**2.13**	**(0.49)**
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue[(iv)]	0.14	0.31	0.08	**0.11**	**0.27**	**0.02**

(i) YRDICTL/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 YRDICTL/YICT for YPH are presented as part of "Port authorities' share in gross revenues" in the interim unaudited consolidated statements of income. Outstanding payable to YPH related to these port charges presented under "Accounts payable and other current liabilities" account in the interim consolidated balance sheets.

(ii) AGCT has entered into agreements with Luka Rijeka, a non-controlling shareholder, for the latter's provision of services such as equipment maintenance, power and fuel and supply of manpower, among others. Total expenses incurred by AGCT in relation to these agreements were recognized and presented in the consolidated income statement as part of Manpower costs, Equipment and facilities - related expenses and Administrative and other operating expenses.

(iii) 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.

(iv) Marine Services, Portlink and AMI 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 six months ended June 30 (amount in thousands):

	2014	**2015**
Short-term employee benefits	US$599	**US$611**
Share-based payments	2,210	**2,866**
Post-employment pension	17	**106**
Total compensation to key management personnel	US$2,826	**US$3,583**

17. Earnings Per Share Computation

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2015**	2014	**2015**
Net income attributable to equity holders of the parent	US$49,334	**US$46,408**	US$101,686	**US$100,409**
Adjustment for the effect of cumulative distributions on subordinated perpetual capital securities (see Note 14.5)	(7,328)	**(7,200)**	(14,656)	**(14,442)**
Net income attributable to equity holders of the parent, as adjusted (a)	US$42,006	**US$39,208**	US$87,030	**US$85,967**
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	(10,183,561)	**(7,514,686)**	(10,183,561)	**(7,514,686)**
Weighted average shares held by a subsidiary	–	**(652,553)**	–	**(652,553)**
Weighted average shares outstanding (b)	2,034,994,110	**2,037,010,432**	2,034,994,110	**2,037,010,432**
Effect of dilutive stock awards	9,114,811	**6,981,311**	9,114,811	**6,981,311**
Weighted average shares outstanding adjusted for potential common shares (c)	2,044,108,921	**2,043,991,743**	2,044,108,921	**2,043,991,743**
Basic earnings per share (a/b)	US$0.021	**US$0.019**	US$0.043	**US$0.042**
Diluted earnings per share (a/c)	US$0.021	**US$0.019**	US$0.043	**US$0.042**

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.

TICT

On December 28, 2012, TICT filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC). Termination was executed in accordance with the terms and conditions of the Investment Agreement, specifically "unforeseen change of circumstances" and "Force Majeure". The change of circumstances was brought about by civil unrest and violence in Syria, which had gravely affected businesses and trade in the country.

In early 2013, TPGC submitted to arbitration TICT's termination notice. On April 1, 2014, ICTSI, through TICT, received a decision from the arbitration panel. On April 20, 2015, the award has become executory. However, management and its legal counsels believe that TPGC will not be able to successfully enforce the award outside of Syria.

BICTL

In July 2013, BICTL has initiated arbitration proceedings to settle a dispute with its lessor Batumi Sea Port Ltd. (BSP). BICTL has been operating the multipurpose container terminal and the dry cargo and ferry terminal in the Black Sea Port of Batumi, Georgia, under a Lease Agreement entered into with BSP in September 20, 2007. The said lease was issued by virtue of a Concession Agreement that ICTSI Group entered into with Batumi Port Holdings Limited (BPHL) which had the management rights over BSP. However, BPHL was bought out by the group of JSC KazTransOil in February 2008. With the buy-out, BSP is now controlled by JSC KazTransOil which also controls the nearby oil terminals in the Port of Batumi.

In June 2013, BSP has sent a notice of alleged violation of the terms and conditions of the Lease Agreement by BICTL. BICTL has formally responded disputing the alleged violations. BICTL filed the Request for Arbitration with the London Court of International Arbitration to settle the dispute in accordance with the dispute resolution mechanism under the Lease Agreement. On July 10, 2013, BICTL obtained an interim injunction from a Georgian Court preventing BSP from terminating the lease pending the outcome of the arbitration proceedings before the London Court of International Arbitration. On October 1, 2013, BICTL and BSP signed a standstill agreement whereby the parties have agreed for a period of six months from the date of the agreement that neither party will take steps to advance the arbitration. On December 8, 2014, BICTL and BSP signed another standstill agreement for six months from the date of the agreement, or until June 8, 2015. On June 5, 2015, BICTL and BSP signed another standstill agreement effective for three months from the date of the agreement, or until September 5, 2015.

As of June 30, 2015, BICTL contributed 0.7% to both the consolidated volume and revenues of the Group.

CGSA

In April 2010, a vessel, CCNI Antartico, hit one of the quay cranes of CGSA causing damage to the crane, affecting portion of one of the berths, related infrastructure and third party containers and cargo. These properties were capitalized as intangible assets in the consolidated balance sheet. CGSA and ICTSI took appropriate steps to replace the equipment, repair the berth and minimize business interruption. The damaged crane has been replaced and the berth has been repaired. The repaired berth and crane replacement have been operational since October 2010 and June 2011, respectively. Security in respect of CGSA’s claims against the vessel has been obtained in relation to the damage caused to CGSA’s equipment, facilities, operations and third parties’ equipment and goods.

On June 16, 2014, the Group and its local insurers entered into a settlement agreement with CCNI, wherein CCNI agreed to pay a total sum of US$12.8 million, US$9.9 million of which represents the Group’s share corresponding to the reimbursement for damaged gantry crane, berth repair, legal fees and other related costs. This resulted in the recognition of US$1.6 million gain on settlement of insurance claims presented under “Other income” account in the 2014 interim unaudited consolidated statement of income.

On July 23, 2014, the Group received as full settlement of its claims a total of US$9.9 million.

19. Fair Value

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, 2014		**June 30, 2015**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Financial Liabilities				
Other financial liabilities:				
Long-term debt	US$1,045,968	US$1,127,988	**US$1,147,328**	**US$1,158,998**
Concession rights payable	526,236	613,894	**519,008**	**599,262**
	US$1,572,204	US$1,741,882	**US$1,666,336**	**US$1,758,260**

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

The fair value of quoted AFS equity shares is based on quoted prices. For unquoted equity securities, the fair values are not reasonably determinable due to unavailability of required

information for valuation. These are presented based on cost less allowance for impairment losses. The unquoted equity securities pertain mainly to investments in golf clubs whose securities are not quoted and holding company whose shares are not publicly listed.

The fair values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 0.04 percent to 15.95 percent in 2014 and 1.90 percent to 15.91 percent in 2015.

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

The fair values of derivative assets and liabilities are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions. For interest rate swaps, fair values are based on counterparty bank valuation.

20. **Seasonality**

The container terminal industry has historically experienced seasonal variations. This seasonality may result in quarter-to-quarter or period-to-period volatility in operating results. Trade volumes in the jurisdictions in which the Group operates tend to be stronger in the third and fourth quarters. Management believes that such seasonal variations have no material effect on the results of operations of the Group.

On March 9, 2015, Hanjin Shipping Co. (Hanjin) stopped calling the Port of Portland. This is not the first time that Hanjin bypassed the Port of Portland and eventually came back. Hanjin bypassed the Port of Portland for six weeks in 2012. Hanjin also discontinued vessel service several times in the past before ICTSI took over the terminal operation in 2011. Hapag-Lloyd similarly stopped calling the Port of Portland on March 29, 2015. The total contribution of Hanjin and Hapag-Lloyd to the consolidated revenues and net income is not material.

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 30 terminal concessions and port development projects in 20 countries worldwide. There are 24 operating terminals in eight key ports and an inland container terminal in the Philippines, two in Indonesia and one each in Brunei, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico and Iraq; four ongoing port development projects in Colombia, Argentina, Australia and DR Congo; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The expected start of commercial operations of the ongoing projects are fourth quarter of 2015 for Argentina, second quarter of 2016 for Colombia, second half of 2016 for DR Congo, and end of 2016 for Australia. The construction of the terminal in Nigeria is expected to start in 2016 and is scheduled to commence initial operations in the first half of 2019.

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 Brazil, Poland, Madagascar, Ecuador, China, Pakistan and recently, in Honduras, substantially contributed to the growth in volume, revenues and net income. ICTSI's business strategy is to continue to develop its existing portfolio of terminals and proactively seek acquisition opportunities that meet its investment criteria.

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

- Asia
  - Manila - Manila International Container Terminal, Port of Manila, Philippines (MICT)
  - Zambales - New Container Terminal (NCT) 1 and 2, Subic Bay Freeport Zone, Olongapo City, Philippines (SBITC/ICTSI Subic)
  - Batangas - Bauan Terminal, Bauan, Philippines (BIPI)
  - Laguna - Laguna Gateway Inland Container Terminal, Calamba City, Laguna, Philippines (LGICT)
  - Davao - Sasa Wharf, Port of Davao (DIPSSCOR) and Hijo International Port, Davao del Norte, Philippines (HIPS)
  - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
  - Misamis Oriental - Phividec Industrial Estate, Tagaloan, Philippines (MICTSI)
  - Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) and Port of Tanjung Priok, Jakarta, Indonesia (OJA)
  - China - Yantai Gangtong Terminal, Shandong Province, China (YRDICTL) up to June 30, 2014 and Yantai International Container Terminal (YICT) effective July 1, 2014
  - Brunei - Muara Container Terminal, Brunei Darussalam (NMCTS)
  - Pakistan - Port of Karachi, Karachi, Pakistan (PICT)

- Australia - Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia (VICT)

- Europe, Middle East and Africa (EMEA)
  - Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
  - Georgia - Port of Batumi, Batumi, Georgia (BICT)
  - Croatia - Brajdica Container Terminal, Rijeka, Croatia (AGCT)
  - Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
  - Nigeria - Deep Water Port, Ibeju-Lekki, Lagos State, Federal Republic of Nigeria (LICTSLE)
  - Congo - River Port, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
  - Iraq - Port of Umm Qasr, Iraq (ICTSI Iraq)

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

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

River Port, Matadi, Democratic Republic of Congo. On January 23, 2014, the Company, through its subsidiary, ICTSI Cooperatief U.A. (ICTSI Cooperatief), forged a business partnership with La Societe de Gestion Immobiliere Lengo (SIMOBILE) for the establishment and formation of a joint venture company, ICTSI DR Congo (IDRC). ICTSI Cooperatief and SIMOBILE initially owned 60.0 percent and 40.0 percent of IDRC, respectively. On May 19, 2015, ICTSI Cooperatief and SIMOBILE transferred their respective 8.0 percent and 2.0 percent ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. Thereafter, IDRC is owned 52.0 percent by ICTSI, 38.0 percent by SIMOBILE and 10.0 percent by SCTP SA. IDRC will build, manage, develop and operate the same as a new container terminal in phases, as well as provide exclusive container handling services and general cargo services therein. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal commenced in January 2015 and is expected to commence initial operations in the second half of 2016.

Port of Umm Qasr, Iraq. On April 8, 2014, ICTSI, through its wholly owned subsidiary ICTSI (M.E.) JLT, and General Company for Ports of Iraq signed the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 ("Contract") in the Port of Umm Qasr ("Port") in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. ICTSI took over Berth 20 in September 2014 and started commercial operations in November 2014, while Phase 1 of the expansion project is expected to be completed and be operational by the third quarter of 2016.

Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia. On May 2, 2014, ICTSI, through its subsidiary in Australia, Victoria International Container Terminal Ltd. (VICT), signed a contract with Port of Melbourne Corporation (POMC) for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container

Terminal (“Terminal”) and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5, (b) design, build and commission the new ECP at WDE, and (c) operate the Terminal and ECP until June 30, 2040.

Phase 1 construction of the Terminal and ECP commenced in the fourth quarter of 2014 and expected to start operations at the end of 2016. Phase 2 is expected to start operations by the second quarter of 2017.

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

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

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

On September 18, 2013, ICTSI and PSA International Pte. Ltd. (PSA), through their wholly-owned subsidiaries, signed a Share Purchase Agreement whereby ICTSI agreed to the purchase by PSA of 45.64 percent of SPIA’s issued and outstanding share capital, subject to certain conditions precedent to completion. On October 31, 2013, PSA finalized and completed its investment in SPIA. With the completion of the investment, ICTSI and PSA, through their respective subsidiaries, now jointly own 91.29 percent of issued and outstanding share capital of SPIA. Accordingly, SPIA ceased to be a consolidated subsidiary effective November 1, 2013 and became a joint venture entity accounted for under the equity method.

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

On April 27, 2015, ICTSI sold its 60.0 percent ownership interest in Naha International Container Terminal Inc. (NICTI) back to NICTI. The 10-year lease agreement of NICTI granted by Naha Port Authority will expire at yearend and ICTSI will no longer renew the lease. NICTI contributed less than 1.0 percent of the Group's revenue and net income in 2014.

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 second quarter and six months ended June 30, 2015 as compared with the same period in 2014 as derived from the accompanying unaudited interim consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended June 30			For the Six Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change	2014	**2015**	% Change
Gross revenues from port operations	US$261,421	**US$256,045**	(2.1)	US$510,285	**US$552,107**	8.2
Revenues from port operations, net of port authorities' share	221,342	**216,574**	(2.2)	433,199	**463,843**	7.1
Total income (net revenues, interest and other income)	231,132	**223,490**	(3.3)	459,800	**475,002**	3.3
Total expenses (operating, financing and other expenses)	169,467	**164,713**	(2.8)	332,101	**343,793**	3.5
EBITDA[1]	108,627	**109,838**	1.1	212,241	**237,371**	11.8
EBIT[2]	78,140	**78,544**	0.5	151,463	**175,107**	15.6
Net income attributable to equity holders of the parent	49,334	**46,408**	(5.9)	101,686	**100,409**	(1.3)
Earnings per share						
Basic	US$0.021	**US$0.019**	(6.7)	US$0.043	**US$0.042**	(1.2)
Diluted	0.021	**0.019**	(6.7)	0.043	**0.042**	(1.2)

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

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

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

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

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

The following table presents the computation of EBITDA as derived from the Group's unaudited interim consolidated net income attributable to equity holders of the parent for the second quarter and six months ended June 30, 2015 as compared with the same period in 2014:

Table 2.2 EBITDA Computation

	For the Three Months Ended June 30			For the Six Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change	2014	**2015**	% Change
Net income attributable to equity holders of the parent	US$49,334	**US$46,408**	(5.9)	US$101,686	**US$100,409**	(1.3)
Minority interests	1,558	**2,497**	60.3	3,866	**5,298**	37.0
Provision for income tax	10,773	**9,872**	(8.4)	22,147	**25,502**	15.1
Income before income tax	61,665	**58,777**	(4.7)	127,699	**131,209**	2.7
Add (deduct):						
Depreciation and amortization	30,487	**31,294**	2.6	60,778	**62,264**	2.4
Interest and other expenses	26,265	**26,683**	1.6	50,365	**55,057**	9.3
Interest and other income	(9,790)	**(6,916)**	(29.4)	(26,601)	**(11,159)**	(58.1)
EBITDA	US$108,627	**US$109,838**	1.1	US$212,241	**US$237,371**	11.8

2.2.2 Key Performance Indicators

Certain key performance indicators (KPIs) include gross moves per hour per crane, crane availability and berth utilization, which indirectly 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.

2015 Compared with 2014

Gross moves per hour per crane at key terminals which consist of MICT, CGSA, PICT, TSSA, BCT, YRDICTL/YICT, MICTSL and OPC ranged from 16.5 to 30.9 moves per hour in 2014 to 18.6 to 29.0 moves per hour in 2015. Crane availability ranged from 90.0 percent to 99.1 percent in 2014 to 88.5 percent to 98.9 percent in 2015. Berth utilization was at 23.8 percent to 100.0 percent in 2014 and 21.1 percent to 72.0 percent in 2015.

2014 Compared with 2013

Gross moves per hour per crane at key terminals which consist of MICT, CGSA, PICT, TSSA, BCT, YRDICTL and MICTSL ranged from 17.5 to 32.4 moves per hour in 2013 to 16.5 to 30.9 moves per hour in 2014. Crane availability ranged from 88.5 percent to 98.0 percent in 2013 to 90.0 percent to 99.1 percent in 2014. Berth utilization was at 16.1 percent to 65.1 percent in 2013 and 23.8 percent to 100.0 percent in 2014.

2.3 Comparison of Operating Results for the Second Quarters Ended June 30, 2015 and 2014

2.3.1 TEU Volume

For the second quarter of 2015, the Group handled consolidated throughput of 1,905,357 TEUs, a 5.3 percent increase from the 1,808,928 TEUs handled for the same period in 2014 mainly due to new shipping lines and services, continuous growth and ramp up at CMSA and OPC, favorable impact of consolidation at YICT, and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, consolidated volume would have increased by 3.7 percent in 2015. Key terminals, consisting of MICT, PICT, CGSA, TSSA, BCT, YRDITCL/YICT, MICTSL and OPC, reported a combined growth of 4.8 percent year-on-year.

Throughput from the Asia operations, consisting of terminals in the Philippines, China, Indonesia and Pakistan, increased by 12.7 percent to 1,004,548 TEUs for the second quarter of 2015 from 891,640 TEUs for the same period in 2014 as a result of the favorable impact of the consolidation of terminal operations at YICT, which took effect in July 2014; increased demand for services at SBITC; and new shipping lines and services at PICT. The growth, however, was tapered by lower imports and exports at MICTSI. The Asia operations accounted for 49.3 percent and 52.7 percent of the consolidated volume for the second quarters ended June 30, 2014 and 2015, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and The United States of America, decreased by 1.1 percent from 692,193 TEUs for the second quarter of 2014 to 684,752 TEUs for the same period in 2015 primarily arising from decline in imports due to higher trade tariffs imposed by Ecuadorian government at CGSA and discontinued vessel calls from two major shipping lines, Hanjin Shipping Co. (Hanjin) and Hapag Lloyd, at ICTSI Oregon as a result of continuous labor disruptions. This is not the first time that Hanjin bypassed the Port of Portland and eventually came back. Hanjin bypassed the Port of Portland for six weeks in 2012. Hanjin also discontinued vessel service several times in the past before ICTSI took over the terminal operation in 2011. The decrease in volume for the segment was partially tapered by increased vessel calls at CMSA and OPC as a result of continuous growth and ramp up. The Americas operations accounted for 38.3 percent and 35.9 percent of the consolidated volume for the second quarters ended June 30, 2014 and 2015, respectively.

Meanwhile, the EMEA operations, consisting of terminals in Poland, Georgia, Madagascar, Croatia and Iraq, reported a 4.0 percent decline from 225,095 TEUs for the second quarter of 2014 to 216,057 TEUs for the same period in 2015 mainly due to weaker short sea trade and reduced vessel calls at BCT tapered by contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, volume for the segment would have declined by 17.3 percent in 2015. The EMEA operations accounted for 12.4 percent and 11.3 percent of the Group's consolidated volume for the second quarters ended June 30, 2014 and 2015, 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 second quarters ended June 30, 2014 and 2015:

Table 2.3 Total Income

	For the Three Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change
Gross revenues from port operations	US$261,421	**US$256,045**	(2.1)
Port authorities' share in gross revenues	40,079	**39,471**	(1.5)
Net revenues	221,342	**216,574**	(2.2)
Interest income	2,629	**2,977**	13.2
Foreign exchange gain	753	**1,585**	110.5
Other income	6,408	**2,354**	(63.3)
Total income	US$231,132	**US$223,490**	(3.3)

For the second quarter of 2015, net revenues stood at 96.9 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.3 percent, 0.7 percent and 1.1 percent, respectively. For the same period in 2014, net revenues, interest income, foreign exchange gain and other income accounted for 95.8 percent, 1.1 percent, 0.3 percent and 2.8 percent of the total consolidated income, 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.

Consolidated gross revenues from port operations decreased by 2.1 percent from US$261.4 million for the second quarter of 2014 to US$256.0 million for the same period in 2015 mainly due to lower storage and BBC revenues, combined with depreciation of the Brazilian Reais (BRL) at TSSA; impact of depreciation of Euro (EUR) at MICTSL; weaker short sea trade and reduced vessel calls at BCT and discontinued vessel calls of two major shipping lines at ICTSI Oregon; tapered by volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; continuous growth and ramp up at CMSA and OPC; favorable impact of consolidation of terminal

operations at YICT; and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, the impact of depreciation of BRL at TSSA and EUR at MICTSL, consolidated gross revenues would have decreased by 1.2 percent in 2015.

The Asia segment reported a 9.3 percent growth while the Americas and EMEA segments reported 14.3 percent and 3.7 percent decline, respectively. Key terminals posted a combined decline of 0.3 percent quarter-on-quarter.

The Asia segment reported a growth of 9.3 percent in gross revenues from US$123.9 million for the second quarter of 2014 to US$135.5 million for the same period in 2015 mainly due to volume growth, higher ancillary services at SBITC, and the favorable impact of consolidation at YICT. The Asia operations captured 47.4 percent and 52.9 percent of the consolidated gross revenues for the second quarters ended June 30, 2014 and 2015, respectively.

On the other hand, gross revenues from the Americas segment was down by 14.3 percent from US$111.7 million for the second quarter of 2014 to US$95.7 million for the same period in 2015 mainly due to lower storage revenues and BBC, combined with an average of 37.7 percent depreciation of BRL against the US dollar at TSSA; discontinued vessel calls of two major shipping lines at ICTSI Oregon as a result of the continuous labor slowdown; and lower imports at CGSA due to higher trade tariffs imposed by Ecuadorian government,. The decline in gross revenues was reduced by tariff rate adjustments at certain terminals, volume growth and stronger ancillary revenues due to continuous growth and ramp up at CMSA and OPC. Excluding the translation impact of BRL, gross revenues of the Americas segment would have decreased by 8.8 percent in 2015. The Americas operations accounted for 42.7 percent and 37.4 percent of the consolidated gross revenues for the second quarters ended June 30, 2014 and 2015, respectively.

Meanwhile, gross revenues from the EMEA operations decreased by 3.7 percent from US$25.8 million for the second quarter of 2014 to US$24.8 million for the same period in 2015 primarily due unfavorable impact of the 23.9 percent average depreciation of EUR against the US dollar at MICTSL and lower volume and less favorable volume mix at BCT tapered by contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq and the translation impact of EUR, the segment's gross revenues would have decreased by 13.3 percent in 2015. The EMEA operations stood at 9.9 percent and 9.7 percent of the consolidated gross revenues for the second quarters ended June 30, 2014 and 2015, 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, dropped by 1.5 percent from US$40.1 million for the second quarter ended June 30, 2014 to US$39.5 million for the same period in 2015 due to lower revenues tapered by the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, port authorities' share in gross revenues would have dropped by 4.0 percent in 2015.

2.3.2.3 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 13.2 percent from US$2.6 million for the second quarter of 2014 to US$3.0 million for the same period in 2015 mainly due to higher interest income earned by ICBV from advances granted to SPIA, a joint venture associate.

Foreign exchange gain increased to US$1.6 million for the second quarter of 2015 from US$0.8 million for the same period in 2014 mainly due to the favorable impact of a weaker MXN against the US dollar (2015:-3.1%; 2014: +0.7%). 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, decreased by 63.3 percent from US$6.4 million for the second quarter of 2014 to US$2.4 million for the same period in 2015 mainly due to recognition of one-time gain on termination of a management contract in ICTSI India amounting to US$2.9 million and one-time gain on settlement of an insurance claim in CGSA of US$1.6 million in 2014 tapered by dividend income and one-time gain on sale of a subsidiary amounting to US$0.3 million in April 2015.

2.3.3 Total Expenses

The table below shows the breakdown of total expenses for the second quarters ended June 30, 2014 and 2015.

Table 2.4 Total Expenses

	For the Three Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change
Manpower costs	US$51,382	**US$46,229**	(10.0)
Equipment and facilities-related expenses	33,308	**30,702**	(7.8)
Administrative and other operating expenses	28,025	**29,805**	6.4
Total cash operating expenses	112,715	**106,736**	(5.3)
Depreciation and amortization	30,487	**31,294**	2.6
Interest expense and financing charges on borrowings	14,093	**13,571**	(3.7)
Interest expense on concession rights payable	9,552	**9,330**	(2.3)
Equity in net loss of a joint venture	–	**615**	100.0
Foreign exchange loss and others	2,620	**3,167**	20.9
Total expenses	US$169,467	**US$164,713**	(2.8)

Total cash operating expenses of the Group dropped by 5.3 percent from US$112.7 million for the second quarter ended June 30, 2014 to US$106.7 million for the same period in 2015 mainly due to translation impact of BRL at TSSA and EUR at MICTSL, decline in variable costs at ICTSI Oregon as a result of discontinued vessel calls of two major shipping lines due to continuous labor disruption, tapered by contributions and start-up costs of new terminal and projects, ICTSI Iraq, VICT, LICTSLE, IDRC, LGICT and TMT. In addition, lower fuel costs arising from decrease in global prices of fuel contributed to the decline in cash operating expenses. Excluding new terminal and projects, cash operating expenses would have decreased by 7.2 percent in 2015.

2.3.3.1 *Manpower Costs*

Manpower costs dropped by 10.0 percent from US$51.4 million for the second quarter of 2014 to US$46.2 million for the same period in 2015 primarily due to the translation impact of BRL at TSSA and EUR at MICTSL; decline in contracted services at ICTSI Oregon as a result of discontinued vessel calls of two major shipping lines; tapered by increased headcount driven by volume growth and as a result of the consolidation at YICT; government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminal and projects, ICTSI Iraq, VICT, LICTSLE, IDRC, LGICT and TMT. Excluding new terminal and projects, manpower costs would have dropped by 12.6 percent in 2015.

Manpower costs accounted for 45.6 percent and 43.3 percent of cash operating expenses for the second quarters ended June 30, 2014 and 2015, 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 fees, power and light, technical and systems development and maintenance expenses, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses decreased by 7.8 percent from US$33.3 million for the second quarter of 2014 to US$30.7 million for the same period in 2015 mainly due to lower fuel cost as a result of decrease in global fuel prices; lower equipment rentals due to port equipment acquisitions as operations at OPC stabilized; decline in variable cost at ICTSI Oregon as a result of discontinued vessel calls of two major shipping lines; and the translation impact of BRL at TSSA and EUR at MICTSL. The decrease was tapered by higher power consumption driven by increased utilization of reefer containers and power tariff adjustments at certain terminals; increased repairs and maintenance of port equipment and facilities; and contribution of a new terminal, ICTSI Iraq. Excluding the new terminal and projects, equipment and facilities-related expenses would have decreased by 9.4 percent in 2015.

Equipment and facilities-related expenses represented 29.6 percent and 28.8 percent of cash operating expenses for the second quarters ended June 30, 2014 and 2015, respectively.

2.3.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses surged by 6.4 percent from US$28.0 million for the second quarter of 2014 to US$29.8 million for the same period in 2015 mainly due to contributions and start-up costs of new terminal and projects, ICTSI Iraq, VICT, LICTSLE, IDRC, LGICT and TMT; higher insurance and increased business development activities; tapered by the translation impact of BRL at TSSA and EUR at MICTSL; and the decrease in taxes and licenses at certain terminals driven by decline in revenues. Excluding new terminal and projects, administrative and other operating expenses would have increased by 6.2 percent in 2015.

Administrative and other operating expenses stood at 24.9 percent and 27.9 percent of the total cash operating expenses for the second quarters ended June 30, 2014 and 2015, respectively.

2.3.3.4 Foreign Exchange Loss and Others

Foreign exchange loss and others surged by 20.9 percent from US$2.6 million for the second quarter of 2014 to US$3.2 million for the same period in 2015 primarily due to recognition of a one-time wealth tax on equity in SPIA amounting to US$1.3 million in accordance with the new tax reform of Colombia in 2015; tapered by decrease in foreign exchange loss as a result a weaker MGA against EUR (2015: -13.7%; 2014: -0.6%). 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 1.1 percent from US$108.6 million for the second quarter of 2014 to US$109.8 million for the same period in 2015 primarily due to volume growth at certain terminals, continuous revenue growth and ramp up at CMSA and OPC; favorable impact of consolidation at YICT and the positive contribution of a new terminal, ICTSI Iraq. The growth, however, was tapered by the decline in storage and BBC revenues, and depreciation of BRL at TSSA and EUR at MICTSL; weaker short sea trade and reduced vessel calls at BCT; and discontinued vessel calls of two major shipping lines at ICTSI Oregon. Excluding new terminal and projects, consolidated EBITDA would have decreased by 0.6 percent in 2015. Consequently, EBITDA margin went up to 42.9 percent in 2015 from 41.6 percent in 2014.

Meanwhile, consolidated EBIT increased by 0.5 percent from US$78.1 million for the second quarter of 2014 to US$78.5 million for the same period in 2015 mainly due to stronger EBITDA. As a result, EBIT margin also increased to 30.7 percent in 2015 from 29.9 percent in 2014.

2.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax decreased by 4.7 percent from US$61.7 million for the quarter ended June 30, 2014 to US$58.8 million for the same period in 2015 primarily due to the recognition of a one-time wealth tax for equity in SPIA in 2015 tapered by non-recurring gain on sale of a subsidiary of US$0.3 million in 2015 and the positive contribution of a new terminal, ICTSI Iraq. The 2014 income before income tax also includes non-recurring gains on termination of a management contract of US$2.9 million and settlement of an insurance claim of US$1.6 million. Excluding new terminal and projects, consolidated income before income tax would have decreased by 7.0 percent in 2015. Excluding the non-recurring gains in 2014 and 2015 and the recognition of a one-time wealth tax on SPIA's equity in 2015, consolidated income before income tax, on a recurring basis, would have increased by 4.4 percent.

The ratio of income before income tax to consolidated gross revenues stood at 23.6 percent and 23.0 percent in 2014 and 2015, respectively.

Consolidated provision for current and deferred income taxes decreased by 8.4 percent to US$9.9 million for the second quarter of 2015 from US$10.8 million for the same period in 2014 mainly due to higher deferred income tax benefit on unrealized foreign exchange loss tapered by stronger operating income and recognition of a one-time super tax at PICT in accordance with the Finance Act 2015 of Pakistan. Effective income tax rate in 2014 and 2015 stood at 17.5 percent and 16.8 percent, respectively.

2.3.6 Net Income

Consolidated net income decreased by 3.9 percent from US$50.9 million for the quarter ended June 30, 2014 to US$48.9 million for the same period in 2015. Excluding the non-recurring gains in 2014 and 2015; the one-time wealth tax on SPIA's equity and one-time super tax recognized at PICT, consolidated net income, on a recurring basis, would have increased by 7.1 percent in 2015. The ratio of consolidated net income to gross revenues stood at 19.5 percent and 19.1 percent in 2014 and 2015, respectively.

Consolidated net income attributable to equity holders decreased by 5.9 percent from US$49.3 million for the quarter ended June 30, 2014 to US$46.4 million for the same period in 2015. Excluding the non-recurring gains recognized in 2014 and 2015; recognition of one-time wealth tax on SPIA's equity and one-time super tax recognized at PICT in 2015, consolidated net income attributable to equity holders, on a recurring basis, would have increased by 4.5 percent in 2015.

Basic and diluted earnings per share decreased from US$0.021 in 2014 to US$0.019 in 2015.

2.4 Comparison of Operating Results for the Six Months Ended June 30, 2015 and 2014

2.4.1 TEU Volume

Consolidated throughput handled by the Group increased by 9.0 percent from 3,566,023 TEUs for the first half of 2014 to 3,888,130 TEUs for the same period in 2015 mainly due to new shipping lines and services; continuous growth and ramp up at CMSA and OPC; favorable impact of consolidation at YICT; and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, consolidated volume would have increased by 7.2 percent in 2015. Key terminals, consisting of MICT, PICT, CGSA, TSSA, BCT, YRDICTL/YICT, MICTSL and OPC, reported a combined growth of 6.4 percent year-on-year.

The Asia operations reported a 12.2 percent increase from 1,791,512 TEUs for the first half of 2014 to 2,009,463 TEUs for the same period in 2015 as a result of favorable impact of the consolidation of terminal operations at YICT, which took effect in July 2014; increased demand for services at SBITC; and new shipping lines and services at PICT. The growth, however, was tapered by lower imports and exports at MICTSI. The Asia operations accounted for 50.2 percent and 51.7 percent of the consolidated volume for the six months ended June 30, 2014 and 2015, respectively.

Throughput handled by the Americas segment, on the other hand, increased by 5.9 percent from 1,337,557 TEUs for the first half of 2014 to 1,416,723 for the same period in 2015 mainly due to increased vessel calls as a result of the continuous growth and ramp up at CMSA and OPC; recovery in banana production at CGSA; and modest improvements in international and local trade at TSSA. The growth, however, was reduced by lower imports due to higher trade tariffs imposed by Ecuadorian government at CGSA; and discontinued vessel calls from two major shipping lines at ICTSI Oregon as a result of continuous labor disruptions. The Americas operations accounted for 37.5 percent and 36.4 percent of the consolidated volume for the six months ended June 30, 2014 and 2015, respectively.

Meanwhile, volume handled by the EMEA operations increased by 5.7 percent from 436,954 TEUs for the first half of 2014 to 461,944 TEUs for the same period in 2015 primarily due to the contribution of a new terminal, ICTSI Iraq; and growth in international trade at AGCT. The growth in volume for the segment; however, was tapered by weaker short sea trade and reduced vessel calls at BCT; and lesser vessel calls at MICTSL due to slow economic recovery. Excluding ICTSI Iraq, volume for the segment would have declined by 9.4 percent. The EMEA segment stood at 12.3 percent and 11.9 percent of the consolidated volume for the six months ended June 30, 2014 and 2015, respectively.

2.1.1 Total Income

Table 2.5 Total Income

	For the Six Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change
Gross revenues from port operations	US$510,285	**US$552,107**	8.2
Port authorities' share in gross revenues	77,086	**88,264**	14.5
Net revenues	433,199	**463,843**	7.1
Interest income	5,200	**5,595**	7.6
Foreign exchange gain	1,229	**2,550**	107.5
Gain on sale of subsidiaries	13,150	**323**	(97.5)
Other income	7,022	**2,691**	(61.7)
Total income	US$459,800	**US$475,002**	3.3

For the six months ended June 30, 2015, net revenues accounted for 97.6 percent of the total consolidated income while interest income, foreign exchange gain, gain on sale of subsidiaries and other income represented 1.2 percent, 0.5 percent, 0.1 percent and 0.6 percent, respectively. For the same period in 2014, net revenues were 94.2 percent while interest income, foreign exchange gain, gain on sale of subsidiaries and other income accounted for 1.1 percent, 0.3 percent, 2.9 percent and 1.5 percent, respectively.

2.1.1.1 Gross Revenues from Port Operations

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

Consolidated gross revenues from port operations surged by 8.2 percent to US$552.1 million for the first half of 2015 from US$510.3 million for the same period in 2014 due to volume growth; tariff rate adjustments at certain terminals; higher revenue from ancillary services; continuous growth and ramp up at CMSA and OPC; favorable impact of consolidation of terminal operations at YICT; volume growth, favorable mix and higher ancillary services at SBITC; new contracts with shipping lines and

services; and the contribution of a new terminal, ICTSI Iraq. The growth, however, was tapered by the depreciation of BRL at TSSA and EUR at MICTSL. Excluding ICTSI Iraq, the impact of depreciation of BRL at TSSA and EUR at MICTSL, consolidated gross revenues would have increased by 9.1 percent in 2015.

The Asia segment reported a 20.6 percent growth while the Americas and EMEA segments reported 4.2 percent and 0.3 percent decline, respectively. Key terminals posted a combined growth of 8.8 percent year-on-year.

Gross revenues from the Asia operations increased by 20.6 percent from US$246.2 million for the first half of 2014 to US$297.0 million for the same period in 2015 mainly due to volume growth; favorable volume mix; higher revenue from ancillary services at SBITC, and favorable impact of consolidation at YICT; and new shipping lines and services at PICT. The Asia segment accounted for 48.2 percent and 53.8 percent of the consolidated gross revenues for the six months ended June 30, 2014 and 2015, respectively.

Meanwhile, gross revenues from the Americas segment reported a decline of 4.2 percent from US$212.2 million for the first half of 2014 to US$203.4 million for the same period in 2015 primarily due to lower storage and BBC revenues combined with 29.4 percent depreciation of BRL against the US dollar at TSSA and discontinued vessel calls of two major shipping lines at ICTSI Oregon as a result of the continuous labor slowdown. The decline in gross revenues was reduced by tariff rate adjustments at certain terminals, and volume growth and stronger ancillary revenues due to continuous growth and ramp up at CMSA and OPC. Excluding the translation impact of BRL, gross revenues of the Americas segment would have increased by 0.6 percent in 2015. The Americas segment stood at 41.6 percent and 36.8 percent of the consolidated gross revenues for the six months ended June 30, 2014 and 2015, respectively.

The EMEA operations reported a 0.3 percent decrease in gross revenues to US$51.8 million for the first half of 2015 from US$51.9 million for the same period in 2014 primarily due to unfavorable impact of the 22.8 percent depreciation of EUR against the US dollar at MICTSL; weaker short sea trade and reduced vessel calls at BCT; tapered by contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq and translation impact of EUR, the segment's gross revenues would have decreased by 11.2 percent in 2015. The EMEA operations accounted for 10.2 percent and 9.4 percent of the consolidated gross revenues for the six months ended June 30, 2014 and 2015, respectively.

2.1.1.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities, grew by 14.5 percent to US$88.3 million for the first half of 2015 from US$77.1 million for the same period in 2014 due to stronger revenues and the contribution of a new terminal, ICTSI Iraq. Excluding ICTSI Iraq, port authorities' share in gross revenues would have increased by 11.1 percent in 2015.

2.1.1.3 Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income increased by 7.6 percent from US$5.2 million for the first half of 2014 to US$5.6 million for the same period in 2015 mainly due to higher interest income earned by ICBV from advances granted to SPIA, a joint venture associate.

Foreign exchange gain increased to US$2.6 million for the first half of 2015 from US$1.2 million for the same period in 2014 mainly due to the favorable impact of a weaker MXN against US dollar (2015: -6.7%; 2014: +0.5%). Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

In January 2014, the Company recognized a non-recurring gain on sale of a non-operating subsidiary amounting to US$13.2 million. Other income declined by 61.7 percent from US$7.0 million for the first half of 2014 to US$2.7 million for the same period in 2015 mainly due to the non-recurring gains on termination of a management contract at ICTSI India and settlement of an insurance claim at CGSA totaling US$4.5 million that were recognized in 2014.

2.4.3 Total Expenses

The table below shows the breakdown of total expenses for the six months ended June 30, 2014 and 2015:

Table 2.6 Total Expenses

	For the Six Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change
Manpower costs	US$99,119	**US$96,382**	(2.8)
Equipment and facilities-related expenses	67,676	**70,124**	3.6
Administrative and other expenses	54,163	**59,966**	10.7
Total cash operating expenses	220,958	**226,472**	2.5
Depreciation and amortization	60,778	**62,264**	2.4
Interest expense and financing charges on borrowings	27,422	**27,781**	1.3
Interest expense on concession rights payable	19,085	**18,675**	(2.1)
Equity in net loss of a joint venture	–	**1,221**	100.0
Foreign exchange loss and others	3,858	**7,380**	91.3
TOTAL OPERATING EXPENSES	US$332,101	**US$343,793**	3.5

The Group's cash operating expenses for the six months ended June 30, 2015 increased by 2.5 percent to US$226.5 million from US$221.0 million for the same period in 2014 mainly due to the contributions and start-up costs of a new terminal and projects, ICTSI Iraq, VICT, LICTSLE and TMT. In addition, increase in insurance costs and business development activities also contributed to the increase in cash operating expenses. The growth, however, was tapered by depreciation of BRL at TSSA and EUR at MICTSL and decline in variable costs at ICTSI Oregon as a result of discontinued vessel calls of two major shipping lines due to continuous labor disruption. Excluding new terminal and projects, cash operating expenses would have increased by 0.3 percent in 2015.

2.4.3.1 *Manpower Costs*

Manpower costs dropped by 2.8 percent to US$96.4 million for the first half of 2015 from US$99.1 million for the same period in 2014 primarily due to translation impact of BRL at TSSA and EUR at MICTSL, and decline in contracted services at ICTSI Oregon as a result of discontinued vessel calls of two major shipping lines, tapered by increased headcount at certain terminals driven by volume growth and as a result of the consolidation at YICT; government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminal and projects, ICTSI Iraq, VICT, LICTSLE, IDRC, LGICT and TMT. Excluding new terminal and projects, manpower costs would have dropped by 5.3 percent in 2015.

Manpower costs accounted for 44.9 percent and 42.6 percent of cash operating expenses for the six months ended June 30, 2014 and 2015, 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 fees, power and light, technical and systems development and maintenance expenses, tools expenses, equipment rentals and fuel, oil and lubricants.

Equipment and facilities-related expenses went up by 3.6 percent from US$67.7 million for the first half of 2014 to US$70.1 million for the same period in 2015 mainly due to higher power consumption driven by volume growth, increased utilization of reefer containers and power tariff adjustments at certain terminals; increased repairs and maintenance of port equipment and facilities; and contribution of new terminal, ICTSI Iraq; tapered by lower fuel cost as a result of decrease in global fuel prices; lower equipment rentals; translation impact of BRL at TSSA and EUR at MICTSL; and decline in variable costs at ICTSI Oregon. Excluding new terminal and projects, equipment and facilities-related expenses would have increased by 2.0 percent in 2015.

Equipment and facilities-related expenses stood at 30.6 percent and 31.0 percent of cash operating expenses for the six months ended June 30, 2014 and 2015, respectively.

2.4.3.3 *Administrative and Other Operating Expenses*

Administrative and other operating expenses increased by 10.7 percent from US$54.2 million for the first half of 2014 to US$60.0 million for same period in 2015 mainly due to contributions and start-up costs of a new terminal and projects, ICTSI Iraq, VICT, LICTSLE, IDRC, LGICT and TMT; higher insurance and increased business development activities; tapered by the translation impact of BRL at TSSA and EUR at MICTSL and decrease in taxes and licenses at certain terminals. Excluding new terminal and projects, consolidated administrative expenses and other operating expenses would have increased by 8.7 percent.

Administrative and other operating expenses accounted for 24.5 percent and 26.5 percent of cash operating expenses for the six months ended June 30, 2014 and 2015, respectively.

2.4.3.4 *Foreign Exchange Loss and Others*

Foreign exchange loss and others surged by 91.3 percent from US$3.9 million for the first half of 2014 to US$7.4 million for the same period in 2015 primarily due to recognition of a one-time wealth tax on equity in SPIA amounting to US$1.3 million in accordance with the new tax reform of Colombia in 2015 and increase in foreign exchange loss as a result a weaker EUR against US dollar (2015: -8.5%; 2014: -0.4%). 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 11.8 percent to US$237.4 million for the first half of 2015 from US$212.2 million for the same period in primarily due to strong revenues driven by the continuous volume and revenue growth and ramp up at CMSA and OPC, favorable impact of consolidation at YICT, and the positive contribution of a new terminal, ICTSI Iraq. The growth, however, was tapered by decline in storage and BBC revenues, and depreciation of BRL at TSSA and EUR at MICTSL; and discontinued vessel calls of two major shipping lines at ICTSI Oregon due to continuous labor disruption. Excluding new terminal and projects, consolidated EBITDA would have increased by 10.6 percent in 2015. Consequently, EBITDA margin went up to 43.0 percent in 2015 from 41.6 percent in 2014.

Meanwhile, consolidated EBIT went up by 15.6 percent to US$175.1 million for the first half of 2015 from US$151.5 million for the same period in 2014 mainly due to stronger EBITDA. As a result, EBIT margin also increased from 29.7 percent to 31.7 percent for the six months ended June 30, 2014 and 2015, respectively.

2.4.5 Income Before Income Tax and Provision for Income Tax

The Group's consolidated income before income tax grew by 2.7 percent to US$131.2 million for the first half of 2015 from US$127.7 million for the same period in 2014 primarily due to strong operating income; positive contribution of a new terminal, ICTSI Iraq; and non-recurring gain on sale of a subsidiary in 2015. The growth, however, was tapered by the recognition of a one-time wealth tax

for equity in SPIA in 2015. The 2014 income before income tax, on the other hand, includes non-recurring gains on sale of a non-operating subsidiary of US$13.2 million, termination of a management contract, and settlement of an insurance claim. Excluding new terminal and projects, consolidated income before income tax would have increased by 1.4 percent in 2015. Excluding the non-recurring gains and recognition of a non-recurring wealth tax on SPIA's equity; consolidated income before income tax, on a recurring basis, would have surged by 20.0 percent in 2015.

The ratio of income before income tax to consolidated gross revenues stood at 25.0 percent and 23.8 percent in 2014 and 2015, respectively.

Consolidated provision for current and deferred income taxes increased by 15.1 percent to US$25.5 million for the first half of 2015 from US$22.1 million for the same period in 2014 mainly due to the stronger operating income and recognition of a one-time super tax at PICT in accordance with Finance Act 2015 of Pakistan; tapered by higher deferred income tax benefit on unrealized foreign exchange loss. Effective income tax rate in 2014 and 2015 stood at 19.4 percent and 17.3 percent, respectively.

2.4.6 Net Income

Consolidated net income increased by 0.1 percent to US$105.7 million for the first half of 2015 from US$105.6 million for the same period in 2014. Excluding the non-recurring gains recognized in 2014 and 2015, recognition of non-recurring wealth tax on SPIA's equity, and non-recurring super tax recognized at PICT, consolidated net income, on a recurring basis, would have increased by 21.0 percent in 2015. The ratio of consolidated net income to gross revenues stood at 20.7 percent and 19.1 percent for the six months ended June 30, 2014 and 2015, respectively.

Consolidated net income attributable to equity holders decreased by 1.3 percent from US$101.7 million for six months ended June 30, 2014 to US$100.4 million for the same period in 2015. Excluding the non-recurring gains recognized in 2014 and 2015, recognition of non-recurring wealth tax on SPIA's equity, and non-recurring super tax recognized at PICT in 2015, consolidated net income attributable to equity holders, on a recurring basis, would have increased by 19.8 percent in 2015.

Basic and diluted earnings per share decreased from US$0.043 during the six months ended June 30, 2014 to US$0.042 for the same period in 2015.

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

2.6 Financial Position

Table 2.7 Consolidated Condensed Balance Sheets

(In thousands, except % change data)	December 31, 2014	**June 30, 2015**	% Change
Total assets	US$3,400,770	**US$3,576,282**	5.2
Current assets	359,623	**330,901**	(8.0)
Total equity	1,473,564	**1,524,859**	3.5
Total equity attributable to equity holders of the parent	1,316,041	**1,365,577**	3.8
Total interest-bearing debt	1,070,447	**1,173,585**	9.6
Current liabilities	283,545	**285,442**	0.7
Total liabilities	1,927,206	**2,051,423**	6.4
Current assets/total assets	10.6%	**9.3%**	
Current ratio	1.27	**1.16**	
Debt-equity ratio[1]	0.73	**0.77**	

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

Total assets increased by 5.2 percent to US$3.6 billion as of June 30, 2015 from US$3.4 billion as of December 31, 2014 mainly due to investments in capital expenditures, which include the ongoing construction of port facilities at VICT, IDRC and Tecplata; expansion at ICTSI Iraq; port equipment acquisition at BCT; and advances extended to SPIA to fund the Group's share on the ongoing construction and development at the Port of Buenaventura. These investments were funded mainly by cash generated from the Group's operations, and net proceeds from the issuances of medium-term notes under ICTSI Treasury's MTN Programme and perpetual capital securities in January 2015. Non-current assets stood at 89.4 percent and 90.7 percent of the total consolidated assets as of December 31, 2014 and June 30, 2015, respectively.

Current assets decreased by 8.0 percent from US$359.6 million as of December 31, 2014 to US$330.9 million as of June 30, 2015 primarily due to continuous deployment of cash to fund capital expenditures during the period tapered by stronger cash inflows generated from operations, proceeds from drawdown from the Group's Revolving Credit Facility, net proceeds from the issuances of medium-term notes and perpetual capital securities, and improved collection of receivables at certain terminals. Current assets accounted for 10.6 percent and 9.3 percent of the total consolidated assets of the Group as of December 31, 2014 and June 30, 2015, respectively. Current ratio stood at 1.27 as of December 31, 2014 and 1.16 as of June 30, 2015.

Total equity increased by 3.5 percent to US$1.5 billion as of June 30, 2015 primarily due to the net income generated for the period and the net proceeds from the issuance of a US$300.0 million perpetual capital securities in January 2015. The proceeds of the issuance were partly used to finance the tendered US$230.0 million higher cost subordinated perpetual capital securities.

Total liabilities increased by 6.4 percent to US$2.1 billion as of June 30, 2015 mainly due to the US$100.0 million drawdown from the Group's Revolving Credit Facility, net liability arising from the issuance and exchange of medium-term notes under the MTN Programme for the outstanding higher cost ICTSI senior notes as part of the Group's liability management exercise, and accrual of lease expense at VICT. The increase was reduced by loan repayments at Parent Company and certain subsidiaries. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 31.5 percent and 32.8 percent as of December 31, 2014 and June 30, 2015, respectively.

Meanwhile, current liabilities went up by 0.7 percent to US$285.4 million as of June 30, 2015 from US$283.5 million as of December 31, 2014 arising from higher income tax payable, particularly at MICT and PICT due to strong operating income, and short-term loan availment by CGSA, tapered by payments of dividends, short-term loans and interest at certain subsidiaries.

2.6.1 Material Variances Affecting the Balance Sheet

Balance sheet accounts as of June 30, 2015 with variances of plus or minus 5.0 percent against December 31, 2014 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 10.2 percent to US$1.0 billion as of June 30, 2015 brought about by land recognized from the acquisition of TMT and increase in capital expenditures arising from ongoing construction and terminal equipment acquisition at VICT, IDRC and BCT.
2. Investment in and advances to a joint venture and associate grew by 36.7 percent to US$192.3 million as of June 30, 2015 due to continuous funding extended to SPIA for the Group's share on the ongoing construction and development at the Port of Buenaventura.
3. Deferred tax assets surged by 15.0 percent to US$66.6 million as a result of higher deferred income tax benefit from unrealized foreign exchange loss.
4. Other noncurrent assets increased by 22.6 percent to US$153.6 million due to increase in deposits and advances to suppliers and contractors and input tax associated with the ongoing purchase and construction of terminal facilities and acquisition of port equipment in various ports.

Current Assets

5. Cash and cash equivalents decreased by 8.1 percent to US$178.6 million as of June 30, 2015 arising from continuous deployment of cash to fund capital expenditures during the period tapered by stronger cash inflows generated from operations, proceeds from drawdown from the Group's Revolving Credit Facility, and net proceeds from the issuances and exchanges of medium-term notes and perpetual capital securities.
6. Receivables declined by 14.6 percent to US$77.5 million as of June 30, 2015 primarily due to improved collection process at certain terminals, particularly at ICTSI Parent and CMSA, and lower receivable balance at ICTSI Oregon as a result of discontinued vessel calls of two major shipping lines.

Equity

7. Treasury shares declined by 16.7 percent to US$1.0 million as of June 30, 2015 mainly as a result of vesting of shares under the stock incentive plan.
8. Perpetual capital securities increased by 20.7 percent to US$407.0 million as of June 30, 2015 primarily due to RCBV's issuance of a US$300.0 million, 6.25 percent perpetual capital securities. This new issue was partly used to finance the tendered higher cost, US$230.0 million, 8.375 percent outstanding subordinated perpetual capital securities.
9. Other comprehensive loss increased by 20.5 percent to US$208.9 million mainly due to weaker local currencies of certain terminals against the US dollar, specifically at TSSA, MICTSL and CMSA.

Noncurrent Liabilities

10. Long-term debt increased by 10.1 percent to US$1.1 billion as of June 30, 2015 mainly due to the US$100.0 million drawdown from the Group's Revolving Credit Facility during the period.
11. Pension and other non-current liabilities increased by 55.6 percent to US$91.3 million as of June 30, 2015 arising mainly from the accrual of lease expense at VICT.

Current Liabilities

12. Loans payable increased by 7.3 percent to US$26.3 million as of June 30, 2015 mainly due to additional short-term loan availment by CGSA and TSSA, tapered by YICT's prepayment of short-term loans.
13. Income tax payable increased by 26.4 percent to US$22.0 million as of June 30, 2015 due to stronger operating income at certain terminals, particularly at MICT and PICT.
14. Derivative liabilities surged by 9.1 percent to US$0.8 million as of June 30, 2015 due to fair value adjustments on outstanding interest rate swap transactions at certain terminals.

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 June 30, 2014 and 2015:

Table 2.8 Consolidated Cash Flows

	For the Six Months Ended June 30		
(In thousands, except % change data)	2014	**2015**	% Change
Net cash provided by operating activities	US$164,979	**US$218,995**	32.7
Net cash used in investing activities	(146,265)	**(271,482)**	85.6
Net cash provided by (used in) financing activities	(23,686)	**38,659**	–
Effect of exchange rate changes on cash and cash equivelents	284	**(1,859)**	–
Net increase in cash and cash equivalents	(4,688)	**(15,687)**	234.6
Cash and cash equivalents, beginning	242,235	**194,298**	(19.8)
Cash and cash equivalents, end	US$237,547	**US$178,611**	(24.8)

Consolidated cash and cash equivalents declined by 24.8 percent year-on-year to US$178.6 million as of June 30, 2015 as a result of the Group's continuous deployment of funds to finance ongoing port development activities tapered by higher cash generated from operations and debt and equity issuances during the period.

Net cash provided by operating activities increased by 32.7 percent from US$165.0 million for the six months ended June 30, 2014 to US$219.0 million for the same period in 2015 due to stronger results of operations and improved collection process.

Net cash used in investing activities increased by 85.6 percent to US$271.5 million mainly due to acquisition of a subsidiary, TMT, for US$54.5 million and higher investments in capital expenditures during the period. Capital expenditures for 2015 amounted to US$136.7 million capturing 25.8 percent of the US$530.0 million total capital expenditure budget for 2015. The established budget is mainly allocated for new and existing projects, civil works, system improvements, and major port equipment acquisitions. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and/or equity issuances, as necessary. The 2015 net cash used in investing activities also includes US$52.9 million advances granted to SPIA, a joint venture, for the Group's share on the ongoing construction of port facilities at the Port of Buenaventura.

Net cash provided by financing activities for the six months ended June 30, 2015 amounted to US$38.7 million which consist mainly of the US$58.2 million net proceeds from the issuances and exchanges of debt and equity instruments in January 2015 and US$100.0 million drawdown from the revolving credit facility. The increase was reduced by interest payments on borrowings and concession rights payable totaling US$43.6 million, scheduled repayments of certain subsidiaries' short and long-term loans aggregating US$17.4 million, payment of dividends of US$47.9 million, and distributions to holders of perpetual capital securities amounting to US$14.5 million. Meanwhile, the net cash used in financing activities for the same period in 2014 include mainly interest payments on borrowings and concession rights payable; scheduled repayments of certain terminals' loans; payment of dividends; distribution to holders of perpetual capital securities; and acquisition of the remaining non-controlling interest in Tecplata. These were slightly tapered by the proceeds from the issuance of additional US$75.0 million medium-term notes under ICTSI Treasury's MTN Programme, proceeds from BCT's new loan, and CGSA's short-term loan.

2.7.2 Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2014 and June 30, 2015:

Table 2.9 Capital Sources

(In thousands, except % change data)	December 31, 2014	**June 30, 2015**	% Change
Loans payable	US$24,479	**US$26,257**	7.3
Current portion of long-term debt	47,774	**48,204**	0.9
Long-term debt, net of current portion	998,194	**1,099,124**	10.1
Total short and long-term debt	1,070,447	**1,173,585**	9.6
Equity	1,473,564	**1,524,859**	3.5
	US$2,544,011	**US$2,698,444**	6.1

The Group's total debt and equity capital increased by 6.1 percent as of June 30, 2015 primarily due to strong net income and increase in debt and equity 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 June 30, 2015:

Table 2.10 Outstanding Loans

(In thousands)	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
Unsecured US Dollar Term Loan	Parent	2015	Floating	US$19,951
Unsecured US Dollar Term Loan	CGSA	2015 - 2016	Fixed	5,017
Unsecured US Dollar Term Loan	TSSA	2015	Fixed	1,289
				26,257
Long-Term Debt				
Unsecured US Dollar Term Loan	Parent	2015	Floating	19,960
Unsecured US Dollar Bond	Parent	2020	Fixed	179,213
Unsecured US Dollar Bond	ITBV	2023 - 2025	Fixed	743,939
Unsecured US Dollar Term Loan	IGFBV	2019	Floating	98,002
Secured US Dollar Term Loan	BCT	2021	Floating	26,306
Unsecured US Dollar Term Loan	CGSA	2016	Fixed	2,902
Unsecured US Dollar Securities	CGSA	2016	Fixed/Floating	20,263
Secured Pakistani Rupee Term Loan	PICT	2017	Floating	11,742
Secured Euro Term Loan	AGCT	2023 - 2024	Floating	9,969
Secured RMB Term Loam	YICT	2016	Floating	35,032
				1,147,328
Total Debt				1,173,585
Less current portion and short-term				74,461
Long-term debt, net of current portion				**US$1,099,124**

As of June 30, 2015, 90.4 percent of the Group's total debt capital is held by the Parent, ICTSI Treasury and IGFBV, out of which the US$179.2 million senior notes issued in 2010 and due in 2020 and US$743.9 million MTN issued in 2013 to 2015 and due in 2023 to 2025 formed 78.7 percent of the Group's debt capital.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of June 30, 2015:

Table 2.11 Outstanding Debt Maturities

(In thousands)	Amount
2015	US$35,967
2016	50,572
2017	4,348
2018	2,257
2019 and onwards	1,054,184
Total	US$1,147,328

Long-term loans entered into for the last two years are summarized below:

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. 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 June 30, 2015, outstanding notes under the MTN Programme amounted to US$743.9 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.

The MTN were not registered with the SEC. The MTN 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 MTN are traded and listed in the Singapore Stock Exchange.

Revolving Credit Facility Programme

On July 24, 2014, the Board of Directors of ICTSI approved the establishment of a loan facility programme pursuant to which a subsidiary, IGFBV, may, from time to time, enter into one or more loan facilities under the said programme to be guaranteed by ICTSI with one or more lenders.

In connection with the establishment of the said programme, the Board of Directors also approved the first loan facility under the programme with IGFBV as the borrower and ICTSI as the guarantor. The loan facility is a revolving credit facility with a principal amount of US$350.0 million, and a tenor of five years and bears interest at LIBOR plus a spread of 1.95 percent.

As of June 30, 2015, IGFBV has drawn US$100.0 million from the facility.

US dollar and Foreign Currency-denominated Term Loans and Securities

Parent Company. In October 2013, ICTSI availed of unsecured medium-term loan from Australia and New Zealand Banking Group Limited, Manila Branch, amounting to US$20.0 million for general corporate requirements. The loan bears interest at prevailing market rates, ranging from 1.1182 percent to 1.1479 percent. The loan matured in November 2014 and was renewed for another 13 months.

BCT. In July 2014, BCT entered into a term loan facility agreement for US$36.0 million with HSBC to refinance its existing loan with Bank Polska Kasa Opieki S.A. (Bank Polska) and to fund capital expenditure projects supported by the European Union grants. The HSBC loan facility agreement bears an interest of 1.70 percent over LIBOR. On September 2, 2014, the Company availed US$19.6 million from the loan facility agreement to prepay the Bank Polska loan and fund capital expenditures. As of June 30, 2015, the aggregate outstanding balance under the term loan facility, net of related debt issuance cost, amounted to US$26.3 million.

CGSA. In 2014, CGSA availed of two-year unsecured Term Loans with local banks in Ecuador totaling US$4.5 million, to finance capital expenditures and working capital requirements. The Term Loans with Local Banks in Ecuador bear a fixed interest rate of 7.5 percent, with the principal payable in monthly installments. The aggregate outstanding balance of the Term Loans with Local Banks in Ecuador amounted to US$2.9 million as of June 30, 2015.

YICT. The Company acquired, through the consolidation of YICT, the short and long term loans of DP World Yantai with outstanding balances of US$4.6 million (RMB 28.0 million) and US$39.0 million (RMB 222.2 million) as of June 30, 2014, respectively. The short-term loan bears an interest rate of 6.15 percent per annum and will mature on April 30, 2015. On the other hand, the long-term loan with Agricultural Bank of China, which was availed principally to finance the development project related to the construction of the container terminal, bears an interest rate of 6.15 percent per annum and will mature on December 7, 2014. On December 8, 2014, YICT signed a two-year loan agreement to refinance the long-term loan bearing a lower interest rate of 6.0 percent per annum. The short-term loan has been fully repaid in March 2015. As of June 30, 2015, the outstanding balances of the long-term loan of YICT amounted to US$35.0 million (RMB 217.2 million).

PICT. PICT has a Rs.1.5 billion loan with Habib Bank Limited. The loan carries a mark-up at the rate of six months KIBOR plus 0.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right. Principal is repayable in five

equal semi-annual installments commencing in June 2015. As of June 30, 2015, outstanding principal balance of the loan amounted to US$11.7 million (Rs.1.2 billion).

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 maintain specified financial ratios relating to their debt to EBITDA, debt to equity and earnings level relative to current debt service obligations. As of June 30, 2015, 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 June 30, 2015, the Group has complied with its loan covenants.

There were no other significant transactions pertaining to the Group's long-term debt as of June 30, 2015, except as discussed above.

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 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 51.5 percent and 50.2 percent of gross revenues for the periods ended June 30, 2014 and 2015, 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 six months ended June 30, 2015:

Table 2.12 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	33 % USD	67 % PhP
DIPSSCOR		100 % PhP
SCIPSI		100 % PhP
MICTSI		100 % PhP
SBITC/ISI	100 % USD	
BIPI		100 % PhP
HIPS		100 % PhP
YICT		100 % RMB
PICT	78 % USD	22 % PKR
OJA	70 % USD	30 % IDR
PTMTS		100 % IDR
NICTI		100 % JPY
NMCTS		100 % BND
TSSA		100 % BRL
CGSA	100 % USD	
ICTSI Oregon	100 % USD	
OPC	100 % USD	
CMSA	40 % USD	60 % MXN
BCT	68 % USD/2 % EUR	30 % PLN
BICT	100 % USD	
BGT	100 % USD	
AGCT	84 % EUR	16% HRK
MICTSL	100 % EUR*	

**MGA pegged to the EURO*

Translation Hedging. On May 20, 2013, ICTSI designated US$39.4 million (₱1.75 billion) of its Philippine peso-denominated cash equivalents as cash flow hedges on the currency risk of its Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees payments from January until October 2014. Foreign currency translation gains or losses on the Philippine peso-denominated short-term investments that qualify as highly effective cash flow hedges are deferred in equity. Any ineffective portion is recognized directly in earnings. Foreign currency translation gains or losses deferred in equity would form part of variable fees, presented as "Port authorities' share in gross revenues" in the consolidated statement of income, when the hedged variable PPA fee is recognized. Foreign currency losses amounting to US$1.8 million for the six months ended June 30, 2014 was presented as part of "Port authorities' share in gross revenues" account in the consolidated statements of income. As of June 30, 2015, there were no Philippine peso-denominated financial instruments designated as cash flow hedge.

In 2013 and 2014, Tecplata designated an aggregate of US$173.0 million (AR$927.9 million) and US$40.3 million (AR$308.5 million), respectively, of its Argentine peso-denominated cash and cash equivalents as cash flow hedges on the currency risk of its Argentine peso-denominated payables that would arise from forecasted Argentine peso-denominated capital expenditures. The hedging covered forecasted Argentine peso-denominated expenditures from April 2013 until December 2014. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port infrastructure and would be recycled to profit and loss through depreciation. As of June 30, 2015, there were no outstanding Argentine peso-denominated cash and cash equivalents designated as cash flow hedge.

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.

Interest Rate Swap. In November 2014, BCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in 2021. A

notional amount of US$21.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap, BCT pays fixed interest rate of 1.87 percent and receives floating rate of six-month LIBOR on the notional amount. As of June 30, 2015, the market valuation loss on the outstanding interest rate swap amounted to US$0.1 million.

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) in 2013 and EUR3.8 million (US$4.6 million) in 2014 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 of June 30, 2015, the market valuation loss on the outstanding interest rate swap amounted to EUR0.46 million (US$0.5 million).

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 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 June 30, 2015
(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US$68,413	US$8,767	US$77,180
Six months to one year	–	336	336
Over one year	–	13	13
	US$68,413	US$9,116	US$77,529

ANNEX 2

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
As at and for the Six Months Ended June 30

	2014	**2015**
Liquidity ratios		
Current ratio[(a)]	1.81	**1.16**
Interest rate coverage ratio[(b)]	7.74	**8.54**
Solvency ratios		
Debt to equity ratio[(c)]	0.74	**0.77**
Asset to equity ratio[(d)]	2.30	**2.35**
Profitability ratio		
EBITDA margin[(e)]	41.6%	**43.0%**

[(a)] *Current assets over current liabilities*

[(b)] *EBITDA over interest expense and financing charges on borowings*

[(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*
June 30, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at January 1, 2015**		**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	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal	Not early adopted		
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	Not early adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Not early adopted		
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		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 13: Portfolio Exception	✓		
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	✓		
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	✓		
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	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	Not early adopted		
	Amendment to PAS 16: Bearer Plants	Not early adopted		
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	Not early adopted		
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	Related Party Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
(Revised)	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: Separate Financial Statements	Not early adopted		
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		
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	✓		
	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'	Not early adopted		
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	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
	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	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants	Not early adopted		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
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	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities	✓		
SIC-12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

ANNEX 4

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC AND SUBSIDIARIES

MAP OF SUBSIDIARIES

June 30, 2015

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (ICTSI)

- **MICTSI** Mindanao Int'l Container Terminal Services, Inc. (Phils.)
- **AHI** Abbotsford Holdings, Inc. (Phils.)
  - **HIJO** HIJO International Port Services, Inc. (Phils.)
  - **DIPSSCOR** Davao Int'd Port & Stevedoring Services Corp. (Phils.)
- **SBITHI** Subic Bay Int'l Terminal Holdings, Inc. (Phils.)
  - **SBITC** Subic Bay Int'l Terminal Corp. (Phils.)
- **IWI** ICTSI Warehousing, Inc. (Phils.)
  - **IW CARGO** IW Cargo Handlers, Inc. (Phils.)
    - **LGICT** Laguna Gateway Inland Container Terminal Inc. (Phils.)
- **ICTSI SUBIC INC.** New Container Terminal (NCT) 2, Subic Bay
  - **BIPI** Bauan Int'l Ports, Inc. (Phils.)
  - **CTSSI Phils.** Cont. Term. Sys. Sols., Phils., Inc. (Phils.)
- **TICT** Tartous Int'l Cont. Terminal, JSC (Syria)
- **PRIME STAFFERS** Prime Staffers & Selection Bureau, Inc. (Phils.)
- **ICTHI** Int'l Cont. Terminal Holdings, Inc. (Cayman Islands)
  - **CTSSI Phils.** Cont. Term. Sys. Sols., Phils., Inc. (Phils.)
  - **PIHL** Pentland Int'l Holdings Ltd. (British Virgin Isles)
  - **ICTSI Ltd.** ICTSI Ltd. (Bermuda)
- **CGSA** Contecon Guayaquil S.A. (Ecuador)
- **ICTSI (M.E.) DMCC** ICTSI Middle East JLT (Dubai, UAE)
  - **ICTSI (M.E.) DMCC** Iraq Branch (Iraq)
- **SCIPSI** South Cotabato Integrated Ports Services, Inc. (Phils.)
- **CORDILLA** Cordilla Properties Holdings (Phils.)

ICTSI Ltd. (Bermuda) subsidiaries:

- **ICTSI Brazil** ICTSI Brazil Ltd. (Bermuda)
  - **OPC** Operadora Portuaria Centroamericana, S.A. de C.V. (Honduras)
- **ICTS – India** International Container Terminal Services Private Limited (India)
- **MICTSL** Madagascar Int'l Cont. Terminal Servs, Ltd. (Madagascar)
- **ICTSI Far East** ICTSI Far East PTE. Ltd. (Singapore)
  - **PT CTSSI** PT Container Term. Sys. Solns. Inc. (Indonesia)
  - **NMCTS** New Muara Container Terminal Services SDN BHD (Brunei)
  - **MTS** PT Makassar Term. Services (Indonesia)
  - **JASA** PT ICTSI Jasa Prima Tbk (Indonesia)
    - **OJA** PT PBM Olah Jasa Andal (Indonesia)
  - **VICTL** Victoria International Container Terminal Limited (Australia)
- **ICTSI Ltd. RHQ** (Manila)
- **GPL** Global Procurement Ltd. (Bermuda)
- **ICTSI Africa (Pty) Ltd.** Cape Town, South Africa
- **IPSAL** Int'l Ports of South America and Logistics S.A. (Uruguay)
  - **NUEVOS PUERTOS** Nuevos Puertos S.A. (Argentina)
  - **TECPLATA** Tecplata S.A. (Argentina)
- **CUSA** C. Ultramar S.A (Panama)
- **FWSA** Future Water S.A. (Panama)
- **KEI** Kinston Enterprises, Inc. (Panama)
- **RCBV** Royal Capital BV (Netherlands)
- **ICTSI Cooperatief U.A.** (Netherlands)
- **TSSA** Tecon Suape S.A. (Brazil)
- **ICTSI Ltd. – Regional Operating Headquarters** (Phils.)
- **ICTSI Project Delivery Services Co. Pte. Ltd.** (Singapore)
- **ICTSI South Asia Pte. Ltd.** (Singapore)
- **IHKL** ICTSI (Hong Kong) Ltd. (Hong Kong)
  - **YICTL** Yantai International Container Terminals Ltd.(China)
- **ICTSI Georgia** ICTSI Georgia Corp. (Cayman Isles)
  - **BICT** Batumi Int'l Cont. Term. LLC. (Georgia)
- **AICTL** Australian Cont. Terminals, Ltd. (Australia)
- **CTVCC** Container Terminal de Venezuela Conterven C.A. (Venezuela)
- **IOI** ICTSI Oregon Inc.(Portland, USA)
- **ICTSI Mauritius** ICTSI Mauritius Ltd. (Rep. of Mauritius)
  - **Crixus Limited** (British Virgin Islands)
  - **AIL** Aeolina Investments Limited (British Virgin Islands)
  - **PICT** Pakistan International Container Terminal (Pakistan)

ICTSI Cooperatief U.A. subsidiaries:

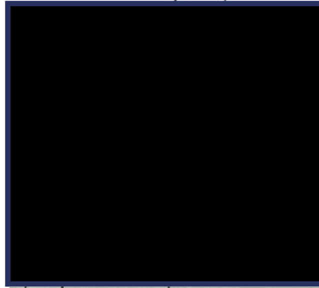
- **ICTSI Africa B.V.** (Netherlands)
  - **ICTSI DR CONGO S.A.** (Congo)
- **ICTSI Oceania B.V.** (Netherlands)
- **ICTSI Cameroon B.V.** (Netherlands)
- **ICTSI Global Finance B.V.** (Netherlands)
- **ICBV** ICTSI Capital B.V. (Netherlands)
  - **LICTSLE** Lekki International Container Terminal Services LFTZ Enterprises (Nigeria)
  - **AGCT** Adriatic Gate Container Terminal (Croatia)
  - **BCT** Baltic Container Terminal Ltd. (Poland)
  - **APPH** Asia Pacific Port Holdings Pte. Ltd. (Singapore)
- **GCC BV** Global Container Capital BV (Netherlands)
  - **ICTSI Tuxpan B.V.** (Netherlands)
    - **TMT** Terminal Maritima de Tuxpan, S.A. de C.V. (Mexico)
  - **CMSA BV** (Netherlands)
    - **CMSA** Contecon Manzanillo S.A. (Mexico)
- **ICON Logistiek B.V.** (Netherlands)
  - **TECPLATA B.V.** (Netherlands)
- **ITBV** ICTSI Treasury BV (Netherlands)
- **ICTSI Americas B.V.** (Netherlands)
  - **SPIA Colombia BV** (Netherlands)
    - **SPIA Spain SL** (Spain)
      - **SPIA** Sociedad Portuario Industrial Aguadulce S.A. (Colombia)
  - TSSA BV (Netherlands)
  - CGSA BV (Netherlands)
    - **CGSA Transportadora SL (Spain)**

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.

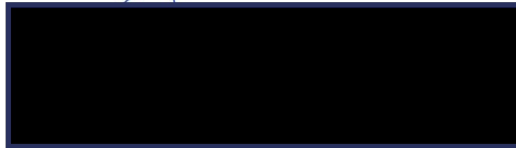
Registrant **INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.**

By



Jose Joel M. Sebastian
Vice-President and Controller

August 4, 2015



Rafael D. Consing, Jr.
Vice-President and Treasurer

August 4, 2015