

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, 2016**
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, 2016
Common	2,033,321,394 Shares

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

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

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

The audited consolidated balance sheet as at December 31, 2015 and the unaudited interim condensed consolidated financial statements as at June 30, 2016 and for the three and six months ended June 30, 2015 and 2016 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 33.

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, 2016

(with Comparative Audited Figures as at December 31, 2015)

and for the Three and Six Months Ended June 30, 2015 and 2016

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

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

As at June 30, 2016

(With Comparative Audited Figures as at December 31, 2015)

(In Thousands)

	December 31, 2015 <i>(Audited)</i>	June 30, 2016 <i>(Unaudited)</i>
ASSETS		
Noncurrent Assets		
Intangibles (Notes 1 and 5)	US\$1,715,582	US\$1,725,000
Property and equipment (Notes 1 and 6)	1,148,856	1,284,558
Investment properties	6,841	6,667
Investments in and advances to a joint venture and an associate (Notes 8 and 16)	231,916	261,385
Deferred tax assets - net	87,006	90,984
Other noncurrent assets (Notes 1 and 7)	137,514	146,459
Total Noncurrent Assets	3,327,715	3,515,053
Current Assets		
Cash and cash equivalents (Note 9)	354,482	312,883
Receivables (Note 10)	87,200	97,486
Spare parts and supplies	27,596	31,613
Prepaid expenses and other current assets (Notes 1 and 11)	44,108	46,536
Derivative assets	331	-
Total Current Assets	513,717	488,518
	US\$3,841,432	US\$4,003,571
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Capital stock:		
Preferred stock	US\$236	US\$236
Common stock	67,330	67,330
Additional paid-in capital (Note 15)	534,808	536,091
Cost of shares held by subsidiaries (Note 15)	(74,261)	(74,261)
Treasury shares (Note 15)	(7,548)	(11,025)
Excess of acquisition cost over the carrying value of non-controlling interests (Notes 1 and 15)	(142,555)	(142,555)
Retained earnings (Note 15)	723,159	741,025
Perpetual capital securities (Notes 12 and 15)	831,910	726,669
Other comprehensive loss - net (Note 15)	(258,636)	(275,957)
Total equity attributable to equity holders of the parent	1,674,443	1,567,553
Equity Attributable to Non-controlling Interests (Notes 1 and 15)	151,605	146,673
Total Equity	1,826,048	1,714,226
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12 and 19)	1,026,578	1,196,558
Concession rights payable - net of current portion (Notes 15 and 19)	503,208	498,617
Deferred tax liabilities - net	77,493	77,881
Other noncurrent liabilities (Note 13)	119,354	72,889
Total Noncurrent Liabilities	1,726,633	1,845,945
Current Liabilities		
Loans payable (Note 12)	2,027	29,749
Accounts payable and other current liabilities (Notes 1, 13 and 16)	201,424	326,348
Current portion of long-term debt (Notes 12 and 19)	54,465	50,988
Current portion of concession rights payable (Notes 15 and 19)	8,830	8,370
Income tax payable	22,005	27,945
Total Current Liabilities	288,751	443,400
	US\$3,841,432	US\$4,003,571

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
INCOME				
Gross revenues from port operations (Notes 1, 16 and 20)	US\$256,045	US\$284,345	US\$552,107	US\$550,814
Gain on sale of a subsidiary (Note 1)	323	–	323	–
Foreign exchange gain (Note 3)	1,585	179	2,550	3,186
Interest income (Notes 8 and 16)	2,977	4,103	5,595	8,219
Other income (Notes 1 and 13)	2,031	3,672	2,691	5,846
	262,961	292,299	563,266	568,065
EXPENSES				
Port authorities' share in gross revenues (Notes 1 and 16)	39,471	46,116	88,264	89,135
Manpower costs (Notes 14 and 16)	46,229	48,200	96,382	95,897
Equipment and facilities-related expenses (Note 16)	30,702	29,309	70,124	57,161
Depreciation and amortization	31,294	36,857	62,264	73,209
Administrative and other operating expenses (Note 16)	29,805	25,205	59,966	51,168
Interest expense and financing charges on borrowings (Notes 5, 6 and 12)	13,571	21,613	27,781	39,959
Interest expense on concession rights payable (Note 5)	9,330	9,254	18,675	18,357
Equity in net loss of a joint venture (Note 8)	615	1,148	1,221	3,222
Foreign exchange loss (Note 3)	51	2,017	1,840	3,293
Other expenses (Note 16)	3,116	3,326	5,540	5,924
	204,184	223,045	432,057	437,325
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	16,171	13,657	31,873	26,784
Construction expense	(16,171)	(13,657)	(31,873)	(26,784)
	–	–	–	–
INCOME BEFORE INCOME TAX	58,777	69,254	131,209	130,740
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	19,443	20,276	32,723	36,723
Deferred	(9,571)	1,423	(7,221)	1,408
	9,872	21,699	25,502	38,131
NET INCOME	US\$48,905	US\$47,555	US\$105,707	US\$92,609
ATTRIBUTABLE TO:				
Equity holders of the parent	US\$46,408	US\$45,107	US\$100,409	US\$87,283
Noncontrolling interests	2,497	2,448	5,298	5,326
	US\$48,905	US\$47,555	US\$105,707	US\$92,609
Earnings Per Share (Note 17)				
Basic	US\$0.019	US\$0.017	US\$0.042	US\$0.031
Diluted	0.019	0.017	0.042	0.031

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

(In Thousands)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
NET INCOME FOR THE PERIOD	US\$48,905	US\$47,555	US\$105,707	US\$92,609
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations (Notes 3 and 15)	1,742	(32,089)	(38,297)	(10,962)
Net change in unrealized mark-to-market values of derivatives (Note 15)	229	(12,219)	(68)	(12,327)
Net unrealized loss removed from equity and capitalized as construction in-progress (Note 15)	–	–	1,855	–
Net unrealized mark-to-market gain on available-for-sale investments (Note 15)	–	456	4	–
Income tax relating to components of other comprehensive income (Note 15)	(203)	3,582	(24)	3,588
	1,768	(40,270)	(36,530)	(19,701)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Actuarial gains on defined benefit plans - net of tax (Note 16)	–	(49)	–	(45)
	1,768	(40,319)	(36,530)	(19,746)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	US\$50,673	US\$7,236	US\$69,177	US\$72,863
ATTRIBUTABLE TO:				
Equity holders of the parent	US\$46,481	US\$9,207	US\$64,903	US\$69,962
Noncontrolling interests	4,192	(1,971)	4,274	2,901
	US\$50,673	US\$7,236	US\$69,177	US\$72,863

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2015 and 2016**

(In Thousands)

	Attributable to Equity Holders of the Parent												Total Equity
	Preferred Stock	Common Stock	Additional Paid-in Capital (Note 15)	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary (Note 15)	Treasury Shares	Excess of Acquisition Cost over the Carrying Value of Noncontrolling Interests (Notes 1 and 15)	Retained Earnings (Note 15)	Perpetual Capital Securities (Note 15)	Other Compre- hensive Loss (Note 15)	Total	Noncontrolling Interests (Note 15)	
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 15)	-	-	2,037	-	-	-	-	-	-	-	2,037	-	2,037
Issuance of treasury shares	-	-	(197)	-	-	197	-	-	-	-	-	-	-
Acquisition of ICTSI common shares (Note 15)	-	-	-	-	(3,598)	-	-	-	-	-	(3,598)	-	(3,598)
Sale of shares held by a subsidiary (Note 15)	-	-	-	-	1,829	-	-	-	-	-	1,829	-	1,829
Cash dividends (Note 15)	-	-	-	-	-	-	-	(41,260)	-	-	(41,260)	(4,068)	(45,328)
Issuance and exchange of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(23,234)	69,920	-	46,686	-	46,686
Distributions on perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(14,520)	-	-	(14,520)	-	(14,520)
Sale of a subsidiary (Note 1)	-	-	-	-	-	-	-	-	-	-	-	(268)	(268)
Changes in non-controlling interest (Notes 1 and 15)	-	-	-	-	-	-	(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

Attributable to Equity Holders of the Parent													
	Preferred Stock	Common Stock	Additional Paid-in Capital (Note 15)	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary (Note 15)	Treasury Shares	Excess of Acquisition Cost over the Carrying Value of Noncontrolling Interests (Notes 1 and 15)	Retained Earnings (Note 15)	Perpetual Capital Securities (Note 15)	Other Comprehensive Loss (Note 15)	Total	Noncontrolling Interests (Note 15)	Total Equity
Balance at December 31, 2015	US\$236	US\$67,330	US\$534,808	(US\$72,492)	(US\$1,769)	(US\$7,548)	(US\$142,555)	US\$723,159	US\$831,910	(US\$258,636)	US\$1,674,443	US\$151,605	US\$1,826,048
Total comprehensive income for the period	-	-	-	-	-	-	-	87,283	-	(17,321)	69,962	2,901	72,863
Share-based payments (Note 15)	-	-	1,476	-	-	-	-	-	-	-	1,476	-	1,476
Issuance of treasury shares	-	-	(193)	-	-	193	-	-	-	-	-	-	-
Purchase of treasury shares (Note 15)	-	-	-	-	-	(3,670)	-	-	-	-	(3,670)	-	(3,670)
Cash dividends (Note 15)	-	-	-	-	-	-	-	(40,043)	-	-	(40,043)	(7,833)	(47,876)
Redemption of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(7,624)	(105,241)	-	(112,865)	-	(112,865)
Distributions on perpetual capital securities (Note 15)	-	-	-	-	-	-	-	(21,750)	-	-	(21,750)	-	(21,750)
Sale of a subsidiary (Note 1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interest (Notes 1 and 15)	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2016	US\$236	US\$67,330	US\$536,091	(US\$72,492)	(US\$1,769)	(US\$11,025)	(US\$142,555)	US\$741,025	US\$726,669	(US\$275,957)	US\$1,567,553	US\$146,673	US\$1,714,226

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Six Months Ended June 30	
	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	US\$131,209	US\$130,740
Adjustments for:		
Depreciation and amortization	62,264	73,209
Interest expense on:		
Borrowings (Notes 5, 6 and 12)	27,781	39,959
Concession rights payable (Notes 1 and 5)	18,675	18,357
Interest income	(5,595)	(8,219)
Share-based payments (Note 15)	2,005	1,515
Equity in net loss (income) of a joint venture (Note 8)	1,221	3,222
Dividend income	(642)	-
Gain on sale of a subsidiary (Note 1)	(323)	-
Unrealized foreign exchange loss	203	170
Gain on sale of property and equipment	(50)	(1,845)
Operating income before changes in working capital	236,748	257,108
Decrease (increase) in:		
Receivables (Note 10)	10,675	(8,667)
Spare parts and supplies (Note 11)	(1,264)	(1,973)
Prepaid expenses and other current assets	(198)	(1,708)
Increase (decrease) in:		
Accounts payable and other current liabilities (Note 14)	549	(9,581)
Pension liabilities	462	687
Cash generated from operations	246,972	235,866
Income taxes paid	(27,977)	(32,453)
Net cash provided by operating activities	218,995	203,413
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Intangible assets (Notes 1 and 5)	(56,419)	(48,206)
Property and equipment (Notes 1 and 6)	(80,302)	(113,493)
Subsidiary, net of cash acquired (Note 1)	(54,500)	-
Increase in other noncurrent assets (Note 8)	(29,884)	(17,914)
Proceeds from sale of a subsidiary, net of cash held by subsidiary (Note 1)	(111)	-
Increase in investments and advances to a joint venture (Notes 8 and 16)	(52,868)	(32,335)
Interest received	5,596	8,265
Proceeds from sale of property and equipment	1,063	8,692
Payments for concession rights (Note 5)	(4,699)	(5,467)
Dividends received	642	-
Net cash used in investing activities	(271,482)	(200,458)

(Forward)

	For the Six Months Ended June 30	
	2015	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Long-term borrowings (Note 12)	US\$112,360	US\$191,372
Issuance and exchange of perpetual capital securities (Note 15)	46,686	–
Short-term borrowings (Note 12)	7,346	33,670
Sale of common shares held by a subsidiary	1,829	–
Payments of:		
Dividends (Note 15)	(47,872)	(46,583)
Interest on borrowings and concession rights payable (Notes 5 and 12)	(43,624)	(53,952)
Long-term borrowings (Note 12)	(11,812)	(22,071)
Short-term borrowings (Note 12)	(5,553)	(5,527)
Purchase of treasury shares	–	(3,670)
Redemption of perpetual capital securities	–	(112,865)
Increase (decrease) in other noncurrent liabilities	3,478	(1,357)
Acquisition of ICTSI common shares by a subsidiary (Note 15)	(3,598)	–
Distributions on subordinated perpetual capital securities (Note 15)	(14,520)	(21,750)
Change in noncontrolling interest (Notes 1 and 15)	(6,061)	–
Net cash provided by (used in) financing activities	38,659	(42,733)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,859)	(1,821)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,687)	(41,599)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	194,298	354,482
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 9)	US\$178,611	US\$312,883

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

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 2,033,321,394 common shares outstanding held by 1,448 shareholders on record as at June 30, 2016.

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, 2016, the Group is involved in 30 terminal concessions and port development projects in 20 countries worldwide. These are 25 operating terminals in eight key ports and an inland container terminal in the Philippines, two in Indonesia and one each in Brunei, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq and Argentina; three ongoing port development projects in Colombia, DR 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 ongoing projects in DR Congo and Colombia are expected to start commercial operations in the third and fourth quarter of 2016, respectively. The Phase 1 construction of the ongoing project in Australia is expected to be completed in the fourth quarter of 2016. The construction of the terminal in Nigeria is expected to start in early 2017 and is scheduled to commence initial operations in middle of 2019. As at August 4, 2016, the terminal in Argentina is ready to operate.

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:

River Port, Matadi, Democratic Republic of Congo. On January 23, 2014, ICTSI, through its subsidiary, ICTSI Cooperatief U.A. (ICTSI Cooperatief), forged a business partnership with La Societe de Gestion Immobiliere Lengo (SIMOBILE) for the establishment and formation of a joint venture company, ICTSI DR Congo S.A. (IDRC). IDRC, which is initially 60 percent-owned by ICTSI Cooperatief, will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein. On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA). SIMOBILE transferred to its subsidiary, La Societe d'Investissement et de Placement (SIP) Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA.

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 commercial operations are expected to start in the third quarter 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 in three phases, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract (“Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years.

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

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 fourth 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 completed in the fourth quarter of 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 in the second half 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.

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 Inmobiliaria TMM S.A. de C.V 100 percent of the capital stock of Terminal Maritima de Tuxpan, S.A de C.V (TMT) for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee of MXN23.24 plus VAT, per square meter of assigned area and (2) pay variable fee starting year 2018. As of August 4, 2016, management is currently working on a development plan on TMT.

Brunei, Darussalam. On May 21, 2009, ICTSI, through New Muara Container Terminal Services Sdn Bhd (NMCTS), entered into an Agreement with the Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement 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. Since 2012, the Agreement has been extended yearly for a period of one year or until May 20, 2017 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.

Davao, Philippines. On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. The tender process for the Davao Sasa Port Modernization project has started and ICTSI is one of the short-listed bidders. On April 15, 2016, the local office of the Philippine Ports Authority in Davao City granted DIPSSCOR a hold-over authority for a period of six months until October 20, 2016 over the cargo handling services at Sasa Wharf, Port of Davao.

South Cotabato, Philippines. On February 20, 2006, the PPA granted SCIPSI a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. On February 19, 2016, the local office of the Philippine Ports Authority in General Santos City granted SCIPSI a hold-over authority for a period of one year until February 19, 2017 over the cargo handling services at Makar Wharf, Port of General Santos.

1.3 Subsidiaries and Joint Venture

The subsidiaries include:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2015		June 30, 2016	
				Direct	Indirect	Direct	Indirect
Asia							
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	100.00	–
Container Terminal Systems Solutions, Inc. (CTSSI) ^(c)	Mauritius	Software Developer	US Dollar	–	100.00	–	100.00
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Mauritius	Mauritius	Holding Company	US Dollar	–	100.00	–	100.00
Aeolina International Limited (AIL)	British Virgin Island	Holding Company	US Dollar	–	100.00	–	100.00
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	–	64.53
IFEL	Singapore	Holding Company	US Dollar	–	100.00	–	100.00
New Muara Container Terminal Services Sdn Bhd (NMCTS)	Brunei	Port Management	Brunei Dollar	–	100.00	–	100.00
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
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	–	95.00
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	–	100.00	–	100.00
IHKL	Hong Kong	Holding Company	US Dollar	–	100.00	–	100.00
YICT	China	Port Management	Renminbi	–	51.00	–	51.00
Naha International Container Terminal, Inc. (NICTI) ^(c)	Japan	Port Management	Japanese Yen	60.00	–	–	–
Pentland International Holdings, Ltd. (PIHL)	British Virgin Island	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Georgia Corp. (IGC)	Cayman 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
ICTSI Honduras Ltd. (formerly ICTSI Brazil)	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	–	100.00	–	100.00
ICTSI India	India	Port Management	Indian Rupee	–	100.00	–	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	–	95.00
ICTSI Africa (Pty) Ltd.	South Africa	Business Development Office (BDO)	South African Rand	–	100.00	–	100.00
Australian International Container Terminals Limited (AICTL) ^(a)	Australia	Port Management	Australian Dollar	–	70.00	–	70.00
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	100.00	–
Abbotsford Holdings, Inc. (AHI)	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	–	65.00	–	65.00
Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR)	Philippines	Port Management	Philippine Peso	–	96.95	–	96.95
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	100.00	–
IW Cargo Handlers, Inc. (IW Cargo)	Philippines	Port Equipment Rental	US Dollar	–	100.00	–	100.00
Container Terminal Systems Solutions Philippines, Inc. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	–	100.00	–	100.00
Bauan International Ports, Inc. (BIP)	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00
Prime Staffing and Selection Bureau, Inc. (PSSBI) ^(a)	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	100.00	–
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	–	100.00	–
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	–	83.33	–
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	–	83.33
Cordilla Properties Holdings Inc. (Cordilla)	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–
South Cotabato Integrated Port Services, Inc. (SCIPSI)	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	–	100.00	–
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
Icon Logistiek B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	1.00	99.00
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Treasury B.V. (ITBV or ICTSI Treasury)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00
ICTSI Americas, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Africa, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Cameroon B.V. (formerly Global Procurement, B.V.)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
CMSA, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
Tecplata, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
SPIA Colombia, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2015		June 30, 2016	
				Direct	Indirect	Direct	Indirect
TSSA, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
CGSA, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
SPIA Spain SL	Spain	Holding Company	US Dollar	–	100.00	–	100.00
CGSA Transportadora SL	Spain	Holding Company	US Dollar	–	100.00	–	100.00
Crixus Limited	British Virgin Island	Holding Company	US Dollar	–	100.00	–	100.00
VICT ^(a)	Australia	Port Management	Australian Dollar	–	90.00	–	100.00
Asia Pacific Port Holdings Private Ltd. (APPH)	Singapore	Holding Company	US Dollar	–	50.50	–	50.50
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00
ICTSI Oceania B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Asia Pacific Business Services, Inc. ^(b)	Philippines	Business Process Outsourcing	US Dollar	–	100.00	–	100.00
ICTSI Ltd. Regional Operating Headquarters ^(b)	Philippines	Regional Operating Headquarters	Philippine Peso	–	100.00	–	100.00
ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS) ^(b)	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	–	100.00
ICTSI QFC LLC ^(b)	Qatar	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI South Asia Pte. Ltd. ^(b)	Singapore	Holding Company	US Dollar	–	100.00	–	100.00
LGICT ^(b)	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00
ICTSI Middle East DMCC ^(b)	United Arab Emirates	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Global Cooperatief U.A. ^(b)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
Consultports S.A. de C.V. ^(f)	Mexico	BDO	Mexican Peso	–	–	–	100.00
Europe, Middle East and Africa (EMEA)							
Tartous International Container Terminal (TICT)	Syria	Port Management	US Dollar	100.00	–	100.00	–
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	–	100.00
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	–	100.00
AGCT	Croatia	Port Management	Euro	–	51.00	–	51.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	–	100.00
LICTSLE ^(a)	Nigeria	Port Management	US Dollar	–	100.00	–	100.00
IDRC ^(a)	Congo	Port Management	US Dollar	–	52.00	–	52.00
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	–	100.00	–	100.00
Americas							
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	99.99	0.01	99.99	0.01
Contecon Manzanillo S.A. (CMSA)	Mexico	Port Management	Mexican Peso	1.00	99.00	1.00	99.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	–	100.00
ICTSI Oregon, Inc. (ICTSI Oregon)	U.S.A.	Port Management	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
International Ports of South America and Logistics SA (IPSA)	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00
Tecplata S.A (Tecplata) ^(a)	Argentina	Port Management	US Dollar	–	100.00	–	100.00
Nuevos Puertos S.A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	4.00	96.00
OPC	Honduras	Port Management	US Dollar	30.00	70.00	30.00	70.00
TMT ^(d)	Mexico	Port Management	Mexican Peso	–	100.00	–	100.00
Sociedad Puerto Industrial Aguadulce SA (SPIA) ^(a)	Colombia	Port Management	US Dollar	–	46.30	–	46.30

^(a) Not yet started commercial operations as at August 4, 2016

^(b) Established in 2015

^(c) Dissolved on January 5, 2015

^(d) Acquired in 2015

^(e) Disposed in 2015

^(f) Acquired in 2016

On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT for US\$5.8 million. This resulted in the reduction of non-controlling interests account and the difference between the purchase price and carrying value of the non-controlling interest of US\$6.2 million was recognized under “Excess of acquisition cost over the carrying value of non-controlling interests” account in the 2015 consolidated balance sheet.

On April 27, 2015, NICTI purchased ICTSI’s 60 percent ownership interest in NICTI for JPY107.0 million (approximately US\$0.9 million) as part of its treasury shares. The 10-year lease agreement of NICTI expired at end of 2015 and ICTSI did not express interest in the negotiation for the lease agreement extension. 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.

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
<u>Net cash outflow for the sale of NICTI</u>	<u>(US\$111)</u>

On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, SIP Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA.

On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100 percent of the capital stock of TMT for US\$54.5 million. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3, *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
	<u>54,821</u>
Liabilities	
Accounts payable and other current liabilities	321
Purchase consideration transferred and satisfied by cash	<u>US\$54,500</u>

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The interim unaudited condensed consolidated financial statements as at June 30, 2016 and for the three and six months ended June 30, 2015 and 2016 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, 2015.

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, YICT, SCIPSI, RCBV, AGCT, JASA, OJA, ITBV, HIPS, VICT (until February 4, 2015), APPH, IGFBV, IDRC and LGICT 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:

	2015		2016	
	Closing	Average	Closing	Average
Foreign currency to 1 unit of US dollar:				
Argentine peso (AR\$)	9.09	8.82	15.05	14.35
Australian dollar (AUD)	1.30	1.28	1.34	1.36
Brazilian reais (BRL or R\$)	3.10	2.97	3.21	3.70
Brunei dollar (BND)	1.35	1.35	1.35	1.38
Chinese renminbi (RMB)	6.20	6.22	6.65	6.54
Colombian peso (COP)	2,606.00	2,486.84	2,920.35	3,120.85
Croatian kuna (HRK)	6.81	6.83	6.77	6.77
Euro (€)	0.90	0.90	0.90	0.90
Georgian lari (GEL)	2.25	2.19	2.33	2.32
Honduran lempira (HNL)	21.92	21.80	22.79	22.60
Hong Kong dollar (HKD)	7.75	7.75	7.76	7.77
Indian rupee (INR)	63.65	62.87	67.53	67.21
Indonesian rupiah (IDR)	13,339.00	12,971.00	13,210.00	13,417.00
Iraqi dinar (IQD)	1,207.51	1,203.97	1,193.60	1,192.07
Japanese yen (JPY)	122.50	120.27	103.20	111.61
Malagasy ariary (MGA)	3,239.00	2,955.89	3,239.00	3,205.77
Mexican peso (MXN)	15.74	15.14	18.28	18.07
Pakistani rupee (PKR or Rs.)	101.78	101.62	104.75	104.71
Philippine peso (₱)	45.09	44.56	47.06	46.88
Polish zloty (PLN)	3.76	3.71	3.94	3.91
Singaporean dollar (SGD)	1.35	1.35	1.35	1.38
South African rand (ZAR)	12.17	11.92	14.73	15.41

3.2 Changes in Accounting Policies

3.2.1 New and Amended Standards Adopted in 2016

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, 2015 except that the Group has adopted the following new and amended standards starting January 1, 2016:

New Pronouncements	Impact on the Interim Condensed Consolidated Financial Statements
<p>PFRS 10, <i>Consolidated Financial Statements</i>, and PAS 28, <i>Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)</i></p> <p>These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.</p>	<p>These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.</p>
<p>PAS 27, <i>Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)</i></p> <p>The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.</p>	<p>The adoption of these amendments has no impact on the interim condensed consolidated financial statements as these amendments apply to separate financial statements. The Group will not elect to change the method of accounting from cost to equity in the respective separate financial statements of the parent company and its subsidiaries that are issuing separate financial statements.</p>
<p>PFRS 11, <i>Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)</i></p> <p>The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.</p>	<p>The adoption of these amendments has no impact on the interim condensed consolidated financial statements as the Group does not have interest in joint arrangements that is accounted for under PFRS11.</p>
<p>PAS 1, <i>Presentation of Financial Statements – Disclosure Initiative (Amendments)</i></p> <p>The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:</p> <ul style="list-style-type: none"> • That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions • That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes 	<p>The adoption of these amendments has no significant impact on the interim condensed consolidated financial statements.</p>

New Pronouncements

to financial statements

- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

PFRS 14, *Regulatory Deferral Accounts*

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

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

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

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

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

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*

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

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

3.2.2 Annual Improvements to PFRSs (2012-2014 Cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *PFRS 7, Financial Instruments: Disclosures – Servicing Contracts*
 PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7- Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits – regional market issue regarding discount rate*
 This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*
 The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

4. Segment Information

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

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

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI and LGICT in the Philippines, 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 other holding companies 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, 2015 (audited) and as at June 30, 2016 (unaudited) and for the three and six months ended June 30, 2015 and 2016 (unaudited):

	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)	2,029,186	332,851	1,392,389	3,754,426	2,029,186	332,851	1,392,389	3,754,426
Segment liabilities ^(d)	1,549,562	76,150	290,174	1,915,886	1,549,562	76,150	290,174	1,915,886

	2016							
	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)	1,172,345	274,026	764,623	2,210,994	2,235,065	532,408	1,497,160	4,264,633
Gross revenues	US\$151,140	US\$36,505	US\$96,700	US\$284,345	US\$290,156	US\$69,177	US\$191,481	US\$550,814
Capital expenditures ^(b)	32,617	26,148	16,556	75,321	95,308	44,610	33,629	173,547
Other information:								
Segment assets ^(c)	2,134,494	380,288	1,397,805	3,912,587	2,134,494	380,288	1,397,805	3,912,587
Segment liabilities ^(d)	1,788,690	76,588	318,241	2,183,519	1,788,690	76,588	318,241	2,183,519

^(a) Measured in TEUs.

^(b) Capital expenditures include amount disbursed for the acquisition of port facilities and equipment classified as intangibles under IFRIC 12 and property and equipment as shown in the unaudited statement of cash flows.

^(c) Segment assets do not include deferred tax assets amounting to US\$87.0 million and US\$91.0 million as at December 31, 2015 (audited) and June 30, 2016 (unaudited), respectively.

^(d) Segment liabilities do not include income tax payable amounting to US\$22.0 million and US\$27.9 million and deferred tax liabilities amounting to US\$77.5 million and US\$77.9 million as at December 31, 2015 (audited) and June 30, 2016 (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	
	2015	2016	2015	2016
Net income attributable to equity holders of the parent	US\$46,408	US\$45,107	US\$100,409	US\$87,283
Noncontrolling interests	2,497	2,448	5,298	5,326
Provision for income tax	9,872	21,699	25,502	38,131
Income before income tax	58,777	69,254	131,209	130,740
Add (deduct):				
Depreciation and amortization	31,294	36,857	62,264	73,209
Interest and other expenses ^(a)	26,683	37,358	55,057	70,755
Interest and other income ^(b)	(6,916)	(7,954)	(11,159)	(17,251)
EBITDA ^(c)	US\$109,838	US\$135,515	US\$237,371	US\$257,453

^(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 40.5% and 40.9% of the unaudited consolidated gross revenues from port operations for the three months ended June 30, 2015 and 2016, respectively, and 42.3% and 40.3% of the unaudited consolidated gross revenues from port operations for the six months ended June 30, 2015 and 2016, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 59.5% and 59.1% of the unaudited consolidated gross revenues from port operations for the three months ended June 30, 2015 and 2016, respectively, and 57.7% and 59.7% of the unaudited consolidated gross revenues from port operations for the six months ended June 30, 2015 and 2016, respectively.

5. Concession Rights and Concession Rights Payable

5.1 Concession Rights

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

Additions to concession rights under port infrastructure mainly pertain to construction of various civil works in ICTSI, BGT and CGSA and acquisition of port facilities and equipment in CGSA as at June 30, 2016 (see Note 1.3).

Borrowing costs capitalized amounted to US\$13.0 million for the six months ended June 30, 2015 with capitalization rate of 6.49 percent and US\$1.5 million for the six months ended June 30, 2016 with capitalization rate of 6.57 percent (see Note 12.7).

5.2 Concession Rights Payable

Upon recognition of the fair value of fixed fee on concession contracts, the Group also recognized the corresponding concession rights payable. Maturities of concession rights payable arising from the capitalization of fixed portion of port fees and upfront fees as at June 30, 2016 are as follows (amount in thousands):

	Amount
2016 ⁽¹⁾	US\$2,826
2017	13,320
2018	15,211
2019	16,521
2020 onwards	459,109
Total	US\$506,987

⁽¹⁾ July 1, 2016 through December 31, 2016

Total fixed portion of port fees paid by the Group for the three and six months ended June 30, 2015 and 2016 amounted to US\$11.7 million and US\$12.0 million and US\$23.4 million and US\$23.8 million, respectively. These port fees are allocated to payments of interest and reduction to or payments of concession rights payable.

Interest expense on concession rights payable amounted to US\$9.3 million and US\$9.3 million and US\$18.7 million and US\$18.4 million for the three and six months ended June 30, 2015 and 2016, respectively. The annualized weighted average interest rate was 7.14% and 7.24% as at June 30, 2015 and 2016, 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, 2015 and 2016 amounted to US\$4.7 million and US\$5.5 million, respectively.

6. Property and Equipment

Property and equipment increased due to construction of various civil works and acquisitions of terminal equipment in various ports, mainly in VICT and IDRC as at June 30, 2016. There were no major disposals or write-downs of property and equipment for the six months ended June 30, 2015 and 2016.

Borrowing costs capitalized amounted to US\$2.0 million for the six months ended June 30, 2015 with capitalization rate of 6.49 percent and US\$6.6 million for the six months ended June 30, 2016 with capitalization rate of 6.57 percent (see Note 12.7). Borrowing costs capitalized in 2015 and 2016 mainly pertains to VICT and IDRC which started construction in November 2014 and January 2015, respectively.

7. Other Noncurrent Assets

This account includes noncurrent portion of input tax, restricted cash, advances to suppliers and contractors, advanced rent and deposits, AFS investments, pension assets and others. This account increased in 2016 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.

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

This account mainly pertains to ICTSI's investment in and advances to SPIA. This account increased in 2016 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.

9. 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:

	2015 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Cash on hand and in banks	US\$126,381	US\$202,699
Cash equivalents	52,230	110,184
	US\$178,611	US\$312,883

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

10. Receivables

This account consists of:

	December 31, 2015 <i>(Audited)</i>	June 30, 2016 <i>(Unaudited)</i>
Trade	US\$81,757	US\$88,372
Advances and nontrade	10,992	15,059
	92,749	103,431
Less allowance for doubtful accounts	5,549	5,945
	US\$87,200	US\$97,486

Trade receivables are noninterest-bearing and are generally on 30-60 days' credit terms.

Advances and nontrade receivables mainly include noninterest-bearing advances to suppliers and vendors that may be applied against payable or collectible within 12 months.

11. Prepaid Expenses and Other Current Assets

This account includes input tax, tax credit certificates, creditable withholding taxes, and prepaid port fees, insurance, bonds and other expenses.

12. Long-term Debt and Loans Payable

12.1 Maturities of Long-term Debt

Maturities of long-term debt, net of unamortized debt issue costs, premium and discount of US\$59.7 million, as at June 30, 2016 are as follows (amount in thousand):

	Amount
2016 ⁽¹⁾	US\$39,482
2017	11,599
2018	6,622
2019	166,980
2020 and onwards	1,022,863
Total	US\$1,247,546

⁽¹⁾ July 1, 2016 through December 31, 2016

12.2 US Dollar-denominated Notes

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.

12.3 US Dollar-denominated Revolving Credit Facility

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

In April and June 2016, IGFBV availed of loans amounting to US\$150.0 million and US\$10.0 million, respectively, from the US\$350.0 million five year revolving credit facility bearing interest ranging from 2.39 to 2.41 percent per annum.

12.4 US Dollar-denominated Loans

In February 2016, CGSA obtained short-term unsecured US\$ loans with a total of US\$3.5 million from Banco Guayaquil S.A., Citibank and Banco Bolivariano at annual fixed interest rates ranging from 8.89% to 9.12%. The short-term loans were fully paid in April 2016.

In January and February 2016, CGSA obtained two-year fixed-term US\$ loans with a total of US\$0.6 million from Banco del Pacifico at an interest rate of 8.75% per annum. The loans were fully paid in April 2016.

On March 29, 2016, CGSA (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement which consists of two tranches of loans amounting to US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II in May 2017. On March 30, 2016, CGSA availed of loans amounting to US\$15.5 million under Tranche I and US\$7.5 million under Tranche II. Portion of the proceeds of these loans was used to refinance the unsecured US\$ short-term and term-loan of CGSA amounting to US\$9.0 million on April 5, 2016. On April 20 and May 20, 2016, CGSA availed of additional loans amounting to US\$4.0 million and US\$3.0 million, respectively, under Tranche I. On June 30, 2016, CGSA paid US\$1.5 million of the loan under Tranche II.

12.5 Foreign Currency-denominated Loans

On April 6, 2016, AGCT signed a loan agreement for US\$1.1 million (EUR 0.95 million). Principal is repayable in 12 monthly installments starting November 30, 2016 until October 31, 2017. Interest is payable monthly based on fixed interest rate of 3.90%. As of June 30, 2016, AGCT paid US\$1.0 million (EUR 0.65 million) of the outstanding principal balance.

On May 17, 2016, ICTSI availed of a US\$29.7 million (₱1.4 billion) short-term loan with Metropolitan Bank and Trust Company at an annual interest rate of 2.5%. On July 7, 2016, ICTSI paid a portion of the short-term loan amounting to US\$14.9 million (₱0.7 billion).

12.6 Perpetual Capital Securities

On March 10, 2016, the remaining US\$108.3 million of the US\$350-million Subordinated Guaranteed Perpetual Capital Securities was called in for redemption on May 5, 2016 (see Note 15.6). Upon notification of redemption, the redemption price of the securities of US\$108.3 million was reclassified to and accrued distributions of US\$4.5 million were recognized as financial liabilities. Initially, the securities were recognized as equity. These financial liabilities were redeemed on May 2, 2016.

12.7 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. As at June 30, 2016, 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\$13.6 million and US\$21.6 million, and US\$27.8 million and US\$40.0 million for the three and six months ended June 30, 2015 and 2016, respectively (see Notes 5 and 6). Interest expense includes amortization of debt issue costs amounting to US\$1.0 million and US\$1.3 million, and US\$1.9 million and US\$2.6 million for the three and six months ended June 30, 2015 and 2016, respectively.

There was no material change in the covenants related to the Group’s long-term debts. As at June 30, 2016, the Group has complied with its loan covenants.

There were no other significant transactions pertaining to the Group’s long-term debt as at June 30, 2016, except as discussed above.

13. Other Noncurrent Liabilities

This account consists of:

	December 31, 2015 <i>(Audited)</i>	June 30, 2016 <i>(Unaudited)</i>
Accrued rental	US\$92,856	US\$36,830
Government grant	17,636	16,973
Derivative liabilities	–	10,082
Pension liabilities	6,509	7,939
Finance lease payable	906	394
Others	1,447	671
	<u>US\$119,354</u>	<u>US\$72,889</u>

Accrued Rental

The accrued rental of VICT amounted to US\$92.9 million (AUD127.4 million) as at December 31, 2015 and US\$124.7 million (AUD167.3 million) as at June 30, 2016, 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. As at June 30, 2016, the current portion of accrued rental amounting to US\$87.9 million (AUD117.9 million) was reclassified to other current liabilities included in "Accounts payable and other current liabilities" (see Note 14).

Government Grant

On March 29, 2012, BCT and *Centrum Unijnych Projektow Transportowych* (CUPT), a Polish grant authority, signed a grant agreement (the "EU Grant") whereby CUPT would grant BCT a subsidy amounting to US\$17.3 million (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 2016, BCT availed of an additional US\$0.6 million grant. As at June 30, 2016, BCT has availed a total of US\$19.5 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\$17.6 million and US\$17.0 million as at December 31, 2015 and June 30, 2016, respectively. Amortization of deferred income included under "Other income" account of the unaudited interim consolidated statement of income amounted to US\$0.2 million and US\$1.2 million for the six months ended June 30, 2015 and 2016, respectively.

Derivative Liabilities

Interest Rate Swaps. In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its floating rate US\$-denominated loan maturing in 2027. A total notional amount of US\$181.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, CMSA pays annual fixed interest of 5.15% and receives floating rate of six-month LIBOR plus 2.71 basis points on the notional amount. As at June 30, 2016, the market valuation loss on the outstanding interest rate swaps amounted to US\$11.8 million. The effective portion of the change in the fair value of the interest rate swap amounting to US\$11.8 million, net of US\$3.5 million deferred tax, for the six months period ended June 30, 2016, was taken to equity under other comprehensive loss. The current portion of the derivative liabilities on CMSA's interest rate swap transactions amounting to US\$1.7 million was included in "Accounts payable and other current liabilities" as at June 30, 2016.

14. Accounts Payable and Other Current Liabilities

This account includes trade payables, output and other taxes payables, accruals for interest, salaries and benefits and others, customers' deposits and other current liabilities. This account increased in 2016 mainly due to the reclassification of accrued lease expense at VICTL (see Note 13), tapered by payments of accrued interest and other trade payables.

15. Equity

15.1 Stock Incentive Plan

On March 7, 2016, the BOD approved for the extension of the existing Stock Incentive Plan (SIP) for a further 10 years until March 2027 and the amendment of vesting period of the SIP. The vesting period of the SIP was amended from two years where 50% is to vest on the first anniversary date of the award and the other 50% to vest on the second anniversary date of the award, to three years where 25% is to vest on the first anniversary date of the award, 25% to vest on the second anniversary date of the award, and 50% to vest on the third anniversary date of the award.

On March 14, 2016, the Stock Incentive Committee granted 2,567,763 shares of stock awards to officers and employees of ICTSI and ICTSI Ltd., 25% of which will vest on March 14, 2017, another 25% will vest on March 14, 2018 and the remaining 50% will vest on March 14, 2019. The fair value of the shares was US\$1.39 (₱65.00) 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 SIP aggregated 38,601,138 shares as at June 30, 2016. Also, on March 21, 2016, 1,469,874 shares vested under the SIP.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US\$1.2 million and US\$0.8 million, and US\$2.0 million and US\$1.5 million for the three and six months ended June 30, 2015 and 2016, respectively.

15.2 Dividends Declared

On April 21, 2016, the Board of ICTSI declared a US\$0.020 (₱0.91) cash dividend per share to stockholders of record dated May 5, 2016 paid on May 18, 2016.

15.3 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, 2015 and June 30, 2016, cost of preferred shares held by a subsidiary pertains to 3,800,000 Preferred A shares held by ICTHI.

15.4 Treasury Shares

In 2016, the Company acquired 2,871,100 treasury shares totaling US\$3.7 million.

15.5 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, 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)

	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, 2016	(US\$261,353)	US\$610	US\$1,126	US\$981	(US\$258,636)
Translation differences arising from translation of foreign operations' financial statements	(8,537)	–	–	–	(8,537)
Net change in unrealized mark-to-market values of derivatives	(12,327)	–	–	–	(12,327)
Net change in actuarial gains (losses) on defined benefit plans	–	–	–	(45)	(45)
Income tax relating to components of other comprehensive income	3,588	–	–	–	3,588
Balance at June 30, 2016	(US\$278,629)	US\$610	US\$1,126	US\$936	(US\$275,957)

15.6 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.

Distributions paid by RCBV to the holders of the Securities totaling US\$21.7 million as of June 30, 2016 was directly charged to equity.

On March 10, 2016, RCBV (the “Issuer”) and ICTSI (the “Guarantor”) sent a notice to The Hong Kong and Shanghai Banking Corporation Limited (HSBC, as “Trustee” and “Agent”) for the

redemption of the remaining US\$108.3 million of the US\$350-million Subordinated Guaranteed Perpetual Capital Securities (“Original Securities” and “Further Securities” collectively referred to as “Securities”) and payment of accrued distributions on May 5, 2016. The proceeds from the issuance of Securities were initially recognized as part of equity in the consolidated balance sheet. Upon notification of redemption, the redemption price of Securities of US\$108.3 million was reclassified to and accrued distributions of US\$4.5 million were recognized as financial liabilities. The difference amounting to US\$7.6 million between the total amount recognized as financial liabilities of US\$112.8 million and the carrying amount of the Securities of US\$105.2 million recorded under equity was treated as a direct reduction in retained earnings. These financial liabilities were redeemed on May 2, 2016.

15.7 Noncontrolling Interests

On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT for US\$5.8 million. This resulted in the reduction of non-controlling interests account and the difference between the purchase price and carrying value of the non-controlling interest of US\$6.2 million was recognized under “Excess of acquisition cost over the carrying value of non-controlling interests” account in the 2015 consolidated balance sheet.

On March 2, 2015, LGICT started operating the first one-stop ICT located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo and 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\$1.2 million to LGICT in 2015.

In March 2016, BIPI declared dividends amounting to US\$2.1 million (₱100.0 million). Dividends distributed to non-controlling shareholders totaled US\$0.8 million (₱40.0 million).

In March and June 2016, SCIPSI declared dividends amounting to US\$68.13 per share (₱3,138.90 per share) and US\$50.02 per share (₱2,354.17 per share), respectively, or a total amount of US\$1.4 million (₱63.0 million). Dividends distributed to non-controlling shareholders totaled US\$0.7 million (₱31.4 million).

In April 2016, PICT declared dividends amounting to US\$0.16 per share (PKR17.0 per share) or a total amount of US\$17.7 million (PKR1,855.6 million). Dividends distributed to non-controlling shareholders totaled US\$6.3 million (PKR658.1 million).

In May 2016, DIPSSCOR declared dividends amounting to US\$1.07 per share (₱50.00 per share) or a total amount of US\$1.1 million (₱50.0 million). Dividends distributed to non-controlling shareholders totaled US\$32.4 thousand (₱1.5 million).

16. Related Party Transactions

16.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2015			2016		
			Transaction Amount for the Three Months Ended June 30	Transaction Amount for the Six Months Ended June 30	Outstanding Receivable (Payable) Balance Amount as at December 31	Transaction Amount for the Three Months Ended June 30	Transaction Amount for the Six Months Ended June 30	Outstanding Receivable (Payable) Balance Amount as at June 30
<i>(In Millions)</i>								
ICBV								
SPIA	Joint venture	Interest-bearing loans (see Note 8)	US\$36.88	US\$52.56	US\$209.90	US\$12.17	US\$32.40	US\$242.30
YICT								
Yantai Port Group	Common shareholder	Port fees ⁽ⁱ⁾	0.72	1.71	(0.29)	0.80	1.29	(0.30)
		Trade transaction ⁽ⁱⁱ⁾	0.72	1.07	(0.32)	0.53	0.98	(0.17)
YPH	Noncontrolling shareholder	Port fees ⁽ⁱ⁾	0.80	0.92	-	0.42	0.80	(0.11)
		Trade transaction ⁽ⁱⁱ⁾	0.22	0.25	(0.01)	0.07	0.12	-
		Management fees ⁽ⁱⁱⁱ⁾	0.05	0.11	-	0.06	0.11	-
DP World	Non-controlling shareholder	Management fees ⁽ⁱⁱⁱ⁾	0.05	0.10	-	0.04	0.09	(0.02)
SCIPSI								
Asian Terminals, Inc.	Noncontrolling shareholder	Management fees	0.04	0.08	(0.02)	0.05	0.09	(0.03)
AGCT								
Luka Rijeka	Noncontrolling shareholder	Provision of services ^(iv)	0.08	0.14	(0.03)	0.10	0.19	-
PICT								
Premier Mercantile Services (Private) Limited	Common shareholder	Stevedoring and storage charges ^(v)	1.21	2.13	(0.52)	1.24	2.54	(0.11)
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vi)	0.11	0.27	0.04	0.13	0.30	0.03
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	-	-	-	-	0.01	-
LGICT								
NCT								
Transnational Corp.	Non-controlling shareholder	Management fees ^(vii)	-	-	(0.16)	0.12	0.23	(0.11)
		Maintenance and repairs	-	-	(0.04)	0.04	0.05	(0.02)

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

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

(iii) The BOD of YICT approved a management fee allocated among the shareholders namely: ICTSI, DP World and YPG.

(iv) 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.

(v) 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.

(vi) Marine Services, Portlink and AMI are customers of PICT.

(vii) NCT Transnational Corp. (NCT) is a joint venture company of the following 40% owners of LGICT: Nippon Container Terminals Co. Ltd. Transnational Diversified Corp. and NYK-Fil Japan Shipping Corp. LGICT entered into a service agreement with NCT since the latter has experience in managing and operating container depots.

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):

	2015	2016
Short-term employee benefits	US\$611	US\$626
Share-based payments	2,866	1,419
Post-employment pension	106	16
Total compensation to key management personnel	US\$3,583	US\$2,061

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	
	2015	2016	2015	2016
Net income attributable to equity holders of the parent	US\$46,408	US\$45,107	US\$100,409	US\$87,283
Adjustment for the effect of cumulative distributions on subordinated perpetual capital securities (see Note 15.5)	(7,200)	(10,875)	(14,442)	(24,900)
Net income attributable to equity holders of the parent, as adjusted (a)	US\$39,208	US\$34,232	US\$85,967	US\$62,383
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	(7,514,686)	(11,569,230)	(7,514,686)	(11,569,230)
Weighted average shares held by a subsidiary	(652,553)	(734,970)	(652,553)	(734,970)
Weighted average shares outstanding (b)	2,037,010,432	2,032,873,471	2,037,010,432	2,032,873,471
Effect of dilutive stock awards	6,981,311	11,856,277	6,981,311	11,856,277
Weighted average shares outstanding adjusted for potential common shares (c)	2,043,991,743	2,044,729,748	2,043,991,743	2,044,729,748
Basic earnings per share (a/b)	US\$0.019	US\$0.017	US\$0.042	US\$0.031
Diluted earnings per share (a/c)	US\$0.019	US\$0.017	US\$0.042	US\$0.031

18. **Contingencies**

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from the existing legal actions and proceedings, if any, will not have a material adverse impact on the Group's unaudited interim condensed consolidated financial position and results of operations.

19. 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, 2015		June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities:				
Long-term debt	US\$1,081,043	US\$1,189,663	US\$1,247,546	US\$1,362,303
Concession rights payable	512,038	591,766	506,987	610,531
	US\$1,593,081	US\$1,781,429	US\$1,754,533	US\$1,972,834

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

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

The fair values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 1.73 percent to 15.85 percent as at December 31, 2015 and 0.77 percent to 11.33 percent as at June 30, 2016.

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

The fair values of derivative assets and liabilities are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions.

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

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

21. Subsequent Event

VICT

On July 15, 2016, VICT signed a syndicated project finance facility with various international and regional banks for principal amount of US\$300.0 million (AUD398.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.1% per annum. On July 25, 2016, VICT availed of a loan from the facility amounting to US\$68.0 million (AUD91.0 million).

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. These are 25 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, Iraq and Argentina; three ongoing port development projects in Colombia, DR 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 ongoing projects in DR Congo and Colombia are expected to start commercial operations in the third and fourth quarter of 2016, respectively. The Phase 1 construction of the project in Australia is expected to be completed in the fourth quarter of 2016. The construction of the terminal in Nigeria is expected to start in early 2017 and is scheduled to commence initial operations in middle 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, EBITDA and net income. ICTSI’s business strategy is to continue to develop its existing portfolio of terminals and proactively seek acquisition opportunities that meet its investment criteria.

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

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

- 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 - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
 - Iraq - Port of Umm Qasr, Iraq (ICTSI Iraq)
- Americas
 - Brazil - Suape Container Terminal, Suape, Brazil (TSSA)
 - Ecuador - Port of Guayaquil, Guayaquil, Ecuador (CGSA)
 - Argentina - Port of La Plata, Buenos Aires Province, Argentina (TECPLATA)
 - 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:

Matadi Gateway Terminal, Matadi, Democratic Republic of Congo. On January 23, 2014, the Company, through its subsidiary, ICTSI Cooperatief U.A. (ICTSI Cooperatief), forged a business partnership with La Societe de Gestion Immobiliere Lengo (SIMOBILE) for the establishment and formation of a joint venture company, ICTSI DR Congo (IDRC). ICTSI Cooperatief and SIMOBILE initially owned 60.0 percent and 40.0 percent of IDRC, respectively. On May 19, 2015, ICTSI Cooperatief and SIMOBILE transferred their respective 8.0 percent and 2.0 percent ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, La Societe d'Investissement et de Placement Sprl (SIP Sprl), its 10% ownership in IDRC. Thereafter, IDRC is owned 52.0 percent by ICTSI, 28.0 percent by SIMOBILE, 10.0 percent by SIP Sprl and 10.0 percent by SCTP SA. IDRC will build, manage, develop and operate Matadi Gateway Terminal as a new container terminal in phases, as well as provide exclusive container handling services and general cargo services therein. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal commenced in January 2015 and is expected to commence initial operations in the third quarter 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. On March 1, 2016, an addendum to the Contract ("Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the Addendum extended the original term for the management and operation of Quay

No. 20 from 10 to 13 years. ICTSI took over Berth 20 in September 2014 and started commercial operations in November 2014, while Phase 1 of the expansion project is expected to be completed and be operational by the fourth 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 scheduled to complete construction in the fourth quarter of 2016. Phase 2 is expected to be completed by the second half of 2017.

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

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

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

Davao, Philippines. On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. The tender process for the Davao Sasa Port Modernization project has started and ICTSI is one of the short-listed bidders. On April 15, 2016, the local office of the Philippine Ports Authority in Davao City granted DIPSSCOR a hold-over authority for a period of six months until October 20, 2016 over the cargo handling services at Sasa Wharf, Port of Davao.

South Cotabato, Philippines. On February 20, 2006, the PPA granted SCIPSI a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. On February 19, 2016, the local office of the Philippine Ports Authority in

General Santos City granted SCIPSI a hold-over authority for a period of one year until February 19, 2017 over the cargo handling services at Makar Wharf, Port of General Santos.

On June 30, 2014, ICTSI, through its subsidiaries, ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a termination agreement cancelling ICTSI's container port agreement for the management of the Kattupalli Container Terminal in Tamil, Nadu. In accordance with the termination agreement, LTSB 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 was to expire by end of 2015. NICTI contributed less than 1.0 percent to 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, 2016 as compared with the same period in 2015 as derived from the accompanying unaudited interim consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

<i>(In thousands, except % change data)</i>	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2015	2016	% Change	2015	2016	% Change
Gross revenues from port operations	US\$256,045	US\$284,345	11.1	US\$552,107	US\$550,814	(0.2)
Revenues from port operations, net of port authorities' share	216,574	238,229	10.0	463,843	461,679	(0.5)
Total income (net revenues, interest and other income)	223,490	246,183	10.2	475,002	478,930	0.8
Total expenses (operating, financing and other expenses)	164,713	176,929	7.4	343,793	348,190	1.3
EBITDA ¹	109,838	135,515	23.4	237,371	257,453	8.5
EBIT ²	78,544	98,658	25.6	175,107	184,244	5.2
Net income attributable to equity holders of the parent	46,408	45,107	(2.8)	100,409	87,283	(13.1)
Earnings per share						
Basic	US\$0.019	US\$0.017	(10.5)	US\$0.042	US\$0.031	(26.2)
Diluted	0.019	0.017	(10.5)	0.042	0.031	(26.2)

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, 2016 as compared with the same period in 2015:

Table 2.2 EBITDA Computation

<i>(In thousands, except % change data)</i>	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2015	2016	% Change	2015	2016	% Change
Net income attributable to equity holders of the parent	US\$46,408	US\$45,107	(2.8)	US\$100,409	US\$87,283	(13.1)
Minority interests	2,497	2,448	(2.0)	5,298	5,326	0.5
Provision for income tax	9,872	21,699	119.8	25,502	38,131	49.5
Income before income tax	58,777	69,254	17.8	131,209	130,740	(0.4)
Add (deduct):						
Depreciation and amortization	31,294	36,857	17.8	62,264	73,209	17.6
Interest and other expenses	26,683	37,358	40.0	55,057	70,755	28.5
Interest and other income	(6,916)	(7,954)	15.0	(11,159)	(17,251)	54.6
EBITDA	US\$109,838	US\$135,515	23.4	US\$237,371	US\$257,453	8.5

2.2.2 Key Performance Indicators

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

2016 Compared with 2015

Gross moves per hour per crane ranged from 18.6 to 29.0 moves per hour in 2015 to 18.7 to 33.2 moves per hour in 2016. Crane availability ranged from 88.5 percent to 98.9 percent in 2015 to 89.4 percent to 99.4 percent in 2016. Berth utilization was at 21.1 percent to 72.0 percent in 2015 and 15.9 percent to 86.7 percent in 2016.

2015 Compared with 2014

Gross moves per hour per crane 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.

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

2.3 Comparison of Operating Results for the Second Quarters Ended June 30, 2016 and 2015

2.3.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the second quarters ended June 30, 2015 and 2016:

Table 2.3 Volume

	For the Three Months Ended June 30		
	2015	2016	% Change
Asia	1,004,548	1,172,345	16.7
Americas	684,752	764,623	11.7
EMEA	216,057	274,026	26.8
	1,905,357	2,210,994	16.0

For the second quarter of 2016, the Group handled consolidated throughput of 2,210,994 TEUs, a 16.0 percent increase from the 1,905,357 TEUs handled for the same period in 2015 mainly due to new shipping lines and services, improvement in trade activities in most of the terminals in the Asia region and continuous growth and ramp-up at ICTSI Iraq.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia and Pakistan, increased by 16.7 percent to 1,172,345 TEUs for the second quarter of 2016 from 1,004,548 TEUs for the same period in 2015 mainly due to improvement in trade activities at most of the Philippine terminals; and new shipping lines and services at OJA and PICT, tapered by lower imports and exports at YICT. The Asia operations accounted for 52.7 percent and 53.0 percent of the consolidated volume for the second quarters ended June 30, 2015 and 2016, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and The United States of America, increased by 11.7 percent from 684,752 TEUs for the second quarter of 2015 to 764,623 TEUs for the same period in 2016 primarily arising from new shipping lines and services at CMSA and CGSA. The growth in the segment's volume, however, was tempered by lower imports at TSSA as a result of the continuing slowdown of the Brazilian economy and significant depreciation of the Brazilian Reais against the U.S dollar. The Americas operations accounted for 35.9 percent and 34.6 percent of the consolidated volume for the second quarters ended June 30, 2015 and 2016, respectively.

Volume from the EMEA segment, consisting of terminals in Poland, Georgia, Madagascar, Croatia and Iraq, reported a 26.8 percent growth from 216,057 TEUs for the second quarter of 2015 to 274,026 TEUs for the same period in 2016 mainly due to continuous growth and ramp-up at ICTSI Iraq; and marginal economic recovery at MICTSL and AGCT. Growth was partially offset by reduced vessel calls and trade volume at BCT. The EMEA operations accounted for 11.3 percent and 12.4 percent of the Group's consolidated volume for the second quarters ended June 30, 2015 and 2016, 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, 2015 and 2016:

Table 2.4 Total Income

<i>(In thousands, except % change data)</i>	For the Three Months Ended June 30		
	2015	2016	% Change
Gross revenues from port operations	US\$256,045	US\$284,345	11.1
Port authorities' share in gross revenues	39,471	46,116	16.8
Net revenues	216,574	238,229	10.0
Interest income	2,977	4,103	37.8
Foreign exchange gain	1,585	179	(88.7)
Other income	2,354	3,672	56.0
Total income	US\$223,490	US\$246,183	10.2

For the second quarter of 2016, net revenues stood at 96.8 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.7 percent, 0.1 percent and 1.5 percent, respectively. For the same period in 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.

2.3.2.1 Gross Revenues from Port Operations

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

Table 2.5 Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Three Months Ended June 30		
	2015	2016	% Change
Asia	US\$135,517	US\$151,141	11.5
Americas	95,691	96,699	1.1
EMEA	24,837	36,505	47.0
	US\$256,045	US\$284,345	11.1

The Group's consolidated gross revenues from port operations increased by 11.1 percent from US\$256.0 million for the second quarter of 2015 to US\$284.3 million for the same period in 2016 mainly due to volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and continuous growth and ramp-up at ICTSI Iraq. The growth, however, was tapered by unfavorable container mix; lower non-containerized revenues; and unfavorable translation impact of depreciation of some local currencies to the USD. Excluding the translation impact of local currency depreciation to the USD, primarily the Brazilian Reais (BRL) at TSSA (-14.1%); Mexican peso (MXN) at CMSA (-18.0%); and Philippine peso (PHP) at Philippine terminals (-4.2%); consolidated gross revenues would have increased by 14.0 percent in 2016.

Gross revenues from the Asia segment reported a growth of 11.5 percent from US\$135.5 million for the second quarter of 2015 to US\$151.1 million for the same period in 2016 mainly due to improvement in trade activities at most of the Philippine terminals resulting to volume growth; and new contracts with shipping lines and services at OJA and PICT; tariff rate adjustment at certain terminals, tapered by unfavorable volume mix; and unfavorable translation impact of the depreciation of PHP against US dollar (-4.2%) at the Philippine terminals. Excluding the currency translation impact, gross revenues of the Asia segment would have increased by 14.2 percent in 2016. The Asia operations captured 52.9 percent and 53.2 percent of the consolidated gross revenues for the second quarters ended June 30, 2015 and 2016, respectively.

Gross revenues from the Americas segment increased by 1.1 percent from US\$95.7 million for the second quarter of 2015 to US\$96.7 million for the same period in 2016 mainly due to new shipping lines and services at CGSA and CMSA, tapered by lower storage and non-containerized revenues at TSSA and CGSA; combined with unfavorable translation impact of the depreciation of BRL against the US dollar (-14.1%) at TSSA and MXN (-18.0%) at CMSA. Excluding the translation impact of BRL and MXN, gross revenues of the Americas segment would have increased by 5.4 percent in 2016. The Americas operations accounted for 37.4 percent and 34.0 percent of the consolidated gross revenues for the second quarters ended June 30, 2015 and 2016, respectively.

Gross revenues from the EMEA segment grew by 47.0 percent from US\$24.8 million for the second quarter of 2015 to US\$36.5 million for the same period in 2016 primarily due to continuous growth and ramp-up at ICTSI Iraq; favorable container volume mix and tariff rate adjustments at MICTSL, partially offset by weaker short-sea trade and reduced vessel calls at BCT. The EMEA operations stood at 9.7 percent and 12.8 percent of the consolidated gross revenues for the second quarters ended June 30, 2015 and 2016, respectively.

2.3.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, grew by 16.8 percent from US\$39.5 million for the second quarter ended June 30, 2015 to US\$46.1 million for the same period in 2016 as a result of higher revenues at these terminals.

2.3.2.3 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 37.8 percent from US\$3.0 million for the second quarter of 2015 to US\$4.1 million for the same period in 2016 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased to US\$0.2 million for the second quarter of 2016 from US\$1.6 million for the same period in 2015 mainly due to the unfavorable translation impact of PHP, EUR and AUD against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income, on the other hand, increased by 56.1 percent from US\$2.4 million for the second quarter of 2015 to US\$3.7 million for the same period in 2016 mainly due to gain on disposal of certain fixed assets and other income. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

2.3.3 Total Expenses

The table below shows the breakdown of total expenses for the second quarters ended June 30, 2015 and 2016.

Table 2.6 Total Expenses

<i>(In thousands, except % change data)</i>	For the Three Months Ended June 30		
	2015	2016	% Change
Manpower costs	US\$46,229	US\$48,200	4.3
Equipment and facilities-related expenses	30,702	29,309	(4.5)
Administrative and other operating expenses	29,805	25,205	(15.4)
Total cash operating expenses	106,736	102,714	(3.8)
Depreciation and amortization	31,294	36,857	17.8
Interest expense and financing charges on borrowings	13,571	21,613	59.3
Interest expense on concession rights payable	9,330	9,254	(0.8)
Equity in net loss of a joint venture	615	1,148	86.7
Foreign exchange loss and others	3,167	5,343	68.7
Total expenses	US\$164,713	US\$176,929	7.4

Total cash operating expenses of the Group dropped by 3.8 percent from US\$106.7 million for the second quarter ended June 30, 2015 to US\$102.7 million for the same period in 2016 mainly due to improved operational efficiencies resulting to lower costs on repairs and maintenance, lower fuel and power consumption, combined with decline in global fuel prices; cost optimization measures implemented; and favorable translation impact of some local currencies to the USD, tapered by contribution of Tecplata and new projects, VICT and IDRC. Excluding the translation impact of currency depreciation, consolidated cash operating expenses would have increased by 1.1 percent in 2016.

2.3.3.1 Manpower Costs

Manpower costs increased by 4.3 percent from US\$46.2 million for the second quarter of 2015 to US\$48.2 million for the same period in 2016 primarily due to increase in contracted services as a result of volume growth; government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminals and projects, tapered by the favorable translation impact of BRL at TSSA, MXN at CMSA and PHP at Philippine terminals to the USD.

Manpower costs accounted for 43.3 percent and 46.9 percent of consolidated cash operating expenses for the second quarters ended June 30, 2015 and 2016, 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, maintenance expenses, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses decreased by 4.5 percent from US\$30.7 million for the second quarter of 2015 to US\$29.3 million for the same period in 2016 mainly due to lower costs on repairs and maintenance at certain terminals; operational efficiencies resulting to lower power and lower fuel consumption, combined with decline in global prices of fuel in most of the terminals; and the favorable translation impact of the BRL at TSSA, MXN at CMSA and PHP at Philippine terminals to the USD, tapered by an increase in equipment rental as a result of volume growth at certain terminals; and increase in fuel and power tariffs at CGSA.

Equipment and facilities-related expenses represented 28.8 percent and 28.5 percent of consolidated cash operating expenses for the second quarters ended June 30, 2015 and 2016, respectively.

2.3.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses declined by 15.4 percent from US\$29.8 million for the second quarter of 2015 to US\$25.2 million for the same period in 2016 mainly due to cost optimization measures implemented; and favorable foreign exchange translation impact to the USD of the BRL at TSSA, the MXN at CMSA and the PHP at Philippine terminals, slightly tapered by increase in taxes and licenses at certain terminals driven by increase in revenues; higher IT costs; and the contribution of Tecplata and new projects.

Administrative and other operating expenses stood at 27.9 percent and 24.6 percent of consolidated cash operating expenses for the second quarters ended June 30, 2015 and 2016, respectively.

2.3.3.4 Depreciation and Amortization

Depreciation and amortization expense increased by 17.8 percent from US\$31.3 million for the second quarter of 2015 to US\$36.9 million for the same period in 2016 mainly from depreciation of Tecplata's port facilities starting January 1, 2016; and higher depreciation arising from acquisition of port equipment and recent expansions at MICT, YICT and CGSA.

2.3.3.5 Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 59.3 percent from US\$13.6 million for the second quarter of 2015 to US\$21.6 million for the same period in 2016 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US\$7.7 million in 2015 and US\$3.6 million in 2016. Capitalization rate increased from 6.5 percent in 2015 to 6.6 percent in 2016.

2.3.3.6 Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased marginally by 0.8 percent from US\$9.3 million for the second quarter of 2015 to US\$9.3 million for the same period in 2016 mainly due to the declining principal balances of the Group's concession rights payable as of June 30, 2016.

2.3.3.7 Equity in Net Loss of A Joint Venture

Equity in net loss of a joint venture increased to US\$1.1 million in the second quarter of 2016 from US\$0.6 million for the same period in 2015 due to the increase in the Company's share in net loss at SPIA as a result of increase in level of activities in line with the expected start of commercial operations in the fourth quarter of 2016.

2.3.3.8 Foreign Exchange Loss and Others

Foreign exchange loss and others increased from US\$3.2 million for the second quarter of 2015 to US\$5.3 million for the same period in 2016 primarily due to the unfavorable translation impact of PHP, EUR and AUD against US dollar in 2016, tapered by lower wealth tax on equity in SPIA in accordance with the new tax reform of Colombia established in 2015. 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 grew by 23.4 percent from US\$109.8 million for the second quarter of 2015 to US\$135.5 million for the same period in 2016 primarily due to strong revenue growth driven volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; continuous revenue growth and ramp-up at ICTSI Iraq; combined with cost optimization measures implemented. The growth, however, was partially tapered by the weak operating performance and significant currency depreciation at TSSA due to continuing economic slowdown in Brazil and cost contributions of the new projects. Excluding the translation impact of currency depreciation, consolidated EBITDA would have increased by 24.3 percent in 2016. Consequently, EBITDA margin went up to 47.7 percent in 2016 from 42.9 percent in 2015.

Meanwhile, consolidated EBIT increased by 25.6 percent from US\$78.5 million for the second quarter of 2015 to US\$98.7 million for the same period in 2016 mainly due to stronger EBITDA. As a result, EBIT margin also increased to 34.7 percent in 2016 from 30.7 percent in 2015.

2.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 17.8 percent from US\$58.8 million for the quarter ended June 30, 2015 to US\$69.3 million for the same period in 2016 primarily due to strong operating income, tapered by Tecplata's contribution in terms of higher depreciation charges and higher interest and financing charges arising from lower capitalized borrowing costs. The ratio of income before income tax to consolidated gross revenues stood at 23.0 percent and 24.4 percent in 2015 and 2016, respectively.

Consolidated provision for current and deferred income taxes increased to US\$21.7 million for the second quarter of 2016 from US\$9.9 million for the same period in 2015 mainly due to higher taxable income as a result of strong operating income; and higher super tax imposed at PICT in accordance with the Finance Act 2015 of Pakistan. Effective income tax rate in 2015 and 2016 stood at 16.8 percent and 31.3 percent, respectively.

2.3.6 Net Income

Consolidated net income decreased by 2.8 percent from US\$48.9 million for the quarter ended June 30, 2015 to US\$47.6 million for the same period in 2016. The ratio of consolidated net income to gross revenues stood at 19.1 percent and 16.7 percent in 2015 and 2016, respectively. Excluding Tecplata and new projects, consolidated net income would have increased by 16.7 percent in 2016.

Consolidated net income attributable to equity holders decreased by 2.8 percent from US\$46.4 million for the quarter ended June 30, 2015 to US\$45.1 million for the same period in 2016. Excluding Tecplata and new projects, consolidated net income attributable to equity holders would have increased by 16.5 percent in 2016.

Basic and diluted earnings per share decreased from US\$0.019 in 2015 to US\$0.017 in 2016.

2.4 Comparison of Operating Results for the Six Months Ended June 30, 2016 and 2015

2.4.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the six months ended June 30, 2015 and 2016:

Table 2.7 Volume

	For the Six Months Ended June 30		
	2015	2016	% Change
Asia	2,009,463	2,235,065	11.2
Americas	1,416,723	1,497,160	5.7
EMEA	461,944	532,408	15.3
	3,888,130	4,264,633	9.7

Consolidated throughput handled by the Group increased by 9.7 percent from 3,888,130 TEUs for the first half of 2015 to 4,264,633 TEUs for the same period in 2016 mainly due to new shipping lines and services, improvement in trade activities in most of the terminals in the Asia region and continuous growth and ramp-up at ICTSI Iraq.

Volume from the Asia segment increased by 11.2 percent from 2,009,463 TEUs for the first half of 2015 to 2,235,065 TEUs for the same period in 2016 as a result of improvement in trade activities in most of the terminals in the Asia region; and new shipping lines and services at OJA and PICT. The Asia operations accounted for 50.2 percent and 51.7 percent of the consolidated volume for the six months ended June 30, 2015 and 2016, respectively.

Volume from the Americas segment increased by 5.7 percent from 1,416,723 TEUs for the first half of 2015 to 1,497,160 TEUs for the same period in 2016 as a result of new shipping lines and services at CGSA and CMSA. The growth in the segment's volume, however, was tempered by lower imports at TSSA as a result of the continuing slowdown of the Brazilian economy and significant depreciation of the Brazilian Reais against the US dollar; and discontinued vessel calls from two major shipping lines, Hanjin Shipping Co. (Hanjin) and Hapag Lloyd, at ICTSI Oregon in March 2015 due to continuing effect of labor disruptions and conflicts. The Americas operations accounted for 36.4 percent and 35.1 percent of the consolidated volume for the six months ended June 30, 2015 and 2016, respectively.

Volume from the EMEA segment increased by 15.3 percent from 461,944 TEUs for the first half of 2015 to 532,408 TEUs for the same period in 2016 primarily due to continuous growth and ramp-up at ICTSI Iraq; and marginal economic recovery at MICTSL and AGCT, partially tapered by reduced vessel calls and trade volume at BCT. The EMEA segment stood at 11.9 percent and 12.5 percent of the consolidated volume for the six months ended June 30, 2015 and 2016, respectively.

2.1.1 Total Income

Table 2.8 Total Income

<i>(In thousands, except % change data)</i>	For the Six Months Ended June 30		
	2015	2016	% Change
Gross revenues from port operations	US\$552,107	US\$550,814	(0.2)
Port authorities' share in gross revenues	88,264	89,135	1.0
Net revenues	463,843	461,679	(0.5)
Interest income	5,595	8,219	46.9
Foreign exchange gain	2,550	3,186	24.9
Other income	3,014	5,846	94.0
Total income	US\$475,002	US\$478,930	0.8

For the six months ended June 30, 2016, net revenues accounted for 96.4 percent of the total consolidated income while interest income, foreign exchange gain, and other income represented 1.7 percent, 0.7 percent and 1.2 percent, respectively. For the same period in 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 and 0.7 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.

Table 2.9 Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Six Months Ended June 30		
	2015	2016	% Change
Asia	US\$296,974	US\$290,156	(2.3)
Americas	203,378	191,481	(5.8)
EMEA	51,755	69,177	33.7
	US\$552,107	US\$550,814	(0.2)

The Group's consolidated gross revenues from port operations decreased marginally by 0.2 percent to US\$550.8 million for the first half of 2016 from US\$552.1 million for the same period in 2015 due to unfavorable container volume mix, lower non-containerized and storage revenues and unfavorable translation impact of depreciation of some local currencies to the USD. The downward impact was tapered by volume growth; continuous growth and ramp-up at ICTSI Iraq; new contracts with shipping lines and services; and tariff rate adjustments at certain terminals. Excluding the translation impact of local currency depreciation to the USD, including the Brazilian Reals (BRL) at TSSA (-24.4%); Mexican peso (MXN) at CMSA (-19.3%); and Philippine peso (PHP) at Philippine terminals (-5.2%); consolidated gross revenues would have increased by 3.2 percent in 2016.

Gross revenues from the Asia segment decreased by 2.3 percent from US\$297.0 million for the first half of 2015 to US\$290.2 million for the same period in 2016 mainly due to unfavorable container volume mix; and unfavorable translation impact of the depreciation of PHP against US dollar (-5.2%) at the Philippine terminals, tapered by improvement in trade activities at most of the Philippine terminals resulting to volume growth; contributions of new contracts with shipping lines and services at OJA and PICT. Excluding the currency translation impact, gross revenues of the Asia segment would have increased marginally by 0.5 percent in 2016. The Asia segment accounted for

53.8 percent and 52.7 percent of the consolidated gross revenues for the six months ended June 30, 2015 and 2016, respectively.

Gross revenues from the Americas segment declined by 5.8 percent from US\$203.4 million for the first half of 2015 to US\$191.5 million for the same period in 2016 primarily due to unfavorable container volume mix; lower storage and non-containerized revenues at TSSA and CGSA; combined with unfavorable translation impact of the depreciation of BRL against the US dollar (-24.4%) at TSSA and MXN (-19.3%) at CMSA; and discontinued vessel calls of two major shipping lines at ICTSI Oregon as a result of the continuing effect of labor disruptions and conflicts. The decline in gross revenues was tapered by tariff rate adjustments and higher storage and special services at OPC; and new shipping lines and services at CGSA and CMSA. Excluding the translation impact of BRL and MXN, gross revenues of the Americas segment would have decreased marginally by 0.6 percent in 2016. The Americas segment stood at 36.8 percent and 34.8 percent of the consolidated gross revenues for the six months ended June 30, 2015 and 2016, respectively.

Gross revenues from the EMEA segment grew by 33.7 percent to US\$69.2 million for the first half of 2016 from US\$51.8 million for the same period in 2015 primarily due to continuous growth and ramp-up at ICTSI Iraq; favorable container volume mix and tariff rate adjustments at MICTSL, tapered by weaker short-sea trade and reduced vessel calls at BCT. The EMEA operations accounted for 9.4 percent and 12.6 percent of the consolidated gross revenues for the six months ended June 30, 2015 and 2016, 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 by certain terminals, increased by 1.0 percent to US\$89.1 million for the first half of 2016 from US\$88.3 million for the same period in 2015 due to stronger revenues at these terminals.

2.1.1.3 Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income increased US\$5.6 million for the first half of 2015 to US\$8.2 million for the same period in 2016 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain increased to US\$3.2 million for the first half of 2016 from US\$2.6 million for the same period in 2015 mainly due to the favorable translation impact of PHP and AUD against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased to US\$5.8 million for the first half of 2016 from US\$3.0 million for the same period in 2015 mainly due to gain on disposal of certain fixed assets at certain terminals and other income. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

2.4.3 Total Expenses

The table below shows the breakdown of total expenses for the six months ended June 30, 2015 and 2016:

Table 2.10 Total Expenses

<i>(In thousands, except % change data)</i>	For the Six Months Ended June 30		
	2015	2016	% Change
Manpower costs	US\$96,382	US\$95,897	(0.5)
Equipment and facilities-related expenses	70,124	57,161	(18.5)
Administrative and other expenses	59,966	51,168	(14.7)
Total cash operating expenses	226,472	204,226	(9.8)
Depreciation and amortization	62,264	73,209	17.6
Interest expense and financing charges on borrowings	27,781	39,959	43.8
Interest expense on concession rights payable	18,675	18,357	(1.7)
Equity in net loss of a joint venture	1,221	3,222	163.9
Foreign exchange loss and others	7,380	9,217	24.9
TOTAL OPERATING EXPENSES	US\$343,793	US\$348,190	1.3

The Group's cash operating expenses for the six months ended June 30, 2016 decreased by 9.8 percent to US\$204.2 million from US\$226.5 million for the same period in 2015 mainly due to improved operational efficiencies resulting to lower costs on repairs and maintenance, lower fuel and power consumption, combined with decline in global fuel prices; cost optimization measures implemented; lower variable cost at ICTSI Oregon; and favorable translation impact of BRL at TSSA, MXN at CMSA and PHP at Philippine terminals to the USD, tapered by cost contribution of Tecplata and new projects. Excluding the translation impact of currency depreciation, consolidated cash operating expenses would have decreased by 4.2 percent in 2016.

2.4.3.1 Manpower Costs

Manpower costs decreased marginally by 0.2 percent to US\$95.9 million for the first half of 2016 from US\$96.4 million for the same period in 2015 primarily due to decline in variable contracted labor services at ICTSI Oregon; and the favorable translation impact of BRL at TSSA, MXN at CMSA and PHP at Philippine terminals, tapered by increase in contracted services as a result of volume growth and government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of Tecplata and new projects.

Manpower costs accounted for 42.6 percent and 47.0 percent of consolidated cash operating expenses for the six months ended June 30, 2015 and 2016, 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, maintenance expenses, tools expenses, equipment rentals and fuel, oil and lubricants.

Equipment and facilities-related expenses declined by 18.5 percent from US\$70.1 million for the first half of 2015 to US\$57.2 million for the same period in 2016 mainly due to operational efficiencies resulting to lower costs on repairs and maintenance, lower power and fuel consumption, combined with decline in global prices of fuel; lower variable cost at ICTSI Oregon; and the favorable translation impact of the BRL at TSSA, MXN at CMSA and PHP at Philippine terminals to the USD. Equipment and facilities-related expenses stood at 31.0 percent and 28.0 percent of consolidated cash operating expenses for the six months ended June 30, 2015 and 2016, respectively.

2.4.3.3 *Administrative and Other Operating Expenses*

Administrative and other operating expenses decreased by 14.7 percent from US\$60.0 million for the first half of 2015 to US\$51.2 million for same period in 2016 mainly due to cost optimization measures implemented; and favorable foreign exchange translation impact of the BRL at TSSA, the MXN at CMSA and the PHP at Philippine terminals to the USD. The decrease was slightly tapered by higher insurance costs arising from increased risk coverage on the Group's assets; higher IT costs; and the contribution of Tecplata and new projects. Excluding Tecplata and new projects and translation impact of currency depreciation, consolidated administrative expenses and other operating expenses would have decreased by 13.8 percent.

Administrative and other operating expenses accounted for 26.5 percent and 25.0 percent of consolidated cash operating expenses for the six months ended June 30, 2015 and 2016, respectively.

2.4.3.4 *Depreciation and Amortization*

Depreciation and amortization expense increased by 17.6 percent from US\$62.3 million for the first half of 2015 to US\$73.2 million for the same period in 2016 mainly from depreciation of Tecplata's port facilities starting January 1, 2016; and higher depreciation arising from acquisition of port facilities and equipment at MICT, YICT and OPC.

2.4.3.5 *Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 43.8 percent from US\$27.8 million for the first half of 2015 to US\$40.0 million for the same period in 2016 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US\$15.0 million in 2015 and US\$8.1 million in 2016. Capitalization rate increased from 6.5 percent in 2015 to 6.6 percent in 2016.

2.4.3.6 *Interest Expense on Concession Rights Payable*

Interest on concession rights payable decreased by 1.7 percent from US\$18.7 million for the first half of 2015 to US\$18.4 million for the same period in 2016 mainly due to the declining principal balances of the Group's concession rights payable as of June 30, 2016.

2.4.3.7 *Equity in Net Loss of A Joint Venture*

Equity in net loss of a joint venture increased to US\$3.2 million for the first half of 2016 from US\$1.2 million for the same period in 2015 due to the increase in the Company's share in net loss at SPIA as a result of increase in level of activities in line with the expected start of commercial operations in the fourth quarter of 2016.

2.4.3.8 *Foreign Exchange Loss and Others*

Foreign exchange loss and others increased by 24.9 percent from US\$7.4 million for the first half of 2015 to US\$9.2 million for the same period in 2016 primarily due to unfavorable translation impact of MXN and EUR against US dollar in 2016, tapered by lower wealth tax on equity in SPIA in accordance with the new tax reform of Colombia established in 2015. 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 8.5 percent to US\$257.5 million for the first half of 2016 from US\$237.4 million for the same period in 2015 primarily due to strong revenue growth driven by volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; continuous revenue growth and ramp-up at ICTSI Iraq; combined with cost optimization

measures implemented. The growth, however, was partially tapered by the weak operating performance and significant currency depreciation at TSSA due to continuing economic slowdown in Brazil and cost contributions of the new projects. Excluding the translation impact of currency depreciation, consolidated EBITDA would have increased by 9.4 percent in 2016. Consequently, EBITDA margin went up to 46.7 percent in 2016 from 43.0 percent in 2015.

Meanwhile, consolidated EBIT went up by 5.2 percent to US\$184.2 million for the first half of 2016 from US\$175.1 million for the same period in 2015 mainly due to stronger EBITDA. As a result, EBIT margin also increased from 31.7 percent to 33.4 percent for the six months ended June 30, 2015 and 2016, respectively.

2.4.5 Income Before Income Tax and Provision for Income Tax

The Group's consolidated income before income tax decreased marginally by 0.4 percent to US\$130.7 million for the first half of 2016 from US\$131.2 million for the same period in 2015 despite a strong consolidated EBITDA, due to the negative contribution of Tecplata in terms of higher depreciation charges and interest and financing charges arising from lower capitalized borrowing costs. The ratio of income before income tax to consolidated gross revenues stood at 23.8 percent and 23.7 percent in 2015 and 2016, respectively.

Consolidated provision for current and deferred income taxes increased to US\$38.1 million for the first half of 2016 from US\$25.5 million for the same period in 2015 mainly due to higher taxable income as a result of strong operating income; and higher super tax imposed at PICT in accordance with the Finance Act 2015 of Pakistan. Effective income tax rate in 2015 and 2016 stood at 19.4 percent and 29.2 percent, respectively.

2.4.6 Net Income

Consolidated net income decreased by 12.4 percent to US\$92.6 million for the first half of 2016 from US\$105.7 million for the same period in 2015. The ratio of consolidated net income to gross revenues stood at 19.1 percent and 16.8 percent for the six months ended June 30, 2015 and 2016, respectively. Excluding the Tecplata and new projects, consolidated net income would have increased by 6.9 percent in 2016.

Consolidated net income attributable to equity holders decreased by 13.1 percent from US\$100.4 million for six months ended June 30, 2015 to US\$87.3 million for the same period in 2016. Excluding Tecplata and new projects, consolidated net income attributable to equity holders would have increased by 6.0 percent in 2016.

Basic and diluted earnings per share decreased from US\$0.042 during the six months ended June 30, 2015 to US\$0.031 for the same period in 2016.

2.5 Trends, Events or Uncertainties Affecting Revenues and Profits

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

2.6 Financial Position

Table 2.11 Consolidated Condensed Balance Sheets

<i>(In thousands, except % change data)</i>	December 31, 2015	June 30, 2016	% Change
Total assets	US\$3,841,432	US\$4,003,571	4.2
Current assets	513,717	488,518	(4.9)
Total equity	1,826,048	1,714,226	(6.1)
Total equity attributable to equity holders of the parent	1,674,443	1,567,553	(6.4)
Total interest-bearing debt	1,083,070	1,277,295	17.9
Current liabilities	288,751	443,400	53.6
Total liabilities	2,015,384	2,289,345	13.6
Current assets/total assets	13.4%	12.2%	
Current ratio	1.78	1.10	
Debt-equity ratio ¹	0.59	0.75	

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

Total assets increased by 4.2 percent to US\$4.0 billion as of June 30, 2016 from US\$3.8 billion as of December 31, 2015 mainly due to investments in capital expenditures, which include the ongoing construction of port facilities at VICT and IDRC and expansion projects at ICTSI Iraq and CMSA; and advances extended to SPIA to fund the Group's share on the ongoing construction and development at the Port of Buenaventura. These investments were funded mainly by cash generated from the Group's operations; and net proceeds from the issuances of perpetual capital securities in 2015 and debt financing. Non-current assets stood at 86.6 percent and 87.8 percent of the total consolidated assets as of December 31, 2015 and June 30, 2016, respectively.

Current assets decreased by 4.9 percent from US\$513.7 million as of December 31, 2015 to US\$488.5 million as of June 30, 2016 primarily due to continuous deployment of cash to fund capital expenditures during the period; and redemption of subordinated perpetual capital securities in May 2016, tapered by stronger cash inflows generated from operations; and proceeds from debt financing. Current assets accounted for 13.4 percent and 12.2 percent of the total consolidated assets of the Group as of December 31, 2015 and June 30, 2016, respectively. Current ratio stood at 1.78 as of December 31, 2015 and 1.10 as of June 30, 2016.

Total equity decreased by 6.1 percent to US\$1.7 billion as of June 30, 2016 primarily due to redemption of subordinated perpetual capital securities aggregating to US\$105.2 million in May 2016; and increase in other comprehensive loss as a result of net unfavorable exchange differences on translation of foreign operations' financial statements, tapered by net income generated for the period.

Total liabilities increased by 13.6 percent to US\$2.3 billion as of June 30, 2016 mainly due to loan availments at the Parent Company and at CGSA; drawdown from the Group's Revolving Credit Facility; and liability arising from the accrual of lease expense at VICT, tapered by reclassification of the current portion of the accrued lease expense at VICT. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 28.2 percent and 31.9 percent as of December 31, 2015 and June 30, 2016, respectively.

Meanwhile, current liabilities went up by 53.6 percent to US\$443.4 million as of June 30, 2016 from US\$288.8 million as of December 31, 2015 mainly due to reclassification of the current portion of the accrued lease expense at VICT; loan availment at the Parent Company; and higher income tax payable as a result of higher taxable income at certain terminals.

2.6.1 *Material Variances Affecting the Balance Sheet*

Balance sheet accounts as of June 30, 2016 with variances of plus or minus 5.0 percent against December 31, 2015 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 11.8 percent to US\$1.3 billion as of June 30, 2016 due to increase in capital expenditures arising from ongoing construction of port facilities, expansion projects and port equipment acquisitions at VICT, IDRC and CMSA.
2. Investment in and advances to a joint venture and associate increased by 12.7 percent to US\$261.4 million as of June 30, 2016 due to continuous funding extended to SPIA for the Group's share on the ongoing construction and development at the Port of Buenaventura.
3. Other noncurrent assets increased by 6.5 percent to US\$146.5 million as of June 30, 2016 mainly due to increase in advances to suppliers and contractors on port equipment acquisitions at IDRC.

Current Assets

4. Cash and cash equivalents decreased by 11.7 percent to US\$312.9 million as of June 30, 2016 arising from continuous deployment of cash to fund capital expenditures; and redemption of subordinated capital securities, tapered by cash inflows generated from operations and proceeds from debt financing.
5. Receivables increased by 11.8 percent to US\$97.5 million as of June 30, 2016 primarily due to strong revenues at the Parent Company, CMSA and MICTSL.
6. Spare parts and supplies increased by 14.6 percent to US\$31.6 million as of June 30, 2016 primarily as a result of acquisition of spare parts particularly at MICTSL, ICTSI Iraq and PICT.
7. Prepaid expenses and other current assets increased by 5.5 percent to US\$46.5 million as of June 30, 2016 mainly due to timing of utilization of prepaid taxes, particularly at the Parent Company and CGSA.
8. Derivative assets decreased to nil as of June 30, 2016 mainly due to settlement of currency options entered in December 2015.

Equity

9. Treasury shares grew by 46.1 percent to US\$11.0 million as of June 30, 2016 mainly as a result of acquisition of 2,871,000 treasury shares totaling US\$3.7 million in January, March, May and June 2016.
10. Perpetual capital securities decreased by 12.7 percent to US\$726.7 million as of June 30, 2016 primarily due to redemption of subordinated perpetual capital securities aggregating to US\$105.2 million in May 2016.
11. Other comprehensive loss increased by 6.7 percent to US\$276.0 million as of June 30, 2016 as a result of net unfavorable exchange differences on translation of foreign operations' financial statements.

Noncurrent Liabilities

12. Long-term debt increased by 16.6 percent to US\$1.2 billion as of June 30, 2016 mainly due to the US\$160.0 million drawdown from the Group's Revolving Credit Facility during the period.
13. Pension and other non-current liabilities decreased by 38.9 percent to US\$72.9 million as of June 30, 2016 arising mainly from the reclassification of the current portion of the accrued lease expense amounting to US\$87.9 million at VICT to current liabilities.

Current Liabilities

14. Loans payable increased to US\$29.7 million as of June 30, 2016 mainly due to loan availment at the Parent Company.
15. Accounts payable and other current liabilities grew by 62.0 percent to US\$326.3 million as of June 30, 2016 primarily due to reclassification of the current portion of accrued lease expense and increase in trade payables arising from on-going port development at VICT.

16. Current portion of long-term debt and debt securities decreased by 6.4 percent to US\$51.0 million as of June 30, 2016 due to settlement of maturing term loans of subsidiaries in 2016.
17. Current portion of concession rights payable decreased by 5.2 percent to US\$8.4 million as of June 30, 2016 mainly arising from settlement of concession fees scheduled for payment in 2016.
18. Income tax payable increased by 27.0 percent to US\$27.9 million as of June 30, 2016 due to stronger operating income at certain terminals, particularly at PICT and MICTSL.

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, 2015 and 2016:

Table 2.12 Consolidated Cash Flows

<i>(In thousands, except % change data)</i>	For the Six Months Ended June 30		
	2015	2016	% Change
Net cash provided by operating activities	US\$218,995	US\$203,413	(7.1)
Net cash used in investing activities	(271,482)	(200,458)	(26.2)
Net cash provided by (used in) financing activities	38,659	(42,734)	(210.5)
Effect of exchange rate changes on cash and cash equivalents	(1,859)	(1,820)	(2.1)
Net decrease in cash and cash equivalents	(15,687)	(41,599)	165.2
Cash and cash equivalents, beginning	194,298	354,482	82.4
Cash and cash equivalents, end	US\$178,611	US\$312,883	75.2

Consolidated cash and cash equivalents increased by 75.2 percent year-on-year to US\$312.9 million as of June 30, 2016 mainly from higher beginning cash balance as a result of issuances of perpetual capital securities and CMSA's drawdown from the Project Finance Facility in the latter part of 2015, tapered by the Group's continuous deployment of funds to finance ongoing port development activities; and redemption of subordinated perpetual capital securities.

Net cash provided by operating activities decreased by 7.1 percent from US\$219.0 million for the six months ended June 30, 2015 to US\$203.4 million for the same period in 2016 mainly due to settlement of trade payables; higher amount of income tax paid and increase in receivable balance as a result of strong revenues at certain terminals, tapered by stronger results of operations.

Net cash used in investing activities decreased by 26.2 percent to US\$200.5 million mainly due to the absence of acquisitions in 2016. In May 2015, the Group acquired a subsidiary, TMT, for US\$54.5 million. Capital expenditures for 2016 amounted to US\$173.5 million. Excluding capitalized borrowing costs and expenses, capital expenditures amounted to US\$157.8 million. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and/or equity issuances, as necessary. The 2016 net cash used in investing activities also includes US\$32.3 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 used in financing activities for the six months ended June 30, 2016 amounted to US\$42.7 million mainly due to redemption of subordinated perpetual capital securities amounting to US\$108.3 million and increased debt servicing costs, partially tapered by higher proceeds from borrowings.

2.7.2 Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2015 and June 30, 2016:

Table 2.13 Capital Sources

<i>(In thousands, except % change data)</i>	December 31, 2015	June 30, 2016	% Change
Loans payable	US\$2,027	US\$29,749	1367.6
Current portion of long-term debt	54,465	50,988	(6.4)
Long-term debt, net of current portion	1,026,578	1,196,558	16.6
Total short and long-term debt	1,083,070	1,277,295	17.9
Equity	1,826,048	1,714,226	(6.1)
	US\$2,909,118	US\$2,991,521	2.8

The Group's total debt and equity capital increased by 2.8 percent as of June 30, 2016 primarily due to net income generated during the period and increase in debt financing activities to fund expansion projects and capital expenditures, repayment of maturing loans, and other general corporate requirements.

2.7.2.1 Debt Financing

The table below provides the breakdown of the Group's outstanding loans as of June 30, 2016:

Table 2.14 Outstanding Loans

<i>(In thousands)</i>	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
Unsecured Philippine Peso Loan	Parent	2016	Fixed	US\$29,749
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	747,582
Unsecured US Dollar Bond	Parent	2020	Fixed	179,223
Unsecured US Dollar Term Loans	IGFBV	2019	Floating	155,612
Secured US Dollar Term Loan	CMSA	2027	Fixed*	86,122
Unsecured US Dollar Term Loans	CGSA	2017 – 2021	Fixed/Floating	31,611
Secured RMB Term Loan	YICT	2016	Floating	25,572
Secured Euro Term Loan	AGCT	2017, 2023 - 2024	Fixed	9,095
Unsecured US Dollar Securities	CGSA	2016	Fixed/Floating	7,025
Secured Pakistani Rupee Term Loan	PICT	2017	Floating	5,704
				1,247,546
Total Debt				1,277,295
Less current portion and short-term				80,737
Long-term debt, net of current portion				US\$1,196,558

*Under interest rate swap agreement

As of June 30, 2016, 87.1 percent of the Group's total debt capital is held by the Parent, ITBV and IGFBV, which includes the US\$179.2 million senior notes issued in 2010 and due in 2020; US\$747.6 million MTN issued in 2013 to 2015 and due in 2023 to 2025 and US\$155.6 million due in 2019.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of June 30, 2016:

Table 2.15 Outstanding Debt Maturities

<i>(In thousands)</i>	Amount
2016	US\$39,482
2017	11,599
2018	6,622
2019	166,980
2020 and onwards	1,022,863
Total	US\$1,247,546

Debt Financing Transactions in 2016

MTN Programme

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

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

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

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

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

As of June 30, 2016, outstanding notes under the MTN Programme amounted to US\$747.6 million.

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

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, 2016, IGFBV has drawn US\$160.0 million from the facility bearing interest of 2.3877% per annum.

US dollar and Foreign Currency-denominated Term Loans and Securities

CGSA. In October 2015, CGSA availed of a three-year unsecured Term Loan with BBP Bank, S.A. amounting to US\$4.0 million at a fixed interest rate of 6.78 percent. On March 29, 2016, CGSA (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement which consists of two tranches of loans amounting to US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II in May 2017. As of June 30, 2016, the outstanding balance of the term loans aggregated to US\$31.6 million.

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, 2016, the outstanding balances of the long-term loan of YICT amounted to US\$25.6 million (RMB 170.0 million).

PICT. On July 11, 2011, PICT signed a five-year Rs.2.5 billion (equivalent to US\$29.1 million) Agreement for Financing on Mark-up Basis with Faysal Bank Limited. The loan carries mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 1.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right. Principal is repayable in nine equal semi-annual installments commencing in July 2012. Proceeds of the loan were partially used to fully pay the loans with International Finance Corporation and Organization of the Petroleum Exporting Countries Fund for International Development amounting to Rs.2.4 billion (US\$27.9 million) on July 22, 2011 which were originally maturing in January 2018. The loan with remaining balance of Rs.1.5 billion was refinanced by Habib Bank Limited. The new loan carries a mark-up at the rate of six months 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, 2016, outstanding principal balance of the loan amounted to US\$5.7 million (Rs.597.5 million).

CMSA. On October 21, 2015, CMSA signed a US\$260.0 million Project Finance Facility with International Finance Corporation and Inter-American Development Bank (IADB). The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The terminal will have a capacity of 2.2 million TEUs when completely built. The development will be done in three phases with phase one creating capacity of 750,000 TEUs. Phase two, which is expected to be completed by year 2020, will increase

the terminal's capacity to 1.150 million TEUs. The financing package, which has a tenor of 12 years and a long availability period of four years, will help CMSA finance the completion of phases one and two of the Project. Interest is payable semi-annually based on floating interest rate computed at 6-month LIBOR plus loan spread with a weighted average of 2.80 percent. CMSA has drawn US\$95.0 million from the facility in December 2015. As of June 30, 2016, outstanding principal balance of the loan amounted to US\$86.1 million.

AGCT. On April 6, 2016, AGCT signed a loan agreement for US\$1.1 million (EUR 0.95 million). Principal is repayable in 12 monthly installments starting November 30, 2016 until October 31, 2017. Interest is payable monthly based on fixed interest rate of 3.90%. As of June 30, 2016, AGCT paid US\$1.0 million (EUR 0.65 million) of the outstanding principal balance.

Parent Company. On May 17, 2016, ICTSI availed of a US\$29.7 million (1.4 billion) short-term loan with Metropolitan Bank and Trust Company at an annual interest of 2.5%. On July 7, 2016, ICTSI paid a portion of the short-term loan amounting to US\$14.9 million (0.7 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, 2016, ICTSI and subsidiaries are in compliance with their loan covenants.

There was no material change in the covenants related to the Group's long-term debts. As at June 30, 2016, the Group has complied with its loan covenants.

2.7.2.3 Equity Financing

Perpetual Capital Securities

On January 29, 2015, RCBV issued US\$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 percent or US\$298.7 million. The new issue was partly used to finance the tendered US\$230.0 million 8.375 percent 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.

On August 18, 2015, RCBV issued US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities ("New Securities") unconditionally and irrevocably guaranteed by ICTSI. The cash proceeds received by RCBV amounted to US\$436.3 million, net of debt issue cost, will be used for refinancing, funding capital expenditures and general corporate purposes.

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

2.8 Risks

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

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

2.8.1 Foreign Exchange Risk

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

The Group's non-US dollar currency-linked revenues were 50.2 percent and 45.6 percent of gross revenues for the periods ended June 30, 2015 and 2016, respectively. Foreign currency-linked revenues include the following: (1) arrastre charges of MICT; and (2) non-US dollar revenues of international subsidiaries. ICTSI incurs expenses in foreign currency for the operating and start up requirements of its international subsidiaries. Concession fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

The table below provides the currency breakdown of the Group's revenue for the six months ended June 30, 2016:

Table 2.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	41 % USD	59 % PhP
SBITC/ICTSI Subic	65 % USD	35 % PhP
DIPSSCOR		100 % PhP
HIPS		100 % PhP
SCIPSI		100 % PhP
BIPI		100 % PhP
MICTSI		100 % PhP
LGICT		100 % PhP
BCT	73 % USD/1 % EUR	26 % PLN
TSSA		100 % BRL
MICTSL	100 % EUR*	
PTMTS		100 % IDR
YICT		100 % RMB
AGCT	84 % EUR	16 % HRK
CGSA	100 % USD	
NMCTS		100% BND
ICTSI Oregon	100 % USD	
BICT	100 % USD	
PICT	76 % USD	24 % PKR
OJA	74 % USD	26 % IDR
CMSA	47 % USD	53 % MXN
OPC	100 % USD	
ICTSI Iraq	95 % USD	5 % IQD
Tecplata	100 % USD	
IDRC	100 % USD	

*MGA pegged to the EURO

2.8.2 *Interest Rate Risk*

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

Interest Rate Swap. 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, 2016, the market valuation loss on the outstanding interest rate swap amounted to EUR0.6 million (US\$0.7 million).

In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its floating rate US\$-denominated loan maturing in 2027. A total notional amount of US\$181.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, CMSA pays annual fixed interest of 5.15% and receives floating rate of six-month LIBOR plus 2.71 basis points on the notional amount. As of June 30, 2016, the market valuation loss on the outstanding interest rate swaps amounted to US\$11.8 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 turnover to ensure that these are at optimal levels. In addition, it regularly evaluates its projected and actual cash flow information and continually assesses the conditions in the financial market to pursue fund raising initiatives. These initiatives may include accessing bank loans, project finance facilities and the debt capital markets.

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

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

PART II – OTHER INFORMATION

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

ANNEX 1

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

SCHEDULE OF AGING OF RECEIVABLES

As at June 30, 2016

(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US\$81,033	US\$13,913	US\$94,946
Six months to one year	999	41	1,040
Over one year	805	695	1,500
	US\$82,837	US\$14,649	US\$97,486

ANNEX 2

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

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

	2015	2016
Liquidity ratios		
Current ratio ^(a)	1.16	1.10
Interest rate coverage ratio ^(b)	8.54	6.44
Solvency ratios		
Debt to equity ratio ^(c)	0.77	0.75
Asset to equity ratio ^(d)	2.35	2.34
Profitability ratio		
EBITDA margin ^(e)	43.0%	46.7%

^(a) Current assets over current liabilities

^(b) EBITDA over interest expense and financing charges on borrowings

^(c) Interest-bearing debts over total equity

^(d) Total assets over total equity

^(e) EBITDA over gross revenues from port operations

ANNEX 3

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

LIST OF EFFECTIVE PFRS STANDARDS AND INTERPRETATIONS*

June 30, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	✓		
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 of January 1, 2016		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	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
PFRS 11	Joint Arrangements			
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
IFRS 15	Revenue from Contracts with Customers	Not early adopted		
IFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
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	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28: Applying the Consolidation Exception	✓		
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'	✓		
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	✓		

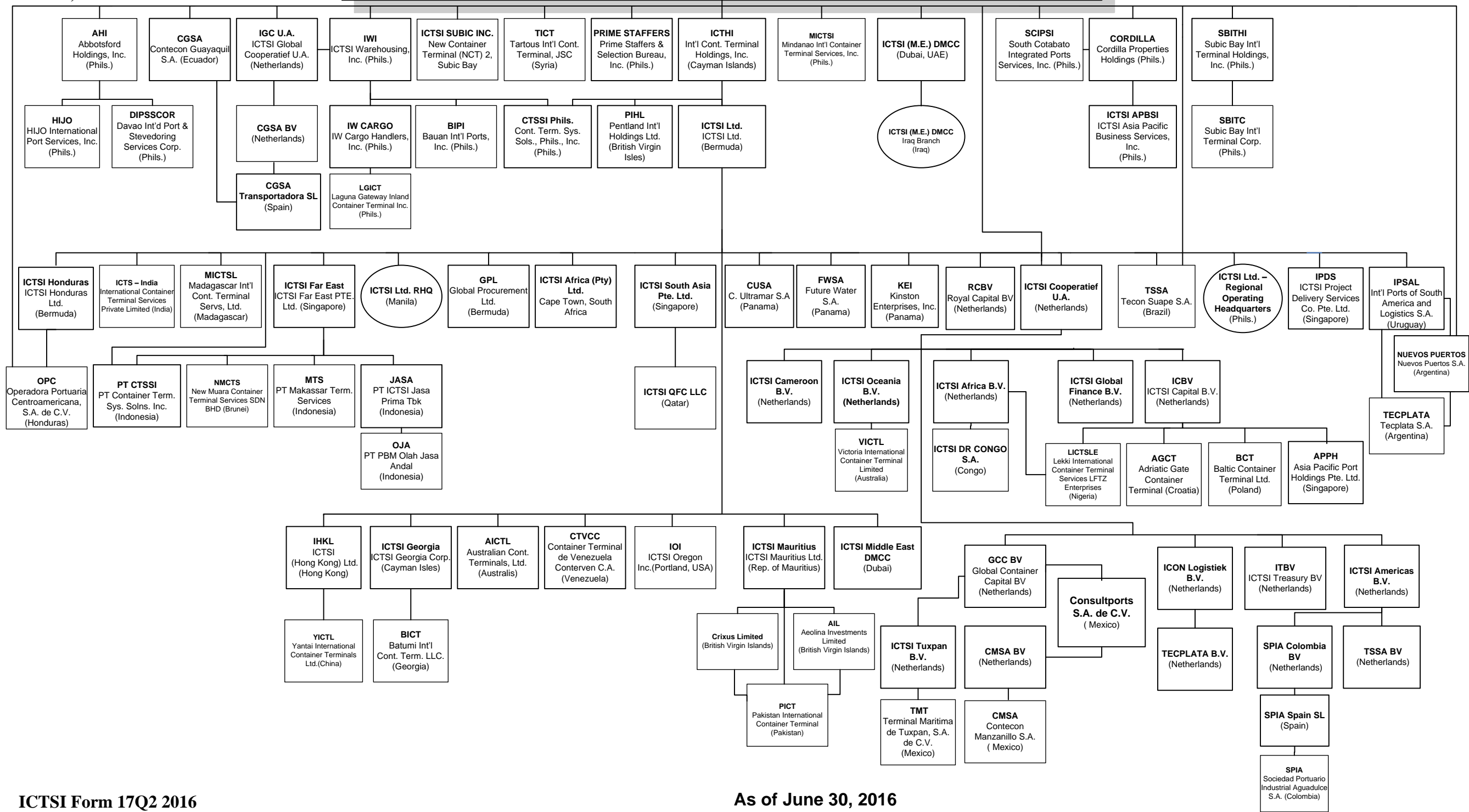
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities	✓		
SIC-12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Map of Subsidiaries
June 30, 2016

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (ICTSI)

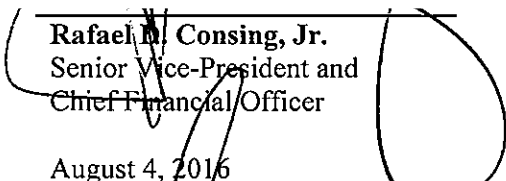


SIGNATURES

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.

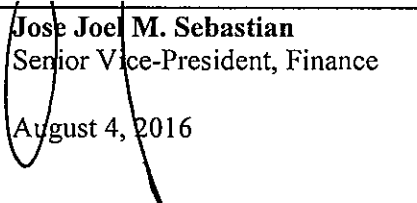
Registrant **INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.**

By



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

August 4, 2016



Jose Joel M. Sebastian
Senior Vice-President, Finance

August 4, 2016