COVER SHEET

1	4	7	2	1	2

SEC Registration Number

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

(Company's Full Name)

ICTSI ADMINISTRATION BUILDING, MANILA INTERNATIONAL CONTAINER TERMINAL SOUTH ACCESS ROAD, MANILA

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

Jose Joel M. Sebastian
(Contact Person)

245-4101
(Company Telephone Number)

12 **31**
Month *Day*
(Fiscal Year)

SEC 17 Q
(Form Type)

04 **Every 3rd Thursday**
Month *Day*
(Annual Meeting)

N/A
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

1,391
as at June 30, 2018
Total No. of Stockholders

US$54.5M
Domestic

US$1,256.0M
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2018**

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, Manila International Container Terminal 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, 2018
Common	**2,032,376,931** Shares

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

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

12. Indicate by check mark whether the issuer:

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

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

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

The audited consolidated balance sheet as at December 31, 2017 and the unaudited interim condensed consolidated financial statements as at June 30, 2018 and for the three and six months ended June 30, 2017 and 2018 and the related notes to unaudited interim condensed consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries (collectively referred to as “the Group”) are filed as part of this Form 17-Q on pages 2 to 34.

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

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

International Container Terminal Services, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

As at June 30, 2018
(with Comparative Audited Figures as at December 31, 2017)
and for the Three and Six Months Ended June 30, 2017 and 2018

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As at June 30, 2018

(With Comparative Audited Figures as at December 31, 2017)

(In Thousands)

	December 31, 2017 *(Audited)*	**June 30, 2018** *(Unaudited)*
ASSETS		
Noncurrent Assets		
Intangibles (Note 5)	US$1,747,180	**US$1,879,094**
Property and equipment (Note 6)	1,456,192	**1,416,582**
Investment properties	8,011	**7,911**
Investments in and advances to a joint venture and associates (Notes 8 and 16)	382,228	**376,261**
Deferred tax assets	111,104	**134,250**
Other noncurrent assets (Notes 7 and 19)	164,990	**162,624**
Total Noncurrent Assets	3,869,705	**3,976,722**
Current Assets		
Cash and cash equivalents (Note 9)	279,427	**401,538**
Receivables (Note 10)	112,891	**101,883**
Spare parts and supplies	35,670	**35,004**
Prepaid expenses and other current assets (Note 11)	72,684	**71,411**
Derivative assets (Note 19)	309	**414**
Total Current Assets	500,981	**610,250**
	US$4,370,686	**US$4,586,972**
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)	547,853	**547,662**
Cost of shares held by subsidiaries (Note 15)	(74,261)	**(74,261)**
Treasury shares (Note 15)	(15,059)	**(18,872)**
Excess of acquisition cost over the carrying value of non-controlling interests	(142,555)	**(142,555)**
Retained earnings (Note 15)	819,668	**791,976**
Perpetual capital securities (Note 15)	761,341	**1,153,615**
Other comprehensive loss - net (Notes 15 and 19)	(256,622)	**(297,120)**
Total equity attributable to equity holders of the parent	1,707,931	**2,028,011**
Equity Attributable to Non-controlling Interests (Notes 1 and 15)	164,638	**161,750**
Total Equity	1,872,569	**2,189,761**
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12 and 19)	1,410,268	**1,253,130**
Concession rights payable - net of current portion (Notes 5 and 19)	470,239	**539,894**
Deferred tax liabilities	80,486	**83,305**
Other noncurrent liabilities (Notes 13 and 19)	135,805	**157,477**
Total Noncurrent Liabilities	2,096,798	**2,033,806**
Current Liabilities		
Loans payable (Note 12)	61,187	**34,236**
Accounts payable and other current liabilities (Notes 14 and 16)	276,567	**261,844**
Current portion of long-term debt (Notes 12 and 19)	22,149	**23,156**
Current portion of concession rights payable (Notes 5 and 19)	9,942	**11,752**
Income tax payable	29,541	**31,761**
Derivative liabilities (Note 19)	1,933	**656**
Total Current Liabilities	401,319	**363,405**
Total Liabilities	2,498,117	**2,397,211**
	US$4,370,686	**US$4,586,972**

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	
	2017	**2018**	2017	**2018**
INCOME				
Gross revenues from port operations	US$306,511	**US$336,384**	US$603,716	**US$661,764**
Foreign exchange gain (Note 3)	2,378	**133**	4,938	**2,163**
Interest income (Notes 9 and 16)	5,617	**6,353**	10,622	**12,161**
Other income (Note 13)	17,146	**7,591**	18,738	**9,204**
	331,652	**350,461**	638,014	**685,292**
EXPENSES				
Port authorities' share in gross revenues (Note 16)	45,989	**47,780**	92,289	**96,279**
Manpower costs (Notes 15 and 16)	50,734	**54,655**	100,339	**107,214**
Equipment and facilities-related expenses (Note 16)	40,405	**50,302**	69,312	**99,925**
Depreciation and amortization	44,387	**47,955**	83,285	**95,233**
Administrative and other operating expenses (Note 16)	26,660	**31,889**	52,064	**58,817**
Interest expense and financing charges on borrowings (Notes 5, 6 and 12)	27,268	**25,746**	49,861	**53,697**
Interest expense on concession rights payable (Note 5)	8,265	**8,970**	16,510	**17,038**
Equity in net loss of a joint venture and an associate (Note 8)	11,277	**7,578**	18,714	**16,036**
Foreign exchange loss (Note 3)	763	**1,748**	2,445	**3,760**
Other expenses (Note 12)	5,564	**3,189**	9,185	**6,311**
	261,312	**279,812**	494,004	**554,310**
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	23,812	**26,475**	39,366	**33,702**
Construction expense	(23,812)	**(26,475)**	(39,366)	**(33,702)**
	–	**–**	–	**–**
INCOME BEFORE INCOME TAX	70,340	**70,649**	144,010	**130,982**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	14,971	**17,578**	28,655	**36,744**
Deferred	(2,164)	**(7,375)**	238	**(17,090)**
	12,807	**10,203**	28,893	**19,654**
NET INCOME	US$57,533	**US$60,446**	US$115,117	**US$111,328**
Attributable To				
Equity holders of the parent	US$51,896	**US$53,597**	US$103,636	**US$97,666**
Non-controlling interests	5,637	**6,849**	11,481	**13,662**
	US$57,533	**US$60,446**	US$115,117	**US$111,328**
Earnings Per Share (Note 17)				
Basic	US$0.021	**US$0.018**	US$0.041	**US$0.033**
Diluted	0.020	**0.018**	0.041	**0.032**

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	
	2017	**2018**	2017	**2018**
NET INCOME FOR THE PERIOD	US$57,533	**US$60,446**	US$115,117	**US$111,328**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations' financial statements (Notes 3 and 15)	10,503	**(44,247)**	29,979	**(41,528)**
Net change in unrealized mark-to-market values of derivatives (Notes 15 and 19)	(2,860)	**(2,328)**	(4,297)	**128**
Net unrealized mark-to-market gain on available-for-sale investments (Note 15)	60	**–**	160	**88**
Share in other comprehensive loss of an associate (Note 15)	–	**(2,564)**	–	**(4,191)**
Income tax relating to components of other comprehensive income (Notes 15 and 19)	848	**206**	1,060	**(500)**
	8,551	**(48,933)**	26,902	**(46,003)**
Items not to be reclassified to profit or loss in subsequent periods				
Share in other comprehensive gain (loss) of an associate (Note 15)	–	**(1)**	–	**89**
Actuarial gains (losses) on defined benefit plans - net of tax (Note 15)	–	**63**	(912)	**50**
	8,551	**(48,871)**	25,990	**(45,864)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	US$66,084	**US$11,575**	US$141,107	**US$65,464**
ATTRIBUTABLE TO:				
Equity holders of the parent	US$57,216	**US$13,585**	US$125,154	**US$57,168**
Non-controlling interests	8,868	**(2,010)**	15,953	**8,296**
	US$66,084	**US$11,575**	US$141,107	**US$65,464**

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, 2017 and 2018
(In Thousands)

	Attributable to Equity Holders of the Parent												
	Preferred Stock	Common Stock	Additional Paid-in Capital (Note 15)	Preferred Shares Held by a Subsidiary (Note 15)	Common Shares Held by a Subsidiary (Note 15)	Treasury Shares (Note 15)	Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests	Retained Earnings (Note 15)	Perpetual Capital Securities (Note 15)	Other Compre-hensive Loss - net (Notes 15 and 19)	Total	Non-controlling Interests (Note 15)	Total Equity
Balance at December 31, 2016	US$236	US$67,330	US$536,216	(US$72,492)	(US$1,769)	(US$17,904)	(US$142,555)	US$779,439	US$761,341	(US$285,445)	US$1,624,397	US$141,683	US$1,766,080
Total comprehensive income for the period	–	–	–	–	–	–	–	103,636	–	21,518	125,154	15,953	141,107
Share-based payments (Note 15)	–	–	1,786	–	–	–	–	–	–	–	1,786	–	1,786
Issuance of treasury shares	–	–	(858)	–	–	858	–	–	–	–	–	–	–
Acquisition of ICTSI common shares (Note 15)	–	–	–	–	–	(9,567)	–	–	–	–	(9,567)	–	(9,567)
Cash dividends (Note 15)	–	–	–	–	–	–	–	(100,334)	–	–	(100,334)	(5,949)	(106,283)
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(20,789)	–	–	(20,789)	–	(20,789)
Balance at June 30, 2017	US$236	US$67,330	US$537,144	(US$72,492)	(US$1,769)	(US$26,613)	US$142,555	US$761,952	US$761,341	(US$263,927)	US$1,620,647	US$151,687	US$1,772,334
Balance at December 31, 2017	**US$236**	**US$67,330**	**US$547,853**	**(US$72,492)**	**(US$1,769)**	**(US$15,059)**	**(US$142,555)**	**US$819,668**	**US$761,341**	**(US$256,622)**	**US$1,707,931**	**US$164,638**	**US$1,872,569**
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	**97,666**	–	**(40,498)**	**57,168**	**8,296**	**65,464**
Share-based payments (Note 15)	–	–	**2,086**	–	–	–	–	–	–	–	**2,086**	–	**2,086**
Issuance of treasury shares	–	–	**(2,277)**	–	–	**2,277**	–	–	–	–	–	–	–
Acquisition of ICTSI common shares (Note 15)	–	–	–	–	–	**(6,090)**	–	–	–	–	**(6,090)**	–	**(6,090)**
Cash dividends (Note 15)	–	–	–	–	–	–	–	**(97,584)**	–	–	**(97,584)**	**(11,184)**	**(108,768)**
Issuance of perpetual capital securities (Note 15)	–	–	–	–	–	–	–	–	**392,274**	–	**392,274**	–	**392,274**
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	**(27,774)**	–	–	**(27,774)**	–	**(27,774)**
Balance at June 30, 2018	**US$236**	**US$67,330**	**US$547,662**	**(US$72,492)**	**(US$1,769)**	**(US$18,872)**	**US$142,555**	**US$791,976**	**US$1,153,615**	**(US$297,120)**	**US$2,028,011**	**US$161,750**	**US$2,189,761**

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	
	2017	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	US$144,010	**US$130,982**
Adjustments for:		
Depreciation and amortization	83,285	**95,233**
Interest expense on:		
Borrowings (Notes 5, 6 and 12)	49,861	**53,697**
Concession rights payable (Note 5)	16,510	**17,038**
Equity in net loss of a joint venture and an associate (Note 8)	18,714	**16,036**
Share-based payments (Note 15)	1,553	**2,075**
Unrealized foreign exchange loss (gain)	(1,190)	**171**
Loss on sale of property and equipment	186	**171**
Accrual of port lease (Note 13)	–	**30,973**
Interest income (Notes 8 and 16)	(10,622)	**(12,161)**
Write-off of costs of securing a revolving credit facility due to cancellation (Note 12)	3,043	**–**
Operating income before changes in working capital	305,350	**334,215**
Decrease (increase) in:		
Receivables	9,719	**5,780**
Spare parts and supplies	(4,099)	**(664)**
Prepaid expenses and other current assets	(8,540)	**(1,887)**
Increase in:		
Pension liabilities	1,053	**57**
Accounts payable and other current liabilities	2,045	**(5,357)**
Cash generated from operations	305,528	**332,144**
Income taxes paid	(32,682)	**(33,198)**
Net cash provided by operating activities	272,846	**298,946**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Intangible assets (Notes 1 and 5)	(38,884)	**(83,852)**
Property and equipment (Notes 1 and 6)	(130,831)	**(42,428)**
Increase in:		
Other noncurrent assets	(1,168)	**(2,264)**
Advances to a joint venture	(19,714)	**(4,735)**
Payments for:		
Concession rights (Note 5)	(6,718)	**(38,109)**
Pre-termination of lease agreement (Note 1)	(11,450)	**–**
Interest received	2,001	**2,693**
Net proceeds from:		
Sale of property and equipment	278	**234**
Return of amount paid to Concessionaire (Note 1)	12,500	**–**
Net cash used in investing activities	(193,986)	**(168,461)**

	For the Six Months Ended June 30	
	2017	**2018**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Short-term borrowings (Note 12)	65,250	**39,726**
Long-term borrowings (Note 12)	47,776	**31,319**
Issuance of perpetual capital securities (Note 15)	–	**392,274**
Payments of:		
Long-term borrowings (Note 12)	(35,316)	**(183,057)**
Dividends (Note 15)	(106,966)	**(110,622)**
Interest on borrowings and concession rights payable (Notes 5 and 12)	(60,823)	**(66,935)**
Short-term borrowings (Note 12)	(24,355)	**(66,283)**
Distributions on subordinated perpetual capital securities (Note 15)	(20,789)	**(27,774)**
Acquisition of ICTSI common shares (Note 15)	(9,567)	**(6,090)**
Increase in other noncurrent liabilities	(1,615)	**(983)**
Net cash provided by (used in) financing activities	(146,405)	**1,575**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,183	**(9,949)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(62,362)	**122,111**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	325,059	**279,427**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 9)	US$262,697	**US$401,538**

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, Manila International Container Terminal 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 2,032,376,931 common shares outstanding held by 1,391 shareholders on record as at June 30, 2018.

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as "the Group") entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. As at August 2, 2018, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. These are 29 operating terminals in nine key ports, including the recent acquisition of shares in Manila North Harbour Port, Inc. (MNHPI), and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, Democratic Republic (DR) of Congo, Australia and recently, Lae and Motukea in Papua New Guinea (PNG); an existing concession to construct and operate a port in Tuxpan, Mexico; and a project to construct a barge terminal in Cavite, Philippines.

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

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

Phase 1 of the facility consists of two berths that can handle 120,000 twenty-foot equivalent units (TEUs) and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017.

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

ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. Berth 21 started commercial operations in the second quarter of 2018 while the remaining rehabilitation works are being completed.

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

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

Port of Melbourne, Australia. On May 2, 2014, ICTSI, through its subsidiary in Australia, Victoria International Container Terminal Ltd. (VICT), signed a contract in Melbourne with Port of Melbourne Corporation ("POMC") for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container Terminal (Terminal) and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The Contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5, (b) design, build and commission the new ECP at WDE, and (c) operate the Terminal and ECP until June 30, 2040. Initially, VICT was 90% owned by ICTSI through ICTSI Far East Pte. Ltd. (IFEL), a wholly owned subsidiary, and 10% by Anglo Ports Pty Limited ("Anglo Ports"). On February 4, 2015, IFEL acquired the 10% non-controlling interest from Anglo Ports and became 100% owner of VICT. On January 7, 2016, IFEL's ownership interest in VICT was transferred to another subsidiary, ICTSI Oceania B.V. (IOBV), making IOBV the new 100% owner of VICT.

Phase 1 of the Terminal and the ECP with capacities of 350,000 TEUs and 250,000 TEUs, respectively, commenced commercial operations in the second quarter of 2017. Phase 2 of the Terminal commenced commercial operations in the first quarter of 2018 and has increased the capacity to 1,000,000 TEUs.

Brunei, Darussalam. On May 21, 2009, ICTSI, through New Muara Container Terminal Services Sdn Bhd (NMCTS), entered into an Agreement with the government of Brunei Darussalam ("Government") for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement was valid for a period of four years from commencement date or May 22, 2009. The term was extendible for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. Since 2012, the Agreement had been extended yearly for a period of one year or until May 20, 2017 as an interim operator. The Agreement with the Government was no longer renewed and ended effective February 21, 2017.

Davao, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. On February 22, 2018, the PPA issued Administrative order (AO) No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016 entitled "Port Terminal Management Regulatory Framework". On June 11, 2018, the hold-over authority was issued by the PPA with a validity of six months starting February 26, 2018 until the award of a new contact by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the hold-over authority.

South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except porterage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of hold-over authority on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On February 22, 2018, the PPA issued AO No. 04-2018 directing all Port Managers of the PPA to grant hold-over authorities to cargo handling service providers with contracts due to expire in 2018, for six months, unless earlier terminated by the PPA or upon award of a new terminal management contract in accordance with PPA AO No. 03-2016. On June 21, 2018, the hold-over authority was issued by the PPA with a validity of six months starting February 25, 2018 until the award of a new contact by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the hold-over authority.

Port of Portland, Oregon, U.S.A. In October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon, Inc. (ICTSI Oregon) to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. During the latter part of 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. As of December 31, 2016, the Company provided for the amount of probable loss on the pre-termination of the lease agreement based on the Group's best estimate of the probable outcome of the negotiations with the Port of Portland. The estimated amount of probable loss from the pre-termination of the lease agreement charged to the 2016 consolidated statement of income was US$23.4 million, which includes the carrying value of the container handling equipment and spare parts.

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

As a result of the Lease Termination Agreement, ICTSI Oregon is no longer engaged in container operations at Terminal 6 or at any other locations. ICTSI Oregon's activities are currently devoted to supporting the on-going legal proceedings.

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

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

Motukea and Lae, Papua New Guinea. In September 2017, ICTSI received a notification from PNG Ports Corporation Limited (PNGPCL), a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI's PNG subsidiaries, Motukea International Terminal Limited (MITL) and South Pacific International Container Terminal Limited (SPICTL), with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG. SPICTL and MITL were allowed by PNGPCL to take over the port facilities and begin operations at the Port of Lae in February 2018 and at the Port of Motukea in May 2018, respectively. The terminal operating agreements and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

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

Port of Tanjung Priok, Indonesia. On November 2, 2017, PT ICTSI Jasa Prima Tbk (IJP), an ICTSI subsidiary in Indonesia, signed a Conditional Share Purchase Agreement with PT Samudera Terminal Indonesia (STI) for the purchase of IJP's interest in PT Perusahaan Bongkar Muat Olah Jasa Andal (OJA), subject to certain conditions. As of August 2, 2018, the conditions precedent have not yet been fulfilled.

1.3 Subsidiaries and Joint Venture

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership December 31, 2017 Direct	Indirect	**June 30, 2018 Direct**	**Indirect**
Subsidiaries:							
Asia							
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	**100.00**	**–**
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Mauritius Ltd.	Mauritius	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Aeolina Investments Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	**–**	**64.53**
IFEL	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**
NMCTS	Brunei	Port Management	Brunei Dollar	–	100.00	**–**	**100.00**
IJP and Subsidiaries	Indonesia	Maritime infrastructure and logistics	US Dollar	–	80.16	**–**	**80.16**
OJA	Indonesia	Port Management	US Dollar	–	80.16	**–**	**80.16**
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	**–**	**95.00**
PT Container Terminal Systems Solutions Indonesia	Indonesia	Software Developer	US Dollar	–	100.00	**–**	**100.00**
ICTSI (Hongkong) Limited (IHKL)	Hong Kong	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Yantai International Container Terminals, Limited (YICT)	China	Port Management	Renminbi	–	51.00	**–**	**51.00**
Pentland International Holdings, Ltd.	British Virgin Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Global Procurement Ltd. (formerly ICTSI Poland)	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Honduras Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	–	100.00	**–**	**100.00**
International Container Terminal Services (India) Private Limited	India	Port Management	Indian Rupee	–	100.00	**–**	**100.00**
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	**–**	**95.00**
Australian International Container Terminals Limited (AICTL) [(a)]	Australia	Port Management	Australian Dollar	–	70.00	**–**	**70.00**
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	**100.00**	**–**
Abbotsford Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	–	65.00	**–**	**65.00**
DIPSSCOR	Philippines	Port Management	Philippine Peso	–	96.95	**–**	**96.95**
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	**100.00**	**–**
IW Cargo	Philippines	Port Equipment Rental	US Dollar	–	100.00	**–**	**100.00**
Container Terminal Systems Solutions Philippines, Inc.	Philippines	Software Developer	US Dollar	–	100.00	**–**	**100.00**
Bauan International Port, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
Prime Staffers and Selection Bureau, Inc. [(a)]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	**100.00**	**–**
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	–	**100.00**	**–**
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	–	**83.33**	**–**
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	**–**	**83.33**
Cordilla Properties Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
SCIPSI	Philippines	Port Management	Philippine Peso	35.70	14.38	**35.70**	**14.38**
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	–	**100.00**	**–**
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Icon Logistiek B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	**1.00**	**99.00**
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Treasury B.V. (ITBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Americas B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Africa B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Sudan B.V. (formerly ICTSI Cameroon 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, 2017 Direct	Indirect	**June 30, 2018 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 S.L.	Spain	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CGSA Transportadora S.L.	Spain	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Crixus Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
VICT	Australia	Port Management	Australian Dollar	–	100.00	**–**	**100.00**
Asia Pacific Port Holdings Private Ltd. (APPH) [g]	Singapore	Holding Company	US Dollar	–	–	**–**	**–**
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
IOBV	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Asia Pacific Business Services, Inc. (APBS)	Philippines	Business Process Outsourcing	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Operating Headquarters (ROHQ)	Philippines	Regional Operating Headquarters	US Dollar	–	100.00	**–**	**100.00**
ICTSI Project Delivery Services Co. Pte. Ltd.	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	**–**	**100.00**
ICTSI QFC LLC	Qatar	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI South Asia Pte. Ltd.	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**
LGICT	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
ICTSI Middle East DMCC	United Arab Emirates	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Global Cooperatief U.A.	The Netherlands	Holding Company	US Dollar	100.00	–	**100.00**	**–**
Consultports S.A. de C.V. [b]	Mexico	BDO	Mexican Peso	–	100.00	**–**	**100.00**
Asiastar Consultants Limited [f]	Hong Kong	Management Services	US Dollar	–	100.00	**–**	**100.00**
CGT [e]	Philippines	Port Management	Philippine Peso	–	100.00	**–**	**100.00**
Intermodal Terminal Holdings, Inc. [e]	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
ICTSI Americas B.V. (Multinational Headquarters) [f]	Panama	BDO	US Dollar	–	100.00	**–**	**100.00**
ICTSI South Pacific Limited [f]	Papua New Guinea	Holding Company	Papua New Guinean Kina	–	100.00	**–**	**100.00**
MITL [f]	Papua New Guinea	Port Management	Papua New Guinean Kina	–	100.00	**–**	**100.00**
SPICTL [f]	Papua New Guinea	Port Management	Papua New Guinean Kina	–	100.00	**–**	**100.00**
Tungsten RE Ltd. [f]	Bermuda	Insurance Company	US Dollar	–	100.00	**–**	**100.00**
Europe, Middle East and Africa (EMEA)							
Tartous International Container Terminal, Inc. (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**
Adriatic Gate Container Terminal (AGCT)	Croatia	Port Management	Euro	–	51.00	**–**	**51.00**
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	**–**	**100.00**
LICTSLE	Nigeria	Port Management	US Dollar	–	100.00	**–**	**100.00**
IDRC	DR Congo	Port Management	US Dollar	–	52.00	**–**	**52.00**
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	–	100.00	**–**	**100.00**
Americas							
Contecon Guayaquil, S.A. (CGSA) [e]	Ecuador	Port Management	US Dollar	51.00	49.00	**51.00**	**49.00**
Contecon Manzanillo S.A. (CMSA) [c]	Mexico	Port Management	US Dollar	1.00	99.00	**1.00**	**99.00**
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	**–**	**100.00**
ICTSI Oregon	U.S.A.	Port Management	US Dollar	–	100.00	**–**	**100.00**
C. Ultramar, S.A.	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Future Water, S.A.	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Kinston Enterprise, Inc.	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
International Ports of South America and Logistics SA	Uruguay	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Tecplata S.A. (Tecplata) [a]	Argentina	Port Management	US Dollar	–	100.00	**–**	**100.00**
Nuevos Puertos S. A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	**4.00**	**96.00**
Operadora Portuaria Centroamericana, S.A. (OPC)	Honduras	Port Management	US Dollar	30.00	70.00	**30.00**	**70.00**
TMT	Mexico	Port Management	Mexican Peso	–	100.00	**–**	**100.00**
CMSA Servicios Portuarios SA De CV [f]	Mexico	Manpower Services	Mexican Peso	–	100.00	**–**	**100.00**
CMSA Servicios Profesionales Y De Especialistas SA De CV [f]	Mexico	Manpower Services	Mexican Peso	–	100.00	**–**	**100.00**
Joint Venture:							
Sociedad Puerto Industrial Aguadulce SA (SPIA)	Colombia	Port Management	US Dollar	–	46.30	**–**	**46.30**
Associates:							
MNHPI [h]	Philippines	Port Management	Philippine Peso	34.83	–	**34.83**	**–**
Asiaview Realty and Development Corporation (ARDC)	Philippines	Realty	Philippine Peso	–	49.0	**–**	**49.0**
Falconer Aircraft Management, Inc. [i]	Philippines	Aircraft Management	Philippine Peso	–	–	**–**	**49.0**

[a] Has not yet started commercial operations as at June 30, 2018
[b] Acquired in 2016 for US$60.0 thousand. This was not accounted for as a business combination due to immateriality of amount involved.
[c] Changed its functional currency from Mexican Peso to US Dollar on July 1, 2016
[d] Established in 2016
[e] In 2016, the Parent Company's shareholdings was diluted to 51% as a result of internal restructuring.
[f] Established in 2017
[g] Deregistered in 2017
[h] Acquired as an associate on October 30, 2017
[i] Established in 2018 and has not yet started operations

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The interim unaudited condensed consolidated financial statements as at June 30, 2018 and for the three and six months ended June 30, 2017 and 2018 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, 2017.

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, DIPSSCOR, YICT, SCIPSI, RCBV, AGCT, IJP, OJA, ITBV, HIPS, APPH, IGFBV, IDRC and LGICT not held by the Group and are presented separately in the unaudited interim consolidated statement of income and the unaudited interim consolidated statement of comprehensive income, and interim consolidated balance sheet separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. The difference between the fair value of the consideration and book value of the share in the net assets acquired is presented under "Excess of acquisition cost over the carrying value of non-controlling interests" account within the equity section of the interim consolidated balance sheet. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the 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:

	2017		**2018**	
	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of US dollar:				
Argentine peso (AR$)	16.63	16.12	**28.93**	**21.63**
Australian dollar (AUD)	1.30	1.32	**1.35**	**1.30**
Brazilian reais (BRL or R$)	3.31	3.30	**3.88**	**3.43**
Brunei dollar (BND or B$)	1.38	1.38	**1.36**	**1.33**
Chinese renminbi (RMB)	6.78	6.81	**6.62**	**6.37**
Colombian peso (COP)	3,045.67	2,970.04	**2,931.61**	**2,848.75**
Croatian kuna (HRK)	6.49	6.59	**6.32**	**6.13**
Euro (EUR or €)	0.88	0.89	**0.86**	**0.83**
Georgian lari (GEL)	2.41	2.41	**2.45**	**2.47**
Honduran lempira (HNL)	23.44	23.44	**24.03**	**23.70**
Hong Kong dollar (HKD)	7.81	7.80	**7.85**	**7.84**
Indian rupee (INR)	64.58	64.45	**68.47**	**65.74**
Indonesian rupiah (IDR or Rp)	13,348.00	13,305.00	**14,330.00**	**13,748.00**
Iraqi dinar (IQD)	1,165.00	1,177.20	**1,187.58**	**1,187.44**
Malagasy ariary (MGA)	3,009.95	3,141.69	**3,374.57**	**3,246.22**
Mexican peso (MXN)	18.12	18.13	**19.91**	**19.07**
Pakistani rupee (PKR or Rs.)	104.83	104.83	**121.58**	**114.33**
Papua New Guinean kina (PGK)	3.18	3.18	**3.29**	**3.25**
Philippine peso (₱)	50.47	49.89	**53.34**	**51.95**
Polish zloty (PLN)	3.70	3.75	**3.74**	**3.49**
Singaporean dollar (SGD)	1.38	1.38	**1.36**	**1.33**

3.2 Changes in Accounting Policies

3.2.1 New and Amended Standards Adopted in 2018

The accounting policies adopted for the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2017 except that the Group has adopted the following new and amended standards starting January 1, 2018:

New Pronouncements	Impact on the Interim Condensed Consolidated Financial Statements
Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*	
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.	The adoption of this amendment did not result in any impact on the interim condensed consolidated financial statements since the Group only have equity-settled share-based payment transactions.
PFRS 9, *Financial Instruments*	
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.	The adoption of this standard did not result in any significant impact on the interim condensed consolidated financial statements.

New Pronouncements	Impact on the Interim Condensed Consolidated Financial Statements
(a) Classification and measurement Debt securities currently held as AFS under PAS 39 are expected to be classified as at fair value through other comprehensive income (FVOCI) as these are held both to collect contractual cash flows and to sell. Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement. However, the Group is still finalizing its assessment on whether the contractual cash flows of these debt financial assets are solely payments of principal and interest (SPPI) to be able to conclude that these instruments are eligible for amortized cost or FVOCI measurement.	
(b) Impairment PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality.	
(c) Hedge accounting The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group will not retrospectively apply PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.	
Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*	
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.	The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.
PFRS 15, *Revenue from Contracts with Customers*	
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.	The adoption of this standard does not have any significant impact on the interim condensed consolidated financial statements.
Amendments to PAS 40, *Investment Property, Transfers of Investment Property*	
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the	The adoption of these amendments did not result in any impact on the interim condensed consolidated financial statements.

New Pronouncements	Impact on the Interim Condensed Consolidated Financial Statements
annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.	
Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*	
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.	The adoption of this interpretation did not result in any impact on the interim condensed consolidated financial statements.

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 Manila International Container Terminal (MICT), BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI, LGICT, CGT and MNHPI in the Philippines; YICT in China; OJA, IJP and MTS in Indonesia; VICT in Australia; NMCTS in Brunei; PICT in Pakistan; MITL and SPICTL in PNG; and AICTL, ICTHI, ICTSI Ltd. and other holding companies and those companies incorporated in The Netherlands for the purpose of supporting the funding requirements of the Group;

- EMEA - includes BCT in Poland, BICTL in Georgia, AGCT in Croatia, MICTSL in Madagascar, LICTSLE in Nigeria, IDRC in DR Congo and ICTSI Iraq in Iraq; and

- Americas - includes TSSA in Brazil, CGSA in Ecuador, SPIA in Colombia, Tecplata in Argentina, CMSA and TMT in Mexico, OPC in Honduras and ICTSI Oregon in Oregon, U.S.A.

Management monitors the operating results of 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, 2017 (audited) and as at June 30, 2018 (unaudited) and for the three and six months ended June 30, 2017 and 2018 (unaudited):

	2017							
	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)]	1,196,613	357,643	718,502	2,272,758	2,359,217	694,925	1,491,263	4,545,405
Gross revenues	US$145,246	US$58,317	US$102,948	US$306,511	US$287,628	US$109,886	US$206,202	US$603,716
Capital expenditures [(b)]	12,991	4,776	22,880	40,647	132,002	9,021	27,926	168,949
Other information:								
Segment assets [(c)]	2,453,355	441,596	1,364,631	4,259,582	2,453,355	441,596	1,364,631	4,259,582
Segment liabilities [(d)]	1,853,420	90,035	444,635	2,388,090	1,853,420	90,035	444,635	2,388,090

	2018							
	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)]	**1,253,784**	**384,809**	**750,122**	**2,388,715**	**2,495,093**	**772,190**	**1,446,972**	**4,714,255**
Gross revenues	**US$161,697**	**US$71,461**	**US$103,226**	**US$336,384**	**US$316,735**	**US$140,439**	**US$204,590**	**US$661,764**
Capital expenditures [(b)]	**33,165**	**16,616**	**18,000**	**67,781**	**57,952**	**37,707**	**40,347**	**136,006**
Other information:								
Segment assets [(c)]	**2,721,745**	**477,850**	**1,253,127**	**4,452,722**	**2,721,745**	**477,850**	**1,253,127**	**4,452,722**
Segment liabilities [(d)]	**1,926,074**	**88,580**	**267,491**	**2,282,145**	**1,926,074**	**88,580**	**267,491**	**2,282,145**

[(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 interim consolidated statement of cash flows.*

[(c)] *Segment assets do not include deferred tax assets amounting to US$111.1 million and US$134.3 million as at December 31, 2017 (audited) and June 30, 2018 (unaudited), respectively.*

[(d)] *Segment liabilities do not include income tax payable amounting to US$29.5 million and US$31.8 million and deferred tax liabilities amounting to US$80.5 million and US$83.3 million as at December 31, 2017 (audited) and June 30, 2018 (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	
	2017	**2018**	2017	**2018**
Net income attributable to equity holders of the parent	US$51,896	**US$53,597**	US$103,636	**US$97,666**
Noncontrolling interests	5,637	**6,849**	11,481	**13,662**
Provision for income tax	12,807	**10,203**	28,893	**19,654**
Income before income tax	70,340	**70,649**	144,010	**130,982**
Add (deduct):				
Depreciation and amortization	44,387	**47,955**	83,285	**95,233**
Interest and other expenses [(a)]	53,137	**47,231**	96,715	**96,842**
Interest and other income [(b)]	(25,141)	**(14,077)**	(34,298)	**(23,528)**
EBITDA [(c)]	US$142,723	**US$151,758**	US$289,712	**US$299,529**

[(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 an associate; and other expenses.*

[(b)] *Interest and other income include the following as shown in the interim unaudited consolidated statement of income: foreign exchange gain; interest income; and other income.*

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

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

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

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

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 35.8% and 34.8% of the unaudited consolidated gross revenues from port operations for the three months ended June 30, 2017 and 2018, respectively, and 36.0% and 35.1% of the unaudited consolidated gross revenues from port operations for the six months ended June 30, 2017 and 2018, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 64.2% and 65.2% of the unaudited consolidated gross revenues from port operations for the three months ended June 30, 2017 and 2018, respectively, and 64.0% and 64.9% of the unaudited consolidated gross revenues from port operations for the six months ended June 30, 2017 and 2018, 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 mainly pertain to acquisition of the terminal operating agreements including acquisition of port facilities and equipment in SPICTL and MITL in PNG of US$146.1 million and acquisition of port facilities and equipment in OPC in Honduras as at June 30, 2018.

Borrowing costs capitalized amounted to nil for the six months ended June 30, 2017 and US$0.7 million for the six months ended June 30, 2018 with capitalization rates ranging from 2.89 to 7.00 percent.

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. Concession rights payable related to the acquisition of terminal operating agreements in PNG amounted to US$113.1 million. The maturities of the carrying amount of concession rights payable as at June 30, 2018 arising from the capitalization of fixed fees are as follows (amount in thousands):

	Amount
2018 [1]	US$1,859
2019	16,412
2020	17,817
2021	19,298
2022 onwards	496,260
Total	US$551,646

[1] *July 1, 2018 through December 31, 2018*

Total fixed portion of port fees paid by the Group for the three and six months ended June 30, 2017 and 2018 amounted to US$11.5 million and US$43.3 million and US$23.2 million and US$55.1 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$8.3 million and US$9.0 million and US$16.5 million and US$17.0 million for the three and six months ended June 30, 2017 and 2018, respectively. The annualized weighted average interest rate was 6.80% and 8.18% as at June 30, 2017 and 2018, 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, 2017 and 2018 amounted to US$6.7 million and US$38.1 million, respectively.

6. Property and Equipment

Property and equipment increased due to construction of various civil works and acquisitions of terminal equipment in various ports, mainly in ICTSI Iraq, CGT and CMSA as at June 30, 2018. There were no major disposals or write-downs of property and equipment for the six months ended June 30, 2017 and 2018.

Borrowing costs capitalized amounted to US$7.3 million for the six months ended June 30, 2017 with capitalization rates ranging from 5.64 to 6.73 percent and US$0.6 million for the six months ended June 30, 2018 with a capitalization rate of 4.00 percent. Borrowing costs capitalized in 2017 mainly pertains to VICT which started construction in November 2014 while borrowing costs capitalized in 2018 mainly pertains to CMSA.

7. Other Noncurrent Assets

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

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

This account mainly pertains to ICTSI's investment in and advances to SPIA and investment in MNHPI. This account decreased in 2018 mainly due to share in net loss of SPIA tapered by additional interest-bearing loans extended to SPIA (see Note 16.1). The loans were used by SPIA to finance its start-up operations and the construction of its terminal in Colombia.

On September 21, 2017, ICTSI signed an SPA with Petron Corporation for the acquisition of 10,449,000 MNHPI shares, representing 34.83% of the total issued and outstanding shares of MNHPI for a consideration of Php1.75 billion (US$33.8 million). The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the Philippine Ports Authority. The SPA was completed on October 30, 2017. An additional investment cost of Php2.45 billion (US$47.3 million) was incurred in relation to this acquisition.

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:

	2017 *(Unaudited)*	**2018** ***(Unaudited)***
Cash on hand and in banks	US$166,499	**US$148,955**
Cash equivalents	96,198	**252,583**
	US$262,697	**US$401,538**

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, 2017 *(Audited)*	**June 30, 2018** ***(Unaudited)***
Trade	US$107,651	**US$99,546**
Advances and nontrade	12,725	**12,204**
	120,376	**111,750**
Less allowance for doubtful accounts	7,485	**9,867**
	US$112,891	**US$101,883**

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, creditable withholding taxes, prepaid port fees, insurance, bonds and other expenses and tax credits.

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$47.9 million, as at June 30, 2018 are as follows (amount in thousands):

	Amount
2018 [(1)]	US$8,433
2019	30,890
2020	241,289
2021	21,734
2022 and onwards	973,940
Total	US$1,276,286

[(1)] *July 1, 2018 through December 31, 2018*

12.2 US Dollar-denominated Revolving Credit Facility

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

In April and June 2016, IGFBV availed of loans amounting to US$150.0 million and US$10.0 million, respectively, from the US$350.0 million five year revolving credit facility bearing interest ranging from 2.39 to 2.71 percent per annum. In August, November and December 2016, IGFBV partially paid loans drawn in April and June 2016 totaling US$145.0 million. The remaining balance of US$15.0 million was fully paid on May 31, 2017.

12.3 US Dollar-denominated Loans

On October 29, 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. The outstanding balance of the loan amounted to US$0.4 million as at June 30, 2018.

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$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II in May 2017. The loans were fully drawn in 2016. Portion of the proceeds of these loans was used to refinance the unsecured US$ short-term and term-loan of CGSA amounting to US$9.2 million in April 2016. On May 30, 2017, CGSA fully paid the loan under Tranche II. In 2018, CGSA paid a total amount of US$3.8 million of the loan under Tranche I. The outstanding balance of the loan amounted to US$21.0 million as at June 30, 2018.

In 2017, BCT availed loans amounting to US$2.6 million from its overdraft facility with HSBC Bank Polska S.A with interest based on prevailing market rate. In 2018, BCT paid a total amount of US$1.0 million of the loan from its overdraft facility and availed additional loans amounting to US$0.8 million. The outstanding balance of the loan amounted to US$1.7 million as at June 30, 2018.

On March 30, 2017, CGSA availed one-year loans from Citibank, Banco Bolivariano and Banco Guayaquil totaling to US$8.5 million at prevailing market rates. The loans were fully paid in March 2018.

On May 15, 2017, ICTSI availed of short-term loans from The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"), Citibank N.A. ("Citibank"), The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), and Standard Chartered Bank ("SCB") totaling to US$55.0 million with interest based on prevailing market rate and maturity date of August 11, 2017. These loans were renewed to mature on February 9, 2018. The loans from Citibank, HSBC and SCB were fully paid on January 23, 2018 and the loan from BTMU was fully paid on February 9, 2018.

On July 11, 2017, OPC (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement amounting to US$77.0 million with floating interest rate and maturity date of July 2020. Proceeds of the loan was used to finance capital expenditures. OPC availed a total of US$24.5 million in 2017 and US$9.0 million in 2018 from the term loan facility. The outstanding balance of the loan amounted to US$33.5 million as at June 30, 2018. On April 26, 2018, US$25.0 million of the loan facility was voluntarily cancelled, reducing such facility from US$77.0 million to US$52.0 million. On June 21, 2018, the amount of the facility was further reduced from US$52.0 million to US$47.0 million.

On April 10, 2018, CGSA availed of a short-term loan from Citibank N.A. Ecuador amounting to US$6.0 million with interest based on prevailing market rate and maturity date of April 5, 2019. The loan was fully paid on May 30, 2018.

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 financing package, which had a tenor of 12 years and an availability period of four years, helped CMSA finance the completion of phases one and two of the Project. Interest was 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 availed of loans amounting to US$181.0 million from the facility in 2015 and 2016. The loan was fully paid on May 15, 2018.

12.4 Foreign Currency-denominated Loans

On July 15, 2016, VICT signed the syndicated project finance facilities with various international and regional banks for principal amount of US$300.0 million (AUD398.0 million), comprising of term facilities totaling US$284.9 million (AUD378.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.10 percent per annum and maturities until 2023, 2026 and 2031 and working capital facility of US$15.1 million (AUD20.0 million). In 2017 and 2018, VICT availed of additional loans from the term facilities amounting to US$64.4 million (AUD84.0 million) and US$22.0 million (AUD28.0 million), respectively. In 2018, VICT paid US$4.1 million (AUD5.6 million) of the loans. As at June 30, 2018, the term facilities were fully drawn and the outstanding balance of the loans amounted to US$266.3 million (AUD359.6 million), net of debt issuance costs.

On December 5, 2016, YICT obtained a US$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's loan with Agricultural Bank of China (ABC). On January 12 and March 1, 2017, YICT prepaid a total amount of US$3.0 million (RMB20.0 million) and the balance of US$18.9 million (RMB130.0 million) was renewed with an interest rate of 4.50 percent per annum and matured on April 30, 2017. On April 26, 2017, YICT obtained a US$21.8 million (RMB150.0 million) loan from ABC payable in installments with a final maturity on November 21, 2023 to refinance the maturing loan with YPH. Interest is based on the interest rate published by People's Bank of China (PBOC) less 5.00 percent of such base rate. The floating rate is subject to adjustment every twelve months. The outstanding balance of the loan from ABC amounted to US$13.6 million (RMB90.0 million) as at June 30, 2018.

On April 13, 2018, SPICTL and MITL obtained a loan facility with Australia and New Zealand Banking Group (PNG) Limited amounting to US$31.1 million (PGK101.0 million) and US$25.2 million (PGK82.0 million), respectively, with interest at prevailing market rate and a maturity date of six months from first drawdown date. In April and May 2018, SPICTL and MITL obtained loans amounting to US$18.3 million (PGK60.2 million) and US$14.2 million (PGK46.7 million), respectively, and remained outstanding as of June 30, 2018.

On April 30, 2018, AGCT obtained a long-term loan amounting to US$0.7 million (EUR0.6 million) from Raiffeisen Bank d.d. at a fixed rate of 2.50 percent and a maturity date of October 31, 2019. As at June 30, 2018, the outstanding balance of the loan is US$0.6 million (EUR0.5 million).

12.5 Loan Covenants and Capitalized Borrowing Costs

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

There was no material change in the covenants related to the Group's long-term debts. As at June 30, 2018, ICTSI and subsidiaries were in compliance with their loan covenants except for VICT whose Debt Service Coverage Ratio requirement was not met but having been irrevocably waived by the creditors, no event of default has occurred.

Interest expense, net of amount capitalized as intangible assets and property and equipment, amounted to US$27.3 million and US$25.7 million, and US$49.9 million and US$53.7 million for the three and six months ended June 30, 2017 and 2018, respectively (see Notes 5 and 6). Interest expense includes amortization of debt issue costs amounting to US$1.9 million and US$1.5 million, and US$4.0 million and US$3.3 million for the three and six months ended June 30, 2017 and 2018, respectively.

There were no other significant transactions pertaining to the Group's long-term debt as at June 30, 2018, except as discussed above.

13. **Other Noncurrent Liabilities**

This account consists of:

	December 31, 2017	**June 30, 2018**
Accrued rental	US$100,324	**US$124,870**
Government grant	13,279	**12,047**
Pension liabilities	9,477	**7,996**
Derivative liabilities (see Note 19)	2,441	**1,990**
Finance lease payable	725	**917**
Others	9,559	**9,657**
	US$135,805	**US$157,477**

Accrued Rental

The accrued rental of VICT amounted to US$100.3 million (AUD128.5 million) as at December 31, 2017 and US$124.9 million (AUD168.6 million) as at June 30, 2018, calculated using the straight-line method of recognition over the lease term starting from the inception of the contract in June 2014.

Government Grant

On March 29, 2012, BCT and Centrum Unijnych Projektow Transportowych (CUPT), a Polish grant authority, signed a grant agreement (the "EU Grant") whereby CUPT would grant BCT a subsidy amounting to US$17.3 million (PLN53.9 million) and on October 21, 2013, BCT and CUPT signed a second EU Grant whereby CUPT would grant BCT a subsidy amounting to US$4.8 million (PLN14.6 million). The confirmation of the availability of the EU Grant is a condition precedent to any borrowing under the facility agreement of BCT. In 2018, BCT availed of an additional US$3.9 thousand EU Grant. As at June 30, 2018, BCT has availed a total of US$19.5 million of the EU Grant. The EU Grant is treated as deferred income and is amortized over the duration of the existing concession agreement ending on May 31, 2023. The unamortized deferred income from government grant amounted to US$13.3 million and US$12.0 million as at December 31, 2017 and June 30, 2018, respectively. Amortization of deferred income included under "Other income" account of the unaudited interim consolidated statements of income amounted to US$1.2 million both for the six months ended June 30, 2017 and 2018.

14. Accounts Payable and Other Current Liabilities

This account includes trade payables, output and other taxes payables, accruals for interest, salaries and benefits and other expenses, customers' deposits, provisions of claims and losses and other current liabilities.

15. Equity

15.1 Stock Incentive Plan

On March 7, 2016, the Board approved for the extension of the SIP for a further 10 years until March 2027 and the amendment of vesting period of the SIP. The vesting period of the SIP was amended from two years where 50% is to vest on the first anniversary date of the award and the other 50% to vest on the second anniversary date of the award, to three years where 25% is to vest on the first anniversary date of the award, 25% to vest on the second anniversary date of the award, and 50% to vest on the third anniversary date of the award. Unless the Stock Incentive Committee determines otherwise, when dividends are declared by the Company, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (DRIP).

The shares covered by the SIP are held under treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee.

On March 9 and May 11, 2018, the Stock Incentive Committee granted 1,862,677 and 152,059 shares of stock awards, respectively, to officers and employees of ICTSI and ICTSI Ltd., including its regional operating headquarters. As of these dates of the grant, the fair values of the shares were US$2.11 (₱109.90) and US$1.60 (₱83.00), respectively. The fair value per share was determined based on the market price of stock at the date of grant.

As at June 30, 2018, there were 43,393,280 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as at June 30, 2018, 12,800,740 ICTSI common shares were held under treasury and allotted for the SIP.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US$0.8 million and US$1.3 million and US$1.6 million and US$2.1 million for the three and six months ended June 30, 2017 and 2018, respectively.

15.2 Dividends Declared

On April 19, 2018, the Board of ICTSI declared a US$0.05 (₱2.50) cash dividend per share to stockholders of record dated May 4, 2018 paid on May 11, 2018.

15.3 Cost of Shares Held by Subsidiaries

As at December 31, 2017 and June 30, 2018, ICTHI held 3,800,000 of ICTSI's preferred A shares while IWI held 734,970 common shares of ICTSI.

15.4 Treasury Shares

The Company acquired 5,400,00 and 3,664,790 of its own common shares amounting to US$9.6 million and US$6.1 million in 2017 and 2018, respectively.

15.5 Other Comprehensive Loss

This account consists of:

	Cumulative Translation Adjustments	Mark-to-Market Gains (Losses) on Derivatives	Revaluation Increment	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Actuarial Gains (Losses) on Defined Benefit Plans	Total Comprehensive Income (Loss)
Balance at January 1, 2017	(US$291,425)	US$3,683	US$610	US$952	US$735	(US$285,445)
Translation differences arising from translation of foreign operations' financial statements	25,507	–	–	–	–	25,507
Net change in actuarial loss on defined benefit plans	–	–	–	–	(912)	(912)
Net change in unrealized mark-to-market values of derivatives	–	(4,297)	–	–	–	(4,297)
Net change in unrealized mark-to-market values of AFS investments	–	–	–	160	–	160
Income tax relating to components of other comprehensive income	–	1,060	–	–	–	1,060
Balance at June 30, 2017	(US$265,918)	US$446	US$610	US$1,112	(US$177)	(US$263,927)

	Cumulative Translation Adjustments	Mark-to-Market Gains (Losses) on Derivatives	Revaluation Increment	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Share in other comprehensive income (loss) of an associate	Actuarial Gains on Defined Benefit Plans	Total Comprehensive Income (Loss)
Balance at January 1, 2018	**(US$259,680)**	**US$247**	**US$610**	**US$587**	**US$1,043**	**US$571**	**(US$256,622)**
Translation differences arising from translation of foreign operations' financial statements	**(36,162)**	**–**	**–**	**–**	**–**	**–**	**(36,162)**
Net change in actuarial gain on defined benefit plans	**–**	**–**	**–**	**–**	**–**	**50**	**50**
Net change in unrealized mark-to-market values of derivatives	**–**	**128**	**–**	**–**	**–**	**–**	**128**
Net change in unrealized mark-to-market values of AFS investments	**–**	**–**	**–**	**88**	**–**	**–**	**88**
Share in other comprehensive gain (loss) of an associate	**–**	**–**	**–**	**–**	**(4,191)**	**89**	**(4,102)**
Income tax relating to components of other comprehensive income	**–**	**(500)**	**–**	**–**	**–**	**–**	**(500)**
Balance at June 30, 2018	**(US$295,842)**	**(US$125)**	**US$610**	**US$675**	**(US$3,148)**	**US$710**	**(US$297,120)**

15.6 Perpetual Capital Securities

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

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

The cash proceeds received by RCBV from the issuance of the New and Additional Securities amounted to US$392.3 million, net of debt issuance costs, which were alloted for the financing of acquisitions and capital expenditures and for general corporate purposes.

Interest expense on Perpetual Capital Securities, which represents cumulative distributions to holders of Perpetual Capital Securities, amounted to US$20.8 million and US$31.4 million for the six months ended June 30, 2017 and 2018. However, the interest expense has not been recognized in the unaudited interim consolidated statements of income but instead directly charged against retained earnings since the Perpetual Capital Securities are presented as equity attributable to equity holders of the parent. For purposes of computing for earnings per share, the cumulative distributions to holders of Perpetual Capital Securities are deducted from net income attributable to equity holders of the parent.

15.7 Noncontrolling Interests

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

	2017	**2018**
PICT	US$3,731	**US$3,870**
IDRC	–	**2,858**
YICT	–	**1,914**
AGCT	991	**1,890**
SCIPSI	397	**623**
DIPSSCOR	30	**29**
BIPI	800	**–**
	US$5,949	**US$11,184**

16. **Related Party Transactions**

16.1 Transactions with the Shareholders and Affiliates

			2017			**2018**		
Related Party	Relationship	Nature of Transaction	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	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
					(In Millions)			
ICBV								
SPIA	Joint venture	Interest-bearing loans (see Note 8)	US$7.70	US$19.70	US$269.48	**US$–**	**US$4.40**	**US$273.88**
		Interest income (see Note 8)	4.42	8.73	44.55	**4.79**	**9.44**	**53.99**
Parent Company								
YICT								
Yantai Port Group	Common shareholder	Port fees [(i)]	0.78	1.46	(0.17)	**0.92**	**1.78**	**(0.57)**
		Trade transactions [(ii)]	0.39	0.87	–	**0.43**	**0.81**	**(0.02)**
Yantai Port Holdings	Non-controlling shareholder	Port fees [(i)]	0.28	0.64	–	**0.01**	**0.02**	**–**
		Trade transactions [(ii)]	0.13	0.13	–	**0.01**	**0.01**	**–**
		Interests on loans [(iii)]	0.22	0.22	–	**–**	**–**	**–**
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.04	0.08	(0.02)	**0.04**	**0.09**	**(0.01)**
AGCT								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services [(iv)]	0.04	0.13	(0.04)	**0.08**	**0.16**	**(0.04)**
PICT								
Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges [(v)]	1.43	3.04	(0.40)	**1.10**	**2.22**	**(0.54)**
		Container handling revenue [(vi)]	0.01	0.02	0.01	**0.01**	**0.02**	**0.01**
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue [(vi)]	0.09	0.22	0.01	**0.08**	**0.17**	**0.03**
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.10	–	(0.04)	**0.11**	**0.22**	**(0.07)**
		Maintenance and repairs	0.04	–	(0.01)	**0.03**	**0.06**	**(0.01)**
BIPI								
Atlantic, Gulf and Pacific Company of Manila Inc.	Common shareholder	Rent expense	0.06	0.07	(0.02)	**0.02**	**0.05**	**(0.02)**
		Utilities	0.01	0.01	–	**0.01**	**0.01**	**–**
IDRC								
Ledya SARL	Non-controlling shareholder	Management fees	–	–	(0.85)	**0.58**	**1.03**	**(0.58)**

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

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

(iii) On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.6 million (RMB130 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of April 30, 2017. The remaining loan from YPH was fully paid upon the availment of a short-term loan from ABC on April 26, 2017.

(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 unaudited interim consolidated statements of income 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 (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.

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

16.2 Compensation of Key Management Personnel

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

	2017	**2018**
Short-term employee benefits	US$794	**US$747**
Share-based payments	924	**1,050**
Post-employment pension	15	**15**
Total compensation to key management personnel	US$1,733	**US$1,812**

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	
	2017	**2018**	2017	**2018**
Net income attributable to equity holders of the parent	US$51,896	**US$53,597**	US$103,636	**US$97,666**
Adjustment for the effect of cumulative distributions on perpetual capital securities (see Note 15.6)	(10,395)	**(16,269)**	(20,789)	**(31,364)**
Net income attributable to equity holders of the parent, as adjusted (a)	US$41,501	**US$37,328**	US$82,847	**US$66,302**
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	(20,133,680)	**(12,039,039)**	(20,133,680)	**(12,039,039)**
Weighted average shares held by subsidiaries	(734,970)	**(734,970)**	(734,970)	**(734,970)**
Weighted average shares outstanding (b)	2,024,309,021	**2,032,403,662**	2,024,309,021	**2,032,403,662**
Effect of dilutive stock awards	21,095,163	**12,800,740**	21,095,163	**12,800,740**
Weighted average shares outstanding adjusted for potential common shares (c)	2,045,404,184	**2,045,204,402**	2,045,404,184	**2,045,204,402**
Basic earnings per share (a/b)	US$0.021	**US$0.018**	US$0.041	**US$0.033**
Diluted earnings per share (a/c)	US$0.020	**US$0.018**	US$0.041	**US$0.032**

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 interim condensed consolidated financial position and results of operations.

19. **Fair Value**

19.1 Fair values

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments by category whose fair value is different from its carrying amount:

	December 31, 2017		**June 30, 2018**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Financial Liabilities				
Other financial liabilities:				
Long-term debt	US$1,432,417	US$1,547,608	**US$1,276,286**	**US$1,337,471**
Concession rights payable	480,181	510,902	**551,646**	**553,753**
	US$1,912,598	US$2,058,510	**US$1,827,932**	**US$1,891,224**

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 1.43 percent to 12.23 percent as at December 31, 2017 and 1.30 percent to 12.65 percent as at June 30, 2018.

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

19.2 Fair Value Hierarchy

The following tables below present the fair value hierarchy of the Group's financial instruments (amount in thousands):

	December 31, 2017			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
Derivative assets	US$5,075	US$−	US$5,075	US$−
Derivative liabilities	4,375	−	4,375	−
AFS investments	1,759	1,759	−	−
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,547,608	1,047,985	−	499,623
Concession rights payable	510,902	−	−	510,902

	June 30, 2018			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
Derivative assets	**US$3,473**	**US$–**	**US$3,473**	**US$–**
Derivative liabilities	**2,645**	**–**	**2,645**	**–**
AFS investments	**2,532**	**2,532**	**–**	**–**
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	**1,337,471**	**996,123**	**–**	**341,348**
Concession rights payable	**553,753**	**–**	**–**	**553,753**

In 2017 and 2018, there were no transfers between *Level 1* and *Level 2* fair value measurements and no transfers into and out of *Level 3* fair value measurements.

19.3 Derivative Instruments

Interest Rate Swaps. In 2014, AGCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate Euro denominated loan maturing in 2023. A notional amount of EUR5.1 million (US$6.2 million) and EUR3.8 million (US$4.6 million) out of the total EUR10.6 million (US$12.8 million) floating rate loan was swapped to fixed rate. Under the interest rate swap, AGCT pays fixed interest of 6.19 percent for EUR5.1 million and 5.55 percent for EUR3.8 million and receives floating rate of one-month EURIBOR plus 4.20 bps on the notional amount. Starting July 2016, the fixed interest for EUR5.1 million and EUR3.8 million was reduced to 5.39 percent and 4.75 percent, respectively, and AGCT receives floating rate of one-month EURIBOR plus 3.40 bps on the notional amount. As at June 30, 2018, the market valuation loss on the outstanding interest rate swap amounted to EUR0.2 million (US$0.3 million). The effective portion of the change in the fair value of the interest rate swap amounting to EUR0.1 million (US$0.2 million), net of EUR0.1 million (US$0.1 million) deferred tax for the six months period ended June 30, 2018, was taken to equity under other comprehensive loss.

In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its US$-denominated floating rate loan maturing in 2027. A total notional amount of US$181.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, CMSA pays annual fixed interest of an average 2.44 percent and receives floating rate of six-month LIBOR on the notional amount. In May 2018, ICTSI entered into offsetting interest rate swaps in order to manage the changes in and lock the fair values on the planned pre-termination of CMSA's outstanding interest rate swaps in anticipation of the prepayment of the underlying loan.

On May 14, 2018, CMSA and ICTSI terminated all outstanding interest rate swaps due to the prepayment of the underlying US$-denominated floating rate loan. The amount deferred in equity representing the effective portion of the change in fair value of the swap amounting to US$3.9 million at the time of prepayment was transferred to the profit and loss and recognized under "Other income" account in the unaudited interim consolidated statements of income.

In August 2016, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD320.4 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10 to 2.5875 percent and receives floating rate of six-month Bank Bill Swap Bid Rate (BBSY) basis points on the notional amount. In March 2017, VICT entered into additional interest rate swap transactions to hedge an additional AUD5.5 million and AUD12.4 million of its AUD denominated loans maturing in 2026 and 2031, respectively. VICT pays an annual fixed interest of 2.885 to 2.9730 percent for the loans maturing in 2026 and 2031, respectively. As at June 30, 2018, the market valuation gain on the outstanding interest rate swaps amounted to AUD3.3 million (US$2.4 million). The effective portion of the change in the fair value of the interest rate swap amounting to AUD2.3 million (US$1.6 million), net of AUD1.0 million (US$0.8 million) deferred tax, for the six months period ended June 30, 2018, was taken to equity under other comprehensive loss.

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA's floating rate US$-denominated floating rate loan maturing in 2021. A total notional amount of US$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount. As of June 30, 2018, the market valuation gain on the outstanding interest rate swaps amounted to US$0.4 million. The effective portion of the change in the fair value of the interest rate swap amounting to US$0.3 million, net of US$0.1 million deferred tax, for the six months period ended June 30, 2018, was taken to equity under other comprehensive loss.

Net Investment Hedging. In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375 percent maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05 percent with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group's Euro net investment in its subsidiary in Madagascar, MICTSL. As of June 30, 2018, the market valuation loss on the outstanding cross currency swap amounted to EUR1.4 million (US$1.7 million). The effective portion of the change in the fair value of the cross currency swap amounting to EUR1.0 million (US$1.2 million), net of EUR0.4 million (US$0.5 million) deferred tax, for the six months period ended June 30, 2018, was taken to equity under other comprehensive loss.

20. **Trends, Events or Uncertanties Affecting Recurring Revenues and Profit**

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

Item 2. Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the consolidated financial position and results of operations of ICTSI and its wholly and majority-owned subsidiaries (collectively known as "ICTSI Group") and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes. References to "ICTSI", "the Company", and "Parent Company" pertain to ICTSI Parent Company, while references to "the Group" pertain to ICTSI and its subsidiaries.

2.1 Overview

The Group is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 3,000,000 twenty-foot equivalent units (TEUs). It also handles break bulk cargoes (BBC) and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing, and services for refrigerated containers or reefers. As of report date, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. There are 29 operating terminals in nine key ports and an inland container terminal in the Philippines, two in Indonesia and one each in China, Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico, Iraq, Argentina, DR Congo, Colombia, Australia and, recently, Lae and Motukea in Papua New Guinea; an existing concession to construct and operate a port in Tuxpan, Mexico; and a project to construct a barge terminal in Cavite, Philippines. The project in Cavite is expected to be completed and commence full operations in the second half of 2018. The port in Lae and Motukea commenced operations in February 2018 and May 2018, respectively.

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

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

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

- Papua New Guinea - Port of Motukea, Papua New Guinea (MITL) and Port of Lae, Papua New Guinea (SPICTL)

- 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)
  - DR Congo - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
  - Iraq - Port of Umm Qasr, Iraq (ICTSI Iraq)

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

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

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

Port of Motukea and Port of Lae, Papua New Guinea. In September 2017, ICTSI received a notification from PNG Ports Corporation Limited (PNGPCL), a Papua New Guinea (PNG) state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI through its wholly-owned subsidiaries, Motukea International Terminal Limited (MITL) and South Pacific International Container Terminal Limited (SPICTL), with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG.

SPICTL and MITL were allowed by PNGPCL to take over the port facilities and begin operations at the Port of Lae in February 2018 and at the Port of Motukea in May 2018, respectively. The terminal operating agreements and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

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

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

Berth 21 started commercial operations in the second quarter of 2018 while the remaining rehabilitation works are being completed. Phase 1 of the expansion project (Berth 27) was completed and fully operational in the first quarter of 2017. On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port which will involve development of two new berths, Berths 25 and 26, including a 20-hectare yard area. The development of this phase of the expansion project is on-going and is expected to be completed in the third quarter of 2019

<u>*Extension of Contracts*</u>

Davao Sasa Port, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Since then, the local office of the PPA in Davao City has granted DIPSSCOR a series of hold-over authorities for a period ranging from six months to one year. On June 11, 2018, a hold-over authority was issued by the PPA Port Manager with availability of six months starting February 26, 2018 or until the award of a new contract by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the hold-over authority.

Makar Wharf, Port of General Santos, South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Since then, the local office of the PPA in General Santos City has granted SCIPSI a series of hold-over authorities for a period of one year. On June 21, 2018, a hold-over authority was issued by the PPA Port Manager with availability of six months starting February 25, 2018 or until the award of a new contract by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the hold-over authority.

Termination of Contracts

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

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

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

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

Others

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

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, 2018 as compared with the same period in 2017 as derived from the accompanying unaudited interim consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended June 30			For the Six Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change	2017	**2018**	% Change
Gross revenues from port operations	US$306,511	**US$336,384**	9.7	US$603,716	**US$661,764**	9.6
Revenues from port operations, net of port authorities' share	260,522	**288,604**	10.8	511,427	**565,485**	10.6
Total income (net revenues, interest and other income)	285,663	**302,681**	6.0	545,725	**589,013**	7.9
Total expenses (operating, financing and other expenses)	215,323	**232,032**	7.8	401,715	**458,031**	14.0
EBITDA[1]	142,723	**151,758**	6.3	289,712	**299,529**	3.4
EBIT[2]	98,336	**103,803**	5.6	206,427	**204,296**	(1.0)
Net income attributable to equity holders of the parent	51,896	**53,597**	3.3	103,636	**97,666**	(5.8)
Earnings per share						
Basic	US$0.021	**US$0.018**	(14.3)	US$0.041	**US$0.033**	(19.5)
Diluted	0.020	**0.018**	(10.0)	0.041	**0.032**	(22.0)

[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, 2018 as compared with the same period in 2017:

Table 2.2 EBITDA Computation

	For the Three Months Ended June 30			For the Six Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change	2017	**2018**	% Change
Net income attributable to equity holders of the parent	US$51,896	**US$53,597**	3.3	US$103,636	**US$97,666**	(5.8)
Minority interests	5,637	**6,849**	21.5	11,481	**13,662**	19.0
Provision for income tax	12,807	**10,203**	(20.3)	28,893	**19,654**	(32.0)
Income before income tax	70,340	**70,649**	0.4	144,010	**130,982**	(9.0)
Add (deduct):						
Depreciation and amortization	44,387	**47,955**	8.0	83,285	**95,233**	14.3
Interest and other expenses	53,137	**47,231**	(11.1)	96,715	**96,842**	0.1
Interest and other income	(25,141)	**(14,077)**	(44.0)	(34,298)	**(23,528)**	(31.4)
EBITDA	US$142,723	**US$151,758**	6.3	US$289,712	**US$299,529**	3.4

2.2.2 Key Performance Indicators

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

2018 Compared with 2017

Gross moves per hour per crane ranged from 17.4 to 31.7 moves per hour in 2017 to 13.8 to 33.6 moves per hour in 2018. Crane availability ranged from 93.0 percent to 99.3 percent in 2017 to 77.2 percent to 99.7 percent in 2018. Berth utilization was at 17.3 percent to 88.4 percent in 2017 and 16.7 percent to 91.3 percent in 2018.

2017 Compared with 2016

Gross moves per hour per crane ranged from 18.7 to 33.2 moves per hour in 2016 to 17.4 to 31.7 moves per hour in 2017. Crane availability ranged from 89.4 percent to 99.4 percent in 2016 to 93.0 percent to 99.3 percent in 2017. Berth utilization was at 15.9 percent to 86.7 percent in 2016 and 17.3 percent to 88.4 percent in 2017.

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, 2018 and 2017

2.3.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the second quarters ended June 30, 2017 and 2018:

Table 2.3 Volume

	For the Three Months Ended June 30		
	2017	**2018**	% Change
Asia	1,196,613	**1,253,784**	4.8
Americas	718,502	**750,122**	4.4
EMEA	357,643	**384,809**	7.6
	2,272,758	**2,388,715**	5.1

The Group's consolidated volume increased by 5.1 percent to 2,388,715 TEUs for the second quarter of 2018 from 2,272,758 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities; continuous volume growth at most terminals; and contribution of new terminals, SPICTL and MITL. Excluding new terminals, consolidated volume would have increased by 3.5 percent in 2018.

Volume from the Asia operations, comprised of terminals in the Philippines, China, Indonesia, Pakistan, Australia and Papua New Guinea grew by 4.8 percent to 1,253,784 TEUs for the second quarter of 2018 from 1,196,613 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities at most of the Philippine Terminals; increased trade volumes at VICT; and contribution of new terminals, SPICTL and MITL, partially tapered by reduced vessel calls at PICT. Excluding new terminals, consolidated volume would have increased by 1.7 percent in 2018. The Asia operations accounted for 52.7 percent and 52.5 percent of the consolidated volume for the second quarters ended June 30, 2017 and 2018, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras and Mexico, increased by 4.4 percent to 750,122 TEUs for the second quarter of 2018 from 718,502 TEUs for the same period in 2017 mainly due to increased trade volumes at CMSA and OPC; and new shipping lines and services at CGSA. The Americas operations accounted for 31.6 percent and 31.4 percent of the consolidated volume for the second quarters ended June 30, 2017 and 2018, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Georgia, Madagascar and Croatia, increase by 7.6 percent growth to 384,809 TEUs for the second quarter of 2018 from 357,643 TEUs for the same period in 2017 mainly due to continuous growth at ICTSI Iraq; continuous improvement in trade activities at MICTSL; and increased vessel calls at BICT. The EMEA operations accounted for 15.7 percent and 16.1 percent of the Group's consolidated volume for the second quarters ended June 30, 2017 and 2018, 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, 2017 and 2018:

Table 2.4 Total Income

	For the Three Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Gross revenues from port operations	US$306,511	**US$336,384**	9.7
Port authorities' share in gross revenues	45,989	**47,780**	3.9
Net revenues	260,522	**288,604**	10.8
Interest income	5,617	**6,353**	13.1
Foreign exchange gain	2,378	**133**	(94.4)
Other income	17,146	**7,591**	(55.7)
Total income	US$285,663	**US$302,681**	6.0

For the second quarter of 2018, net revenues stood at 95.4 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 2.1 percent, nil and 2.5 percent, respectively. For the same period in 2017, net revenues stood at 91.2 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 2.0 percent, 0.8 percent and 6.0 percent, respectively.

2.3.2.1 Gross Revenues from Port Operations

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

Table 2.5 Gross Revenues from Port Operations

	For the Three Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Asia	US$145,246	**US$161,697**	11.3
Americas	102,947	**103,226**	0.3
EMEA	58,318	**71,461**	22.5
	US$306,511	**US$336,384**	9.7

The Group's consolidated gross revenues from port operations increased by 9.7 percent to US$336.4 million for the second quarter of 2018 from US$306.5 million for the same period in 2017 mainly due to volume growth; new contracts with shipping lines and services; increased revenues from storage and non-containerized cargoes; and contribution of new terminals, SPITCL and MITL. Excluding new terminals, consolidated gross revenues would have increased by 6.8 percent in 2018.

Gross revenues from the Asia segment increased by 11.3 percent to US$161.7 million for the second quarter of 2018 from US$145.2 million for the same period in 2017 mainly due to volume growth at most of the Philippine terminals; increased trade volumes at VICT; and contribution of new terminals, SPICTL and MITL, partially tapered by reduced vessel calls at PICT; and unfavorable translation impact of the depreciation of Philippine peso (PHP)-based revenues at Philippine terminals. Excluding new terminals, gross revenues from Asia operations would have increased by 5.1 percent in 2018. The Asia operations captured 47.4 percent and 48.1 percent of the consolidated gross revenues for the second quarters ended June 30, 2017 and 2018, respectively.

Gross revenues from the Americas segment increased marginally by 0.3 percent to US$103.2 million for the second quarter of 2018 from US$102.9 million for the same period in 2017 mainly due to increase in trade volumes at CMSA and OPC; new shipping lines and services at CGSA and tariff adjustments at certain terminals, tapered by unfavorable translation impact of the depreciation of Mexican peso (MXN)-based revenues at CMSA and Brazilian Reais (BRL)-based revenues at TSSA. The Americas operations accounted for 33.6 percent and 30.7 percent of the consolidated gross revenues for the second quarters ended June 30, 2017 and 2018, respectively.

Gross revenues from the EMEA segment grew by 22.5 percent to US$71.5 million for the second quarter of 2018 from US$58.3 million for the same period in 2017 primarily due to continuous volume growth and increase in storage revenues at ICTSI Iraq and MICTSL; continuous improvement in trade activities at MICTSL; increased revenues on non-containerized cargoes; and favorable translation impact of the appreciation of Euro (EUR)-based revenues at MICTSL and AGCT. The EMEA operations stood at 19.0 percent and 21.2 percent of the consolidated gross revenues for the second quarters ended June 30, 2017 and 2018, respectively.

2.3.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, increased by 3.9 percent to US$47.8 million for the second quarter ended June 30, 2018 from US$46.0 million for the same period in 2017 as a result of volume growth and stronger revenues at these terminals.

2.3.2.3 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 13.1 percent to US$6.4 million for the second quarter of 2018 from US$5.6 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased to US$0.1 million for the second quarter of 2018 from US$2.4 million for the same period in 2017 mainly due to the unfavorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income decreased to US$7.6 million for the second quarter of 2018 from US$17.1 million for the same period in 2018 mainly due to the absence of the non-recurring gain from reimbursement of costs incurred in relation to the terminated sub-concession agreement at LICTSLE; and recognition of income tax credit at OPC in 2017, tapered by a non-recurring pre-termination gain from the interest rate swap at CMSA in 2018. 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, 2017 and 2018.

Table 2.6 Total Expenses

	For the Three Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Manpower costs	US$50,734	**US$54,655**	7.7
Equipment and facilities-related expenses	40,405	**50,302**	24.5
Administrative and other operating expenses	26,660	**31,889**	19.6
Total cash operating expenses	117,799	**136,846**	16.2
Depreciation and amortization	44,387	**47,955**	8.0
Interest expense and financing charges on borrowings	27,268	**25,746**	(5.6)
Interest expense on concession rights payable	8,265	**8,970**	8.5
Equity in net loss of a joint venture and an associate	11,277	**7,578**	(32.8)
Foreign exchange loss and others	6,327	**4,937**	(22.0)
Total expenses	US$215,323	**US$232,032**	7.8

Total cash operating expenses of the Group increased by 16.2 percent to US$136.8 million for the second quarter ended June 30, 2018 from US$117.8 million for the same period in 2017 mainly due to cost contribution of new terminals, SPICTL and MITL; higher fuel consumption as a result of increase in volume; increase in prices of fuel; and higher repairs and maintenance at certain terminals, partially tapered by cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals, MXN-based expenses at CMSA and BRL-based expenses at TSSA. Excluding new terminals, consolidated cash operating expenses would have increased by 11.5 percent in 2018.

2.3.3.1 Manpower Costs

Manpower costs increased by 7.7 percent to US$54.7 million for the second quarter of 2018 from US$50.7 million for the same period in 2017 primarily due to cost contribution of new terminals, SPICTL and MITL; and government-mandated and contracted salary rate adjustments at certain terminals, partially tapered by manpower cost optimization measures implemented. Excluding new terminals, consolidated manpower costs would have increased by 4.3 percent in 2018.

Manpower costs accounted for 43.1 percent and 39.9 percent of consolidated cash operating expenses for the second quarters ended June 30, 2017 and 2018, respectively.

2.3.3.2 Equipment and Facilities-Related Expenses

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

Equipment and facilities-related expenses increased by 24.5 percent to US$50.3 million for the second quarter of 2018 from US$40.4 million for the same period in 2017 mainly due to cost contribution of new terminals, SPICTL and MITL; fixed port lease expense at VICT; higher fuel consumption as a result of increase in volume; increase in price of fuel and higher repairs and maintenance at certain terminals. Excluding new terminals, consolidated equipment and facilities-related expenses would have increased by 19.5 percent in 2018.

Equipment and facilities-related expenses represented 34.3 percent and 36.8 percent of consolidated cash operating expenses for the second quarters ended June 30, 2017 and 2018, respectively.

2.3.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 19.6 percent to US$31.9 million for the second quarter of 2018 from US$26.7 million for the same period in 2017 mainly due to cost contribution of new terminals, SPICTL and MITL; increase in professional fees and information technology related expenses. Excluding new terminals, consolidated administrative and other operating expenses would have increased by 13.8 percent in 2018.

Administrative and other operating expenses stood at 22.6 percent and 23.3 percent of consolidated cash operating expenses for the second quarters ended June 30, 2017 and 2018, respectively.

2.3.3.4 Depreciation and Amortization

Depreciation and amortization expense increased by 8.0 percent to US$48.0 million for the second quarter of 2018 from US$44.4 million for the same period in 2017 mainly due to contribution of VICT and new terminals, SPICTL an MITL; and higher depreciation arising from expansion projects at ICTSI Iraq and CGSA.

2.3.3.5 Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings decreased by 5.6 percent to US$25.7 million for the second quarter of 2018 from US$27.3 million for the same period in 2017 primarily due to lower average loan balance from pre-termination of project finance facility at CMSA in May 2018, tapered by lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US$1.1 million in 2017 at a capitalized rate ranging from 5.6 percent to 6.7 percent and US$1.1 million in 2018 at a capitalized rate ranging from 2.9 percent to 7.0 percent.

2.3.3.6 Interest Expense on Concession Rights Payable

Interest on concession rights payable increased by 8.5 percent to US$9.0 million for the second quarter of 2018 from US$8.3 million for the same period in 2017 mainly due to the concession right liabilities recognized at new terminals, SPICTL and MITL.

2.3.3.7 Equity in Net Loss of A Joint Venture and An Associate

Equity in net loss of a joint venture decreased to US$7.6 million in the second quarter of 2018 from US$11.3 million for the same period in 2017 mainly due to the decrease in the Company's share in net loss at SPIA driven by volume growth and positive EBITDA.

2.3.3.8 Foreign Exchange Loss and Others

Foreign exchange loss and others decreased by 22.0 percent to US$4.9 million for the second quarter of 2018 from US$6.3 million for the same period in 2017 mainly due to absence of write-off of cost of securing the revolving credit facility that was cancelled in June 2017, partially tapered by higher foreign exchange loss arising from unfavorable translation impact of certain currencies against US dollar in 2018. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities. Other expense is composed of the Group's bank charges, management fee, loss on sale of equipment and other sundry expense accounts of ICTSI and subsidiaries.

2.3.4 EBITDA and EBIT

Consolidated EBITDA increased by 6.3 percent to US$151.8 million for the second quarter of 2018 from US$142.7 million for the same period in 2017 primarily due to strong revenues combined with positive contribution of new terminals, SPICTL and MITL, partially tapered by the higher fixed port lease expense at VICT. Excluding the new terminals, consolidated EBITDA would have increased by 3.8 percent in 2018. EBITDA margin decreased to 45.1 percent in 2018 from 46.6 percent in 2017.

Meanwhile, consolidated EBIT increased by 5.6 percent to US$103.8 million for the second quarter of 2018 from US$98.3 million for the same period in 2017 mainly due to stronger EBITDA, tapered by higher depreciation. Excluding the new terminals, consolidated EBIT would have increased by 2.4 percent in 2018. EBIT margin decreased to 30.9 percent in 2018 from 32.1 percent in 2017.

2.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased marginally by 0.4 percent to US$70.6 million for the quarter ended June 30, 2018 from US$70.3 million for the same period in 2017 as a result of strong operating income; decrease in equity in net loss of SPIA; lower interest and financing charges; and non-recurring gain from pre-termination of interest rate swap at CMSA in 2018, tapered by higher depreciation charges; and absence of a non-recurring gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE in 2017. Excluding new terminals and non-recurring gains, consolidated income before income tax would have increased by 3.7 percent in 2018. The ratio of income before income tax to consolidated gross revenues stood at 22.9 percent and 21.0 percent in 2017 and 2018, respectively.

Consolidated provision for current and deferred income taxes decreased to US$10.2 million for the second quarter of 2018 from US$12.8 million for the same period in 2017 mainly due to higher deferred income tax benefit from net operating losses at VICT, tapered by higher taxable income at most of the terminals. Effective income tax rate in 2017 and 2018 stood at 18.2 percent and 14.4 percent, respectively.

2.3.6 Net Income

Consolidated net income increased by 5.1 percent to US$60.4 million for the quarter ended June 30, 2018 from US$57.5 million for the same period in 2017. Excluding new terminals and the non-recurring gains, consolidated net income would have increased by 13.6 percent in 2018. The ratio of consolidated net income to gross revenues stood at 18.8 percent and 18.0 percent in 2017 and 2018, respectively.

Consolidated net income attributable to equity holders increased by 3.3 percent to US$53.6 million for the quarter ended June 30, 2018 from US$51.9 million for the same period in 2017. Excluding new terminals and non-recurring gains, consolidated net income attributable to equity holders would have increased by 12.6 percent in 2018.

Basic earnings per share decreased to US$0.018 during the three months ended June 30, 2018 from US$0.021 for the same period in 2017 while diluted earnings per share decreased to US$0.018 during the three months ended June 30, 2018 from US$0.020 for the same period in 2017 mainly due to higher cumulative distributions to holders of perpetual capital securities from issuance of senior guaranteed perpetual capital securities in January 2018.

2.4 Comparison of Operating Results for the Six Months Ended June 30, 2018 and 2017

2.4.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the six months ended June 30, 2017 and 2018:

Table 2.7 Volume

	For the Six Months Ended June 30		
	2017	**2018**	% Change
Asia	2,359,217	**2,495,093**	5.8
Americas	1,491,263	**1,446,972**	(3.0)
EMEA	694,925	**772,190**	11.1
	4,545,405	**4,714,255**	3.7

Consolidated volume handled by the Group increased by 3.7 percent to 4,714,255 TEUs for the first half of 2018 from 4,545,405 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities; continuous volume growth at most terminals; and contribution of new terminals, VICT, SPICTL and MITL. Excluding new terminals, consolidated volume would have increased by 1.0 percent in 2018.

Volume from the Asia segment increased by 5.8 percent to 2,495,093 TEUs for the first half of 2018 from 2,359,217 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities at most of the Philippine terminals; and contribution of new terminals, VICT, SPICTL and MITL, tapered by decreased vessel calls at PICT. Excluding new terminals, volume from Asia operations would have increased marginally by 0.5 percent in 2018. The Asia operations accounted for 51.9 percent and 52.9 percent of the consolidated volume for the six months ended June 30, 2017 and 2018, respectively.

Volume from the Americas segment decreased by 3.0 percent to 1,446,972 TEUs for the first half of 2018 from 1,491,263 TEUs for the same period in 2017 as a result of reduced vessel calls and lower transshipments at CGSA in the first quarter of 2018, tapered by increased trade volumes and new services at CMSA. The Americas operations accounted for 32.8 percent and 30.7 percent of the consolidated volume for the six months ended June 30, 2017 and 2018, respectively.

Volume from the EMEA segment increased by 11.1 percent to 772,190 TEUs for the first half of 2018 from 694,925 TEUs for the same period in 2017 mainly due to continuous growth at ICTSI Iraq and IDRC; increased vessel calls at BICT; and continuous improvement in trade activities at MICTSL and AGCT. The EMEA segment stood at 15.3 percent and 16.4 percent of the consolidated volume for the six months ended June 30, 2017 and 2018, respectively.

2.4.2 Total Income

Table 2.8 Total Income

	For the Six Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Gross revenues from port operations	US$603,716	**US$661,764**	9.6
Port authorities' share in gross revenues	92,289	**96,279**	4.3
Net revenues	511,427	**565,485**	10.6
Interest income	10,622	**12,161**	14.5
Foreign exchange gain	4,938	**2,163**	(56.2)
Other income	18,738	**9,204**	(50.9)
Total income	US$545,725	**US$589,013**	7.9

For the six months ended June 30, 2018, net revenues accounted for 96.0 percent of the total consolidated income while interest income, foreign exchange gain, and other income represented 2.1 percent, 0.4 percent and 1.5 percent, respectively. For the same period in 2017, net revenues accounted for 93.7 percent of the total consolidated income while interest income, foreign exchange gain, and other income represented 2.0 percent, 0.9 percent and 3.4 percent, respectively.

2.4.2.1 Gross Revenues from Port Operations

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

Table 2.9 Gross Revenues from Port Operations

	For the Six Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Asia	US$287,628	**US$316,735**	10.1
Americas	206,202	**204,590**	(0.8)
EMEA	109,886	**140,439**	27.8
	US$603,716	**US$661,764**	9.6

The Group's consolidated gross revenues from port operations increased by 9.6 percent to US$661.8 million for the first half of 2018 from US$603.7 million for the same period in 2017 mainly due to volume growth; new contracts with shipping lines and services; increase in revenues from non-containerized cargoes, storage and ancillary services; and contribution of new terminals, VICT, SPICTL and MITL. Excluding new terminals, consolidated gross revenues would have increased by 6.0 percent in 2018.

Gross revenues from the Asia segment increased by 10.1 percent to US$316.7 million for the first half of 2018 from US$287.6 million for the same period in 2017 mainly due to volume growth at most of the Philippine terminals; and contribution of new terminals, VICT, SPICTL and MITL, partially tapered by lower trade volumes at PICT; and unfavorable translation impact of the depreciation of PHP-based revenues at Philippine terminals. Excluding new terminals, gross revenues from Asia operations would have increased by 2.5 percent in 2018. The Asia operations accounted for 47.6 percent and 47.9 percent of the consolidated gross revenues for the six months ended June 30, 2017 and 2018, respectively.

Gross revenues from the Americas segment decreased marginally by 0.8 percent to US$204.6 million for the first half of 2018 from US$206.2 million for the same period in 2017 mainly due to reduced vessel calls and lower transshipments at CGSA in the first quarter of 2018; and unfavorable translation impact of the depreciation of BRL-based revenues at TSSA, tapered by increase in vessel calls and new services at CMSA; higher storage revenues combined with tariff adjustments at OPC; and favorable translation impact of the appreciation of MXN-based revenues at CMSA. The Americas segment stood at 34.2 percent and 30.9 percent of the consolidated gross revenues for the six months ended June 30, 2017 and 2018, respectively.

Gross revenues from the EMEA segment grew by 27.8 percent to US$140.4 million for the first half of 2018 from US$109.9 million for the same period in 2017 primarily due to continuous volume growth at ICTSI Iraq and IDRC; continuous improvement in trade activities at MICTSL and at AGCT; increased revenues on non-containerized cargoes and storage; and favorable translation impact of the appreciation of EUR-based revenues at MICTSL and AGCT. The EMEA operations accounted for 18.2 percent and 21.2 percent of the consolidated gross revenues for the six months ended June 30, 2017 and 2018, respectively.

2.4.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, increased by 4.3 percent to US$96.3 million for the first half of 2018 from US$92.3 million for the same period in 2017 as a result of volume growth and stronger revenues at these terminals.

2.4.2.3 Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income increased by 14.5 percent to US$12.2 million for the first half of 2018 from US$10.6 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased to US$2.2 million for the first half of 2018 from US$4.9 million for the same period in 2017 mainly due to the unfavorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income decreased to US$9.2 million for the first half of 2018 from US$18.7 million for the same period in 2017 mainly due to the absence of the non-recurring gain from reimbursement of costs incurred in relation to the terminated sub-concession agreement at LICTSLE; and recognition of income tax credit at OPC in 2017, partially tapered by a non-recurring gain from pre-termination of interest rate swap at CMSA in 2018. 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, 2017 and 2018:

Table 2.10 Total Expenses

	For the Six Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Manpower costs	US$100,339	**US$107,214**	6.9
Equipment and facilities-related expenses	69,312	**99,925**	44.2
Administrative and other expenses	52,064	**58,817**	13.0
Total cash operating expenses	221,715	**265,956**	20.0
Depreciation and amortization	83,285	**95,233**	14.3
Interest expense and financing charges on borrowings	49,861	**53,697**	7.7
Interest expense on concession rights payable	16,510	**17,038**	3.2
Equity in net loss of a joint venture and an associate	18,714	**16,036**	(14.3)
Foreign exchange loss and others	11,630	**10,071**	(13.4)
Total expenses	US$401,715	**US$458,031**	14.0

The Group's cash operating expenses increased by 20.0 percent to US$266.0 million for the first half of 2018 from US$221.7 million for the same period in 2017 mainly due to cost contribution of new terminals, VICT, SPICTL and MITL; higher fuel consumption and external yard rental as a result of increase in volume; increase in prices of fuel and higher repairs and maintenance at certain terminals; and unfavorable translation impact of MXN-based expenses at CMSA, partially tapered by cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals and BRL-based expenses at TSSA. Excluding new terminals, consolidated cash operating expenses would have increased by 5.3 percent in 2018.

2.4.3.1 *Manpower Costs*

Manpower costs increased by 6.9 percent to US$107.2 million for the first half of 2018 from US$100.3 million for the same period in 2017 primarily due to cost contribution of new terminals, VICT, SPICTL and MITL; and government-mandated and contracted salary rate adjustments at certain terminals, partially tapered by cost optimization measures implemented. Excluding new terminals, consolidated manpower costs would have increased marginally by 0.9 percent in 2018.

Manpower costs accounted for 45.2 percent and 40.3 percent of consolidated cash operating expenses for the six months ended June 30, 2017 and 2018, respectively.

2.4.3.2 *Equipment and Facilities-related Expenses*

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

Equipment and facilities-related expenses increased by 44.2 percent to US$99.9 million for the first half of 2018 from US$69.3 million for the same period in 2017 mainly due to cost contribution of new terminals, VICT, SPICTL and MITL; fixed port lease expense at VICT; higher fuel consumption and external yard rental driven by volume growth; increase in prices of fuel and higher repairs and maintenance at certain terminals. Excluding new terminals, consolidated equipment and facilities-related expenses would have increased by 11.9 percent in 2018.

Equipment and facilities-related expenses stood at 31.3 percent and 37.6 percent of consolidated cash operating expenses for the six months ended June 30, 2017 and 2018, respectively.

2.4.3.3 *Administrative and Other Operating Expenses*

Administrative and other operating expenses increased by 13.0 percent to US$58.8 million for the first half of 2018 from US$52.1 million for same period in 2017 mainly due to cost contribution of new terminals, VICT, SPICTL and MITL; increase in professional fees; and information technology-related costs. Excluding new terminals, consolidated administrative and other operating expenses would have increased by 5.7 percent in 2018.

Administrative and other operating expenses accounted for 23.5 percent and 22.1 percent of consolidated cash operating expenses for the six months ended June 30, 2017 and 2018, respectively.

2.4.3.4 *Depreciation and Amortization*

Depreciation and amortization expense increased by 14.3 percent to US$95.2 million for the first half of 2018 from US$83.3 million for the same period in 2017 mainly due to contribution of new terminals, VICT, SPICTL and MITL; and higher depreciation arising from expansion projects at ICTSI Iraq and CGSA.

2.4.3.5 *Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 7.7 percent to US$53.7 million for the first half of 2018 from US$49.9 million for the same period in 2017 primarily due to lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US$7.3 million in 2017 at a capitalized rate ranging from 5.6 percent to 6.7 percent and US$1.4 million in 2018 at a capitalized rate ranging from 2.9 percent to 7.0 percent.

2.4.3.6 *Interest Expense on Concession Rights Payable*

Interest on concession rights payable increased by 3.2 percent to US$17.0 million for the first half of 2018 from US$16.5 million for the same period in 2017 mainly due to the concession right liabilities recognized at new terminals, SPICTL and MITL.

2.4.3.7 *Equity in Net Loss of A Joint Venture and An Associate*

Equity in net loss of a joint venture decreased to US$16.0 million for the first half of 2018 from US$18.7 million for the same period in 2017 due to the decrease in the Company's share in net loss at SPIA driven by volume growth and positive EBITDA.

2.4.3.8 *Foreign Exchange Loss and Others*

Foreign exchange loss and others decreased by 13.4 percent to US$10.1 million for the first half of 2018 from US$11.6 million for the same period in 2017 mainly due to the absence of write-off of cost of securing the revolving credit facility that was cancelled in June 2017, partially tapered by higher foreign exchange loss arising from unfavorable translation impact of certain currencies against US dollar in 2018. 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 3.4 percent to US$299.5 million for the first half of 2018 from US$289.7 million for the same period in 2017 primarily due to strong revenues; combined with cost optimization measures implemented; and positive contribution of new terminals, SPICTL and MITL, tapered by the fixed port lease expense at VICT. Excluding new terminals, VICT, SPICTL and MITL, consolidated EBITDA would have increased by 7.0 percent in 2018. EBITDA margin decreased to 45.3 percent in 2018 from 48.0 percent in 2017.

Meanwhile, consolidated EBIT decreased by 1.0 percent to US$204.3 million for the first half of 2018 from US$206.4 million for the same period in 2017 mainly due to higher depreciation, tapered by stronger EBITDA. Excluding the new terminals, consolidated EBIT would have increased by 8.3 percent in 2018. EBIT margin decreased to 30.9 percent in 2018 from 34.2 percent in 2017.

2.4.5 Income Before Income Tax and Provision for Income Tax

The Group's consolidated income before income tax decreased by 9.0 percent to US$131.0 million for the first half of 2018 from US$144.0 million for the same period in 2017 primarily due to higher depreciation charges; higher interest and financing charges; and a non-recurring gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE in 2017, tapered by strong operating income; decrease in equity in net loss at SPIA; and a non-recurring gain from pre-termination of interest rate swap at CMSA in 2018. Excluding new terminals and the non-recurring gains, consolidated income before income tax would have increased by 12.8 percent in 2018. The ratio of income before income tax to consolidated gross revenues stood at 23.9 percent and 19.8 percent in 2017 and 2018, respectively.

Consolidated provision for current and deferred income taxes decreased to US$19.7 million for the first half of 2018 from US$28.9 million for the same period in 2017 mainly due to higher deferred income tax benefit from net operating loss at VICT, tapered by higher taxable income at most of the terminals. Effective income tax rate in 2017 and 2018 stood at 20.1 percent and 15.0 percent, respectively.

2.4.6 Net Income

Consolidated net income decreased by 3.3 percent to US$111.3 million for the first half of 2018 from US$115.1 million for the same period in 2017. Excluding new terminals and the non-recurring gains, consolidated net income would have increased by 17.4 percent in 2018. 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, 2017 and 2018, respectively.

Consolidated net income attributable to equity holders decreased by 5.8 percent to US$97.7 million for six months ended June 30, 2018 from US$103.6 million for the same period in 2017. Excluding new terminals and the non-recurring gains, consolidated net income attributable to equity holders would have increased by 17.2 percent in 2018.

Basic earnings per share decreased to US$0.033 during the six months ended June 30, 2018 from US$0.041 for the same period in 2017 while diluted earnings per share decreased to US$0.032 during the six months ended June 30, 2018 from US$0.041 for the same period in 2017 due to decrease in net income attributable to equity holders; and higher cumulative distributions to holders of perpetual capital securities from issuance of senior guaranteed perpetual capital securities in January 2018.

2.5 Trends, Events or Uncertainties Affecting Revenues and Profits

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

2.6 Financial Position

Table 2.11 **Consolidated Condensed Balance Sheets**

(In thousands, except % change data)	December 31, 2017	**June 30, 2018**	% Change
Total assets	US$4,370,687	**US$4,586,972**	4.9
Current assets	500,981	**610,251**	21.8
Total equity	1,872,568	**2,189,761**	16.9
Total equity attributable to equity holders of the parent	1,707,930	**2,028,011**	18.7
Total interest-bearing debt	1,493,605	**1,310,522**	(12.3)
Current liabilities	401,320	**363,405**	(9.4)
Total liabilities	2,498,119	**2,397,211**	(4.0)
Current assets/total assets	11.5%	**13.3%**	
Current ratio	1.25	**1.68**	
Debt-equity ratio[1]	0.80	**0.60**	

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

Total assets increased by 4.9 percent to US$4.6 billion as of June 30, 2018 mainly due to investments in capital expenditures, which include the on-going rehabilitation and development works at OPC; expansion projects at ICTSI Iraq, CMSA and MICT; terminal construction at CGT; and recognition of concession rights, port equipment acquisitions and infrastructure development at SPICTL and MITL. These investments were funded mainly by cash generated from the Group's operations and debt financing. Non-current assets stood at 88.5 percent and 86.7 percent of the total consolidated assets as of December 31, 2017 and June 30, 2018, respectively.

Current assets increased by 21.8 percent from US$501.0 million as of December 31, 2017 to US$610.3 million as of June 30, 2018 primarily due to net proceeds from issuance of senior guaranteed perpetual capital securities in January 2018; and strong cash inflows generated from operations, tapered by continuous deployment of cash to fund capital expenditures; pre-termination of project finance facility at CMSA and repayment of loan at Parent Company. Current assets accounted for 11.5 percent and 13.3 percent of the total consolidated assets of the Group as of December 31, 2017 and June 30, 2018, respectively. Current ratio stood at 1.25 and 1.68 as of December 31, 2017 and June 30, 2018, respectively.

Total equity increased by 16.9 percent to US$2.2 billion as of June 30, 2018 primarily due to net income generated for the period; and issuance of a $400.0 million senior guaranteed perpetual capital securities in January 2018, tapered by payment of dividends; distributions to holders of perpetual capital securities; increase in other comprehensive loss as a result of net unfavorable exchange differences on translation of foreign operations' financial statements; and purchase of treasury shares in 2018. The proceeds of from the issuance of a $400.0 million senior guaranteed perpetual capital securities in January 2018 shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.

Total liabilities decreased by 3.2 percent to US$2.4 billion as of June 30, 2018 mainly due to pre-termination of project finance facility at CMSA, tapered by recognition of concession rights payable at SPICTL and MITL; drawdown from project finance facility at VICT; and loan availments at OPC. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 34.2 percent and 28.6 percent as of December 31, 2017 and June 30, 2018, respectively.

Meanwhile, current liabilities decreased by 9.4 percent from US$401.3 million as of December 31, 2017 to US$363.4 million as of June 30, 2018 mainly due to repayment of loan at Parent Company, tapered by loan availments at SPICTL and MITL.

2.6.1 Material Variances Affecting the Balance Sheet

Balance sheet accounts as of June 30, 2018 with variances of plus or minus 5.0 percent against December 31, 2017 balances are discussed, as follows:

Noncurrent Assets

1. Intangible Assets increased by 7.5 percent to US$1.9 billion as of June 30, 2018 mainly due to recent acquisitions of port equipment and infrastructure development and recognition of concession rights assets at SPICTL and MITL; and on-going rehabilitation and development works at OPC.
2. Deferred tax assets increased by 20.8 percent to US$134.2 million as of June 30, 2018 mainly due to higher deferred income tax benefit from net operating loss carry-over at VICT.

Current Assets

3. Cash and cash equivalents increased by 43.7 percent to US$401.5 million as of June 30, 2018 due to net proceeds from issuance of senior guaranteed perpetual capital securities in January 2018; strong cash inflows generated from operations, tapered by continuous deployment of cash to fund capital expenditures; pre-termination of project finance facility at CMSA; and repayment of loan at Parent Company during the period.
4. Receivables decreased by 9.8 percent to US$101.9 million as of June 30, 2018 primarily due to improved collection process at certain terminals.
5. Derivative assets increased by 34.1 percent to US$0.4 million as of June 30, 2018 mainly due to gain on mark-to-market valuation from interest rate swap at CGSA.

Equity

6. Treasury shares grew by 25.3 percent to US$18.9 million as of June 30, 2018 mainly as a result of acquisition of 3,664,790 treasury shares in 2018.
7. Perpetual capital securities increased by 51.5 percent to US$1.2 billion as of June 30, 2018 mainly due to RCBV's issuance of a US$400.0 million, 5.875 percent fixed-for-life senior guaranteed perpetual capital securities in January 2018. The proceeds of which shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.
8. Other comprehensive loss increased by 15.8 percent to US$297.0 million as of June 30, 2018 due to net unfavorable exchange differences on translation of foreign operations' financial statements.

Noncurrent Liabilities

9. Noncurrent portion of long-term debt decreased by 11.1 percent to US$1.3 billion as of June 30, 2018 mainly due to pre-termination of project finance facility at CMSA, partially tapered by loan availments at OPC.
10. Noncurrent portion of concession rights payable increased by 14.8 percent to US$539.9 million as of June 30, 2018 mainly due to recognition of concession right liabilities at SPICTL and MITL.
11. Other non-current liabilities increased by 16.0 percent to US$157.5 million as of June 30, 2018 arising mainly from accrual of lease expense at VICT.

Current Liabilities

12. Loans payable decreased by 44.0 percent to US$34.2 million as of June 30, 2018 due to repayment of loan at Parent Company, tapered by loan availments at SPICTL and MITL.
13. Accounts payable and other current liabilities decreased by 5.3 percent to US$261.8 million as of June 30, 2018 primarily due to settlement of outstanding payables at certain terminals.
14. Current portion of concession rights payable increased by 18.2 percent to US$11.8 million as of June 30, 2018 mainly arising from recognition of concession right liabilities at SPICTL and MITL; and higher concession fees scheduled for payment in the next twelve months.
15. Income tax payable increased by 7.5 percent to US$31.8 million as of June 30, 2018 mainly due to income tax liability recognized at SPICTL; and higher taxable income at the Parent Company.
16. Derivative liabilities decreased by 66.1 percent to US$0.7 million as of June 30, 2018 mainly due to pre-termination of interest rate swap at CMSA.

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, 2017 and 2018:

Table 2.12 Consolidated Cash Flows

	For the Six Months Ended June 30		
(In thousands, except % change data)	2017	**2018**	% Change
Net cash provided by operating activities	US$272,846	**US$298,946**	9.6
Net cash used in investing activities	(193,986)	**(168,461)**	(13.2)
Net cash provided by (used in) financing activities	(146,405)	**1,574**	(101.1)
Effect of exchange rate changes on cash and cash equivalents	5,183	**(9,948)**	(291.9)
Net decrease in cash and cash equivalents	(62,362)	**122,111**	(295.8)
Cash and cash equivalents, beginning	325059	**279,427**	(14.0)
Cash and cash equivalents, end	US$262,697	**US$401,538**	52.9

Consolidated cash and cash equivalents increased by 52.9 percent to US$401.5 million as of June 30, 2018 from US$262.7 million for the same period in 2017 mainly due to the net proceeds from issuance of senior guaranteed perpetual capital securities amounting to US$392.3 million in January 2018; and strong cash inflows generated from operations, tapered by pre-termination of project finance facility at CMSA; and continuous deployment of cash to fund capital expenditures.

Net cash provided by operating activities increased by 9.6 percent to US$298.9 million for the six months ended June 30, 2018 from US$272.8 million for the same period in 2017 mainly due to strong results of operations, tapered by reimbursement of costs incurred related to the terminated sub-concession agreement at LICTSLE in 2017.

Net cash used in investing activities for the six months ended June 30, 2018 amounted to US$168.5 million which consists mainly of capital expenditures of US$134.3 million, excluding capitalized borrowing costs; and payment of concession rights at SPICTL and MITL aggregating to US$30.6 million. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and/or equity issuances, as necessary. Net cash used in investing activities in 2017 also includes settlement of lease liability at VICT capitalized to property and equipment amounting to US$89.3 million (AUD117.9 million) and pre-termination fee at ICTSI Oregon amounting to US$11.5 million in 2017.

Net cash provided by financing activities for the six months ended June 30, 2018 amounted to US$1.6 million which consists mainly of the US$392.3 million net proceeds from the issuance of senior guaranteed perpetual capital securities in January 2018; drawdown from the project finance facility of VICT; and loan availments at OPC, tapered by pre-termination of project finance facility at CMSA; repayment of loan at Parent Company; payment of dividends; distributions to holders of perpetual capital securities; and increased debt servicing costs.

2.7.2 Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2017 and June 30, 2018:

Table 2.13 Capital Sources

(In thousands, except % change data)	December 31, 2017	**June 30, 2018**	% Change
Loans payable	US$61,187	**US$34,236**	(44.0)
Current portion of long-term debt	22,149	**23,156**	4.5
Long-term debt, net of current portion	1,410,269	**1,253,130**	(11.1)
Total short and long-term debt	1,493,605	**1,310,522**	(12.3)
Equity	1,872,568	**2,189,761**	16.9
	US$3,366,173	**US$3,500,283**	4.0

The Group's total debt and equity capital increased by 4.0 percent as of June 30, 2018 primarily due to increase in debt and equity financing activities to fund expansion projects, capital expenditures and other general corporate requirements; and net income generated during the period, tapered by pre-termination of project finance facility at CMSA; and repayment of maturing loans.

2.7.2.1 Debt Financing

The table below provides the breakdown of the Group's outstanding loans as of June 30, 2018:

Table 2.14 Outstanding Loans

(In thousands)	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
US Dollar Term Loan	SPICTL	2018	Fixed	US$18,320
US Dollar Term Loan	MITL	2018	Fixed	14,211
US Dollar Term Loan	BCT	2019	Floating	1,705
				34,236
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	755,689
Secured AUD Term Loan	VICT	2023 – 2031	Fixed*	266,263
Unsecured US Dollar Bond**	Parent	2020	Fixed	179,248
US Dollar Term Loans	OPC	2020	Floating	33,500
Unsecured US Dollar Term Loans	CGSA	2018 – 2021	Fixed	21,474
Secured RMB Term Loan	YICT	2023	Floating	13,593
Secured Euro Term Loans	AGCT	2019 – 2024	Fixed*	6,518
				1,276,285
Total Debt				1,310,521
Less current portion and short-term				57,391
Long-term debt, net of current portion				**US$1,253,130**

**Under interest rate swap agreement*

***US$17.5 million under Euro-US Dollar cross currency swap agreement*

As of June 30, 2018, 71.3 percent of the Group's total debt capital is held by the Parent and ITBV, which includes the US$179.2 million senior notes issued in 2010 and due in 2020; and US$755.7 million MTN issued in 2013 to 2015 and due in 2023 to 2025.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of June 30, 2018:

Table 2.15 Outstanding Debt Maturities

(In thousands)	Amount
2018	US$8,433
2019	30,890
2020	241,288
2021	21,734
2022 and onwards	973,940
Total	US$1,276,285

Outstanding Long-term Debt as of June 30, 2018

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.

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.

As of June 30, 2018, carrying value of notes under the MTN Programme amounted to US$755.7 million.

US Dollar-denominated Notes

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

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

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

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

In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375% maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05% with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group's Euro net investment in its subsidiary in Madagascar, MICTSL. As of June 30, 2018, the market valuation loss on the outstanding cross currency swap amounted to EUR1.4 million (US$1.7 million).

As of June 30, 2018, the carrying value of the 2020 Notes amounted to US$179.2 million.

Project Finance Facilities

CMSA. On October 21, 2015, CMSA signed a US$260.0 million Project Finance Facility with International Finance Corporation and Inter-American Development Bank (IADB). The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The financing package has a tenor of 12 years and an availability period of four years. Interest is payable semi-annually based on floating interest rate computed at 6-month LIBOR plus loan spread with a weighted average of 2.80 percent.

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

In May 2018, CMSA pre-terminated the project finance facility and the interest rate swap arrangements.

VICT. On July 15, 2016, VICT signed the syndicated project finance facilities with various international and regional banks for principal amount of US$300.0 million (AUD398.0 million), comprising of term facilities totaling US$284.9 million (AUD378.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.10 percent per annum and maturities until 2023, 2026 and 2031 and working capital facility of US$15.1 million (AUD20.0 million).

In 2016 and 2017, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD338.3 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10% to 2.973% and receives floating rate of six-month Bank Bill Swap Bid Rate (BBSY) basis points on the notional amount. As of June 30, 2018, the market valuation gain on the outstanding interest rate swaps amounted to AUD3.3 million (US$2.4 million).

As of June 30, 2018, the term facilities were fully drawn and the carrying value of the loans amounted to US$266.3 million (AUD359.6 million).

<u>US dollar and Foreign Currency-denominated Term Loans and Securities</u>
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. On May 30, 2017, CGSA fully paid the loan under Tranche II.

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA's floating rate US$-denominated floating rate loan maturing in 2021. A total notional amount of US$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount. As of June 30, 2018, the market valuation gain on the outstanding interest rate swaps amounted to US$0.4 million.

As of June 30, 2018, the outstanding balance of the loans aggregated to US$21.5 million.

YICT. On April 26, 2017, YICT obtained a US$21.8 million (RMB150.0 million) loan from Agricultural Bank of China at an interest rate published by People's Bank of China (PBOC) less 5.00 percent of such base rate and a final maturity in November 2023 to refinance its maturing loan. As of June 30, 2018, the outstanding balance of the loan amounted to US$13.6 million (RMB90.0 million).

AGCT. In 2013, AGCT signed a ten-year loan agreement for US$13.7 million (EUR10.6 million) with Raiffeisenbank Austria d.d. which carries a mark-up at the rate of 1-month EURIBOR plus 3.40 percent and is secured by AGCT's port equipment. The principal is repayable in monthly installments until April 30, 2023.

The loan is under an interest rate swap agreement in which the floating rate Euro denominated loan was swapped to fixed interest. Under the interest rate swap, AGCT pays fixed interest of 5.39 percent for US$3.5 million (EUR2.9 million) and 4.75 percent for US$2.6 million (EUR2.2 million) and receives floating rate of one-month EURIBOR plus 3.40 bps on the US$6.1 million (EUR5.1 million). As of June 30, 2018, the market valuation loss on the outstanding interest rate swap amounted to EUR0.2 million (US$0.3 million).

On April 30, 2018, AGCT obtained a long-term loan amounting to US$0.7 million (EUR0.6 million) from Raiffeisen Bank d.d. at a fixed rate of 2.50 percent and a maturity date of October 31, 2019. As of June 30, 2018, the outstanding balance of the loans aggregated to US$6.5 million (EUR5.6 million).

OPC. On July 11, 2017, OPC (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement amounting to US$77.0 million with floating interest rate and maturity date of July 2020 to finance capital expenditures. On June 21, 2018, the amount of the facility was reduced to US$47.0 million. As of June 30, 2018, the outstanding balance of the loan amounted to US$33.5 million.

SPICTL and MITL. On April 13, 2018, SPICTL and MITL obtained a loan facility with Australia and New Zealand Banking Group (PNG) Limited amounting to US$31.1 million (PGK101.0 million) and US$25.2 million (PGK82.0 million), respectively, at prevailing market rate and a maturity date of six months from first drawdown date. As of June 30, 2018, the outstanding balance of the loans amounted US$18.3 million (PGK60.2 million) for SPICTL and US$14.2 million (PGK46.7 million) for MITL.

2.7.2.2 Loan Covenants

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

There was no material change in the covenants related to the Group's long-term debts. As of June 30, 2018, ICTSI and subsidiaries were in compliance with their loan covenants except for VICT whose Debt Service Coverage Ratio requirement was not met but having been irrevocably waived by the creditors, no event of default has occurred.

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 at a tender price of 107.625 or US$247.5 million. The cash proceeds received by RCBV amounted to US$46.7 million, net of debt issuance cost.

On August 26, 2015, RCBV issued US$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities 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.

In May 2016, RCBV redeemed the remaining US$108.3 million of the US$350-million Subordinated Guaranteed Perpetual Capital Securities issued in April 2011 and January 2012 and paid the associated accrued distributions.

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

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

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

The cash proceeds received by RCBV from the issuance of the New and Additional Securities amounted to US$392.3 million, net of debt issuance costs, which shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.

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, AUD, 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 also enters into cross currency swap agreements in order to manage its exposure to fluctuations in the net investments in its subsidiaries denominated in foreign currencies.

The Group's non-US dollar currency-linked revenues were 43.7 percent and 47.2 percent of gross revenues for the periods ended June 30, 2017 and 2018, 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, 2018:

Table 2.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	43 % USD	57 % PhP
SBITC/ICTSI Subic	54 % USD	46 % PhP
DIPSSCOR		100 % PhP
HIPS		100 % PhP
SCIPSI		100 % PhP
BIPI		100 % PhP
MICTSI		100 % PhP
LGICT		100 % PhP
BCT	69 % USD/2 % EUR	29 % PLN
TSSA		100 % BRL
MICTSL	100 % EUR*	
PTMTS		100 % IDR
YICT		100 % RMB
AGCT	80 % EUR	20 % HRK
CGSA	100 % USD	
BICT	100 % USD	
PICT	76 % USD	24 % PKR
OJA	68 % USD	32 % IDR
CMSA	50 % USD	50 % MXN
OPC	100 % USD	
ICTSI Iraq	87 % USD	13 % IQD
IDRC	100 % USD	
VICT		100 % AUD
PNG		100 % PGK

**MGA pegged to the EURO*

2.8.2 Interest Rate Risk

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

2.8.3 Liquidity Risk

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

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

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

PART II – OTHER INFORMATION

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

ANNEX 1

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

SCHEDULE OF AGING OF RECEIVABLES
As at June 30, 2018
(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US$87,924	US$11,049	US$98,973
Six months to one year	762	140	902
Over one year	1,449	559	2,008
	US$90,135	US$11,748	US$101,883

ANNEX 2

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

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

	2017	**2018**
Liquidity ratios		
Current ratio [a]	1.18	**1.68**
Interest rate coverage ratio [b]	5.81	**5.58**
Solvency ratios		
Debt to equity ratio [c]	0.82	**0.60**
Asset to equity ratio [d]	2.34	**2.10**
Profitability ratio		
EBITDA margin [e]	48.0%	**45.3%**

[a] *Current assets over current liabilities*

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

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

[d] *Total assets over total equity*

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

ANNEX 3

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

LIST OF EFFECTIVE PFRS STANDARDS AND INTERPRETATIONS*
June 30, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements **Conceptual Framework Phase A: Objectives and qualitative characteristics**		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	✓		
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		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				
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓
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	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		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				
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
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	✓		
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12 – Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 – Recognition of Deferred	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		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				
	Tax Assets for Unrealized Losses			
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: Long-term Interests in Joint Ventures and Associates	Not early adopted		
	Amendments to PAS 28: Applying the			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		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				
	Consolidation Exception			
	Amendment to PAS 28 – Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		**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				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		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				
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. (ICTSI)

AS OF JUNE 30, 2018

SIGNATURES

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

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

By

[redacted]

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

August 2, 2018

[redacted]

Jose Joel M. Sebastian
Senior Vice-President, Finance

August 2, 2018