COVER SHEET

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SEC Registration Number

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

(Company's Full Name)

ICTSI Administration Building, MICT South Access Road, Manila

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

Jose Joel M. Sebastian

(Contact Person)

245-4101

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Fiscal Year)

SEC 17Q

(Form Type)

0 4 **Every 3rd Thursday**

Month *Day*

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

None

Amended Articles Number/Section

Total Amount of Borrowings

1,433
as at September 30, 2016

Total No. of Stockholders

US$46.4M

Domestic

US$1,206.0M

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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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 **September 30, 2016**

2. Commission identification number: **147212**

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

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

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

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

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

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

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

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

Title of Each Class	Number of shares outstanding as at September 30, 2016
Common	**2,033,112,090** 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, 2015 and the unaudited interim condensed consolidated financial statements as at September 30, 2016 and for the three and nine months ended September 30, 2015 and 2016 and the related notes to unaudited interim condensed consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries (collectively referred to as "the Group") are filed as part of this Form 17-Q on pages 2 to 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 September 30, 2016
(with Comparative Audited Figures as at December 31, 2015)
and for the Three and Nine Months Ended September 30, 2015 and 2016

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNADUITED INTERIM CONSOLIDATED BALANCE SHEET

As at September 30, 2016

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

(In Thousands)

	December 31, 2015 *(Audited)*	**September 30, 2016** *(Unaudited)*
ASSETS		
Noncurrent Assets		
Intangibles (Notes 1 and 5)	US$1,715,582	**US$1,734,821**
Property and equipment (Notes 1 and 6)	1,148,856	**1,353,034**
Investment properties	6,841	**6,448**
Investments in and advances to a joint venture and an associate (Notes 8 and 16)	231,916	**277,716**
Deferred tax assets - net	87,006	**100,073**
Other noncurrent assets (Notes 7 and 19)	137,514	**150,341**
Total Noncurrent Assets	3,327,715	**3,622,433**
Current Assets		
Cash and cash equivalents (Note 9)	354,482	**226,726**
Receivables (Note 10)	87,200	**93,708**
Spare parts and supplies	27,596	**32,561**
Prepaid expenses and other current assets (Notes 1 and 11)	44,108	**58,745**
Derivative assets (Note 19)	331	**–**
Total Current Assets	513,717	**411,740**
	US$3,841,432	**US$4,034,173**
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Capital stock:		
Preferred stock	US$236	**US$236**
Common stock	67,330	**67,330**
Additional paid-in capital (Note 15)	534,808	**536,590**
Cost of shares held by subsidiaries (Note 15)	(74,261)	**(74,261)**
Treasury shares (Note 15)	(7,548)	**(11,077)**
Excess of acquisition cost over the carrying value of non-controlling interests (Notes 1 and 15)	(142,555)	**(142,555)**
Retained earnings (Note 15)	723,159	**795,662**
Perpetual capital securities (Note 15)	831,910	**726,669**
Other comprehensive loss - net (Notes 15 and 19)	(258,636)	**(262,543)**
Total equity attributable to equity holders of the parent	1,674,443	**1,636,051**
Equity Attributable to Non-controlling Interests (Notes 1 and 15)	151,605	**146,967**
Total Equity	1,826,048	**1,783,018**
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12 and 19)	1,026,578	**1,194,586**
Concession rights payable - net of current portion (Notes 5 and 19)	503,208	**494,604**
Deferred tax liabilities - net	77,493	**81,512**
Derivative liabilities - net of current portion (Notes 19)	–	**11,873**
Other noncurrent liabilities (Note 13)	119,354	**78,738**
Total Noncurrent Liabilities	1,726,633	**1,861,313**
Current Liabilities		
Loans payable (Note 12)	2,027	**14,433**
Accounts payable and other current liabilities (Notes 1, 14 and 16)	200,870	**290,893**
Current portion of long-term debt (Notes 12 and 19)	54,465	**43,416**
Current portion of concession rights payable (Notes 5 and 19)	8,830	**9,433**
Current portion of derivative liabilities (Note and 19)	554	**2,195**
Income tax payable	22,005	**29,472**
Total Current Liabilities	288,751	**389,842**
	US$3,841,432	**US$4,034,173**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	**2016**	2015	**2016**
INCOME				
Gross revenues from port operations (Notes 1, 16 and 20)	US$239,928	**US$284,212**	US$792,035	**US$835,026**
Gain on sale of a subsidiary (Note 1)	–	**–**	323	**–**
Foreign exchange gain (Note 3)	829	**505**	3,379	**3,690**
Interest income (Note 16)	3,328	**4,743**	8,923	**12,962**
Other income (Notes 1 and 13)	2,070	**1,902**	4,761	**7,749**
	246,155	**291,362**	809,421	**859,427**
EXPENSES				
Port authorities' share in gross revenues (Notes 1 and 16)	37,670	**45,464**	125,934	**134,599**
Manpower costs (Notes 15 and 16)	44,965	**48,106**	141,347	**144,003**
Equipment and facilities-related expenses (Note 16)	27,434	**30,368**	97,558	**87,529**
Depreciation and amortization	31,258	**36,630**	93,522	**109,839**
Administrative and other operating expenses (Note 16)	27,735	**27,398**	87,701	**78,566**
Interest expense and financing charges on borrowings (Notes 5, 6 and 12)	13,986	**16,649**	41,767	**56,608**
Interest expense on concession rights payable (Notes 1 and 5)	9,322	**9,175**	27,997	**27,531**
Equity in net loss of a joint venture (Note 8)	768	**1,455**	1,989	**4,677**
Foreign exchange loss (Note 3)	1,022	**2,201**	2,862	**5,493**
Other expenses (Note 16)	1,287	**4,305**	6,827	**10,230**
	195,447	**221,751**	627,504	**659,075**
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	29,417	**14,917**	61,290	**41,701**
Construction expense	(29,417)	**(14,917)**	(61,290)	**(41,701)**
	–	**–**	–	**–**
INCOME BEFORE INCOME TAX	50,708	**69,611**	181,917	**200,352**
PROVISION FOR INCOME TAX				
Current	12,233	**14,251**	44,956	**50,975**
Deferred	517	**(2,844)**	(6,704)	**(1,436)**
	12,750	**11,407**	38,252	**49,539**
NET INCOME	US$37,958	**US$58,204**	US$143,665	**US$150,813**
ATTRIBUTABLE TO:				
Equity holders of the parent	US$35,785	**US$54,637**	US$136,194	**US$141,920**
Non-controlling interests	2,173	**3,567**	7,471	**8,893**
	US$37,958	**US$58,204**	US$143,665	**US$150,813**
Earnings Per Share (Note 17)				
Basic	US$0.013	**US$0.022**	US$0.055	**US$0.052**
Diluted	0.013	**0.021**	0.055	**0.052**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	**2016**	2015	**2016**
NET INCOME FOR THE PERIOD	US$37,958	**US$58,204**	US$143,665	**US$150,813**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations (Notes 3 and 15)	(54,083)	**13,359**	(92,380)	**2,397**
Net change in unrealized mark-to-market values of derivatives (Notes 15 and 19)	(371)	**(1,109)**	(439)	**(13,436)**
Net unrealized loss removed from equity and capitalized as construction in-progress (Note 15)	–	**–**	1,855	**–**
Net unrealized mark-to-market gain on available-for-sale investments (Note 15)	–	**177**	4	**177**
Income tax relating to components of other comprehensive income (Notes 15 and 19)	68	**411**	44	**3,999**
Items not to be reclassified to profit or loss in subsequent periods				
Actuarial gains on defined benefit plans	–	**315**	–	**270**
	(54,386)	**13,153**	(90,916)	**(6,593)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(US$16,428)	**US$71,357**	US$52,749	**US$144,220**
ATTRIBUTABLE TO:				
Equity holders of the parent	(US$15,289)	**US$68,051**	US$49,614	**US$138,013**
Non-controlling interests	(1,139)	**3,306**	3,135	**6,207**
	(US$16,428)	**US$71,357**	US$52,749	**US$144,220**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 and 2016

(In Thousands)

	Attributable to Equity Holders of the Parent												
	Preferred Stock	**Common Stock**	**Additional Paid-in Capital** (Note 15)	**Preferred Shares Held by a Subsidiary** (Note 15)	**Common Shares Held by a Subsidiary** (Note 15)	**Treasury Shares** (Note 15)	**Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests** (Notes 1 and 15)	**Retained Earnings** (Note 15)	**Perpetual Capital Securities** (Note 15)	**Other Compre-hensive Loss - net** (Note 15)	**Total**	**Non-controlling Interests** (Note 15)	**Total Equity**
Balance at December 31, 2014	US$236	US$67,330	US$530,678	(US$72,492)	US$–	(US$1,177)	(US$135,448)	US$763,315	US$337,032	(US$173,433)	US$1,316,041	US$157,523	US$1,473,564
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	136,194	–	(86,580)	49,614	3,135	52,749
Share-based payments (Note 15)	–	–	3,173	–	–	–	–	–	–	–	3,173	–	3,173
Acquisition of ICTSI common shares (Note 15)	–	–	–	–	(3,598)	(6,591)	–	–	–	–	(10,189)	–	(10,189)
Sale of shares held by a subsidiary (Note 15)	–	–	58	–	1,829	–	–	–	–	–	1,887	–	1,887
Cash dividends (Note 15)	–	–	–	–	–	–	–	(41,157)	–	–	(41,157)	(6,875)	(48,032)
Issuance and exchange of perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(23,234)	506,220	–	482,986	–	482,986
Redemption of perpetual capital securities	–	–	–	–	–	–	–	–	(11,342)	–	(11,342)	–	(11,342)
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(14,768)	–	–	(14,768)	–	(14,768)
Sale of a subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	–	–	(268)	(268)
Changes in non-controlling interest (Notes 1 and 15)	–	–	–	–	–	–	(7,451)	–	–	–	(7,451)	1,821	(5,630)
Issuance of treasury shares	–	–	(197)	–	–	197	–	–	–	–	–	–	–
Balance at September 30, 2015	US$236	US$67,330	US$533,712	(US$72,492)	(US$1,769)	(US$7,571)	(US$142,899)	US$820,350	US$831,910	(US$260,013)	US$1,768,794	US$155,336	US$1,924,130

	Attributable to Equity Holders of the Parent												
	Preferred Stock	**Common Stock**	**Additional Paid-in Capital** (Note 15)	**Preferred Shares Held by a Subsidiary** (Note 15)	**Common Shares Held by a Subsidiary** (Note 15)	**Treasury Shares** (Note 15)	**Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests** (Notes 1 and 15)	**Retained Earnings** (Note 15)	**Perpetual Capital Securities** (Note 15)	**Other Compre-hensive Loss - net** (Note 15)	**Total**	**Non-controlling Interests** (Note 15)	**Total Equity**
Balance at December 31, 2015	**US$236**	**US$67,330**	**US$534,808**	**(US$72,492)**	**(US$1,769)**	**(US$7,548)**	**(US$142,555)**	**US$723,159**	**US$831,910**	**(US$258,636)**	**US$1,674,443**	**US$151,605**	**US$1,826,048**
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**141,920**	**–**	**(3,907)**	**138,013**	**6,207**	**144,220**
Share-based payments (Note 15)	**–**	**–**	**2,290**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,290**	**–**	**2,290**
Issuance of treasury shares	**–**	**–**	**(508)**	**–**	**–**	**508**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of ICTSI common shares (Note 15)	**–**	**–**	**–**	**–**	**–**	**(4,037)**	**–**	**–**	**–**	**–**	**(4,037)**	**–**	**(4,037)**
Cash dividends (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,043)**	**–**	**–**	**(40,043)**	**(10,845)**	**(50,888)**
Redemption of perpetual capital securities (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,624)**	**(105,241)**	**–**	**(112,865)**	**–**	**(112,865)**
Distributions on perpetual capital securities (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,750)**	**–**	**–**	**(21,750)**	**–**	**(21,750)**
Balance at September 30, 2016	**US$236**	**US$67,330**	**US$536,590**	**(US$72,492)**	**(US$1,769)**	**(US$11,077)**	**(US$142,555)**	**US$795,662**	**US$726,669**	**(US$262,543)**	**US$1,636,051**	**US$146,967**	**US$1,783,018**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Nine Months Ended September 30	
	2015	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	US$181,917	**US$200,352**
Adjustments for:		
Depreciation and amortization	93,522	**109,839**
Interest expense on:		
Borrowings (Notes 5, 6 and 12)	41,767	**56,608**
Concession rights payable (Notes 1 and 5)	27,997	**27,531**
Equity in net loss of a joint venture (Note 8)	1,989	**4,677**
Unrealized foreign exchange loss (gain)	(304)	**2,458**
Share-based payments (Note 15)	3,145	**2,198**
Unrealized mark-to-market loss on derivatives	–	**409**
Interest income	(8,923)	**(12,962)**
Loss (gain) on sale of property and equipment	218	**(1,872)**
Dividend income	(642)	**(199)**
Gain on sale of subsidiary (Note 1)	(323)	**–**
Operating income before changes in working capital	340,363	**389,039**
Decrease (increase) in:		
Receivables (Note 10)	13,298	**(3,915)**
Spare parts and supplies	(2,585)	**(2,190**
Prepaid expenses and other current assets (Note 11)	(8,391)	**(13,751)**
Increase (decrease) in:		
Accounts payable and other current liabilities (Note 14)	19,507	**(842)**
Pension liabilities	98	**174**
Cash generated from operations	362,290	**368,515**
Income taxes paid	(44,489)	**(45,142)**
Net cash provided by operating activities	317,801	**323,373**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Intangible assets (Notes 1 and 5)	(100,870)	**(84,278)**
Property and equipment (Notes 1 and 6)	(153,690)	**(205,389)**
Subsidiary, net of cash acquired (Note 1)	(54,500)	**340**
Increase in investments and advances to a joint venture (Notes 8 and 16)	(79,127)	**(50,110)**
Interest received	9,134	**12,963**
Net proceeds from:		
Sale of property and equipment	2,219	**9,101**
Sale of a subsidiary, net of cash held by subsidiary (Note 1)	(111)	**–**
Payments for concession rights (Note 5)	(7,047)	**(8,203)**
Dividends received	642	**199**
Increase in other noncurrent assets	(3,008)	**(10,843)**
Net cash used in investing activities	(386,358)	**(336,220)**

(Forward)

	For the Nine Months Ended September 30	
	2015	**2016**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Long-term borrowings (Note 12)	US$120,753	**US$252,695**
Short-term borrowings (Note 12)	7,346	**33,670**
Issuance and exchange of perpetual capital securities (Note 15)	482,986	**–**
Sale of common shares held by a subsidiary (Note 15)	1,887	**–**
Payments of:		
Redemption of perpetual capital securities (Note 15)	(11,342)	**(112,865)**
Long-term borrowings (Note 12)	(118,605)	**(96,123)**
Interest on borrowings and concession rights payable (Notes 5 and 12)	(79,042)	**(90,806)**
Dividends (Note 15)	(47,393)	**(49,841)**
Short-term borrowings (Note 12)	(28,296)	**(20,612)**
Distributions on subordinated perpetual capital securities (Note 15)	(14,768)	**(21,750)**
Acquisition of own common shares (Note 15)	(6,591)	**(4,037)**
Acquisition of ICTSI common shares by a subsidiary (Note 15)	(3,598)	**–**
Change in non-controlling interest (Notes 1 and 15)	(5,631)	**–**
Increase in other noncurrent liabilities	5,728	**(274)**
Net cash provided by (used in) financing activities	303,434	**(109,943)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,695)	**(4,966)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	231,182	**(127,756)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	194,298	**354,482**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 9)	US$425,480	**US$226,726**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporate Information

1.1 General

International Container Terminal Services, Inc. (ICTSI or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Company is ICTSI Administration Building, MICT South Access Road, Manila. ICTSI's common shares were listed with the Philippine Stock Exchange (PSE) on March 23, 1992 at an offer price of ₱6.70. ICTSI has 2,033,112,090 common shares outstanding held by 1,433 shareholders on record as at September 30, 2016.

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as "the Group") entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. As at November 3, 2016, the Group is involved in 30 terminal concessions and port development projects in 20 countries worldwide. These are 25 operating terminals in eight key ports and an inland container terminal in the Philippines, two in Indonesia and one each in Brunei, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq and Argentina; three ongoing port development projects in Colombia, DR Congo and Australia; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The project in DR Congo started initial operations in the third quarter of 2016 while the project in Colombia is expected to start commercial operations in the fourth quarter of 2016. The Phase 1 construction of the project in Australia is expected to be completed in the fourth quarter of 2016. The construction of the terminal in Nigeria is expected to start in early 2017 and is scheduled to commence initial operations in middle of 2019. As at November 3, 2016, the terminal in Argentina is ready to operate.

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

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

Phase 1 of the facility consists of two berths that can handle 120,000 TEUs and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 is expected to

be completed in the fourth quarter of 2016. The construction of the terminal commenced in January 2015 and initial operations started in the third quarter of 2016.

Umm Qasr, Iraq. ICTSI, through its wholly owned subsidiary, ICTSI (M.E.) DMCC [formerly ICTSI (M.E.) JLT] (ICTSI Dubai), and General Company for Ports of Iraq (GCPI) signed on April 8, 2014 the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 ("Contract") in the Port of Umm Qasr ("Port") in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build in three phases, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract ("Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years.

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

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

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

Phase 1 construction of the Terminal with a capacity of 350,000 TEUs and ECP with a capacity of 250,000 TEUs commenced and expected to be completed in the fourth quarter of 2016. Phase 2 construction of the Terminal with a capacity of more than 1,000,000 TEUs and ECP with a capacity of 250,000 TEUs is expected to be completed in the last quarter of 2017.

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

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

Laguna Gateway Inland Container Terminal, Philippines. On March 2, 2015, Laguna Gateway Inland Container Terminal, Inc. (LGICT) started operating the first one-stop inland container terminal (ICT) located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo Handlers, Inc. (IW Cargo) and the remaining 40% is owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK - Fil-Japan Shipping Corp. The ICT primarily operates as an extension of the seaport operations of the MICT. In particular, the said ICT is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers, both within and outside the economic zones in the LABARZON area. Only fifty eight (58) kilometers from Metro Manila, the ICT is situated on a twenty one (21)-hectare property, strategically located near various economic export zones with an already existing adjacent railroad. Of the said twenty one (21) hectares, around ten (10) hectares have already been developed and now being used for operations. Envisioned to be the first of its kind in magnitude and operations, the ICT is being developed as a 24/7 state-of-the-art facility with cutting edge terminal systems and equipment.

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Immobiliaria TMM S.A. de C.V 100 percent of the capital stock of Terminal Maritima de Tuxpan, S.A de C.V (TMT) for US$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee of MXN23.24 plus VAT, per square meter of assigned area and (2) pay variable fee starting year 2018. As of November 3, 2016, management is currently working on a development plan on TMT.

Brunei, Darussalam. On May 21, 2009, ICTSI, through New Muara Container Terminal Services Sdn Bhd (NMCTS), entered into an Agreement with the Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement is valid for a period of four years from commencement date or May 22, 2009. The term may be extended for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. Since 2012, the Agreement has been extended yearly for a period of one year or until May 20, 2017 as an interim operator pending the result of the tender process, which NMCTS participated in. The said one year contract can be pre-terminated by the Brunei Government with a 30-day notice to NMCTS.

Davao, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. The tender process for the Davao Sasa Port Modernization project has started and ICTSI is one of the short-listed bidders. On April 15, 2016, the local office of the PPA in Davao City granted DIPSSCOR a hold-over authority for a period of six months until October 20, 2016 over the cargo handling services at Sasa Wharf, Port of Davao. On September 8, 2016, another hold-over authority for a period of six months until April 20, 2017 was granted by the PPA office in Davao City.

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

1.3 Subsidiaries and Joint Venture

The subsidiaries include:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2015		**September 30, 2016**	
				Direct	Indirect	**Direct**	**Indirect**
Asia							
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	**100.00**	**–**
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Mauritius	Mauritius	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Aeolina International Limited (AIL)	British Virgin Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	**–**	**64.53**
IFEL	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**
New Muara Container Terminal Services Sdn Bhd (NMCTS)	Brunei	Port Management	Brunei Dollar	–	100.00	**–**	**100.00**
PT ICTSI Jasa Prima Tbk (JASA) and Subsidiaries	Indonesia	Maritime Infrastructure and Logistics	US Dollar	–	80.16	**–**	**80.16**
PT PBM Olah Jasa Andal (OJA)	Indonesia	Port Management	US Dollar	–	80.16	**–**	**80.16**
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	**–**	**95.00**
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	–	100.00	**–**	**100.00**
IHKL	Hong Kong	Holding Company	US Dollar	–	100.00	**–**	**100.00**
YICT	China	Port Management	Renminbi	–	51.00	**–**	**51.00**
Naha International Container Terminal, Inc. (NICTI)[c]	Japan	Port Management	Japanese Yen	–	–	**–**	**–**
Pentland International Holdings, Ltd. (PIHL)	British Virgin Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Georgia Corp. (IGC)	Cayman Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Global Procurement Ltd. (GPL, formerly ICTSI Poland)	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Honduras Ltd. (formerly ICTSI Brazil)	Bermuda	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	–	100.00	**–**	**100.00**
ICTSI India	India	Port Management	Indian Rupee	–	100.00	**–**	**100.00**
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	**–**	**95.00**
ICTSI Africa (Pty) Ltd.	South Africa	Business Development Office (BDO)	South African Rand	–	100.00	**–**	**100.00**
Australian International Container Terminals Limited (AICTL)[a]	Australia	Port Management	Australian Dollar	–	70.00	**–**	**70.00**
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	**100.00**	**–**
Abbotsford Holdings, Inc. (AHI)	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	–	65.00	**–**	**65.00**
Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR)	Philippines	Port Management	Philippine Peso	–	96.95	**–**	**96.95**
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	**100.00**	**–**
IW Cargo Handlers, Inc. (IW Cargo)	Philippines	Port Equipment Rental	US Dollar	–	100.00	**–**	**100.00**
Container Terminal Systems Solutions Philippines, Inc. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	–	100.00	**–**	**100.00**
Bauan International Ports, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
Prime Staffing and Selection Bureau, Inc. (PSSBI)[a]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	**100.00**	**–**
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	–	**100.00**	**–**
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	–	**83.33**	**–**
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	**–**	**83.33**
Cordilla Properties Holdings Inc. (Cordilla)	Philippines	Holding Company	Philippine Peso	100.00	–	**100.00**	**–**
South Cotabato Integrated Port Services, Inc. (SCIPSI)	Philippines	Port Management	Philippine Peso	35.70	14.38	**35.70**	**14.38**
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	–	**100.00**	**–**
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Icon Logistiek B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	**1.00**	**99.00**
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Treasury B.V. (ITBV or ICTSI Treasury)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Americas, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Africa, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Cameroon B.V. (formerly Global Procurement, B.V.)	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CMSA, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Tecplata, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
SPIA Colombia, B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
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**

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2015		**September 30, 2016**	
				Direct	Indirect	**Direct**	**Indirect**
SPIA Spain SL	Spain	Holding Company	US Dollar	–	100.00	**–**	**100.00**
CGSA Transportadora SL	Spain	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Crixus Limited	British Virgin Island	Holding Company	US Dollar	–	100.00	**–**	**100.00**
VICT[a]	Australia	Port Management	Australian Dollar	–	100.00	**–**	**100.00**
Asia Pacific Port Holdings Private Ltd. (APPH)	Singapore	Holding Company	US Dollar	–	50.50	**–**	**50.50**
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	**–**	**75.00**
ICTSI Oceania B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Asia Pacific Business Services, Inc. [b]	Philippines	Business Process Outsourcing	US Dollar	–	100.00	**–**	**100.00**
ICTSI Ltd. Regional Operating Headquarters [b]	Philippines	Regional Operating Headquarters	Philippine Peso	–	100.00	**–**	**100.00**
ICTSI Project Delivery Services Co. Pte. Ltd. (IPDS) [b]	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	**–**	**100.00**
ICTSI QFC LLC[b]	Qatar	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI South Asia Pte. Ltd. [b]	Singapore	Holding Company	US Dollar	–	100.00	**–**	**100.00**
LGICT[b]	Philippines	Port Management	Philippine Peso	–	60.00	**–**	**60.00**
ICTSI Middle East DMCC [b]	United Arab Emirates	Holding Company	US Dollar	–	100.00	**–**	**100.00**
ICTSI Global Cooperatief U.A. [b]	The Netherlands	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Consultports S.A. de C.V. [e]	Mexico	BDO	Mexican Peso	–	–	**–**	**100.00**
Europe, Middle East and Africa (EMEA)							
Tartous International Container Terminal (TICT)	Syria	Port Management	US Dollar	100.00	–	**100.00**	**–**
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	**–**	**100.00**
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	**–**	**100.00**
AGCT	Croatia	Port Management	Euro	–	51.00	**–**	**51.00**
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	**–**	**100.00**
LICTSLE[a]	Nigeria	Port Management	US Dollar	–	100.00	**–**	**100.00**
IDRC	Congo	Port Management	US Dollar	–	52.00	**–**	**52.00**
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	–	100.00	**–**	**100.00**
Americas							
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	99.99	0.01	**51.00**	**49.00**
Contecon Manzanillo S.A. (CMSA) [f]	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, Inc. (ICTSI Oregon)	U.S.A.	Port Management	US Dollar	–	100.00	**–**	**100.00**
C. Ultramar, S.A. (CUSA)	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Future Water, S.A. (FWSA)	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Kinston Enterprise Corporation (KEC)	Panama	Holding Company	US Dollar	–	100.00	**–**	**100.00**
International Ports of South America and Logistics SA (IPSAL)	Uruguay	Holding Company	US Dollar	–	100.00	**–**	**100.00**
Tecplata S.A (Tecplata)[a]	Argentina	Port Management	US Dollar	–	100.00	**–**	**100.00**
Nuevos Puertos S.A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	**4.00**	**96.00**
OPC	Honduras	Port Management	US Dollar	30.00	70.00	**30.00**	**70.00**
TMT[c]	Mexico	Port Management	Mexican Peso	–	100.00	**–**	**100.00**
Sociedad Puerto Industrial Aguadulce SA (SPIA) [a]	Colombia	Port Management	US Dollar	–	46.30	**–**	**46.30**

[a] *Has not yet started commercial operations as at November 3, 2016*
[b] *Established in 2015*
[c] *Acquired in 2015*
[d] *Disposed in 2015*
[e] *Acquired in 2016*
[f] *Changed its functional currency from Mexican Peso to US Dollar on July 1, 2016*

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

On April 27, 2015, NICTI purchased ICTSI's 60 percent ownership interest in NICTI for JPY107.0 million (approximately US$0.9 million) as part of its treasury shares. The 10-year lease agreement of NICTI expired at end of 2015 and ICTSI did not express interest in the negotiation for the lease agreement extension. The transaction resulted in the recognition of gain on sale amounting to US$0.3 million in the 2015 unaudited interim consolidated statement of income.

The net cash outflow at disposal date on the sale of NICTI amounting to US$0.1 million was derived as follows:

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

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

On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Immobiliaria TMM S.A. de C.V 100 percent of the capital stock of TMT for US$54.5 million. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3, *Business Combination*, and was therefore accounted for as acquisition of assets, mainly composed of land and concession rights.

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

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

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements as at September 30, 2016 and for the three and nine months ended September 30, 2015 and 2016 have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and derivative financial instruments which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in United States dollar (US dollar, USD or US$), the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand US dollar unit, except when otherwise indicated. Any discrepancies in the tables between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

2.2 Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the

interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2015.

3. Summary of Significant Accounting Policies

3.1 Basis of Consolidation

The unaudited interim condensed consolidated financial statements of the Group include the accounts of ICTSI and its subsidiaries where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in PICT, MTS, AICTL, CTVCC, SBITC, SBITHI, BIPI, NICTI (until April 27, 2015), DIPSSCOR, YICT, SCIPSI, RCBV, AGCT, JASA, OJA, ITBV, HIPS, VICT (until February 4, 2015), APPH, IGFBV, IDRC and LGICT not held by the Group and are presented separately in the unaudited interim consolidated statement of income and the unaudited interim consolidated statement of comprehensive income, and interim consolidated balance sheet separate from equity attributable to equity holders of the parent.

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

comprehensive income to the unaudited interim consolidated statement of income or retained earnings, as appropriate.

Transactions Eliminated on Consolidation. All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries. The financial statements of subsidiaries are prepared for the same reporting period or year using uniform accounting policies as those of the Parent Company.

Functional and Presentation Currency. The unaudited interim condensed consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

At the reporting date, the assets and liabilities of subsidiaries whose functional currency is not the US dollar are translated into the presentation currency of ICTSI using the Bloomberg closing rate at balance sheet date and, their unaudited statements of income are translated at the Bloomberg weighted average daily exchange rates for the period. The exchange differences arising from the translation are taken directly to the unaudited interim consolidated statement of comprehensive income. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the unaudited interim consolidated statement of comprehensive income relating to that particular foreign operation is recognized in the unaudited interim consolidated statement of income.

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

	2015		**2016**	
	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of US dollar:				
Argentine peso (AR$)	9.42	8.97	**15.31**	**14.56**
Australian dollar (AUD)	1.42	1.31	**1.30**	**1.35**
Brazilian reais (BRL or R$)	3.95	3.17	**3.26**	**3.54**
Brunei dollar (BND)	1.42	1.36	**1.36**	**1.37**
Chinese renminbi (RMB)	6.36	6.25	**6.67**	**6.58**
Colombian peso (COP)	3,087.44	2,643.59	**2,882.06**	**3,062.24**
Croatian kuna (HRK)	6.85	6.83	**6.69**	**6.75**
Euro (€)	0.89	0.90	**0.89**	**0.90**
Georgian lari (GEL)	2.38	2.23	**2.34**	**2.32**
Honduran lempira (HNL)	21.82	21.85	**23.03**	**22.70**
Hong Kong dollar (HKD)	7.75	7.75	**7.76**	**7.76**
Indian rupee (INR)	65.59	63.58	**66.61**	**67.13**
Indonesian rupiah (IDR)	14,653.00	13,272.00	**13,042.00**	**13,322.00**
Iraqi dinar (IQD)	1,215.00	1,204.18	**1,194.74**	**1,193.14**
Japanese yen (JPY)	119.88	120.91	**101.35**	**108.50**
Malagasy ariary (MGA)	3,174.00	3,053.27	**3,128.00**	**3,153.50**
Mexican peso (MXN)	16.92	15.59	**19.39**	**18.30**
Pakistani rupee (PKR or Rs.)	104.46	102.03	**104.46**	**104.70**
Philippine peso (₱)	46.74	45.07	**48.50**	**46.95**
Polish zloty (PLN)	3.80	3.73	**3.82**	**3.90**
Singaporean dollar (SGD)	1.42	1.36	**1.36**	**1.37**
South African rand (ZAR)	13.85	12.28	**13.72**	**14.96**

3.2 Changes in Accounting Policies

3.2.1 New and Amended Standards Adopted in 2016

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

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

New Pronouncements	Impact on the Interim Condensed Consolidated Financial Statements
statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions • That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.	
PFRS 14, *Regulatory Deferral Accounts* PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate-regulation on its financial statements.	Since the Group is an existing PFRS preparer, this standard is not applicable.
PAS 16, *Property, Plant and Equipment,* and PAS 41*, Agriculture - Bearer Plants* The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* will apply.	The adoption of these amendments has no impact on the interim condensed consolidated financial statements since the Group does not have any bearer plants.
PAS 16, *Property, Plant and Equipment,* and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)* The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.	The adoption of these amendments has no impact on the interim condensed consolidated financial statements given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

3.2.2 Annual Improvements to PFRSs (2012-2014 Cycle)

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

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

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

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7- *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

4. **Segment Information**

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

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

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI and LGICT in the Philippines, YICT in China, OJA, JASA and MTS in Indonesia, NICTI in Japan (until April 27, 2015), NMCTS in Brunei, ICTSI India in India, PICT in Pakistan, VICT in Australia, AICTSL, ICTHI, ICTSI Ltd. and other holding companies and those incorporated in The Netherlands for the purpose of supporting the funding requirements of the Group;

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

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

Management monitors the operating results of its operating unit separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to gross revenues, which is measured consistently with gross revenues from port operations in the interim consolidated statement of income.

Financing is managed on a group basis and centralized at the Parent Company level or at the entities created solely for the purpose of obtaining funds for the Group. Funding requirements that are secured through debt are recognized as liabilities of the Parent Company or of the entity issuing the debt instrument, classified under the geographical region of Asia and are not allocated to other geographical segments where funds are eventually transferred and used.

The table below presents financial information on geographical segments as at December 31, 2015 (audited) and as at September 30, 2016 (unaudited) and for the three and nine months ended September 30, 2015 and 2016 (unaudited):

	2015							
	As at and for the Three Months Ended September 30				As at and for the Nine Months Ended September 30			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Volume[(a)]	989,088	227,025	664,005	1,880,118	2,998,551	688,969	2,080,728	5,768,248
Gross revenues	US$127,584	US$26,256	US$86,088	US$239,928	US$424,558	US$78,011	US$289,466	US$792,035
Capital expenditures[(b)]	73,189	18,375	26,275	117,839	116,860	72,217	65,483	254,560
Other information:								
Segment assets[(c)]	2,029,186	332,851	1,392,389	3,754,426	2,029,186	332,851	1,392,389	3,754,426
Segment liabilities[(d)]	1,549,562	76,150	290,174	1,915,886	1,549,562	76,150	290,174	1,915,886

	2016							
	As at and for the Three Months Ended September 30				**As at and for the Nine Months Ended September 30**			
	Asia	**EMEA**	**Americas**	**Consolidated**	**Asia**	**EMEA**	**Americas**	**Consolidated**
Volume[(a)]	**1,129,277**	**290,595**	**750,687**	**2,170,559**	**3,364,342**	**823,003**	**2,247,847**	**6,435,192**
Gross revenues	**US$144,956**	**US$42,780**	**US$96,476**	**US$284,212**	**US$435,112**	**US$111,957**	**US$287,957**	**US$835,026**
Capital expenditures[(b)]	**82,639**	**24,653**	**17,100**	**124,392**	**177,947**	**69,263**	**50,729**	**297,939**
Other information:								
Segment assets[(c)]	**2,191,416**	**412,361**	**1,330,323**	**3,934,100**	**2,191,416**	**412,361**	**1,330,323**	**3,934,100**
Segment liabilities[(d)]	**1,744,813**	**80,505**	**314,853**	**2,140,171**	**1,744,813**	**80,505**	**314,853**	**2,140,171**

(a) *Measured in TEUs.*

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

(c) *Segment assets do not include deferred tax assets amounting to US$87.0 million and US$100.1 million as at December 31, 2015 (audited) and September 30, 2016 (unaudited), respectively.*

(d) *Segment liabilities do not include income tax payable amounting to US$22.0 million and US$29.5 million and deferred tax liabilities amounting to US$77.5 million and US$81.5 million as at December 31, 2015 (audited) and September 30, 2016 (unaudited), respectively.*

Moreover, management monitors the Group's earnings before interest, taxes, depreciation and amortization (EBITDA) on a consolidated basis for decision-making purposes. The following table shows the computation of EBITDA as derived from the unaudited interim consolidated net income attributable to equity holders of the parent for the three and nine months ended September 30:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	**2016**	2015	**2016**
Net income attributable to equity holders of the parent	US$35,785	**US$54,637**	US$136,194	**US$141,920**
Non-controlling interests	2,173	**3,567**	7,471	**8,893**
Provision for income tax	12,750	**11,407**	38,252	**49,539**
Income before income tax	50,708	**69,611**	181,917	**200,352**
Add (deduct):				
Depreciation and amortization	31,258	**36,630**	93,522	**109,839**
Interest and other expenses[(a)]	26,385	**33,785**	81,442	**104,539**
Interest and other income[(b)]	(6,227)	**(7,150)**	(17,386)	**(24,401)**
EBITDA[(c)]	US$102,124	**US$132,876**	US$339,495	**US$390,329**

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

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

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

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

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

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

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 39.8% and 39.2% of the unaudited consolidated gross revenues from port operations for the three months ended September 30, 2015 and 2016, respectively, and 41.6% and 39.9% of the unaudited consolidated gross revenues from port operations for the nine months ended September 30, 2015 and 2016, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 60.2% and 60.8% of the unaudited consolidated gross revenues from port operations for the three months ended September 30, 2015 and 2016, respectively, and 58.4% and 60.1% of the unaudited consolidated gross revenues from port operations for the nine months ended September 30, 2015 and 2016, respectively.

5. Concession Rights and Concession Rights Payable

5.1 Concession Rights

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

Additions to concession rights under port infrastructure mainly pertain to construction of various civil works and acquisitions of port facilities and equipment in ICTSI, BGT and CGSA as at September 30, 2016.

Borrowing costs capitalized amounted to US$20.1 million for the nine months ended September 30, 2015 with capitalization rate of 6.57 percent and US$2.4 million for the nine months ended September 30, 2016 with capitalization rate of 6.43 percent (see Note 12.6).

5.2 Concession Rights Payable

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

	Amount
2016[1]	US$1,426
2017	11,386
2018	15,218
2019	16,530
2020 onwards	459,477
Total	US$504,037

[1] *October 1, 2016 through December 31, 2016*

Total fixed portion of port fees paid by the Group for the three and nine months ended September 30, 2015 and 2016 amounted to US$11.7 million and US$11.9 million and US$35.0 million and US$35.7 million, respectively. These port fees are allocated to payments of interest and reduction to or payments of concession rights payable.

Interest expense on concession rights payable amounted to US$9.3 million and US$9.2 million and US$28.0 million and US$27.5 million for the three and nine months ended September 30, 2015 and 2016, respectively. The annualized weighted average interest rate was 7.18% and 7.28% as at September 30, 2015 and 2016, respectively.

Reduction to concession rights payable, shown as payments to concession rights in the unaudited interim consolidated statement of cash flows for the nine months ended September 30, 2015 and 2016 amounted to US$7.0 million and US$8.2 million, respectively.

6. Property and Equipment

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

Borrowing costs capitalized amounted to US$3.8 million for the nine months ended September 30, 2015 with capitalization rate of 6.57 percent and US$13.9 million for the nine months ended September 30, 2016 with capitalization rate of 6.43 percent (see Note 12.6). Borrowing costs capitalized in 2015 and 2016 mainly pertains to VICT and IDRC which started construction in November 2014 and January 2015, respectively.

7. Other Noncurrent Assets

This account includes noncurrent portion of input tax, restricted cash, advances to suppliers and contractors, advanced rent and deposits, AFS investments and others. This account increased in 2016 mainly because of increase in deposits and advances to suppliers and contractors and input tax associated with the ongoing purchase and construction of terminal facilities and equipment in various ports.

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

This account mainly pertains to ICTSI's investment in and advances to SPIA. This account increased in 2016 mainly due to additional interest-bearing loans extended to SPIA (see Note 16.1). The loans were used by SPIA to finance its ongoing construction of the terminal in Colombia.

9. Cash and Cash Equivalents

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

	2015 *(Unaudited)*	**2016** *(Unaudited)*
Cash on hand and in banks	US$94,137	**US$144,065**
Cash equivalents	331,343	**82,661**
	US$425,480	**US$226,726**

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

10. Receivables

This account consists of:

	December 31, 2015 *(Audited)*	**September 30, 2016** *(Unaudited)*
Trade	US$81,757	**US$86,168**
Advances and nontrade	10,992	**14,439**
	92,749	**100,607**
Less allowance for doubtful accounts	5,549	**6,899**
	US$87,200	**US$93,708**

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

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

11. Prepaid Expenses and Other Current Assets

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

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

12.1 Maturities of Long-term Debt

Maturities of long-term debt, net of unamortized debt issue costs, premium and discount of US$70.0 million, as at September 30, 2016 are as follows (amount in thousand):

	Amount
2016[1]	US$30,401
2017	11,172
2018	8,715
2019	107,540
2020 and onwards	1,080,174
Total	US$1,238,002

[1] *October 1, 2016 through December 31, 2016*

12.2 US Dollar-denominated Notes

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

12.3 US Dollar-denominated Revolving Credit Facility

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

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

In April and June 2016, IGFBV availed of loans amounting to US$150.0 million and US$10.0 million, respectively, from the US$350.0 million five year revolving credit facility bearing interest ranging from 2.39 to 2.47 percent per annum. In August 2016, IGFBV partially paid US$65.0 million of the amount drawn in April and June 2016.

12.4 US Dollar-denominated Loans

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

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

On March 29, 2016, CGSA (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement which consists of two tranches of loans amounting to US$32.5 million (Tranche I) and US$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II in May 2017. As at September 30, 2016, CGSA has availed a total of US$27.5 million under Tranche I and US$7.5 million under Tranche II. Portion of the proceeds of these loans was used to refinance the unsecured US$ short-term and term-loan of CGSA amounting to US$9.2 million in April 2016. In June and September 2016, CGSA paid a total amount of US$3.0 million of the loan under Tranche II. As at September 30, 2016, the outstanding balance of the loan amounted to US$32.0 million.

12.5 Foreign Currency-denominated Loans

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

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

On July 15, 2016, VICT signed the syndicated project finance facilities with various international and regional banks for principal amount of US$300.0 million (AUD398.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.1% per annum and maturities until 2023, 2026 and 2031. On July 25 and October 4, 2016, VICT availed of loans from the facilities amounting to US$69.1 million (AUD91.0 million) and US$26.9 million (AUD35.0 million), respectively.

12.6 Loan Covenants and Capitalized Borrowing Costs

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI's and subsidiaries' assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI is also required to maintain specified financial ratios relating to their debt to EBITDA of not less than 4 times. As at September 30, 2016, ICTSI and subsidiaries are in compliance with their loan covenants.

Interest expense, net of amount capitalized as intangible assets and property and equipment, amounted to US$41.8 million and US$56.6 million for the nine months ended September 30, 2015 and 2016, respectively (see Notes 5 and 6). Interest expense includes amortization of debt issue costs amounting to US$3.9 million and US$4.0 million for the nine months ended September 30, 2015 and 2016, respectively.

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

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

13. **Other Noncurrent Liabilities**

This account consists of:

	December 31, 2015	**September 30, 2016**
Accrued rental	US$92,856	**US$53,272**
Government grant	17,636	**16,358**
Pension liabilities	6,509	**5,902**
Finance lease payable	906	**282**
Others	1,447	**2,924**
	US$119,354	**US$78,738**

Accrued Rental

The accrued rental of VICT amounted to US$92.9 million (AUD127.4 million) as at December 31, 2015 and US$143.7 million (AUD187.4 million) as at September 30, 2016, calculated using the straight-line method from the inception of the contract in June 2014. In accordance with VICT's contract, VICT is required to start paying the lease upon start of the commercial operations in year 2017. As at September 30, 2016, the current portion of accrued rental amounting to US$90.4 million (AUD117.9 million) was reclassified to other current liabilities included in "Accounts payable and other current liabilities" (see Note 14).

Government Grant

On March 29, 2012, BCT and Centrum Unijnych Projektow Transportowych (CUPT), a Polish grant authority, signed a grant agreement (the "EU Grant") whereby CUPT would grant BCT a subsidy amounting to US$17.3 million (53.9 million Polish zloty) and on October 21, 2013, BCT and Centrum Unijnych Projektow Transportowych (CUPT), a Polish grant authority, signed a second grant agreement (the "EU Grant") whereby CUPT would grant BCT a subsidy amounting to US$4.8 million (14.6 million Polish zloty). The confirmation of the availability of the EU Grant is a condition precedent to any borrowing under the facility agreement of BCT. In December 2015, BCT finalized capital expenditure projects supported by the European Union grants with an estimated total of US$19.5 million. In 2016, BCT availed of an additional US$0.6 million grant. As at September 30, 2016, BCT has availed a total of US$19.5 million of the grant. The grant is treated as deferred income and is amortized over the duration of the existing concession agreement ending on May 31, 2023. The unamortized deferred income from government grant amounted to US$17.6 million and US$16.4 million as at December 31, 2015 and September 30, 2016, respectively. Amortization of deferred income included under "Other income" account of the interim consolidated statement of income amounted to US$0.6 million and US$1.8 million for the nine months ended September 30, 2015 and 2016, respectively.

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

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

15. **Equity**

15.1 Stock Incentive Plan

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

On March 14, 2016, the Stock Incentive Committee granted 2,567,763 shares of stock awards to officers and employees of ICTSI and ICTSI Ltd., 25% of which will vest on March 14, 2017, another 25% will vest on March 14, 2018 and the remaining 50% will vest on March 14, 2019. The fair value of the shares was US$1.39 (₱65.00) at the date of grant. The fair value per share was determined based on the market price of stock at the date of grant.

Total number of shares granted under the SIP aggregated 38,718,638 shares as at September 30, 2016. Also, on March 21, 2016, 1,506,534 shares vested under the SIP.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US$1.1 million and US$0.7 million, and US$3.1 million and US$2.2 million for the three and nine months ended September 30, 2014 and 2015, respectively.

15.2 Dividends Declared

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

15.3 Cost of Shares Held by Subsidiaries

In March and April 2015, IWI acquired a total of 1,494,940 ICTSI common shares for US$3.6 million. In June 2015, IWI sold 759,970 ICTSI common shares for US$1.9 million.

As at December 31, 2015 and September 30, 2016, cost of preferred shares held by a subsidiary pertains to 3,800,000 Preferred A shares held by ICTHI.

15.4 Treasury Shares

In 2015, the Company acquired 3,510,400 of its own common shares totaling US$6.6 million.

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

15.5 Other Comprehensive Loss

This account consists of:

	Cumulative Translation Adjustments	Mark-to-Market Gains (Losses) on Derivatives	Revaluation Increment	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Actuarial Gains (Losses) on Defined Benefit Plans	Total Comprehensive Income (Loss)
Balance at January 1, 2015	(US$172,260)	(US$2,457)	US$610	US$1,054	(US$380)	(US$173,433)
Translation differences arising from translation of foreign operations' financial statements	(88,044)	–	–	–	–	(88,044)
Net change in unrealized mark-to-market values of derivatives	–	1,416	–	–	–	1,416
Net change in unrealized mark-to-market values of AFS investments	–	–	–	4	–	4
Income tax relating to components of other comprehensive income	–	44	–	–	–	44
Balance at September 30, 2015	(US$260,304)	(US$997)	US$610	US$1,058	(US$380)	(US$260,013)

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

15.6 Perpetual Capital Securities

On January 29, 2015, RCBV issued US$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 or US$298.7 million. The new issue was partly used to finance the tendered US$230.0 million of the US$350-million Subordinated Guaranteed Perpetual Capital Securities ("Original Securities) at a tender price of 107.625 or US$247.5 million. The cash proceeds received by RCBV amounted to US$46.7 million, net of debt issue cost. A reduction of US$23.2 million, representing the exchange premium and unamortized debt issue cost of the Original Securities, was recognized directly in the retained earnings as a result of the transaction. The transaction did not have an impact in the 2015 interim consolidated statement of income of the Company and was treated as an equity transaction since the perpetual capital securities are treated as part of equity in the interim consolidated balance sheet.

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.

On May 5, 2016, RCBV redeemed the remaining US$108.3 million of the US$350-million Original Securities and paid the accrued distributions amounting to US$4.5 million. The difference amounting to US$7.6 million between the total of the redemption price and accrued distributions of US$112.8 million and the carrying amount of the remaining Original Securities of US$105.2 million was treated as a direct reduction in retained earnings.

On October 3, 2016, RCBV tendered its US$300.0 million 6.25 percent and US$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities for redemption at a price of 106.75 and 105.75, respectively. On October 20, 2016, RCBV redeemed a total of US$345.5 million of the tendered securities and paid the associated accrued distributions of US$9.3 million. Together with the redemption, RCBV issued US$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.225. The new issue was used to finance the redemption and payment of accrued distributions of the tendered securities. These transactions will not have any impact in the 2016 consolidated statement of income of the Company as the perpetual capital securities are treated as equity in the consolidated balance sheet. The difference between the redemption price including accrued distributions, and the carrying value of the redeemed perpetual capital securities amounting to US$41.5 million will be directly charged to retained earnings. The amount equivalent to the proceeds from the new issue, net of debt issue costs, will be recognized as additional perpetual capital securities.

Distributions paid by RCBV to the holders of the Securities totaling US$21.8 million in 2016 were directly charged to equity.

15.7 Non-controlling Interests

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

On March 2, 2015, LGICT started operating the first one-stop ICT located in Barangays Banlic and San Cristobal, Calamba City, Laguna. LGICT is 60%-owned by IW Cargo and the remaining 40% is owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK-Fil-Japan Shipping Corp. The non-controlling shareholders contributed US$1.2 million to LGICT in 2015.

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

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

In April and August 2016, PICT declared dividends amounting to US$0.16 per share (PKR17.0 per share) and US$0.07 per share (PKR7.2 per share), respectively or a total amount of US$25.2 million (PKR2,641.5 million). Dividends distributed to non-controlling shareholders totaled US$8.9 million (PKR936.8 million).

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

16. **Related Party Transactions**

16.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2015 Transaction Amount for the Three Months Ended September 30	2015 Transaction Amount for the Nine Months Ended September 30	2015 Outstanding Receivable (Payable) Balance Amount as at December 31	**2016** Transaction Amount for the Three Months Ended September 30	**2016** Transaction Amount for the Nine Months Ended September 30	**2016** Outstanding Receivable (Payable) Balance Amount as at September 30
					(In Millions)			
ICBV								
SPIA	Joint venture	Interest-bearing loans (see Note 8)	US$26.26	US$78.82	US$209.90	**US$17.77**	**US$50.17**	**US$260.07**
YICT								
Yantai Port Group (YPG)	Common shareholder	Port fees[i]	0.43	2.13	(0.29)	**0.61**	**1.90**	**(0.27)**
		Trade transaction[ii]	0.52	1.59	(0.32)	**0.39**	**1.37**	**(0.04)**
YPH	Non-controlling shareholder	Port fees[i]	0.48	1.40	-	**0.37**	**1.18**	**(0.02)**
		Trade transaction[ii]	0.12	0.37	(0.01)	**0.06**	**0.19**	**-**
		Management fees[iii]	0.06	0.17	-	**0.05**	**0.17**	**-**
DP World	Non-controlling shareholder	Management fees[iii]	0.05	0.14	-	**0.04**	**0.13**	**-**
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.04	0.13	(0.02)	**0.04**	**0.14**	**(0.02)**
AGCT								
Luka Rijeka	Non-controlling shareholder	Provision of services[iv]	0.05	0.19	(0.03)	**0.09**	**0.28**	**(0.03)**
PICT								
Premier Mercantile Services (Private) Limited	Common shareholder	Stevedoring and storage charges[v]	1.13	3.26	(0.52)	**1.41**	**3.95**	**(0.07)**
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue[vi]	0.11	0.39	0.04	**0.13**	**0.42**	**0.02**
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	–	–	–	**–**	**0.01**	**–**
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees[vii]	0.08	0.23	(0.16)	**0.12**	**0.35**	**(0.04)**
		Maintenance and repairs	–	–	(0.04)	**0.03**	**0.08**	**(0.02)**

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

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

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

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

(v) PICT has entered into an agreement with Premier Mercantile Services (Private) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.

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

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

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

16.2 Compensation of Key Management Personnel

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

	2015	**2016**
Short-term employee benefits	US$916	**US$937**
Share-based payments	2,866	**1,419**
Post-employment pension	155	**24**
Total compensation to key management personnel	US$3,937	**US$2,380**

17. Earnings Per Share Computation

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	**2016**	2015	**2016**
Net income attributable to equity holders of the parent	US$35,785	**US$54,637**	US$136,194	**US$141,920**
Adjustment for the effect of cumulative distributions on subordinated perpetual capital securities (see Note 15.6)	(9,392)	**(10,875)**	(23,833)	**(35,775)**
Net income attributable to equity holders of the parent, as adjusted (a)	US$26,393	**US$43,762**	US$112,361	**US$106,145**
Common shares outstanding at beginning of year	2,045,177,671	**2,045,177,671**	2,045,177,671	**2,045,177,671**
Weighted average treasury shares	(11,902,686)	**(11,638,223)**	(11,902,686)	**(11,638,223)**
Weighted average shares held by a subsidiary	(652,553)	**(734,970)**	(652,553)	**(734,970)**
Weighted average common shares issued during the period	–	–	–	–
Weighted average shares outstanding (b)	2,032,622,432	**2,032,804,478**	2,032,622,432	**2,032,804,478**
Effect of dilutive stock awards	10,491,711	**12,065,581**	10,491,711	**12,065,581**
Weighted average shares outstanding adjusted for potential common shares (c)	2,043,114,143	**2,044,870,059**	2,043,114,143	**2,044,870,059**
Basic earnings per share (a/b)	US$0.013	**US$0.022**	US$0.055	**US$0.052**
Diluted earnings per share (a/c)	US$0.013	**US$0.021**	US$0.055	**US$0.052**

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. **Financial Instruments**

19.1 Fair values

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

	December 31, 2015		**September 30, 2016**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Financial Liabilities				
Other financial liabilities:				
Long-term debt	US$1,081,043	US$1,189,663	**US$1,238,002**	**US$1,369,103**
Concession rights payable	512,038	591,766	**504,037**	**606,173**
	US$1,593,081	US$1,781,429	**US$1,742,039**	**US$1,975,276**

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

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

The fair values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 1.73 percent to 15.85 percent as at December 31, 2015 and 0.84 percent to 11.46 percent as at September 30, 2016.

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

19.2 Fair Value Hierarchy

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

	December 31, 2015			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
AFS investments	US$1,691	US$1,691	US$−	US$−
Derivative assets	331	−	331	−
Derivative liabilities	554	−	554	−
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,189,663	1,032,129	−	157,534
Concession rights payable	591,766	−	−	591,766

	September 30, 2016			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
AFS investments	**US$1,864**	**US$1,864**	**US$–**	**US$–**
Derivative liabilities	**14,068**	**–**	**14,068**	**–**
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	**1,369,103**	**1,055,614**	**–**	**313,489**
Concession rights payable	**606,173**	**–**	**–**	**606,173**

In 2015 and 2016, there were no transfers between *Level 1* and *Level 2* fair value measurements and no transfers into and out of *Level 3* fair value measurements.

19.3 Derivative Liabilities

Interest Rate Swaps. In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its floating rate US$-denominated loan maturing in 2027. A total notional amount of US$181.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, CMSA pays annual fixed interest of a weighted average of 2.44% and receives floating rate of six-month LIBOR on the notional amount. As at September 30, 2016, the market valuation loss on the outstanding interest rate swaps amounted to US$9.6 million. The effective portion of the change in the fair value of the interest rate swaps amounting to US$6.7 million, net of US$2.9 million deferred tax, for the nine months period ended September 30, 2016, was taken to equity under other comprehensive loss.

In August 2016, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD320.2 million (US$245.4 million) floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.1% to 2.5875% and receives floating rate of six-month BBSY on the notional amount. As at September 30, 2016, the market valuation loss on the outstanding interest rate swaps amounted to AUD4.9 million (US$3.7 million). The effective portion of the change in the fair value of the interest rate swap amounting to AUD3.4 million (US$2.6 million), net of AUD1.5 million (US$1.1 million) deferred tax, for the nine months period ended September 30, 2016, was taken to equity under other comprehensive loss.

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

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

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

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

2.1 Overview

The Group is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 2,500,000 twenty-foot equivalent units (TEUs). It also handles break bulk cargoes (BBC) and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing, and services for refrigerated containers or reefers. As of report date, the Group is involved in 30 terminal concessions and port development projects in 20 countries worldwide. There are 25 operating terminals in eight key ports and an inland container terminal in the Philippines, two in Indonesia and one each in Brunei, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico, Iraq and Argentina; three ongoing port development projects in Colombia, DR Congo and Australia; a sub-concession agreement to develop, manage and operate a port in Nigeria; and a recent acquisition of an existing concession to construct and operate a port in Tuxpan, Mexico. The project in DR Congo started initial operations in the third quarter of 2016 while the project in Colombia is expected to start commercial operations in the fourth quarter of 2016. The Phase 1 construction of the project in Australia is expected to be completed in the fourth quarter of 2016. The construction of the terminal in Nigeria is expected to start in early 2017 and is scheduled to commence initial operations in middle of 2019.

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

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

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

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

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

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

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

Matadi Gateway Terminal, Matadi, Democratic Republic of Congo. On January 23, 2014, the Company, through its subsidiary, ICTSI Cooperatief U.A. (ICTSI Cooperatief), forged a business partnership with La Societe de Gestion Immobiliere Lengo (SIMOBILE) for the establishment and formation of a joint venture company, ICTSI DR Congo (IDRC). ICTSI Cooperatief and SIMOBILE initially owned 60.0 percent and 40.0 percent of IDRC, respectively. On May 19, 2015, ICTSI Cooperatief and SIMOBILE transferred their respective 8.0 percent and 2.0 percent ownership interest in IDRC to Societe Commerciale Des Transports Et Des Ports S.A. (SCTP SA) in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, La Societe d'Investissement et de Placement Sprl (SIP Sprl), its 10% ownership in IDRC. Thereafter, IDRC is owned 52.0 percent by ICTSI, 28.0 percent by SIMOBILE, 10.0 percent by SIP Sprl and 10.0 percent by SCTP SA. IDRC will build, manage, develop and operate Matadi Gateway Terminal as a new container terminal in phases, as well as provide exclusive container handling services and general cargo services therein. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal commenced in January 2015 and initial operations started in the third quarter of 2016. The construction is expected to be fully completed by the end of 2016.

Port of Umm Qasr, Iraq. On April 8, 2014, ICTSI, through its wholly owned subsidiary ICTSI (M.E.) JLT, and General Company for Ports of Iraq signed the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 ("Contract") in the Port of Umm Qasr ("Port") in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract ("Addendum") was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. ICTSI took over Berth 20 in September 2014 and started commercial operations in November 2014, while Phase 1 of the expansion project is expected to be completed and be operational by the fourth quarter of 2016.

Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia. On May 2, 2014, ICTSI, through its subsidiary in Australia, Victoria International Container Terminal Ltd. (VICT), signed a contract with Port of Melbourne Corporation (POMC) for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container Terminal ("Terminal") and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5, (b) design, build and commission the new ECP at WDE, and (c) operate the Terminal and ECP until June 30, 2040. Phase 1 construction of the Terminal and ECP commenced in the fourth quarter of 2014 and expected to be completed in the fourth quarter of 2016. Phase 2 is expected to be completed in the last quarter of 2017.

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

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

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

Davao, Philippines. On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. The tender process for the Davao Sasa Port Modernization project has started and ICTSI is one of the short-listed bidders. On April 15, 2016, the local office of the Philippine Ports Authority in Davao City granted DIPSSCOR a hold-over authority for a period of six months until October 20, 2016 over the cargo handling services at Sasa Wharf, Port of Davao. On September 8, 2016, another hold-over authority for a period of six months until April 20, 2017 was granted by the PPA office in Davao City.

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

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

On April 27, 2015, ICTSI sold its 60.0 percent ownership interest in Naha International Container Terminal Inc. (NICTI) back to NICTI. The 10-year lease agreement of NICTI granted by Naha Port Authority was to expire by end of 2015. NICTI contributed less than 1.0 percent to the Group's revenue and net income in 2014.

2.2 Results of Operations and Key Performance Indicators

2.2.1 Results of Operations

The following table shows a summary of the results of operations for the third quarter and nine months ended September 30, 2016 as compared with the same period in 2015 as derived from the accompanying unaudited interim consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change	2015	**2016**	% Change
Gross revenues from port operations	US$239,928	**US$284,212**	18.5	US$792,035	**US$835,026**	5.4
Revenues from port operations, net of port authorities' share	202,258	**238,748**	18.0	666,101	**700,427**	5.2
Total income (net revenues, interest and other income)	208,485	**245,898**	17.9	683,487	**724,828**	6.0
Total expenses (operating, financing and other expenses)	157,777	**176,287**	11.7	501,570	**524,476**	4.6
EBITDA[1]	102,124	**132,876**	30.1	339,495	**390,329**	15.0
EBIT[2]	70,866	**96,246**	35.8	245,973	**280,490**	14.0
Net income attributable to equity holders of the parent	35,785	**54,637**	52.7	136,194	**141,920**	4.2
Earnings per share						
Basic	US$0.013	**US$0.022**	65.8	US$0.055	**US$0.052**	(5.5)
Diluted	0.013	**0.021**	65.7	0.055	**0.052**	(5.6)

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

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

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

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

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

The following table presents the computation of EBITDA as derived from the Group's unaudited interim consolidated net income attributable to equity holders of the parent for the third quarter and nine months ended September 30, 2016 as compared with the same period in 2015:

Table 2.2 EBITDA Computation

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change	2015	**2016**	% Change
Net income attributable to equity holders of the parent	US$35,785	**US$54,637**	52.7	US$136,194	**US$141,920**	4.2
Minority interests	2,173	**3,567**	64.2	7,471	**8,893**	19.0
Provision for income tax	12,750	**11,407**	(10.5)	38,252	**49,539**	29.5
Income before income tax	50,708	**69,611**	37.3	181,917	**200,352**	10.1
Add (deduct):						
Depreciation and amortization	31,258	**36,630**	17.2	93,522	**109,839**	17.4
Interest and other expenses	26,385	**33,785**	28.0	81,442	**104,539**	28.4
Interest and other income	(6,227)	**(7,150)**	14.8	(17,386)	**(24,401)**	40.3
EBITDA	US$102,124	**US$132,876**	30.1	US$339,495	**US$390,329**	15.0

2.2.2 Key Performance Indicators

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

2016 Compared with 2015

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

2015 Compared with 2014

Gross moves per hour per crane ranged from 15.3 to 30.2 moves per hour in 2014 to 17.3 to 29.4 moves per hour in 2015. Crane availability ranged from 90.0 percent to 99.0 percent in 2014 to 90.6 percent to 99.2 percent in 2015. Berth utilization was at 23.0 percent to 99.5 percent in 2014 and 20.0 percent to 70.6 percent in 2015.

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

2.3 Comparison of Operating Results for the Third Quarters Ended September 30, 2016 and 2015

2.3.1 TEU Volume

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

Table 2.3 Volume

	For the Three Months Ended September 30		
	2015	**2016**	% Change
Asia	989,088	**1,129,277**	14.2
Americas	664,005	**750,687**	13.1
EMEA	227,025	**290,595**	28.0
	1,880,118	**2,170,559**	15.4

For the third quarter of 2016, the Group handled consolidated volume of 2,170,559 TEUs, a 15.4 percent increase from the 1,880,118 TEUs handled for the same period in 2015 mainly due to new shipping lines

and services, improvement in trade activities at certain terminals and continuous growth and ramp-up at ICTSI Iraq.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia and Pakistan, increased by 14.2 percent to 1,129,277 TEUs for the third quarter of 2016 from 989,088 TEUs for the same period in 2015 mainly due to improvement in trade activities at most of the Philippine terminals; and new shipping lines and services at OJA and PICT, tapered by lower exports at YICT. The Asia operations accounted for 52.6 percent and 52.0 percent of the consolidated volume for the third quarters ended September 30, 2015 and 2016, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and The United States of America, increased by 13.1 percent from 664,005 TEUs for the third quarter of 2015 to 750,687 TEUs for the same period in 2016 primarily arising from new shipping lines and services at CMSA and CGSA; and increased imports and domestic volumes at TSSA. The Americas operations accounted for 35.3 percent and 34.6 percent of the consolidated volume for the third quarters ended September 30, 2015 and 2016, respectively.

Volume from the EMEA segment, consisting of terminals in Poland, Georgia, Madagascar, Croatia and Iraq, reported a 28.0 percent growth from 227,025 TEUs for the third quarter of 2015 to 290,595 TEUs for the same period in 2016 mainly due to continuous growth and ramp-up at ICTSI Iraq; and improvement in trade activities at MITCSL and AGCT. Growth was partially offset by reduced vessel calls and trade volume at BCT. The EMEA operations accounted for 12.1 percent and 13.4 percent of the Group's consolidated volume for the third quarters ended September 30, 2015 and 2016, respectively.

2.3.2 Total Income

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

The table below illustrates the consolidated total income for the third quarters ended September 30, 2015 and 2016:

Table 2.4 Total Income

	For the Three Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Gross revenues from port operations	US$239,928	**US$284,212**	18.5
Port authorities' share in gross revenues	37,670	**45,464**	20.7
Net revenues	202,258	**238,748**	18.0
Interest income	3,328	**4,743**	42.5
Foreign exchange gain	829	**505**	(39.1)
Other income	2,070	**1,902**	(8.1)
Total income	US$208,485	**US$245,898**	17.9

For the third quarter of 2016, net revenues stood at 97.1 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.9 percent, 0.2 percent and 0.8 percent, respectively. For the same period in 2015, net revenues stood at 97.0 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.6 percent, 0.4 percent and 1.0 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 September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Asia	US$127,584	**US$144,956**	13.6
Americas	86,088	**96,476**	12.1
EMEA	26,256	**42,780**	62.9
	US$239,928	**US$284,212**	18.5

The Group's consolidated gross revenues from port operations increased by 18.5 percent from US$239.9 million for the third quarter of 2015 to US$284.2 million for the same period in 2016 mainly due to volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and continuous growth and ramp-up at ICTSI Iraq. The growth, however, was tapered by unfavorable container mix; and lower non-containerized revenues.

Gross revenues from the Asia segment reported a growth of 13.6 percent from US$127.6 million for the third quarter of 2015 to US$145.0 million for the same period in 2016 mainly due to improvement in trade activities at most of the Philippine terminals resulting to volume growth; new contracts with shipping lines and services at OJA; and tariff rate adjustment at certain terminals. The Asia operations captured 53.2 percent and 51.0 percent of the consolidated gross revenues for the third quarters ended September 30, 2015 and 2016, respectively.

Gross revenues from the Americas segment increased by 12.1 percent from US$86.1 million for the third quarter of 2015 to US$96.5 million for the same period in 2016 mainly due to new shipping lines and services at CGSA and CMSA; and improved trade activities at TSSA, tapered by lower storage and non-containerized revenues at TSSA and CGSA. The Americas operations accounted for 35.9 percent and 33.9 percent of the consolidated gross revenues for the third quarters ended September 30, 2015 and 2016, respectively.

Gross revenues from the EMEA segment grew by 62.9 percent from US$26.3 million for the third quarter of 2015 to US$42.8 million for the same period in 2016 primarily due to continuous growth and ramp-up at ICTSI Iraq; and favorable container volume mix and tariff rate adjustments at MICTSL, partially offset by weaker short-sea trade and reduced vessel calls at BCT. The EMEA operations stood at 10.9 percent and 15.1 percent of the consolidated gross revenues for the third quarters ended September 30, 2015 and 2016, respectively.

2.3.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, grew by 20.7 percent from US$37.7 million for the third quarter ended September 30, 2015 to US$45.5 million for the same period in 2016 as a result of higher revenues at these terminals.

2.3.2.3 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 42.5 percent from US$3.3 million for the third quarter of 2015 to US$4.7 million for the same period in 2016 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased to US$0.5 million for the third quarter of 2016 from US$0.8 million for the same period in 2015 mainly due to the unfavorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income, on the other hand, decreased by 8.1 percent from US$2.1 million for the third quarter of 2015 to US$1.9 million for the same period in 2016 mainly due to lower income derived from other income. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

2.3.3 Total Expenses

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

Table 2.6 Total Expenses

	For the Three Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Manpower costs	US$44,965	**US$48,106**	7.0
Equipment and facilities-related expenses	27,434	**30,368**	10.7
Administrative and other operating expenses	27,735	**27,398**	(1.2)
Total cash operating expenses	100,134	**105,872**	5.7
Depreciation and amortization	31,258	**36,630**	17.2
Interest expense and financing charges on borrowings	13,986	**16,649**	19.0
Interest expense on concession rights payable	9,322	**9,175**	(1.6)
Equity in net loss of a joint venture	768	**1,455**	89.5
Foreign exchange loss and others	2,309	**6,506**	181.8
Total expenses	US$157,777	**US$176,287**	11.7

Total cash operating expenses of the Group increased by 5.7 percent from US$100.1 million for the third quarter ended September 30, 2015 to US$105.9 million for the same period in 2016 mainly due to increase in variable operating costs as a result of volume growth; and the contributions and start-up costs of new terminals and project, Tecplata, IDRC and VICT, tapered by decline in global fuel prices; and cost optimization measures implemented.

2.3.3.1 Manpower Costs

Manpower costs increased by 7.0 percent from US$45.0 million for the third quarter of 2015 to US$48.1 million for the same period in 2016 primarily due to increase in contracted services as a result of volume growth; government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminal and project, IDRC and VICT.

Manpower costs accounted for 44.9 percent and 45.4 percent of consolidated cash operating expenses for the third quarters ended September 30, 2015 and 2016, respectively.

2.3.3.2 Equipment and Facilities-Related Expenses

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

Equipment and facilities-related expenses increased by 10.7 percent from US$27.4 million for the third quarter of 2015 to US$30.4 million for the same period in 2016 mainly due to higher fuel consumption driven by volume growth, increased power costs due to increased reefer containers serviced at certain terminals; increase in fuel and power tariffs at CGSA; and increased repairs and maintenance of port equipment and facilities, tapered by decline in global prices of fuel in most of the terminals.

Equipment and facilities-related expenses represented 27.4 percent and 28.7 percent of consolidated cash operating expenses for the third quarters ended September 30, 2015 and 2016, respectively.

2.3.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by 1.2 percent from US$27.7 million for the third quarter of 2015 to US$27.4 million for the same period in 2016 mainly due to cost optimization measures

implemented; and decrease in taxes and licenses, tapered by higher IT costs; increased provision for doubtful accounts; and the contribution of new terminals and project, Tecplata, IDRC and VICT.

Administrative and other operating expenses stood at 27.7 percent and 25.9 percent of consolidated cash operating expenses for the third quarters ended September 30, 2015 and 2016, respectively.

2.3.3.4 Depreciation and Amortization

Depreciation and amortization expense increased by 17.2 percent from US$31.3 million for the third quarter of 2015 to US$36.6 million for the same period in 2016 mainly from depreciation of Tecplata's port facilities starting January 1, 2016; and higher depreciation arising from acquisition of port equipment at MICT and YICT.

2.3.3.5 Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 19.0 percent from US$14.0 million for the third quarter of 2015 to US$16.6 million for the same period in 2016 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US$8.9 million in 2015 and US$8.2 million in 2016. Capitalization rate increased from 6.6 percent in 2015 to 6.4 percent in 2016.

2.3.3.6 Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased marginally by 1.6 percent from US$9.3 million for the second quarter of 2015 to US$9.2 million for the same period in 2016 mainly due to the declining principal balances of the Group's concession rights payable as of September 30, 2016.

2.3.3.7 Equity in Net Loss of A Joint Venture

Equity in net loss of a joint venture increased to US$1.5 million in the third quarter of 2016 from US$0.8 million for the same period in 2015 due to the increase in the Company's share in net loss at SPIA as a result of increase in level of activities in line with the expected start of commercial operations in the fourth quarter of 2016.

2.3.3.8 Foreign Exchange Loss and Others

Foreign exchange loss and others increased from US$2.3 million for the third quarter of 2015 to US$6.5 million for the same period in 2016 primarily due to the recognition of solidarity contribution tax and provision for claims at CGSA in 2016; and unfavorable translation impact of certain currencies against US dollar in 2016. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

2.3.4 EBITDA and EBIT

Consolidated EBITDA grew by 30.1 percent from US$102.1 million for the third quarter of 2015 to US$132.9 million for the same period in 2016 primarily due to strong revenue driven by volume growth; tariff rate adjustments at certain terminals; continuous revenue growth and ramp-up at ICTSI Iraq; combined with cost optimization measures implemented. The EBITDA growth, however, was partially tapered by cost contributions of the new terminals and project. Consequently, EBITDA margin went up to 46.8 percent in 2016 from 42.6 percent in 2015.

Meanwhile, consolidated EBIT increased by 35.8 percent from US$70.9 million for the third quarter of 2015 to US$96.2 million for the same period in 2016 mainly due to stronger EBITDA. As a result, EBIT margin also increased to 33.9 percent in 2016 from 29.5 percent in 2015.

2.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 37.3 percent from US$50.7 million for the quarter ended September 30, 2015 to US$69.6 million for the same period in 2016 primarily due to strong operating income, tapered by Tecplata's contribution in terms of higher depreciation charges; and higher interest and financing charges arising from higher average loan balance and lower capitalized borrowing costs. Excluding new terminals and project, consolidated income before income tax would have increased by 64.6 percent in 2016. The ratio of income before income tax to consolidated gross revenues stood at 21.1 percent and 24.5 percent in 2015 and 2016, respectively.

Consolidated provision for current and deferred income taxes decreased to US$11.4 million for the third quarter of 2016 from US$12.8 million for the same period in 2015 mainly due to higher deferred income tax benefit on unrealized foreign exchange loss, tapered by higher taxable income as a result of strong operating income. Effective income tax rate in 2015 and 2016 stood at 25.1 percent and 16.4 percent, respectively.

2.3.6 Net Income

Consolidated net income surged by 53.3 percent from US$38.0 million for the quarter ended September 30, 2015 to US$58.2 million for the same period in 2016. The ratio of consolidated net income to gross revenues stood at 15.8 percent and 20.5 percent in 2015 and 2016, respectively. Excluding new terminals and project, consolidated net income would have increased by 83.4 percent in 2016.

Consolidated net income attributable to equity holders surged by 52.7 percent from US$35.8 million for the quarter ended September 30, 2015 to US$54.6 million for the same period in 2016. Excluding new terminals and project, consolidated net income attributable to equity holders would have increased by 72.0 percent in 2016.

Basic and diluted earnings per share increased from US$0.013 in 2015 to US$0.022 in 2016 and US$0.013 in 2015 to US$0.021 in 2016, respectively.

2.4 Comparison of Operating Results for the Nine Months Ended September 30, 2016 and 2015

2.4.1 TEU Volume

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

Table 2.7 Volume

	For the Nine Months Ended September 30		
	2015	**2016**	% Change
Asia	2,998,551	**3,364,342**	12.2
Americas	2,080,728	**2,247,847**	8.0
EMEA	688,969	**823,003**	19.5
	5,768,248	**6,435,192**	11.6

Consolidated volume handled by the Group increased by 11.6 percent from 5,768,248 TEUs for the first nine months of 2015 to 6,435,192 TEUs for the same period in 2016 mainly due to new shipping lines and services, improvement in trade activities in most of the terminals in the Asia region and continuous growth and ramp-up at ICTSI Iraq.

Volume from the Asia segment increased by 12.2 percent from 2,998,551 TEUs for the first nine months of 2015 to 3,364,342 TEUs for the same period in 2016 as a result of improvement in trade activities in most of the terminals in the Asia region; and new shipping lines and services at OJA and PICT. The Asia operations accounted for 52.0 percent and 52.3 percent of the consolidated volume for the nine months ended September 30, 2015 and 2016, respectively.

Volume from the Americas segment increased by 8.0 percent from 2,080,728 TEUs for the first nine months of 2015 to 2,247,847 TEUs for the same period in 2016 as a result of new shipping lines and services at CGSA and CMSA; and increase in domestic volume at TSSA. The growth in the segment's volume, however, was tempered by lower imports at TSSA as a result of the slowdown of the Brazilian economy and significant depreciation of the Brazilian Reais against the US dollar in the first half of 2016; and discontinued vessel calls from two major shipping lines at ICTSI Oregon in March 2015 due to continuing effect of labor disruptions and conflicts. The Americas operations accounted for 36.1 percent and 34.9 percent of the consolidated volume for the nine months ended September 30, 2015 and 2016, respectively.

Volume from the EMEA segment increased by 19.5 percent from 688,969 TEUs for the first nine months of 2015 to 823,003 TEUs for the same period in 2016 primarily due to continuous growth and ramp-up at ICTSI Iraq; and marginal economic recovery resulting to increase in trade activities at MICTSL and AGCT, partially tapered by reduced vessel calls and trade volume at BCT. The EMEA segment stood at 11.9 percent and 12.8 percent of the consolidated volume for the nine months ended September 30, 2015 and 2016, respectively.

2.4.2 Total Income

Table 2.8 Total Income

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Gross revenues from port operations	US$792,035	**US$835,026**	5.4
Port authorities' share in gross revenues	125,934	**134,599**	6.9
Net revenues	666,101	**700,427**	5.2
Interest income	8,923	**12,962**	45.3
Foreign exchange gain	3,379	**3,690**	9.2
Other income	5,084	**7,749**	52.4
Total income	US$683,487	**US$724,828**	6.0

For the nine months ended September 30, 2016, net revenues accounted for 96.6 percent of the total consolidated income while interest income, foreign exchange gain, and other income represented 1.8 percent, 0.5 percent and 1.1 percent, respectively. For the same period in 2015, net revenues accounted for 97.4 percent of the total consolidated income while interest income, foreign exchange gain, gain on sale of subsidiaries and other income represented 1.3 percent, 0.5 percent and 0.8 percent, respectively.

2.4.2.1 Gross Revenues from Port Operations

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

Table 2.9 Gross Revenues from Port Operations

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Asia	US$424,558	**US$435,112**	2.5
Americas	289,466	**287,957**	(0.5)
EMEA	78,011	**111,957**	43.5
	US$792,035	**US$835,026**	5.4

The Group's consolidated gross revenues from port operations increased by 5.4 percent to US$835.0 million for the first nine months of 2016 from US$792.0 million for the same period in 2015 mainly due to volume growth; continuous growth and ramp-up at ICTSI Iraq; new contracts with shipping lines and services; and tariff rate adjustments at certain terminals, tapered by unfavorable container volume mix; and lower non-containerized and storage revenues.

Gross revenues from the Asia segment increased by 2.5 percent from US$424.6 million for the first nine months of 2015 to US$435.1 million for the same period in 2016 mainly due to improvement in trade activities at most of the Philippine terminals resulting to volume growth; contributions of new contracts with shipping lines and services at OJA and PICT, tapered by unfavorable container volume mix. The Asia segment accounted for 53.6 percent and 52.1 percent of the consolidated gross revenues for the nine months ended September 30, 2015 and 2016, respectively.

Gross revenues from the Americas segment declined marginally by 0.5 percent from US$289.5 million for the first nine months of 2015 to US$288.0 million for the same period in 2016 primarily due to unfavorable container volume mix; lower storage and non-containerized revenues at TSSA and CGSA; and discontinued vessel calls of two major shipping lines at ICTSI Oregon as a result of the continuing effect of labor disruptions and conflicts. The decline in gross revenues was tapered by tariff rate adjustments and higher storage and special services at OPC; and new shipping lines and services at CGSA and CMSA. The Americas segment stood at 36.6 percent and 34.5 percent of the consolidated gross revenues for the nine months ended September 30, 2015 and 2016, respectively.

Gross revenues from the EMEA segment grew by 43.5 percent to US$112.0 million for the first nine months of 2016 from US$78.0 million for the same period in 2015 primarily due to continuous growth and ramp-up at ICTSI Iraq; favorable container volume mix and tariff rate adjustments at MICTSL, tapered by weaker short-sea trade and reduced vessel calls at BCT. The EMEA operations accounted for 9.8 percent and 13.4 percent of the consolidated gross revenues for the nine months ended September 30, 2015 and 2016, 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 6.9 percent to US$134.6 million for the first nine months of 2016 from US$125.9 million for the same period in 2015 due to stronger revenues at these terminals.

2.4.2.3 Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income increased to US$13.0 million for the first nine months of 2016 from US$8.9 million for the same period in 2015 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain increased to US$3.7 million for the first nine months of 2016 from US$3.4 million for the same period in 2015 mainly due to the favorable translation impact of AUD against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased to US$7.7 million for the first nine months of 2016 from US$5.1 million for the same period in 2015 mainly due to gain on disposal of certain fixed assets and other income. Other income includes the Group's rental, dividend income, and other sundry income accounts of ICTSI and subsidiaries.

2.4.3 Total Expenses

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

Table 2.10 Total Expenses

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Manpower costs	US$141,347	**US$144,003**	1.9
Equipment and facilities-related expenses	97,558	**87,529**	(10.3)
Administrative and other expenses	87,701	**78,566**	(10.4)
Total cash operating expenses	326,606	**310,098**	(5.1)
Depreciation and amortization	93,522	**109,839**	17.4
Interest expense and financing charges on borrowings	41,767	**56,608**	35.5
Interest expense on concession rights payable	27,997	**27,531**	(1.7)
Equity in net loss of a joint venture	1,989	**4,677**	135.1
Foreign exchange loss and others	9,689	**15,723**	62.3
Total expenses	US$501,570	**US$524,476**	4.6

The Group's cash operating expenses for the nine months ended September 30, 2016 decreased by 5.1 percent to US$310.1 million from US$326.6 million for the same period in 2015 mainly due to improved operational efficiencies resulting to lower costs on repairs and maintenance, lower fuel and power consumption, combined with decline in global fuel prices; cost optimization measures implemented; and lower variable cost at ICTSI Oregon, tapered by increase in variable manpower costs as a result of increase in volume; and cost contribution of new terminals and project.

2.4.3.1 *Manpower Costs*

Manpower costs increased by 1.9 percent to US$144.0 million for the first nine months of 2016 from US$141.3 million for the same period in 2015 primarily due to increase in contracted services as a result of volume growth and government-mandated and contracted salary rate adjustments at certain terminals; and the contribution of new terminals and project, tapered by decline in variable contracted labor services at ICTSI Oregon.

Manpower costs accounted for 43.3 percent and 46.5 percent of consolidated cash operating expenses for the nine months ended September 30, 2015 and 2016, respectively.

2.4.3.2 *Equipment and Facilities-related Expenses*

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

Equipment and facilities-related expenses declined by 10.3 percent from US$97.6 million for the first nine months of 2015 to US$87.5 million for the same period in 2016 mainly due to operational efficiencies resulting to lower costs on repairs and maintenance, lower power and fuel consumption, combined with decline in global prices of fuel; and lower variable cost at ICTSI Oregon.

Equipment and facilities-related expenses stood at 29.9 percent and 28.2 percent of consolidated cash operating expenses for the nine months ended September 30, 2015 and 2016, respectively.

2.4.3.3 *Administrative and Other Operating Expenses*

Administrative and other operating expenses decreased by 10.4 percent from US$87.7 million for the first nine months of 2015 to US$78.6 million for same period in 2016 mainly due to cost optimization measures implemented, slightly tapered by higher IT costs; and the contribution of new terminals and project.

Administrative and other operating expenses accounted for 26.8 percent and 25.3 percent of consolidated cash operating expenses for the six months ended September 30, 2015 and 2016, respectively.

2.4.3.4 *Depreciation and Amortization*

Depreciation and amortization expense increased by 17.4 percent from US$93.5 million for the first nine months of 2015 to US$109.8 million for the same period in 2016 mainly from depreciation of Tecplata's port facilities; and higher depreciation arising from acquisition of port facilities and equipment at MICT, YICT and OPC.

2.4.3.5 *Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 35.5 percent from US$41.8 million for the first nine months of 2015 to US$56.6 million for the same period in 2016 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US$23.9 million in 2015 and US$16.3 million in 2016. Capitalization rate increased from 6.6 percent in 2015 to 6.4 percent in 2016.

2.4.3.6 *Interest Expense on Concession Rights Payable*

Interest on concession rights payable decreased by 1.7 percent from US$28.0 million for the first nine months of 2015 to US$27.5 million for the same period in 2016 mainly due to the declining principal balances of the Group's concession rights payable as of September 30, 2016.

2.4.3.7 *Equity in Net Loss of A Joint Venture*

Equity in net loss of a joint venture increased to US$4.7 million for the first nine months of 2016 from US$2.0 million for the same period in 2015 due to the increase in the Company's share in net loss at SPIA as a result of increase in level of activities in line with the expected start of commercial operations in the fourth quarter of 2016.

2.4.3.8 *Foreign Exchange Loss and Others*

Foreign exchange loss and others increased by 62.3 percent from US$9.7 million for the first nine months of 2015 to US$15.7 million for the same period in 2016 primarily due to the recognition of solidarity contribution tax and provision for claims at CGSA in 2016; and unfavorable translation impact of certain currencies against US dollar in 2016. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

2.4.4 EBITDA and EBIT

Consolidated EBITDA increased by 15.0 percent to US$390.3 million for the first nine months of 2016 from US$339.5 million for the same period in 2015 primarily due to strong revenue combined with cost optimization measures implemented and lower operating costs. Consequently, EBITDA margin went up to 46.7 percent in 2016 from 42.9 percent in 2015.

Meanwhile, consolidated EBIT went up by 14.0 percent to US$280.5 million for the first nine months of 2016 from US$246.0 million for the same period in 2015 mainly due to stronger EBITDA. As a result, EBIT margin also increased from 31.1 percent to 33.6 percent for the nine months ended September 30, 2015 and 2016, respectively.

2.4.5 Income Before Income Tax and Provision for Income Tax

The Group's consolidated income before income tax increased by 10.1 percent to US$200.4 million for the first nine months of 2016 from US$181.9 million for the same period in 2015 mainly due to a strong consolidated EBITDA, tapered by the negative contribution of Tecplata in terms of higher depreciation charges and interest and financing charges arising from higher average loan balance and lower capitalized borrowing costs. Excluding new terminals and project, consolidated income before income tax would have increased by 24.5 percent in 2016. The ratio of income before income tax to consolidated gross revenues stood at 23.0 percent and 24.0 percent in 2015 and 2016, respectively.

Consolidated provision for current and deferred income taxes increased to US$49.5 million for the first nine months of 2016 from US$38.3 million for the same period in 2015 mainly due to higher taxable income as a result of strong operating income, tapered by higher deferred income tax benefit on unrealized foreign exchange loss. Effective income tax rate in 2015 and 2016 stood at 21.0 percent and 24.7 percent, respectively.

2.4.6 Net Income

Consolidated net income increased by 5.0 percent to US$150.8 million for the first nine months of 2016 from US$143.7 million for the same period in 2015. The ratio of consolidated net income to gross revenues stood at 18.1 percent for the nine months ended September 30, 2015 and 2016. Excluding the new terminals and project, consolidated net income would have increased by 21.6 percent in 2016.

Consolidated net income attributable to equity holders increased by 4.2 percent from US$136.2 million for nine months ended September 30, 2015 to US$141.9 million for the same period in 2016. Excluding mew terminals and project, consolidated net income attributable to equity holders would have increased by 27.9 percent in 2016.

Basic and diluted earnings per share decreased from US$0.055 during the nine months ended September 30, 2015 to US$0.052 for the same period in 2016.

2.5 Trends, Events or Uncertainties Affecting Revenues and Profits

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

2.6 Financial Position

Table 2.11 Consolidated Condensed Balance Sheets

(In thousands, except % change data)	December 31, 2015	**September 30, 2016**	% Change
Total assets	US$3,841,432	**US$4,034,173**	5.0
Current assets	513,717	**411,740**	(19.9)
Total equity	1,826,048	**1,783,018**	(2.4)
Total equity attributable to equity holders of the parent	1,674,443	**1,636,051**	(2.3)
Total interest-bearing debt	1,083,070	**1,252,435**	15.6
Current liabilities	288,751	**389,842**	35.0
Total liabilities	2,015,384	**2,251,155**	11.7
Current assets/total assets	13.4%	10.2%	
Current ratio	1.78	1.06	
Debt-equity ratio[1]	0.59	0.70	

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

Total assets increased by 5.0 percent to US$4.0 billion as of September 30, 2016 from US$3.8 billion as of December 31, 2015 mainly due to investments in capital expenditures, which include the ongoing construction of port facilities at VICT and IDRC and expansion projects at ICTSI Iraq and CMSA; and advances extended to SPIA to fund the Group's share on the ongoing construction and development at the Port of Buenaventura. These investments were funded mainly by cash generated from the Group's operations; and net proceeds from the issuances of perpetual capital securities in 2015 and debt financing. Non-current assets stood at 86.6 percent and 89.8 percent of the total consolidated assets as of December 31, 2015 and September 30, 2016, respectively.

Current assets decreased by 19.9 percent from US$513.7 million as of December 31, 2015 to US$411.7 million as of September 30, 2016 primarily due to continuous deployment of cash to fund capital expenditures during the period; and redemption of subordinated perpetual capital securities in May 2016, tapered by stronger cash inflows generated from operations; and net proceeds from debt financing. Current assets accounted for 13.4 percent and 10.2 percent of the total consolidated assets of the Group as of December 31, 2015 and September 30, 2016, respectively. Current ratio stood at 1.78 as of December 31, 2015 and 1.06 as of September 30, 2016.

Total equity decreased by 2.4 percent to US$1.8 billion as of September 30, 2016 primarily due to redemption of subordinated perpetual capital securities aggregating to US$105.2 million in May 2016; and increase in treasury shares, tapered by net income generated for the period.

Total liabilities increased by 11.7 percent to US$2.3 billion as of September 30, 2016 mainly due to loan availments at the Parent Company, CGSA and VICT; drawdown from the Group's Revolving Credit Facility; and liability arising from the accrual of lease expense at VICT. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 28.2 percent and 31.0 percent as of December 31, 2015 and September 30, 2016, respectively.

Meanwhile, current liabilities went up by 35.0 percent to US$389.8 million as of September 30, 2016 from US$288.8 million as of December 31, 2015 mainly due to reclassification of the current portion of the accrued lease expense at VICT; loan availment at the Parent Company; and higher income tax payable as a result of higher taxable income at certain terminals.

2.6.1 Material Variances Affecting the Balance Sheet

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

Noncurrent Assets

1. Property and equipment increased by 17.8 percent to US$1.4 billion as of September 30, 2016 due to increase in capital expenditures arising from ongoing construction of port facilities, expansion projects and port equipment acquisitions at VICT and IDRC.
2. Investment properties decreased by 5.7 percent to US$6.4 million as of September 30, 2016 mainly due to recognition of depreciation expense for the first nine months of 2016.
3. Deferred tax assets increased by 15.0% to US$100.1 million as of September 30, 2016 due to higher deferred income tax benefit from unrealized foreign exchange loss and mark-to-market loss on interest rate swaps.
4. Investment in and advances to a joint venture and associate increased by 19.8 percent to US$277.7 million as of September 30, 2016 due to continuous funding extended to SPIA for the Group's share on the ongoing construction and development at the Port of Buenaventura.
5. Other noncurrent assets increased by 9.3 percent to US$150.3 million as of September 30, 2016 mainly due to increase in advances to suppliers and contractors on port equipment acquisitions at IDRC.

Current Assets

6. Cash and cash equivalents decreased by 36.0 percent to US$226.7 million as of September 30, 2016 arising from continuous deployment of cash to fund capital expenditures; and redemption of subordinated capital securities, tapered by cash inflows generated from operations and net proceeds from debt financing.
7. Receivables increased by 7.5 percent to US$93.7 million as of September 30, 2016 primarily due to strong revenues at CMSA and MICTSL.
8. Spare parts and supplies increased by 18.0 percent to US$32.6 million as of September 30, 2016 primarily as a result of acquisition of spare parts particularly at ICTSI Iraq.
9. Prepaid expenses and other current assets increased by 33.2 percent to US$58.7 million as of September 30, 2016 mainly due to timing of utilization of prepaid taxes, particularly at the Parent Company, CMSA and IDRC.
10. Derivative assets decreased to nil as of September 30, 2016 mainly due to settlement of currency options entered in December 2015.

Equity

11. Treasury shares grew by 46.8 percent to US$11.1 million as of September 30, 2016 mainly as a result of acquisition of 3,102,960 treasury shares in 2016.
12. Retained earnings increased by 10.0 percent to US$795.7 million as of September 30, 2016 mainly due to net income generated during the first nine months of 2016, tapered by dividends declared and paid in 2016.
13. Perpetual capital securities decreased by 12.7 percent to US$726.7 million as of September 30, 2016 primarily due to redemption of subordinated perpetual capital securities aggregating to US$105.2 million in May 2016.

Noncurrent Liabilities

14. Long-term debt increased by 16.4 percent to US$1.2 billion as of September 30, 2016 mainly due to the US$95.0 million net proceeds from the drawdown of the Group's Revolving Credit Facility and drawdown from project finance liability at VICT during the period.
15. Deferred tax liabilities increased by 5.2 percent to US$81.5 million as of September 30, 2016 mainly due to the income tax effect of capitalized borrowing costs.
16. Derivative liabilities amounting to US$11.9 million was recognized as of September 30, 2016 due to loss on mark-to-market valuation from interest rate swap entered in 2016 at VICT and CMSA.

17. Pension and other non-current liabilities decreased by 34.0 percent to US$78.7 million as of September 30, 2016 arising mainly from the reclassification of the current portion of the accrued 1ease expense at VICT to current liabilities.

Current Liabilities

18. Loans payable increased to US$14.4 million as of September 30, 2016 mainly due to loan availment at the Parent Company.
19. Accounts payable and other current liabilities grew by 44.4 percent to US$290.9 million as of September 30, 2016 primarily due to reclassification of the current portion of accrued lease expense and increase in trade payables arising from on-going port development at VICT.
20. Current portion of long-term debt and debt securities decreased by 20.3 percent to US$43.4 million as of September 30, 2016 due to settlement of maturing term loans of subsidiaries in 2016.
21. Current portion of concession rights payable increased by 6.8 percent to US$9.4 million as of September 30, 2016 mainly arising from maturing concession fees scheduled for payment in the next financial year.
22. Income tax payable increased by 33.9 percent to US$29.5 million as of September 30, 2016 due to stronger operating income at certain terminals, particularly at the Parent Company, PICT and ICTSI Iraq.
23. Current portion of derivative liabilities amounting to US$2.2 million was recognized as of September 30, 2016 due to loss on mark-to-market valuation from interest rate swap entered in 2016 at VICT and 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 September 30, 2015 and 2016:

Table 2.12 Consolidated Cash Flows

	For the Nine Months Ended September 30		
(In thousands, except % change data)	2015	**2016**	% Change
Net cash provided by operating activities	US$317,801	**US$323,373**	1.8
Net cash used in investing activities	(386,358)	**(336,220)**	(13.0)
Net cash provided by (used in) financing activities	303,434	**(109,943)**	(136.2)
Effect of exchange rate changes on cash and cash equivalents	(3,695)	**(4,966)**	34.4
Net decrease in cash and cash equivalents	231,182	**(127,756)**	(155.3)
Cash and cash equivalents, beginning	194,298	**354,482**	82.4
Cash and cash equivalents, end	US$425,480	**US$226,726**	(46.7)

Consolidated cash and cash equivalents decreased by 46.7 percent year-on-year to US$226.7 million as of September 30, 2016 mainly due to the Group's continuous deployment of funds to finance ongoing port development activities; and redemption of subordinated perpetual capital securities.

Net cash provided by operating activities increased by 1.8 percent from US$317.8 million for the nine months ended September 30, 2015 to US$323.4 million for the same period in 2016 mainly due to stronger results of operations, tapered by settlement of trade payables.

Net cash used in investing activities decreased by 13.0 percent to US$336.2 million mainly due to the absence of acquisitions and lower advances granted to SPIA, a joint venture, in 2016. In May 2015, the Group acquired a subsidiary, TMT, for US$54.5 million. Capital expenditures for 2016 amounted to US$297.9 million. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and/or equity issuances, as necessary. The 2016 net cash used in investing activities also includes US$50.1 million advances granted to SPIA, a joint venture, for the Group's share on the ongoing construction of port facilities at the Port of Buenaventura.

Net cash used in financing activities for the nine months ended September 30, 2016 amounted to US$109.9 million mainly due to redemption of subordinated perpetual capital securities amounting to US$108.3 million; and increased debt servicing costs, tapered by net cash proceeds from the drawdown from project finance liability at VICT. In addition, net cash provided by financing activities for the nine months ended September 30, 2015 includes net proceeds from issuance and exchanges of debt and equity instrument amounting to US$495.4 million.

2.7.2 Capital Resources

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

Table 2.13 Capital Sources

(In thousands, except % change data)	December 31, 2015	**September 30, 2016**	% Change
Loans payable	US$2,027	**US$14,433**	612.0
Current portion of long-term debt	54,465	**43,416**	(20.3)
Long-term debt, net of current portion	1,026,578	**1,194,586**	16.4
Total short and long-term debt	1,083,070	**1,252,435**	15.6
Equity	1,826,048	**1,783,018**	(2.4)
	US$2,909,118	**US$3,035,453**	4.3

The Group's total debt and equity capital increased by 4.3 percent as of September 30, 2016 primarily due to net income generated during the period and increase in debt financing activities to fund expansion projects and capital expenditures, repayment of maturing loans, and other general corporate requirements.

2.7.2.1 Debt Financing

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

Table 2.14 Outstanding Loans

(In thousands)	Company	Final Maturity	Interest Rate	Amount
Short-Term Debt				
Unsecured Philippine Peso Loan	Parent	2016	Fixed	US$14,433
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	748,530
Unsecured US Dollar Bond	Parent	2020	Fixed	179,226
Unsecured US Dollar Term Loans	IGFBV	2019	Floating	90,973
Secured US Dollar Term Loan	CMSA	2027	Fixed*	86,194
Secured AUD Term Loan	VICT	2023 – 2031	Fixed*	58,054
Unsecured US Dollar Term Loans	CGSA	2017 – 2021	Fixed/Floating	34,778
Secured RMB Term Loam	YICT	2016	Floating	22,483
Secured Euro Term Loan	AGCT	2023 – 2024	Fixed	8,497
Secured Pakistani Rupee Term Loan	PICT	2017	Floating	5,720
Unsecured US Dollar Securities	CGSA	2016	Fixed/Floating	3,547
				1,238,002
Total Debt				1,252,435
Less current portion and short-term				57,849
Long-term debt, net of current portion				**US$1,194,586**

**Under interest rate swap agreement*

As of September 30, 2016, 81.3 percent of the Group's total debt capital is held by the Parent, ITBV and IGFBV, which includes the US$179.2 million senior notes issued in 2010 and due in 2020; US$748.5 million MTN issued in 2013 to 2015 and due in 2023 to 2025 and US$91.0 million due in 2019.

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

Table 2.15 Outstanding Debt Maturities

(In thousands)	Amount
2016	US$30,401
2017	11,172
2018	8,715
2019	107,540
2020 and onwards	1,080,174
Total	US$1,238,002

MTN Programme

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

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

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

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

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

As of September 30, 2016, outstanding notes under the MTN Programme amounted to US$748.5 million.

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

Revolving Credit Facility Programme

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

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

As of September 30, 2016, IGFBV has drawn US$160.0 million from the facility bearing interest ranging from 2.39% to 2.47% per annum in which US$65.0 million was repaid in August 2016.

US dollar and Foreign Currency-denominated Term Loans and Securities

CGSA. In October 2015, CGSA availed of a three-year unsecured Term Loan with BBP Bank, S.A. amounting to US$4.0 million at a fixed interest rate of 6.78 percent. On March 29, 2016, CGSA (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement which consists of two tranches of loans amounting to US$32.5 million (Tranche I) and US$7.5 million (Tranche II) with floating interest rates. Tranche I has a final maturity in March 2021 while Tranche II in May 2017. As of September 30, 2016, the outstanding balance of the term loans aggregated to US$34.8 million.

YICT. The Company acquired, through the consolidation of YICT, the short and long-term loans of DP World Yantai with outstanding balances of US$4.6 million (RMB 28.0 million) and US$39.0 million (RMB 222.2 million) as of June 30, 2014, respectively. The short-term loan bears an interest rate of 6.15 percent per annum and will mature on April 30, 2015. On the other hand, the long-term loan with Agricultural Bank of China, which was availed principally to finance the development project related to the construction of the container terminal, bears an interest rate of 6.15 percent per annum and will mature on December 7, 2014. On December 8, 2014, YICT signed a two-year loan agreement to refinance the long-term loan bearing a lower interest rate of 6.0 percent per annum. The short-term loan has been fully repaid in March 2015. As of September 30, 2016, the outstanding balances of the long-term loan of YICT amounted to US$22.5 million (RMB 150.0 million).

PICT. On July 11, 2011, PICT signed a five-year Rs.2.5 billion (equivalent to US$29.1 million) Agreement for Financing on Mark-up Basis with Faysal Bank Limited. The loan carries mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 1.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right. Principal is repayable in nine equal semi-annual installments commencing in July 2012. Proceeds of the loan were partially used to fully pay the loans with International Finance Corporation and Organization of the Petroleum Exporting Countries Fund for International Development amounting to Rs.2.4 billion (US$27.9 million) on July 22, 2011 which were originally maturing in January 2018. The loan with remaining balance of Rs.1.5 billion was refinanced by Habib Bank Limited. The new loan carries a mark-up at the rate of six months KIBOR plus 0.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right. Principal is repayable in five equal semi-annual installments commencing in June 2015. As of September 30, 2016, outstanding principal balance of the loan amounted to US$5.7 million (Rs.597.5 million).

CMSA. On October 21, 2015, CMSA signed a US$260.0 million Project Finance Facility with International Finance Corporation and Inter-American Development Bank (IADB). The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The terminal will have a capacity of 2.2 million TEUs when

completely built. The development will be done in three phases with phase one creating capacity of 750,000 TEUs. Phase two, which is expected to be completed by year 2020, will increase the terminal's capacity to 1.150 million TEUs. The financing package, which has a tenor of 12 years and a long availability period of four years, will help CMSA finance the completion of phases one and two of the Project. Interest is payable semi-annually based on floating interest rate computed at 6-month LIBOR plus loan spread with a weighted average of 2.80 percent. CMSA has drawn US$95.0 million from the facility in December 2015. As of September 30, 2016, outstanding principal balance of the loan amounted to US$86.2 million.

AGCT. On April 6, 2016, AGCT signed a loan agreement for US$1.1 milion (EUR 0.95 million). Principal is repayable in 12 monthly installments starting November 30, 2016 until October 31, 2017. Interest is payable monthly based on fixed interest rate of 3.90%. The loan was fully paid on August 31, 2016.

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

VICT. On July 15, 2016, VICT signed a syndicated project finance facility with various international and regional banks for principal amount of US$300.0 million (AUD398.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.1% per annum and maturities until 2023, 2026 and 2031. On July 25 and October 4, 2016, VICT drew from the facility US$69.1 million (AUD91.0 million) and US$26.9 million (AUD35.0 million), respectively.

2.7.2.2 Loan Covenants

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI's and subsidiaries' assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI is also required to maintain specified financial ratios relating to their debt to EBITDA, debt to equity and earnings level relative to current debt service obligations. As of September 30, 2016, ICTSI and subsidiaries are in compliance with their loan covenants.

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

2.7.2.3 Equity Financing

Perpetual Capital Securities

On January 29, 2015, RCBV issued US$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 percent or US$298.7 million. The new issue was partly used to finance the tendered US$230.0 million 8.375 percent Subordinated Guaranteed Perpetual Capital Securities ("Original Securities) at a tender price of 107.625 or US$247.5 million. The cash proceeds received by RCBV amounted to US$46.7 million, net of debt issue cost.

On August 26, 2015, RCBV issued US$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities ("New Securities") unconditionally and irrevocably guaranteed by ICTSI. The cash proceeds received by RCBV amounted to US$436.3 million, net of debt issue cost, will be used for refinancing, funding capital expenditures and general corporate purposes.

On March 10, 2016, RCBV (the "Issuer") and ICTSI (the "Guarantor") sent a notice to The Hong Kong and Shanghai Banking Corporation Limited (HSBC, as "Trustee" and "Agent") for the redemption of the remaining US$108.3 million of the US$350-million Subordinated Guaranteed Perpetual Capital

Securities ("Securities") and payment of accrued distributions on May 5, 2016. The securities were eventually redeemed on May 2, 2016.

On October 3, 2016, RCBV tendered its US$300.0 million 6.25 percent and US$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities for redemption at a price of 106.75 and 105.75, respectively. On October 20, 2016, RCBV redeemed a total of US$345.5 million of the tendered securities and paid the associated accrued dividends 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 dividends distributions of the tendered securities..

2.8 Risks

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

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

2.8.1 Foreign Exchange Risk

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

The Group's non-US dollar currency-linked revenues were 49.0 percent and 46.3 percent of gross revenues for the periods ended September 30, 2015 and 2016, respectively. Foreign currency-linked revenues include the following: (1) arrastre charges of MICT; and (2) non-US dollar revenues of international subsidiaries. ICTSI incurs expenses in foreign currency for the operating and start up requirements of its international subsidiaries. Concession fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

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

Table 2.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	41 % USD	59 % PhP
SBITC/ICTSI Subic	44 % USD	56 % PhP
DIPSSCOR		100 % PhP
HIPS		100 % PhP
SCIPSI		100 % PhP
BIPI		100 % PhP
MICTSI		100 % PhP
LGICT		100 % PhP
BCT	74 % USD/1 % EUR	25 % PLN
TSSA		100 % BRL
MICTSL	100 % EUR*	
PTMTS		100 % IDR
YICT		100 % RMB
AGCT	88 % EUR	12 % HRK
CGSA	100 % USD	
NMCTS		100% BND
ICTSI Oregon	100 % USD	
BICT	100 % USD	
PICT	76 % USD	24 % PKR
OJA	72 % USD	28 % IDR
CMSA	45 % USD	55 % MXN
OPC	100 % USD	
ICTSI Iraq	93 % USD	7 % IQD
Tecplata	100 % USD	
IDRC	100 % USD	

**MGA pegged to the EURO*

2.8.2 Interest Rate Risk

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

Interest Rate Swap. In 2014, AGCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate Euro-denominated loan maturing in 2023. A notional amount of EUR5.1 million (US$6.2 million) in 2013 and EUR3.8 million (US$4.6 million) in 2014 out of the total EUR10.6 million (US$12.8 million) floating rate loan was swapped to fixed rate. Under the interest rate swap, AGCT pays fixed interest of 6.19 percent for EUR5.1 million and 5.55 percent for EUR3.8 million and receives floating rate of one-month EURIBOR plus 4.20 bps on the notional amount. As of September 30, 2016, the market valuation loss on the outstanding interest rate swap amounted to EUR0.6 million (US$0.6 million).

In January 2016, CMSA entered into interest rate swap transactions to hedge the interest rate exposure on its floating rate US$-denominated loan maturing in 2027. A total notional amount of US$181.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, CMSA pays annual fixed interest of 5.15% and receives floating rate of six-month LIBOR plus 2.71 basis points on the notional amount. As of September 30, 2016, the market valuation loss on the outstanding interest rate swaps amounted to US$9.7 million.

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 US$320.2 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.1% to 2.5875% and receives floating rate of six-month BBSY on the notional amount. As of September 30, 2016, the market valuation loss on the outstanding interest rate swaps amounted to AUD4.9 million (US$3.7 million).

2.8.3 Liquidity Risk

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

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

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

PART II – OTHER INFORMATION

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

ANNEX 1

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES

SCHEDULE OF AGING OF RECEIVABLES
As at September 30, 2016
(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US$77,415	US$11,475	US$88,890
Six months to one year	1,512	129	1,641
Over one year	769	2,408	3,177
	US$79,696	US$14,012	US$93,708

ANNEX 2

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

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

	2015	**2016**
Liquidity ratios		
Current ratio[a]	2.21	**1.06**
Interest rate coverage ratio[b]	8.13	**6.90**
Solvency ratios		
Debt to equity ratio[c]	0.55	**0.70**
Asset to equity ratio[d]	2.01	**2.26**
Profitability ratio		
EBITDA margin[e]	42.9%	**46.7%**

[a] *Current assets over current liabilities*

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

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

[d] *Total assets over total equity*

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

ANNEX 3

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
AND SUBSIDIARIES
LIST OF EFFECTIVE PFRS STANDARDS AND INTERPRETATIONS*
September 30, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts	Not early adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Not early adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		

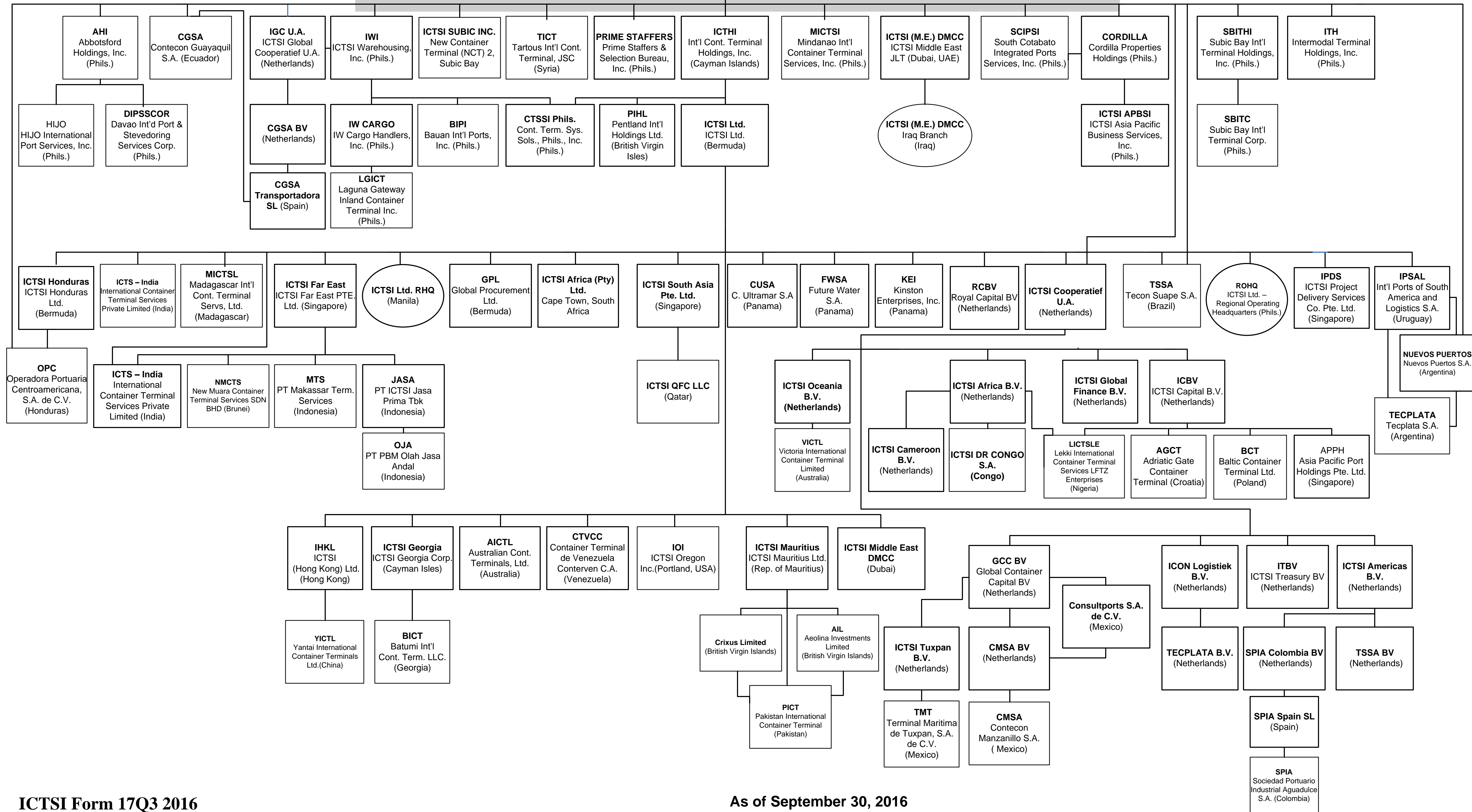
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 13: Portfolio Exception	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	Not early adopted		
	Amendment to PAS 16: Bearer Plants	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
(Revised)	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Separate Financial Statements	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'	Not early adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
	Recognition of Financial Assets and Financial Liabilities			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants	Not early adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities	✓		
SIC-12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Map of Subsidiaries
September 30, 2016



As of September 30, 2016

SIGNATURES

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

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

By

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

November 3, 2016

Jose Joel M. Sebastian
Senior Vice President, Finance

November 3, 2016