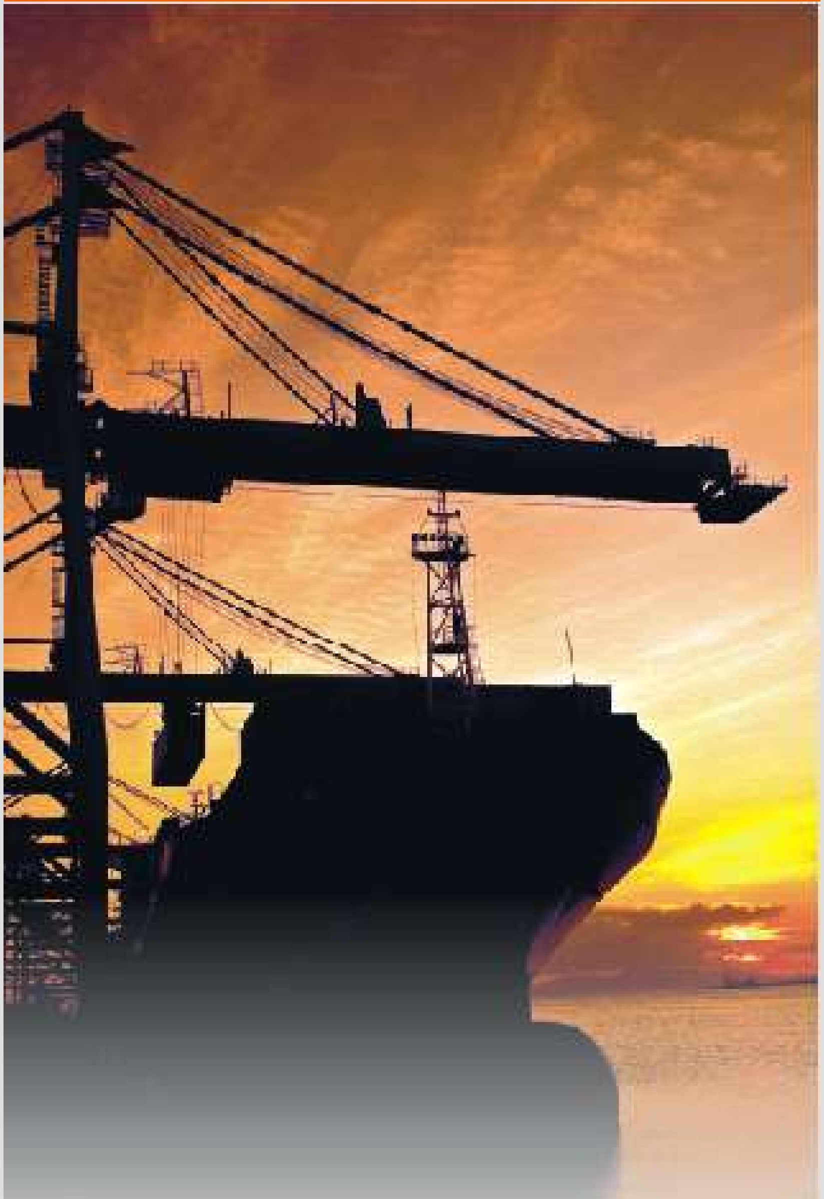


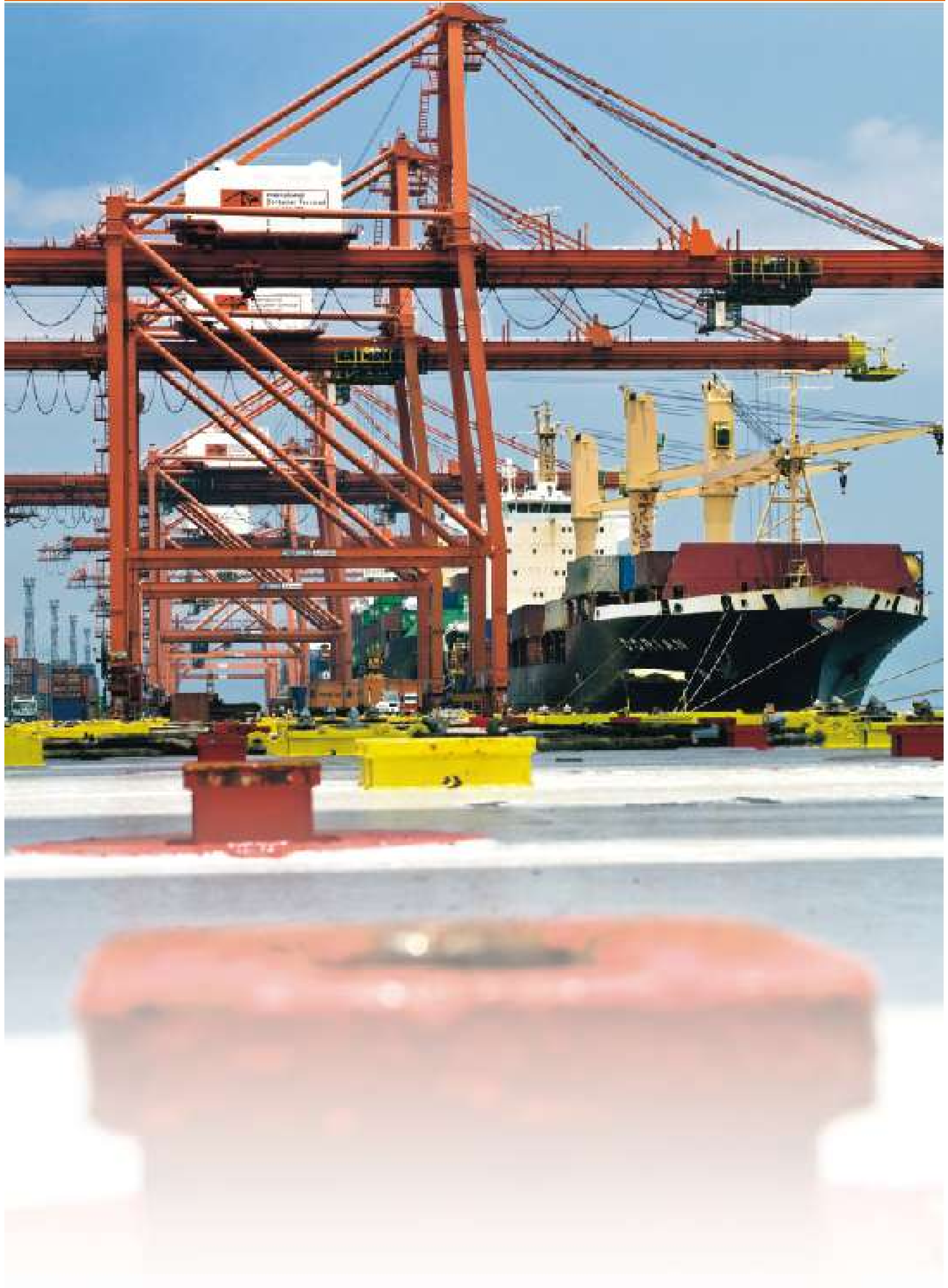
Annual Report 2012

25 YEARS Riding from crest to crest

International Container Terminal Services, Inc.

EXCELLENCE UNCONTAINED

Contents



The Chairman's Report

The year 2012 was, by most indications, a period of many tough challenges, but appropriately enough, it provided our Company opportunities to test its strength, flexibility and creativity as it gears up for its silver anniversary in June 2013.

International Container Terminal Services, Inc. (ICTSI) in 2012 affirmed to its host governments and clients the Group's commitment to its contractual obligations and service excellence in port operations. This, amid the backdrop of a volatile global economy.

The Group's market mix – global operations in advanced, developing and mostly emerging market economies – partly accounted for ICTSI's stability as it weathered in 2012 the uneven tides of global growth and decline. The Eurozone crisis, territorial disputes between China and its neighbors, and the civil war in Syria all had a negative impact worldwide. The tense political climate in world affairs likewise negatively

Total Assets (USD)
2012 2,405,018,182
2011 1,943,297,324

Total Equity (USD)
2012 1,191,153,788
2011 940,499,824

impacted global trade, resulting in a global GDP decline of 3.2 percent.

The hurdles of 2012 notwithstanding, 2013 provides a better promise – fortuitous for marking a quarter of a century's existence. Over the long term, the International Monetary Fund (IMF), in its recent *World Economic Outlook* update, sees a gradual global upturn in 2013, propelled by the momentum of modest improvements in economic conditions in the third quarter, when global growth rose to about 3 percent. The IMF attributes this to accelerated growth in emerging market economies, and a recovering United States economy. Overall, global financial conditions have also stabilized.

Shipping industry analysts project global throughput to grow at 8 percent this year following an estimated 6 percent growth in 2012. Emerging markets are again seen to drive this year's growth as trade improves between Asia, Middle East, Latin America and Africa; and intra-regional trade in Asia, Europe and US-Caribbean remains robust. The optimism despite the global economic uncertainty and container traffic volume volatility is shared by the London-based *Containerisation International*. In its 2013 review, it asserts that prospects for the container industry appear relatively sound for the long term.

New Acquisitions, Start Ups, Renewed Contracts & Divestment

ICTSI expanded its overseas terminal portfolio in 2012 with a greenfield project in Nigeria, a brownfield in southern Philippines, and the acquisition of existing terminal operations in Jakarta, Indonesia, Karachi, Pakistan and recently in the main port of Honduras. Pre-operating terminals in Subic, Philippines and India started their respective commercial operations. ICTSI divested its interest in Tartous, Syria, where civil unrest still rages more destructively than ever after two years.

ICTSI's contract in Makassar, Indonesia was renewed for another 10 years. In Manila, ICTSI's flagship terminal completes its first 25 years in May, and commences with its next 25 years.

Ibeju-Lekki, Nigeria

In February, ICTSI and Lekki Port LFTZ Enterprise (Lekki Port) entered into a Memorandum of Understanding (MOU) to negotiate the terms of a Sub-Concession Agreement (SCA) to develop and operate the container terminal at the Deep Water Port in the Lagos Free Trade Zone (LFTZ) at Ibeju-Lekki in Lagos, Nigeria. When completed in 2016, the terminal – an investment of about US$1.2 billion of which ICTSI's investment is US$225 million – will become the largest container handling facility in Sub-Saharan Africa with annual capacity of 2.5 million TEUs. In August, Lekki Port and ICTSI signed the SCA for a concession period of 21 years, from the start of commercial operation date. ICTSI established Lekki International Container Terminal Services LFTZ Enterprise to operate the terminal.

Karachi, Pakistan

In March, subsidiary ICTSI Mauritius Ltd. signed a Share Purchase Agreement with a group of shareholders of Pakistan International Container Terminal Ltd. (PICT) for the acquisition of 35 percent of the shares of stock in PICT. In August, ICTSI Mauritius launched a takeover bid for PICT at the Karachi Stock Exchange. The purchase was completed in October. As of yearend, ICTSI Mauritius owns 63.59 percent of PICT. PICT has a contract with Karachi Port Trust for the development, operations and management of a 750,000-TEU annual capacity common user container terminal at the Port of Karachi for a period of 21 years, reckoned from June 2002.

Jakarta, Indonesia

In May, subsidiary ICTSI Far East Ltd. acquired Indonesian Stock Exchange-listed PT Karwell Indonesia Tbk. Karwell's business purpose was amended and renamed to PT ICTSI Jasa Prima Tbk (JASA). In July, JASA acquired 100-percent equity interest in port services company PT PBM Olah Jasa Andal (OJA). OJA is engaged in the handling of general goods and containers at the Port of Tanjung Priok, the country's largest port, located in the Indonesian capital Jakarta. OJA has existing cooperation agreements with PT Pelabuhan Indonesia II under a revenue-sharing scheme covering terminal operations for Berths 300-303, which have an annual capacity of 400,000 TEUs. The berths are located in Terminal III of the port.

Subic Bay Freeport, Philippines

In August 2012, Subic Bay Metropolitan Authority (SBMA) issued ICTSI Subic Inc. the Notice to Proceed with the Operation and Management of the New Container Terminal-2 at the Subic Bay Freeport Zone in Zambales. ICTSI Subic started commercial operations in October.

In 2011, SBMA and ICTSI signed the Contract for the Operation and Management of NCT-2 for a period of 25 years. ICTSI established ICTSI Subic to operate NCT-2, right beside NCT-1, another ICTSI-operated terminal. Plans are under way to interface and share terminal efficiencies between the two terminals to ensure operational optimization of the facilities. The combined annual capacity of NCT 1 and 2 is 600,000 TEUs.

Tagum City, Philippines

In November, subsidiary Abbotsford Holdings, Inc., together with Hijo Resources Corp., a diversified group based in southern island of Mindanao, invested in Hijo International Port Services, Inc. (HIPS). The investment was for the construction, development and operation of Hijo International Port (Hijo Port) in Tagum City, Gulf of Davao. ICTSI, which now owns 65 percent of HIPS, will upgrade the facilities and capacity of Hijo Port to handle containerized cargo, especially bananas in refrigerated containers. The upgrade will be implemented in phases. At full development, the Hijo Port will become the second largest container terminal in the Philippines, with an annual capacity of 2 million TEUs.

Makassar, Indonesia

In December, the joint-operation contract of subsidiary PT Makassar Terminal Services (MTS) for the Makassar Container Terminal (MCT), originally expiring in September 2013, was renewed by port authority PT Pelabuhan Indonesia IV (Pelindo IV) until 31 January 2013. As with the previous agreement, MTS will provide operational support to Pelindo IV, the main operator, developer and manager of the Port of Makassar, which includes the MCT.

Tartous, Syria

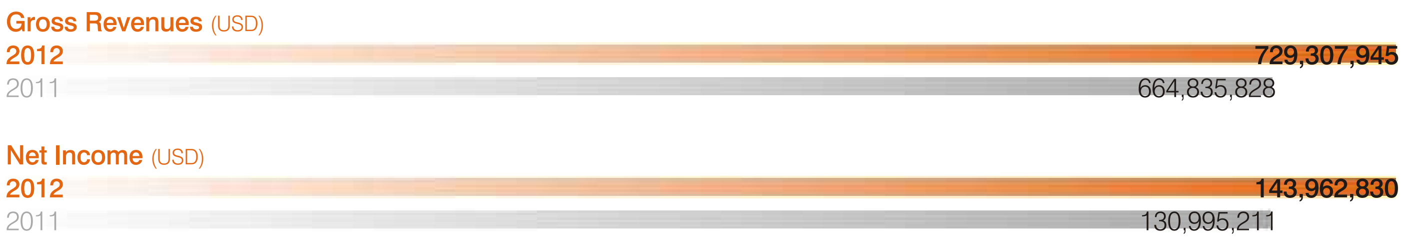
In December, subsidiary Tartous International Container Terminal (TICT) filed a Notice of Termination for its 10-year Investment Agreement forged in March 2007 with port authority Tartous Port General Company (TPGC). Owing to TPGC's refusal to recognize the occurrence of Unforeseen Change of Circumstances, TICT was compelled to send the notice as the violence in Syria escalated. In the agreement, the civil unrest and violence happening in Syria is considered as *force majeure*. The civil war gravely affected businesses and trade in the country, exposing combatants and civilians alike to increasing threat of death and destruction on a daily basis.

Kattupalli-Chennai, India

In January 2013, subsidiary International Container Terminal Services (India) Pte. Ltd. (ICTSI India) and partner L&T Shipbuilding Ltd. (LTSB) opened Kattupalli International Container Terminal (KICT) for commercial operation. In 2011, ICTSI India and LTSB signed a Container Port Agreement for the Management and Operations of KICT in Tamil Nadu for 28 years. KICT, which has an annual capacity of 1.2 million TEUs, is located within LTSB's integrated shipyard near Chennai in the industrial district of Thiruvallur in Tamil Nadu.

Puerto Cortes, Honduras

In February 2013, ICTSI won and was awarded the 30-year Contract for the Design, Financing, Construction, Maintenance, Operation and Exploitation of the Specialized Container and General Cargo Terminal of Puerto Cortes in Honduras. Puerto Cortes is Honduras' largest port and main trading gateway. Honduras' major export, bananas, is facilitated in the terminal. When fully developed, the Container and General Cargo Terminal will have an annual capacity of 1.8 million TEUs.



Manila, Philippines

In May 2013, ICTSI will complete its first 25 years of operating its flagship Manila International Container Terminal. ICTSI has already started to gear up for the next 25 years of its concession beginning with its Berth 6 project, inaugurated in June 2012 by President Benigno Aquino III. The terminal expansion increased MICT's annual capacity to 2.5 million TEUs, making it the largest container handling facility in the Philippines to date.

2012 Volume

For the year in review, and as indicated by improving global container volume, the Group's consolidated volume grew 8 percent: from 5,233,795 TEUs in 2011 to 5,628,021 TEUs in 2012. The increase mainly owed to the growth in international and domestic trade, new shipping line customers and routes, continuous containerization of break bulk cargoes, the full-year contribution from new ports in the USA and Croatia; and the consolidation of the volume generated from new terminal operations in Indonesia and Pakistan. Excluding the volume from the four recent port acquisitions, organic volume growth was at 4 percent.

Volume (73 percent of total) from the Group's six key terminal operations in Manila, Brazil, Poland, Ecuador, Madagascar and China increased 6 percent, from 3,867,407 TEUs to 4,109,082 TEUs.

Volume handled by Asia operations – comprising terminals in the Philippines, China, Indonesia and Pakistan – increased by 9 percent, from 2,956,433 TEUs in 2011 to 3,228,432 TEUs in 2012, as a result of improving international and domestic trade, new shipping lines and routes, and new terminals in Pakistan and Indonesia. Excluding new terminals, volume for the segment would have increased by 3 percent in 2012. Volume growth, however, was moderated by the decline in Davao as trade restrictions in China and a recent typhoon that wiped out a big portion of Mindanao's banana plantations slowed down banana production and exportation. Asia operations accounted for 57 percent of the consolidated volume for 2012.

Throughput from the Americas segment, composed of terminals in Brazil, Ecuador and the United States, posted a modest increase of 0.3 percent to 1,576,118 TEUs in 2012, from 1,571,005 TEUs in 2011. The marginal increase was mainly attributed to the full-year contribution of our USA terminal and Ecuador's gradual recovery from a slowdown in banana exportation. Excluding the USA terminal, the segment's volume would have decreased slightly by 0.2 percent, mainly due to the 8 percent decline in Brazil's volume, which was caused by a soft local market. The Americas operations captured 28 percent of the 2012 consolidated volume.

The Europe, Middle East and Africa (EMEA) operations, comprising terminals in Poland, Syria, Georgia, Madagascar and Croatia, posted a 17 percent increase, from 706,357 TEUs in 2011 to 823,471 TEUs in 2012, primarily due to stronger international trade, continuous shift to containerization, and the full-year contribution of Croatia. Excluding Croatia, volume of the segment would have increased by 15 percent in 2012. EMEA operations accounted for 15 percent of the Group's consolidated volume for 2012.

Financial Performance

Consolidated audited financial results for the year ended 31 December 2012 posted revenue from port operations of US$729.3 million, 10 percent higher than the US$664.8 million reported last year; Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of US$307.4 million, 9 percent higher than the US$281.4 million generated in 2011; and net income attributable to

Earnings Per Share (USD)

2012	0.059
2011	0.063

Cash and Cash Equivalents at the End of the Year (USD)

2012	186,844,913
2011	457,635,730

equity holders of US$143.2 million, up 10 percent over the US$130.5 million earned in the same period last year.

Recurring net income attributable to equity holders increased 15 percent after adjusting the previous year's net income attributable to equity holders to US$124.4 million, from the net gain of US$6.2 million arising from the sale of ICTSI's 16.79 percent stake in Portek International Ltd., and a one-time equity tax charge imposed by Colombian tax authorities on all legal entities and individuals in Colombia.

Gross revenues from port operations rose 10 percent to US$729.3 million, from the US$664.8 million in 2011. The increase in revenues was mainly due to the volume growth in all geographic segments, higher storage revenues and ancillary services, favorable volume mix, new shipping line customers, tariff rate increases in certain key terminals, full-year contribution from terminals in the USA and Croatia, and the inclusion of new terminals in Indonesia and Pakistan.

Excluding the revenues from newly acquired terminals, organic revenue growth was 6 percent. Revenue contribution from the Group's six key terminal operations in Manila, Brazil, Poland, Ecuador, Madagascar and China, which accounted for 83 percent of the Group's consolidated revenues in 2012, increased 7 percent, from US$565.6 million to US$602.8 million.

Consolidated cash operating expenses in 2012 grew 10 percent to US$319.0 million, from US$289.3 million in 2011. The increase was mainly driven by higher volume-related expenses (i.e. on-call labor and contracted services, fuel, power and repairs and maintenance), government-mandated and contracted salary rate increases in certain terminals, higher business development expenses, the full-period consolidation of the expenses of the USA and Croatia terminals, and the inclusion of expenses of new terminals in Indonesia and Pakistan. Excluding the cash operating expenses of the new terminals, total cash operating expenses would have risen by only 6 percent.

Consolidated EBITDA for 2012 increased 9 percent to US$307.4 million, from US$281.4 million in 2011, mainly due to higher revenues from storage and ancillary services, tariff increases in selected key terminals, favorable volume mix, full-year contribution from the Company's terminal operations in the US and Croatia, and the inclusion of the new terminals in Indonesia and Pakistan. Consolidated EBITDA margin remained flat at 42 percent.

Consolidated financing charges and other expenses for 2012 slid 25 percent to US$35.0 million, from the previous year's US$46.4 million. The lower consolidated financing charges and other expenses was mainly due to the higher capitalized borrowing cost registered in 2012 as the Company expanded existing terminals in Manila, and developed new projects in Mexico and Argentina.

ICTSI's capital expenditure in 2012 amounted to US$465.6 million against a full-year capital expenditure budget of US$550 million. The capital expenditure was mainly attributed to the construction of a new berth, additional yard space and acquisition of major cargo-handling equipment in Manila, capacity expansions in its operations in Ecuador and Brazil, and development of new container terminals in Argentina and Mexico. The Group's capital expenditure budget for 2013 is approximately US$550 million, mainly allocated for the completion of projects in Argentina and Mexico, and the ramp-up of construction activities in Colombia and Philippines.

Fund Generation

In January 2012, subsidiary Royal Capital B. V. re-opened its perpetual bond, that was originally issue in May 2011 for an additional US$150 million, increasing the total issue size to US$350 million. The bonds are listed with the Singapore Exchange Securities Trading Ltd. (SGX).

In 2012, ICTSI availed of medium term loans of US$160 million from Australia and New Zealand Banking Group Ltd., Hong Kong Shanghai Banking Corp. Ltd. (HSBC), and Metropolitan Bank and Trust Co. for general purpose requirements. These loans will mature in October 2013 to January 2014. Early in 2013, US$140 million of the medium-term loans were prepaid.

In March, subsidiary Baltic Container Terminal Ltd. (BCT) and the Center of European Transport Project (CUPT) signed a US$17.3 million agreement, that will subsidize a portion of BCT's development plans, which include purchase of new equipment, yard improvements and the rollout of IT systems. Related to BCT's development plans, Bank Polska Kasa Opieki S. A. also granted a 10-year capital expenditure loan up to US$26.3 million is a facilities agreement signed in October 2011.

In January 2013, subsidiary ICTSI Treasury B.V. (ITBV) launched a US$750 million Medium Term Note (MTN) Programme, that allows the Group to issue notes guaranteed by ICTSI. This is the first Reg S MTN program set up by a Philippine corporate since the 1990s. It allows ICTSI maximum flexibility while significantly reducing execution time to access multiple markets and currencies to tap funding to take advantage of arbitrage opportunities to lock in attractively priced financing.

In January, ITBV issued the first series under the program with a 10-year bond for US$300 million. The offering was an overwhelming success with the largest orderbook ever generated for a Philippine USD corporate bond issue of US$5.5 billion from 179 accounts, amounting to 18.3x oversubscription. The second tranche was issued in February for US$100 million. Total overbook size was US$1.5 billion from 78 accounts, which amounted to 15x oversubscription. This demonstrates the continued support of international fixed income investors for ICTSI.

The series mature in 2023, and proceeds will be used to refinance existing debt, and for general working capital purposes of the Group. The bonds are also listed in the SGX.

Silver Horizon

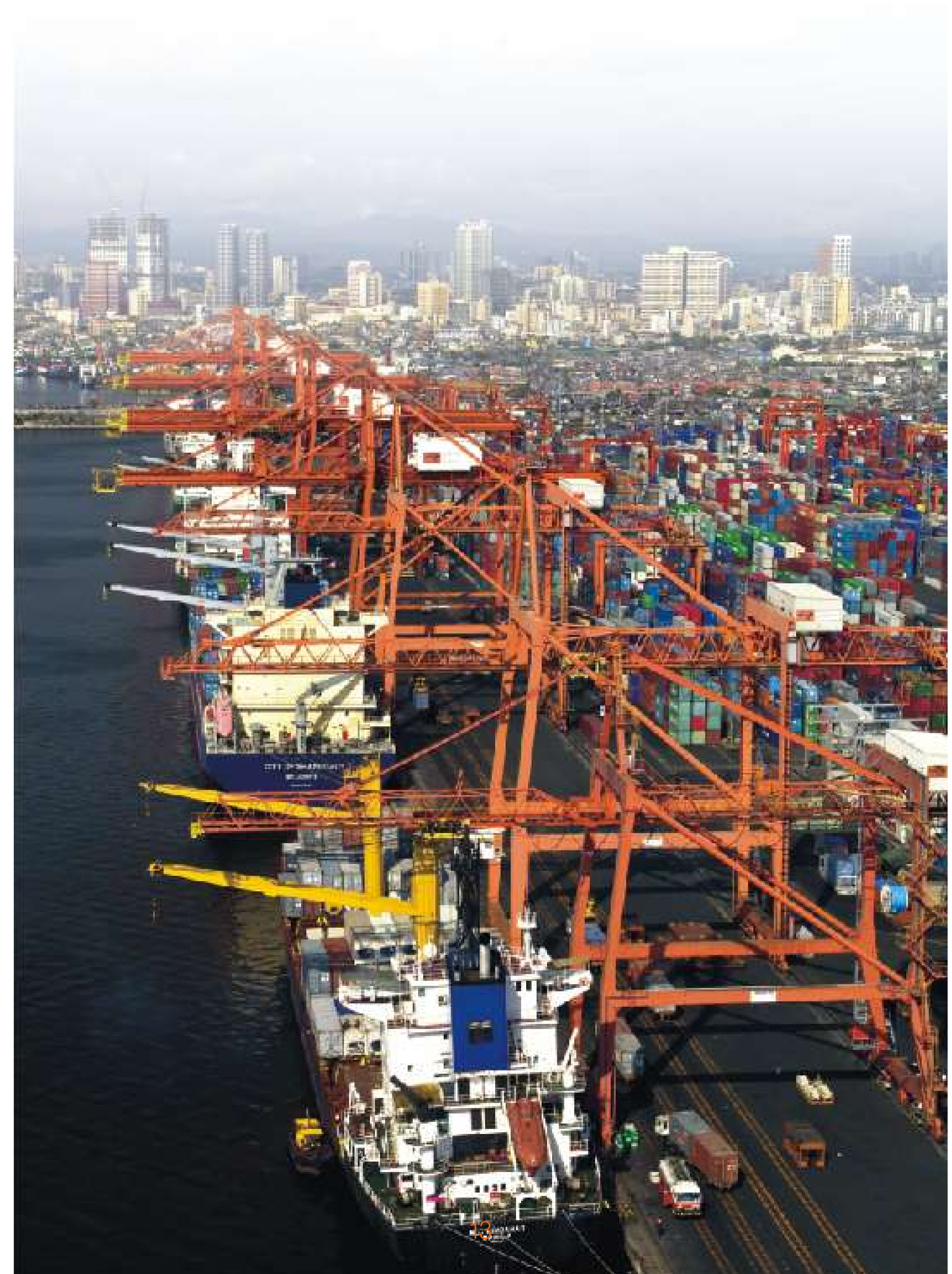
ICTSI will celebrate its silver anniversary in June 2013: 25 years since ICTSI took over MICT, 25 years of steady growth and experience, and 25 years of ICTSI establishing its presence not only across the Philippines but in foreign shores. To date, ICTSI's terminal portfolio covers 27 marine terminals and port projects: eight in the Philippines, two in Indonesia, and a terminal each in Brunei, India, Pakistan, China, Japan, United States, Mexico, Colombia, Ecuador, Brazil, Argentina, Croatia, Poland, Georgia, Nigeria, Madagascar and Honduras. Present in 19 countries, the Group's global operations is a mixture of advanced, developing and mostly emerging market economies.

ICTSI's commitment to service excellence to its shareholders, partners and clients was not left unnoticed. The 2013 anniversary year was welcomed with uplifting news: the January issue of *Euromoney* named ICTSI as the overall best-managed company in Asia for the transportation / shipping sector in its Best Managed and Governed Companies-Asia Poll. Meanwhile, in the March issue of *Corporate Governance Asia*, ICTSI was chosen as the Best Investor Relations Company in the Philippines.

Just like the crises that marked 2012, such recognition from the most prestigious sources also represents a challenge of sorts. We are pressed to live up to the honor, and fulfill the expectations of all stakeholders, anywhere in the world: to be better even as new difficulties or challenges arise in our Anniversary Year. We hope, as in 2012, we can draw on the same, or even greater, strength and commitment in our organization.

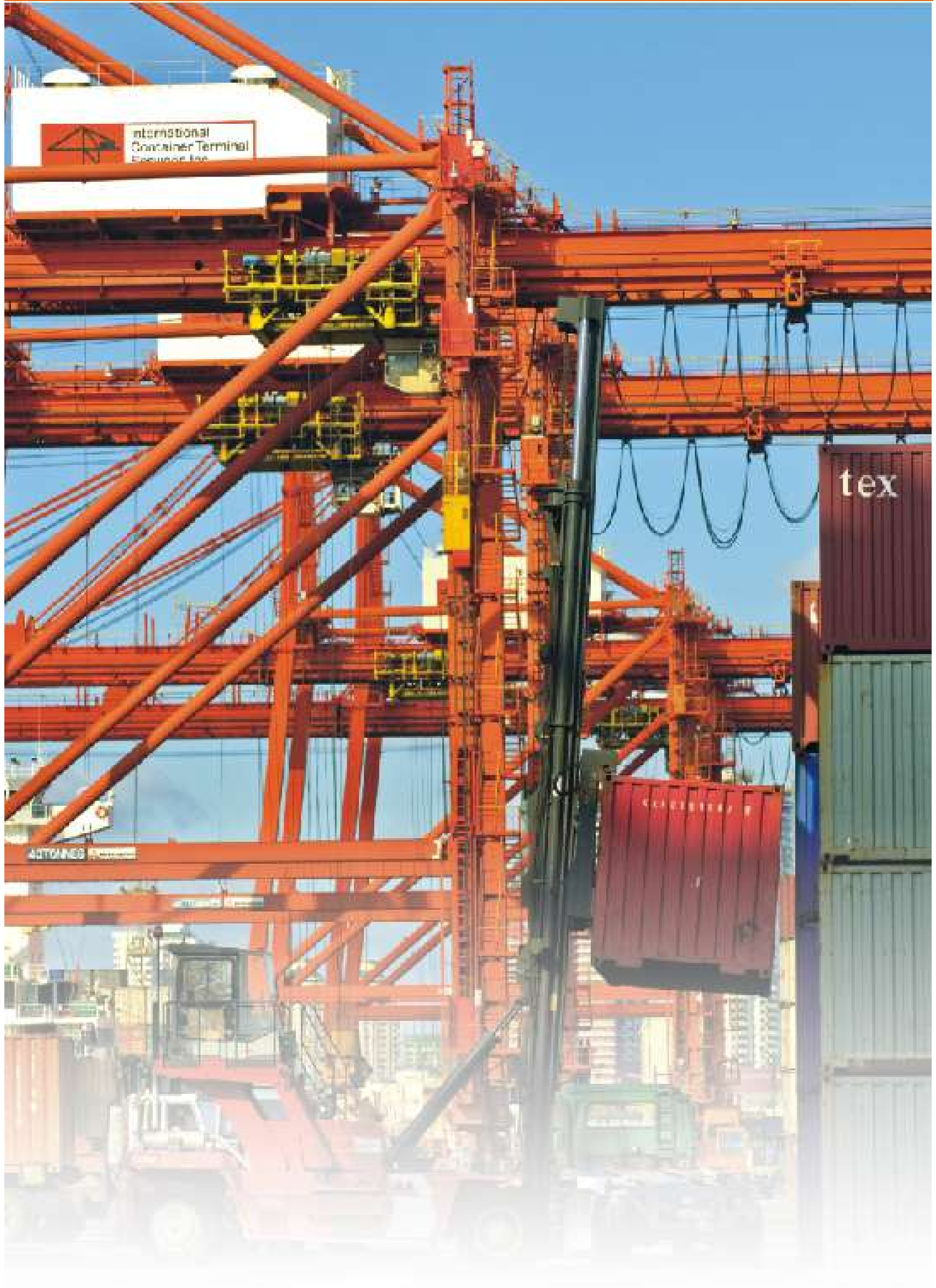
With the continued support of our stockholders, clients, business partners and the men and women of ICTSI, we eagerly look forward to the next 25 years.

Enrique K. Razon Jr.
Chairman and President



ICTSI Ports and Terminals

(As of March 2013)



Review of Operations

ICTSI GROUP

In the yearend report of *Containerisation International*, global container throughput in 2012 was projected to improve by six percent. The ICTSI Group's consolidated volume, as indicated by the upward trend in global volume, posted an eight percent increase, from 5,233,795 TEUs in 2011 to 5,628,021 TEUs in 2012. Drivers of the growth included improving global and local trade, new shipping line clients and service routes, and the continuous shift to containerization of cargo. The full year contribution of new ports in Oregon, USA and Rijeka, Croatia, and additional volumes from recent terminal acquisitions in Jakarta, Indonesia and Karachi, Pakistan also contributed to the increase. Excluding the volume from said terminals, organic volume growth was four percent.

In February, ICTSI Africa Pty. Ltd. and Lekki Port LFTZ Enterprise (Lekki Port) signed a Memorandum of Understanding (MOU) to begin negotiations for a Sub-Concession Agreement (SCA) for the development and operation of a container terminal at the Deep Water Port in the Lagos Free Trade Zone (LFTZ) at Ibeju-Lekki in Lagos, Nigeria. The terminal is targeted for completion in 2016, and is envisioned to become the largest container facility in Sub-Saharan Africa with a 2.5 million TEU annual capacity. In August, Lekki Port and ICTSI signed the SCA with a concession period of 21 years from the start of commercial operation. ICTSI established Lekki International Container Terminal Services LFTZ Enterprise to operate the terminal. ICTSI will invest over US$ 225 million for the project.

In March, ICTSI Mauritius Ltd. (ICTSI Mauritius) signed a Share Purchase Agreement with key shareholders of Pakistan International Container Terminal Ltd. (PICT) for 35 percent of the shares of stock of PICT. In August, ICTSI Mauritius announced a public tender offer for PICT at the Karachi Stock Exchange. The purchase was completed in October with ICTSI taking over management control of PICT. As of March 2013, ICTSI Mauritius owns 64.38 percent of PICT. PICT has an existing contract with Karachi Port Trust for the development, operation and management of a 750,000-TEU annual capacity common user container terminal at the Port of Karachi for a period of 21 years, which started in June 2002.

In May, ICTSI Far East Ltd. purchased Indonesian Stock Exchange-listed PT Karwell Indonesia Tbk. Karwell's business purpose was amended, and the company subsequently renamed to PT ICTSI Jasa Prima Tbk (JASA). In July, JASA acquired 100 percent equity interest in port services company PT PBM Olah Jasa Andal (OJA). OJA is engaged in the handling of general goods and containers at the Port of Tanjung Priok, the country's largest port, located in the Indonesian capital of Jakarta. OJA has existing cooperation agreements with PT Pelabuhan Indonesia II under a revenue sharing scheme. The agreements cover

***January** – ICTSI's US$200 million hybrid issued in 2011 was named as the Philippine Capital Markets Deal of the Year by* IFR Asia, *Philippine Deal of the Year by* Alpha Southeast Asia, *and Best Deal of the Year by* The Asset.

***January** – ICTSI launches US$150 million perpetual bonds follow-on offering.*

***March** – ICTSI and Lekki Port LFTZ Enterprise sign a Memorandum of Understanding for the development and operation of a container terminal at the seaport of Ibeju-Lekki, Lagos, Nigeria. Slated for completion in 2016, the port project is the largest in Sub Saharan Africa.*

***March** –* CorporateGovernance Asia *chooses ICTSI as the Best Investor Relations Company in the Philippines.*

***May** – ICTSI, through Singaporean unit ICTSI Far East Ltd., acquires IDX-listed PT Karwell Indonesia Tbk. Karwell's business purpose was amended, renamed to PT ICTSI Jasa Prima Tbk (IJP).*

terminal operations for Berths 300-303, which have a combined annual capacity of 400,000 TEUs. The berths are located in Terminal III of the port.

In August, Subic Bay Metropolitan Authority (SBMA) issued ICTSI Subic Inc. the Notice to Proceed with the Operation and Management of the New Container Terminal 2 (NCT 2) at the Subic Bay Freeport Zone in Zambales, Philippines. ICTSI Subic opened NCT 2 to commercial operations in October. In 2011, SBMA and ICTSI signed the Contract for the Operation and Management of NCT 2 for a period of 25 years. ICTSI established ICTSI Subic to operate NCT 2. NCT 2 is beside NCT 1, another ICTSI-operated terminal through subsidiary Subic Bay International Terminal Corp. Plans are underway to interface and share efficiencies between the two terminals to ensure operational optimization of the facilities. The combined annual capacity of NCT 1 and 2 is 600,000 TEUs.

In November, Abbotsford Holdings, Inc., together with Hijo Resources Corp., a diversified group based in the southern island of Mindanao in the Philippines, invested in Hijo International Port Services, Inc. (HIPS) for the construction, development and operation of Hijo International Port (Hijo Port) in Tagum City, Davao del Norte. ICTSI, which owns 65 percent of HIPS, will upgrade the facilities and capacity of Hijo Port to handle containerized cargo, especially bananas in refrigerated containers. The upgrade will be implemented in phases. On full development, the Hijo Port will become the second largest container terminal in the Philippines with an annual capacity of two million TEUs.

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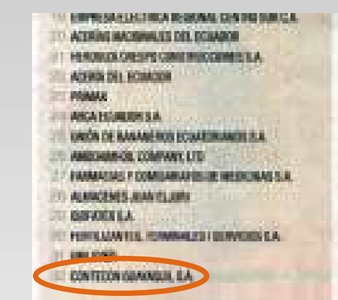
15 May – ICTSI Oregon receives the Foreign Direct Investment Business Award at the Annual International Awards and Scholarship Dinner in Portland, Oregon.

June – ICTSI opens MICT's Berth 6 a USD 200 million investment. The new berth increases the terminal's capacity to 2.5 million TEUs, the largest in the Philippines and ICTSI Group.

July – ICTSI Jasa Prima acquires PT PBM Olah Jasa Andal (OJA), port operator in Tanjung Priok's Berths 300-303.



August – Contecon Guayaquil S.A. ranks 32nd out of 90 companies in the survey of the top companies in Ecuador by Diario El Universo.

Also in December, Tartous International Container Terminal (TICT) filed a Notice of Termination for its 10-year Investment Agreement with port authority Tartous Port General Company (TPGC), which was entered into by TICT and TPGC in March 2007. TICT was compelled to send the notice because of TPGC's refusal to recognize the occurrence of Unforeseen Change of Circumstances. In the agreement, the civil unrest and violence happening in Syria is considered as *force majeure*. The civil war gravely affected businesses and trade in the country, exposing combatants and civilians alike to the increasing threat of death and destruction on a daily basis.

In January 2013, International Container Terminal Services (India) Pte. Ltd. (ICTSI India) and partner L&T Shipbuilding Ltd. (LTSB) opened the Kattupalli International Container Terminal (KICT) for commercial operation. In 2011, ICTSI India and LTSB signed a Container Port Operation Agreement for the 28-year management and operation of the KICT in Tamil Nadu. KICT, which has an annual capacity of 1.2 million TEUs, is located within LTSB's integrated shipyard near Chennai in the industrial district of Thiruvallur in Tamil Nadu.

In February 2013, ICTSI won and was awarded the 30-year Contract for the Design, Financing, Construction, Maintenance, Operation and Exploitation of the Specialized Container and General Cargo Terminal of Puerto Cortes in Honduras. Puerto Cortes is Honduras' largest port and main trading gateway, whose major export, bananas, is facilitated in the terminal. When fully developed, the Container and General Cargo Terminal will have an annual capacity of 1.8 million TEUs.

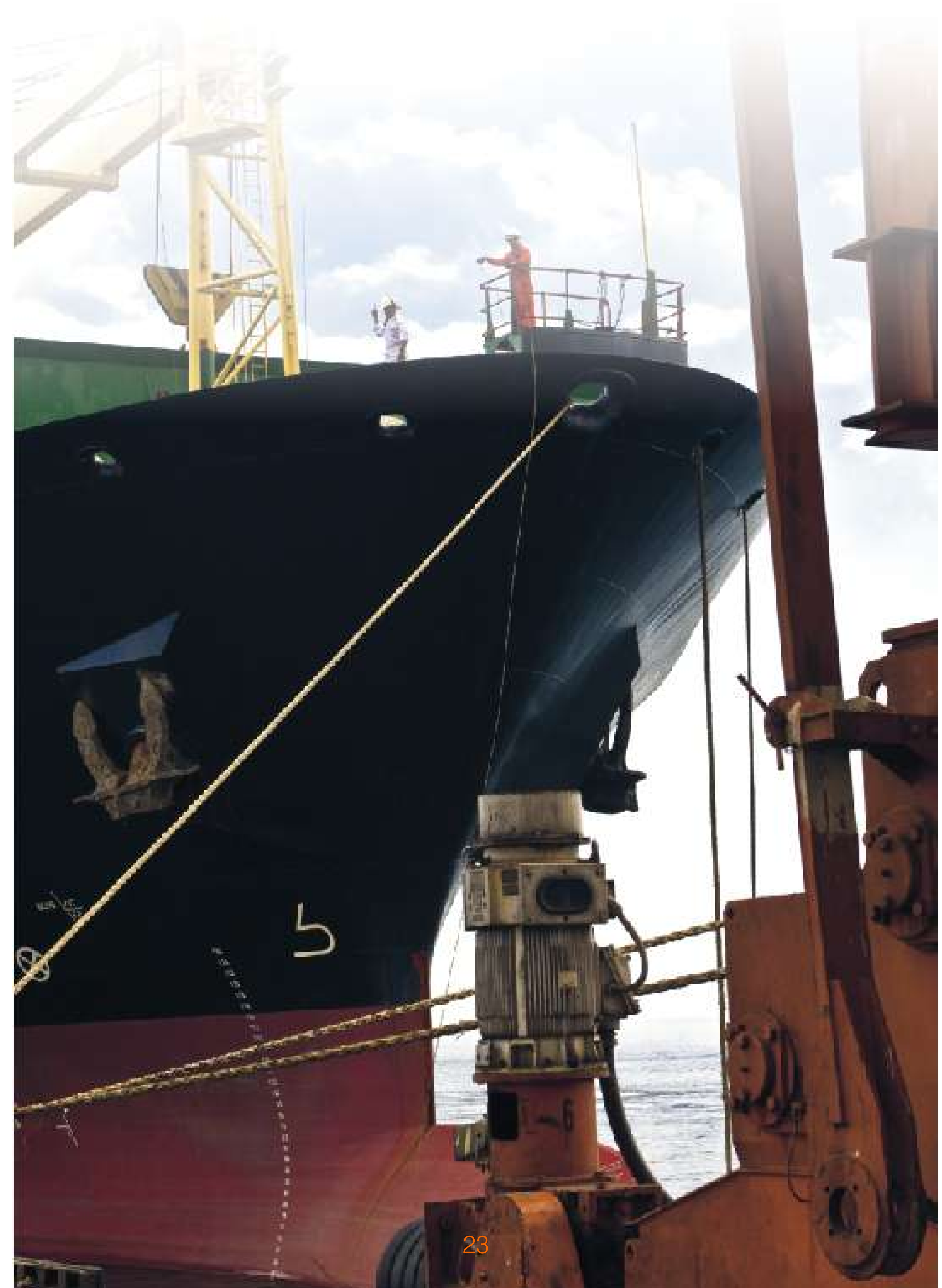
In May 2013, ICTSI will complete its first 25 years of operating its flagship Manila International Container Terminal (MICT). ICTSI has already started to gear up for the next 25 years of its concession beginning with the US$200 million Berth 6 project, which was inaugurated in June 2012 by Philippine President Benigno Aquino III. The terminal expansion increased MICT's annual capacity to

10 August – *ICTSI and Lekki Port LFTZ Enterprise sign a 21-year a sub-concession agreement for the development and operation of a container terminal at the Lagos Free Trade Zone in Ibeju-Lekki, Lagos, Nigeria.*

18 October – *ICTSI acquires 35 percent of the total issued capital of Pakistan International Container Terminal Ltd. (PICT), operator at the Port of Karachi.*

November – *ICTSI acquires a 65 percent stake in Hijo International Port Services, Inc., owner and developer of the Hijo International Port in Tagum City, southern Philippines. Hijo Port is envisioned to become Mindanao's largest container terminal, second only to Manila.*

12 December – *PT Pelabuhan Indonesia IV renews its 10-year joint operation contract for the Makassar Container Terminal with ICTSI subsidiary PT Makassar Terminal Services.*



2.5 million TEUs, making the MICT the Philippines' largest container handling facility to date.

Business development efforts were boosted with the participation of ICTSI in key maritime transport and business trade fairs: Break Bulk Cargo Exhibit in Shanghai, China in February; Third Africa Ports, Logistics and Supply Chain Conference in Accra, Ghana in March; Sixth Indian Ocean Ports and Logistics Conference in Mauritius in March; Intermodal South America in Sao Paolo, Brazil in April; 10th ASEAN Ports and Shipping Conference in Jakarta, Indonesia in May; European Economic Congress in Katowice, Poland in May; Inter-Transport in Odessa, Ukraine in May; Trans Caspian 2012 in Baku, Azerbaijan in June; Federation of Philippine American Chambers of Commerce National Convention in Portland, Oregon in July; Intermodal Africa in Durban, South Africa in September; Trans-Kazakhstan 2012 in Alma-Ata, Kazakhstan in September; Subic Bay Maritime Conference in Subic Bay Freeport, Philippines in October; Logitrans 2012 in Istanbul, Turkey in November; and Davao Investment Conference in Davao City, Philippines in November.

The Group's commitment to service excellence for its shareholders, partners and clients continued to be noticed. ICTSI was named overall best managed company in Asia for the transportation / shipping sector in *Euromoney's* Best Managed and Governed Companies Asia Poll published in the magazine's January 2013 issue. *CorporateGovernanceAsia*, on the other hand, chose ICTSI as the Best Investor Relations Company in the Philippines in its March issue.

As of date, ICTSI's terminal portfolio includes 27 marine terminals and port projects in 19 countries: 15 terminals in Asia, seven in the Americas, and five in Europe, Middle East and Africa. Five of the 27 terminals are ongoing development.

ICTSI continues to look for business opportunities to operate and improve existing terminals or construct and develop new facilities under public-private partnerships with a market focus on gateway ports in emerging economies across the globe.

28 December – ICTSI becomes majority shareholder of the PICT at 63.59 percent ownership.

December – ICTSI pulls out of Syria due to increasing violence as a result of the civil war.

January 2013 – Euromoney names ICTSI the overall best managed company in Asia for the transportation / shipping sector in it's Best Managed and Governed Companies – Asia Poll 2013.

30 January – ICTSI India and LTSB opens Kattupalli International Container Terminal for commercial operations.

4 February – ICTSI wins the international bid for the development, management and operation of the Specialized Container and General Cargo Terminal of Puerto Cortes in Honduras. Puerto Cortes is Honduras' largest port.

ASIA

ICTSI's Asian operations posted a 9.2 percent increase in volume handled, from 2,956,433 TEUs in 2011 to 3,228,432 TEUs in 2012. The increase was due to improving international and domestic trade, and new shipping line clients and service routes in the Philippines, China, Indonesia and Pakistan. Volumes from new terminals in Karachi, Pakistan and Jakarta, Indonesia began to contribute to the increase. Excluding new terminals, box growth was at 3.3 percent. Asia operations accounted for 57.4 percent of the consolidated volume for 2012.

In Davao, southern Philippines, reefer box volume declined by 15 percent as a result of banana trade restrictions in China and Typhoon Bopha, which damaged a large portion of banana plantations in Mindanao in December. As a result, the local banana industry slowed down production and exportation of the fruit. Mindanao is the Philippines' main producer and exporter of banana, and ICTSI's ports in southern Philippines, particularly Sasa Wharf in the Port of Davao, handle the delicate commodity through reefer containers.

Manila flagship's Berth 6

In June, commercial operations of the sixth berth (Berth 6) of flagship Manila International Container Terminal (MICT) commenced with Philippine President Benigno Aquino III inaugurating the new facility. Berth 6 further enhanced operations and services as a result of the expanded capacity, from 1.9 million TEUs to 2.5 million TEUs. It features additional 14 hectares of container yard, two quay cranes and 10 rubber tired gantries. A third quay crane is planned for delivery in 2013.

Berth 6 is ICTSI's response to the growing volumes at the MICT. The expansion is also part of the 25+25 year concession agreement between ICTSI and port regulator Philippine Ports Authority for the operation, management and development of the MICT. In May 2013, ICTSI will complete its first 25 years of operating the MICT.

Should the need arise, MICT's berthing facilities could be further extended to 300 meters, and dredged deeper, from the existing controlling depth of 13 meters to 14 meters. The MICT is flexibly designed to adjust to terminal expansion and could be expanded for an additional seventh berth to facilitate improving volumes in the Port of Manila.

With Berth 6, the MICT flagship now has 1,600 meters of berth, which can accommodate five to seven containerships at one time. Its container handling equipment fleet is the largest in the country to date with 12 quay cranes and 45 rubber tired gantries. Total terminal area is 75.4 hectares. The MICT currently holds 65 percent of the containerized cargo market in the Port of Manila, the country's largest international trading gateway.

Expanding in the Subcontinent

In March, ICTSI Mauritius Ltd. (ICTSI Mauritius) signed a Share Purchase Agreement with substantial shareholders of Pakistan International Container Terminal Ltd. (PICT) for the purchase of 35 percent of the shares of stock of PICT. In August, ICTSI Mauritius launched a public tender offer at the Karachi Stock Exchange for the purchase of these shares. Amounting to US$60.3 million, the purchase was completed in October, making ICTSI Mauritius the single biggest shareholder of PICT. With the subsequent purchase of additional shares, ownership in PICT further increased to 63.59 percent by yearend 2012. As of March 2013, ICTSI Mauritius owns 64.38 percent of PICT. Now the majority shareholder, ICTSI Mauritius gained management control resulting in majority representation in the PICT board and the power to appoint the general manager and chief financial officer.

PICT has an existing contract with port authority Karachi Port Trust for the exclusive construction, development, operation and management of a common user container terminal at the Port of Karachi for a period of 21 years, which started in June 2002. The terminal has an annual capacity of 750,000 TEUs and a berth length of 600 meters with a depth of 13.5 meters. PICT has six quay cranes supplemented by two mobile harbor cranes, 20 RTGs and a large fleet of other cargo handling equipment.

The Port of Karachi is one of South Asia's largest and busiest deep-water seaports, handling about 60 percent of Pakistan's cargo volumes. Aside from being home to the country's main gateway port, Karachi is Pakistan's economic and business capital. The port is near the city's central business district and several industrial zones. The port's strategic location makes it a key stopover for major shipping routes.

In January 2013, International Container Terminal Services (India) Pte. Ltd. (ICTSI India) and partner L&T Shipbuilding Ltd. (LTSB) opened the Kattupalli International Container Terminal (KICT) for commercial operations. In 2011, ICTSI India and LTSB signed an agreement for the 28-year management and operation of the KICT.

KICT, ICTSI's first foray in India, is within LTSB's integrated shipyard near Chennai in the industrial district of Thiruvallur in Tamil Nadu, India. On completion of the first phase of development, the terminal will have an annual capacity of 1.2 million TEUs. This is backed by 700 meters of berth and 20 hectares of terminal area. The second phase of development will involve the increase of capacity to 1.8 million TEUs.








KICT will serve the Kattupalli Shipyard and nearby Chennai's container freight stations and logistics centers.

Increasing foothold in Indonesia

In May, ICTSI Far East Ltd. (IFEL) purchased Indonesian Stock Exchange-listed PT Karwell Indonesia Tbk. Karwell's business purpose was amended, and the company later renamed to PT ICTSI Jasa Prima Tbk (JASA). As of yearend, IFEL owns over 80 percent of the outstanding and issued shares of stock of JASA.

In July, JASA acquired 100 percent equity interest in port services company PT PBM Olah Jasa Andal (OJA). OJA is engaged in the handling of general goods and containers at the Port of Tanjung Priok, the country's largest port, located in the northern area of the Indonesian capital of Jakarta. OJA has existing cooperation agreements with PT Pelabuhan Indonesia II (Pelindo II) under a revenue sharing scheme. The agreements are renewable, and parties may negotiate for the extension of terms.

OJA's contract with Pelindo II covers Berths 300, 301, 302 and 303 located in Terminal III. The terminal has an annual capacity of 400,000 TEUs, berth length of 600 meters and seven hectares of container yard. Its equipment fleet includes seven quay cranes, five rail mounted gantries and 20 rubber tired gantries. The Port of Tanjung Priok has a total annual capacity of four million TEUs.

IFEL acquired JASA and OJA for an aggregate consideration of US$45.7 million.

ICTSI established its initial presence in Indonesia through PT Makassar Terminal Services (MTS). In May 2006, port authority PT Pelabuhan Indonesia IV (Pelindo IV) awarded MTS a joint operation contract for the Makassar Container Terminal (MCT) in the Port of Makassar, South Sulawesi. MTS provides operational support to Pelindo IV, the main operator, developer and manager of the port, which includes the MCT. The Port of Makassar is the gateway to eastern Indonesia. In December, Pelindo IV renewed the contract for another 10 years.

Sustaining the development of Philippine ports

In August, Subic Bay Metropolitan Authority (SBMA) issued to ICTSI Subic Inc. the Notice to Proceed with the Operation and Management of the New Container Terminal 2 (NCT 2) at the Subic Bay Freeport Zone in Zambales, Philippines. In October, ICTSI Subic opened NCT 2 for commercial operations.

In 2011, SBMA and ICTSI signed the Contract for the Operation and Management of NCT 2 for a period of 25 years. ICTSI established ICTSI Subic to operate NCT 2, and committed to invest a total US$16 million for the duration of the concession.

NCT 2 is adjacent to NCT 1, another ICTSI-operated terminal through subsidiary Subic Bay International Terminal Corp. Plans are underway to interface and share efficiencies between the two terminals to ensure operational optimization of the facilities. The combined annual capacity of the NCT 1 and 2 is 600,000 TEUs, backed by a combined berth line of 560 meters with a controlling depth of 13 meters, and a combined terminal area of 28 hectares. Four post-Panamax quay cranes operate NCT 1 and 2.

The Subic Bay Freeport, through NCT 1 and 2, is being primed to become the next gateway port of the Philippines serving the growing businesses and industries of the northern and central Luzon provinces.

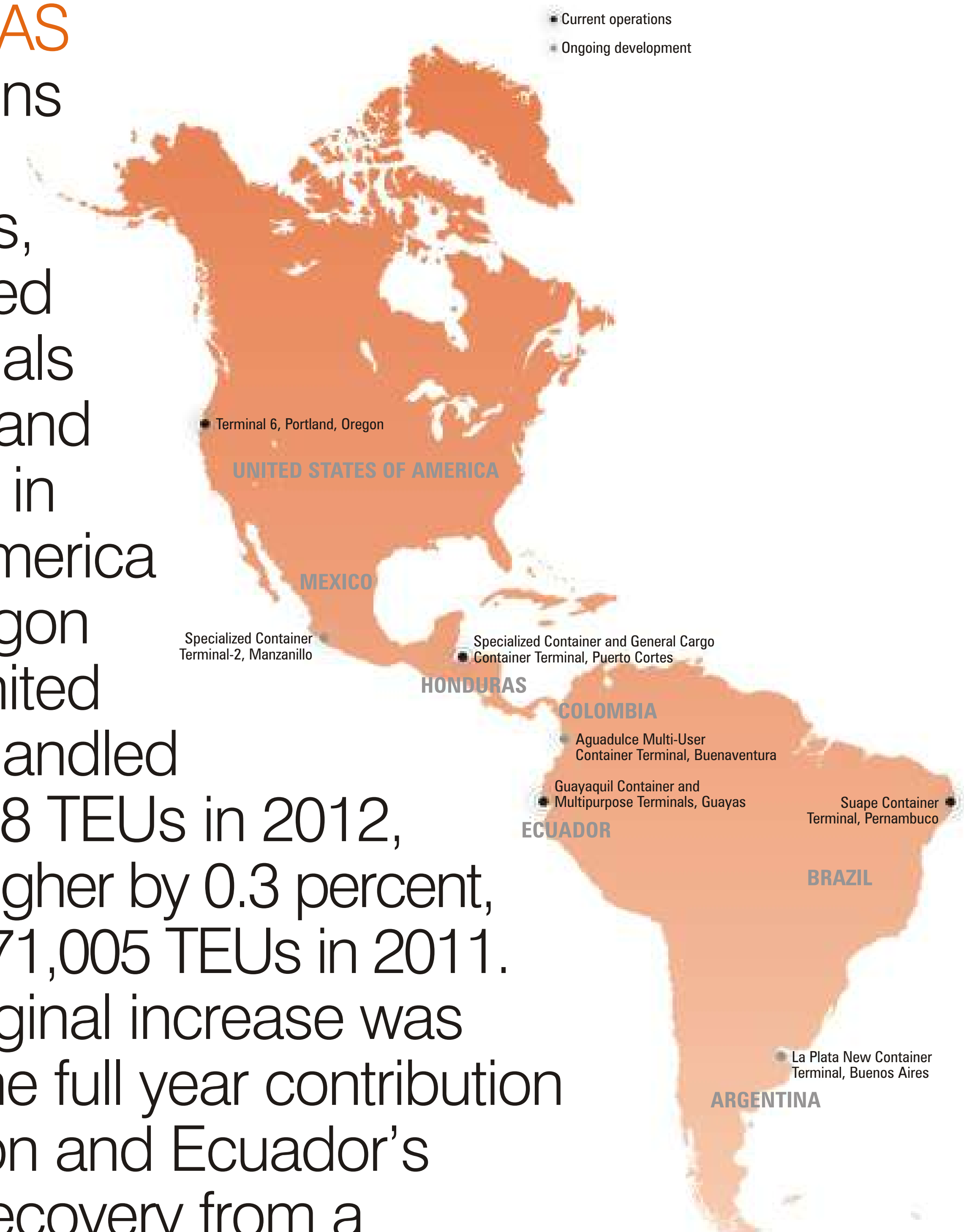
In November, subsidiary Abbotsford Holdings, Inc., together with Hijo Resources Corp., a diversified group based in Mindanao, invested in Hijo International Port Services, Inc. (HIPS) for the construction, development and operation of Hijo International Port (Hijo Port) located inside the Hijo Industrial Estate in Tagum City, Davao del Norte.

ICTSI, now owning 65 percent of HIPS, will re-develop Hijo Port by upgrading its existing facilities and capacity to handle containerized cargo, especially banana in reefer containers. The upgrade will be implemented in three phases with the first phase targeted for completion in two years. The first phase will have an annual capacity 400,000 TEUs, 17 hectares of container yard equipped with six rubber tired gantries, and a 400-meter quay at 12 meters deep with four Panamax quay cranes operating at the berths.

At full development, Hijo Port will become the second largest container terminal in the Philippines with an annual capacity of two million TEUs. It will have a terminal area of over 50 hectares and a 12-meter draft berth, which will be the longest in Mindanao at 1,200 meters, capable of servicing five to seven vessels at one time. The port's equipment fleet is planned to have a total of 12 Panamax quay cranes and 36 rubber tired gantries.

AMERICAS

Operations in the Americas, comprised of terminals in Brazil and Ecuador in South America and Oregon in the United States, handled 1,576,118 TEUs in 2012, slightly higher by 0.3 percent, from 1,571,005 TEUs in 2011. The marginal increase was due to the full year contribution of Oregon and Ecuador's steady recovery from a slowdown in banana exports.



Excluding Oregon, the region's volume would have fallen slightly by 0.2 percent due to the 7.7 percent decline in Brazil's volume caused by a soft local market. The Americas operations captured 28 percent of the 2012 consolidated volume.

New terminal: Puerto Cortes, Honduras

In February 2013, Honduran port authority Empresa Nacional Portuaria (ENP) declared ICTSI as the winning bidder in the international privatization bid for Puerto Cortes, the country's largest port and main trading gateway. After the announcement, Comisión para la Promoción de la Alianza Público-Privada awarded to ICTSI the 30-year Contract for the Design, Financing, Construction, Maintenance, Operation and Exploitation of the Specialized Container and General Cargo Terminal in Puerto Cortes.

ICTSI bested the consortium of Spanish port operator Grup Maritim TCB, S.L. and French logistics firm Bolloré Africa Logistics S.A.S. In March 2013, Operadora de Puerto Cortes, SA de CV, a subsidiary ICTSI established to operate in Puerto Cortes, signed the contract. Operational takeover is expected in September 2013 while civil works for the initial phase of development is targeted in October of the same year.

The privatized terminal, an existing operation and a brownfield project, handled over 580,000 TEUs in 2011. It has an area of over 62 hectares, which can be further developed, and a berth line of over 1,100 meters with a controlling depth of 10.5 meters. Currently, a straight 323 meters berth is assigned for general cargo handling, while 477 meters are for containerized cargo handling. The terminal can service four to five vessels at one time.

Container handling equipment includes two quay cranes, 13 straddle carriers and 57 prime movers. Recently, ENP leased three mobile harbor cranes to complement the operation of the quay cranes. Some 160 reefer plugs are also available for reefer container storage.

During development, the general cargo berth will be extended to 400 meters, and the terminal's berth line will be dredged to 14 meters. When the first phase is completed, terminal area will cover 32.5 hectares. At full development, Puerto Cortes will have an annual capacity of 1.8 million TEUs, and will be equipped with 12 quay cranes, four mobile harbor cranes, 27 rubber tired gantries, 90 prime movers and a host of ancillary equipment.

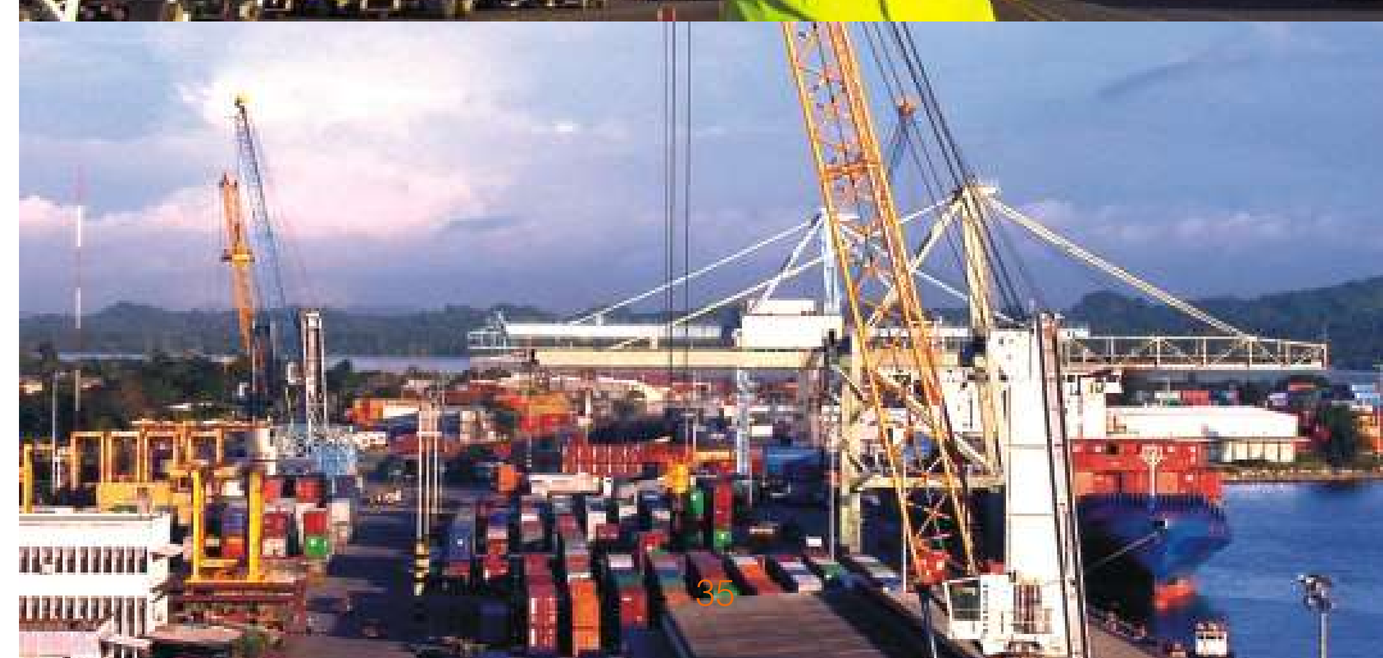
Aside from the equipment upgrade, development of the terminal will include strengthening of the quays, new pavement in the container yard, improvement of internal roads, rehabilitation of workshops, warehouses and electrical and water supply systems, and the construction of new buildings, covered storage areas, gates and customs inspection facilities. Terminal security and perimeter fencing, lighting, drainage system will also be improved.

ICTSI will reorganize container yard space, and subsequently roll out latest port technology and systems. Key systems to be implemented are NAVIS Sparcs N4 for terminal operations, SAP for finance and administration, ICAM for equipment maintenance, ARIBA for supply management and Meta 4 for human resources. Human resources development, on the other hand, will be through ICTSI's various technical and behavioral training programs.

Puerto Cortes, located in the north Atlantic coast of Honduras, is the center of maritime transportation and trade in the country, and is considered to be one of Central America's most important ports. The port handles 85 percent of the local cargo market and supports cargo movement to and from El Salvador and parts of Guatemala and Nicaragua. The country's main fruit export, bananas, is handled in the port.

Getting ready for bigger containerships

Shipping lines have been deploying larger vessels in the Americas to optimize costs while increasing the level of productivity and service of their containerships. Currently, operations in Terminal 6 in Portland, Oregon, the Guayaquil Multipurpose and Container Terminals in Guayaquil, Ecuador and the Suape Container Terminal in Pernambuco, Brazil have been servicing newer generation vessels with capacities of over 5,500 TEUs.



Alongside the deployment of larger vessels are the increasing number new shipping line clients and service routes in ICTSI Americas operations.

With the upcoming deployment of latest generation vessels with capacities of over 12,000 TEUs, ICTSI terminals in the Americas are gearing up to facilitate growing megaships. Operational development in the region include improvement of port facility and equipment, and the rollout of leading edge port technology that would enhance the processing, service, safety and security of containers while in the terminal.

In Oregon, ICTSI Oregon, Inc. purchased four reach stackers from Kalmar. Port authority Port of Portland, on the other hand, further lengthened the rails of the quay cranes from the existing 305 meters to 550 meters. Seismic reinforcement was also done at the berths to further strengthen the quay. In 2012, ICTSI Oregon welcomed German liner Hamburg Sud as a client.

In Brazil, Tecon Suape, S.A. (TSSA) acquired 12 terminal tractors from Kalmar and implemented civil works for a new exit gate equipped with optical character recognition technology, and an expanded container yard, which added five hectares of storage space to the terminal. The new equipment and container yard upped the annual capacity of the terminal to 700,000 TEUs. Meanwhile, Cabotage Shipping Lines introduced two weekly liner services in Suape.

In Ecuador, Contecon Guayaquil, S.A. received two post-Panamax quay cranes and 11 rubber tired gantries from ZPMC. A 270-meter portion of the 1,625-meter berth was further strengthened, container storage space was expanded, and an additional 1,700 reefer plugs were installed. New liner services in 2012 include Wan Hai's Asia Central-South America service, and Mediterranean Shipping Co.'s Ecuador-Panama feeder service.

Greenfields

ICTSI has three greenfield developments in the Americas: the Aguadulce Multi-User Container Terminal in Buenaventura, Colombia, La Plata Container Terminal in Buenos Aires, Argentina, and the Specialized in two Container Terminal-2 in Manzanillo, Mexico. Major civil works in two of these three terminals have been ongoing.

In Colombia, Sociedad Puerto Industrial Aguadulce, S.A.'s first phase of development will start middle of 2013, which involves the construction of a 400,000 TEU annual capacity terminal. Its planned 600-meter berth may be extended to 900 meters. A 250-meter berth line will be dedicated to the handling of general cargo and coal. Controlling draft will be at 14.5 meters. The Port of Buenaventura is Colombia's main port.

In Argentina, the first phase development of the La Plata project was 65 percent complete as of yearend 2012. Upon completion of the first phase, the terminal will have a 660-meter berth and a total area covering 40 hectares, 25 hectares of which are container storage areas. In October 2013, TecPlata, S.A., developer and operator of the terminal, is expecting the delivery of four quay cranes and nine rubber tired gantries. The Port of La Plata is seen to compete with the nearby Port of Buenos Aires, Argentina's main port.

In Mexico, Contecon Manzanillo, S.A. began with the construction of the first phase development of the Manzanillo terminal, which will have an initial annual capacity of 650,000 TEUs and a berth line of 720 meters. Orders were placed for four super post-Panamax quay cranes and 10 rubber tired gantries. The Port of Manzanillo is located on the Pacific coast of Mexico and is the busiest port in the country.

EUROPE, MIDDLE EAST & AFRICA

Volume in ICTSI's operations in Europe, Middle East and Africa (EMEA) grew by 16.6 percent, from 706,357 TEUs in 2011 to 823,471 TEUs in 2012. Volume came from terminals in Poland, Syria, Georgia, Madagascar and Croatia. Stronger international trade, the continuous shift to containerization, and the full year contribution of Croatia drove the increase. EMEA volume accounted for 14.6 percent of the Group's consolidated volume for 2012.

First greenfield in Africa: Lekki International Container Terminal

In February, ICTSI and Lekki Port LFTZ Enterprise (Lekki Port) entered into a Memorandum of Understanding (MOU) to negotiate the terms of a Sub-Concession Agreement (SCA) to develop and operate the container terminal at the Deep Water Port in the Lagos Free Trade Zone (LFTZ) at Ibeju-Lekki in Lagos State, Nigeria. ICTSI was selected as the preferred operator for the sub-concession of the terminal following a Request for Proposal process.

In August, Lekki Port and ICTSI signed the SCA, which granted ICTSI the exclusive right to develop and operate the terminal, and to provide container handling equipment and services for a period of 21 years from commercial operation date. In November, subsidiary ICTSI Capital B.V. established Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE). During the same period, ICTSI assigned the SCA and all its rights and obligations to LICTSLE.

Lekki Port's holding group, Singapore-based Tolaram Group, in partnership with the Nigerian Ports Authority (NPA) and the Lagos State Government (LSG), is the developer of the Deep Water Port, the largest of its kind in Sub-Saharan Africa. In April 2011, Lekki Port and NPA signed a Concession Agreement for the development of a world class and modern multi-purpose port to serve Nigeria and the West African region.

The Deep Water Port is composed of a container terminal, a dry bulk terminal and a liquid bulk terminal with a total quay length of 1,500 meters. The port will be built in over 90 hectares of land in the heart of the free trade zone, 65 kilometers east of Lagos, easily accessible to the industrial and consumption centers of Nigeria.

ICTSI's future container terminal, on the other hand, will have 1,200 meters of berth within the port's 1,500-meter quay. The berth will be equipped with 14 post-Panamax quay cranes, and will have an initial draft of 14 meters with the potential for further dredging to 16.5 meters. The terminal will be able to accommodate containerships with capacities of up to 10,000 TEUs.

The terminal, which will have an optimal annual capacity of 2.5 million TEUs, is scheduled to start commercial operations in 2016. ICTSI will invest over US$225 million in the container terminal, which will include state of the art container handling equipment, world-class terminal facilities and leading edge port technology and systems.

Nigeria's size and profile, strong GDP growth and double-digit trade expansion have made the development of the Nigerian maritime infrastructure one of the key priorities of the government. The Deep Water Port project is an excellent example of a successful public-private partnership, and could well turn into a role model for infrastructure development across Africa.

Singapore-based Tolaram Group, a multinational and diversified group, has over 60 years of experience in the business of manufacturing, marketing and distribution, power transmission services, logistics and real estate. Tolaram has operations in Estonia, Indonesia, Ghana, India and Nigeria, where it opened business in 1977.

Terminal development in Central and Eastern Europe

The Eurozone sovereign debt crisis continued its rippling effect on the global economy with the emerging market economies of Central and Eastern Europe taking most of the blow from the recession of their developed and advanced neighbors in Western Europe. A number of these emerging economies have been slugging it out to keep the impact of the crisis at bay. Some were successful but a number were not. Despite this, credit rating agency Moody's observed diverging economies coming out of Central and Eastern Europe. Towards the end of 2012, the region saw a degree of improvement with Moody's giving a "cautious optimism" outlook for 2013.

It is in this cautious optimism that ICTSI's EMEA operations continued the operational development of its Central and Eastern European terminals: Baltic Container Terminal (BCT) in Gdynia, Poland; Adriatic Gate Container Terminal (AGCT) in Rijeka, Croatia; and Batumi International Container Terminal (BICT) in Georgia. ICTSI terminals in Europe are gateway ports in their respective countries, and are among the largest and key terminals in their respective regions. BICT, in particular, has been cited for its growth, and is currently one of the leading container terminals in the Black Sea region in terms of improving volume.

In Poland, BCT embarked US$49.2 million for an

expansion project, which is targeted for completion in 2015. In support of the terminal expansion, the European Union's Center of European Transport Project granted BCT a subsidy amounting to US$17.3 million. As of date, BCT has not yet availed of the EU grant. BCT also entered into a US$46.5 million credit facility with Bank Polska Kasa Opeki, S.A. The facility consisted of a 10-year capital expenditure loan, a re-financing of an existing long-term loan and an overdraft facility. In April, BCT availed of an aggregate US$8.8 million of the credit facility.

Both the EU grant and bank facility funded BCT's development plans: orders for new equipment such as quay cranes, rubber tired gantries and rail mounted gantries; yard enhancements such as road improvements and additional reefer racks; and the rollout of new port technology and systems such as the differential global positioning system and the automation of terminal gates. The development plans will expand the terminal by 60 percent, from its current annual capacity of 750,000 TEUs to 1.2 million TEUs. Plans are underway to further deepen the controlling draft, from the existing 13.5 meters to 15.5 meters to accommodate larger vessels.

In Croatia, orders were made for two post-Panamax quay cranes, six rubber tired gantries and two rail mounted gantries from ZPMC. Cargo consolidation and deconsolidation services were introduced in the container freight stations, while the construction of a new gate complex and a 500,000-square meter reefer facility were completed.

Ongoing improvements include the berth extension of an additional 320-meter quay, a new 10,000-square meter operation area, and a container yard expansion of a new 29,000-square meter storage area. The terminal development, once completed, will increase AGCT's annual capacity from 250,000 TEUs to 600,000 TEUs.

Terminal operations are seen to improve with the rollout of the NAVIS SPARCS N4 system and full B2B electronic data interchange support. Terminal security, on the other hand, will be given a boost with the installation of additional CCTV cameras and the construction of new stations for EU Border Inspection Posts.

Inauguration and commissioning ceremony of the new equipment, berth and container yard is scheduled in mid-2013 in conjunction with the anniversary of Croatia's accession to the European Union.

Pullout in Syria

In December, subsidiary Tartous International Container Terminal JSC (TICT) announced the pullout of its business in Syria due to the civil war, and the resulting untenable, hostile and dangerous business environment. TICT filed a Notice of Termination for its 10-year Investment Agreement with port authority Tartous Port General Company (TPGC), which was entered into by TICT and TPGC in March 2007. All Filipino employees were repatriated prior to the pullout.

TICT was compelled to send the notice because of TPGC's refusal to recognize the occurrence of Unforeseen Change of Circumstances. In the agreement, the civil unrest and violence happening in Syria is considered as *force majeure*. The civil war gravely affected businesses and trade in the country, exposing combatants and civilians alike to increasing threat of death and destruction on a daily basis.

Since 2011, TICT had been operating under an extremely difficult environment in Syria. Economic and business conditions in Syria have been volatile as a result of trade sanctions by the European Union and the United States, and the closing of trade in the Syrian-Iraqi border.

The crisis negatively impacted volume growth and forecasts. TICT also encountered policy setbacks from the Syrian government's strategy on public-private partnership. There were delays in government's deliverables under the contract. Until the start of the Syrian crisis, TICT had diligently fulfilled all its financial obligations to TPGC. The annual investment fee and variable fee were paid on time.

The Investment Agreement allows a party to seek relief if there is an unforeseeable change in circumstances, which materially upsets the economic balance of the parties from when they started. The situation in Syria has since then deteriorated into an open civil war. To continue operations in Syria under those circumstances was clearly unsustainable and dangerous to TICT personnel.
The termination of the concession had no bearing on ICTSI's other port concessions worldwide, all of which are experiencing steady growth and smooth operation.

Corporate Citizenship

The ICTSI Group sustained its corporate citizenship initiatives with continued focus on its main advocacy – the youth. New programs were launched and existing ones continued as the Group strengthened the culture of volunteerism and care of community. In sustaining its youth advocacy, the Group provided support mechanisms in education, social services and sports in the host communities and countries where ICTSI operates.

Through its corporate social responsibility (CSR) arm, the ICTSI Foundation, Inc., the Group further enhanced its programs in the Philippines, while providing guidance and support to CSR activities by subsidiaries in Madagascar and Colombia. After the Foundation has fully established itself in the Philippines through national accreditations and partnerships, and the institutionalization

of CSR across the country operations, the Foundation, through a phased program, hopes to replicate and cascade the Group's youth advocacy, including its support mechanisms, in operations in Asia, Americas, Europe and Middle East, and Africa.

Among the key partnerships forged in 2012 was the Foundation's registration as an auxiliary resource agency of the Philippine Department of Social Welfare and Development (DSWD). The Foundation and DSWD also inked a Memorandum of Understanding with Social Welfare Secretary Corazon Soliman for the convergence of Foundation and DSWD efforts and resources for common projects in the host communities of ICTSI in the country. The Foundation also added new dimensions in its partnerships with the Philippine Business for Social Progress, (PBSP) its beneficiary schools, and communities.

The Group remains the leading corporate benefactor of the sport of golf in the Philippines. ICTSI, through its support of Pilipinas Golf Tournaments, Inc., the official organizer of the Philippine Golf Tour, and the Junior Golf Foundation of the Philippines, which organizes a national inter-school league, continues to be the prime mover of the sport and its professional and amateur athletes.

Education

ICTSI GROUP

ICTSI Oregon, Inc. supported the cause of Filipino Americans in the United States through programs of the Council of Filipino American Associations of Oregon and Southwest Washington. A convention was held promoting the understanding and knowledge of the Philippines and the Filpino-American community in the areas of education, history, literature and culture.

Tecon Suape, S.A. supported Fliport, the International Book Fair of Pernambuco, which promotes culture through reading, poetry, music and cinema, and the Orchestra of the Child Citizen, a project that assists 130 young people in their musical training. The beneficiaries are the youth of the poor neighborhoods of Metro Recife.

On behalf of the Group, the Foundation coordinated with the AGAPP Foundation for the construction of a pre-school building in Gen. Santos City with another one in Quezon in 2013. ICTSI funded the construction of the building including the purchase of school furniture and educational materials.

ICTSI FOUNDATION

Student scholarships & free teacher training

In 2012, the ICTSI Foundation continued its scholarship program in coordination with its partner-public schools and the PBSP. A total of 100 scholarship grants were given to high school students in ICTSI's host communities in Manila, Batangas, Olongapo City, Davao City, Gen. Santos City, and Misamis Oriental. Scholarship covers provision for the students' daily transportation and meals, uniforms, shoes, books, school supplies, school projects and authorized school fees.

Daycare training was provided to teachers of Foundation-assisted daycare centers in partnership with Miriam College's Growth, Upgrading and Resource Office. A total of nine teachers graduated from a two-year certificate course on early childhood education conducted by Miriam College. The Foundation also assisted in the development and production of the daycare curriculum source books and the corresponding training of 115 daycare teachers in Manila. The new skills benefitted some 9,025 pupils.

A seminar on managing personal finances for teachers was implemented. The teachers, 522 elementary and high school teachers and 266 daycare teachers, are from the Foundation's partner public schools in Manila. Each participant received a guidebook on personal finance management.

Education aids, materials & facilities

The Foundation constructed a new daycare center in Sasa, Davao City while eight daycare centers in Olongapo City and 17 daycare centers in Gen. Santos City were provided with storybooks and educational toys benefitting 932 pupils and 26 daycare teachers. The library of an elementary school in Olongapo City was rehabilitated and provided reading and reference materials that benefitted 1,658 students.

Laboratory equipment and materials were provided to two Manila high schools for subjects in electronics, electricity, automotive, cosmetology and dressmaking. In Batangas, an elementary school was given science laboratory equipment to enhance the children's science curriculum, and to provide immediate hands-on learning for 334 students. In Davao, science visual aids were provided to the 100 lowest performing schools in the subject of science. The visual aids benefitted 36,509 students in the Davao region.

The Foundation provided storybooks, reading materials and multi-media educational aids in an elementary school in Gen. Santos City, benefitting 338 kindergarten students. This was complemented with a storytelling workshop attended by 50 elementary and 60 daycare teachers. In Olongapo City, a similar donation was also given to an elementary school, benefiting 32 pupils.

Foundation scholars' Christmas card design contest

Two scholars from Bauan, Batangas won the ICTSI Christmas card design contest. The scholars were from Bauan Technical High School that produced two of the three top prizes. Declared first and second place winners were sophomore students Jessa Ilagan and Mary Joy Caringal, respectively. Ms. Ilagan's winning entry was the adopted design of the official 2012 ICTSI Christmas card. The third place winner was Nina Cyrelina Poraque of Olongapo City. With the theme "Generosity: a 24/7 Christmas spirit," this year's contest gathered a total of 55 card entries from ICTSI scholars in the Philippines.

Social Services

ICTSI GROUP

ICTSI Manila headquarters supported the social services programs of the Saup Lugud Foundation and the Philippine Charity Sweepstakes Office. ICTSI Oregon, on the other hand, helped the Aguman Capampangan's fundraising activities in Portland for its medical and dental outreach activities in Pampanga, Philippines.

Mindanao International Container Terminal Services Inc. partnered with the People Management Association of the Philippines and the Habitat for Humanity in building houses for the victims of tropical storm Washi in Cagayan de Oro City, Philippines.

Sociedad Puerto Industrial Aguadulce S.A. (SPIA), through its CSR unit Puerto Aguadulce Foundation and the assistance of the ICTSI Foundation, turned over 112 houses to families belonging to two ethnic communities in Buenaventura, Colombia. Eleven more houses were constructed during the year. On the other hand, 47 families opted for monetary compensation.

The Puerto Aguadulce Foundation was officially established in January 2012 to assist SPIA in coordinating with the project's host communities. It assisted a total of 766 families of Afro-Colombian communities in the areas of housing, health, livelihood and other projects. SPIA started the construction of the Aguadulce Multi-User Container Terminal in 2008.

ICTSI FOUNDATION

Supplemental feeding program

Building on previous years' successes, the Foundation continued its supplemental feeding program for 1,808 pupils from 10 ICTSI-supported daycare centers and two elementary schools in Manila flagship's immediate communities. The project was complemented with capability-building seminars on nutrition and parenting, which benefitted 1,163 mothers of the feeding beneficiaries.

Related to the feeding program, the Foundation received recognition for its used battery donations from car battery manufacturer Motolite. Motolite's *Balik Baterya* (Return of Batteries) Project aims to collect funds from the sale of used lead acid batteries from different companies. The funds are used to support environment, education and community / social development projects. In the case of the Foundation, proceeds were used for the feeding program.

Livelihood support, medical outreach, disaster relief operations & holiday giving

The Foundation conducted livelihood training in partnership with DSWD for the benefit of families in

Manila flagship's immediate communities. A total of 44 participants were provided skills in baking and bread making, and fabric conditioner, dishwashing liquid and soap making. A similar training was given to 220 individuals from a women's NGO, wives of port workers and residents of a community in Misamis Oriental.

In coordination with community leaders, the Foundation provided free medical consultations and medicines for 819 indigent residents of Olongapo City. Free dental consultations and treatment were also provided to 34 patients in Batangas. In Davao City, a medical and dental mission was conducted in an indigenous tribal community, benefiting 217 individuals.

Funded by ICTSI, the Foundation conducted relief operations for 1,350 fire victims in Manila, 1,510 monsoon flood victims in Pampanga, and 1,000 typhoon Bopha victims in Compostela Valley and Davao Oriental.

During the Christmas season, the Foundation provided 50 mattresses to a half way home for cancer-stricken children located inside a public hospital compound in Metro Manila. Personal hygiene effects were distributed to 2,100 "visitor-less," indigent inmates of Manila City Jail, and to 250 abused young girls residing in a DSWD shelter. The Foundation raised funds through its Christmas card program to help Kalipay Negrense Foundation, a temporary shelter for physically and sexually exploited children in Bacolod City.

Sports

The ICTSI Group was among the Philippine Olympic Committee's major corporate benefactors in the 2012 edition of the London Summer Olympics. ICTSI also supported the campaign of the De La Salle University Green Archers during the collegiate basketball tournament of the 75th season of the Universities Athletic Association of the Philippines.

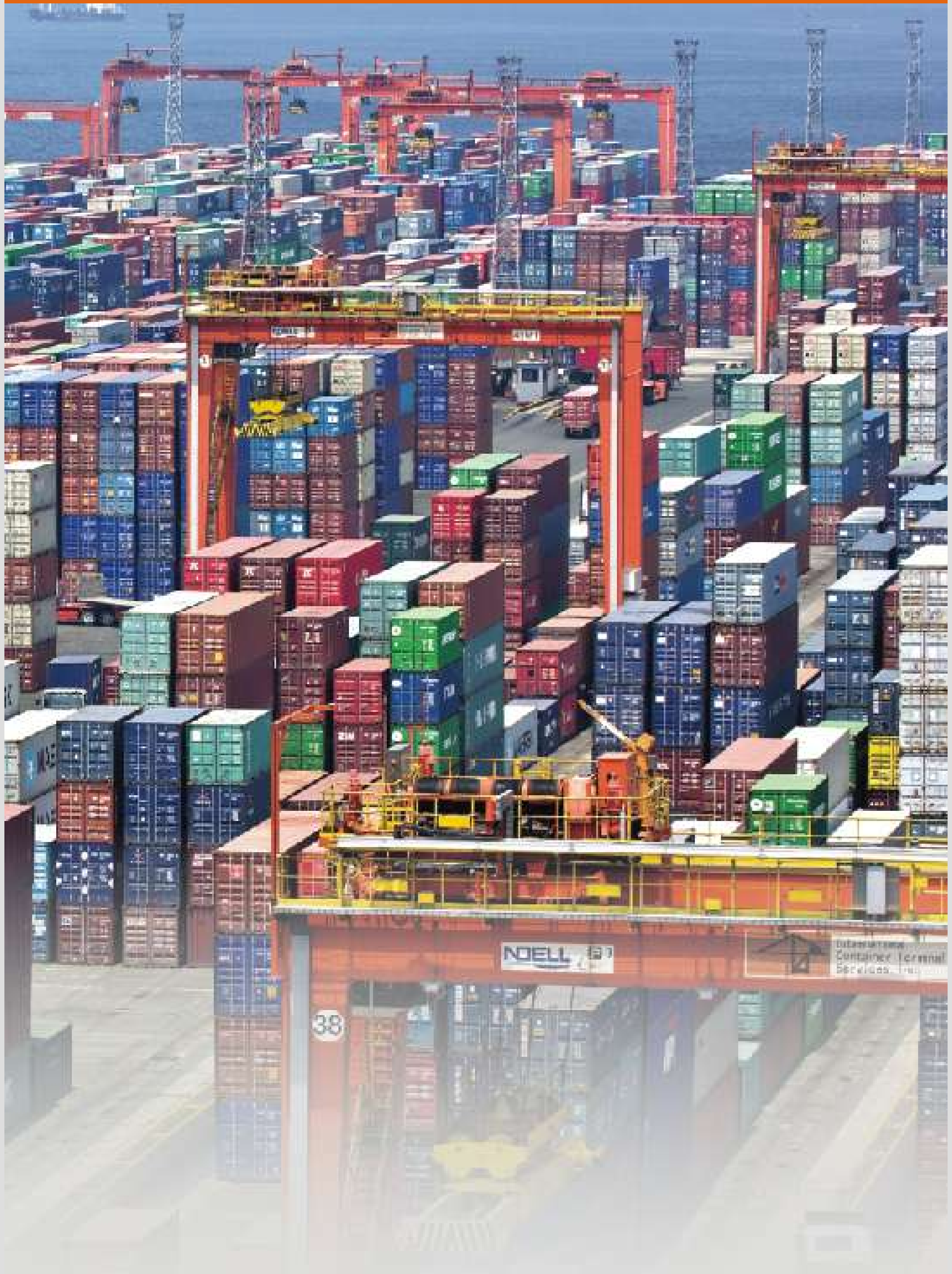
Madagascar International Container Terminal Services Ltd. (MICTL), with the assistance of the ICTSI Foundation, supported the Transaid Madagascar Cycle Challenge, which happened in June. The cycling event involved approximately 30 logistics and freight industry specialists cycling across Madagascar over a distance of 480 kilometers. MICTL partnered with Transaid, an international United Kingdom development charity that delivers specialized logistic solutions in Africa. It aims to reduce poverty and improve livelihoods across Africa and the developing world by creating better transport solutions.

The ICTSI Foundation provided taekwondo gear and equipment to a public elementary school in Manila and a national high school in Misamis Oriental that benefitted 24 and 60 students, respectively. The two schools exemplified sports excellence, making it to the regional athletics meet, which is often dominated by private schools.

ICTSI's golf development program, on the other hand, supported a total of 17 professional golf tournaments of the Philippine Golf Tour, the largest local golfing circuit in Southeast Asia and the country's premier pro golf league. Two of the 17 legs were part of the Asian Development Tour. Close to 170 local and foreign professional golfers participated in the golf tour. Meanwhile, the Group continued its support of the Philippine Open, the oldest national golf tournament in Asia and one of the crucial legs of the Asian Tour.

The golf program for amateurs, on the other hand, was focused on the Philippine women's team. ICTSI supported eight amateur golfers, with one graduating to the professional league. The team won six individual local titles and seven individual international titles. The team participated in 13 local tournaments and 29 international tournaments including the Ladies Professional Golf Association (LPGA) qualifying and US LPGA qualifying.

The ICTSI-backed Junior Golf Foundation of the Philippines held a total of 70 inter-school tournaments participated in by 400 junior golfers. Some 31 schools in Luzon and Metro Manila and 19 schools in Mindanao joined ICTSI's national junior golf league.



Management's Discussion and Analysis

The following discussion and analysis relate to the consolidated financial condition 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 audited consolidated financial statements and related notes as of and for the year ended December 31, 2012. References to "ICTSI", "the Company", and "Parent Company" pertain to ICTSI Parent Company, while references to "the Group" pertain to ICTSI and its subsidiaries.

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. Currently, the Group is involved in 27 terminal concessions and port development projects in 19 countries worldwide. There are 21 operating terminals in seven key ports in the Philippines, two in Indonesia and one each in Brunei, Japan, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan and India; three ongoing port development projects in Mexico, Colombia and Argentina; and three recently concluded negotiations to manage and operate ports in Nigeria, Honduras and another, in Davao, Philippines. The projects in Mexico and Argentina are expected to commence commercial operations in 2013 and 2014, respectively.

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

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

- Asia
  - Manila - Manila International Container Terminal, Port of Manila, Philippines (MICT)
  - Zambales - New Container Terminal (NCT) 1 and 2, Subic Bay Freeport Zone, Olongapo City, Philippines (SBITC/ICTSI Subic)
  - Batangas - Bauan Terminal, Bauan, Philippines (BIPI)
  - Davao - Sasa Wharf, Port of Davao (DIPSSCOR) and Hijo International Port Services, Inc., Davao del Norte, Philippines (HIPS)
  - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
  - Misamis Oriental - Phividec Industrial Estate, Tagaloan (MICTSI)
  - Japan - Naha Port Public International Container Terminal, Okinawa, Japan (NICTI)
  - Indonesia - PT Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) and PT Perusahaan Bongkor Muat (PBM) Olah Jasa Andal (OJA)
  - China - Yantai Gangtong Terminal, Shandong Province, China (YRDICTL)
  - Brunei - Muara Container Terminal, Brunei Darussalam (NMCTS)
  - India - Kattupalli Container Terminal, Tamil Nadu, India (ICTSI India)
  - Pakistan - Pakistan International Container Terminal, Karachi, Pakistan (PICT)
- Europe, Middle East and Africa (EMEA)
  - Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
  - Syria - Tartous International Container Terminal, Tartous, Syria (TICT)
  - Georgia - Batumi International Container Terminal LLC, Batumi, Georgia (BICT)
  - Croatia - Adriatic Gate Container Terminal, Rijeka, Croatia (AGCT)
  - Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
  - Nigeria - Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE)

- 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)
  - Colombia - Port of Buenaventura, Buenaventura, Colombia (SPIA)

ICTSI's concession for MICT was extended for another 25 years up to May 18, 2038, subject to certain conditions including the completion of agreed additional investments in port equipment and infrastructures prior to 2013, payment of upfront fees on May 20, 2013 amounting to ₱670.0 million (approximately US$16.3 million), and turnover and execution of Deed of Transfer of port facilities and equipment currently being used at MICT and part of committed investment under the original concession agreement, among others.

ICTSI will recognize new concession rights when the renewal agreement becomes effective on May 18, 2013 to the extent that ICTSI receives a license or right to charge users for the public service it provides. Concession rights shall consist of: (i) upfront fee of approximately US$16.3 million; and (ii) the present value of fixed fee consideration computed using the discount rate at the effectivity date of the renewal agreement. Using the estimated discount rate at December 31, 2012, the present value is approximately US$357.9 million. Amortization of concession rights comprising of the approximation of upfront fees and the present value of fixed fee consideration is estimated to be US$9.4 million in 2013 and US$15.0 million per year thereafter, while interest expense on concession rights payable is approximately US$10.0 million in 2013, US$16.0 million in 2014 and subsequently calculated based on the diminishing balance of concession rights payable using the effective interest rate. On the other hand, variable fees will be recognized as expense when incurred.

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

On May 12, 2010, ICTSI Oregon, Inc. (ICTSI Oregon), a subsidiary of ICTSI, signed a 25-year lease with the Port of Portland (the Port) for the container/break-bulk facility at Terminal 6 in Oregon, U.S.A. Under the terms of the agreement, ICTSI Oregon paid the Port US$8.0 million (US$2.0 million on May 12, 2010 as a signing deposit and the remaining US$6.0 million on August 12, 2010) in addition to an annual rent payment of US$4.5 million, subject to any increases in the consumer price index. As terminal volume increases over time, ICTSI will pay the Port additional incremental revenue per container moved. ICTSI established ICTSI Oregon on April 15, 2010 to operate the Port. ICTSI Oregon took over the port operations on February 12, 2011.

In March 2011, the Company, through its wholly-owned subsidiary, ICTSI Capital BV, entered into a Share Purchase Agreement with Luka Rijeka D.D. (Luka Rijeka), a Croatian company, to purchase a 51% interest in the Adriatic Gate Container Terminal (AGCT) for an aggregate consideration of US$39.7 million (296.2 million Croatian Kuna). AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. With the acquisition of 51% aggregate interest in AGCT, ICTSI gained control of AGCT effective April 15, 2011, the same date of ICTSI's formal take-over of AGCT's operations.

In April 2011, ICTSI and L&T Shipbuilding Ltd. (LTSB) signed a container port operation agreement for the management and operation of the Kattupalli Container Terminal in Tamil Nadu, India for a total consideration of US$18.0 million. The Kattupalli Container Terminal is ICTSI's first venture in India. The terminal is located near Chennai in Thiruvallur District. LTSB is the developer of an integrated shipyard cum port with a 1.2 million TEU annual capacity container terminal in Kattupalli. The container terminal has commenced commercial operations in January 2013.

On July 27, 2011, Subic Bay Metropolitan Authority (SBMA) and ICTSI signed the concession agreement for the operation and management of NCT-2 at Cubi Point in Subic, Philippines for 25 years. On August 19, 2011, SBMA approved the assignment of ICTSI's rights, interests and obligations in the NCT-2 contract to ICTSI Subic, Inc. (ICTSI Subic), which was incorporated on May 31, 2011. NCT-2 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. On August 2, 2012, SBMA has provided ICTSI Subic the notice to proceed with the operation and management of NCT-2. ICTSI Subic started commercial operations in October 2012.

On February 22, 2012, ICTSI and Lekki Port LFTZ Enterprise (Lekki Port) entered into a Memorandum of Understanding (MOU) to negotiate the terms of a Sub-concession Agreement to develop and operate the container terminal at the Deep Water Port in the Lagos Free Trade Zone at Ibeju-Lekki, Lagos State, Federal Republic of Nigeria. On August 10, 2012, Lekki Port and ICTSI signed the Sub-concession Agreement, which grants ICTSI the exclusive right to develop and operate, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operations date. The container terminal is scheduled to commence commercial operations in 2016.

On March 30, 2012, ICTSI Mauritius Limited (ICTSI Mauritius) signed a Share Purchase Agreement with substantial shareholders of Pakistan International Container Terminal (PICT), a company listed in the Karachi Stock Exchange, for the purchase of 35% of the shares of stock of PICT, which shall involve the conduct of a minimum offer price and which shall be determined in accordance with the Takeover Laws of Pakistan. On October 18, 2012, ICTSI Mauritius completed the acquisition of 35% of the total issued capital stock of PICT for a purchase price of US$60.3 million (PKR5.7 billion) to become the single biggest shareholder of PICT. With the acquisition of 35% equity

interest in PICT, ICTSI Mauritius gained control over PICT effective October 19, 2012 resulting in the majority board representation and the power to appoint the General Manager and Chief Financial Officer of PICT. ICTSI Mauritius further increased its ownership in PICT to 63.59 percent as of December 31, 2012. PICT has a contract with Karachi Port Trust for the exclusive construction, development, operations and management of a common user container terminal at Karachi Port for a period of 21 years commencing on June 18, 2002.

On July 3, 2012, ICTSI acquired a 100% equity interest in PT Perusahaan Bongkar Muat (PBM) Olah Jasa Andal (OJA) through its indirect majority-owned subsidiary, PT ICTSI Jasa Prima Tbk (JASA) (formerly PT Karwell Indonesia Tbk) for a purchase price of US$41.9 million. OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and/or containers at the Port of Tanjung Priok, Jakarta, Indonesia. OJA has existing cooperation agreements which have terms of two years that can be extended pursuant to applicable provision in each agreement. JASA was acquired on May 3, 2012 by ICTSI Far East Pte. Ltd. (IFEL). The acquisition by IFEL of an aggregate of 80% of the outstanding and issued shares of stock of JASA resulted to IFEL becoming the new controlling shareholder of JASA. JASA is a listed company in Indonesia originally engaged in garment and textile industry which stopped commercial operations. The purpose of the acquisition was to save and preserve the going concern of JASA so that JASA can engage in the development, construction and operation of terminals and maritime logistic infrastructure.

Also in 2012, ICTSI, through its wholly-owned subsidiary, Abbotsford Holdings, Inc., together with Hijo Resources Corp., a diversified group involved in leisure and tourism, agribusiness, property development and port operations, invested in Hijo International Port Services, Inc. (HIPS) for the construction, development and operation of Hijo International Port (also referred to as “Hijo Port”). Hijo Port is a private commercial port owned by HIPS located in Barangay Madaum, Tagum, Davao del Norte in the Gulf of Davao. ICTSI owns 65% of HIPS. The relevant contracts and agreements on the construction, operation and management of the terminal have not yet been finalized as of March 7, 2013.

On February 1, 2013, ICTSI won and was awarded the contract for the design, financing, construction, maintenance, operation and exploitation of the Specialized Container and General Cargo Terminal of Puerto Cortés in the Republic of Honduras for a period of 30 years through a public hearing held in Tegucigalpa, Honduras. As of March 7, 2013, construction activities have not yet started at the terminal. Also, as of March 7, 2013, ICTSI and COALIANZA are complying with several pre-conditions for the execution of the concession contract, and the parties have 60 days from the date of the award, or until April 2, 2013 to sign the concession contract.

On December 28, 2012, TICT, a wholly-owned subsidiary of ICTSI, filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous Container Terminal in Syria, which was entered into by TICT and TPGC in March 2007. TICT was compelled to send the said Notice of Termination of the Investment Agreement because of TPGC's consistent refusal to recognize the occurrence of Unforeseen Change of Circumstances brought about by civil unrest and violence which has gravely affected businesses and trade in Syria. The issuance of this notice was also prompted by TPGC's refusal to negotiate in good faith for relief from the clear imbalance of the parties' economic relationship, which constitutes a breach of the Investment Agreement. Finally, TICT was left with no choice but to issue the Notice of Termination when Syria plunged into a state of full-fledged civil war, which exposed everyone (combatants and civilians alike) to increasing threat of death and destruction on a daily basis, which is considered as force majeure under the Investment Agreement. Accordingly, ICTSI wrote-off its investment in TICT equivalent to the carrying value of the net assets of TICT as of December 28, 2012, amounting to US$0.8 million. On January 27, 2013, TICT formally ceased operating the Tartous Container Terminal.

RESULTS OF OPERATIONS

The following table shows a summary of the results of operations for the years ended December 31, 2010, 2011 and 2012, as derived from the accompanying audited consolidated financial statements.

Audited Consolidated Statements of Income

	For the Year Ended December 31				
In thousands, except % change data	2010	2011	**2012**	% Change *2010 vs 2011*	% Change *2011 vs 2012*
Gross revenues from port operations	US$527,115	US$664,836	**US$729,308**	26.1	9.7
Revenues from port operations, net of port authorities' share	450,688	570,721	**626,416**	26.6	9.8
Total income (net revenues, interest and other income)	485,268	605,400	**648,492**	24.8	7.1
Total expenses (operating, financing and other expenses)	348,285	434,192	**456,283**	24.7	5.1
EBITDA[1]	247,698	281,382	**307,428**	13.6	9.3
EBIT[2]	180,853	212,500	**227,104**	17.5	6.9
Net income attributable to equity holders of the parent	98,276	130,530	**143,212**	32.8	9.7
Earnings per share					
Basic	US$0.052	US$0.063	**US$0.059**	21.2	(6.3)
Diluted	0.050	0.061	**0.058**	22.0	(4.9)

[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 consolidated net income attributable to equity holders of the parent for the year:

EBITDA Computation

	For the Year Ended December 31				
In thousands, except % change data	2010	2011	**2012**	% Change *2010 vs 2011*	% Change *2011 vs 2012*
Net income attributable to equity holders of the parent	US$98,276	US$130,530	**US$143,212**	32.8	9.7
Minority interests	(451)	466	**751**	(203.3)	61.2
Provision for income tax	39,158	40,213	**48,247**	2.7	20.0
Income before income tax	136,983	171,209	**192,210**	25.0	12.3
Add (deduct):					
Depreciation and amortization	66,845	68,882	**80,323**	3.0	16.6
Interest and other expenses	78,450	75,970	**56,971**	(3.2)	(25.0)
Interest and other income	(34,580)	(34,679)	**(22,076)**	0.3	(36.3)
EBITDA	US$247,698	US$281,382	**US$307,428**	13.6	9.3

KEY PERFORMANCE INDICATORS

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

2012 Compared with 2011

Gross moves per hour per crane at key terminals such as MICT, CGSA, TSSA, BCT, YRDICTL and MICTSL ranged from 11.0 to 29.0 moves per hour in 2011 to 17.0 to 30.2 moves per hour in 2012. Crane availability ranged from 95.8 percent to 99.0 percent in 2011 to 92.1 percent to 99.9 percent in 2012. Berth utilization was at 20.0 percent to 85.4 percent in 2011 and 21.7 percent to 59.0 percent in 2012.

2011 Compared with 2010

Gross moves per hour per crane at key terminals ranged from 14.0 to 27.0 moves per hour in 2010 to 11.0 to 29.0 moves per hour in 2011. Crane availability ranged from 97.0 percent to 99.0 percent in 2010 to 95.8 percent to 99.0 percent in 2011. Berth utilization was at 17.0 percent to 62.0 percent in 2010 and 20.0 percent to 85.4 percent in 2011.

COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012 COMPARED WITH 2011

TEU Volume

Consolidated throughput handled by the Group increased by 7.5 percent from 5,233,795 TEUs for the year ended December 31, 2011 to 5,628,021 TEUs for the year ended December 31, 2012 mainly due to the continuous improvement in international and domestic trade, new shipping lines and routes, and the continuous shift in the containerization of BBC. Meanwhile, new terminals, OJA and PICT, which were consolidated in August 2012 and October 2012, and ICTSI Oregon and AGCT, which were consolidated in February 2011 and April 2011, respectively, also contributed to the growth in volume. Excluding the impact of new terminals, consolidated volume would have increased by 3.7 percent in 2012. Key terminals, consisting of MICT, CGSA, TSSA, BCT, YRDICTL and MICTSL reported a combined growth of 6.2 percent year-on-year.

Volume handled by the Asia operations, comprised of terminals in the Philippines, China, Indonesia and Pakistan, increased by 9.2 percent from 2,956,433 TEUs for the year ended December 31, 2011 to 3,228,432 TEUs for the year ended December 31, 2012 mainly

due to the continuous improvement in international and domestic trade, new shipping lines and routes, and new terminals, PICT and OJA. Excluding new terminals, volume for the segment would have increased by 3.3 percent in 2012. Volume growth, however, was tapered by the decline in DIPSSCOR as trade restrictions in China and a recent typhoon, which destroyed a big portion of the banana plantations in Mindanao, slowed down banana production and exportation. The Asia operations accounted for 57.4 percent and 56.5 percent of the consolidated volume for the years ended December 31, 2012 and 2011, respectively.

The EMEA operations, comprised of terminals in Poland, Syria, Georgia, Madagascar and Croatia, posted a 16.6 percent increase from 706,357 TEUs for the year ended December 31, 2011 to 823,471 TEUs for the same period in 2012 primarily due to stronger international trade, continuous shift in the containerization of cargoes previously shipped as BBC, and the full year contribution of AGCT. The entire segment's operating terminals reported double-digit growth with the exception of TICT, whose volume continued to drop due to the worsening political situation in Syria. Excluding AGCT, volume of the segment would have increased by 14.7 percent in 2012. The EMEA operations accounted for 14.6 percent and 13.5 percent of the Group's consolidated volume for the years ended December 31, 2012 and 2011, respectively.

Throughput from the Americas segment, composed of terminals in Brazil, Ecuador and The United States of America, increased marginally by 0.3 percent to 1,576,118 TEUs for the year ended December 31, 2012 from 1,571,005 TEUs for the same period in 2011. The marginal increase was mainly attributed to the full year contribution of ICTSI Oregon and CGSA's gradual recovery from a slowdown in banana exportation in Ecuador. Excluding ICTSI Oregon, the segment's volume would have decreased slightly by 0.2 percent mainly due to the 7.7 percent decline in TSSA's volume which can be attributed to the soft Brazil market and the discontinuance of its Asia service operations resulting to lower transshipment volume. The Americas operations captured 28.0 percent and 30.0 percent of the consolidated volume for the years ended December 31, 2012 and 2011, respectively.

TOTAL INCOME

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

The table below illustrates the consolidated total income for the years ended December 31, 2011 and 2012:

Total Income

	For the Year Ended December 31		
(In thousands, except % change data)	2011	**2012**	% Change
Gross revenues from port operations	US$664,836	**US$729,308**	9.7
Port authorities' share in gross revenues	94,115	**102,892**	9.3
Net revenues	570,721	**626,416**	9.8
Foreign exchange gain	14,185	**10,657**	(24.9)
Interest income	8,815	**7,789**	(11.6)
Other income	11,679	**3,630**	(68.9)
Total income	US$605,400	**US$648,492**	7.1

In 2012, net revenues accounted for 96.6 percent of the total consolidated income while foreign exchange gain represented 1.6 percent. In 2011, net revenues and foreign exchange gain stood at 94.3 percent and 2.3 percent of the total consolidated income, respectively.

Gross Revenues from Port Operations

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

Consolidated gross revenues from port operations grew by 9.7 percent from US$664.8 million for the year ended December 31, 2011 to US$729.3 million for the year ended December 31, 2012 due to volume growth on all geographical segments, tariff rate increases in certain terminals, favorable volume mix, mainly import and export-laden containers, new shipping lines, higher revenues from storage and ancillary services, full year contribution of ICTSI Oregon and AGCT, and the addition of new terminals, PICT and OJA. Excluding ICTSI Oregon, AGCT, PICT and OJA, gross revenues would have increased by 6.4 percent in 2012. However, the increase in consolidated gross revenues was tapered by the 16.8 percent depreciation of the Brazilian Reais (BRL) against the US dollar. Excluding the translation impact of BRL, consolidated gross revenues would have increased by 12.3 percent in 2012. The Asia and EMEA segments reported 19.6 percent and 10.5 percent growth, respectively, while the Americas segment declined marginally by 1.1 percent. Key terminals posted a combined growth of 6.6 percent year-on-year.

Gross revenues from the Asia operations increased by 19.6 percent to US$362.0 million for the year ended December 31, 2012 from US$302.6 million for the year ended December 31, 2011 due to volume growth, tariff rate increases at MICT, favorable volume mix, higher revenues from ancillary services, and additional contribution of new terminals, PICT and OJA. Excluding new terminals, the segment's gross revenues would have increased by 14.3 percent in 2012. The Asia operations captured 49.6 percent and 45.5 percent of the consolidated gross revenues for the years ended December 31, 2012 and 2011, respectively.

The EMEA operations reported a 10.5 percent increase in gross revenues from US$78.1million for the year ended December 31, 2011 to US$86.3 million for the year ended December 31, 2012 primarily due to volume growth in most terminals, MICTSL's tariff rate increase, higher storage revenues due to longer dwell time, and the full year contribution of AGCT. Excluding AGCT, gross revenues of the segment would have increased by 8.4 percent in 2012. EMEA operations accounted for 11.8 percent and 11.7 percent of the consolidated gross revenues for the years ended December 31, 2012 and 2011, respectively.

Meanwhile, gross revenues from the Americas segment decreased by 1.1 percent to US$281.0 million for the year ended December 31, 2012 from US$284.1 million for the year ended December 31, 2011 due mainly to the 16.5 percent decline in gross revenues of TSSA which was brought about by the soft Brazil market, discontinuance of its Asia transshipment service, and a weaker BRL. Excluding the translation impact of BRL, gross revenues for the segment would have increased by 5.0 percent in 2012 due to the gradual recovery of banana exports at CGSA and the full year contribution of ICTSI Oregon. However, excluding ICTSI Oregon, the segment's gross revenues would have dropped by 3.7 percent in 2012. The Americas operations accounted for 38.5 percent and 42.7 percent of the consolidated gross revenues of the Group for the years ended December 31, 2012 and 2011, respectively.

Foreign Exchange Gain, Interest Income and Other Income

Foreign exchange gain dropped by 24.9 percent to US$10.7 million for the year ended December 31, 2012 from US$14.2 million for the year ended December 31, 2011 mainly due to the decline in the Parent Company's net monetary assets despite the appreciation of Philippine peso against US dollar (2012:+6.4%; 2011:nil), and net derivative gains on its US$/MXN dual currency deposits which matured at the end of 2011. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Consolidated interest income decreased by 11.6 percent from US$8.8 million for the year ended December 31, 2011 to US$7.8 million for the year ended December 31, 2012 mainly due to lower average cash balance in 2012 compared to 2011.

Other income dropped by 68.9 percent to US$3.6 million for the year ended December 31, 2012 from US$11.7 million for the year ended December 31, 2011 mainly due to the gain on sale of available-for-sale investments recognized in 2011 amounting to US$8.4 million.

TOTAL EXPENSES

Total expenses consist of: (1) Manpower costs; (2) Equipment and facilities-related expenses; (3) Administrative and other operating expenses; (4) Depreciation and amortization; (5) Interest expense and financing charges on borrowings; (6) Interest expense on concession rights payable; and (7) Foreign exchange loss and others.

The table below shows the breakdown of total expenses for 2011 and 2012.

Total Expenses

	For the Year Ended December 31		
(In thousands, except % change data)	2011	**2012**	% Change
Manpower costs	US$124,615	**US$140,144**	12.5
Equipment and facilities-related expenses	89,808	**93,766**	4.4
Administrative and other operating expenses	74,916	**85,079**	13.6
Total cash operating expenses	289,339	**318,989**	10.2
Depreciation and amortization	68,882	**80,323**	16.6
Interest expense and financing charges on borrowings	38,993	**30,400**	(22.0)
Interest expense on concession rights payable	18,913	**16,576**	(12.4)
Foreign exchange loss and others	18,064	**9,995**	(44.7)
Total expenses	US$434,191	**US$456,283**	5.1

Total cash operating expenses of the Group increased by 10.2 percent to US$319.0 million for the year ended December 31, 2012 from US$289.3 million for the year ended December 31, 2011 due to higher volume-related expenses such as on-call labor and contracted services, fuel and power consumption, and repairs and maintenance. In addition, government-mandated and contracted salary rate increases in certain terminals, increased business development activities, full year contribution of ICTSI Oregon and AGCT, and the addition of new terminals, PICT and OJA, contributed to the increase in cash operating expenses. Excluding the contribution of ICTSI Oregon, AGCT, PICT and OJA, total cash operating expenses would have increased by 6.4 percent in 2012. Meanwhile, excluding the translation impact of BRL, cash operating expenses would have increased by 13.2 percent in 2012.

Manpower Costs

Manpower costs grew by 12.5 percent from US$124.6 million for the year ended December 31, 2011 to US$140.1 million for the year ended December 31, 2012 due to higher headcount and increased on-call labor costs driven by volume growth, government-mandated and contracted salary rate increases in certain terminals such as MICTSL, MICT, TSSA, DIPSSCOR, CGSA and TSSA, full year contribution of ICTSI Oregon and AGCT, and the inclusion of PICT and OJA. Excluding ICTSI Oregon, AGCT, PICT and OJA, manpower costs would have increased by 7.7 percent in 2012.

Manpower costs accounted for 43.9 percent and 43.1 percent of cash operating expenses for the years ended December 31, 2012 and 2011, respectively.

Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses increased by 4.4 percent to US$93.8 million for the year ended December 31, 2012 from US$89.8 million for the year ended December 31, 2011. The increase was due to higher volume-related expenses, such as fuel, power and repairs and maintenance, full year contribution of ICTSI Oregon and AGCT, and the addition of PICT and OJA. Excluding new terminals, equipment and facilities-related expenses would have decreased by 0.3 percent in 2012.

Equipment and facilities-related expenses represented 29.4 percent and 31.0 percent of cash operating expenses for the years ended December 31, 2012 and 2011, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses grew by 13.6 percent from US$74.9 million for the year ended December 31, 2011 to US$85.1 million for the year ended December 31, 2012 mainly due to higher travel and transportation expenses and professional fees related to business development activities in Asia and EMEA regions, provisions for claims and losses, full year contribution of ICTSI Oregon and AGCT, and the addition of PICT and OJA. Excluding new terminals, consolidated administrative expenses and other operating expenses would have increased by 11.9 percent in 2012.

Administrative and other operating expenses captured 26.7 percent and 25.9 percent of the total cash operating expenses for the years ended December 31, 2012 and 2011, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 16.6 percent to US$80.3 million for the year ended December 31, 2012 from US$68.9 million for the year ended December 31, 2011 due mainly to the acquisition of port equipment and completion of yard facilities improvements at key terminals, particularly at MICT, CGSA and TSSA.

Interest and Financing Charges on Borrowings

Financing charges decreased by 22.0 percent to US$30.4 million for the year ended December 31, 2012 from US$39.0 million for the year ended December 31, 2011 due to higher capitalized borrowing costs. Financing charges are net of capitalized borrowing costs on qualifying assets under construction principally at MICT, CMSA, CGSA, SPIA and Tecplata amounting to US$30.3 million and US$15.6 million for the years ended December 31, 2012 and 2011, respectively.

Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased by 12.4 percent to US$16.6 million for the year ended December 31, 2012 from US$18.9 million for the year ended December 31, 2011 mainly due to the declining principal balance of MICT's concession rights payable which is approaching its maturity in 2013.

Foreign Exchange Loss and Others

Foreign exchange loss and others decreased by 44.7 percent to US$10.0 million for the year ended December 31, 2012 from US$18.1 million for the year ended December 31, 2011 mainly due to the continuous appreciation of the Philippine peso (2012:+6.4%; 2011: nil) and Colombian peso (2012:+8.8%; 2011:-1.6%) against the US dollar. Other expenses in 2012 consist of the penalty on prepayment and loss on pre-termination of prepayment option of HSBC loan totaling U$1.5 million. On the other hand, other expenses in 2011 include a one-time recognition of equity tax at SPIA amounting to US$2.5 million.

Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

EBITDA and EBIT

Consolidated EBITDA increased by 9.3 percent to US$307.4 million for the year ended December 31, 2012 from US$281.4 million for the year ended December 31, 2011 primarily due to the growth in volume, stronger revenues arising from tariff rate increases, favorable volume mix, and higher storage and ancillary services, full year contribution of ICTSI Oregon and AGCT, and the addition of PICT and OJA. Excluding new terminals, EBITDA would have increased by 5.8 percent in 2012. EBITDA margin decreased slightly by 10 basis points from 42.3 percent in 2011 to 42.2 percent in 2012 mainly due to higher cash operating expenses.

Consolidated EBIT grew by 6.9 percent to US$227.1 million for the year ended December 31, 2012 from US$212.5 million for the year ended December 31, 2011 due to stronger revenues. However, EBIT margin decreased by 80 basis points to 31.1 percent in 2012 from 32.0 percent in 2011 mainly due to higher depreciation and amortization expense.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 12.3 percent to US$192.2 million for the year ended December 31, 2012 from US$171.2 million for the year ended December 31, 2011 primarily due to stronger revenues and favorable effect of non-operating items such as lower interest expense and financing charges on borrowings and interest expense on concession rights payable. Excluding the US$0.8 million loss on the write-off of TICT's assets recognized in 2012, and the net effect of gain on sale of available-for-sale investments and SPIA's equity tax totaling US$6.2 million in 2011, consolidated income before income tax, on a recurring basis, would have increased by 17.0 percent in 2012. The ratio of income before income tax to total gross revenues stood at 26.4 percent in 2012 and 25.8 percent in 2011.

Consolidated provision for current and deferred income tax grew by 20.0 percent to US$48.2 million for the year ended December 31, 2012 from US$40.2 million for the same period in 2011 mainly due to higher operating income. Provision for current income tax in 2012 is reduced by the income tax holiday incentive of MICT's Berth 6 of US$2.9 million. Effective income tax rate in 2012 and 2011 stood at 25.1 percent and 23.5 percent, respectively, due mainly to derecognized deferred tax asset on losses of certain subsidiaries.

Net Income

Consolidated net income increased by 9.9 percent to US$144.0 million for the year ended December 31, 2012 from US$131.0 million for the same period in 2011 due mainly to higher operating income combined with the favorable effect of non-operating items. However, excluding the loss on the write-off of TICT's assets amounting to US$0.8 million in 2012, and net effect of gain on sale of available-for-sale investments and SPIA's equity tax totaling US$6.2 million in 2011, consolidated net income, on a recurring basis, would have increased by 16.0 percent in 2012. The ratio of consolidated net income to gross revenues stood at 19.7 percent in 2012 and 2011.

Net income attributable to equity holders or net profits excluding minority interests grew by 9.7 percent to US$143.2 million for the year ended December 31, 2012 from US$130.5 million for the year ended December 31, 2011. Excluding the loss on the write-off of TICT's assets amounting to US$0.8 million in 2012, and net effect of gain on sale of available-for-sale investments and SPIA's equity tax in 2011, consolidated net income attributable to equity holders or net profits excluding minority interests, on a recurring basis, would have increased by 15.8 percent in 2012.

Basic and diluted earnings per share declined to US$0.059 and US$0.058, respectively, for the year ended December 31, 2012 from US$0.063 and US$0.061, respectively, for the year ended December 31, 2011 due to the full year effect in 2012 of distributions to holders of subordinated perpetual capital securities. Distributions to holders of subordinated perpetual capital securities amounted to US$28.7 million in 2012 and US$10.9 million in 2011.

There were no significant elements of income or expense outside the Group's continuing operations for the year ended December 31, 2012.

COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2011 COMPARED WITH 2010

TEU VOLUME

Consolidated throughput handled by the Group increased by 24.5 percent from 4,202,574 TEUs for the year ended December 31, 2010 to 5,233,795 TEUs for the year ended December 31, 2011. The continuous recovery of the global economy particularly in emerging markets where the Group's container terminals are positioned, new shipping lines and the inclusion of ICTSI Oregon and AGCT resulted in double-digit increases in the Group's Asia, Americas and EMEA operations. Key terminals, such as MICT, CGSA, TSSA, BCT, YRDICTL and MICTSL registered a combined growth of 18.4 percent year-on-year.

Throughput handled by the Group's terminal operations in Asia, comprised of terminals in the Philippines, China and Indonesia, increased by 11.5 percent to 2,956,433 TEUs for the year ended December 31, 2011 from 2,652,328 TEUs for the same period in 2010 due to stronger international trade, new routes and feeder lines and new customers. In addition, the continued shift in the mode of shipments for bananas in DIPSSCOR propelled the volume of the segment. The Group's container terminal operations in Asia accounted for 56.5 percent and 63.1 percent of the consolidated volume for 2011 and 2010, respectively.

Volume from the Americas container terminals composed of Brazil, Ecuador and The United States of America operations climbed by 49.8 percent to 1,571,005 TEUs in 2011 from 1,048,971 TEUs in 2010. The increase was attributed to banana containerization in CGSA and the additional volume brought in by TSSA's new service operations from Asia. The inclusion of ICTSI Oregon, which started operations on February 12, 2011, also contributed to the volume growth and accounted for 11.3 percent of the total volume of the segment. The Americas captured 30.0 percent of the consolidated volume in 2011 and 25.0 percent in 2010. Excluding ICTSI Oregon, growth would be 32.9 percent in 2011.

The Group's EMEA operations, comprised of terminals in Madagascar, Poland, Syria, Georgia and Croatia, registered a 40.9 percent increase in volume from 501,275 TEUs for the year ended December 31, 2010 to 706,357 TEUs for the same period in 2011 brought about by stronger international trade and new shipping line and unifeeder service at BCT. The remarkable improvement in volume at BICT also contributed to the robust growth of the segment. AGCT was added to the Group's portfolio in April 2011 and captured 14.0 percent of the segment's volume in 2011. EMEA operations accounted for 13.5 percent and 11.9 percent of the consolidated volume for the year ended 2011 and 2010, respectively. Excluding AGCT, volume growth for EMEA would be 21.2 percent in 2011.

TOTAL INCOME

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

The table below illustrates the consolidated total income for the years ended December 31, 2011 and 2010:

Total Income

	For the Year Ended December 31		
(In thousands, except % change data)	2010	**2011**	% Change
Gross revenues from port operations	US$527,115	**US$664,836**	26.1
Port authorities' share in gross revenues	76,427	**94,115**	23.1
Net revenues	450,688	**570,721**	26.6
Foreign exchange gain	12,381	**14,185**	14.6
Interest income	5,622	**8,815**	56.8
Other income	16,577	**11,679**	(29.5)
Total income	US$485,268	**US$605,400**	24.8

In 2011, net revenues accounted for 94.3 percent of the total consolidated income while foreign exchange gain represented 2.3 percent. In 2010, net revenues and foreign exchange gain accounted for 92.9 percent and 2.6 percent of the total consolidated income, respectively.

Gross Revenues from Port Operations

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

Consolidated gross revenues from port operations went up by 26.1 percent from US$527.1 million for the year ended December 31, 2010 to US$664.8 million for the year ended December 31, 2011 due mainly to volume growth on all geographical segments. Favorable volume mix, mainly import and export-laden containers, new customers, higher storage revenues and the inclusion of ICTSI Oregon and AGCT to the Group also contributed to the increase in gross revenues. The Americas segment reported the highest growth at 47.9 percent, followed by EMEA at 27.1 percent and Asia at 10.6 percent. Excluding ICTSI Oregon and AGCT, gross revenues would have increased by 19.0 percent in 2011.

Gross revenues from the Asia terminal operations climbed by 10.6 percent from US$273.6 million for the year ended December 31, 2010 to US$302.6 million for the same period in 2011 due to volume growth, favorable container mix and the more favorable movement of the Philippine peso against US dollar. The Asia segment accounted for 45.5 percent and 51.9 percent of the consolidated gross revenues for 2011 and 2010, respectively.

Gross revenues from the Americas operations increased by 47.9 percent to US$284.1 million in 2011 from US$192.1 million in 2010, mainly driven by hefty volume growth, new shipping lines, favorable container mix, surge in storage revenues, a stronger Brazilian Reais (BRL) against US dollar and the addition of ICTSI Oregon in February 2011. Excluding ICTSI Oregon, gross revenues for this segment would have increased by 31.6 percent. The Americas segment accounted for 42.7 percent and 36.4 percent of the total consolidated gross revenues for 2011 and 2010, respectively.

Gross revenues from the EMEA port operations grew by 27.1 percent to US$78.1 million for the year ended December 31, 2011 from US$61.5 million for the same period in 2010 due to strong volume growth from international trade, particularly at BICT, and the addition of AGCT in April 2011. Excluding AGCT, gross revenues for the segment would have increased by 17.0 percent in 2011. EMEA operations captured 11.7 percent of the total consolidated gross revenues for 2011 and 2010.

Foreign Exchange Gain, Interest Income and Other Income

Foreign exchange gain grew by 14.6 percent to US$14.2 million for the year ended December 31, 2011 due primarily to the favorable realization and settlement of the Parent Company's and Philippine subsidiaries' Philippine peso-denominated monetary assets and liabilities within the year as well as favorable restatement of AGCT's Euro-denominated monetary assets resulting from the appreciation of Euro against Croatian Kuna. Foreign exchange gain mainly arises from settlement of foreign currency-denominated liabilities and translation or restatement adjustments of monetary assets and liabilities.

Consolidated interest income increased by 56.8 percent to US$8.8 million in 2011 from US$5.6 million in 2010 mainly due to higher average cash balance in 2011 compared to 2010. The higher cash balance in 2011 was brought about by the issuance of the US$200.0 million subordinated perpetual capital securities and higher cash generated from operations.

Other income dropped by 29.5 percent to US$11.7 million for the year ended December 31, 2011 from US$16.6 million for the same period a year ago due mainly to higher gain on sale of available-for-sale investments in 2010 amounting to US$11.2 million compared to the gain on sale of similar investments in 2011 amounting to US$8.4 million.

TOTAL EXPENSES

Total expenses consist of: (1) Manpower costs; (2) Equipment and facilities-related expenses; (3) Administrative and other operating expenses; (4) Depreciation and amortization; (5) Interest expense and financing charges on borrowings; (6) Interest expense on concession rights payable and (7) Foreign exchange loss and others.

The table below shows the breakdown of total expenses for 2010 and 2011.

Total Expenses

	For the Year Ended December 31		
(In thousands, except % change data)	2010	**2011**	% Change
Manpower costs	US$86,932	**US$124,615**	43.3
Equipment and facilities-related expenses	59,114	**89,808**	51.9
Administrative and other operating expenses	56,944	**74,916**	31.6
Total cash operating expenses	202,990	**289,339**	42.5
Depreciation and amortization	66,845	**68,882**	3.0
Interest expense and financing charges on borrowings	38,926	**38,993**	0.2
Interest expense on concession rights payable	21,094	**18,913**	(10.3)
Foreign exchange loss and others	18,430	**18,065**	(2.0)
Total expenses	US$348,285	**US$434,192**	24.7

Total cash operating expenses of the Group increased by 42.5 percent to US$289.3 million for the year ended December 31, 2011 from US$203.0 million for the year ended December 31, 2010 due mainly to volume growth, resulting in higher variable expenses such as on-call labor and contracted services, fuel and power consumption, and repairs and maintenance. In addition, the increase in fuel prices, government-mandated and contracted salary rate increases in certain terminals, the strengthening of emerging markets' currencies (e.g., PHP, PLN, BRL) against USD and the inclusion of ICTSI Oregon and AGCT contributed to the increase in cash operating expenses. Excluding ICTSI Oregon and AGCT, total cash operating expenses would have increased by 21.7 percent in 2011.

Manpower Costs

Manpower costs grew by 43.3 percent from US$86.9 million for the year ended December 31, 2010 to US$124.6 million for the same period in 2011. The increase mainly resulted from higher headcount and increased on-call labor costs driven by stronger volume and stuffing/stripping services, government-mandated and contracted salary rate increases in certain terminals such as MICTSL, MICT, TSSA, DIPSSCOR and CGSA and the inclusion of ICTSI Oregon and AGCT. Excluding ICTSI Oregon and AGCT, manpower costs would have increased by 14.4 percent in 2011.

Manpower costs accounted for 43.1 percent and 42.8 percent of cash operating expenses in 2011 and 2010, respectively.

Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses increased by 51.9 percent to US$89.8 million for the year ended December 31, 2011 from US$59.1 million for the same period in 2010. The increase was due mainly to the upsurge in volume across all terminals, higher fuel prices, power consumption, and repairs and maintenance, increase in fixed port fees in relation to the additional yard space and equipment rental in TSSA and the addition of ICTSI Oregon and AGCT. Excluding ICTSI Oregon and AGCT, equipment and facilities-related expenses would have increased by 30.8 percent in 2011.

This expense account represented 31.0 percent and 29.1 percent of cash operating expenses for the years 2011 and 2010, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses grew by 31.6 percent from US$56.9 million in 2010 to US$74.9 million in 2011. The increase was mainly associated to gross revenue-related administrative and other operating expenses such as insurance and taxes and licenses, higher business development expenses, travel and transportation and the inclusion of ICTSI Oregon and AGCT. Excluding ICTSI Oregon and AGCT, consolidated administrative expenses and other operating expenses would have increased by 23.4 percent in 2011.

This expense account captured 25.9 percent and 28.1 percent of the total cash operating expenses for the years ended December 31, 2011 and 2010, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 3.0 percent to US$68.9 million for the year ended December 31, 2011 from US$66.8 million for the same period in 2010 due mainly to the acquisition of port equipment and completion of yard facilities

improvements at key terminals, particularly at CGSA and TSSA.

Foreign Exchange Loss and Others

Foreign exchange loss and others decreased by 2.0 percent mainly due to higher other expenses in 2010 which included loss on write-off of unamortized debt issuance costs amounting to US$3.4 million arising from the prepayment of long-term debt and losses on impairment of receivables and a portion of land held by SPIA amounting to US$2.0 million.

On the other hand, foreign exchange loss jumped by 20.1 percent mainly due to the depreciation of Euro (-3.2 percent), PLN (-16.3 percent), BRL (-12.4 percent) and Colombian Peso (-1.6 percent) against US dollar in 2011.

Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

Interest Expense on Concession Rights Payable

Interest on concession rights payable dropped by 10.3 percent to US$18.9 million for the year ended December 31, 2011 from US$21.1 million for the same period in 2010 mainly due to the declining principal balance of MICT's concession rights payable which is approaching maturity in 2013.

Interest and Financing Charges on Borrowings

Financing charges slightly increased by 0.2 percent to US$39.0 million in 2011 from US$38.9 million in 2010 primarily due to higher long-term debt level of the Group. Financing charges are net of capitalized borrowing costs on qualifying assets principally at MICT, CMSA, CGSA, SPIA and Tecplata amounting to US$15.6 million for the year ended December 31, 2011. In 2010, capitalized borrowing costs amounted to US$6.4 million. Capitalization rate was 8.9 percent in 2011 and 8.1 percent in 2010.

EBITDA and EBIT

Consolidated EBITDA increased by 13.6 percent primarily due to the double-digit growth in volume and stronger revenues from favorable container mix and storage and ancillary services for the year ended December 31, 2011. However, EBITDA margin went down from 47.0 percent to 42.3 percent due to the increase in cash operating expenses, including higher variable concession fees at TSSA, and the inclusion of ICTSI Oregon and AGCT. Excluding ICTSI Oregon and AGCT, EBITDA margin would be 45.7 percent in 2011.

Consolidated EBIT grew by 17.5 percent to US$212.5 million for the year ended December 31, 2011 from US$180.9 million for the same period in 2010 despite of the 3.0 percent increase in depreciation and amortization. Consequently, EBIT margin decreased to 32.0 percent in 2011 from 34.3 percent in 2010 mainly due to the inclusion of ICTSI Oregon and AGCT.

INCOME BEFORE INCOME TAX AND PROVISION FOR INCOME TAX

Consolidated income before income tax increased by 25.0 percent to US$171.2 million for the year ended December 31, 2011 from US$137.0 million for the year ended December 31, 2010 due mainly to the double-digit growth in volume and higher revenues and reduced by higher cash operating expenses and inclusion of ICTSI Oregon and AGCT. The ratio of income before income tax to total gross revenues remained at 26.0 percent in 2011 and 2010.

Consolidated provision for current and deferred income tax increased by 2.7 percent to US$40.2 million for the year ended December 31, 2011 from US$39.2 million for the same period in 2010 due to remarkable growth in volume throughput handled and revenues, particularly in the Group's key terminals. Effective income tax rate in 2011 declined to 23.5 percent from 28.6 percent in 2010 mainly due to lower operating losses at terminals with no income tax benefit in 2011, income tax benefit on distributions to holders of subordinated perpetual capital securities and additional income tax incentive availed by TSSA.

NET INCOME

Consolidated net income increased by 33.9 percent to US$131.0 million for the year ended December 31, 2011 from US$97.8 million for the same period in 2010. The increase mainly resulted from the double-digit growth in volume and gross revenues despite the increase in cash operating expenses. The ratio of consolidated net income to gross revenues stood at 19.7 percent in 2011 and 18.6 percent in 2010.

Net income attributable to equity holders or net profits excluding minority interests grew by 32.8 percent to US$130.5 million for the year ended December 31, 2011 compared to US$98.3 million for the same period in 2010.

Both basic and diluted earnings per share increased to US$0.063 and US$0.061, respectively, during the year 2011 from US$0.052 and US$0.050, respectively, for the same period last year.

There were no significant elements of income or expense outside the Group's continuing operations for the year ended December 31, 2011.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING 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, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

Consolidated Condensed Balance Sheets

	As of December 31				
(In thousands, except % change data)	2010	2011	**2012**	% Change *2010 vs 2011*	% Change *2011 vs 2012*
Total assets	US$1,598,788	US$1,943,297	**US$2,405,018**	21.5	23.8
Current assets	456,844	586,876	**353,771**	28.5	(39.7)
Total Equity	630,234	940,500	**1,191,154**	49.2	26.7
Total equity attributable to equity holders of the parent	548,861	837,612	**1,026,653**	52.6	22.6
Total interest-bearing debt	637,732	651,206	**781,343**	2.1	20.0
Current liabilities	184,450	224,999	**459,736**	22.0	104.3
Total liabilities	968,554	1,002,798	**1,213,864**	3.5	21.0
Current assets/total assets	28.57%	30.20%	**14.71%**		
Current ratio	2.48	2.61	**0.77**		
Debt-equity ratio[1]	1.01	0.69	**0.66**		

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

Total assets went up by 23.8 percent to US$2.4 billion as of December 31, 2012 from US$1.9 billion as of December 31, 2011 mainly due to higher capital expenditures and port facilities improvements at certain terminals, particularly at CMSA, Tecplata, CGSA and MICT, and acquisition and inclusion of PICT and OJA in 2012. Noncurrent assets stood at 85.3 percent and 69.8 percent of total assets as of December 31, 2012 and 2011, respectively.

Current assets dropped by 39.7 percent to US$353.8 million as of December 31, 2012 from U$586.9 million as of December 31, 2011 mainly due to the net decrease in cash and cash equivalents used in investing activities and financing activities. Current assets accounted for 14.7 percent and 30.2 percent of total assets as of December 31, 2012 and 2011, respectively. Current ratio stood at 0.77 as of December 31, 2012 and 2.61 as of December 31, 2011.

Total equity as of December 31, 2012 amounted to US$1.2 billion, a 26.7 percent increase from the US$940.5 million reported as of December 31, 2011, due to higher net income for the year, the US$150.0 million subordinated perpetual capital securities issued in January 2012 which is presented as part of equity attributable to equity holders of the parent, and the acquisition of minority interests in PICT, HIPS and Tecplata.

Total liabilities increased by 21.0 percent to US$1.2 billion as of December 31, 2012 from US$1.0 billion as of December 31, 2011 due mainly to the availment of short and medium-term loans by the Parent Company during the last quarter of 2012, accounts payable related to port construction and port authorities, and inclusion of PICT. Financial leverage, the ratio of total assets to total equity, stood at 2.02 and 2.07 as of December 31, 2012 and December 31, 2011, respectively.

Current liabilities grew by 104.3 percent to US$459.7 million as of December 31, 2012 from US$225.0 million as of December 31, 2011 mainly due to the increase in current portion of long-term debt and medium-term loans of the Parent Company, loans payable, accounts payable and other current liabilities related to port construction in CMSA and Tecplata, and income tax payable.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of December 31, 2012 with variances of plus or minus 5.0 percent against December 31, 2011 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 51.4 percent to US$574.5 million as of December 31, 2012 mainly due to acquisition of port and other equipment and ongoing civil works at CMSA and TSSA, and the inclusion of PICT and OJA.
2. Intangibles, net of amortization, increased by 54.0 percent to US$1.3 billion as of December 31, 2012 due mainly to the acquisition of port and other equipment at MICT, CGSA and Tecplata, present value of ICTSI Subic's, PICT's and Tecplata's fixed port fees amounting to US$28.7 million, US$8.9 million, and US$0.8 million, respectively, upfront fees pertaining to Lekki amounting to US$12.5 million, and the inclusion of provisional goodwill of PICT, OJA, and JASA totaling US$172.8 million.
3. Deferred tax assets dropped by 46.7 percent to US$14.2 million as of December 31, 2012 mainly due to the declining balance of the Parent Company's concession rights payable, and derecognized deferred tax asset of SPIA amounting to US$3.3 million.

4. Other non-current assets increased by 75.2 percent to US$117.8 million as of December 31, 2012 mainly due to the increase in advances to contractors at CMSA and AGCT, higher input VAT in Tecplata and CMSA associated with the purchase of terminal equipment and civil works in relation to the ongoing construction activities, and the inclusion of PICT. This also includes deposit for investments.

Current Assets

5. Cash and cash equivalents decreased by 59.2 percent to US$186.8 million as of December 31, 2012 mainly resulting from the following transactions: business combinations and acquisition of minority interest totaling US$204.1 million; scheduled principal repayment of the Parent Company's long-term loans from DBP/LBP and HSBC amounting to US$35.5 million (₱1.5 billion) and US$16.0 million (₱698.5 million), respectively; net outflows from CGSA's loans and debt securities totaling US$14.1 million; full settlement of SPIA's short-term loan amounting to US$2.0 million; interest payment on the US$450.0 million senior notes and DBP/LBP term loans amounting to US$41.4 million and US$4.1 million (₱173.6 million), respectively; dividend payments of US$31.0 million; distributions to holders of subordinated perpetual capital securities amounting to US$26.8 million; and capital expenditures totaling US$465.6 million. Meanwhile, the net proceeds from the short-term loan and medium-term loans availed by the Parent Company during the latter part of 2012 totaling US$169.2 million; net proceeds from the issuance of a further US$150.0 million subordinated perpetual capital securities amounting to US$143.6 million; proceeds from sale of ICTSI common shares held by IWI of US$29.6 million; net inflows of BCT's loan of US$0.5 million, and net cash flows from operations of S$285.8 million for the year ended December 31, 2012 tapered the decline in cash and cash equivalents.
6. Receivables went up by 31.9 percent to US$74.9 million as of December 31, 2012 mainly due to BCT's insurance claim related to a crane incident in May 2012 and stronger gross revenues in December 2012 compared to the same period in 2011.
7. Spare parts and supplies increased by 13.2 percent to US$18.5 million as a result mainly of acquisition of port equipment spare parts at key terminals and the addition of PICT.
8. Prepaid expenses and other current assets increased by 33.2 percent to US$63.6 million as of December 31, 2012 primarily due to higher input VAT of the Parent Company and CMSA, and the addition of PICT and OJA.
9. Derivative assets increased by 18.2 percent to US$9.9 million mainly due to the favorable movement in fair values of cross-currency swaps.

Equity

10. Retained earnings climbed by 19.2 percent to US$539.1 million due to net income for the year ended December 31, 2012 amounting to US$143.2 million, reduced by dividends declared by the Parent Company and distributions to holders of subordinated perpetual capital securities amounting to US$29.6 million and US$28.7 million, respectively.
11. Excess of acquisition cost over the carrying value of minority interests increased by US$78.2 million due to the acquisition of minority interest in PICT.
12. Cost of shares held by subsidiaries declined by 22.5 percent mainly due to the sale of ICTSI common shares held by IWI in April 2012 amounting to US$29.6 million.
13. Subordinated perpetual capital securities increased by 74.2 percent to US$337.0 million primarily due to the issuance of a further US$150.0 million in January 2012, increasing the size of the subordinated perpetual capital securities to US$350.0 million.

Noncurrent Liabilities

14. Long-term debt, net of current portion, declined by 10.1 percent to US$530.3 million due to the scheduled principal repayment of the Parent Company's term loans with DBP/LBP and HSBC, BCT's long-term loan, and CGSA's loans and debt securities.
15. Concession rights payable increased by 17.3 percent to US$165.3 million mainly due to the net present values of fixed fees of ICTSI Subic and Tecplata.
16. Deferred tax liabilities increased by 22.3 percent to US$55.2 million as of December 31, 2012 due to the addition of PICT.
17. Pension liabilities increased by 81.2 percent to US$3.3 million as of December 31, 2012 mainly due to pension costs adjustments at MICT, BCT and MICTSL.

Current Liabilities

18. Loans payable increased by 312.1 percent to US$10.2 million due mainly to the US$10.0 million medium-term loan availed by the Parent Company in December 2012.
19. Accounts payable and other current liabilities increased by 43.7 percent to US$183.2 million as of December 31, 2012 due mainly to the ongoing port construction at CMSA and Tecplata.
20. Current portion of long-term debt increased by 309.5 percent to US$240.8 million mainly due to medium-term loans availed by the Parent Company during the last quarter of 2012, and the Group's scheduled principal repayment and amortization for 2013.
21. Current portion of concession rights payable dropped by 79.7 percent to US$4.5 million mainly due to declining principal balance of the Parent Company's concession rights payable as its concession contract approaches maturity in May 2013.
22. Income tax payable went up by 51.5 percent to US$21.0 million primarily due to higher taxable income for the last quarter of 2012.
23. Derivative liabilities dropped by 65.2 percent to US$86.8 thousand due to the favorable movement in fair values of cross-currency swaps.

Balance sheet accounts as of December 31, 2011 with variances of plus or minus 5.0 percent against December 31, 2010 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment rose by 10.1 percent to US$379.4 million as of December 31, 2011 mainly due to acquisition of terminal equipment and construction-in-progress at CMSA, TSSA and SPIA and the inclusion of ICTSI Oregon and AGCT.
2. Intangibles, net of amortization, grew by 26.1 percent to US$853.0 million mainly due to acquisition of port equipment at MICT, MICTSL, CGSA and Tecplata, concession rights and goodwill arising from the acquisition of AGCT, and upfront fees paid at ICTSI India.
3. Deferred tax assets climbed by 8.3 percent to US$26.6 million as of December 31, 2011 mainly due to the unrealized foreign exchange loss on MXN-denominated short-term investments taken to equity as a result of translation hedging amounting to US$2.3 million.

Current Assets

4. Cash and cash equivalents increased by 32.5 percent to US$457.6 million as of December 31, 2011. The net increase amounting to US$112.3 million mainly resulted from the net changes in the debt capital of the Group and operating and investing activities, which include proceeds from the US$200.0 million subordinated perpetual capital securities, net proceeds from CGSA's US dollar-denominated securities and loans amounting to US$55.8 million, full settlement of TSSA's US$8.1 million long-term loan, quarterly payment of the Parent Company's long-term loans to DBP/LBP (₱1.5 billion) and HSBC (₱12.1 million) totaling US$34.9 million, settlement of BCT's loans amounting to US$2.6 million, distributions to holders of subordinated perpetual capital securities amounting to US$8.4 million, payment of interest on the US$450.0 million senior notes of US$37.6 million, dividend payments amounting to US$22.0 million, payment for the 51.0 percent stake at Luka Rijeka with net cash outflow of US$17.9 million, proceeds from the sale of IWI shares amounting to US$42.9 million, proceeds from the sale of available-for-sale investments amounting to US$29.5 million, and the net cash flows generated from operations of US$256.6 million.
5. Receivables, net of allowance, went up by 20.3 percent to US$56.8 million as of December 31, 2011 due mainly to stronger gross revenues for the month of December 2011 compared to the same period in 2010.
6. Spare parts and supplies increased by 14.9 percent to US$16.4 million as a result mainly of acquisition of port spare parts at key terminals and the inclusion of ICTSI Oregon.
7. Prepaid expenses and other current assets climbed by 20.1 percent to US$47.7 million as of December 31, 2011 primarily due to higher input VAT of the Parent Company, CMSA and Tecplata and prepaid port fees at ICTSI Oregon.
8. Derivative assets decreased by 18.5 percent to US$8.4 million mainly due to the unfavorable movement in fair values of cross-currency swaps.

Equity

9. Treasury shares decreased by US$0.5 million or by 10.3 percent to US$4.7 million mainly due to the issuance of stock awards.
10. Retained earnings climbed by 28.4 percent to US$452.3 million as a result of the net income generated in 2011, reduced by dividends declared by the Parent Company amounting to US$22.0 million and distributions to holders of subordinated perpetual capital securities amounting to US$8.4 million.
11. Other comprehensive loss increased by 146.6 percent to US$89.5 million mainly because of the unfavorable translation of financial statements of TSSA and SPIA, due to weaker BRL and Colombian peso vis-à-vis the US dollar towards the end of 2011.

Noncurrent Liabilities

12. Concession rights payable, net of current portion, declined by 10.1 percent to US$140.9 million mainly due to the declining principal balance of the Parent Company as its concession contract approaches maturity in May 2013.
13. Pension liabilities increased by 73.8 percent to US$1.8 million as of December 31, 2011 mainly due to pension costs adjustments at BCT.

Current Liabilities

14. Loans payable increased by 267.4 percent due mainly to short-term loan of SPIA amounting to US$2.0 million.
15. Accounts payable and other current liabilities increased by 24.2 percent to US$127.5 million as of December 31, 2011 mainly due to the rise in payable to port authorities for port fees totaling US$5.2 million, accrued interest on the US$450.0 million senior notes amounting to US$41.5 million, unpaid portion of equity tax at SPIA amounting to US$1.8 million, higher accruals and other liabilities at Parent Company amounting to US$7.0 million and the inclusion of AGCT to the Group.
16. Current portion of long-term debt increased by 19.3 percent from US$49.3 million to US$58.8 million as a result of the scheduled principal repayment and amortization of the Group in 2012.
17. Current portion of concession rights payable dropped by 8.8 percent to US$22.2 million mainly due to declining principal balance of the Parent Company's concession rights payable as its concession contract approaches maturity in May 2013.
18. Income tax payable grew by 84.0 percent from US$7.5 million in 2010 to US$13.8 million in 2011 primarily due to higher taxable income in 2011.
19. Derivative liabilities increased by 100.0 percent to US$0.02 million as of December 31, 2011 due to the unfavorable movement in fair values of cross-currency swaps.

LIQUIDITY AND CAPITAL RESOURCES

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

LIQUIDITY

The table below shows the Group's consolidated cash flows for the years ended December 31, 2010, 2011 and 2012:

Consolidated Cash Flows

	For the Year Ended December 31				
(In thousands, except % change data)	2010	2011	**2012**	% Change *2010 vs 2011*	% Change *2011 vs 2012*
Net cash provided by operating activities	US$220,768	US$256,585	**US$285,830**	16.2	11.4
Net cash used in investing activities	(148,095)	(278,134)	**(588,853)**	87.8	111.7
Net cash provided by financing activities	146,225	143,368	**19,883**	(2.0)	(86.1)
Effect of exchange rate changes on cash	1,329	(9,563)	**12,349**	(819.6)	(229.1)
Net increase (decrease) in cash and cash equivalents	220,227	112,256	**(270,791)**	(49.0)	(341.2)
Cash and cash equivalents, beginning	125,153	345,380	**457,636**	176.0	32.5
Cash and cash equivalents, end	US$345,380	US$457,636	**US$186,845**	32.5	(59.2)

Consolidated cash and cash equivalents dropped by US$270.8 million or 59.2 percent due mainly to the following transactions: payment of the Parent Company's term loan facilities with DBP/LBP and HSBC, net outflows from CGSA's US dollar-denominated loans and debt securities, payment of BCT's loan, full settlement of SPIA's short-term loan, interest payments on the US$450.0 million senior notes and term loans, dividend payments, distributions to holders of subordinated perpetual capital securities, capital expenditures, and business combinations and acquisition of minority interests.

Net cash provided by operating activities went up by 11.4 percent to US$285.8 million. The increase was primarily attributable to higher net income in 2012 brought about by stronger volume and revenues.

Net cash used in investing activities amounted to US$588.9 million, 111.7 percent higher than 2011's US$278.1 million mainly due to the acquisition of port equipment and construction costs related to Berth 6 at MICT, CGSA, TSSA, Tecplata, SPIA and CMSA. Capital expenditures for 2012 amounted to US$465.6 million, comprising 84.7 percent of the capital expenditure budget for 2012 projected at US$550.0 million. The established budget was mainly allocated for green field projects in SPIA, Tecplata and CMSA, civil works, system improvements, and purchase of major cargo handling equipment for key terminals such as MICT, CGSA, and TSSA. The Group also acquired PICT, OJA and JASA for a total consideration of US$76.9 million in 2012.

Net cash provided by financing activities dropped by 86.1 percent to US$19.9 million from US$143.4 million in 2011 mainly due to the following transactions: net proceeds from the short-term loan and medium-term loans availed by the Parent Company totaling US$169.2 million; net proceeds from the issuance of a further US$150.0 million subordinated perpetual securities in January 2012 amounting to US$143.6 million; proceeds from the sale of ICTSI common shares held by IWI amounting to US$29.6 million; and net proceeds from BCT's loan amounting to US$0.5 million. Meanwhile, the principal repayment of the Parent Company's long-term loans with DBP/LBP and HSBC amounting to US$35.5 million (₱1.5 billion) and US$16.0 million (₱698.5 million), respectively, net outflows from CGSA's loans and debt securities of US$14.1 million, settlement of SPIA's short-term loan of US$2.0 million, interest payments on the US$450.0 million senior notes and DBP/LBP term loans amounting to US$41.5 million and US$4.1 million (₱173.6 million), respectively, acquisition of minority interests in PICT and Tecplata totaling US$127.1 million, dividend payments of US$31.0 million, and distributions to holders of subordinated perpetual capital securities amounting to US$26.8 million, reduced the net cash provided by financing activities in 2012. In 2011, financing activities consisted of the proceeds from the US$200.0 million subordinated perpetual capital securities amounting to US$194.5 million, net proceeds from CGSA's loans amounting to US$55.8 million, full settlement of TSSA's long-term loans of US$8.1 million, payment of BCT's loans amounting to US$2.6 million, and payment of the Parent Company's long-term loans with DBP/LBP (₱1.5 billion) and HSBC (₱12.1 million) totaling US$34.9 million.

CAPITAL RESOURCES

The table below illustrates the Group's capital sources as of December 31, 2010, 2011 and 2012:

Capital Sources

	As of December 31				
(In thousands, except % change data)	2010	2011	**2012**	% Change *2010 vs 2011*	% Change *2011 vs 2012*
Loans payable	US$675	US$2,482	**US$10,226**	267.7	312.0
Current portion of long-term debt	49,292	58,802	**240,776**	19.3	309.5
Long-term debt, net of current portion	587,765	589,922	**530,341**	0.4	(10.1)
Total short and long-term debt	637,732	651,206	**781,343**	2.1	20.0
Equity	630,234	940,500	**1,191,154**	49.2	26.7
Total capital	US$1,267,966	US$1,591,706	**US$1,972,497**	25.5	23.9

Total debt and equity capital of the Group grew by 23.9 percent to almost US$2.0 billion as of December 31, 2012 from US$1.6 billion as of December 31, 2011 arising mainly from the short-term loan and medium-term loans totaling US$170.0 million availed by the Parent Company during the last quarter of 2012, and the further US$150.0 million subordinated perpetual capital securities issued in January 2012, and reduced by the payment of the Parent Company's loan facilities, net outflows from CGSA's loan and debt securities, full settlement of SPIA's short-term loan, distributions to holders of subordinated perpetual capital securities, and dividends declared.

Total equity grew by 26.7 percent from US$940.5 million as of December 31, 2011 to US$1.2 billion as of December 31, 2012, resulting mainly from the net effect of the following transactions: net proceeds from the additional US$150.0 million subordinated capital securities issued in January 2012; higher net income in 2012; acquisition of minority interest in PICT, HIPS and Tecplata; net proceeds from the sale of ICTSI common shares held by IWI; distributions to holders of subordinated perpetual capital securities; and dividends declared.

The U$350.0 million total subordinated perpetual capital securities issued in May 2011 and January 2012 were treated as equity and presented as part of equity attributable to equity holders of the parent in the Group's consolidated financial statements in accordance with PAS 32, *Financial Instruments: Presentation.*

Debt Financing

The table below represents the Group's outstanding loans as of December 31, 2012:

Outstanding Loans

(In thousands)	Company	Maturity	Interest Rate	Amount
Short-Term Debt				
USD – denominated	BCT	2013	Floating	US$274
USD – denominated	Parent	2013	Floating	9,952
				10,226
Long-Term Debt				
Unsecured Peso Term Loan	Parent	2015	Fixed	11,470
Unsecured Peso Term Loan	Parent	2013	Floating	72,848
Unsecured US Dollar Term Loan	Parent	2013-2014	Floating	159,353
Unsecured US Dollar Bond	Parent	2020	Fixed	448,102
Secured US Dollar Term Loan	BCT	2021	Floating	8,194
US Dollar Term Loan	CGSA	2013	Fixed	1,790
US Dollar Securities	CGSA	2016	Fixed/Floating	48,951
Secured Pakistani Rupee Term Loan	PICT	2016	Floating	20,409
				771,117
Total Debt				781,343
Less current portion and short-term				251,002
Long-term debt, net of current portion				US$530,341

As of December 31, 2011, 88.5 percent of the Group's total debt capital is at the Parent level and the US$450.0 million senior notes issued in 2010 and due in 2020 formed 57.4 percent of the Group's total debt capital.

Long-term Debt Maturities (net of unamortized debt issuance cost)

(In thousands)	Amount
2013	US$240,776
2014	27,481
2015	29,546
2016	19,442
2017 and onwards	453,872
Total	US$771,117

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

Also, 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") under the MTN Programme. 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, ICTSI Treasury and ICTSI signed a Subscription Agreement with UBS AG, Hong Kong Branch, for the issuance of an additional 10-year US$100.0 million guaranteed MTN under the MTN Programme (the "MTN Tap") to form a single series

with the Original MTN discussed in the preceding paragraph. The MTN Tap were issued on February 4, 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 101.25 and payable semi-annually in arrears.

The aggregate net proceeds of the MTN amounting to US$395.3 million would be used to refinance some of ICTSI's existing debt and for other general corporate purposes.

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

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, BCT's, CGSA's and PICT's assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI and BCT are also required to maintain specified financial ratios relating to their debt to equity and cash flow and earnings level relative to current debt service obligations. As of December 31, 2012 and December 31, 2011, ICTSI, BCT, CGSA and PICT are in compliance with these loan covenants.

There were no events that will trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the Company with unconsolidated entities or other persons created during the reporting period.

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.

Foreign Exchange Risk

Fluctuations in the exchange rates between the US dollar and Philippine peso, Euro and local currencies wherein the Group's ports operate will affect the US dollar value of the Group's revenues and assets and liabilities that are denominated in currencies other than US dollar.

The Group's non-US dollar currency-linked revenues were 55.2 percent and 56.4 percent of gross revenues for the years ended December 31, 2012 and 2011, respectively. Foreign currency-linked revenues include the following: (1) arrastre charges of MICT; and (2) the total non-US dollar revenues of international subsidiaries. ICTSI incurs expenses in foreign currency for all 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 year ended December 31, 2012.

Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	43% USD	57% PhP
SBITC	100% USD	
DIPSSCOR		100% PhP
SCIPSI		100% PhP
BIPI		100% PhP
MICTSI		100% PhP
BCT	62% USD/1% EUR	37% PLN
TSSA		100% BRL
MICTSL		100% EUR*
PTMTS		100% IDR
YRDICTL		100% RMB
AGCT	100% EUR	
CGSA	100% USD	
ICTSI India		100% INR
ICTSI Oregon	100% USD	
BICTL	100% USD	
TICT	100% USD	
PICT		100% PKR
OJA/JASA		100% IDR
SPIA	100% USD	
NICTI		100% JPY

MGA pegged with the EURO

On a limited basis, the Group enters into foreign currency forwards and/or cross currency swaps agreements in order to manage its exposure to foreign currency rate fluctuations.

Under the floating-to-fixed cross-currency swaps, ICTSI pays fixed interest on the US dollar notional amount and receives floating rate on the Philippine peso notional amount, on a quarterly basis simultaneous with the interest payments on the term loan facilities. In addition, ICTSI pays periodic US dollar principal amortization and receives Philippine peso principal amortization based on a given swap rate, equal to and simultaneous with the principal payments on the term loan facilities.

Under the fixed-to-fixed cross-currency swaps, ICTSI pays and receives fixed interest rates on the US dollar and Philippine peso notional amounts on a semi-annual basis, respectively. ICTSI also pays periodic US dollar principal payments and receives Philippine peso principal payments based on a given swap rate, equal to and simultaneous with the principal payments on the term loan facilities.

On January 4, 2012, ICTSI pre-terminated its fixed-to-fixed cross-currency swap with a notional amount of US$11.1 million, which was used to hedge its Philippine peso-denominated loan maturing in November 2015. The fair value of the cross-currency swap at the time of the de-designation amounted to a gain of US$1.4 million while the amount deferred in equity amounted to US$0.4 million. The amount deferred in equity will be amortized using the effective interest method based on the remaining term of the hedged loan. The amortization recognized in the 2012 consolidated statement of income under “Foreign exchange gain” account amounted to US$89 thousand. Loss on settlement of cross-currency swap amounting to US$0.1 million was recognized in the 2012 consolidated statement of income.

As of December 31, 2012, the market valuation gain on the outstanding cross-currency swaps amounted to US$8.7 million. The effective portion of the change in fair values of the cross-currency swaps amounting to US$6.1 million (net of US$2.6 million deferred tax) was taken directly to equity under other comprehensive income. The ineffective portion of the hedge is immaterial.

On May 1, 2010, ICTSI designated US$51.0 million (₱2.3 billion) of its Philippine peso-denominated short-term investments as cash flow hedges to hedge the variability of Philippine peso cash flows that is required to settle Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees until 2011.

Foreign currency translation gains or losses on the Philippine peso-denominated short-term investments that qualify as highly effective cash flow hedges are deferred in equity. Any ineffective portion is recognized directly in earnings. Foreign currency translation gains or losses deferred in equity would form part of variable fees, presented as “Port authorities' share in gross revenues” in the consolidated statement of income, when the hedged variable PPA fee is recognized.

As of December 31, 2012, there are no outstanding Philippine peso-denominated short-investments designated as translation hedges.

In 2011, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees to API and port construction costs to a contractor as a result of changes in the Mexican peso/US dollar exchange rate. The hedging covers forecasted Mexican peso-denominated monthly fixed port fees from November 2011 until October 2012 and approximately 24.0 percent of the total Mexican peso-denominated port construction costs. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port (including port fees during the construction period) and would be reflected in profit and loss through depreciation.

Also in December 2012, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of the currency risk on Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses from January to March 2013.

As of December 31, 2011, an aggregate of US$14.1 million (MXN196.2 million) and US$40.0 million (MXN557.2 million) equivalent of Mexican peso- denominated short-term investments are hedged against the Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees and civil work payments to a contractor, respectively. Foreign currency translation loss on Mexican peso-denominated short-term investments designated as cash flow hedges aggregating to US$5.6 million (net of deferred income tax of US$2.4 million) have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2011. No amount has been recycled from equity to foreign exchange gain or loss in the 2011 consolidated statement of income.

As of December 31, 2012, an aggregate of US$5.3 million (MXN68.6 million) and US$24.6 million (MXN316.4 million) equivalent of Mexican peso-denominated short-term investments have been designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses from January until March 2013 and civil work payments to contractors, respectively.

Interest Rate Risk

The Group's long-term liabilities have combined fixed and floating interest rates. A rise in short-term interest rates in US dollar and Philippine peso will result in a corresponding increase in the interest rates due on the floating rate US dollar and Philippine peso-denominated liabilities. On a limited basis, the Group enters into interest rate swap agreements in order to manage its exposure to fluctuations in interest rates. In 2012, BCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar denominated loan maturing in 2021. A notional amount of US$5.0 million out of the total US$7.9 million floating rate loan was swapped to fixed rate. Under the interest rate swap, BCT pays fixed interest of 1.45% and receives floating rate of three-month LIBOR on the notional amount. As of December 31, 2012, the market valuation loss on the outstanding interest rate swap amounted to US$87 thousand. The effective portion of the change in the fair value of the interest rate swap amounting to US$70 thousand (net of US$17 thousand deferred tax) for the year ended December 31, 2012 was taken to equity under other comprehensive loss.

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

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

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

Consolidated Financial Statements

The Group's consolidated financial statements and accompanying notes are incorporated herein by reference.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with ICTSI's external auditors, SyCip Gorres Velayo and Company (SGV & Co.), a member firm of Ernst & Young Global Limited, on accounting and financial statement disclosures.

Information on Independent Accountant

The principal external auditor is the firm SGV & Co. The Group has engaged Mr. Renato J. Galve, partner of SGV & Co., for the audit of the Group's books and accounts in 2012.

External Audit Fees and Services

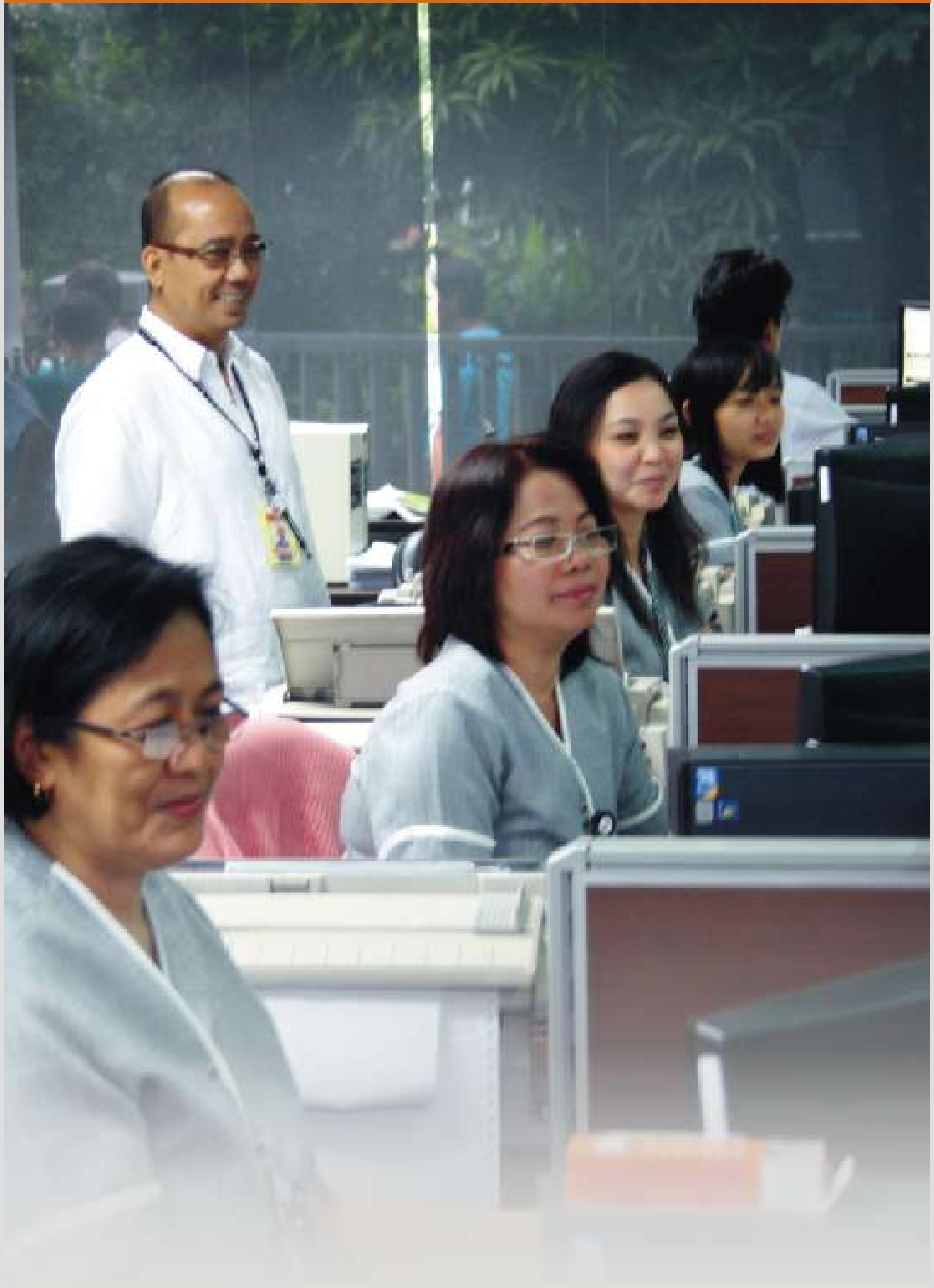
ICTSI paid its external auditors the following fees (in thousands) for the last three years for professional services rendered:

	2010	2011	2012
Audit Fees	US$464.4	US$416.1	US$599.7
Tax Fees	7.7	–	7.8
Other Fees	288.1	209.8	344.4

Tax fees paid to SGV & Co. are for tax compliance and tax advisory services. In 2010, “Other fees” pertains to fees paid in relation to the issuance of comfort letter for the bond offerings in March and May 2010, training on PFRS updates and other agreed-upon procedures. In 2011, “Other fees” pertains to fees paid in relation to the issuance of comfort letter for the offering of subordinated perpetual capital securities in April, agreed-upon procedures and fees paid for seminars relating to taxes. In 2012, “Other fees” pertains to fees paid in relation to the issuance of comfort letter for tapping the subordinated perpetual capital securities issued in January and agreed-upon procedures.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The reappointment of SGV & Co. as the Company's external auditors was approved by the stockholders in a meeting held on April 19, 2012.



Statement of Management's Responsibility for Consolidated Financial Statements

The management of International Container Terminal Services, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the years ended December 31, 2010, 2011 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the periods December 31, 2010, 2011 and 2012, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders have expressed their opinion on the fairness of presentation upon completion of such examination.

Enrique K. Razon, Jr.	**Jose Joel M. Sebastian**	**Rafael J. Consing, Jr.**
Chairman and President	*Vice-President and Controller*	*Vice-President and Treasurer*

Signed this 7th day of March 2013.

Independent Auditors' Report

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6750 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001, December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A), November 15, 2012, valid until November 16, 2015

The Stockholders and the Board of Directors
International Container Terminal Services, Inc.
ICTSI Administration Building
MICT South Access Road, Manila

We have audited the accompanying consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010, 2011 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International Container Terminal Services, Inc. and Subsidiaries as at December 31, 2010, 2011 and 2012, and their financial performance and their cash flows for the three years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Renato J. Galve
Partner
CPA Certificate No. 37759
SEC Accreditation No. 0946-AR-1 (Group A),
February 25, 2013, valid until February 24, 2016
Tax Identification No. 102-087-055
BIR Accreditation No. 08-001998-20-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669685, January 2, 2013, Makati City

March 7, 2013

Consolidated Balance Sheets

	December 31		
	2010	2011	**2012**
ASSETS			
Noncurrent Assets			
Intangibles (Notes 1, 4, 6, 19 and 23)	US$676,535,146	US$853,024,360	**US$1,313,539,858**
Property and equipment (Notes 1, 4, 7, 15, 19 and 23)	344,620,698	379,435,664	**574,467,468**
Investment properties (Notes 8 and 19)	30,473,294	30,125,643	**31,243,978**
Deferred tax assets (Notes 1, 4, 19 and 20)	24,564,703	26,593,416	**14,166,132**
Other noncurrent assets (Notes 1, 4, 7, 9, 19, 22, 23 and 25)	65,750,267	67,242,639	**117,829,500**
Total Noncurrent Assets	1,141,944,108	1,356,421,722	**2,051,246,936**
Current Assets			
Cash and cash equivalents (Notes 1, 4, 11, 19 and 25)	345,380,374	457,635,730	**186,844,913**
Receivables (Notes 1, 4, 6, 7, 12, 19 and 25)	47,173,855	56,763,880	**74,898,694**
Spare parts and supplies (Notes 1, 4, and 19)	14,256,668	16,374,061	**18,531,157**
Prepaid expenses and other current assets (Notes 1, 4, 13 and 19)	39,760,564	47,732,724	**63,602,445**
Derivative assets (Note 25)	10,272,180	8,369,207	**9,894,037**
Total Current Assets	456,843,641	586,875,602	**353,771,246**
	US$1,598,787,749	US$1,943,297,324	**US$2,405,018,182**
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock (Note 14)	US$236,222	US$236,222	**US$236,222**
Common stock (Note 14)	66,029,772	66,036,189	**66,036,873**
Additional paid-in capital (Notes 14 and 18)	295,644,479	320,823,244	**331,318,532**
Cost of shares held by subsidiaries (Notes 14 and 21)	(117,616,685)	(93,510,163)	**(72,492,481)**
Treasury shares (Notes 14 and 18)	(5,206,751)	(4,671,402)	**(4,599,163)**
Excess of acquisition cost over the carrying value of minority interests (Note 14)	(6,147,559)	(6,147,559)	**(84,322,082)**
Retained earnings (Note 14)	352,200,602	452,325,816	**539,108,313**
Subordinated perpetual capital securities (Note 14)	–	193,447,518	**337,032,372**
Other comprehensive loss - net (Notes 9, 14 and 25)	(36,279,396)	(90,927,892)	**(85,665,841)**
Total equity attributable to equity holders of the parent	548,860,684	837,611,973	**1,026,652,745**
Equity Attributable to Minority Interests (Note 14)	81,372,916	102,887,851	**164,501,043**
Total Equity	630,233,600	940,499,824	**1,191,153,788**
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 4, 6, 7, 15 and 25)	587,764,507	589,921,903	**530,340,525**
Concession rights payable - net of current portion (Notes 1, 4, 6, 19, 23 and 25)	156,748,420	140,918,577	**165,274,390**
Deferred tax liabilities (Notes 4 and 20)	38,536,563	45,123,987	**55,190,979**
Pension liabilities (Note 22)	1,054,957	1,833,967	**3,322,695**
Total Noncurrent Liabilities	784,104,447	777,798,434	**754,128,589**
Current Liabilities			
Loans payable (Notes 16, 21 and 25)	675,486	2,481,536	**10,225,949**
Accounts payable and other current liabilities (Notes 1, 4, 17, 19, 21 and 25)	102,676,838	127,477,008	**183,203,175**
Current portion of long-term debt (Notes 4, 7, 15 and 25)	49,292,195	58,802,172	**240,776,404**
Current portion of concession rights payable (Notes 6, 23 and 25)	24,286,196	22,154,240	**4,488,058**
Income tax payable (Notes 4 and 20)	7,518,987	13,834,525	**20,955,370**
Derivative liabilities (Note 25)	–	249,585	**86,849**
Total Current Liabilities	184,449,702	224,999,066	**459,735,805**
	US$1,598,787,749	US$1,943,297,324	**US$2,405,018,182**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2010	2011	**2012**
INCOME			
Gross revenues from port operations (Note 23)	US$527,115,282	US$664,835,828	**US$729,307,945**
Foreign exchange gain (Note 25)	12,380,558	14,184,925	**10,656,605**
Interest income (Note 11)	5,622,429	8,815,010	**7,788,827**
Other income (Notes 7, 8, 9, 19 and 25)	16,577,656	11,678,928	**3,630,654**
	561,695,925	699,514,691	**751,384,031**
EXPENSES			
Port authorities' share in gross revenues (Notes 19, 21 and 23)	76,427,479	94,115,007	**102,891,673**
Manpower costs (Notes 18, 21 and 22)	86,932,479	124,614,838	**140,144,476**
Equipment and facilities-related expenses (Notes 23 and 25)	59,113,580	89,808,287	**93,765,672**
Administrative and other operating expenses (Notes 21 and 24)	56,944,040	74,916,181	**85,078,577**
Depreciation and amortization (Notes 6, 7 and 8)	66,844,911	68,881,844	**80,323,136**
Interest expense and financing charges on borrowings (Notes 15 and 16)	38,925,777	38,993,326	**30,400,000**
Interest expense on concession rights payable (Note 6)	21,094,025	18,913,165	**16,576,457**
Foreign exchange loss (Note 25)	8,881,036	10,668,148	**5,382,554**
Other expenses (Notes 1, 7, 9, 15, 19, 21 and 23)	9,549,009	7,395,751	**4,612,049**
	424,712,336	528,306,547	**559,174,594**
CONSTRUCTION REVENUE (EXPENSE) (Note 23)			
Construction revenue	60,244,431	148,211,971	**245,603,689**
Construction expense	(60,244,431)	(148,211,971)	**(245,603,689)**
	–	–	**–**
INCOME BEFORE INCOME TAX	136,983,589	171,208,144	**192,209,437**
PROVISION FOR INCOME TAX (Note 20)			
Current	34,021,351	33,948,283	**41,441,426**
Deferred	5,136,873	6,264,650	**6,805,181**
	39,158,224	40,212,933	**48,246,607**
NET INCOME	US$97,825,365	US$130,995,211	**US$143,962,830**
Attributable To			
Equity holders of the parent	US$98,276,099	US$130,529,698	**US$143,211,542**
Minority interests	(450,734)	465,513	**751,288**
	US$97,825,365	US$130,995,211	**US$143,962,830**
Earnings Per Share (Note 27)			
Basic	US$0.052	US$0.063	**US$0.059**
Diluted	0.050	0.061	**0.058**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2010	2011	**2012**
NET INCOME FOR THE YEAR	US$97,825,365	US$130,995,211	**US$143,962,830**
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation of foreign operations' financial statements (Note 14)	12,817,850	(22,147,841)	**7,275,472**
Net change in unrealized mark-to-market values of derivatives (Note 25)	10,456,060	(9,562,220)	**8,630,712**
Net unrealized gain (loss) removed from equity and recognized in profit or loss (Note 25)	(10,027,846)	1,344,124	**(4,978,464)**
Net unrealized mark-to-market gain on available-for-sale investments (Notes 9 and 25)	292,040	1,890	**392,293**
Income tax relating to components of other comprehensive income (loss)	(128,464)	2,465,429	**(5,828,164)**
	13,409,640	(27,898,618)	**5,491,849**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	US$111,235,005	US$103,096,593	**US$149,454,679**
Attributable To			
Equity holders of the parent	US$109,120,512	US$103,188,545	**US$147,936,821**
Minority interests	2,114,493	(91,952)	**1,517,858**
	US$111,235,005	US$103,096,593	**US$149,454,679**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Parent												
	Preferred Stock (Note 14)	Common Stock	Additional Paid-in Capital (Note 14)	Preferred Shares Held by a Subsidiary	Common Shares Held by Subsidiaries (Note 14)	Treasury Shares (Note 14)	Excess of Acquisition Cost over the Carrying Value of Minority Interests (Note 14)	Retained Earnings (Note 14)	Subordinated Perpetual Capital Securities (Note 14)	Other Comprehensive Income (Loss) (Note 14)	Total	Minority Interests (Note 14)	Total Equity
Balance at December 31, 2009	US$72,492	US$66,029,259	US$293,807,999	(US$72,492,481)	(US$46,512,881)	(US$6,305,546)	(US$343,983)	US$271,145,420	US$–	(US$47,123,809)	US$458,276,470	US$59,076,765	US$517,353,235
Total comprehensive income for the year (Note 14)	–	–	–	–	–	–	–	98,276,099	–	10,844,413	109,120,512	2,114,493	111,235,005
Cash dividends (Note 14)	–	–	–	–	–	–	–	(17,220,917)	–	–	(17,220,917)	(1,208,320)	(18,429,237)
Change in minority interests (Note 14)	–	–	–	–	–	–	(5,803,576)	–	–	–	(5,803,576)	21,389,978	15,586,402
Sale of shares held by subsidiaries (Note 14)	–	–	1,374,016	–	1,388,677	–	–	–	–	–	2,762,693	–	2,762,693
Share-based payments (Note 18)	–	–	4,746,643	–	–	(3,185,384)	–	–	–	–	1,561,259	–	1,561,259
Issuance of preferred B shares (Note 14)	163,730	–	–	–	–	–	–	–	–	–	163,730	–	163,730
Collection of subscription receivable	–	513	–	–	–	–	–	–	–	–	513	–	513
Issuance of treasury shares (Notes 14 and 18)	–	–	(4,284,179)	–	–	4,284,179	–	–	–	–	–	–	–
Balance at December 31, 2010	US$236,222	US$66,029,772	US$295,644,479	(US$72,492,481)	(US$45,124,204)	(US$5,206,751)	(US$6,147,559)	US$352,200,602	US$–	(US$36,279,396)	US$548,860,684	US$81,372,916	US$630,233,600
Balance at December 31, 2010	US$236,222	US$66,029,772	US$295,644,479	(US$72,492,481)	(US$45,124,204)	(US$5,206,751)	(US$6,147,559)	US$352,200,602	US$–	(US$36,279,396)	US$548,860,684	US$81,372,916	US$630,233,600
Issuance of subordinated perpetual securities (Note 14)	–	–	–	–	–	–	–	–	193,447,518	–	193,447,518	–	193,447,518
Total comprehensive income for the year (Note 14)	–	–	–	–	–	–	–	130,529,698	–	(27,341,153)	103,188,545	(91,952)	103,096,593
Sale of shares held by subsidiaries (Note 14)	–	–	24,419,301	–	45,760,509	–	–	–	–	(27,307,343)	42,872,467	–	42,872,467
Cash dividends (Note 14)	–	–	–	–	–	–	–	(22,029,484)	–	–	(22,029,484)	(1,153,141)	(23,182,625)
Change in minority interests (Note 14)	–	–	–	–	–	–	–	–	–	–	–	22,760,028	22,760,028
Additional shares held by subsidiaries (Note 14)	–	–	–	–	(21,653,987)	–	–	–	–	–	(21,653,987)	–	(21,653,987)
Distributions on subordinated perpetual securities (Note 14)	–	–	–	–	–	–	–	(8,375,000)	–	–	(8,375,000)	–	(8,375,000)
Share-based payments (Note 18)	–	–	2,305,483	–	–	(1,010,670)	–	–	–	–	1,294,813	–	1,294,813
Collection of subscription receivable	–	6,417	–	–	–	–	–	–	–	–	6,417	–	6,417
Issuance of treasury shares (Notes 14 and 18)	–	–	(1,546,019)	–	–	1,546,019	–	–	–	–	–	–	–
Balance at December 31, 2011	US$236,222	US$66,036,189	US$320,823,244	(US$72,492,481)	(US$21,017,682)	(US$4,671,402)	(US$6,147,559)	US$452,325,816	US$193,447,518	(US$90,927,892)	US$837,611,973	US$102,887,851	US$940,499,824
Balance at December 31, 2011	**US$236,222**	**US$66,036,189**	**US$320,823,244**	**(US$72,492,481)**	**(US$21,017,682)**	**(US$4,671,402)**	**(US$6,147,559)**	**US$452,325,816**	**US$193,447,518**	**(US$90,927,892)**	**US$837,611,973**	**US$102,887,851**	**US$940,499,824**
Total comprehensive income for the year (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**143,211,542**	**–**	**4,725,279**	**147,936,821**	**1,517,858**	**149,454,679**
Issuance of subordinated perpetual securities (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**143,584,854**	**–**	**143,584,854**	**–**	**143,584,854**
Cash dividends (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,629,045)**	**–**	**–**	**(29,629,045)**	**(1,618,924)**	**(31,247,969)**
Sale of shares held by subsidiaries (Note 14)	**–**	**–**	**8,087,339**	**–**	**21,017,682**	**–**	**–**	**–**	**–**	**536,772**	**29,641,793**	**–**	**29,641,793**
Distributions on subordinated perpetual securities (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(26,800,000)**	**–**	**–**	**(26,800,000)**	**–**	**(26,800,000)**
Change in minority interests (Notes 4 and 14)	**–**	**–**	**–**	**–**	**–**	**–**	**(78,174,523)**	**–**	**–**	**–**	**(78,174,523)**	**61,714,258**	**(16,460,265)**
Share-based payments (Note 18)	**–**	**–**	**3,091,101**	**–**	**–**	**(618,563)**	**–**	**–**	**–**	**–**	**2,472,538**	**–**	**2,472,538**
Collection of subscription receivable	**–**	**684**	**7,650**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,334**	**–**	**8,334**
Issuance of treasury shares (Notes 14 and 18)	**–**	**–**	**(690,802)**	**–**	**–**	**690,802**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2012	**US$236,222**	**US$66,036,873**	**US$331,318,532**	**(US$72,492,481)**	**US$–**	**(US$4,599,163)**	**(US$84,322,082)**	**US$539,108,313**	**US$337,032,372**	**(US$85,665,841)**	**US$1,026,652,745**	**US$164,501,043**	**US$1,191,153,788**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2010	2011	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US$136,983,589	US$171,208,144	**US$192,209,437**
Adjustments for:			
Depreciation and amortization (Notes 6, 7 and 8)	66,844,911	68,881,844	**80,323,136**
Interest expense on:			
Borrowings (Notes 15 and 16)	38,925,777	38,993,326	**30,400,000**
Concession rights payable (Note 6)	21,094,025	18,913,165	**16,576,457**
Interest income (Note 11)	(5,622,429)	(8,815,010)	**(7,788,827)**
Unrealized foreign exchange loss (gain)	(2,632,859)	997,233	**(6,983,599)**
Share-based payments (Notes 14 and 18)	1,747,308	1,655,755	**2,231,595**
Loss (gain) on:			
Termination of pre-payment option (Note 25)	–	–	**1,172,436**
Sale of property and equipment (Note 19)	(443,948)	(635,211)	**(752,467)**
Settlement of cross-currency swap (Note 25)	(769,240)	–	**99,476**
Sale of available-for-sale investments (Notes 9 and 19)	(11,224,117)	(8,447,216)	**–**
Write-off of:			
Net assets of a subsidiary (Notes 1, 19 and 23)	–	–	**831,014**
Debt issuance costs from prepayment of long-term debt (Notes 15 and 19)	3,369,207	–	**–**
Unrealized mark-to-market gain on derivatives (Note 25)	(694,566)	(861,927)	**(613,265)**
Dividend income (Note 19)	(221,816)	(240)	**(5,078)**
Loss on impairment of land and advances to contractors (Notes 7, 9 and 19)	2,010,840	–	**–**
Operating income before changes in working capital	249,366,682	281,889,863	**307,700,315**
Increase in:			
Receivables	(9,865,666)	(7,129,471)	**(9,432,355)**
Spare parts and supplies	(1,580,625)	(2,550,622)	**(1,464,824)**
Prepaid expenses and other current assets	(8,568,590)	(9,553,220)	**(3,995,417)**
Increase in:			
Accounts payable and other current liabilities	25,438,225	20,952,112	**44,113,260**
Pension liabilities	83,218	773,043	**1,439,916**
Cash generated from operations	254,873,244	284,381,705	**338,360,895**
Income taxes paid	(34,104,913)	(27,796,618)	**(52,530,422)**
Net cash provided by operating activities	US$220,768,331	US$256,585,087	**US$285,830,473**

(Forward)

	Years Ended December 31		
	2010	2011	**2012**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets (Notes 6 and 23)	(US$70,020,062)	(US$161,264,297)	**(US$276,069,399)**
Property and equipment (Note 7)	(54,923,297)	(66,493,401)	**(189,533,084)**
Subsidiaries, net of cash acquired (Note 4)	–	(17,930,577)	**(76,917,605)**
Available-for-sale investments (Note 9)	–	(21,130,204)	**–**
Increase in other noncurrent assets (Note 9)	(24,025,159)	(23,984,076)	**(31,506,286)**
Payments for concession rights	(22,039,431)	(26,690,232)	**(24,735,864)**
Interest received	5,256,173	8,694,627	**8,309,318**
Proceeds from sale of:			
Property and equipment	1,464,022	1,086,332	**1,594,911**
Available-for-sale investments (Note 9)	15,970,683	29,577,420	**–**
Dividends received	221,816	240	**5,078**
Net cash used in investing activities	(148,095,255)	(278,134,168)	**(588,852,931)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 15)	456,338,084	62,495,510	**171,707,902**
Issuance of subordinated perpetual capital securities (Note 14)	–	193,447,518	**143,584,854**
Sale of common shares held by a subsidiary (Note 14)	2,762,693	42,872,467	**29,641,793**
Short-term borrowings (Note 16)	1,000,000	2,481,536	**10,225,949**
Settlement of cross-currency swap (Note 25)	2,140,000	–	**1,375,000**
Subscriptions and issuance of capital stock	164,243	–	**–**
Change in minority interests (Note 14)	15,586,402	5,287,908	**(127,146,193)**
Payments of:			
Long-term borrowings (Notes 4 and 15)	(255,733,253)	(52,531,502)	**(84,798,432)**
Interest on borrowings and concession rights payable	(47,574,360)	(56,549,348)	**(44,276,114)**
Dividends (Note 14)	(17,361,201)	(23,431,446)	**(30,970,306)**
Distributions on subordinated perpetual capital securities (Note 14)	–	(8,375,000)	**(26,800,000)**
Short-term borrowings (Notes 4 and 16)	(11,097,673)	(675,486)	**(22,661,600)**
Acquisition of common shares held by a subsidiary (Note 14)	–	(21,653,987)	**–**
Net cash provided by financing activities	146,224,935	143,368,170	**19,882,853**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,329,563	(9,563,733)	**12,348,788**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	220,227,574	112,255,356	**(270,790,817)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,152,800	345,380,374	**457,635,730**
CASH AND CASH EQUIVALENTS AT END OF YEAR	US$345,380,374	US$457,635,730	**US$186,844,913**

See accompanying Notes to Consolidated Financial Statements.

Notes to 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 are publicly traded in the Philippine Stock Exchange (PSE).

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 7, 2013.

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 of March 7, 2013, the Group is involved in 27 terminal concessions and port development projects in 19 countries worldwide. These are 21 operating terminals in seven key ports in the Philippines, two in Indonesia and one each in Brunei, Japan, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan and India; three ongoing port development projects in Mexico, Colombia and Argentina; and three recently concluded negotiations to manage and operate ports in Nigeria and Honduras and develop and manage another port in Davao, Philippines. The projects in Mexico and Argentina are expected to commence commercial operations in 2013 and 2014, respectively.

ICTSI's concession for the Manila International Container Terminal or MICT (MICT Contract) was extended for another 25 years up to May 18, 2038, subject to certain conditions including the completion of agreed additional investments in port equipment and infrastructures prior to 2013, payment of upfront fees on May 20, 2013 amounting to ₱670.0 million (approximately US$16.3 million), and turnover and execution of Deed of Transfer of port facilities and equipment currently being used at MICT and part of committed investment under the original concession agreement, among others. Under the renewal agreement and for the extended term of the MICT Contract, ICTSI shall be liable and committed to: (i) pay the Philippine Ports Authority (PPA) a fixed fee of US$600.0 million payable in 100 advanced quarterly installments; (ii) pay variable fee of 20 percent of the gross revenue earned at MICT; (iii) upgrade, expand and develop the MICT, particularly the construction and development of Berth 7; (iv) continuously align its Management Information System (MIS) with the MIS of the PPA with the objective towards paperless transaction and reporting system; and (v) pay certain other fees based on the attainment of agreed volume levels.

Following the Group's accounting policy on Intangibles, ICTSI will recognize new concession rights when the renewal agreement becomes effective on May 19, 2013 to the extent that ICTSI receives a license or right to charge users for the public service it provides. Concession rights shall consist of: (i) upfront fee of approximately US$16.3 million; and (ii) the present value of fixed fee consideration computed using the discount rate at the effectivity date of the renewal agreement. Using the estimated discount rate at December 31, 2012, the present value is approximately US$357.9 million. Amortization of concession rights comprising of the approximation of upfront fees and the present value of fixed fee consideration is estimated to be US$9.4 million in 2013 and US$15.0 million per year thereafter, while interest expense on concession rights payable is approximately US$10.0 million in 2013, US$16.0 million in 2014 and subsequently calculated based on the diminishing balance of concession rights payable using the effective interest rate. On the other hand, variable fees will be recognized as expense when incurred.

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

Port of Portland, Oregon, U.S.A. In May 2010, ICTSI Oregon, Inc. (ICTSI Oregon), a subsidiary of ICTSI, signed a 25-year lease with the Port of Portland for the container/break bulk facility at Terminal 6 (see Note 23.20). ICTSI established ICTSI Oregon on April 15, 2010 to operate the Port. ICTSI Oregon took over the terminal operations on February 12, 2011.

Port of Rijeka, Croatia. In March 2011, the Parent Company, through its wholly-owned subsidiary, ICTSI Capital BV, entered into a Share Purchase Agreement (SPA) with Luka Rijeka D.D. (Luka Rijeka), a Croatian company, to purchase 51 percent interest in the Adriatic Gate Container Terminal (AGCT). AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041 (see Note 23.7). ICTSI accounted the transaction as a business combination (see Note 4.1).

Port of Kattupalli, India. In April 2011, ICTSI, through ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a container port operation agreement for the management and operation of the Kattupalli Container Terminal (KCT) in Tamil Nadu, India (see Note 23.33). KCT is ICTSI's first venture in India. The terminal is located near Chennai in Thiruvallur District. LTSB is the developer of an integrated shipyard cum port with a 1.2 million-TEU annual capacity container terminal in Kattupalli. The terminal has started commercial operations in January 2013.

NCT-2, Subic, Philippines. On July 27, 2011, SBMA and ICTSI signed the Contract for the Operation and Management of NCT-2 (NCT-2 Contract) for a period of 25 years. ICTSI established ICTSI Subic on May 31, 2011 to operate NCT-2. On September 15, 2011, SBMA notified ICTSI of its approval for the assignment of all its rights, interests and obligations in the NCT-2 Contract to ICTSI Subic through a resolution dated August 19, 2011 for the purpose of operating NCT-2. On August 2, 2012, ICTSI Subic received from SBMA the notice to proceed with the operation and management of NCT-2 (see Note 23.8). ICTSI Subic started commercial operations in October 2012.

Deep Water Port, Ibeju-Lekki, Federal Republic of Nigeria. On February 22, 2012, ICTSI and Lekki Port LFTZ Enterprise (Lekki Port) entered into a Memorandum of Understanding (MOU) to negotiate the terms of a Sub-concession Agreement (SCA) to develop and operate the container terminal at the Deep Water Port in the Lagos Free Trade Zone (LFTZ) at Ibeju-Lekki, Lagos State, Federal Republic of Nigeria. Under the MOU, Lekki Port negotiated exclusively with ICTSI, in connection with the Sub-concession and the works and services to be undertaken under the agreement, for an Exclusivity Fee of US$5.0 million, which is non-refundable but subject to set-off or refund under certain circumstances as provided in the MOU. On August 10, 2012, Lekki Port and ICTSI signed the SCA, which granted ICTSI the exclusive right to develop and operate the Deep Water Port in the LFTZ, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operation date (see Note 23.9). On November 7, 2012, ICTSI through ICBV, established Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) to operate the Deep Water Port in the LFTZ (see Note 1.3). The container terminal is under construction, and is scheduled to commence operations in 2016.

Port of Karachi, Pakistan. On March 30, 2012, ICTSI through ICTSI Mauritius Ltd. (ICTSI Mauritius), a wholly owned subsidiary of ICTSI Ltd., signed a Share Purchase Agreement with substantial shareholders of Pakistan International Container Terminal (PICT) for the purchase of 35 percent of the shares of PICT, involving the conduct of a minimum offer price, which was determined in accordance with the takeover laws of Pakistan. On August 10, 2012, ICTSI Mauritius commenced a public tender offer at the Karachi Stock Exchange to purchase outstanding shares of PICT. On October 18, 2012, ICTSI Mauritius completed the acquisition of 35 percent of the total issued capital of PICT and further increased its ownership in PICT to 63.59 percent as of December 31, 2012 (see Notes 1.3, 4.2 and 14.4). PICT is responsible for the construction, development, operations and management of a common user container terminal at Karachi Port for a period of 21 years commencing on June 18, 2002 (see Note 23.10).

Port of Tanjung Priok, Jakarta, Indonesia. On July 3, 2012, ICTSI acquired PT PBM Olah Jasa Andal (OJA) through its indirect majority owned subsidiary, PT ICTSI Jasa Prima Tbk (JASA, formerly PT Karwell Indonesia Tbk) (see Note 4.2). OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and/or containers at the Port of Tanjung Priok, Jakarta, Indonesia. OJA has existing cooperation agreements which have terms of two years that can be extended pursuant to the applicable provision in each agreement (see Note 23.26). As of March 7, 2013, discussion regarding the extension of the concession agreement or cooperation agreement are ongoing.

Hijo International Port, Davao, Philippines. In 2012, ICTSI, through its wholly owned subsidiary, Abbotsford Holdings, Inc. (Abbotsford), together with Hijo Resources Corp., a diversified group involved in leisure and tourism, agribusiness, property development and port operations, invested in Hijo International Port Services, Inc. (HIPS) for the construction, development and operation of Hijo International Port (also referred to as "Hijo Port"). Hijo Port is a private commercial port owned by HIPS located in Barangay Madaum, Tagum, Davao del Norte in the Gulf of Davao. The existing port sits within a reclaimed land of about 10.3 hectares. It has two berths at 127 meters and 150 meters long, two cargo sheds located in the wharf area and various terminal support facilities. It currently handles approximately 300,000 metric tons of mostly banana annually. ICTSI owns 65 percent of HIPS. Under the management of ICTSI, HIPS will develop and upgrade the facilities and capacity of Hijo Port to handle containerized cargo, especially banana in refrigerated containers. Such upgrade will be implemented in phases. Initial phase of construction activities is currently ongoing at Hijo Port. The relevant contracts and agreements on the construction, operation and management of the terminal have not yet been finalized as of March 7, 2013.

On the other hand, on December 28, 2012, Tartous International Container Terminal (TICT), a wholly owned subsidiary of ICTSI, filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous Container Terminal in Syria, which was entered into by TICT and TPGC in March 2007 (see Note 23.4). TICT formally ceased operating the Tartous Container Terminal on January 27, 2013.

TICT was compelled to send the said Notice of Termination of the Investment Agreement because of TPGC's consistent refusal to recognize the occurrence of Unforeseen Change of Circumstances brought about by civil unrest and violence which has gravely affected businesses and trade in Syria. The issuance of this notice was also prompted by TPGC's refusal to negotiate in good faith for relief from the clear imbalance of the parties' economic relationship, which constitutes a breach of the Investment Agreement.

Finally, TICT was left with no choice but to issue the Notice of Termination when Syria plunged into a state of full-fledged civil war, which exposed everyone (combatants and civilians alike) to increasing threat of death and destruction on a daily basis, which is considered as force majeure under the Investment Agreement. Consequently, TPGC took over the operations of the Tartous Container Terminal.

Based on the circumstances of the case, TICT and its legal counsels believe that the cause of the termination of the Investment Agreement is Unforeseen Change of Circumstances, which because of the civil war that broke out in Syria, qualified for a force majeure. Under the Investment Agreement, TICT does not have any obligation to pay for penalty which would apply if the cause of the termination of the Investment Agreement was an Investor's default. Furthermore, Clause 15.1 of the Investment Agreement provides that: "Upon termination of this Investment Agreement, the parties shall have no further rights or obligations hereunder except for rights and obligations which arose prior to such termination and those which expressly survive after the termination pursuant to this Agreement." This effectively clears TICT of any obligation arising from the continued operations of Tartous Container Terminal under the management of TPGC (see Note 24). Consequently, ICTSI wrote-off the carrying value of the net assets of TICT as of December 28, 2012, amounting to US$0.8 million (see Note 19.3).

Puerto Cortés in Honduras. On February 1, 2013, ICTSI won and was awarded the Contract for the Design, Financing, Construction, Maintenance, Operation and Exploitation of the Specialized Container and General Cargo Terminal of Puerto Cortés in the Republic of Honduras for a period of 30 years through a public hearing held in Tegucigalpa, Honduras (see Note 28.3). As of March 7, 2013 construction activities have not yet been started at the terminal.

1.3 Subsidiaries

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2010 Direct	2010 Indirect	2011 Direct	2011 Indirect	**2012 Direct**	**2012 Indirect**
Asia									
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	100.00	–	**100.00**	**–**
Container Terminal Systems Solutions, Inc. (CTSSI)	Mauritius	Software Developer	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI Mauritius	Mauritius	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Aeolina International Limited (AIL)[a]	British Virgin Island	Holding Company	US Dollar	–	–	–	–	**–**	**100.00**
PICT[a]	Pakistan	Port Management	Pakistani Rupee	–	–	–	–	**–**	**63.59**
ICTSI Far East Pte. Ltd. (IFEL)	Singapore	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
New Muara Container Terminal Services Sdn Bhd (NMCTS)	Brunei	Port Management	Brunei Dollar	–	100.00	–	100.00	**–**	**100.00**
JASA and Subsidiaries[a]	Indonesia	Maritime Infrastructure and Logistics	Indonesian Rupiah	–	–	–	–	**–**	**80.16**
OJA[a]	Indonesia	Port Management	Indonesian Rupiah	–	–	–	–	**–**	**80.16**
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	–	95.00	**–**	**95.00**
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI (Hong Kong) Limited	Hong Kong	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL)	China	Port Management	Renminbi	–	60.00	–	60.00	**–**	**60.00**
Pentland International Holdings, Ltd. (PIHL)	British Virgin Island	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI Poland	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI Brazil	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
ICTSI Ltd. RHQ	Philippines	Regional Headquarters	Philippine Peso	–	100.00	–	100.00	**–**	**100.00**

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2010 Direct	2010 Indirect	2011 Direct	2011 Indirect	**2012 Direct**	**2012 Indirect**
ICTSI India[b, c]	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	**–**	**95.00**
ICTSI Africa (Pty) Ltd.[c]	South Africa	Business Development Office (BDO)	South African Rand	–	–	–	100.00	**–**	**100.00**
Australian International Container Terminals Limited (AICTL)[b]	Australia	Port Management	Australian Dollar	–	70.00	–	70.00	**–**	**70.00**
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	100.00	–	**100.00**	**–**
Abbotsford	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	**100.00**	**–**
HIPS[d]	Philippines	Port Management	Philippine Peso	–	–	–	–	**–**	**65.00**
Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR)	Philippines	Port Management	Philippine Peso	–	96.95	–	96.95	**–**	**96.95**
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	100.00	–	**100.00**	**–**
IW Cargo Handlers, Inc. (IW Cargo)	Philippines	Port Equipment Rental	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Container Terminal Systems Solutions Philippines, Inc. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Bauan International Ports, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00	**–**	**60.00**
Prime Staffing and Selection Bureau, Inc. (PSSBI)[b]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	100.00	–	**100.00**	**–**
ICTSI Subic[c, g]	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	–	**83.33**	**–**
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	–	83.33	**–**	**83.33**
Cebu International Container Terminal, Inc. (CICTI)[b]	Philippines	Port Management	Philippine Peso	51.00	–	51.00	–	**51.00**	**–**
Cordilla Properties Holdings Inc. (Cordilla)	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	**100.00**	**–**
South Cotabato Integrated Port Services, Inc. (SCIPSI)	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38	**35.70**	**14.38**
ICTSI (M.E.) JLT (ICTSI Dubai)	United Arab Emirates	BDO	US Dollar	100.00	–	100.00	–	**100.00**	**–**
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Naha International Container Terminal, Inc. (NICTI)	Japan	Port Management	Japanese Yen	60.00	–	60.00	–	**60.00**	**–**
Icon Logistiek B.V.[c]	The Netherlands	Holding Company	US Dollar	–	–	–	100.00	**–**	**100.00**
Royal Capital B.V. (RCBV)[c]	The Netherlands	Holding Company	US Dollar	–	–	–	75.00	**–**	**75.00**
ICTSI Cooperatief U.A.[d]	The Netherlands	Holding Company	US Dollar	–	–	–	–	**–**	**100.00**
Global Container Capital, B.V.[d]	The Netherlands	Holding Company	US Dollar	–	–	–	–	**–**	**100.00**
ICTSI Treasury B.V. (ITBV)[d]	The Netherlands	Holding Company	US Dollar	–	–	–	–	**–**	**75.00**
Europe, Middle East and Africa (EMEA)									
Tartous International Container Terminal (TICT)	Syria	Port Management	US Dollar	100.00	–	100.00	–	**100.00**	**–**
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	–	100.00	**–**	**100.00**
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	–	100.00	**–**	**100.00**

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2010 Direct	2010 Indirect	2011 Direct	2011 Indirect	**2012 Direct**	**2012 Indirect**
AGCT[e]	Croatia	Port Management	Croatian Kuna	–	–	–	51.00	**–**	**51.00**
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	–	100.00	**–**	**100.00**
LICTSLE[d]	Nigeria	Port Management	US Dollar	–	–	–	–	**–**	**100.00**
Americas									
Contecon Guayaquil, S.A. (CGSA)	Eucador	Port Management	US Dollar	99.99	0.01	99.99	0.01	**99.99**	**0.01**
CMSA[b, f]	Mexico	Port Management	Mexican Peso	100.00	–	100.00	–	**100.00**	**–**
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	–	100.00	**–**	**100.00**
ICTSI Oregon[f]	U.S.A.	Port Management	US Dollar	–	100.00	–	100.00	**–**	**100.00**
C. Ultramar, S.A. (CUSA)	Panama	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Future Water, S.A. (FWSA)	Panama	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Kinston Enterprise Corporation (KEC)	Panama	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Sociedad Puerto Industrial Aguadulce SA (SPIA)[b]	Colombia	Port Management	Colombian Peso	–	91.29	–	91.29	**–**	**91.29**
International Ports of South America and Logistics SA (IPSAL)	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Tecplata[b]	Argentina	Port Management	US Dollar	–	85.00	–	85.00	**–**	**91.68**

[a] *Acquired in 2012*
[b] *Not yet started commercial operations as of December 31, 2012*
[c] *Established in 2011*
[d] *Established in 2012*
[e] *Acquired in 2011*
[f] *Established in 2010*
[g] *Changed its functional currency from Philippine Peso to US dollar in 2012*

In 2010, ICTSI acquired additional shares of Tecplata and SPIA to increase its ownership from 75 percent to 85 percent and from 91.17 percent to 91.29 percent, respectively. In 2012, ICTSI infused additional capital in Tecplata increasing its ownership from 85 percent to 91.68 percent (see Note 14.4). Also in 2012, ICTSI Mauritius further increased its ownership in PICT after it gained control on October 19, 2012 at 35 percent interest to 63.59 percent as of December 31, 2012 (see Notes 1.2, 4.2 and 14.4).

2. Basis of Preparation and Consolidation and Statement of Compliance

2.1 Basis of Preparation

The consolidated financial statements 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 consolidated financial statements are presented in United States dollars (US dollar, USD or US$), the Parent Company's functional and presentation currency. All values are rounded to the nearest US dollar unit, except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements of the Group include the accounts of ICTSI and its subsidiaries where the Parent Company has control. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are considered.

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.

Minority Interests. Minority interests represent the portion of profit or loss and net assets in MTS, AICTL, CTVCC, SBITC, SBITHI, BIPI, NICTI, CICTI, DIPSSCOR, YRDICTL, SPIA, SCIPSI, Tecplata, RCBV, AGCT, JASA, OJA, ITBV, HIPS and PICT, not held by the Group and are presented separately in the consolidated statement of income and the consolidated statement of comprehensive income, and consolidated balance sheet separate from equity attributable to equity holders of the parent.

Acquisition, transfer and sale of minority interest are accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a minority 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 minority interests" account within the equity section of the 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 minority 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 consolidated statement of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to the 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 year and using uniform accounting policies as that of the Parent Company.

Functional and Presentation Currency. The Group's 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 transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency. When there is a change in those underlying transactions, events and conditions, the entity reassesses its functional currency. When there is a change in functional currency, the entity accounts for such change in accordance with the Group's accounting policy on Change in 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 statements of income are translated at the Bloomberg weighted average daily exchange rates for the year. The exchange differences arising from the translation are taken directly and deferred to the consolidated statement of comprehensive income under the "Cumulative translation adjustment" account. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

2.3 Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes Philippine Accounting Standards (PAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council (FRSC).

3. Summary of Significant Accounting Policies

3.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as of January 1, 2012:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
  The amendments to PAS 12 clarify the determination of deferred tax on investment property measured at fair value. The amendments introduce a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, require that any related deferred tax should be measured on a 'sale' basis. The presumption is refuted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendments introduce the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Group's financial position or performance.

3.2 Significant Accounting Judgments, Estimates and Assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, in addition to those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional Currency. Management uses judgment in assessing the functional currency of the Parent Company and its subsidiaries. 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.

Service Concession Arrangements. The Group has determined that the concession contracts of the Parent Company, SBITC, MICTSL, TICT, CGSA, Tecplata, AGCT, ICTSI Subic, LICTSLE and PICT are within the scope of IFRIC 12, *Service Concession Arrangements*, accounted for under the intangible asset model. The intangible assets pertaining to concession rights as of December 31, 2010, 2011 and 2012 are presented in Note 6 to the consolidated financial statements.

Gross versus Net Revenue Recognition. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements because the Group is the primary obligor who is responsible for providing the services to the customers and the Group bears the credit risk. The Group accounts and presents its revenues from port operations and the port authorities' share in revenues on a gross basis.

Operating Lease. The evaluation of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Concession contracts outside the scope of IFRIC 12 and accounted by the Group in accordance with IFRIC 4, *Determining whether an Arrangement Contains a Lease*, were determined as operating leases.

The Group has also entered into operating lease agreements on property, office spaces and/or equipment as a lessor and as a lessee. The Group, as a lessee, has determined that the lessor retains all significant risks and rewards of ownership of these properties which are on operating lease agreements. As a lessor, the Group retains substantially all the risks and benefits of ownership of the assets.

Deferred Tax Assets. Management uses estimates and judgment in reviewing the carrying amount of deferred tax assets, which are recognized at net realizable value.

Deferred tax assets recognized as of December 31, 2010, 2011 and 2012 are disclosed in Note 20 to the consolidated financial statements. Unrecognized deferred tax assets on NOLCO and other losses of certain subsidiaries amounted to US$7.1 million, US$6.3 million and US$7.1 million, as of December 31, 2010, 2011 and 2012, respectively.

Contingencies. The Group is currently a defendant in a number of cases involving claims and disputes related to cargo, labor and civil suits, and it has existing tax contingencies and a party to a maritime dispute involving claims for port equipment and infrastructure damages. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling defense in these matters and is based upon an analysis of potential results. 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 these legal actions, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. Provision for claims and losses amounted to US$4.9 million, US$6.5 million and US$9.8 million as of December 31, 2010, 2011 and 2012, respectively (see Notes 17 and 24). On the other hand, the Group recognized claims receivable up to the extent of actual expenditures in restoring the damaged cranes and facilities caused by two separate incidents in its ports in Ecuador and Poland in 2010 and 2012 amounting to US$5.4 million, US$4.0 million and US$8.2 million as of December 31, 2010, 2011 and 2012, respectively (see Notes 6, 7 and 12). Management and the Group's legal counsels believe that recovery of these receivables from the vessel owners is assured.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Concession Rights. The determination of the cost of concession rights on service concession arrangements requires management to make estimates and assumptions to determine the extent to which the Group receives a right or license to charge users of the public service. Management is also required to make estimates and assumptions in determining the fair value of concession rights acquired through business combinations. In making those estimates, management is required to determine a suitable discount rate to calculate the present value of these cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The carrying amounts of concession rights as of December 31, 2010, 2011 and 2012 are disclosed in Note 6 to the consolidated financial statements.

Construction Revenue and Cost Recognition. The Group's revenue from construction services in relation to its service concession arrangement is recognized using the percentage-of-completion method and, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

Expenditures to cover the work program for the development of the concession area or committed investments for each port development or project are provided in the concession agreement. When the costs incurred to date exceed the committed investments, an assessment is conducted to determine the cause of the cost overrun. Cost overruns arising from uncontrollable factors such as oil price, wage increases and changes in technical work programs due to unforeseen economic, political and geological conditions are capitalized while all other cost overruns are treated as period costs.

Impairment of Nonfinancial Assets and Assets not yet Available for Use. PFRS requires nonfinancial assets to be tested for impairment when certain impairment indicators are present and intangible asset that has not yet been brought into use to be tested for impairment annually, irrespective of whether there are any indications of impairment. Nonfinancial assets include intangible assets already in use, except goodwill and intangible assets not yet available for use, property and equipment, investment properties, and investment in an associate.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying amounts of intangible assets, including intangible assets not yet available for use, property and equipment and investment properties are disclosed in Notes 6, 7 and 8 to the consolidated financial statements, respectively. In 2010, the Group recognized an impairment loss of US$1.3 million (COP2.5 billion) to write down the carrying value of a portion of land held by SPIA to its recoverable amount (see Notes 7 and 19.3). There was no impairment loss in 2011. However, in 2012, the Group recognized an impairment loss of US$0.8 million to write down the carrying value of the net assets of TICT (see Notes 1.2, 19.3 and 23.4).

Impairment of Goodwill. Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows. There is no impairment loss in 2010, 2011 and 2012.

The carrying amounts of goodwill as of December 31, 2010, 2011 and 2012 are disclosed in Note 6 to the consolidated financial statements.

Estimating Useful Lives. Management determines the estimated useful lives and the related depreciation and amortization charges for its concession rights, property and equipment, and investment properties based on the period over which these assets are expected to provide economic benefits. Management's estimation of the useful lives of concession rights, property and equipment, and investment properties is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. Management will increase the depreciation and amortization charges where useful lives are less than what have previously been estimated.

A reduction in the estimated useful lives of concession rights, property and equipment, and investment properties will increase recorded expenses and decrease noncurrent assets. The carrying values of concession rights, property and equipment, and investment properties are disclosed in Notes 6, 7 and 8 to the consolidated financial statements, respectively.

Fair Value of Financial Instruments. PFRS requires that financial assets and financial liabilities (including derivative financial instruments) be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ using a different valuation methodology. When *Level 2* of the fair value hierarchy is used to determine the fair value of financial instruments, inputs and assumptions are based on market observable data and conditions, and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing as at each of the periods indicated. Any change in the fair values of financial assets and financial liabilities (including derivative instruments) directly affects the consolidated statement of income and equity and required disclosure.

The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 25 to the consolidated financial statements.

Estimating Allowance for Doubtful Accounts. Allowance for doubtful accounts is calculated using two methods, each of these methods are combined to determine the total amount of reserve. The first method is specific evaluation of information available that certain customers are unable to meet their financial obligations. In these cases, management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with customer and the customer's current

credit status based on third party credit reports and known market factors, to record specific reserves for customers against amounts due and to reduce receivable amounts to expected collection. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated. Second, a provision is established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, write-off experience, current economic trends, changes in customer payment terms and other factors that may affect the Group's ability to collect payments. Full allowance is provided for receivables with contested status.

The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Group made different assumptions or utilized different estimates. An increase in the Group's allowance for doubtful accounts would increase the recorded operating expenses and decrease its current assets. The carrying values of receivables are disclosed in Note 12 to the consolidated financial statements.

Estimating Net Realizable Value of Spare Parts and Supplies. The Group carries spare parts and supplies at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of spare parts and supplies carried at net realizable value as of December 31, 2010, 2011 and 2012 amounted to US$14.3 million, US$16.4 million and US$18.5 million, respectively.

The cost of spare parts and supplies amounted to US$14.7 million, US$16.9 million and US$19.2 million, as of December 31, 2010, 2011 and 2012, respectively.

The amount of write-down of spare parts and supplies as an expense amounted to US$0.3 million in 2010, US$0.1 million in 2011 and US$14 thousand in 2012, which were recognized in the consolidated statements of income under "Equipment and facilities-related expenses" account.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 22 and included among others, discount rate, future salary increases and expected return on plan assets. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

Unrecognized actuarial gain amounted to US$3.2 million in 2010, US$1.2 million in 2011 and US$0.7 million in 2012 (see Note 22).

3.3 Significant Accounting Policies

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at acquisition date. Following initial recognition, intangible assets, except goodwill, are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred. The Group accounts for goodwill following the accounting policy on Business Combination and Goodwill.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that intangible assets may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least annually. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income under the "Depreciation and amortization" account, which is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives such as goodwill and intangible assets not yet brought into use are not amortized but tested for impairment annually, either individually or at the cash-generating unit level, irrespective of whether there is any indication of impairment. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The following intangibles are recognized and determined by the Group to have finite useful lives:

Concession Rights. Concession rights are either purchased or acquired through business combinations or recognized on service concession arrangements.

Concession rights purchased or acquired through business combinations are recognized at fair value at the date of acquisition and are categorized as upfront fees.

Concession rights on service concession arrangements are recognized to the extent that the Group receives a license or right to charge users for the public service it provides. Concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructure constructed and under construction, including related borrowing costs, and port equipment purchased and committed in accordance with the terms and conditions of the concession arrangements accounted for under IFRIC 12. These are not recognized as property and equipment of the Group but as an intangible asset; and

c. Future fixed fee considerations in exchange for the license or right for concession arrangements accounted for under IFRIC 12. Fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in the consolidated statement of income.

Subsequent costs and expenditures related to port infrastructure and equipment arising from the Group's commitments to the concession contracts, or that increase future revenue are recognized as additions to the intangible asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property and equipment and accounted for in accordance with the accounting policy on Property and Equipment. When the Group has contractual obligations that it must fulfill as a condition of its license to: (i) maintain the infrastructure to a specified level of serviceability or, (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service concession arrangement, it recognizes and measures these contractual obligations in accordance with the accounting policy on Provisions. Repairs and maintenance and other expenses that are routinary in nature are expensed and recognized in the consolidated statement of income as incurred in accordance with the accounting policy on Equipment and Facilities-related Expenses.

Concession rights are amortized using the straight-line method over the term of the concession arrangements ranging from 10 to 48 years. Upfront fees are amortized upon the effectivity of the concession agreement while port infrastructure and fixed fees are amortized when the terminal is ready for use or upon start of commercial operations, whichever is earlier.

Computer Software Cost. Computer software cost includes costs incurred in the development and acquisitions of computer software used in operations. Computer software is amortized when it is available for use on a straight-line method over five years.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

Initial Measurement

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any minority interest in the acquiree. For each business combination, the Group elects to measure the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred such as finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department or business development offices are expensed and included as part of "Administrative and other operating expenses" account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for minority interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in the consolidated statement of income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Subsequent Measurement

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments*.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized as income or loss in the consolidated statement of income.

Goodwill is shown as part of "Intangibles" account in the consolidated balance sheet.

<u>Property and Equipment</u>

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statement of income in accordance with the accounting policy on Equipment and Facilities-related Expenses. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income of such period.

Depreciation and amortization start when the property and equipment are put into operations and computed using the straight-line method over the estimated useful lives of the assets or the terms of the operating contract with port authorities or concessions, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

Leasehold rights and improvements	5 - 48 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Port facilities and equipment	5 - 48 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Transportation equipment	3 - 5 years
Office equipment, furniture and fixtures	3 - 5 years
Miscellaneous equipment	5 years

The useful lives, depreciation and amortization method, and any residual values are reviewed periodically and adjusted prospectively, if appropriate, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and ready for operational use.

Port equipment spare parts represent major components or parts of port equipment such as quay cranes, which generally include insurance spares, that are critical for the continuous operations of the terminal equipment and facilities that have significantly different patterns of consumption of economic benefits. Port equipment spare parts are not depreciated but tested for impairment until they are put into use.

<u>Borrowing Costs</u>

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including intangibles and property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

All other borrowing costs are expensed as incurred.

However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

<u>Investment Properties</u>

Investment properties consisting mainly of land and improvements are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less depreciation and amortization, and any impairment in value.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 15 to 25 years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in the consolidated statement of income upon retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost and the carrying amount of the property transferred do not change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy on Property and Equipment up to the date of change in use.

<u>Investment in an Associate</u>

Investment in an associate in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture of the Group is accounted for under the equity method of accounting. Under the equity method, the cost of investment in an associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Parent Company are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets
Intangibles, except intangibles not yet brought into use, property and equipment, investment properties, and investment in an associate are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell or value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash generating unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For other assets excluding goodwill and intangibles not yet brought into use, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Intangibles not yet brought into use are tested for impairment annually irrespective of whether there is any impairment indicator.

The following assets have specific characteristic for impairment testing:

Goodwill. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, which is also the operating entity acquired through business combination and to which the goodwill relates or has been allocated. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its annual impairment test for intangibles not yet brought into use and goodwill at December 31.

Investment in an Associate. After application of the equity method, the Group determines whether it is necessary to recognize additional impairment loss of the Group's investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying amount of the investment, and recognizes the amount in the consolidated statement of income. The Group's investment in an associate has been fully provided with an allowance for probable loss (see Note 9).

Financial Instruments

Financial Assets and Financial Liabilities. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. Financial liabilities are classified as either financial liabilities at FVPL or as other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

There were no reclassifications within the categories of the financial assets and liabilities in 2010, 2011 and 2012.

Financial Assets and Financial Liabilities at FVPL. These include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets or financial liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value with gains or losses recognized in the consolidated statement of income.

This category includes derivative assets and liabilities (see Note 25).

Derivative Financial Instruments and Hedging
Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured and accounted for in the consolidated balance sheet at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statement of income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

Cash Flow Hedges. Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the consolidated statement of income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized as "Net change in unrealized mark-to-market values of derivatives" in the consolidated statement of comprehensive income, whereas any hedge ineffectiveness is immediately recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported as "Net change in unrealized mark-to-market values of derivatives" is retained in the consolidated statement of comprehensive income until the hedged transaction impacts the consolidated statement of income. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in the statement of comprehensive income is recognized immediately in the consolidated statement of income.

Other Derivative Instruments not Accounted for as Hedges. Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For bifurcated embedded derivatives in financial and non-financial contracts that are not designated or do not qualify as hedges, changes in the fair value of such transactions are recognized in the consolidated statement of income.

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date otherwise; these are classified as noncurrent assets.

This category includes cash and cash equivalents and receivables (see Notes 11 and 12).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within 12 months from the balance sheet date otherwise these are classified as noncurrent assets.

The Group has no HTM investments.

AFS Investments. AFS investments are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS investments are measured at fair value with unrealized gains or losses being recognized directly in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded in the consolidated statement of comprehensive income is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established. AFS investments are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on balance sheet date. When current prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments where there is no active market, except investments in unquoted equity securities, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same; net present value techniques and other relevant valuation models. Investments in unquoted equity securities are carried at cost, net of accumulated impairment losses.

AFS investments consist of the Group's investments in quoted and unquoted equity shares (see Note 9).

Other Financial Liabilities (including Interest-bearing Loans and Borrowings)

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Financial liabilities are classified under this category if they are not held for trading or not designated as FVPL upon the inception of the liability.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Group's loans payable, accounts payable and other current liabilities, concession rights payable and long-term debt are included under this classification.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. The Group considers factors such as the age of the receivable, payment status and collection experience in determining individually impaired financial assets. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, location and past due status.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments - Carried at Fair Value. If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income.

An AFS investment is considered impaired if there is prolonged or significant decline in market value against cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

AFS Investment - Carried at Cost. If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income, increases in their fair value after impairment are recognized directly in other comprehensive income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of income; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: a) has transferred substantially all the risks and rewards of the asset; or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In case where data used are not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Cash does not include restricted cash, which is classified in the consolidated balance sheet either as a current or noncurrent asset depending on the relationship to the asset for which the funds are restricted. If cash is restricted for investments, the restricted portion is classified as noncurrent.

Spare Parts and Supplies
Spare parts and supplies inventories are valued at the lower of cost or net realizable value. Net realizable value is the current replacement cost.

Cost is determined by using the first-in, first-out method. If the cost of spare parts and supplies inventories exceeds its net realizable value, provisions are made currently for the differences between the cost and the net realizable value.

Prepayments
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier or vendor. This account is offset, on a per entity basis, against any output tax previously recognized.

Prepaid Insurance, Port Fees, Bonds and Other Expenses, and Advanced Rent and Deposits. Prepaid insurance, port fees, bonds and other expenses, and advanced rent and deposits are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of income when incurred.

Creditable Withholding Tax. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Tax Credit Certificates. Tax credit certificates are issued by tax authorities in lieu of tax refunds, which can be used to offset against future tax liabilities. In some jurisdictions, tax credit certificates can be sold or exchanged for cash and cash equivalents.

Advances to Suppliers and Contractors. Advances to suppliers and contractors are reclassified to the proper asset or expense account and deducted from the contractors' billings as specified in the provisions of the contract.

Prepayments that are expected to be realized within 12 months from the balance sheet date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Cost of Shares Held by Subsidiaries
Own equity instruments which are held by subsidiaries are treated as treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. Shares vested during the reporting period are satisfied with treasury shares.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded by each entity at its functional currency ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the entity's functional currency rate of exchange ruling at the balance sheet date. All foreign currency differences are taken to the statement of income of the entity and to the consolidated financial statements except exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These foreign currency borrowings include long-term receivables or loans to a foreign operation denominated in either the functional currency of the parent or of the foreign operations. Related exchange differences arising from net investment in foreign operations are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing exchange rate at the balance sheet date.

Year-End Exchange Rates
The following rates of exchange have been adopted by the Group in translating foreign currency balance sheet and income statement items as of and for the years ended December 31:

	2010		2011		**2012**	
	Closing	Average	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of						
US Dollar (USD or US$):						
Argentinean peso (AR$)	3.979	3.912	4.300	4.130	**4.916**	**4.551**
Australian dollar (AUD)	0.977	1.086	0.980	0.968	**0.962**	**0.965**
Brazilian real (BRL or R$)	1.661	1.759	1.867	1.674	**2.052**	**1.955**

(Forward)

	2010		2011		**2012**	
	Closing	Average	Closing	Average	**Closing**	**Average**
Brunei dollar (B$)	1.281	1.363	1.297	1.257	**1.222**	**1.249**
Chinese renminbi (RMB)	6.607	6.767	6.295	6.463	**6.231**	**6.309**
Colombian peso (COP)	1,907.700	1,897.330	1,938.500	1,847.820	**1,767.000**	**1,797.070**
Croatian kuna (HRK)	–	–	5.816	5.349	**5.734**	**5.853**
Euro (EUR or €)	0.747	0.754	0.772	0.718	**0.758**	**0.778**
Hong Kong dollar (HKD)	7.773	7.769	7.767	7.784	**7.750**	**7.757**
Indian rupee (INR)	–	–	–	–	**54.995**	**53.474**
Indonesian rupiah (IDR or Rp)	8,996.000	9,084.000	9,069.000	8,772.000	**9,793.000**	**9,388.000**
Japanese yen (JPY or ¥)	81.120	87.730	76.910	79.700	**86.750**	**79.840**
Mexican peso (MXN)	12.340	12.608	13.936	12.443	**12.853**	**13.156**
Pakistani rupee (PKR or Rs)	–	–	–	–	**97.138**	**93.399**
Philippine peso (₱)	43.840	45.120	43.840	43.310	**41.050**	**42.237**
Singaporean dollar (SGD)	1.283	1.363	1.297	1.257	**1.222**	**1.249**
South African rand	–	–	–	–	**8.474**	**8.210**

Change in Functional Currency

When there is a change in an entity's functional currency, the entity should apply the translation procedures applicable to the new functional currency prospectively from the date of change. An entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for nonmonetary items are treated as their historical cost. Exchange differences arising from the translation at the date of change are recognized as cumulative translation adjustment reported under the consolidated statement of comprehensive income and presented in the equity section of the consolidated balance sheet. Exchange differences arising from translation of a foreign operation recognized in other comprehensive income are not reclassified from equity to the consolidated statement of income until the disposal of the foreign operation.

The comparative financial statements shall be presented into the new presentation currency in accordance with the translation procedures described in PAS 21, *The Effects of Changes in Foreign Exchange Rates*, as follows:

a. all assets and liabilities at the exchange rates prevailing at the balance sheet date;

b. equity items at historical exchange rates;

c. revenue and expense items at the approximate exchange rates prevailing at the time of transactions; and

d. all resulting exchange differences are recognized in cumulative translation adjustment account, presented as part of the consolidated statement of comprehensive income.

Concession Rights Payable

Concession rights payable is recognized at the date of inception as the present value of the fixed portion of port fees or rental fees to the port authorities if the arrangement qualifies under IFRIC 12, *Service Concession Arrangements*, or IFRIC 4, *Determining whether an Agreement contains a Lease*, as a finance lease, respectively. This account is debited upon payment of port fees or rental fees to the port authorities. Such payments are apportioned between interest payment and payment of the principal. Interest arising from the accretion of concession rights payable is presented under "Interest expense on concession rights payable" account in the consolidated statement of income.

Concession rights payable that are expected to be settled for no more than 12 months after the reporting period are classified as current liabilities presented as Current portion of concession rights payable. Otherwise, these are classified as noncurrent liabilities.

Accounts Payable and Other Current Liabilities

Accounts payable is part of the working capital used in the normal operating cycle of the Group. Other current liabilities are not settled as part of the Group's normal operating cycle but are due for settlement within 12 months after the balance sheet date or held primarily for the purpose of being traded. Accounts payable and other current liabilities are recognized in the period when incurred. This account classification includes the following:

Trade Payable. Trade payable represents payable to port authorities other than concession rights pertaining to upfront fees payable in installments and fixed fees, such as accrual of variable portion of port fees and those payable to suppliers and vendors of goods and services.

Accrued Expenses. Accrued expenses are comprised of accruals relating to interest, salaries and benefits, and output and other taxes, among others.

Provisions for claims and losses. Provisions for claims and losses pertain to estimated probable losses on cargo, labor-related and other claims from third parties. Provision for losses not settled at the balance sheet date is reassessed and adjusted, if necessary.

Customers' Deposits. Customers' deposits represent advance payment of customers subject to refund or for future billing applications.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. There is substantial change in the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios a, c, or d, and at the date of renewal or extension period for scenario b.

Group as Lessee. Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Pension Benefits

Defined Benefit Plans. The Group, except for YRDICTL, ICTSI Oregon and PICT, has noncontributory defined benefit plans, administered by trustees, covering substantially all of its regular employees. Except for BCT, MICTSL and CGSA, the plans are funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Pension costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10 percent of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

Defined Contribution Plan. YRDICTL, ICTSI Oregon and PICT have defined contribution plans under a state pension scheme. Contributions under the plan are recorded as expense in the consolidated statement of income. There are no further obligations beyond the contribution.

Share-based Payment Transactions

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates, output tax, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in substantially all its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Gross Revenues from Port Operations. Revenue is recognized when services are rendered.

Construction Revenue and Cost. When the Group provides construction or upgrade services on concession arrangements accounted for within the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided. The Group recognizes revenue and costs relating to construction or upgrade services by reference to the stage of completion of the contract in accordance with PAS 11, *Construction Contracts*.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield of the asset.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend, and is included as part of "Other income" account in the consolidated statement income.

Rental Income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included as part of "Other income" account in the consolidated statement of income.

Government Grants
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Expenses
Expenses are recognized as incurred. Expenses constitute the following:

Port Authorities' Share in Gross Revenues. Port authorities' share in gross revenue includes variable fees paid to port authorities as stipulated in the concession agreements.

Manpower Costs. Manpower costs include remunerations and benefits provided by the Group to its officers and employees such as salaries, wages, allowances, and bonuses, among others.

Equipment and Facilities-related Expenses. Equipment and facilities-related expenses include fixed fees paid to port authorities as stipulated in the concession agreements that qualify as leases under IFRIC 4 and expenses incurred for general repairs and maintenance of the Group's port facilities and other equipment such as consumption of fuel, oil and lubricants, contracted services, power, light and water, and technology and systems development expenses.

Administrative and Other Operating Expenses. Administrative and other operating expenses normally include costs of administering the business as incurred by administrative departments such as professional fees, transportation and travel, taxes and licenses, security and janitorial services, insurance and bonds, representation, utilities and general office expenses. This account also includes of costs of business development offices in relation to the acquisition of new terminals or projects under exploratory stage.

Taxes

Current Income Tax. Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses or net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside the consolidated statement of income is recognized outside of the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either be treated as a reduction to goodwill (as long as it does not exceed goodwill if it incurred during the measurement period) or in the consolidated statement of income.

Project Development Costs
Project development costs that do not qualify for capitalization as port infrastructure recognized as concession rights or property and equipment are expensed as incurred.

Preoperating Expenses
Preoperating expenses are expensed as incurred.

Earnings Per Share
Basic earnings per common share is computed by dividing the net income attributable to equity holders of the parent, adjusted by the effect of cumulative distributions on subordinated perpetual capital securities classified as equity in accordance with PAS 32, *Financial Instruments: Presentation and Disclosure*, by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

Diluted earnings per common share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company's stock incentive plan which are assumed to be exercised at the date of grant.

Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Geographical Segments
The Group operates principally in one industry segment which is cargo handling and related services. The Group's operating business is organized and managed separately according to location, namely Asia, Europe, Middle East and Africa (EMEA), and Americas. Financial information on geographical segments is presented in Note 5 to the consolidated financial statements.

Provisions

General. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingent Liabilities Recognized in a Business Combination. A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the requirements for revenue recognition.

Contingencies

Contingent assets and liabilities are not recognized in the consolidated financial statements. Contingent assets are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable and recognized in the consolidated balance sheet and the related income in the consolidated statement of income when an inflow of economic benefits is virtually certain. On the other hand, contingent liabilities are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3.4 Future Changes in Accounting Policies

Pronouncements Issued but Not yet Effective

Pronouncements issued but not yet effective as of December 31, 2012 are listed below. These pronouncements are those that the Group reasonably expects to have an impact on its accounting policies or disclosures unless otherwise indicated. The Group intends to adopt the following pronouncements when they become effective.

New Pronouncements	Effective for Annual Periods Beginning On or After

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. — January 1, 2013

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;

b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

c) The net amounts presented in the statement of financial position;

d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

(Forward)

New Pronouncements	Effective for Annual Periods Beginning On or After

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group, however, has yet to conduct a quantification of the full impact of this standard. The Group will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture. — January 1, 2015

PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of PFRS 10 will not have an impact on the consolidated financial statements because ICTSI has assessed that all subsidiaries that were consolidated in accordance with the current PAS 27 will continue to be consolidated in accordance with PFRS 10. — January 1, 2013

PFRS 11, *Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group expects that the adoption of this standard will not have a material impact on its financial position or performance. — January 1, 2013

PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The new standard affects disclosures only and has no impact on the Group's financial position or performance. — January 1, 2013

PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRSs when fair value is required or permitted. The Group anticipates that adoption of this standard may result to more disclosures in the consolidated financial statements in relation to the provision of PAS 40 which requires the disclosure of fair value on investment properties measured using the cost model. — January 1, 2013

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)

The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be reclassified. The amendments will result to the modification of the presentation of items of OCI and have no impact on the Group's financial position or performance. — July 1, 2012

PAS 19, *Employee Benefits* (Amendments)

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of the external actuaries to compute the impact to the financial statements upon adoption of the standard.

(Forward)

New Pronouncements			Effective for Annual Periods Beginning On or After

The effects are detailed below:

	January 1, 2012	December 31, 2012
Increase (decrease) in:		
Consolidated Balance Sheet		
Net pension assets	1,591,798	383,104
Net pension liabilities	1,214,448	804,764
Deferred tax asset	68,221	(32,673)
Deferred tax liability	(40,198)	101,713
Other comprehensive income	451,534	(720,013)
Retained earnings	–	42,976
Minority interests	34,235	120,991

	2012
Consolidated Statement of Income	
Net pension expense	(197,790)
Income tax expense	(7,807)
Net income	205,597
Attributable To	
Equity holders of the parent	42,976
Minority interests	162,621

New Pronouncements	Effective for Annual Periods Beginning On or After
PAS 27, *Separate Financial Statements* (as revised in 2011) As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group.	January 1, 2013
PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed as *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.	January 1, 2013
PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments) These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments are to be applied retrospectively.	January 1, 2014
IFRIC 15, *Agreements for the Construction of Real Estate* This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this interpretation will not have any material effect on the consolidated financial statements of the Group.	The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB), and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* This interpretation applies to waste removal costs incurred in surface mining activity during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.	January 1, 2013

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRSs - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRSs, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRSs, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRSs.
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

4. Business Combinations and Acquisitions

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

4.1 Acquisition at Finalized Fair Values

The acquisition in 2011, for which initial accounting was determined provisionally, was finalized in 2012 as follows:

AGCT, Rijeka, Croatia. As discussed in Note 1.2, ICTSI Capital BV entered into an SPA with Luka Rijeka for the purchase of 51 percent interest in AGCT (see Note 23.7). Upon signing of the SPA, ICTSI Capital BV paid US$17.9 million (92.9 million Croatian kuna) as consideration for 118 AGCT shares or 1 percent ownership and an additional US$21.8 million (€15.0 million) for 12,088 new AGCT shares or 50 percent ownership upon completion of conditions precedent as enumerated in the SPA in March 2011. With the acquisition of 51 percent aggregate interest in AGCT, ICTSI gained control of AGCT effective April 15, 2011, which was also the day when ICTSI took over the operations of AGCT. The acquisition of AGCT is wholly consistent with ICTSI's business strategy of acquiring, developing and operating small to mid-size container terminals, in emerging markets.

The Group has elected to measure the minority interest in the acquiree at the proportionate share in fair value of the net identifiable assets acquired.

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

	Finalized Fair Value Recognized on Acquisition
Assets	
Intangibles	US$12,815,189
Property and equipment	2,879,122
Cash and cash equivalents	21,793,256
Receivables	1,723,147
Prepaid expenses and other current assets	141,338
(Balance carried forward)	39,352,052

	Finalized Fair Value Recognized on Acquisition
(Balance brought forward)	US$39,352,052
Liabilities	
Deferred tax liabilities	1,281,271
Other noncurrent liabilities	641,593
Trade and other payables	1,534,625
Other current liabilities	237,175
	3,694,664
Total identifiable net assets at fair value	35,657,388
Minority interest measured at proportionate fair value	(17,472,120)
Goodwill arising on acquisition	21,538,565
Purchase consideration transferred and satisfied by cash	US$39,723,833

For the consolidated statement of cash flow purposes, the net cash outflow on the acquisition amounting to US$17.9 million was derived as follows:

	Amount
Cash paid at acquisition date	US$39,723,833
Less cash and cash equivalents of acquired subsidiary	21,793,256
Net cash outflow	US$17,930,577

The valuation of property and equipment was completed in July 2011. In 2012, the port authority approved AGCT's business plan which was used as basis in computing for the fair value of concession rights recognized as part of intangibles in the 2011 consolidated balance sheet. As a result, no adjustment was made to the 2011 consolidated financial statements.

From the date of acquisition, AGCT has contributed US$6.2 million (HRK33.2 million) and US$1.0 million (HRK5.5 million) to revenues and net income attributable to equity holders of the parent, respectively, for the year ended December 31, 2011. If the acquisition had taken place at the beginning of the year, consolidated revenues and net income attributable to equity holders of the parent would have been higher by US$2.3 million (HRK12.2 million) and US$0.1 million (HRK0.8 million), respectively, for the year ended December 31, 2011.

4.2 Acquisitions in 2012

PT Karwell Indonesia Tbk (Karwell) and PT PBM Olah Jasa Andal (OJA), Jakarta, Indonesia. On May 3, 2012, IFEL acquired 53.23 percent of equity interest in Karwell from PT Karya Estetikamulia through the Indonesian Stock Exchange at IDR74 per share. On the same date, IFEL purchased Karwell shares aggregating 26.77 percent in equity interest from several parties from the public at a price ranging from IDR75 to IDR77 per share. Total purchase consideration amounted to US$3.8 million. Karwell is a listed company in Indonesia engaged in garment and textile industry which has stopped commercial operations. IFEL has acquired and purchased an aggregate of 80 percent of the outstanding and issued shares of Karwell, thereby, effectively becoming the new controlling shareholder. The purpose of the business combination is to save and preserve the going concern of Karwell so that Karwell can engage in the development, construction and operation of terminals and maritime logistic infrastructure and will be able to generate satisfactory returns to all shareholders and other related stakeholders of Karwell. On July 25, 2012, the Minister of Law and Human Rights approved the change in business name of Karwell to PT ICTSI Jasa Prima Tbk (JASA) (see Notes 1.2 and 1.3). Karwell includes PT Karya Investama Indonesia and PT Karinwashindo Centralgraha (collectively referred to as "JASA and Subsidiaries").

On May 18, 2012, JASA signed a Conditional Sale Purchase Agreement with PT Temas Lestari for the purchase of 100 percent equity interest in OJA, a limited liability company operating in loading and unloading of general cargo and/or container at Tanjung Priok, Jakarta, Indonesia. On July 3, 2012, ICTSI, through JASA, completed the acquisition of 100 percent of the equity interest in OJA for a purchase price of US$41.9 million.

The Group has elected to measure the minority interest in the acquiree at the proportionate share in provisional fair value of the net identifiable assets acquired.

The provisional fair values of the identifiable assets and liabilities of JASA and subsidiaries at the date of acquisition were:

	Provisional Fair Value Recognized on Acquisition
Assets	
Property and equipment	US$18,341,892
Deferred tax asset	114,125
Cash and cash equivalents	1,937,137
Receivables	17,991,963
Prepaid expenses and other current assets	573,758
(Balance carried forward)	38,958,875

	Provisional Fair Value Recognized on Acquisition
(Balance brought forward)	US$38,958,875
Liabilities	
Long-term debt*	7,074,946
Deferred tax liabilities	58,105
Other noncurrent liabilities	427,195
Short-term debt*	20,180,064
Accounts payables and other current liabilities	3,838,349
	31,578,659
Total identifiable net assets at fair value	7,380,216
Minority interest measured at proportionate fair value	426,294
Goodwill arising on acquisition	37,907,825
Purchase consideration	US$45,714,335

** Fully paid in July 2012.*

The total cost of the combination or purchase consideration of US$45.7 million was satisfied by cash amounting to US$29.7 million and the assumption of liability of the previous owner of OJA by JASA amounting to US$16.0 million. However, the liability of JASA is eliminated against the receivable of OJA at the consolidated balance sheet.

For the consolidated statement of cash flow purposes, the net cash outflow on the acquisitions aggregating US$27.8 million was derived as follows:

	Amount
Cash paid at acquisition date	US$29,722,135
Less cash in banks of JASA and subsidiaries	1,937,137
Net cash outflow	US$27,784,998

From the date of acquisition, JASA and subsidiaries increased consolidated revenues by US$2.0 million (IDR19.2 billion) and reduced net income attributable to equity holders of the parent by US$2.1 million (IDR19.3 billion) for the year ended December 31, 2012. If the acquisition had taken place at the beginning of the year, consolidated revenues and net income attributable to equity holders of the parent would have been higher by US$5.0 million (IDR46.9 billion) and US$1.2 million (IDR10.2 billion), respectively, for the year ended December 31, 2012.

Pakistan International Container Terminal. As discussed in Note 1.2, ICTSI Mauritius completed the acquisition of 35 percent of the total issued capital of PICT for a purchase price of US$60.3 million (Rs.5.7 billion) on October 18, 2012 to become the single biggest shareholder of PICT. With the acquisition of 35 percent equity interest in PICT, ICTSI, through ICTSI Mauritius, gained control over PICT effective October 19, 2012 resulting in the majority board representation and the power to appoint the General Manager and Chief Financial Officer of PICT.

The Group has elected to measure the minority interest in the acquiree at the fair value of its shares prevailing at the date when the Group obtained control over PICT. The fair value represents the prevailing share price of PICT at the Karachi Stock Exchange on October 18, 2012.

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

	Provisional Fair Value Recognized on Acquisition
Assets	
Property and equipment	US$20,489,231
Intangibles	41,554,409
Deferred tax assets	2,953,319
Other noncurrent assets	8,180,835
Cash and cash equivalents	11,157,140
Receivables	2,732,034
Spare parts and supplies	1,260,313
Prepaid expenses and other current assets	22,466,483
	110,793,764
Liabilities	
Long-term debt	15,563,701
Concession rights payable	13,588,013
Deferred tax liabilities	11,920,357
Trade payables and other current liabilities	9,124,079
Current portion of long-term debt	5,222,085
Income tax payable	18,835,503
	74,253,738
Total identifiable net assets at fair value (balance carried forward)	36,540,026

	Provisional Fair Value Recognized on Acquisition
Total identifiable net assets at fair value (balance brought forward)	US$36,540,026
Minority interest measured at fair value	(111,112,222)
Goodwill arising on acquisition	134,861,943
Purchase consideration transferred and satisfied by cash	US$60,289,747

For the consolidated statements of cash flow purposes, the net cash outflow on the acquisition amounting to US$49.1 million was derived as follows:

	Amount
Cash paid at acquisition date	US$60,289,747
Less cash in banks of acquired subsidiary	11,157,140
Net cash outflow	US$49,132,607

From the date of acquisition, PICT increased consolidated revenues by US$14.0 million (Rs.1.3 billion) and net income attributable to equity holders of the parent by US$0.8 million (Rs.72.7 million) for the year ended December 31, 2012. If the acquisition had taken place at the beginning of the year, consolidated revenues and net income attributable to equity holders of the parent would have been higher by US$67.5 million (Rs.6.4 billion) and US$3.8 million (Rs.358.6 million) for the year ended December 31, 2012, respectively.

The fair values of identifiable assets and liabilities of JASA, OJA and PICT recognized in the 2012 consolidated financial statements were based on provisional assessment as the Group had sought independent valuations for the net assets acquired. The valuations have not been completed as of March 7, 2013. Fair value adjustments will be made as soon as the Group completes the valuations as at the date of acquisitions.

5. **Segment Information**

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

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

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic and MICTSI in the Philippines, YRDICTL in China, MTS in Indonesia, NICTI in Japan, NMCTS in Brunei, ICTSI India in India, PICT in Pakistan, OJA, JASA, HIPS, AICTSL and ICTHI, ICTSI Ltd and holding companies with regional area headquarters in the Philippines and those incorporated in The Netherlands for the purpose of supporting the funding requirements of the Group;
- EMEA - includes BCT in Poland, TICT in Syria, BICTL in Georgia, AGCT in Croatia, MICTSL in Madagascar and LICTSLE in Nigeria; and
- Americas - includes TSSA in Brazil, CGSA in Ecuador, SPIA in Colombia, Tecplata in Argentina, CMSA in Mexico and ICTSI Oregon, Inc. in Oregon, U.S.A.

Management monitors the operating results of its operating unit separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to gross revenues, which is measured consistently with gross revenues from port operations in the 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 tables below present financial information on geographical segments as of and for the year ended December 31:

	2010			
	Asia	EMEA	Americas	Consolidated
Volume[a]	2,652,328	501,275	1,048,971	4,202,574
Gross revenues	US$273,604,373	US$61,450,472	US$192,060,437	US$527,115,282
Capital expenditures	53,203,795	6,747,024	64,992,540	124,943,359
Other information:				
Segment assets[b]	833,043,715	136,991,165	604,188,166	1,574,223,046
Segment liabilities[c]	727,426,316	60,935,674	134,136,609	922,498,599

	2011			
	Asia	EMEA	Americas	Consolidated
Volume[a]	2,956,433	706,357	1,571,005	5,233,795
Gross revenues	US$302,616,664	US$78,080,344	US$284,138,820	US$664,835,828
Capital expenditures	66,143,355	16,928,638	144,685,705	227,757,698
Other information:				
Segment assets[b]	889,447,114	196,074,832	831,181,962	1,916,703,908
Segment liabilities[c]	686,740,483	68,884,950	188,213,555	943,838,988

	2012			
	Asia	**EMEA**	**Americas**	**Consolidated**
Volume[a]	**3,228,432**	**823,471**	**1,576,118**	**5,628,021**
Gross revenues	**US$362,009,037**	**US$86,271,629**	**US$281,027,279**	**US$729,307,945**
Capital expenditures	**59,386,076**	**21,439,013**	**384,777,394**	**465,602,483**
Other information:				
Segment assets[b]	**1,066,827,632**	**176,609,149**	**1,147,415,269**	**2,390,852,050**
Segment liabilities[c]	**872,924,931**	**55,876,106**	**208,917,008**	**1,137,718,045**

[a] *Measured in twenty-foot equivalent units (TEUs).*

[b] *Segment assets do not include deferred tax assets amounting to US$24.6 million, US$26.6 million and US$14.2 million, as of December 31, 2010, 2011 and 2012, respectively.*

[c] *Segment liabilities do not include income tax payable amounting to US$7.5 million, US$13.8 million and US$21.0 million, and deferred tax liabilities amounting to US$38.5 million, US$45.1 million and US$55.2 million, as of December 31, 2010, 2011 and 2012, 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 consolidated net income attributable to equity holders of the parent for the year ended December 31:

	2010	2011	**2012**
Net income attributable to equity holders of the parent	US$98,276,099	US$130,529,698	**US$143,211,542**
Minority interests	(450,734)	465,513	**751,288**
Provision for income tax	39,158,224	40,212,933	**48,246,607**
Income before income tax	136,983,589	171,208,144	**192,209,437**
Add (deduct):			
Depreciation and amortization	66,844,911	68,881,844	**80,323,136**
Interest and other expenses[a]	78,449,847	75,970,390	**56,971,060**
Interest and other income[b]	(34,580,643)	(34,678,863)	**(22,076,086)**
EBITDA[c]	US$247,697,704	US$281,381,515	**US$307,427,547**

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

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

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

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

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

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

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 47.6 percent, 41.4 percent and 43.2 percent of the consolidated gross revenues from port operations for the years ended December 31, 2010, 2011 and 2012, respectively.

6. Intangibles

This account consists of:

2010	Concession Rights: Upfront Fees (See Note 23)	Concession Rights: Fixed Fees	Concession Rights: Port Infrastructure	Concession Rights: Subtotal	Computer Software	Goodwill	Total
Cost							
Balance at beginning of year	US$198,283,905	US$177,703,309	US$303,305,541	US$679,292,755	US$13,484,412	US$60,697,889	US$753,475,056
Acquisitions or additions	4,051,864	–	65,283,385	69,335,249	684,813	–	70,020,062
Disposals	–	–	–	–	(686,344)	–	(686,344)
Translation adjustments	3,901,354	(1,214,074)	(2,795,921)	(108,641)	101,773	1,376,928	1,370,060
Transfers (to) from other accounts (see Note 7)	–	–	17,782,401	17,782,401	(1,333,091)	–	16,449,310
Balance at end of year	206,237,123	176,489,235	383,575,406	766,301,764	12,251,563	62,074,817	840,628,144
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	26,587,670	45,131,097	45,201,572	116,920,339	7,883,556	277,080	125,080,975
Amortization for the year	8,361,638	8,760,624	21,435,279	38,557,541	1,234,292	–	39,791,833
Disposals	–	–	–	–	(686,344)	–	(686,344)
Translation adjustments	478,708	(421,384)	(284,878)	(227,554)	134,088	–	(93,466)
Balance at end of year	35,428,016	53,470,337	66,351,973	155,250,326	8,565,592	277,080	164,092,998
Net Book Value	US$170,809,107	US$123,018,898	US$317,223,433	US$611,051,438	US$3,685,971	US$61,797,737	US$676,535,146

2011	Concession Rights: Upfront Fees (See Notes 4 and 23)	Concession Rights: Fixed Fees	Concession Rights: Port Infrastructure	Concession Rights: Subtotal	Computer Software	Goodwill (See Note 4)	Total
Cost							
Balance at beginning of year	US$206,237,123	US$176,489,235	US$383,575,406	US$766,301,764	US$12,251,563	US$62,074,817	US$840,628,144
Acquisitions or additions (see Note 23.33)	18,000,000	10,201,277	143,211,234	171,412,511	1,853,064	–	173,265,575
Disposals	–	–	–	–	(197,385)	–	(197,385)
Effect of business combination (see Note 4.1)	12,812,711	–	–	12,812,711	2,478	21,538,565	34,353,754
Translation adjustments	(1,932,160)	(1,583,528)	(282,782)	(3,798,470)	(505,956)	(2,827,926)	(7,132,352)
Transfers from other accounts (see Note 9)	4,211,584	–	11,332,180	15,543,764	633,328	–	16,177,092
Balance at end of year	239,329,258	185,106,984	537,836,038	962,272,280	14,037,092	80,785,456	1,057,094,828
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	35,428,016	53,470,337	66,351,973	155,250,326	8,565,592	277,080	164,092,998
Amortization for the year	8,925,560	9,033,431	22,157,245	40,116,236	1,221,976	–	41,338,212
Disposals	–	–	–	–	(197,385)	–	(197,385)
Translation adjustments	(264,807)	(245,839)	(234,329)	(744,975)	(418,382)	–	(1,163,357)
Balance at end of year	44,088,769	62,257,929	88,274,889	194,621,587	9,171,801	277,080	204,070,468
Net Book Value	US$195,240,489	US$122,849,055	US$449,561,149	US$767,650,693	US$4,865,291	US$80,508,376	US$853,024,360

2012	**Concession Rights: Upfront Fees** (See Notes 4, 19 and 23)	**Concession Rights: Fixed Fees** (See Note 19)	**Concession Rights: Port Infrastructure** (See Note 19)	**Concession Rights: Subtotal**	**Computer Software** (See Note 19)	**Goodwill** (See Note 4)	**Total**
Cost							
Balance at beginning of year	US$239,329,258	US$185,106,984	US$537,836,038	US$962,272,280	US$14,037,092	US$80,785,456	US$1,057,094,828
Acquisitions or additions (see Notes 23.8 and 23.9)	12,500,000	29,523,238	258,839,632	300,862,870	4,729,767	–	305,592,637
Effect of business combination (see Note 4.2)	–	16,109,554	53,261,043	69,370,597	1,693,969	172,769,768	243,834,334
Effect of termination of Investment Agreement (see Notes 1.2, 19.3 and 23.4)	(5,660,995)	(20,478,227)	(2,828,268)	(28,967,490)	(81,759)	–	(29,049,249)
Translation adjustments	2,095,163	1,333,617	(1,406,574)	2,022,206	(1,209,879)	(2,084,927)	(1,272,600)
Transfers from other accounts (see Note 7)	–	–	–	–	2,268,129	–	2,268,129
Balance at end of year (balance carried forward)	248,263,426	211,595,166	845,701,871	1,305,560,463	21,437,319	251,470,297	1,578,468,079
(Balance brought forward)	248,263,426	211,595,166	845,701,871	1,305,560,463	21,437,319	251,470,297	1,578,468,079
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	44,088,769	62,257,929	88,274,889	194,621,587	9,171,801	277,080	204,070,468
Amortization for the year	9,390,794	9,457,336	26,123,098	44,971,228	1,525,299	–	46,496,527
Effect of termination of Investment Agreement (see Notes 1.2, 19.3 and 23.4)	(2,888,541)	(10,597,482)	(972,472)	(14,458,495)	(35,578)	–	(14,494,073)
Effect of business combination (see Note 4.2)	–	7,197,126	20,970,849	28,167,975	1,342,182	–	29,510,157
Translation adjustments	565,748	(2,672)	(863,021)	(299,945)	(354,913)	–	(654,858)
Balance at end of year	51,156,770	68,312,237	133,533,343	253,002,350	11,648,791	277,080	264,928,221
Net Book Value	US$197,106,656	US$143,282,929	US$712,168,528	US$1,052,558,113	US$9,788,528	US$251,193,217	US$1,313,539,858

Concession Rights

Additions to concession rights under upfront fees pertain to the payment of CMSA to API totaling US$4.1 million in 2010 (see Note 23.18), license fee paid in consideration for the operation and management of Kattupalli Container Terminal in 2011 (see Note 23.33) and sub-concession fee to Lekki Port in 2012 (see Notes 1.2 and 23.9). On the other hand, additions to fixed fees pertain to the net present value of future fixed fees in Tecplata and AGCT in 2011 (see Notes 1.2 and 23.7), and in Tecplata and ICTSI Subic in 2012 (see Notes 1.2, 23.6 and 23.8). Additions to concession rights under port infrastructure pertain to acquisitions of port equipment and construction in MICT, MICTSL, CGSA, SBITC, TICT and Tecplata in 2010, in MICT, CGSA and Tecplata in 2011, and in Tecplata, MICT, AGCT and CGSA in 2012. Additions to concession rights under port infrastructure which are not yet available for use are not amortized but tested for impairment at December 31 in accordance with the Group's accounting policy on Impairment Testing (see Note 10). As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 19.3).

In April 2010, a vessel hit one of the quay cranes of CGSA causing damage to the crane, affecting portion of one of the berths, related infrastructure and third party containers and cargo. These properties were capitalized as intangible assets in the consolidated balance sheet. CGSA and ICTSI took appropriate steps to replace the equipment, repair the berth and minimize business interruption. The damaged crane has been replaced and the berth has been repaired. The repaired berth and crane replacement have been operational since October 2010 and June 2011, respectively. Security in respect of CGSA's claims against the vessel has been obtained in relation to the damage caused to CGSA's equipment, facilities, operations and third parties' equipment and goods. Investigations into the circumstances of the incident, which are continuing, strongly support management's view that the incident was caused by vessel negligence. Furthermore, CGSA and the vessel owners have agreed to subject the case to English Law and the jurisdiction of the English High Court for England is the leading center for the resolution of maritime disputes and the English courts operate under a clearly defined and speedy litigation procedure with specialist maritime judges.

Management is confident of making a substantial recovery from the vessel owners for the damage and losses caused. As of December 31, 2012, the Group received a total of $3.8 milllion for the recovery of the cost of the damaged crane from its local insurer. Related claims receivable presented under "Receivables" account in the consolidated balance sheet amounted to US$5.4 million, US$4.0 million and US$3.6 million as of December 31, 2010, 2011 and 2012, respectively (see Note 12). Management and the Group's legal counsels believe that recovery of this receivable from vessel owners is assured.

Concession rights have remaining amortization periods ranging from 1 to 42 years.

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 of December 31, 2012 are as follows:

	Amount
2013	US$4,488,058
2014	4,147,403
2015	4,559,615
2016	5,801,376
2017 onwards	150,765,996
Total	US$169,762,448

Interest expense on concession rights payable amounted to US$21.1 million in 2010, US$18.9 million in 2011 and US$16.6 million in 2012.

Capitalized borrowing costs amounted to US$5.0 million in 2010 at capitalization rates ranging from 7.90 percent to 7.92 percent, US$11.7 million in 2011 at a capitalization rate of 8.91 percent and US$22.6 million in 2012 at a capitalization rate of 8.96 percent. Unamortized borrowing costs amounted to US$11.9 million, US$23.3 million and US$45.5 million as of December 31, 2010, 2011 and 2012, respectively.

Computer Software

Computer software has remaining amortization periods ranging from one to five years.

Goodwill

Goodwill arises from the excess acquisition costs over fair values of net assets at acquisition dates of the following subsidiaries:

	2010	2011	**2012**
PICT (see Note 4.2)	US$–	US$–	**US$132,380,247**
Tecplata	38,147,780	38,147,780	**38,147,780**
JASA and subsidiaries (see Note 4.2)	–	–	**36,223,546**
AGCT (see Note 4.1)	–	18,874,157	**19,144,056**
SPIA	13,775,463	13,556,591	**14,872,355**
Others	9,874,494	9,929,848	**10,425,233**
	US$61,797,737	US$80,508,376	**US$251,193,217**

Goodwill is not amortized but subject to an annual impairment testing as at December 31 (see Note 10).

7. **Property and Equipment**

This account consists of:

2010

	Land	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US$26,268,431	US$108,070,942	US$196,991,191	US$44,448,334	US$21,192,458	US$4,587,135	US$1,800,033	US$22,441,137	US$425,799,661
Additions	–	1,069,537	22,009,139	1,593,986	2,531,423	506,051	206,412	27,006,749	54,923,297
Disposals	–	(295,373)	(1,608,725)	(1,016,935)	(31,257)	(39,755)	(618,984)	–	(3,611,029)
Translation adjustments	1,501,417	4,722,736	3,411,144	177,064	91,988	99,287	76,748	389,464	10,469,848
Transfers from (to) other account (see Note 6)	–	3,179,905	(17,538,687)	197,747	227,906	36,253	1,171,138	(3,723,572)	(16,449,310)
Balance at end of year	27,769,848	116,747,747	203,264,062	45,400,196	24,012,518	5,188,971	2,635,347	46,113,778	471,132,467
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	–	19,853,749	48,337,628	13,510,660	13,917,812	2,980,427	383,993	–	98,984,269
Depreciation and amortization for the year	–	5,298,268	12,536,301	4,824,981	3,406,014	383,525	256,637	–	26,705,726
Disposals	–	(59,507)	(1,372,197)	(1,124,085)	(35,166)	–	–	–	(2,590,955)
Translation adjustments	–	533,994	1,268,301	437,286	(223,372)	27,240	51,639	–	2,095,088
Transfers from (to) other accounts	–	65,553	(74,191)	5,250	4,155	(767)	–	–	–
Impairment loss (see Note 19.3)	1,317,641	–	–	–	–	–	–	–	1,317,641
Balance at end of year	1,317,641	25,692,057	60,695,842	17,654,092	17,069,443	3,390,425	692,269	–	126,511,769
Net Book Value	US$26,452,207	US$91,055,690	US$142,568,220	US$27,746,104	US$6,943,075	US$1,798,546	US$1,943,078	US$46,113,778	US$344,620,698

2011

	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Note 4)	Transportation Equipment	Office Equipment, Furniture and Fixtures (See Note 4)	Miscellaneous Equipment (See Note 4)	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US$27,769,848	US$116,747,747	US$203,264,062	US$45,400,196	US$24,012,518	US$5,188,971	US$2,635,347	US$46,113,778	US$471,132,467
Additions	–	3,869,641	27,538,749	2,937,734	2,718,622	456,384	81,417	28,890,854	66,493,401
Disposals	–	–	(4,159,106)	(579,896)	(3,288,770)	(139,798)	–	–	(8,167,570)
Effect of business combination (see Note 4.1)	–	–	7,846,806	–	222,372	32,683	–	–	8,101,861
Translation adjustments	(57,159)	(452,482)	(12,791,478)	918,187	2,396,556	588,873	(120,377)	(4,648,174)	(14,166,054)
Transfers from (to) other accounts (see Note 9)	–	–	3,189,900	268,812	438,237	21,828	–	1,182,318	5,101,095
Balance at end of year	27,712,689	120,164,906	224,888,933	48,945,033	26,499,535	6,148,941	2,596,387	71,538,776	528,495,200
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	1,317,641	25,692,057	60,695,842	17,654,092	17,069,443	3,390,425	692,269	–	126,511,769
Depreciation and amortization for the year	–	5,078,454	13,524,973	5,134,293	2,595,738	519,398	343,036	–	27,195,892
Disposals	–	–	(3,804,875)	(510,326)	(3,264,688)	(136,560)	–	–	(7,716,449)
Effect of business combination (see Note 4.1)	–	–	5,084,656	–	113,967	24,116	–	–	5,222,739
Translation adjustments	–	(1,755,244)	(224,795)	(104,070)	30,514	(57,466)	(43,354)	–	(2,154,415)
Balance at end of year	1,317,641	29,015,267	75,275,801	22,173,989	16,544,974	3,739,913	991,951	–	149,059,536
Net Book Value	US$26,395,048	US$91,149,639	US$149,613,132	US$26,771,044	US$9,954,561	US$2,409,028	US$1,604,436	US$71,538,776	US$379,435,664

2012

	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Notes 1, 4, 19 and 23)	Transportation Equipment	Office Equipment, Furniture and Fixtures (See Note 4)	Miscellaneous Equipment (See Note 4)	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US$27,712,689	US$120,164,906	US$224,888,933	US$48,945,033	US$26,499,535	US$6,148,941	US$2,596,387	US$71,538,776	US$528,495,200
Additions	–	1,596,366	14,136,490	5,113,154	2,266,709	699,355	257,882	165,463,128	189,533,084
Disposals	–	–	(5,888,380)	(1,804,197)	(98,595)	(14,246)	–	–	(7,805,418)
Effect of business combination (see Note 4.2)	–	3,304,546	54,679,158	4,018,734	1,012,757	394,361	–	68,954	63,478,510
Effect of termination of Investment Agreement (see Notes 1.2 and 23.4)	–	–	(49,749)	–	–	–	–	–	(49,749)
Translation adjustments	1,896,956	(881,752)	(6,226,619)	(335,606)	(111,144)	(33,803)	(142,281)	11,460,542	5,626,293
Transfers from (to) other accounts (see Note 6)	–	13,682,073	(4,372,748)	1,333,312	252,696	407,899	(17,045)	(14,406,860)	(3,120,673)
Balance at end of year	29,609,645	137,866,139	277,167,085	57,270,430	29,821,958	7,602,507	2,694,943	234,124,540	776,157,247
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	1,317,641	29,015,267	75,275,801	22,173,989	16,544,974	3,739,913	991,951	–	149,059,536
Depreciation and amortization for the year	–	5,755,418	18,190,800	5,810,198	3,041,995	493,581	186,694	–	33,478,686
Disposals	–	–	(3,200,601)	(1,053,936)	(98,087)	(12,902)	–	–	(4,365,526)
Effect of business combination (see Note 4.2)	–	1,907,938	22,599,092	62,900	77,457	–	–	–	24,647,387
Effect of termination of Investment Agreement (see Notes 1.2 and 23.4)	–	–	(18,460)	–	–	–	–	–	(18,460)
Translation adjustments	–	(1,264,803)	(1,627,038)	(69,698)	2,769,292	(5,444)	(61,609)	–	(259,300)
Transfers from (to) other accounts	–	76,140	48,590	(130,566)	(852,567)	–	5,859	–	(852,544)
Balance at end of year	1,317,641	35,489,960	111,268,184	26,792,887	21,483,064	4,215,148	1,122,895	–	201,689,779
Net Book Value	US$28,292,004	US$102,376,179	US$165,898,901	US$30,477,543	US$8,338,894	US$3,387,359	US$1,572,048	US$234,124,540	US$574,467,468

In 2010, the Group recognized an impairment loss of US$1.3 million (COP2.5 billion) to write down the carrying value of a portion of land held by SPIA to its recoverable amount (see Note 19.3).

On May 17, 2012, a vessel hit one gantry crane of BCT causing damage to the crane and another gantry crane, some empty dry container vans, portions of the quay and related infrastructure in the area, and physical injuries to three employees of BCT.

The net book value of the gantry crane as of the date of the incident amounted to US$2.5 million, which is fully recoverable from the insurance company and the vessel owner. The Group believes that the incident would not result in any significant effect on the operations and profitability of the terminal as the majority of the terminal, including berthing areas, remains fully operational. As of December 31, 2012, BCT has recognized claims receivable from the insurance company amounting to US$4.7 million which corresponds to the net book value of damaged gantry crane and cost of restoring the damaged quay and related infrastructure (see Note 12). Related claims receivable is presented as part of "Receivables" account in the consolidated balance sheet. Management and the Group's legal counsels believe that recovery of this receivable from the insurance company and vessel owner is assured. On February 14, 2013, BCT recovered US$2.6 million from the local insurer as initial recovery of the cost of the damaged gantry crane.

Capitalized borrowing costs amounted to US$1.4 million in 2010 at a capitalization rate of 7.90 percent, and US$4.0 million in 2011 at a capitalization rate of 8.91 percent, and US$7.7 million in 2012 at a capitalization rate of 8.96 percent. Unamortized borrowing costs amounted to US$2.2 million, US$6.2 million and US$13.9 million, as of December 31, 2010, 2011 and 2012, respectively.

Fully depreciated property and equipment with cost amounting to US$16.0 million, US$21.1 million and US$24.3 million, as of December 31, 2010, 2011 and 2012, respectively, are still being used in the Group's operations.

Port equipment with a total carrying value of US$74.5 million owned by BCT and TSSA and US$32.3 million owned by BCT as of December 31, 2010 and 2011, respectively, were pledged as collateral to secure BCT's loan agreement with a syndicate of a Polish and international banks and TSSA's loan agreement with International Finance Corporation and the Netherlands Development Finance Company. As of December 31, 2012, these port equipment have been released from all liens and encumbrances arising from the mentioned loan agreements (see Note 15.2.2). On the other hand, port equipment of BCT with a total carrying value of US$28.1 million were pledged as collateral for its outstanding term loan facility (see Note 15.2.2) and all present and future plant machinery, tools and equipment of PICT of up to Rs.3.4 billion (approximately US$35.0 million) are used to secure its long-term debt from a commercial bank in Pakistan (see Note 15.2.4) as of December 31, 2012.

8. Investment Properties

The details of investment properties are as follows:

2010	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$32,053,927	US$667,414	US$32,721,341
Translation adjustments	1,097,639	7,399	1,105,038
Balance at end of year	33,151,566	674,813	33,826,379
Accumulated Depreciation and Amortization			
Balance at beginning of year	2,766,963	237,240	3,004,203
Amortization during the year	315,872	31,480	347,352
Translation adjustments	–	1,530	1,530
Balance at end of year	3,082,835	270,250	3,353,085
Net Book Value	US$30,068,731	US$404,563	US$30,473,294

2011	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$33,151,566	US$674,813	US$33,826,379
Translation adjustments	–	–	–
Balance at end of year	33,151,566	674,813	33,826,379
Accumulated Depreciation and Amortization			
Balance at beginning of year	3,082,835	270,250	3,353,085
Amortization during the year	315,872	31,868	347,740
Translation adjustments	–	(89)	(89)
Balance at end of year	3,398,707	302,029	3,700,736
Net Book Value	US$29,752,859	US$372,784	US$30,125,643

2012	**Land and Improvements**	**Building and Others**	**Total**
Cost			
Balance at beginning of year	**US$33,151,566**	**US$674,813**	**US$33,826,379**
Translation adjustments	**1,458,592**	**10,632**	**1,469,224**
Balance at end of year	**34,610,158**	**685,445**	**35,295,603**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**3,398,707**	**302,029**	**3,700,736**
Amortization during the year	**315,872**	**32,051**	**347,923**
Translation adjustments	**(438)**	**3,404**	**2,966**
Balance at end of year	**3,714,141**	**337,484**	**4,051,625**
Net Book Value	**US$30,896,017**	**US$347,961**	**US$31,243,978**

Land and improvements mainly include land held for capital appreciation and land improvements subject to operating leases. Investment properties of MICT and IWI have a fair value of US$30.6 million as of December 26, 2012 as determined based on valuations performed by qualified independent appraiser whose report was dated January 17, 2013. Based on the valuations performed by independent appraiser, there is no significant change in the fair value of the said investment properties as of December 31, 2012 from the fair values as of December 26, 2012 due to the proximity of the appraisal report from December 31, 2012.

Investment propety of CICTI has a fair value of ₱3.6 billion (equivalent to US$87.2 million as of December 31, 2012) as determined based on the valuation performed by qualified independent appraisers as of December 7, 2011 and whose report was dated December 14, 2011. Management believes that there is no significant change in the fair value of the said investment property as of December 31, 2012 from the fair value as of December 7, 2011 because there were no significant improvements made to the said investment property in 2012 and no impairment indicators existed as of December 31, 2012.

The valuations undertaken were based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's-length transaction at the date of valuation.

Rental income derived from rental-earning investment properties presented as part of "Other income" account in the consolidated statements of income amounted to US$0.2 million in 2010, 2011 and in 2012 (see Note 19.1). There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Group's investment properties in 2010, 2011 and 2012. The rent agreement covering rental-earning investment properties is renewable at the option of both parties yearly.

9. Other Noncurrent Assets

This account consists of:

	2010	2011	**2012**
Advances to suppliers and contractors (net of impairment loss of US$4.3 million, US$4.3 million and US$4.6 million as of December 31, 2010, 2011 and 2012, respectively)	US$28,753,687	US$41,648,305	**US$54,395,326**
Input tax (see Note 13)	–	–	**26,881,370**
Advanced rent and deposits	22,438,587	7,180,219	**16,522,607**
Restricted cash (see Notes 1.2, 19.3 and 23.4)	10,746,985	10,608,871	**7,677,113**
AFS investments (see Note 25):			
Quoted equity shares - at fair value	990,772	992,662	**1,384,564**
Unquoted equity shares - at cost	747,346	757,615	**786,908**
Pension assets (see Note 22)	475,693	410,421	**122,435**
Investment in an associate	–	–	**–**
Prepaid expense and others	1,597,197	5,644,546	**10,059,177**
	US$65,750,267	US$67,242,639	**US$117,829,500**

Advances to Suppliers and Contractors

Advances to suppliers and contractors mainly pertain to advance payments for the acquisition of transportation equipment and construction of port facilities.

In 2010, SPIA's management determined that advances to contractors amounting to US$0.7 million (COP1.3 billion) can no longer be recovered. Accordingly, provision for probable loss was recognized for the same amount as "Other expenses" in the 2010 consolidated statement of income (see Note 19.3). No additional provision was recognized in 2010, 2011 and 2012.

Input Tax

Input tax arises when an entity purchases goods or services from a VAT-registered supplier or vendor. In 2012, this mainly includes input tax recognized by Tecplata and CMSA associated with payments for the purchase of terminal equipment and civil works in relation to the ongoing construction activities at these terminals. The input tax is classified as noncurrent because it is not expected to be utilized within 12 months from the balance sheet date (see Note 13).

Advanced Rent and Deposits

Advanced rent and deposits mainly pertain to advance payments for future rental and deposits for future acquisition of properties and investments. An expense shall be recognized when this advanced rent is applied. On the other hand, another asset account shall be recognized according to the nature of the properties acquired upon the application and allocation of such deposits. As of December 31, 2010, this account was mainly composed of advanced payments and upfront fees in CMSA amounting to US$5.6 million (see Note 23.18) and in ICTSI Oregon amounting to US$8.0 million as required by the lease agreement (see Note 23.20). In 2011, advanced rent and deposits amounting to US$9.4 million were transferred to property and equipment and US$4.2 million to intangibles (see Notes 6 and 7). As of December 31, 2012, this account was mainly comprised of advances and deposits to contractors and for investments amounting to US$8.1 million.

Restricted Cash

Restricted cash pertains mainly to cash deposits placed by the Group as required by the concession agreements in MICTSL, SPIA, NICTI and TICT, except as of December 31, 2012, which no longer includes restricted cash in TICT, which forms part of the net assets written-off in 2012 upon the Group's withdrawal of its investment in Syria (see Notes 1.2, 19.3 and 23.4).

AFS Investments

Quoted Equity Shares. The net movement in unrealized mark-to-market gain on quoted AFS investments is as follows:

	2010	2011	**2012**
Balance at beginning of year	US$176,696	US$468,736	**US$470,626**
Change in fair value of quoted AFS investments	292,040	1,890	**392,293**
Balance at end of year (see Note 14.7)	US$468,736	US$470,626	**US$862,919**

On June 1, 2011, IFEL announced, through its financial adviser, The Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch, its intention to make a voluntary conditional cash offer (The Offer) for all issued and paid-up ordinary shares in the capital of Portek International Limited (Portek), other than those already owned, controlled or agreed to be acquired by IFEL and parties acting in concert with it. The Offer Price was SGD1.20 per share, payable in cash but subject to conditions precedent. As of June 30, 2011, the Group held 25,445,000 shares representing approximately 16.79 percent ownership in Portek for a total cost of US$21.1 million (SGD26.2 million) classified as AFS investments. On July 13, 2011, Mitsui & Co. Ltd (Mitsui), a shareholder of Portek,

announced its intention to make a voluntary conditional offer for all shares of Portek which it did not own and control. On August 1, 2011, IFEL withdrew the Offer. Any previous acceptance to the Offer was deemed not to have been made. Subsequently, the Group sold the entire 25,445,000 Portek shares to Mitsui for US$29.6 million (SGD35.6 million) recognizing an aggregate gain on sale of AFS investments amounting to US$8.4 million (SGD9.4 million) recognized as "Other income" in the 2011 consolidated statement of income (see Note 19.1).

Unquoted Equity Shares. On August 2, 2010, ICTSI entered into a Share Purchase Agreement for the sale of its shares of stock in Subic Shipyard and Engineering, Inc. (SSEI) representing 9.54 percent of SSEI's outstanding capital stock or 97,599,161 common shares and in Consort Land, Inc. (CLI) representing 8.56 percent of CLI's outstanding capital stock or 2,997,445 common shares. The sale and purchase of ICTSI's shareholdings in SSEI and CLI was authorized by the Board on June 18, 2010.

The net proceeds arising from the sale and purchase of all of ICTSI's shares of stock in SSEI and CLI amounting to US$16.0 million (₱703.0 million) were received on September 29, 2010, the closing date for the transaction. Gain on the sale of AFS investments amounting to US$11.2 million (₱477.4 million) was recognized as other income in the 2010 consolidated statement of income (see Note 19.1). No gain or loss was transferred from equity to profit or loss since these AFS investments were carried at cost as the shares of stock of SSEI and CLI are not traded in an active market.

Investment in an Associate

The Group also has a 49 percent investment in Asiaview Realty and Development Corporation (ARDC), an associate. ARDC had stopped commercial operations. The investment in ARDC was covered with a full allowance for probable losses amounting to US$7.5 million.

10. **Impairment Testing on Nonfinancial Assets**

The Group reviews all assets annually or more frequently to look for any indication that an asset may be impaired. These assets include property and equipment, intangible assets, investment in an associate carried at cost, investment in subsidiaries, intangible assets not yet available for use and goodwill. If any such indication exists, or when the annual impairment testing for an asset is required, the Group calculates the asset's recoverable amount. Irrespective of whether there is any indication of impairment, intangible assets not yet available for use and goodwill acquired in a business combination are tested for impairment annually. ICTSI and its subsidiaries used a discounted cash flow analysis to determine value in use. Value in use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors such as illiquidity that market participants would reflect in pricing the future cash flows the Group expects to derive from the cash-generating unit. The calculation of the value in use is based on reasonable and supportable assumptions, the most recent budgets and forecasts and extrapolation for periods beyond budgeted projections. These represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset.

The recoverable amount of non-financial assets of the Group subject to impairment testing has been determined based on value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five to 15-year period. Projections beyond five years were used for the newly established terminals and/or Greenfield projects.

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins, working capital and capital expenditure.

Discount Rates

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's Weighted Average Cost of Capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. Management assumed discount rates of 8.84 percent to 15.50 percent in 2010, 6.68 percent to 13.6 percent in 2011 and 7.0 percent to 12.6 percent in 2012.

Growth Rates

Average growth rates in revenues are based on ICTSI's expectation of market developments and the changes in the environment in which it operates. ICTSI uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates.

EBITDA Margin

The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. Changes in the outcome of these initiatives may affect future estimated EBITDA margin.

Capital Expenditure

In computing the value in use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. However, for the newly established terminals and/or Greenfield projects, management takes into consideration the capital expenditures necessary to meet the expected growth in volumes and revenues. These expansionary capital expenditures of which the Group has incurred cash outflows, for the newly established terminals are deducted from the future cash flows.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value in use. An increase of 1.5 percent to 72.37 percent, 3.2 percent and 0.50 percent to 1.75 percent in the discount rates, or a reduction of growth rates 3.22 percent, 0.1 percent to more than 1.0 percent and 0.10 percent to 2.0 percent would give a value in use equal to the carrying amount of the cash generating units in 2010, 2011 and 2012, respectively.

11. **Cash and Cash Equivalents**

This account consists of:

	2010	2011	**2012**
Cash on hand and in banks (see Notes 1.2 and 19.3)	US$29,604,911	US$67,827,093	**US$65,266,208**
Cash equivalents	315,775,463	389,808,637	**121,578,705**
	US$345,380,374	US$457,635,730	**US$186,844,913**

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. The carrying value of cash and cash equivalents approximates their fair value as of the balance sheet date.

As of December 31, 2010, Philippine peso-denominated cash equivalents aggregating US$25.1 million (₱1.1 billion) have been designated by the Parent Company as cash flow hedges of the variability of Philippine peso cash flows that is required to settle Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees to the Philippine Ports Authority (PPA) as a result of changes in the Philippine peso/US dollar exchange rate. The amount hedged constituted about 51 percent of total Philippine peso-denominated forecasted variable port fees to the PPA until 2011 (see Note 25.4). There is no outstanding Philippine peso-denominated cash equivalents designated as cash flow hedges relating to this as of December 31, 2011.

Moreover, Mexican peso-denominated cash equivalents aggregating US$14.1 million (MXN196.2 million) and US$40.0 million (MXN557.2 million) as of December 31, 2011 have been designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees to the API from November 2011 until October 2012 and civil work payments to contractors, respectively (see Note 25.4).

As of December 31, 2012 an aggregate of US$5.3 million (MXN 68.6 million) and US$24.6 million (MXN316.4 million) equivalent of Mexican peso-denominated short-term investments have been designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses from January until March 2013 and civil work payments to contractors, respectively (see Note 25.4).

As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 19.3).

Interest income derived from interest-earning bank deposits and short-term investments amounted to US$5.6 million, US$8.8 million and US$7.8 million, for the years ended December 31, 2010, 2011 and 2012, respectively.

12. **Receivables**

This account consists of:

	2010	2011	**2012**
Trade (see Notes 1.2, 19.3 and 23.4)	US$40,824,064	US$48,416,251	**US$65,423,986**
Advances and nontrade (see Notes 6 and 7)	9,412,211	11,547,447	**12,818,521**
	50,236,275	59,963,698	**78,242,507**
Less allowance for doubtful accounts	3,062,420	3,199,818	**3,343,813**
	US$47,173,855	US$56,763,880	**US$74,898,694**

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 collectible within 12 months and claims receivable amounting to US$5.4 million, US$4.0 million and US$8.2 million as of December 31, 2010, 2011 and 2012, respectively (see Notes 6 and 7).

Movements in the allowance for doubtful accounts are summarized below:

	2010		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$2,747,713	US$282,915	US$3,030,628
Provision during the year	374,523	–	374,523
Write-off	(144,344)	(223,416)	(367,760)
Translation adjustments	12,006	13,023	25,029
Balance at end of year	US$2,989,898	US$72,522	US$3,062,420

	2011		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$2,989,898	US$72,522	US$3,062,420
Provision during the year	419,919	–	419,919
Write-off	(130,718)	–	(130,718)
Translation adjustments	(151,805)	2	(151,803)
Balance at end of year	US$3,127,294	US$72,524	US$3,199,818

	2012		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	**US$3,127,294**	**US$72,524**	**US$3,199,818**
Provision during the year	**243,238**	**–**	**243,238**
Effect of business combinations (see Note 4.2)	**17,915**	**–**	**17,915**
Write-off	**(13,160)**	**–**	**(13,160)**
Translation adjustments	**(108,926)**	**4,928**	**(103,998)**
Balance at end of year	**US$3,266,361**	**US$77,452**	**US$3,343,813**

Allowance for doubtful accounts are based on specific assessment by the Group.

13. Prepaid Expenses and Other Current Assets

This account consists of:

	2010	2011	**2012**
Input tax (see Note 9)	US$24,229,259	US$26,612,247	**US$31,943,281**
Prepaid port fees, insurance, bonds and other expenses	2,980,237	7,508,716	**18,690,689**
Tax credit certificates	6,632,186	5,754,433	**5,617,560**
Creditable withholding taxes	2,768,385	3,563,191	**2,801,554**
Others (see Notes 1.2 and 19.3)	3,150,497	4,294,137	**4,549,361**
	US$39,760,564	US$47,732,724	**US$63,602,445**

Input Tax

This account includes input tax expected to be applied against output tax within 12 months from the balance sheet date mainly pertaining to input tax recognized by ICTSI, Tecplata and CMSA associated with the purchase of terminal equipment and payments of civil works in relation to the ongoing construction activities at these terminals (see Note 9).

Tax Credit Certificates

Tax credit certificates pertain to tax credits in lieu of tax refunds issued to ICTSI and CGSA aggregating US$6.6 million as of December 31, 2010 and tax credit certificates issued to ICTSI amounting to US$5.8 million and US$5.6 million as of December 31, 2011 and 2012, respectively. These tax credit certificates can be applied against certain future tax liabilities of ICTSI and CGSA, as allowed by their respective tax authorities.

As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 19.3).

14. Equity

The Group was listed with the Philippine Stock Exchange on March 23, 1992. As of the initial public offering, the Parent Company offered the share at a price of ₱6.70. As of December 31, 2010, 2011 and 2012, the Parent Company had 1,685, 1,614 and 1,556 shareholders on record, respectively.

14.1 Capital Stock and Treasury Shares

The Parent Company's common shares are listed and traded in the PSE.

The details and movements of ICTSI's capital stock and treasury shares as of December 31 are as follows:

	Number of Shares					
	Authorized			Issued and Subscribed		
	2010	2011	**2012**	2010	2011	**2012**
Preferred A Shares - nonvoting, non-cumulative, US$0.048 (₱1.00) par value:						
Balance at beginning of year	1,000,000,000	993,000,000	**993,000,000**	3,800,000	3,800,000	**3,800,000**
Net change during the year	(7,000,000)	–	**–**	–	–	**–**
Balance at end of year	993,000,000	993,000,000	**993,000,000**	3,800,000	3,800,000	**3,800,000**
Preferred B Shares - voting, non-cumulative, US$0.0002 (₱0.01) par value:	700,000,000	700,000,000	**700,000,000**	700,000,000	700,000,000	**700,000,000**
Common Stock - US$0.048 (₱1.00) par value:	4,227,397,381	4,227,397,381	**4,227,397,381**	1,992,066,860	1,992,066,860	**1,992,066,860**
Treasury Shares						
Balance at beginning of year				(68,131,500)	(56,259,000)	**(52,186,500)**
Issuance of shares (see Note 18)				11,872,500	4,072,500	**2,492,500**
Balance at end of year				(56,259,000)	(52,186,500)	**(49,694,000)**

	Amount		
	2010	2011	**2012**
Preferred Stock			
Balance at beginning of year	US$72,492	US$236,222	**US$236,222**
Change during the year	163,730	–	**–**
	US$236,222	US$236,222	**US$236,222**
Common Stock			
Balance at beginning of year	US$66,488,812	US$66,488,812	**US$66,488,812**
Subscription Receivable			
Balance at beginning of year	(459,553)	(459,040)	**(452,623)**
Collections during the year	513	6,417	**684**
	(459,040)	(452,623)	**(451,939)**
Balance at end of year	US$66,029,772	US$66,036,189	**US$66,036,873**
Treasury Shares			
Balance at beginning of year	(US$6,305,546)	(US$5,206,751)	**(US$4,671,402)**
Issuance of shares (see Note 18)	1,098,795	535,349	**72,239**
Balance at end of year	(US$5,206,751)	(US$4,671,402)	**(US$4,599,163)**

Preferred Shares

Prior to 2010, the preferred shares which were subscribed by ICTHI, were nonvoting, entitled to dividends at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms to be provided by the Board, redeemable at such price and terms determined by the Board, and should have preference over common shares in the distribution of the assets of the Parent Company (see Note 14.3).

The stockholders of ICTSI, in a special stockholders meeting held on August 11, 2010, approved the creation of a class of voting low par value preferred shares that was intended to address the problem of the ceiling on foreign shareholdings restricting the active trading by foreign investors of ICTSI's listed shares in the PSE.

The establishment of similar low par value voting preferred shares has been used by other listed companies in the PSE to increase the effective participation of foreign investors in their listed common shares, without affecting the beneficial ownership and economic interest of their existing shareholders.

The stockholders representing at least 2/3 of the outstanding capital stock of ICTSI approved the amendment of the Articles of Incorporation of ICTSI to reclassify the existing 1,000,000,000 authorized Preferred Shares with a par value of US$0.048 (₱1.00) per share into: (a) 993,000,000 Preferred A Shares with a par value of US$0.048 (₱1.00) per share, inclusive of the outstanding Preferred Shares, and (b) 7,000,000 Preferred shares which were further reclassified into 700,000,000 Preferred B Shares with a par value of US$0.0002 (₱0.01). The creation of a class of low par value voting preferred shares was authorized by the Board on June 18, 2010.

The Preferred B Shares shall be voting, and shall be issued only to Philippine nationals. It is not convertible into common shares. It will have such dividend rights as the Board shall provide which will not exceed 10 percent of its par value. The Preferred B Shares shall be redeemable at the option of the Board. Shares that are redeemed shall not be retired but shall be available for reissuance. The Preferred B Shares shall be redeemed if the nationality restrictions applicable to ICTSI are lifted by legislation or constitutional amendment. The corporation has the right to designate a qualified Philippine National to acquire the Preferred B Shares if a holder wishes to transfer said shares.

The SEC, in an order dated October 27, 2010, approved the amendment of the Articles of Incorporation of ICTSI as discussed above.

On November 2, 2010, the Board approved the issuance of new 700,000,000 Preferred B shares to Achillion Holdings, Inc. (Achillion) at the issue price equivalent to its par value of US$0.0002 (₱0.01) per share for a total consideration of US$0.2 million (₱7.0 million) (see Note 21.1). In accordance with the Board Resolution and terms of the amended Articles of Incorporation, the Preferred B shares issued to Achillion have the following features: issued only to Philippine nationals; not convertible into common shares; earn no dividend; redeemable at the option of the Board; and shall be redeemed if the nationality restrictions applicable on ICTSI is lifted by legislation or constitutional amendment. ICTSI shall have the right to designate a qualified Philippine national to acquire the Preferred B shares if Achillion wishes to transfer said shares.

Achillion is a Philippine corporation owned and controlled by ICTSI's Chairman and President and controlling stockholder, Enrique K. Razon, Jr. The ICTSI contract with PPA on the operation, management and development of the MICT requires the Razon Group to retain control of ICTSI.

As of December 31, 2012, the Board has not fixed the dividend and conversion of Preferred A shares as discussed above and issued to ICTHI.

Treasury Shares

Treasury shares came from the acquisition or transfer of ICTSI shares held by subsidiaries. These treasury shares are subsequently reissued upon vesting of stock awards under the Stock Incentive Plan (SIP) (see Note 18).

14.2 Additional Paid-in Capital

In 2010, 2011 and 2012, additional paid-in capital increased by US$1.4 million, US$24.4 million and US$8.1 million, respectively, as a result of IWI's sale of ICTSI shares (see Note 14.3).

Additional paid-in capital is also increased when ICTSI grants stock awards and these stock awards vest under the SIP. Aggregate increase in additional paid-in capital amounted to US$0.5 million, US$0.8 million and US$2.4 million, as a result of granting and vesting of stock awards in 2010, 2011 and 2012, respectively (see Notes 18 and 20).

14.3 Cost of Shares Held by Subsidiaries

This account consists of cost of preferred and common shares held by subsidiaries as of December 31 as follows:

	Number of Shares Held by Subsidiaries		
	2010	2011	**2012**
Preferred shares	3,800,000	3,800,000	**3,800,000**
Common shares	30,539,300	19,365,940	**–**
	34,339,300	23,165,940	**3,800,000**

Details and movements in preferred and common shares held by subsidiaries as of December 31 were as follows:

	2010		2011		**2012**	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares	3,800,000	US$72,492,481	3,800,000	US$72,492,481	**3,800,000**	**US$72,492,481**
Common Shares						
Balance at beginning of year	33,539,300	US$46,512,881	30,539,300	US$45,124,204	**19,365,940**	**US$21,017,682**
Acquisition of shares by a subsidiary	–	–	20,068,240	21,653,987	**–**	**–**
Sale of shares held by subsidiaries	(3,000,000)	(1,388,677)	(31,241,600)	(45,760,509)	**(19,365,940)**	**(21,017,682)**
Balance at end of year	30,539,300	45,124,204	19,365,940	21,017,682	**–**	**–**
Total		US$117,616,685		US$93,510,163		**US$72,492,481**

Common Shares. In 2010, IWI sold 3,000,000 ICTSI shares for US$2.8 million. In 2011, IWI acquired 20,068,240 ICTSI shares for US$21.7 million (₱935.3 million).

On July 21, 2011, the Board of IWI authorized IWI to sell or offer to sell, at block sale through the facilities of the PSE or otherwise, common shares of ICTSI under such terms and conditions as the Board may determine to be in the best interest of IWI. The proceeds of the sale will be used by the Group to fund its ongoing capital expenditure program and for general corporate purposes. Simultaneously, the Board of IWI approved the sale of 31,241,600 ICTSI common shares (Sale Shares) through a placement to institutional investors at a selling price of ₱55.40 (US$1.30) per share. The Sale Shares were crossed through the PSE on July 22, 2011, when the approval for the application for a block sale was obtained from the PSE. The Sale Shares were settled on July 27, 2011. The sale resulted in a decrease in common shares held by subsidiaries by US$45.8 million and other comprehensive income by US$27.3 million and an increase in additional paid-in capital by US$24.4 million representing the excess of proceeds over carrying value of the Sale Shares after the sale (see Note 14.2). CLSA Limited acted as sole bookrunner and sole placing agent for the sale.

In 2012, IWI sold 19,365,940 ICTSI shares for US$29.6 million (₱1,267.9 million) (see Note 14.5). ICTSI recognized gain on sale of US$1.4 million, US$24.4 million and US$8.1 million as additional paid-in capital in the consolidated balance sheets as of December 31, 2010, 2011 and 2012, respectively (see Note 14.2).

14.4 Minority Interests

In March 2010, ICTSI and Yantai Port Holdings (YPH) infused additional capital in YRDICTL amounting to US$48.4 million (RMB330.0 million). The Group's share in the additional infusion amounted to US$29.0 million (RMB198.0 million) (see Notes 21.1 and 23.25).

In August 2010, ICTSI, through its wholly owned subsidiary IPSAL, acquired additional 10 percent interest in Tecplata for US$8.8 million (see Note 1.3). The carrying value of the additional interest acquired was US$3.0 million at acquisition date. The difference of US$5.8 million between the cash consideration and the carrying value of the interest acquired was recorded as excess of acquisition cost over the carrying value of minority interests in the 2010 consolidated balance sheet. Also in 2010, IPSAL and Loginter S.A. (Loginter), the minority shareholder, infused additional capital in Tecplata totaling US$31.0 million. The Group's share in the additional infusion amounted to US$26.3 million. In 2011, the Group, together with Loginter, infused additional capital amounting to US$36.7 million. The Group's share in the additional infusion amounted to US$31.2 million. Further in 2011, Loginter transferred all its shares in Tecplata to Nuevos Puertos S.A. (Nuevos Puertos) (see Note 21.1).

Also in 2010, ICTSI acquired an additional 0.12 percent interest in SPIA for US$0.05 million, which is equivalent to the carrying value of the minority interest acquired at acquisition date (see Note 1.3). In 2011, the Group acquired an additional minority interest in SCIPSI amounting to US$0.2 million.

In 2012, ICTSI Mauritius further increased its shareholdings in PICT for a total cash consideration of US$127.1 million by way of the following: (a) a Share Purchase Agreement (SPA) between ICTSI Mauritius with another shareholder to purchase an additional 6.63 percent of the issued capital of PICT on November 7, 2012; (b) ICTSI Mauritius' purchase of an additional 6.25 percent of the issued capital of PICT from the Karachi Stock Exchange on December 19, 2012 and; (c) an SPA entered into by ICTSI Mauritius for the purchase of Aeolina Investments Limited (AIL), a British Virgin Islands-registered company, owning 15.72 percent of PICT shares, on December 28, 2012. As a result of the above transactions, ICTSI Mauritius's aggregate direct and indirect ownership in PICT increased to 63.59 percent as of December 31, 2012 (see Notes 1.2 and 4.2). The excess of the cash paid over the fair value of the additional interests acquired amounting to US$78.2 million was recorded as excess of acquisition cost over the carrying value of minority interests in the 2012 consolidated balance sheet.

Also in 2012, ICTSI, through ICTSI Ltd. and IPSAL, further increased its shareholdings in Tecplata by infusing additional capital amounting to US$36.7 million. Nuevos Puertos, the minority shareholder, did not participate in the said infusion of additional capital. As a result, the ownership of Nuevos Puertos in Tecplata was diluted by 6.68 percent. ICTSI now owns 91.68 percent equity interest in Tecplata (see Note 1.3).

14.5 Retained Earnings

The details of ICTSI's declaration of cash dividends are as follows:

	2010	2011	**2012**
Date of Board approval	April 15, 2010	April 14, 2011	**April 19, 2012**
Cash dividends per share	US$0.009 (₱0.40)	US$0.012 (₱0.50)	**US$0.015 (₱0.65)**
Record date	April 30, 2010	May 3, 2011	**May 4, 2012**
Payment date	May 20, 2010	May 17, 2011	**May 18, 2012**
Portion of cash dividends declared pertaining to common shares held by subsidiaries and thus reverted to retained earnings (see Note 14.3)	US$0.2 million (₱10.5 million)	US$0.4 million (₱17.6 million)	**US$–**

Common shares held by subsidiaries were sold on April 16, 2012, prior to the declaration of dividends.

Moreover, retained earnings were reduced by distributions paid out by RCBV to holders of Securities discussed in Note 14.6 below aggregating US$8.4 million and US$26.8 million in 2011 and 2012, respectively.

Of the total retained earnings of US$352.2 million, US$452.3 million and US$539.1 million, as of December 31, 2010, 2011 and 2012, respectively, undistributed earnings of subsidiaries amounting to US$253.4 million, US$326.2 million and US$415.0 million, as of December 31, 2010, 2011 and 2012, respectively, are not available for dividend distribution (see Note 20).

On December 28, 2012, the Parent Company appropriated additional US$83.0 million of its retained earnings to complete construction and development projects in Tecplata and CMSA as well as to continue construction activities in SPIA and other capital expenditures for expansion projects in MICT, MICTSL, BICT and BCT in 2013. As of December 31, 2012, total appropriated retained earnings of the Parent Company amounted to US$303.8 million.

14.6 Subordinated Perpetual Capital Securities

On April 20, 2011, the Board of ICTSI approved the investment by its wholly owned subsidiary, ICTSI Ltd., in RCBV common shares. The Board also approved for ICTSI to guarantee under such terms and conditions, as the Board may reasonably determine, the issuance, offer and sale by RCBV of subordinated perpetual capital securities in such amount, with interest rate and under such other terms and conditions as the Board and/or RCBV may subsequently approve or ratify.

RCBV was incorporated with limited liability in the Netherlands on April 19, 2011 whose primary purpose, among others, is to act as a financing subsidiary of ICTSI. RCBV is 75 percent-owned by ICTSI Ltd. and its ultimate parent company is ICTSI.

On April 28, 2011, RCBV (the "Issuer") and ICTSI (the "Guarantor") signed a Subscription Agreement with The Hong Kong and Shanghai Banking Corporation Limited (HSBC) and Citigroup Global Markets Limited (Citi) for the issuance of US$200,000,000 8.375 percent subordinated guaranteed perpetual capital securities (the "Original Securities"). The Original Securities confer a right to receive a return on the Original Securities (the "Distribution") every Distribution Payment Date as described in the terms and conditions of the Original Securities. These distributions are payable semi-annually in arrears on the Distribution Payment Dates of each year. However, the Issuer may, at its sole and absolute discretion, prior to any Distribution Payment Date, resolve to defer payment of all or some of the Distribution which would otherwise be payable on that Distribution Payment Date subject to exceptions enumerated in the terms and conditions of the Original Securities. The Original Securities are perpetual securities in respect of which there is no fixed redemption date but the Issuer may, at its option change the status of the Securities or redeem the same on instances defined under its terms and conditions.

On April 29, 2011, the Board approved the terms and conditions of the Original Securities, which were subsequently issued on May 5, 2011. The net proceeds from the issue of the Original Securities amounting to US$193.4 million were used for the development of Greenfield projects, potential acquisitions and general corporate purposes.

On January 9, 2012, ICTSI tapped a further US$150.0 million (the "Further Securities") of the Original Securities discussed in the preceding paragraphs, increasing the size to US$350.0 million. The Further Securities were issued on January 17, 2012. The Original and Further Securities are collectively referred to as the "Securities." The Further Securities were issued at a price of 98.375 percent (plus interest accrued on the Securities from and including November 5, 2011 to but excluding January 17, 2012). The net proceeds from the issue of the Further Securities amounting to US$143.6 million were used for the same purpose as the Original Securities.

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

The Securities are treated as a liability in the financial statements of the Issuer or RCBV since it has the obligation to pay the accumulated distributions should the Guarantor declare dividends to its common stockholders. On the other hand, the Securities are treated as part of equity attributable to equity holders of the parent in the consolidated financial statements of the Group because nothing in the terms and conditions of the Securities gives rise to an obligation of the Group to deliver cash or another financial asset in the future as defined by PAS 32, *Financial Instruments: Presentation*. However, should the Issuer decide to exercise its option to redeem the Securities, the Securities shall be treated as a financial liability from the date the redemption option is exercised. Should the Issuer also opt to not defer payment of distributions on a Distribution Payment Date, all distributions in arrears as of that date will be recognized as a financial liability until payment is made.

RCBV paid distributions totaling US$8.4 million and US$26.8 million to the holders of the Securities in 2011 and 2012, respectively (see Note 14.5). Related interest expense accrued by the Issuer or RCBV amounted to US$2.6 million and US$4.5 million as of December 31, 2011 and 2012, respectively. However, the interest expense has not been recognized in the consolidated statement of income since the Securities are presented as equity attributable to equity holders of the parent.

14.7 Other Comprehensive Loss - Net

The details of other comprehensive net loss, net of applicable tax, as of December 31 are as follows:

	2010	2011	**2012**
Cumulative translation adjustments* (see Notes 14.3 and 21.1)	(US$35,560,134)	(US$84,457,854)	**(US$77,412,180)**
Unrealized mark-to-market loss on derivatives (see Note 25.4)	(1,797,967)	(7,550,633)	**(9,726,549)**
Unrealized mark-to-market gain on AFS investments (see Note 9)	468,736	470,626	**862,919**
Business combination revaluation reserve	609,969	609,969	**609,969**
	(US$36,279,396)	(US$90,927,892)	**(US$85,665,841)**

** Cumulative translation adjustments arise from the change in functional currency of the Parent Company and translation of foreign operations.*

15. Long-term Debt

15.1 Outstanding Balance and Maturities

Outstanding balance of the long-term debt (net of debt issue costs) is presented below:

	2010	2011	**2012**
US dollar-denominated notes (see Note 15.2.1)	US$447,771,146	US$447,928,351	**US$448,101,600**
US dollar-denominated term loans (see Note 15.2.2)	26,861,807	17,163,300	**169,337,734**
US dollar-denominated securities (see Note 15.2.3)	–	55,034,687	**48,951,163**
Foreign currency-denominated loans (see Note 15.2.4)	162,423,749	128,597,737	**104,726,432**
	637,056,702	648,724,075	**771,116,929**
Less current portion	49,292,195	58,802,172	**240,776,404**
	US$587,764,507	US$589,921,903	**US$530,340,525**

The balance and movements in unamortized debt issuance cost, net of the recognized fair value of prepayment option on ICTSI, related to long-term debt as of and for the year ended December 31 are shown below:

	2010	2011	**2012**
Balance at beginning of year	US$6,242,437	US$4,049,040	**US$3,587,054**
Debt issuance cost during the year	2,360,831	809,490	**1,220,454**
Amortization during the year	(1,177,615)	(1,175,232)	**(1,165,361)**
Effect of business combination (see Note 4.2)	–	–	**102,553**
Write-off due to prepayment of long-term debt (see Notes 15.2.2 and 19.3)	(3,369,207)	–	**–**
Translation adjustments	(7,406)	(96,244)	**4,133**
Balance at end of year	US$4,049,040	US$3,587,054	**US$3,748,833**

Amortization of debt issuance costs were presented as part of "Interest expense and financing charges on borrowings" in the consolidated statements of income.

Principal maturities of long-term debt (gross of unamortized debt issuance cost) as of December 31, 2012 are as follows:

	Amount
2013	US$241,998,958
2014	27,968,841
2015	29,975,819
2016	19,794,609
2017 onwards	455,127,535
	US$774,865,762

15.2 Details and Description

15.2.1 US Dollar-denominated Notes

On March 10, 2010, ICTSI signed a Subscription Agreement with The Hong Kong Shanghai Banking Corporation Limited (HSBC) and JP Morgan Securities, Ltd. for the issuance of 10-year senior notes (the "Original Notes"). The Original Notes were issued on March 17, 2010 with an aggregate principal amount of US$250.0 million that would mature on March 17, 2020. The Original Notes bear interest at the fixed rate of 7.375 percent per annum, net of applicable taxes, payable semi-annually in arrears.

On April 29, 2010, ICTSI tapped a further US$200.0 million (the "Further Notes") of the Original Notes discussed in the preceding paragraph, increasing the size to US$450.0 million. The Further Notes were issued on May 6, 2010. The Original and Further Notes are collectively referred to as the "Notes." The Further Notes bear interest at the fixed rate of 7.375 percent, net of applicable taxes, and was set at a price of 102.627 for an effective yield of 7.0 percent.

The net proceeds of the Notes amounting to US$448.1 million were used to fund ICTSI's investments in existing and new terminal construction activities, refinance some of its existing debt and for other general corporate purposes (see Note 15.2.2).

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

15.2.2 US Dollar-denominated Term Loans

MBTC Term Loan Facility Agreement (MBTC Term Loan Facility). In April 2009, ICTSI signed a five-year unsecured MBTC Term Loan Facility for US$40.0 million with Metropolitan Bank and Trust Company (MBTC) for the financing of capital expenditures and general corporate purposes including the refinancing of existing obligations. The loan bears an interest of 3.5 percent over the LIBOR and principal is payable in quarterly installments commencing on the ninth quarter. The facility was fully drawn in April 2009. On March 15, 2010, ICTSI prepaid the full drawdown of the MBTC Term Loan Facility amounting to US$40.0 million using the proceeds of the Notes discussed in Note 15.2.1.

Term Loan Facility Agreement (Term Loan Facility). In May 2009, ICTSI signed a three-year, unsecured Term Loan Facility with a consortium of seven international banks for US$150.0 million to partly refinance ICTSI Capital BV's US$250.0 million Revolving and Term Loan Facility, which then had an outstanding balance of US$176.0 million. The loan bore an interest of 3.80% over the LIBOR and the principal is payable in six quarterly installments starting on the seventh quarter. The Term Loan Facility was fully drawn in June 2009 but was fully settled in May 2010.

BDO Term Loan Facility Agreement (BDO Term Loan Facility). In December 2009, ICTSI signed a five-year, unsecured BDO Term Loan Facility for US$100.0 million with Banco de Oro Unibank, Inc. (BDO) for general corporate requirements. The loan bears an interest of 2.5 percent over the London Interbank Offered Rate (LIBOR) and the principal is payable in 20 quarterly installments. The facility expired on January 24, 2010. On March 15, 2010, ICTSI fully prepaid the total drawdown from BDO Term Loan Facility amounting to US$25.0 million using the proceeds of the Notes discussed in Note 15.2.1.

Unamortized debt issue costs relating to the prepayment of these US dollar-denominated term loan facilities were accelerated and recognized as "Other expenses" in the 2010 consolidated statement of income amounting to US$3.4 million (see Notes 15.1 and 19.3).

Unsecured Medium-Term Loans. In 2012, ICTSI availed of unsecured medium-term loans from Australia and New Zealand Banking Group Limited, Manila Branch, The Hong Kong Shanghai Banking Corporation Limited, Manila Branch and Metropolitan Bank and Trust Company aggregating US$160.0 million for general corporate requirements (see Note 26). These loans will mature starting from October 2013 up to January 2014 with interest at prevailing market rates ranging from 1.209 percent per annum (p.a.) to 1.349 percent p.a. As of December 31, 2012, all of the medium-term loans were outstanding.

In January and February 2013, US$140.0 million of the medium-term loans were prepaid.

BCT. In November 2004, BCT entered into a loan agreement for US$36.0 million with a syndicate of a Polish and international banks to finance an increase in its handling capacity. The loan bears interest at 1.1 percent over the LIBOR or, on or after a currency conversion date, Euro Interbank Offered Rate and is payable in 16 equal semi-annual installments up to 2014. Port equipment, together with other assets of BCT, with a total carrying value of up to US$34.3 million and US$32.3 million as of December 31, 2010 and 2011, respectively, were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. Outstanding principal balance of the loan amounted to US$10.5 million and US$7.9 million, as of December 31, 2010 and 2011, respectively. In 2012, BCT repaid the outstanding principal balance of the loan amounting to US$7.9 million, which was reclassified as current portion of long-term debt in the 2011 consolidated balance sheet. Accordingly, all liens and encumbrances related to the port equipment, together with other assets of BCT, which were used to secure the loan, were released upon the settlement of the loan in 2012.

On October 27, 2011, BCT entered into a facilities agreement with Bank Polska Kasa Opieki S.A. ("Bank Polska") under which Bank Polska agreed to provide (i) term loan facility up to US$9.2 million, (ii) a capex facility up to US$36.3 million to finance or refinance project costs and fees, and (iii) an overdraft facility up to US$1.0 million to finance working capital requirements. Both the term loan and capex facility bear interest at 2.65 percent over LIBOR. The utilization under the overdraft facility will bear interest at 1.75 percent over LIBOR or Warsaw Interbank Offered Rate (WIBOR), as the case may be. WIBOR is determined by the Financial Markets Association-ACI Polska for utilizations requested in Polizh Zloty.

The purpose of the term loan facility under the facilities agreement is to refinance all existing financial indebtedness under the 2004 loan agreement. The 2011 loan agreement provided for substantially the same security arrangement and restrictions on the payment of dividends to ICTSI, as provided in the 2004 loan agreement. One of the conditions precedent to any borrowing under

the facilities agreement is for BCT to confirm the availability of the grant by the *Centrum Unijnych Projektow Transportowych* (CUPT), a Polish grant authority (the "EU Grant"), in an amount not lower than PLN50.0 million (approximately equivalent to US$16.2 million) to partly finance the cost of BCT's projected capital expenditure requirements.

On March 29, 2012, BCT and CUPT signed the EU grant whereby CUPT would grant BCT a subsidy amounting to US$17.3 million (53.9 million Polish zloty). The confirmation of the availability of the EU grant is a condition precedent to any borrowing under the facility agreement with Bank Polska, as discussed above. As of December 31, 2012, BCT has not yet availed of the grant.

On April 27, 2012, BCT availed: (i) US$7.9 million from the term loan facility; and (ii) US$0.9 million from the capital expenditure facility that was discussed in the preceding paragraph, with Bank Polska. Both the term loan and capex facilities bear interest at 2.65 percent over London Interbank Offered Rate (LIBOR). As of December 31, 2012, aggregate outstanding balance under the term loan and capital expenditure facilities, net of related debt issuance cost, amounted to US$8.2 million.

TSSA. In December 2005, TSSA entered into a loan agreement for US$14.0 million with the International Finance Corporation and the Netherlands Development Finance Company to finance TSSA's increase in handling capacity. The loan bears a fixed interest rate of 9.47 percent and is payable in 16 semi-annual installments up to 2014. Port equipment, together with other assets of TSSA, with a total carrying value of up to US$40.3 million (R$66.1 million) as of December 31, 2010 were used to secure the loan (see Note 7). The facility was without recourse to ICTSI. Outstanding principal balance of the loan amounted to US$8.1 million as of December 31, 2010. However, in December 2010, TSSA notified its creditors, who later accepted, its intention to pay the outstanding loan. As a result of the acts made by TSSA and its creditors, TSSA recognized the related prepayment cost of US$0.8 million in the 2010 consolidated statement of income and reclassified the outstanding balance of loan amounting to US$8.0 million as current portion of long-term debt in the 2010 consolidated balance sheet. TSSA prepaid its loan on January 18, 2011 (see Note 7). Accordingly, all liens and encumbrances related to the port equipment, together with other assets of TSSA, which were used to secure the loan, were released upon the settlement of the loan.

CGSA. In August, September and November 2010 and in January and August 2011, CGSA availed of two-year unsecured Term Loans with local banks, namely, Banco Bolivariano, Banco Del Pacifico, Banco De Guayaquil, Banco Internacional and Banco Pichincha ("Local Banks in Ecuador") totaling US$10.0 million and US$7.5 million, respectively, to finance capital expenditures and working capital requirements. The Term Loans with Local Banks in Ecuador bear a fixed interest rate of 8.0 percent per annum (p.a.) with the principal payable in monthly installments. The outstanding balance of the Term Loans with Local Banks in Ecuador amounted to US$8.7 million, US$9.3 million and US$1.8 million as of December 31, 2010, 2011 and 2012, respectively.

15.2.3 US Dollar-denominated Securities

On September 23, 2011, CGSA engaged in a fiduciary contract as originator for a securitization arrangement under which it transferred its receivables and future operating revenues from selected customers such as shipping lines and banana exporters (the "securitized assets") to a special purpose trust administered by *Administradora de Fondos de Inversion Y Fideicomisos BG S.A.* as trustee and handling agent. On October 24, 2011, the special purpose trust was officially approved to issue securities in three series against the securitized assets in the aggregate principal amount of US$60.0 million with each series to mature within five years from date of issue. Series A bears variable interest at the rate of 2.5 percent plus the reference interest rate for savings posted by Central Bank of Ecuador subject to a readjustment every quarter, while Series B and Series C bear interest at a fixed rate of 7.5 percent. Principal and interest are payable quarterly for each series.

The proceeds of the securitization issue, which were remitted to CGSA in consideration for the securitized assets, will be used to finance capital expenditures and expansion of port operations. On the other hand, regular cash flows from the securitized assets will be used by the special purpose trust to pay principal and interest due to holders of the securities and other expenses. Any excess in the cash flows remaining with the special purpose trust, after all obligations to holders of securities and relevant third parties are fully paid, will revert to CGSA as the originator. The securities issued pursuant to the securitization agreement are currently registered with and traded in the Ecuadorian stock market.

As of December 31, 2011, CGSA has received proceeds from the issuance and placement of securities under the securitization agreement amounting US$55.0 million, net of debt issuance cost of US$0.8 million. In February 2012, CGSA placed the balance of the US$60.0 million securities, through a special purpose trust approved in 2011, amounting to US$4.2 million. In 2012, CGSA had paid US$10.3 million of the outstanding securities. As of December 31, 2012, the outstanding principal balance of securities amounted to US$49.7 million.

15.2.4 Foreign Currency-denominated Loans

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 (Term Finance) with Faysal Bank Limited. The loan carries mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 1.75 percent p.a. 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 from July 2012.

Proceeds of the loan were partially used to fully pay the loans with International Finance Corporation (IFC) and Organization of the Petroleum Exporting Countries Fund for International Development (OFID) amounting to Rs.2.4 billion (US$27.9 million) on July 22, 2011 which were originally maturing in January 2018. As of December 31, 2012, outstanding principal balance of the loan amounted to Rs.2.0 billion (US$20.5 million).

DBP-LBP Term Loan Facility Agreement (DBP-LBP Term Loan Facility). In November 2008, ICTSI signed a five-year US$124.7 million (₱6.0 billion) Term Loan Facility with Development Bank of the Philippines (DBP) and Landbank of the Philippines (LBP) for the financing of capital expenditures of the Group including the construction of Berth 6 of MICT and refinancing of existing loan obligations. Interest on the loan is the higher of (1) the sum of three months PDST-F Rate and 1.75 percent p.a. or (2) the BSP Reverse Repo Rate. Principal is payable in quarterly installments starting on the ninth quarter. The DBP-LBP Term Loan Facility is unsecured. The DBP-LBP Term Loan Facility was fully availed of in March 2009. As of December 31, 2012, outstanding principal balance of the term loan facility amounted to US$73.1 million.

Corporate Notes Facility Agreement (FXCN Note). In November 2008, ICTSI completed an FXCN Note for US$18.4 million (₱855.0 million), which amount was increased by an Accession Agreement up to US$25.0 million (₱1.2 billion), with several institutions arranged by The Hong Kong and Shanghai Banking Corporation Limited (HSBC), Manila. The net proceeds of the FXCN Note were used for capital expenditures and working capital requirements. The FXCN Note is unsecured and has maturities of five and a half, and seven years. Interest rate is at 9.5 percent p.a. for the five and a half (5.5)-year FXCN Note and 10.25 percent p.a. for the seven (7)-year FXCN Note. One percent of principal is payable every year and the remaining balance is due in 2014 for the 5.5-year FXCN and in 2015 for the 7-year FXCN. The entire facility was fully drawn in 2008. In May 2012, ICTSI prepaid the 5.5-year FXCN note. As of December 31, 2012, outstanding principal balance of the term loan facility amounted to US$11.5 million.

15.2.5 US Dollar-denominated Medium Term Note Programme (the "MTN Programme")

On January 9, 2013, ICTSI Treasury B.V. (ICTSI Treasury), a majority owned subsidiary through ICTSI Ltd., established the MTN Programme that would allow ICTSI Treasury from time to time to issue medium term notes (MTN), unconditionally and irrevocably guaranteed by ICTSI. The aggregate nominal amount of the MTN outstanding will not at any time exceed US$750.0 million (or its equivalent in other currencies), subject to increase as described in the terms and conditions of the Programme Agreement.

Also, 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") under the MTN Programme. 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, ICTSI Treasury and ICTSI signed a Subscription Agreement with UBS AG, Hong Kong Branch, for the issuance of an additional 10-year US$100.0 million guaranteed MTN under the MTN Programme (the "MTN Tap") to form a single series with the Original MTN discussed in the preceding paragraph. The MTN Tap were issued on February 4, 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 101.25 and payable semi-annually in arrears.

The aggregate net proceeds of the MTN amounting to US$395.3 million would be used to refinance some of ICTSI's existing debt and for other general corporate purposes.

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

15.3 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 equity and cash flow and earnings level relative to current debt service obligations. As of December 31, 2010, 2011, and 2012, ICTSI and subsidiaries are in compliance with their loan covenants.

Interest expense, net of amount capitalized as intangible assets and property and equipment, presented as part of "Interest expense and financing charges on borrowings" account in the consolidated statements of income, amounted to US$37.6 million, US$37.8 million and US$29.2 million in 2010, 2011 and 2012, respectively (see Notes 6 and 7).

16. Loans Payable

Loans payable are unsecured loans obtained by various subsidiaries of ICTSI. In 2010, this account includes an unsecured short-term US$-denominated loan of CGSA with Banco Internacional, a local bank in Ecuador, amounting to US$0.7 million as at December 31, 2010 with interest at a fixed rate of 8.0 % p.a. In 2011, this account includes US$-denominated short-term loan of SPIA with Citibank Colombia at a fixed rate of 1.65% p.a. and an unsecured short-term US$-denominated loan of CGSA with

Banco Boliviano at fixed interest rates of 8.00% p.a. and 8.63% p.a. amounting to US$2.0 million and US$0.5 million, respectively, as of December 31, 2011. In 2012, this account includes an unsecured US$-denominated short-term loan of ICTSI with Bank of Tokyo - Mitsubishi UFJ, Manila Branch at floating interest rate of 0.85% p.a. and an unsecured short-term US$-denominated loan of BCT with Bank Polska Kasa Opieki S.A. at floating interest rate of 1.9617% p.a. amounting to US$10.0 million and US$0.3 million, respectively, as of December 31, 2012. In 2012, SPIA and CGSA repaid their short-term US$-denominated loans totaling US$2.5 million.

Interest expense incurred related to these loans payable amounted to US$0.2 million in 2010, US$0.02 million in 2011 and US$0.02 million in 2012.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2010	2011	**2012**
Trade (see Notes 1.2, 19.3 and 21.1)	US$52,510,290	US$67,948,388	**US$112,094,086**
Accrued expenses:			
Interest (see Notes 15.3 and 16)	12,948,157	13,130,068	**14,665,050**
Salaries and benefits	8,208,912	10,041,820	**9,824,635**
Output and other taxes	10,556,999	9,518,747	**9,107,286**
Others	8,547,222	8,602,606	**13,664,232**
Provisions for claims and losses (see Note 24)	4,862,447	6,531,910	**9,763,184**
Customers' deposits	1,121,672	2,387,511	**3,793,660**
Others (see Notes 1.2, 19.3 and 24)	3,921,139	9,315,958	**10,291,042**
	US$102,676,838	US$127,477,008	**US$183,203,175**

Trade payables are noninterest-bearing and are generally settled on 30-60 days' terms. In 2012, trade payable increased primarily due to the accumulation of invoices from suppliers of port equipment and civil works in relation to the ongoing construction activities at Tecplata and CMSA.

As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 19.3).

Provisions for claims and losses pertain to estimated probable losses on cargo, labor-related and other claims from third parties. The movements in this account follow:

	2010	2011	**2012**
Balance at beginning of year	US$3,291,252	US$4,862,447	**US$6,531,910**
Provision during the year	1,700,896	2,112,890	**6,094,482**
Settlement during the year	–	(916,064)	**(1,971,637)**
Effect of business combination (see Note 4.1)	–	503,757	**–**
Translation difference	(129,701)	(31,120)	**(891,571)**
Balance at end of year	US$4,862,447	US$6,531,910	**US$9,763,184**

18. Share-based Payment Plan

Certain officers and employees of the Group receive remuneration in the form of share-based payment transactions, whereby officers and employees are given stock awards, in terms of ICTSI common shares, in lieu of cash incentives and bonuses under the Stock Incentive Plan (SIP) ("equity-settled transactions"). The SIP was approved by the stockholders of ICTSI on March 7, 2007, effective for a period of ten years unless extended by the Board. The shares covered by the SIP are held under treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee. As of December 31, 2012, there are 30,026,000 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as of December 31, 2012, 49,694,000 ICTSI common shares are held under treasury and allotted for the SIP (see Note 14.1).

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The awarded shares will vest over a two-year period: 50 percent will vest one year from the grant date and the other 50 percent two years from the grant date. Awardees that resign or are terminated will lose any right to unvested shares. A change in control in ICTSI will trigger the automatic vesting of unvested awarded shares. There are no cash settlement alternatives.

The SIP covers permanent and regular employees of ICTSI with at least one year tenure; officers and employees of ICTSI, its subsidiaries or affiliates; or other persons who have contributed to the success and profitability of ICTSI or its subsidiaries or affiliates.

Stock awards granted by the Stock Incentive Committee to officers and employees of ICTSI and ICTSI Ltd. for the past three years are shown below:

Grant Date	Number of Shares Granted	Fair value per Share at Grant Date
March 10, 2010	3,225,000	US$0.476 (₱21.75)
March 9, 2011	1,700,000	US$1.000 (₱43.30)
March 9, 2012	1,900,000	US$1.34 (₱57.00)

Fair value per share was determined based on the market price of stock at the date of grant.

Movements in the stock awards (number of shares) in 2010, 2011 and 2012 follow:

	2010	2011	**2012**
Balance at beginning of year	14,332,500	5,685,000	**3,312,500**
Stock awards granted	3,225,000	1,700,000	**1,900,000**
Stock awards vested and issued	(11,872,500)	(4,072,500)	**(2,492,500)**
Balance at end of year	5,685,000	3,312,500	**2,720,000**

In December 2009, the Board approved the vesting in 2010 of 3,925,000 shares granted in 2009. These shares were originally scheduled to vest in 2011.

On August 15, 2012, ICTSI accelerated the vesting of 75,000 shares awarded to a certain officer. Those shares were originally scheduled to vest in March 2013.

Total compensation expense recognized on the vesting of the fair value of stock awards and presented as part of manpower costs in the consolidated statements of income amounted to US$1.7 million, US$1.7 million and US$2.2 million, in 2010, 2011 and 2012, respectively, under the SIP. A corresponding increase in additional paid-in capital, net of applicable tax, was also recognized in the consolidated statement of changes in equity (see Note 14.2).

19. Income and Expenses

19.1 Other Income

This account consists of:

	2010	2011	**2012**
Rental income (see Notes 8 and 21.1)	US$373,575	US$497,562	**US$859,285**
Gain on sale of:			
Property and equipment (see Note 21.1)	443,948	635,211	**752,467**
AFS investments (see Note 9)	11,224,117	8,447,216	**–**
Unrealized mark-to-market gain on derivatives (see Note 25)	694,566	861,927	**613,265**
Dividend income	221,816	240	**5,078**
Others	3,619,634	1,236,772	**1,400,559**
	US$16,577,656	US$11,678,928	**US$3,630,654**

19.2 Port Authorities' Share in Gross Revenues

This account consists of port authorities' share in gross revenues of the Group as stipulated in agreements between the port authorities where the Group operates (see Note 23). Port authorities' share in gross revenues includes variable fees aggregating US$76.4 million in 2010, US$94.1 million in 2011 and US$102.9 million in 2012.

On May 1, 2010, ICTSI hedged forecasted Philippine peso-denominated variable port fees until 2011. Foreign currency translation losses previously deferred in equity would form part of variable fees upon accrual of the hedged port fees. ICTSI recognized foreign currency losses amounting to US$0.3 million and US$0.8 million as part of "Port authorities' share in gross revenues" in the 2010 and 2011 consolidated statement of income, respectively (see Notes 11 and 25.4). There were no outstanding hedged forecasted Philippine peso-denominated variable port fees as of December 31, 2011 and 2012.

19.3 Other Expenses

	2010	2011	**2012**
Pre-termination cost and other bank charges (see Notes 15.1 and 15.2.2 and 25.5)	US$2,730,257	US$2,512,471	**US$3,326,804**
Write-off of net assets of a subsidiary (see Notes 1.2 and 23.4)	–	–	**831,014**
Unrealized mark-to-market loss on derivatives	–	249,585	**–**
Management fees (see Note 21.1)	115,808	135,277	**129,164**
Loss on sale of property and equipment	30,649	16,769	**6,672**
Equity tax	–	2,649,063	**–**
Write-off of unamortized debt issuance costs (see Notes 15.1 and 15.2.2)	3,369,207	–	**–**
Loss on impairment of land and advances to contractors (see Notes 1, 2, 7, 9 and 23.4)	2,010,840	–	**–**
Others	1,292,248	1,832,586	**318,395**
	US$9,549,009	US$7,395,751	**US$4,612,049**

As discussed in Note 1.2, ICTSI recognized a loss amounting to US$0.8 million on the write-off of TICT's assets comprising of its intangibles, property and equipment, deferred tax assets, restricted cash, cash and cash equivalents, receivables, spare parts and supplies and prepaid expenses and other current assets, net of the extinguishment of its accounts payables and other liabilities.

20. Income Tax

The components of recognized deferred tax assets and liabilities are as follows:

	2010	2011	**2012**
Deferred tax assets:			
Intangible assets and concession rights payable under IFRIC 12	US$15,137,213	US$10,839,793	**US$6,461,201**
Allowance for doubtful accounts and other provisions	586,550	2,090,398	**2,592,688**
Accrued retirement cost and other expenses	194,656	562,436	**770,938**
NOLCO	2,501,957	2,242,725	**763,957**
Share-based payments	–	667,185	**240,943**
Impairment loss	–	53,785	**76,886**
Unrealized foreign exchange losses	60,865	104,713	**38,763**
Unamortized past service cost	6,419	33,047	**33,163**
Allowance for obsolescence	25,592	114,946	**28,811**
Pre-operating expense of a subsidiary	5,121,967	5,871,438	**–**
Others	929,484	4,012,950	**3,158,782**
	US$24,564,703	US$26,593,416	**US$14,166,132**
Deferred tax liabilities:			
Excess of fair value over book value of net assets of BCT, MTS, YRDICTL, DIPSSCOR, SPIA, SCIPSI, Tecplata and AGCT	US$23,630,002	US$23,286,168	**US$15,891,180**
Accelerated depreciation and translation difference between functional and local currency	4,178,737	5,413,167	**15,296,824**
Capitalized borrowing costs	2,186,109	8,458,136	**11,665,846**
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	4,494,129	4,281,550	**5,174,034**
Unrealized foreign exchange gain	1,686,288	2,142,625	**4,873,240**
Share-based payments	1,053,543	–	**–**
Unrealized mark-to-market gain on derivatives	208,370	527,283	**359,532**
Others	1,099,385	1,015,058	**1,930,323**
	US$38,536,563	US$45,123,987	**US$55,190,979**

Deferred tax assets on NOLCO of certain subsidiaries amounting to US$7.1 million, US$6.3 million and US$7.1 million as of December 31, 2010, 2011 and 2012, respectively, were not recognized, as management believes that these subsidiaries may not have sufficient future taxable profits against which the deferred tax assets can be utilized. Whereas, deferred tax assets arising from NOLCO are recognized for subsidiaries when there is sufficient future taxable profits from which these deferred tax assets can be utilized.

As of December 31, 2010, 2011 and 2012, deferred tax liability has not been recognized on undistributed earnings of subsidiaries amounting to US$253.4 million, US$326.2 million and US$415.0 million, respectively, because the Parent Company has control over such earnings, which have been earmarked for reinvestment in foreign port projects and are not expected to reverse in the foreseeable future (see Note 14.5).

ICTSI recognized deferred tax liability amounting to US$2.8 million, US$2.0 million and US$2.6 million, on unrealized mark-to-market gain arising from cross-currency swap transactions (see Notes 25.4 and 25.6) and deferred tax asset amounting to US$0.5 million, US$0.3 million and US$0.2 million, on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Notes 14.2 and 18) in 2010, 2011 and 2012, respectively. The related deferred tax asset and liability were taken to equity.

A reconciliation of income tax expense on income before income tax at the statutory tax rates to income tax expense for the years ended December 31 is as follows:

	2010	2011	**2012**
Income tax expense computed at statutory tax rates	US$35,051,674	US$49,926,314	**US$54,908,949**
Add (deduct):			
Income tax incentive	–	(10,066,288)	**(13,576,206)**
Derecognized deferred tax asset on losses of subsidiaries	–	–	**8,794,310**
Nondeductible tax losses (nontaxable gains) of subsidiaries - net	3,569,142	1,663,021	**(1,354,359)**
Interest income already subjected to final tax	(839,942)	(1,372,241)	**(743,595)**
Unallowable interest expense	301,176	481,441	**253,430**
Others - net	1,076,174	(419,314)	**(35,922)**
	US$39,158,224	US$40,212,933	**US$48,246,607**

The statutory income tax rates applicable to each subsidiary are as follows:

Name of Company	Tax Rate	Tax Rules
NICTI	42.0%	Combined tax rate of 42.0 percent is composed of 30 percent imposed by Japan Government and the other 12 percent imposed by the City and Prefecture.
Tecplata and PICT	35.0%	Tecplata's nominal tax rate is 35 percent. In addition, Tecplata is subject to minimum presumed income tax by applying the effective 1% rate on computable assets as of each year-end. This tax is supplementary to income tax. Tecplata's obligation for each fiscal year shall be the higher of these two taxes. However, should the minimum presumed income tax exceed income tax in a given fiscal year, such excess may be computed as payment on account of any income tax excess over minimum presumed income tax that may occur in any of the ten subsequent fiscal years. Corporate tax rate in Pakistan that applies to PICT is 35 percent. All resident companies are subject to minimum tax at 0.5 percent of their turnover if the actual tax liability is less than the amount of minimum tax. The excess of minimum tax over the actual tax liability may be carried forward and used to set off the actual tax liability of the following five taxable years. Turnover means the gross receipts from sale of goods, services rendered and the execution of contracts, other than income governed under the final tax regime. In Pakistan, deductible depreciation is computed by applying the applicable rates, as provided in the Third Schedule to the Ordinance, to the particular category of assets on a diminishing balance method. The rate of tax depreciation ranges from 10 to 30 percent depending on the category of the assets. An initial depreciation allowance at the rate of 50 percent and 25 percent, depending on the category of assets, is also available for eligible depreciable assets, in accordance with section 23 of the Ordinance.
TSSA and ICTSI Oregon	34.0%	TSSA's nominal tax rate of 34 percent was granted a tax rate reduction resulting to an effective tax rate of 24.25 percent. The tax incentive is applicable for the years 2005-2013 on profits from port operating services in Suape, Pernambuco. ICTSI Oregon was incorporated in the U.S.A in 2010. Under the federal and local state corporate income tax systems, corporations that are not an exempt and small corporation are subject to an Alternative Minimum Tax (AMT) at a rate of 20 percent. Corporations pay the minimum amount of tax subject to federal and state regulations. There is no minimum tax on corporation in a net operating loss position. However, certain states require taxes to be remitted on a gross revenue basis.
ICTSI India	30.9%	The corporate tax rate is 30.9 percent for companies with income less than Indian Rupee (INR)10 million and 32.445 percent for companies with income more than INR10 million. A Minimum Alternate Tax (MAT) is imposed at 18.5 percent (plus any applicable surcharge and cess) on the adjusted book profits

(Forward)

Name of Company	Tax Rate	Tax Rules
		of corporations whose tax liability is less than 18.5 percent of their book profits. A credit is available for MAT paid against tax payable on normal income; the credit may be carried forward for offset against income tax payable in the following 10 years.
ICTSI and other Philippine subsidiaries, excluding SBITC and ICTSI Subic	30.0%	Effective January 1, 2009, the corporate income tax rate of Philippine entities is reduced from 35 percent to 30 percent in accordance with Republic Act No. 9337. On May 14, 2008, the Board of Investments approved the registration of ICTSI's construction of Berth 6 of the MICT as "New Operator of Port Infrastructure (Berth 6)" on a Pioneer status under the Omnibus Investments Code of 1987. From November 2011, Berth 6 is entitled, among others, to an income tax holiday for a period of six years. Berth 6 was completed, inaugurated and started full commercial operations in July 2012 (see Notes 23.8 and 28.2). In 2012, Berth 6 recognized gross revenues from port operations amounting to US$28.7 million and availed of tax incentive arising from the income tax holiday of US$2.9 million. On December 18, 2008, the Bureau of Internal Revenue issued Revenue Regulations No. 16-2008, which implemented the provisions of Republic Act 9504 on Optional Standard Deductions (OSD). This regulation allows both individuals and corporate taxpayers to use OSD in computing for taxable income. Corporations may elect a standard deduction equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions. For the year ended December 31, 2012, BIPI, MICTSI, DIPSSCOR and SCIPSI have elected to use OSD in computing for their taxable income.
CMSA	30.0%	CMSA's corporate income tax rate is 30 percent applicable until 2012 but will be diminishing one percentage every year, up to 28 percent in 2014 and thereafter. In accordance with Mexican Tax Laws, CMSA is subject to the higher between the corporate income tax and the Flat-rate Business Tax (FRBT). FRBT is computed by applying the 17.5 percent rate to income determined on the basis of cash flows, net of authorized credits.
ICBV and RCBV	25.0%	The corporate income tax rate in the Netherlands is 20.0 percent on taxable income of up to €200,000 and 25.0 percent on taxable income exceeding €200,000.
MTS, JASA, OJA, PT CTSSI and YRDICTL	25.0%	Registered as a Sino-foreign joint venture in China, YRDICTL is entitled to a full tax holiday in the first five years and 50 percent exemption in the subsequent five years starting January 1, 2008.
CGSA	23.0%	CGSA's corporate income tax rate applicable for 2011 was 24 percent but was gradually reduced to 23 percent in 2012 and would be 22 percent in the following years. This tax is calculated after deducting 15 percent of social contribution on profits for workers resulting in a combined tax rate of 35.40 percent in 2011.
MICTSL	21.0%	Incorporated in Madagascar in 2005. Under the local fiscal law of 2005, MICTSL has a tax holiday for the first two financial periods ending December 31, 2006, and 50 percent for the third year up to 2008. The tax holiday was not extended as from that date. The statutory tax rate of Madagascar was gradually reduced from 25 percent to 24 percent effective 2008, 23 percent effective 2010 and 21 percent effective 2012.
TICT	22.0%	TICT was granted a five-year tax exemption period in accordance with Syrian investment law up to 2012.
NMCTS	20.0%	Effective 2012, NMCTS applies a tax rate of 20 percent. The first B$100,000 of chargeable income is taxed at a reduced rate of one quarter of the full rate, while the next B$150,000 is taxes at half the full rate. The balance of chargeable income is taxed at the full rate.
BCT	19.0%	BCT is subject to statutory corporate income tax rate.
BICTL	15.0%	BICTL is subject to statutory corporate income tax rate.
SPIA	15.0%	SPIA is incorporated in Colombia. However, on June 26, 2012, the Colombian Government issued the formal resolution granting SPIA a Free Trade Zone status. Effective 2012, the income tax applicable to SPIA is 15 percent instead of 33 percent general corporate income tax rate in force in 2012. In addition, the tax reform approved by the Colombian Government in December 2012 did not change the income tax rate applicable for Free Trade Zone Users.
AGCT	10.0%	The statutory corporate income tax rate in Croatia is 20 percent. However, AGCT is subject to a 50 percent reduction or 10 percent corporate income tax rate because it operates inside the free-trade zone in Croatia.
SBITC and ICTSI Subic, Inc.	5.0%	Registered as a Subic Bay Free Port Zone Enterprise and subject to special tax rates imposed by the Subic Bay Metropolitan Authority, SBITC and ICTSI Subic, Inc. pays 5.0 percent on gross revenues less allowable deductions.

21. Related Party Transactions

21.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2010 Amount	2010 Outstanding Receivable (Payable) Balance	2011 Amount	2011 Outstanding Receivable (Payable) Balance	**2012 Amount**	**2012 Outstanding Receivable (Payable) Balance**
					(In Millions)			
Parent Company								
Achillion	Common shareholder	Issuance of Preferred B shares (see Note 14.1)	US$0.20	US$0.20	US$–	US$–	**US$–**	**US$–**
YRDICTL								
YPH	Minority shareholder	Port fees [i]	1.30	(0.10)	1.50	(0.10)	**1.30**	**(0.10)**
		Infusion of additional capital (see Note 14.4)	19.40	–	–	–	**–**	**–**
Tecplata								
Loginter [ii]	Minority shareholder	Infusion of additional capital (see Note 14.4)	4.70	–	5.50	–	**–**	**–**
SCIPSI								
Asian Terminals, Inc.	Minority shareholder	Management fees	0.10	–	0.10	–	**0.10**	**–**
AGCT								
Luka Rijeka	Minority shareholder	Provision of services [iii]	–	–	2.60	(0.20)	**0.40**	**(0.01)**
		Consulting services and rental income [iv]	–	–	0.03	0.03	**0.01**	**0.01**
		Sale of equipment [v]	–	–	0.02	–	**–**	**–**
PICT								
Premier Mercantile Services (Private) Limited	Common shareholder	Stevedoring and storage charges	–	–	–	–	**1.40**	**(0.20)**
Pakistan International Bulk Limited	Common shareholder	Sale of vehicles	–	–	–	–	**0.20**	**0.20**
Premier Software (Private) Limited	Common shareholder	Software maintenance charges	–	–	–	–	**0.01**	**–**
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue	–	–	–	–	**0.03**	**–**

[i] *YRDICTL 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 (see 23.25). Port fees remitted by YRDICTL for YPG are presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income. Outstanding payable to YPG related to these port charges presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.*

[ii] *On October 19, 2011, Loginter transferred all its shares in Tecplata to Nuevos Puertos, a new company owned by the stockholders of Loginter, to facilitate Tecplata's compliance with local regulations, among others (see Note 14.4).*

[iii] *AGCT has entered into agreements with Luka Rijeka, a minority 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 and recognized and presented in the consolidated income statement as part of Manpower costs, Equipment and facilities - related expenses and Administrative and other operating expenses amounted to US$0.5 million (HRK2.7 million), US$1.8 million (HRK9.6 million) and US$0.3 million (HRK1.6 million), respectively, in 2011; and US$13 thousand (HRK75 thousand), US$0.4 million (HRK2.4 million) and nil, respectively, in 2012. Outstanding payable presented as part of Accounts payable and other current liabilities in the consolidated balance sheet as of December 31, 2011 and 2012 amounted to US$0.2 million (HRK1.2 million) and US$8 thousand (HRK47 thousand), respectively.*

[iv] *AGCT has earned revenues from consulting services and rental income for providing space for general cargo to Luka Rijeka in 2011. Related revenues, recognized under "Other income" account in the consolidated statements of income amounted to US$35 thousand (HRK0.2 million) and US$48 thousand (HRK0.2 million) for the years ended December 31, 2011 and 2012, respectively, and related receivables recognized in the consolidated balance sheets amounted to US$33 thousand (HRK0.2 million) and US$6 thousand (HRK34 thousand) as of December 31, 2011 and 2012, respectively.*

[v] *In 2011, AGCT sold equipment to Luka Rijeka resulting in a gain of US$21 thousand (HRK0.1 million) recognized as part of "Other income" account in the 2011 consolidated statement of income (see Note 19.1).*

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

21.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2010	2011	**2012**
Short-term employee benefits	US$2,264,374	US$2,990,002	**US$2,422,500**
Post-employment pension	34,779	26,741	**6,886**
Share-based payments	461,133	1,649,619	**1,133,973**
Total compensation to key management personnel	US$2,760,286	US$4,666,362	**US$3,563,359**

22. Pension Plans

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, PT MTS, JASA, OJA, SCIPSI, MICTSL and CGSA have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service. Net pension expense charged to operations included as manpower costs amounted to US$0.6 million in 2010, US$0.9 million in 2011 and US$1.9 million in 2012.

Pension Liabilities. The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2010	2011	**2012**
Net pension expense:			
Current service cost	US$36,869	US$271,713	**US$1,608,285**
Interest cost	13,675	47,947	**632,908**
Expected return on plan assets	(1,810)	(3,254)	**(683,722)**
Net actuarial loss recognized	85,209	489,351	**128,468**
Effect of asset limit	–	–	**140,073**
	US$133,943	US$805,757	**US$1,826,012**
Pension liabilities:			
Present value of defined benefit obligation	US$1,227,550	US$2,091,871	**US$15,337,725**
Less fair value of plan assets	461,306	463,936	**12,819,790**
Unfunded status	766,244	1,627,935	**2,517,935**
Unrecognized actuarial gain	278,263	205,807	**736,312**
Translation adjustment	10,450	225	**68,448**
	US$1,054,957	US$1,833,967	**US$3,322,695**
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$1,084,191	US$1,227,550	**US$2,091,871**
Current service cost	36,869	271,713	**1,608,285**
Interest cost	13,675	47,947	**632,908**
Actuarial loss on obligations - net	169,146	556,763	**2,857,665**
Benefits paid	(7,511)	(17,224)	**(1,393,562)**
Effect of business combination (see Note 4.2)	–	–	**335,469**
Translation adjustment	(68,820)	5,122	**557,178**
Change in plan position	–	–	**8,647,911**
Balance at end of year	US$1,227,550	US$2,091,871	**US$15,337,725**
Changes in fair value of plan assets:			
Balance at beginning of year	US$433,947	US$461,306	**US$463,936**
Expected return on plan assets	1,810	3,254	**683,722**
Actuarial gain (loss) on plan assets	2,075	(592)	**2,251,060**
Benefits paid	–	–	**(1,146,718)**
Translation adjustment	23,474	(32)	**339,745**
Change in plan position	–	–	**10,228,045**
Balance at end of year	US$461,306	US$463,936	**US$12,819,790**
Actual return on plan assets	US$3,885	US$2,662	**US$2,934,782**

Pension Assets. The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2010	2011	**2012**
Net pension expense:			
Current service cost	US$565,129	US$569,442	**US$68,937**
Interest cost	706,804	584,372	**46,904**
Expected return on plan assets	(701,899)	(883,929)	**(57,204)**
Actuarial loss (gain) recognized for the year	(131,829)	(168,918)	**2,792**
Balance at end of year	US$438,205	US$100,967	**US$61,429**

(Forward)

	2010	2011	2012
Net plan assets (shown under "Other noncurrent assets" account):			
Fair value of plan assets	US$10,535,577	US$10,537,941	**US$830,505**
Less: present value of defined benefit obligation	7,113,886	9,131,309	**776,645**
Funded status	3,421,691	1,406,632	**53,860**
Unrecognized actuarial loss (gain)	(2,919,398)	(1,008,402)	**41,899**
Translation adjustment	(26,600)	12,191	**26,676**
Net plan assets (see Note 9)	US$475,693	US$410,421	**US$122,435**
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$6,668,646	US$7,113,886	**US$9,131,309**
Current service cost	565,129	569,442	**68,937**
Interest cost	706,804	584,372	**46,904**
Actuarial loss (gain) on obligations - net	(456,749)	1,588,291	**58,755**
Benefits paid	(731,378)	(699,994)	**(24,286)**
Translation adjustment	361,434	(24,688)	**142,937**
Change in plan position	–	–	**(8,647,911)**
Balance at end of year	US$7,113,886	US$9,131,309	**US$776,645**
Changes in fair value of plan assets:			
Balance at beginning of year	US$9,548,796	US$10,535,577	**US$10,537,941**
Expected return on plan assets	701,899	883,929	**57,204**
Actual contributions	210,694	–	**–**
Benefits paid	(731,378)	(699,994)	**(24,286)**
Actuarial gain (loss) on plan assets	278,124	(181,542)	**26,269**
Translation adjustment	527,442	(29)	**461,422**
Change in plan position	–	–	**(10,228,045)**
Balance at end of year	US$10,535,577	US$10,537,941	**US$830,505**
Actual return on plan assets	US$980,023	US$702,387	**US$83,473**

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2013.

The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, DIPSSCOR, PT MTS, OJA, JASA, SCIPSI and CGSA are shown below (in percentage):

	2010	2011	2012
Discount rate	7.5-8.0	6.2-8.1	**5.0-10.4**
Future salary increases	5.0-10.0	2.4-10.0	**3.0-10.0**
Expected return on plan assets	5.0-8.0	6.0-8.0	**5.0-8.0**

The principal assumptions used in determining pension benefits obligation of BCT as of December 31, 2010, 2011 and 2012 are discount rate of 6.0 percent and salary increases ranging from 3.5 percent to 4.0 percent.

The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

	2008	2009	2010	2011	2012
Defined benefit obligation	US$5,368,043	US$7,752,837	US$8,341,436	US$11,223,180	**US$16,114,370**
Plan assets	(8,333,233)	(9,982,742)	(10,996,883)	(11,001,877)	**(13,650,295)**
	(US$2,965,190)	(US$2,229,905)	(US$2,655,447)	US$221,303	**US$2,464,075**

The amount of experience adjustments on pension obligations amounted to US$0.3 million in 2008, US$0.7 million in 2009, US$0.4 million in 2010, US$0.3 million in 2011 and US$1.1 million in 2012. The amount of experience adjustments on plan assets amounted to US$3 thousand in 2008, nil in 2009, US$2 thousand in 2010, US$415 in 2011 and US$1 thousand in 2012.

The plan assets of Group are being held by various trustee banks. The investing decisions of these plans are made by the respective authorized officers of each entity.

The following table presents the carrying amounts and fair values of the combined assets of the plans less liabilities:

	2010	2011	2012
Cash and cash equivalents	US$231,290	US$347,386	**US$398,188**
Investment in debt securities	1,467,265	1,314,052	**1,059,720**
Investment in government securities	8,327,741	9,165,753	**11,975,722**
Investment in equity securities	204,900	44,521	**825,787**
Others	765,687	130,165	**141,659**
	10,996,883	11,001,877	**14,401,076**
Liabilities	–	–	**(750,781)**
	US$10,996,883	US$11,001,877	**US$13,650,295**

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or marked-to-market.

The plans' assets and investments consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bear interest ranging from 5.45% to 8.64% and have maturities from 2013 to 2027;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.39 percent to 12.06 percent and have maturities from 2013 to 2024; and
- Investment in equity securities include investment in shares of ICTSI amounting to nil, US$4.5 million and US$0.8 million as of December 31, 2010, 2011 and 2012, respectively. For the year ended December 31, 2012, gain arising from investment in ICTSI shares amounted to US$2.2 million.

The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.

The voting rights over these equity securities are exercised by the authorized officers of the respective subsidiary.

- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the Plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

Defined Contribution Pension Plan

The employees of YRDICTL are members of a state-managed retirement benefit scheme operated by the local government. YRDICTL is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of YRDICTL with respect to the retirement benefit scheme is to make the specified contributions.

In addition, ICTSI Oregon maintains a Safe Harbor 401k plan (401k plan), covering all of its employees, which became effective January 1, 2011. Participants who are eligible can contribute up to 84 percent of their eligible compensation and those who have reached the age of 21 years old are eligible to make contributions on their first day of service. All participants in the 401k plan are eligible for matching contributions of 100 percent of each dollar contributed up to 6 percent of a participant's earnings. Participant's voluntary contributions and actual earnings thereon are immediately vested. ICTSI's matching contributions to the 401k plan are immediately vested and cannot be forfeited.

Contributions made by YRDICTL, ICTSI Oregon and PICT to the plans and recognized as expense under manpower costs totaled US$0.5 million in 2010, US$0.4 million in 2011 and US$0.7 million in 2012.

23. **Contracts and Agreements**

The Group has entered into a number of contracts and agreements mainly related to the operation, development and management of ports and container terminals. As of December 31, 2012, ICTSI and subsidiaries are in compliance with their concession agreements.

Agreements within the Scope of IFRIC 12

A service concession agreement is within the scope of IFRIC 12 if: (a) The grantor regulates the services, customers and the pricing of the services to be provided; and (b) The grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

23.1 Contract for the Management, Operation and Development of the MICT

The Parent Company has a contract with the PPA for the exclusive management, operation, and development of the MICT for a period of 25 years starting May 18, 1988.

Under the provisions of the contract, "Gross Revenues" shall include all income generated by the Parent Company from the MICT from every source and on every account except interest income, whether collected or not, to include but not limited to harbor dues, berthing fees, wharfage, cargo handling revenues, cranage fees, stripping/stuffing charges, and all other revenues from ancillary services. Harbor dues, berthing fees, and wharfage included in gross revenues amounted to US$12.1 million in 2010, US$13.0 million in 2011 and US$13.7 million in 2012.

In addition, the Parent Company agreed to pay the PPA a fixed fee of US$313.8 million payable in advance in quarterly installments converted to Philippine peso using the closing Philippine Dealing System (PDS) rate of the day before payment is made (net of harbor dues, berthing fees and wharfage allowed by PPA as deduction) and a variable fee based on percentages of the Parent Company's gross revenues ranging from 12 percent to 20 percent during the term of the contract. The total variable fees paid to PPA shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income amounted to US$44.6 million in 2010, US$48.0 million in 2011 and US$55.9 million in 2012. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US$37.9 million, US$21.3 million and US$0.3 million, as of December 31, 2010, 2011 and 2012, respectively. The current portion amounting to US$13.6 million, US$17.4 million and US$0.3 million, is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$24.3 million, US$3.9 million and nil, is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2010, 2011 and 2012, respectively.

The contract contains commitments and restrictions which include, among others, prohibition on the change of Parent Company's controlling ownership without prior consent of the PPA and adherence to a container terminal equipment acquisition program and deployment schedule. Moreover, upon expiration of the term of the contract or in the event of pre-termination, all equipment of the Parent Company being used at the MICT shall become the property of the PPA. The PPA has no obligation to reimburse the Parent Company for the equipment, except for those acquired during the last five years prior to the termination of the contract for which the PPA shall have the option to purchase at book value or to pay rentals. The contract was extended for another 25 years until 2038 subject to completion of agreed additional investments in port equipment and infrastructure prior to 2013 (see Note 1.2).

In 1997, the Parent Company signed a new contract for leasehold rights over the storage facilities at the MICT. Under the new contract, the Parent Company is committed to pay the PPA ₱55.0 million (equivalent to US$1.3 million as of December 31, 2012) a year from January 16, 1997 up to January 15, 2007 and a variable fee of 30 percent of revenues in excess of ₱273.0 million (equivalent to US$6.7 million as of December 31, 2012) generated from the operation of the storage facilities. This contract was renewed on June 11, 2008 and has been made co-terminus with the MICT Management Contract, or up to May 18, 2038.

In 1998, the Parent Company also acquired a contract to handle noncontainerized cargoes and the anchorage operations for a period of ten years starting January 1998. Such contract was renewed on June 11, 2008 and has been made co-terminus with the 1988 MICT Management Contract, or up to May 18, 2038. Under this contract, the Parent Company is required to pay a variable fee of 14 percent of its gross revenues from anchorage operations and 20 percent of its gross revenues from berthside operations for the first three years of the contract. Thereafter, the consideration to be paid by the Parent Company shall be a fixed fee plus a variable fee of 7.5 percent of its gross revenues from berthside operations or 20 percent of its gross revenues, whichever is higher. The fixed fee shall be determined based on the highest annual government share by the Parent Company for the handling of noncontainerized cargoes at berthside for the first three years, plus 10 percent thereof.

23.2 Contract with SBMA and Royal Port Services, Inc. (RPSI)

On February 1, 2000, SBMA, the Parent Company, and RPSI signed a concession agreement for the management, operation and development of the Naval Supply Depot (NSD) Waterfront Area at the Subic Bay Freeport Zone (Zone), for a period of 25 years starting from the date of agreement. Under the agreement, the parties, through SBITC, undertake marine cargo handling and marine container handling services within the NSD Waterfront Area. The Parent Company and RPSI formed SBITHI to control 85 percent of SBITC while the remaining 15 percent is owned by SBMA. SBITC shall pay SBMA a percentage share of its gross revenues derived from business operations within the Zone. Variable fees of 10 percent to 13 percent of gross revenues from international containerized cargoes shall be applied depending on the incremental volumes achieved by SBITC plus 10 percent of gross revenues from international bulk and break bulk cargoes. The concession rights were terminated upon the award to SBITC of the operation and management of the New Container Terminal 1 (NCT-1) pursuant to the Contract for the Operation and Management of the NCT-1 dated February 20, 2007 by and between SBMA and SBITC (the "NCT-1 Contract"), since SBITC's container operations, by virtue of the NCT-1 Contract, have transferred to NCT-1 from NSD. To address conflicts of interest that exist and/or might be perceived to exist owing to SBMA's role as regulator of SBITC, SBMA, in 2008, returned all its shareholdings in SBITC to SBITHI. The transaction was treated as an acquisition of treasury share at book value and effectively increased the ownership of SBITHI over SBITC from 70.83 percent to 83.33 percent.

SBITC was awarded by the SBMA the contract to operate the NCT-1 at Cubi Point in Subic for a period of 25 years. The NCT-1 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, SBITC shall pay: (i) base rent of US$0.70 per square meter per month with 6 percent escalation on the 5th year and every three years thereafter; (ii) fixed fee of US$500,000 every year except for the first two years of the contract; and, (iii) variable fee of 12 percent to 16 percent of SBITC's gross revenue based on the volume of containers handled at the terminal.

Total variable fees paid to SBMA, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$0.3 million in 2010 and in 2011 and US$0.4 million in 2012. Fixed fees pertaining to the contract to operate NCT-1 formed part of the capitalized concession rights which are being amortized over the concession period.

Related concession rights payable amounted to US$20.4 million, US$20.2 million and US$20.0 million, as of December 31, 2010, 2011 and 2012, respectively. The current portion amounting to US$0.2 million, US$0.2 million and US$0.3 million, is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$20.3 million, US$20.1 million and US$19.7 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2010, 2011 and 2012, respectively.

23.3 Agreement for Public Concession with Societe de Gestion du Port Autonome de Toamasina (SPAT)

On June 16, 2005, the Parent Company and SPAT signed a 20-year concession agreement for a Public Service Concession for the operation of a container terminal in the Port of Toamasina. Under the agreement, the Parent Company, through MICTSL (a wholly owned subsidiary), will undertake container handling and related services in the Port of Toamasina. The Parent Company agreed to pay SPAT an entry fee of €5.0 million (US$6.5 million) and fixed and variable fees converted to MGA using the Euro/MGA weighted exchange rate published by the Central Bank of Madagascar on the day payment is made. Fixed fees paid in 2005 to 2007 amounted to €1.0 million (US$1.3 million) per year; for the years 2008 to 2010, the fixed fees paid amounted to €1.5 million (US$1.9 million) per year; for 2011 to 2015, the fixed fees will be €2.0 million (US$2.6 million) per year; and for 2016 to 2024, fixed fees will be €2.5 million (US$3.2 million) per year. In addition, the Parent Company agreed to pay SPAT €5.0 million (US$6.5 million) for two quay cranes payable in three annual installments from the date of the agreement. Fixed and variable fees will be updated annually based on inflation rate of the Euro zone of the previous year. Annual fixed fee is payable in advance in semi-annual installments. The variable fee of €36.8 (US$47.7) per Twenty-foot equivalents (TFE) is payable every 15th day of the following month. However, variable fee will be reduced by 20 percent after 12 consecutive months of operations with container traffic of more than 200,000 TFEs. The total variable fees paid to SPAT shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$6.8 million (€5.1 million)in 2010, US$7.5 million (€5.4 million) in 2011 and US$8.2 million (€6.3 million) in 2012. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US$22.2 million (€16.6 million), US$21.2 million (€16.3 million) and US$21.2 million (€16.1 million) as of December 31, 2010, 2011 and 2012, respectively. The current portion amounting to US$0.3 million (€0.3 million), US$0.4 million (€0.3 million) and US$0.4 million (€0.3 million) is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$21.9 million (€16.3 million), US$20.8 million (€16.1 million) and US$20.8 million (€15.7 million) is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2010, 2011 and 2012, respectively.

23.4 Investment Agreement with Tartous Port General Co. (TPGC)

On March 24, 2007, ICTSI, through TICT entered into a ten-year Investment Agreement with the TPGC to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous container terminal in Syria with an option to extend it for five additional years. An entry fee of US$5.0 million was made upon the approval of the Investment Agreement which was amortized over the period of the concession. Under the Investment Agreement, ICTSI is committed to make all necessary investment under a development plan to be approved by the port authority. Under the plan, ICTSI is expected to invest approximately US$39.5 million for facilities improvement and equipment acquisition over the concession period, including the rehabilitation and development of existing facilities and the construction of an administration building, workshop, reefer racks and terminal gates.

Pursuant to the Investment Agreement, TICT was granted the rights to operate Tartous container terminal. As a consideration for the right to operate Tartous container terminal, TICT should pay annual fees of US$3,008,000 payable on a quarterly basis at the end of each quarter and variable fees of US$11.48 per full TEU and US$5.74 per empty TEU, which were re-evaluated each year on the basis of the official European Union inflation rate. The total variable fees paid and/or accrued by TICT to TPGC shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income amounted to US$0.8 million in 2010, US$0.7 million in 2011 and US$0.6 million in 2012. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US$14.7 million and US$13.2 million as of December 31, 2010 and 2011 respectively. The current portion amounting to US$1.6 million and US$1.8 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$13.1 million and US$11.4 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2010 and 2011, respectively.

As discussed on Note 1.2, TICT filed a Notice of Termination of the abovementioned Investment Agreement on December 28, 2012. As a result of the termination of the Investment Agreement, ICTSI wrote-off its investment in TICT equivalent to the net assets of TICT as of December 28, 2012, amounting to US$0.8 million (see Note 19.3). Management believes that TICT has no obligation to settle the concession rights payable corresponding to the present value of fixed fees, which was recognized at inception of the Investment Agreement upon filing the Notice of Termination on the basis discussed in Note 1.2. TICT formally ceased operating the Tartous container terminal on January 27, 2013.

23.5 Concession Agreement with Autoridad Portuaria de Guayaquil (APG)

In May 2007, ICTSI, through CGSA, entered into a concession agreement with the Port Authority of Guayaquil for the exclusive operation and development of a container terminal in the Port of Guayaquil, Ecuador for a period of 20 years ending in 2027.

CGSA took over the terminal operations on August 1, 2007. The terminal handles containerized and bulk cargo. ICTSI's technical plan is to convert the port into a modern multipurpose terminal, comprehensive of two main facilities: a dedicated container terminal of about one million Twenty-foot Equivalent Units (TEU)'s capacity; and a break bulk terminal of about three million tons (banana and other fruits are the main cargo component in this field). ICTSI's development plan covers a period of five to seven years for the terminal to reach the said capacities.

Under the concession agreement, CGSA shall pay APG the following: (i) upfront fee totaling US$30.0 million payable over five years; (ii) fixed fees of US$2.1 million payable quarterly; and (iii) variable fees of US$10.4 per TEU for containers handled and US$0.50 per ton for noncontainerized general cargo handled payable monthly. The upfront fee, recorded as concession rights and concession rights payable at inception, is subject to interest based on three-month LIBOR rate. As of December 31, 2010, unpaid obligation pertaining to upfront fee amounted to US$6.0 million, which was presented as "Current portion of concession rights payable."

The total variable port fees paid by CGSA to APG shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$9.6 million in 2010, US$12.9 million in 2011 and US$14.0 million in 2012. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US$67.7 million, US$66.0 million and US$64.1 million as of December 31, 2010, 2011 and 2012, respectively. The current portion amounting to US$1.7 million, US$1.9 million and US$2.1 million, is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$66.0 million, US$64.1 million and US$62.0 million, is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2010, 2011 and 2012, respectively.

23.6 Concession Agreement with La Plata

ICTSI, through Tecplata, entered into a concession agreement with La Plata on October 16, 2008. The concession is for 30 years starting from taking bare possession of the terminal or until 2038 and renewable for another 30 years for the following considerations: (i) fixed rent fee - payable on a monthly basis and in advance for AR$0.50 (equivalent to US$0.13)/square meter (sqm) per month during the first 24 months of the construction period, AR$1.00 (equivalent to US$0.25)/sqm per month starting from the 25th month of the construction period until start of commercial operations, and AR$4.00 (equivalent to US$1.01)/sqm per month at the start of commercial operations; (ii) variable royalty - payable monthly and based on annual traffic volume at the start of commercial operations; and (iii) assured royalty - payable annually once the terminal becomes operative to cover fixed rent fee, variable royalty, tariff for the use of waterways and port and service of containerized cargoes for the amount of US$4.0 million. The port of La Plata shall be operated by ICTSI through Tecplata. Tecplata took over bare possession of the terminal on November 10, 2008 and construction activities are ongoing. Tecplata is expected to start commercial operations in 2013.

For the year ended December 31, 2010, 2011 and 2012, Tecplata has paid La Plata fixed rent fee amounting to US$0.5 million, US$0.9 million and US$0.9 million, respectively. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Concession rights payable amounted to US$0.9 million, US$0.5 million and US$0.5 million, as of December 31, 2010, 2011 and 2012, respectively.

The contract contains commitments and restrictions which include works and investments to be completed at different stages of the concession, to wit:, among others: (i) First Stage - construction of a dock with a length of 500 meters, a yard for handling and storage with an area of 227,600 square meters, access pavements and parking lots for trucks, service facilities and internal parking lots, margins protection to avoid erosion, and a 600-meter secondary road for access to the terminal; (ii) Second stage - extension of the main dock by 300 meters and expansion of the yard by 31,000 square meters; (iii) Third stage - expansion of the yard for handling and storage by 44,000 square meters and construction of CFS facilities with an area of 10,000 square meters; and (iv) work completion and performance bonds amounting to US$1.0 million and US$2.5 million, respectively.

23.7 Agreement on Concession of Container and Ro-Ro Terminal Brajdica

In March 2011, ICTSI, through its wholly-owned subsidiary, ICTSI Capital BV, entered into a Share Purchase Agreement (SPA) with Luka Rijeka D.D. (Luka Rijeka), a Croatian company, to purchase a 51 percent interest in the Adriatic Gate Container Terminal (AGCT). AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The concession agreement calls for a payment of fixed port fees in the amount of US$0.6 per square meter of the occupied concession area until second quarter of 2013 and variable port fees equivalent to 1 percent of annual gross revenues. After the delivery or handover of the new area, port fees shall be as follows: fixed port fees of €4.0 (US$5.2) per square meter; and variable fees based on annual volume handled. Variable fees shall be calculated in the following manner based on annual throughput: €6.4 (US$8.3) per TEU until 350,000 TEU-volume has been handled; €4.8 (US$6.2) per TEU for annual throughput of 350,001-400,000 TEUs; and €3.2 (US$4.1) per TEU for volume handled above 400,000 TEUs.

Total variable fees paid by AGCT to the port authority shown as part of "Port authorities' share in gross revenues" account in consolidated statement of income amounted to US$0.3 million (HRK1.6 million) and US$0.1 million (HRK0.6 million) in 2011 and 2012, respectively. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession.

Related concession rights payable amounting to US$9.5 million (HRK55.5 million) and US$10.3 million (HRK59.3 million) was presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011 and 2012, respectively.

23.8 Contract for the Operation and Management on the New Container Terminal 2 (NCT-2 Contract)

On July 27, 2011, SBMA and ICTSI signed the concession agreement for the operation and management of NCT-2 at Cubi Point in Subic, Philippines for 25 years. On August 19, 2011, SBMA approved the assignment of ICTSI's rights, interests and obligations in the NCT-2 contract to ICTSI Subic, which was incorporated on May 31, 2011.

The NCT-2 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, ICTSI Subic shall pay: (i) base rent of US$1.005 per square meter per month with 6 percent escalation on the fifth year and every three years thereafter; (ii) fixed fee of US$502,500 every year; and (iii) variable fee of 12 percent to 17 percent of ICTSI Subic's gross revenue depending on the volume of containers handled at the terminal. Under the NCT-2 Contract, ICTSI Subic shall manage and provide container handling and ancillary services to shipping lines and cargo owners at NCT-2. While SBMA shall provide the equipment at NCT-2, ICTSI Subic shall also provide additional equipment and facilities it may deem necessary to efficiently manage NCT-2 and pay certain fees to SBMA in consideration for the NCT-2 Contract. Furthermore, ICTSI Subic is committed to invest a total of ₱658.0 million (approximately US$16.0 million) for the entire duration of the concession agreement.

On August 2, 2012, SBMA issued the Notice to Proceed with the operation and management of the NCT-2 to ICTSI Subic (see Note 1.2). Consequently, ICTSI Subic recognized the present value of fixed port fees as concession rights and concession rights payable both amounting to US$28.7 million (see Note 6).

ICTSI Subic has not paid any variable fees to SBMA in 2012. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US$29.0 million. The current portion amounting to US$0.2 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$28.8 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2012.

23.9 Sub-Concession Agreement (SCA) between ICTSI and Lekki Port LFTZ Enterprise (Lekki Port)

On August 10, 2012, ICTSI and Lekki Port signed the SCA, which grants ICTSI the exclusive right to develop and operate the Deep Water Port in the LFTZ, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operation date (see Note 1.2). As considerations for the SCA, ICTSI shall: (i) pay royalties calculated as a percentage of Gross Revenue as defined in the SCA; (ii) pay sub-concession fee amounting to US$25.0 million, payable in two equal tranches; (iii) pay infrastructure fee of about US$37.2 million; and (iv) transfer certain equipment as specified in the SCA. The container terminal will have a quay length of 1,200 meters, an initial draft of 14.5 meters with the potential for further dredging to 16 meters, and maximum handling capacity of 2.5 million TEUs. With these features, shipping lines will be able to call with the new regional standard large vessels, turning the port into a seminal destination for the West African region. The container terminal is under construction, and is scheduled to commence operations in 2016. On November 7, 2012, ICTSI through ICBV, established Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) to operate the Deep Water Port in the LFTZ (see Note 1.3). As of December 31, 2012, ICTSI paid US$12.5 million sub-concession fee to Lekki Port, which is recognized as Concession Rights in the consolidated balance sheet (see Note 6).

23.10 Implementation Agreement between Karachi Port Trust (KPT) and Premier Mercantile Services (PVT) Ltd. (PMS)

On June 18, 2002, KPT and PMS signed the Implementation Agreement for the exclusive construction, development, operations and management of a common user container terminal at the Karachi Port for a period of 21 years until 2023. PMS established PICT as the terminal operating company to develop, operate and maintain the site and the terminal in accordance with the Implementation Agreement. The Implementation Agreement sets forth the specific equipment and construction works to be performed based on the terminal's productivity level; calls for the payment of fixed and variable fees; and requires the turnover of specific terminal assets at the end of the term of the Implementation Agreement. Fixed fees are in the form of Lease Payments or Handling, Marshalling and Storage charges ("HMS Charges") at a unit rate of Rs411 per square meter per annum in respect of the site occupied by PICT and subject to an escalation of 15 percent every three years in accordance with the Lease Agreement between KPT and PICT, which is an integral part of the of the Implementation Agreement. On the other hand, variable fees are in the form of Royalty payments at a rate of US$12.54 per Cross Berth revenue move, subject to an escalation of 5 percent every three years.

As discussed in Note 1.2, ICTSI, through ICTSML, acquired 35 percent equity interest and gained control over PICT effective October 19, 2012. ICTSI further increased its ownership to 63.59 percent as of December 31, 2012 (see Note 14.4).

Total variable fees paid to KPT shown as part of "Port authorities' share in gross revenues" account in the 2012 consolidated statement of income, amounted to US$1.1 million (Rs.101.4 million). Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable amounted to US$13.2 million (Rs.1.3 billion), as of

December 31, 2012. The current portion amounting to US$0.7 million (Rs.63.4 million) is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$12.6 million (Rs.1.2 billion) is presented as "Concession rights payable - net of current portion" in the 2012 consolidated balance sheet.

Agreements outside the Scope of IFRIC 12 and Accounted by the Group in Accordance with IFRIC 4

Agreements outside the scope of IFRIC 12 are assessed in accordance with IFRIC 4. An arrangement is within the scope of IFRIC 4 if: (a) the fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

23.11 Lease Agreement for the Installation and Exploitation of a Container Terminal for Mixed Private Use of the Port of Suape-Complexo Industrial Portuario (Suape)

On July 2, 2001, TSSA entered into a lease agreement with Suape for the operation and development of a container terminal in a port in Suape, Brazil for a period of 30 years starting from the date of agreement. In consideration for the lease, TSSA shall pay Suape a fee in Brazilian Reais (R$) consisting of three components: (i) R$8.2 million, payable within 30 days from the date of agreement; (ii) R$3.1 million, payable in quarterly installments; and (iii) an amount ranging from R$15 to R$50 (depending on the type of container and traffic, i.e., full, empty/ removal and transshipment) handled for each container, payable quarterly. For the third component of the fee (which rates per container increase by 100 percent every ten years), if the total amount paid for containers handled in the four quarters of the year is less than the assured minimum amount for such component indicated in the agreement, TSSA will pay the difference to Suape. The lease fee is subject to readjustment annually, unless there is a change in legislation, which allows a reduction in the frequency of readjustment, based on a certain formula contained in the agreement. Total variable fees paid to Suape, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$8.3 million (R$14.7 million) in 2010, US$16.7 million (R$28.0 million) in 2011 and US$15.0 million (R$29.4 million) in 2012. Total fixed fees paid to Suape, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$3.9 million (R$6.9 million) in 2010, US$5.5 million (R$9.3 million) in 2011 and US$5.1 million (R$9.9 million) in 2012.

Under the lease agreement, TSSA undertakes to make the investment in works, equipment, systems and others necessary to develop and operate the Suape port within the agreed time frame.

Upon the expiration of the term of the contract or in the event of pre-termination, the building and other structures constructed in the port by TSSA shall become the property of Suape in addition to assets originally leased by Suape to TSSA. TSSA may remove movable goods from the container terminal, unless the parties agree otherwise.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$6.9 million (R$14.2 million); due starting 2014 up to 2017 totaled US$37.3 million (R$76.6 million); and due starting 2018 onwards totaled US$373.7 million (R$766.7 million).

23.12 Contracts with Gdynia Port Authority (the "Harbour")

On May 30, 2003, the Parent Company and the Harbour signed three Agreements, namely Agreement on Commercial Cooperation, Lease Contract and Contract for Sale of Shares, which marked the completion of the privatization of BCT. BCT owns the terminal handling assets and an exclusive lease contract to operate the Gdynia container terminal for 20 years until 2023, extendable for another specified or unspecified period, depending on the agreement.

Under the Agreement on Commercial Cooperation, US$78.0 million is the estimated investment for terminal improvements over the life of the concession, of which €20.0 million is necessary within the first eight-year period. As of December 31, 2012, BCT invested US$44.9 million (€35.4 million), thus exceeding the minimum investment level required.

In the original Lease Contract signed between the Harbour and the original owners of BCT, the Harbour shall lease to BCT its land, buildings and facilities for a period of 20 years for a consideration of Polish zloty (PLN) equivalent of US$0.62 million per month to be paid in advance. Subsequently, two amendments in the contract were made reducing the monthly rental to US$0.61 million and US$0.59 million in June 2002 and July 2002, respectively. Under the new Agreement with BCT, the Harbour further reduced the rental fee by US$0.9 million (PLN2.8 million) annually effective January 1, 2005. This amount has been translated into US dollar using the average exchange rate of US dollar effective in the National Bank of Poland as at December 31, 2004, and deducted from the existing rental rate in US dollar. Total fees paid to the Harbour pertaining to the Lease Contract, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$6.6 million in 2010, 2011 and in 2012.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$6.6 million; due starting 2014 up to 2017 totaled US$26.4 million; and due starting 2018 onwards totaled US$35.8 million.

23.13 Contract with Naha Port Authority (NPA)

On January 25, 2005, NPA and NICTI signed the basic agreement to operate Terminals 9 and 10 at the Naha port. Another agreement, a 10-year Lease Agreement, was signed on May 12, 2005 after the authorization for the project was obtained from the ay

office of the Japanese Prime Minister pursuant to the law on Special Zones for Structural Reform. Actual port operations commenced on January 1, 2006. NICTI has committed to achieve annual handling volume of containers over 850,000 TEUs which shall include empty containers. In addition, NICTI has agreed to design, construct, operate and maintain the port facilities and terminal site including NPA's facilities and has set up a performance bond with a local bank for a sum of ¥100.0 million as required by NPA. NICTI deposited ¥50.0 million to guarantee the performance bond. Such performance bond is classified as restricted cash and is presented under "Other noncurrent assets" account in the consolidated balance sheets. NICTI is also committed to pay fixed fees amounting to ¥87.5 million annually, starting 2009, plus a variable fee based on volume achieved payable semi-annually. In 2009, NPA and NICTI agreed to reduce the annual fixed fees as follows: ¥42.9 million for the period starting April 1, 2009 until March 30, 2010; and ¥43.08 million for the period starting April 1, 2010 until the end of the lease term. Total fixed fees paid to NPA pertaining to the contract, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$0.9 million (¥81.9 million) in 2010, US$0.5 million (¥38.4 million) in 2011 and US$0.5 million (¥43.6 million). Variable fees paid to NPA, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$0.4 million (¥37.2 million) in 2010, US$0.4 million (¥33.2 million) in 2011 and US$0.5 million (¥37.5 million) in 2012.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$0.5 million (¥43.1 million); and due starting 2014 up to 2015, end of the lease term, totaled US$0.6 million (¥53.9 million).

23.14 Concession Agreement with Colombian National Concessions Institute

In July 2007, ICTSI has concluded agreements to commence the construction and development of a new multi-user container terminal at the Port of Buenaventura in Colombia, including the agreement to acquire stakes in three existing companies and gain control over SPIA.

SPIA has the right to develop, construct and operate a new container terminal in the Aguadulce Peninsula under a concession granted by the Colombian National Concessions Institute for a period of 30 years until 2037, renewable for another 30 years. The port will handle containerized cargo, bulk liquids, bulk solids and petroleum products. Investments in the Port of Buenaventura include development of (i) a multi-purpose port and special terminals, (ii) an industrial complex, and (iii) a support zone to provide the port and the industrial park with services. Total investments and works are initially estimated to be US$180.1 million. SPIA shall pay the Colombian National Concessions Institute annual license fee of US$1.4 million over the 30-year concession period.

As of December 31, 2010, 2011 and 2012, SPIA's unpaid obligation on the acquisition of the concession right amounted to US$11.2 million, US$11.2 million and US$11.1 million, discounted at present value, respectively. The current portion amounting to US$0.1 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$11.1 million, US$11.1 million and US$11.0 million, is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2010, 2011 and 2012, respectively.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$1.4 million; due starting 2014 up to 2017 totaled US$5.7 million; and due starting 2018 onwards totaled US$28.5 million.

23.15 Concession Agreement with Batumi Port Holdings Limited (BPHL)

In September 2007, IGC obtained the concession from BPHL to develop and operate a container terminal and a ferry and dry bulk handling facility in the Port of Batumi in Georgia. BPHL has the exclusive management right over the State-owned shares in Batumi Sea Port Limited (BSP). IGC established BICTL to operate the concession.

In relation to the concession, BICTL, through IGC, entered into a lease and operating agreement with BSP for a 48-year lease over a total area of 13.6 hectares of land in Batumi Port, consisting of Berths 4 and 5 for a container terminal, and Berth 6 as ferry terminal and for dry bulk general cargo. The lease and operating agreement will expire on June 30, 2055. IGC paid BPHL US$31.0 million in consideration of the procurement for the lease between BICTL and BSP. Under the lease and operating agreement between BICTL and BPHL, BICTL shall pay BSP an annual rent as stipulated in the agreement.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$0.8 million; due starting 2014 up to 2017 totaled US$3.1 million; and due starting 2018 onwards totaled US$29.2 million.

Total fixed fees shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$0.8 million for each of the year ended December 31, 2010, 2011 and 2012.

23.16 Concession Contract for the Management and Operation of the MCT

On April 25, 2008, Phividec Industrial Authority (PIA) awarded the management and operation of MCT in Misamis Oriental, in the Philippines to ICTSI. The concession contract is for a period of 25 years starting from the date of the agreement. ICTSI established MICTSI to operate the concession. Under the contract, MICTSI shall be responsible for planning, supervising and providing full terminal operations for ships, container yards and cargo handling. MICTSI shall also be responsible for the maintenance of the port infrastructure, facilities and equipment set forth in the contract and shall procure any additional equipment that it may deem necessary for the improvement of MCT's operations. In consideration for the contract, MICTSI shall pay PIA fixed fee of ₱2,230.0 million (equivalent to US$46.9 million) payable in advance in quarterly installments and variable fees based on percentages of MICTSI's gross

revenue ranging from 15 percent to 18 percent during the term of the contract. The total variable fees paid to PIA, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$1.3 million (₱57.4 million) in 2010, US$1.6 million (₱69.4 million) in 2011 and US$1.8 million (₱76.7 million) in 2012. Total fixed fees paid to PIA, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to US$0.8 million (₱36.0 million) in 2010 and in 2011, and US$0.9 million (₱36.0 million) in 2012.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$1.0 million (₱40.0 million); due starting 2014 up to 2017 totaled US$6.3 million (₱260.0 million); and due starting 2018 onwards totaled US$42.6 million (₱1.8 billion).

23.17 Deed of Usufruct between Tecplata and Compañia Fluvial del Sud, S.A.

In 2008, Tecplata entered into an operating lease agreement with Compañia Fluvial del Sud, S.A. for the use of land and real property in relation to Tecplata's contract to operate the port of La Plata in Argentina. The lease agreement is for 20 years subject to renewal for another 20 years at the option of Tecplata. This agreement is accounted for as an operating lease. Consequently, Tecplata will capitalize the related rental expense as part of the cost of port facilities to be recognized under "Intangibles" account in the consolidated balance sheet during the period of construction until such time that the port facilities will be available for use. On December 20, 2010, Tecplata and Compañia Fluvial del Sud, S.A. executed an amendment to the lease agreement which provided that: (i) in 2010, Tecplata should not have to make any payments in connection with the lease; (ii) from January 2011, Tecplata shall pay a monthly lease of US$17,500 (approximately AR$87,500); and (iii) from the month following the commencement of operations in the terminal, monthly payments shall be US$35,000 (approximately AR$175,000), which was the amount originally agreed upon by both parties. In addition, the accumulated discount as a result of the amendment in 2010 relating to lease payments in 2011 and 2012 with respect to the original values of the lease amounting approximately US$0.6 million (as of December 31, 2012) will be paid in 36 installments once Tecplata starts operations. No payment in relation to lease was made in 2010 but in 2011 and 2012, Tecplata paid US$0.4 million each year to Compañia Fluvial del Sud, S.A. Tecplata is expected to start commercial operations by the third quarter of 2013.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$0.5 million; due starting 2014 up to 2017 totaled US$2.4 million; and due starting 2018 onwards totaled US$8.8 million.

23.18 Contract Granting Partial Rights and Obligations to Contecon Manzanillo, S.A. de C.V.

In November 2009, ICTSI was declared by the Administracion Portuaria Integral de Manzanillo, S.A., de C.V. (API) the winner of a 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established Contecon Manzanillo, S.A. de C.V. (CMSA) on January 6, 2010 to operate the Port of Manzanillo. The concession agreement was signed on June 3, 2010. CMSA paid upfront fees of MXN50.0 million (US$4.1 million) to API in two installments: MXN25.0 million (US$2.0 million) on June 3, 2010, the date of signing of the contract; and another MXN25.0 million (US$2.0 million) on September 17, 2010.

Under the terms of the contract granting partial rights and obligations, CMSA will build, equip, operate and develop the terminal that will specialize in the handling and servicing of containerized cargo. Investments in the Port of Manzanillo include maritime works, dredging, quay (including crossbeams and fenders), maneuver yards, storage installations, land access and signals, as well as all those works necessary to fulfill the productivity indexes contained in the contract. Total investment and works for the first phase are estimated at US$309.4 million.

The port facilities will be turned over by API to CMSA in three phases: (a) Phase I, North Area, Position 18: 379,534.217 square meters (sqm) of the federal land area and 18,000 sqm of the maritime area; (b) Phase II, Centre Area Position 19: 158,329.294 sqm of the federal land area and 18,000 sqm of the maritime area; (c) Phase III, South Area (Position 20): 186,325.232 sqm of the federal land area and 18,000 sqm of the maritime area. The first phase of the ceded area was formally delivered to CMSA on November 20, 2010. CMSA will formally request for the delivery of the second and third phases of the area, not later than January 1, 2017 and January 1, 2020, respectively.

For the first part of the ceded area, CMSA will pay fixed fees of MXN163.0 million (US$13.2 million) divided into 12 monthly payments, payable in advance. When CMSA has received the second and third phases of the ceded area, CMSA will pay additional annual fixed fees of US$5.9 million (MXN72.3 million) and US$6.8 million (MXN83.8 million), respectively. Further, CMSA shall pay monthly variable fees of US$16.2 (MXN200) per TEU, for a maximum of 1,500,000 TEUs per year.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$14.6 million (MXN187.6 million); due starting 2014 up to 2017 totaled US$62.1 million (MXN0.8 billion); and due starting 2018 onwards totaled US$632.4 million (MXN8.1 billion).

23.19 Finance Lease Agreements between SPIA and BanColombia, S.A. (BanColombia) and BanColombia (Panamá) S.A. (BanColombia Panamá)

On December 24, 2009, SPIA entered into finance lease agreements with BanColombia and BanColombia (Panamá) for the amount of US$217.0 million (COP434.1 million) and US$52.3 million, respectively. These finance leases would be used as facilities to acquire port facilities and equipment. At the end of 2012, SPIA decided to let these finance lease agreements expire

as of December 31, 2012 without renewing or extending them. The decision was made based on the assessment of the financial terms of the finance lease agreements considering the current scenario of the international financial market and upon analysis of the benefits of the Free Trade Zone. Correspondingly, these finance lease agreements did not give rise to any finance lease obligation to SPIA.

23.20 Lease Agreement between the Port of Portland and ICTSI Oregon

On May 12, 2010, ICTSI Oregon signed a 25-year lease with the Port of Portland (the Port) for the container/break bulk facility at Terminal 6. Under the terms of the agreement, ICTSI Oregon and ICTSI paid the Port US$8.0 million (US$2.0 million on May 12, 2010 as a signing deposit; and the remaining US$6.0 million on August 12, 2010) in addition to an annual rent payment of US$4.5 million, subject to any increases in the consumer price index. As terminal volume increases over time, ICTSI will pay the Port additional incremental revenue per container moved. Furthermore, the Port shall; (a) demise and lease the terminal land, the improvements, cranes, and all appurtenances pertaining thereto or arising in connection therewith to ICTSI, for and during the term of the lease; (b) grant an exclusive right to conduct stevedoring services at the terminal and to operate, manage, maintain and rehabilitate the port infrastructure, as well as to provide terminal services and collect and retain user fees; and (c) grant a non-exclusive right during the term of the lease to use the common areas in connection with permitted uses of the terminal.

The US$8.0 million upfront fee was allocated to concession rights and property and equipment amounting to US$4.2 million and US$3.8 million, respectively. ICTSI Oregon took over the operations of the Terminal 6 of the Port of Portland on February 12, 2011.

In 2012, ICTSI Oregon and the Port entered into an agreement for Cost Sharing Program, which served to reimburse the former for increased and unrecoverable costs incurred by ICTSI Oregon as a result of the work slowdowns, stoppages and other disruptions caused by the International Longshore and Warehouse Union (ILWU). The Cost Sharing Program did not modify the terms of the original lease with the Port or impact the existing contractual obligations under the lease. Further, the Cost Sharing Program did not represent a reduction in rent expense or a rent holiday; instead it compensated ICTSI Oregon for increased period costs which the Port elected to share in, as a show of good faith in the partnership between ICTSI Oregon and the Port. ICTSI Oregon received US$2.7 million as recovery of lost revenue and additional cost in 2012 under the Cost Sharing Program and recognized this amount as part of "Gross revenues from port operations" account in the 2012 consolidated statement of income.

On February 13, 2013, ICTSI Oregon and the Port entered into a Rent Rebate Program whereby the Port will rebate a portion of the Annual Rent up to US$0.3 million per month (Rebate Payment) for each calendar month during 2013, subject to the terms and conditions set forth in the Rent Rebate Program. However, the total amount of Rebate Payments to ICTSI Oregon by the Port under the Rent Rebate Program shall not exceed US$3.7 million for the year. The term of the Rent Rebate Program ends December 31, 2013. The rent rebates are conditional on ICTSI Oregon meeting certain minimum service levels at the terminal and continuous container service.

Total fees paid to the Port pertaining to the lease agreement, shown as part of "Equipment and facilities-related expenses" account in the consolidated statement of income, amounted to US$3.8 million and US$4.6 million in 2011 and 2012, respectively.

Minimum lease payments relating to this agreement are as follows: due in 2013 amounted to US$4.7 million; due starting 2014 up to 2017 totaled US$20.2 million; and due starting 2018 onwards totaled US$122.2 million.

Agreements outside the Scope of IFRIC 12 and IFRIC 4

23.21 Shareholders' Agreement (Agreement) with Atlantic Gulf & Pacific Company of Manila, Inc. (AG&P)

On September 30, 1997, IWI entered into an Agreement with AG&P forming BIPI. BIPI developed the property acquired from AG&P at Bauan, Batangas into an international commercial port duly licensed as a private commercial port by the PPA.

Simultaneous with the execution of the Agreement, AG&P executed a Deed of Conditional Sale in favor of IWI conveying to the latter a parcel of land for a total purchase price of ₱632.0 million (equivalent US$15.4 million as of December 31, 2012). The said land was transferred by IWI to BIPI under a tax-free exchange of asset for shares.

23.22 Cooperation Agreement for the Procurement, Installation and Operation of Container Handling Equipment under a Revenue Sharing Scheme at the Makassar Container Terminal Port of Makassar, South Sulawesi, Indonesia

MTS has an existing agreement with PT (Persero) Pelabuhan Indonesia IV (Pelindo IV), the Indonesian government-owned corporation that owns and operates the Makassar Container Terminal, for the procurement, installation and operation of Container Handling Equipment (CHE) at the Makassar Container Terminal under a revenue sharing scheme for ten years until 2013, renewable for another 10 years by mutual agreement. Under the agreement, MTS provides and operates CHE at the Port of Makassar. For the services provided, MTS is paid by Pelindo IV 60 percent of the gross revenue based on the published tariff for the operation of CHE owned by MTS, with a minimum guaranteed revenue equivalent to 50,000 TEUs production annually. MTS' share in gross revenues included under "Gross revenues from port operations" account in the consolidated statements of income amounted to US$4.7 million (IDR42.6 billion) in 2010, US$4.8 million (IDR41.7 billion) in 2011 and US$4.1 million (IDR38.9 billion) in 2012.

In December 2012, MTS extended the joint operation contract, which will originally expire on September 30, 2013, until January 31, 2023.

23.23 Long-term Contract for the Operations of Cargo Handling Services at Makar Wharf

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 and on all vessels berthed thereat, under the terms, conditions, stipulations and covenants in the contract. SCIPSI agreed to pay PPA 10 percent of the gross income for handling domestic cargo and 20 percent of the gross income for handling foreign cargo whether billed/unbilled or collected/uncollected. The total fees paid by SCIPSI to PPA shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$0.7 million (₱31.2 million) in 2010, US$0.7 million (₱31.4 million) in 2011 and US$0.8 million (₱33.8 million) in 2012.

23.24 Long-term Contract for the Operations of Cargo Handling Services at Sasa Wharf

On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Sasa Wharf, Port of Davao in the Philippines and on all vessels berthed thereat, under the terms, conditions, stipulations and covenants in the contract. The contract provides, among others, for DIPSSCOR to maintain a required amount of working capital, to put up a performance bond to be secured from the Government Services Insurance System, to comply with the commitments and conditions in the business plan and to maintain a determined level of handling efficiency. DIPSSCOR agreed to pay PPA 10 percent of the gross income for handling domestic cargo and 20 percent of the gross income for handling foreign cargo whether billed/unbilled or collected/uncollected. The total fees paid by DIPSSCOR to PPA, shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$2.3 million (₱105.5 million) in 2010, US$3.4 million (₱148.3 million) in 2011 and US$3.3 million (₱137.6 million) in 2012.

23.25 Joint Venture Contract on YRDICTL

In January 2007, the Group (through ICTSI (Hong Kong) Limited) entered into a joint venture contract with YPG and SDIC Communications, Co. on YRDICTL to operate and manage the Yantai port in Shandong Province, China. The registered capital of YRDICTL is RMB600.0 million (equivalent to US$95.4 million as of December 31, 2011) and the term of the joint venture is 30 years, and may be extended upon agreement of all parties. The joint venture became effective on February 28, 2007.

In 2010, YPG and SDIC invested its 40 percent stock holdings in YRDICTL into Yantai Port Holdings (YPH). As such, the minority shareholder of the Company was changed from YPG and SDIC to YPH (see Notes 14.4 and 21.1).

Pursuant to a joint venture agreement, the Board of YRDICTL shall be comprised of five members, three of which the Group has the right to elect. The land operated by YRDICTL was contributed as an in-kind capital contribution by YPG for a period of 30 years.

23.26 Contracts Entered into by OJA

As mentioned in Note 1.2, OJA has existing cooperation agreements which have terms of two years that can be extended pursuant to applicable provision in each agreement as follows:

- Cooperation Agreement for Operation of Terminal Area III of the Tanjung Priok Port at Jakarta, Indonesia between PT (Persero) Pelabuhan Indonesia II (Pelindo II) and OJA

OJA has existing cooperation agreements with Pelindo II under a revenue sharing scheme covering the terminal operations of berths 300, 301, 302 and 303 located in Terminal Area III (referred to as "Cooperation Area") of the Tanjung Priok Port, Jakarta, Indonesia. OJA and Pelindo II share a fixed percentage based on various activities or services with container handling equipment and other facilities provided and operated by OJA in the Cooperation Area including stevedoring, lift-on/lift off, reefer container plugging and monitoring, trucking, and container customs inspection. The cooperation agreement was signed on March 7, 2011 and expired on March 7, 2013. As of March 7, 2013, discussion regarding the extension of the concession agreement or cooperation agreement are ongoing.

- Container Handling Lease Agreement between PT PBM JASA Trisari (Trisari) and OJA

OJA entered into a lease agreement with Trisari for the following container handling equipment owned by OJA: two harbor mobile crane units, four reach stackers, and one container weighing unit. Under the lease agreement, Trisari agreed to pay fixed monthly rent and if Trisari intends to hire another reach stacker owned by OJA, Trisari agrees to pay on a per shift per unit basis. The lease agreement was signed on September 1, 2011 and was terminated on December 31, 2012 upon mutual agreement by the parties.

Other Contracts and Agreements

23.27 Sub-licensing of Graphical Tracking System (GTS) and GCS Softwares

In November 2004, CTSSI granted a non-transferable, non-exclusive licensing agreement to CTSSI Phils. to use, support and sub-license the GTS and GCS (collectively referred to as "the Software") to third parties for a period of ten years starting from the date of the licensing agreement until 2014, extendable for another specified or unspecified period, upon the mutual agreement of both parties.

Under the terms of the licensing agreement, any improvements or modifications made on the Software shall require approval from

CTSSI and shall remain its exclusive intellectual property. CTSSI has the right to terminate the licensing agreement in case the Software is used by CTSSI Phils. for any unauthorized purpose.

23.28 Contract with the Joint Venture of Hanjin Heavy Industries and Construction Co. Ltd. (Hanjin) and EEI Corporation (EEI)

On June 6, 2008, ICTSI entered into an agreement with the Joint Venture of Hanjin and EEI for the construction of Berth 6 at the MICT, including associated back-up area, dredging and filling works. Berth 6 was completed and started commercial operations in July 2012 (see Notes 20 and 28.2). Total cost of constructing Berth 6 amounted to US$145.1 million (₱6.5 billion).

However, the contract is being extended to allow for the construction of an additional 75-meter of quay and return wall by Hanjin and EEI. The cost of the civil work construction was estimated to be approximately US$3.3 million (₱135.0 million) excluding costs of materials; however, due to late penalties incurred by Hanjin and EEI for the original Berth 6 scope, it was agreed that the work would be completed for a lump sum of US$1.1 million (₱45 million). The construction of this work will be completed in March 2013.

23.29 Shareholders' Agreement with Loginter, S.A. (Loginter)

In July 2008, ICTSI, through ICTSI Ltd., acquired 100 percent interest in Edanfer S.A. from Loginter, a company organized in Argentina. Edanfer was subsequently renamed as the International Ports of South America and Logistics S.A. ("IPSAL" for brevity). IPSAL is a major stockholder of Tecplata. Tecplata was granted the concession to build and manage a container terminal in the Port of La Plata, Province of Buenos Aires (see Note 23.6).

23.30 Memorandum of Understanding (MOU) with the BEDB

On September 23, 2008, the Brunei Economic Development Board (BEDB) awarded to ICTSI the container handling operations at Pulau Muara Besar (PMB), Brunei Darussalam. A binding Memorandum of Understanding (MOU) was executed by ICTSI and BEDB on October 28, 2008 which embodies the intention of the parties to enter into a concession agreement in respect of the development, operation, and management of the PMB Container Terminal for a period of 20 years. The concession agreement will be executed once the development of the island of PMB is completed. The purpose of the MOU is to bind the parties to their respective commitments and for the provision for the assistance by ICTSI in advance of execution of the concession documents. Under the terms of the MOU, ICTSI shall assist BEDB in the discussions or negotiations with the Brunei Darussalam with respect to the commercial operation of the PMB Container Terminal and in the procurement of the design, construction and development of PMB Container Terminal. Moreover, ICTSI shall prepare and when completed, deliver to the BEDB the PMB Container Terminal operating policy and standards of operation, marketing plan, maintenance and safety compliance plan, personnel and training plans.

23.31 Services Agreement ("Agreement") with the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam (the Government)

On May 21, 2009, ICTSI entered into an Agreement with the Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement is valid for a period of four years from commencement date or May 22, 2009. The term may be extended for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. In consideration for the services, the Government shall pay the operator US$7.0 million for the first year, US$6.9 million for the second year, US$7.3 million for the third year, and US$7.7 million for the fourth year. On the optional fifth and sixth years, the operation fees shall be US$8.1 million and US$8.5 million, respectively. The operation fees for each year shall be paid in 12 equal monthly installments. In 2012, ICTSI got an extension for one year.

The contract contains commitments and restrictions which include, among others, accomplishment of service levels consisting of crane productivity, haulage turnaround time, equipment availability, reefer services and submission of calculation and documents for billing. Failure to accomplish the service levels will result in penalties.

23.32 Joint Cooperation Agreement for the Operation of Container Depot between PT Kawasan Industrial Makassar (KIMA) and PT Makassar Terminal Services (MTS)

On January 7, 2010, KIMA and MTS entered into a cooperation agreement (referred to as "KSO Agreement") for the operation of container yard facility or an in-land container depot for a period of 10 years starting from January 15, 2010 up to January 14, 2020, which can be extended upon mutual agreement of both parties. MTS shall operate the container yard facility, which was built on the land owned by KIMA under a revenue sharing scheme. Under the KSO Agreement, KIMA and MTS shall share a fixed percentage based on various activities or services provided by the container yard facility including lift-on/lift-off, trucking, container storage, stuffing/stripping, container cleaning and container repair. MTS is committed to provide one unit reach stacker and two units head truck for the operation of the container yard facility. If necessary to increase the level of container yard services, MTS is allowed to increase the number of units of equipment already provided. However, if the container throughput at the container yard facility shall reach more than 2,500 TEUs average monthly volume for three successive months, KIMA is obliged to build additional 5,000 sqm of container yard in order to increase the handling capacity of the yard.

MTS' share in gross revenues included under "Gross revenues from port operations" account in the consolidated statements of income amounted to US$0.1 million (IDR0.5 billion) in 2010, US$0.1 million (IDR1.1 billion) in 2011 and US$0.04 million (IDR0.4 billion) in 2012.

23.33 Operation of Container Port Agreement in L&T Shipbuilding Limited (LTSB), and ICTSI India and ICTSI Ltd.

On April 6, 2011, L&T Shipbuilding Limited (LTSB) and the subsidiaries of ICTSI namely, ICTSI Ltd. and ICTSI India, signed the Container Port Agreement for the Management and Operations of the Kattupalli Container Terminal in Tamil Nadu, India, which was originally scheduled to commence operations in March 2012 (see Note 1.2). The contract is effective until November 30, 2038.

Under the contract, ICTSI India has agreed to supervise, direct and manage the operations and maintenance of the Kattupalli Container Terminal and all activities incidental thereto, including undertaking recruitment and training of personnel of LTSB, developing operations and maintenance plans, procedures and manuals and achieve the Operations, Maintenance, Safety and Performance Standards in accordance with Good Industry Practices. ICTSI India agreed to pay LTSB the Contractor License Fee of US$18.0 million in installments as follows: Indian Rupees (INR) equivalent to US$12.0 million within 90 days from effective date of the agreement; and INR equivalent to US$6.0 million on or prior to 90 days prior to the scheduled date of commencement. ICTSI India has made an aggregate payment to LTSB amounting to US$16.2 million in 2011 and the remaining US$1.8 million was paid in January and February 2013 for US$1.0 million and US$0.8 million, respectively. The terminal has started commercial operations in January 2013.

In exchange for the Contract License Fee, ICTSI India shall receive the following fee: years one to two, US$1.15 million per year; years three to five, 3.3 percent of gross revenue; years six to 15, 8.25 percent of gross revenues; and years 16 to 27, 9.9 percent of gross revenues. ICTSI India has started earning this fee in April 2012.

The existing contracts and agreements entered into by certain subsidiaries contain certain commitments and restrictions which include, among others, the prohibition of the change in subsidiaries' shareholders without the prior consent of the port authority, maintenance of minimum capitalization and certain financial ratios, investment in the works stipulated in the investment program, provisions for insurance, submission of performance bonds, noncompete arrangements, and other related matters.

24. Contingencies and Contingent Liabilities

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. The majority of outstanding litigation involves subrogation claims under which insurance companies have brought claims against the operator, shipping lines and/or brokerage firms for reimbursement of their payment of insurance claims for damaged equipment, facilities and cargoes. Except as discussed below, ICTSI is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business.

In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against the Pakistan International Container Terminal (PICT), a majority owned subsidiary of ICTSI through ICTSI Mauritius, Ltd., in the Honorable High Court of Sindh alleging mis-declaration of the category of goods on the import of a Quayside Container Crane and Rubber Tyred Gantry Cranes in 2004 and thereby claiming a sum of Rs.101.5 million (approximately US$1.0 million) as additional wharfage charges and Rs.203 million (approximately US$2.1 million) as penalty, with interest. The legal advisor of PICT opines, "the Honorable High Court of Sindh is at the final stages as the evidence has been completed. The case is next fixed for orders on the Commissioner's report (concluding evidence) and immediately the matter will proceed to final arguments leading to adjudication. That during arguments the Supreme Court Judgment will be brought for the perusal of the Honorable Court under which the wharfage charges have been held as illegal and without lawful authority. The conclusion regarding outcome of the case can be drawn only when the case is fixed for arguments before the Honorable High Court." Further, management is confident that there is no merit in this claim and hence there is a remote possibility that the case would be decided against PICT. PICT has not provided for possible obligation arising from the aforementioned legal proceeding.

Also, in 2007, PICT filed an interpleader civil suit against the Deputy District Officer, Excise and Taxation and the Trustees of KPT in the Honorable High Court of Sindh against the demand raised by the Deputy District Officer, Excise and Taxation under Section 14 of the Property Tax Act, 1958 to pay the property tax amounting to Rs.34.6 million (approximately US$0.4 million) for the period from 2003 to 2007 out of the rent payable to KPT. The Honorable High Court of Sindh granted a stay order to PICT directing that no coercive action be taken against the PICT in due course until the case has been finalized. In 2008, PICT has withheld the amount of Rs.34.6 million (approximately US$0.4 million) from the handling and marshalling charges billed by KPT for the period from July 1 until December 31, 2007, in accordance with the Honorable High Court's short order dated June 29, 2007. PICT's legal counsel believes that there is full merit in this case and the property tax imposed will be disallowed by the Honorable High Court. In view thereof, no provision for any liability has been made by PICT.

In 2008, a civil suit was filed by former customer Interfood Comercio (Interfood) against TSSA for damages to perishable cargo amounting to BRL7.0 million (approximately US$3.4 million). Interfood's cargo (garlic and birdseed) was declared improper for human and animal consumption due to long storage period at TSSA before it was claimed by owner. The cargo was destroyed by Brazilian customs authorities. Interfood sued TSSA for BRL7.0 million (approximately US$3.4 million) and the lower court and Court of Appeals ruled in favor of Interco. The case has been pending in the Supreme Court for more than four years already. An amount of BRL6.4 million (approximately US$3.1 million) in TSSA's bank account is now garnished by the lower court. TSSA had made an accrual for this contingency in the amount of BRL3.8 million (US$2.2 million) in 2010 and BRL7.2 million (US$3.7 million) in 2012, presented as part of "Administrative and other operating expenses" account in the 2010 and 2012 consolidated statements of income, respectively. The provision aggregating BRL11.0 million (US$5.4 million) is recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheet as of December 31, 2012 (see Note 17). TSSA expects the Supreme Court to render judgment on the case anytime during the second quarter of 2013.

Port of Suape and TSSA are currently in the initial phase of arbitration involving a dispute which resulted from the parties' divergent interpretation of Section 6 of the Lease Contract they executed. Specifically, the Port of Suape is trying to collect an amount BRL8.3 million (approximately US$4.5 million) representing additional cabotage charges (coastal shipping) covering the years 2003 to 2008.

On December 4, 2009, the parties signed an amendment in order to modify the terms of Section 6 of the Lease Agreement. Thereafter, TSSA was able to obtain a Judicial Provisional Remedy before the District of Sao Paulo to suspend the collection of difference of the amounts charged in cabotage. The Port of Suape then filed a bill of review against the said decision. The case was closed in 2011 and TSSA recognized a liability amounting to BRL7.0 million (US$4.2 million) as of December 31, 2011, payable up to 2014. As of December 31, 2012, the outstanding balance of the liability presented as part of "Accounts payable and other current liabilities" account in the consolidated balance sheet amounted to BRL3.3 million (US$1.6 million) (see Note 17).

The approval of the capital increase in the amount of AR$255.3 million (equivalent US$51.2 million) during the Shareholders Meeting of Tecplata held on January 10, 2012 is now the subject of arbitration proceedings filed by Nuevos Puertos against Tecplata. Tecplata justifies, among others, that the purpose of the capital increase was to enable Tecplata to comply with its commitments under the Concession Agreement and that the approval was made with full information to and knowledge of Nuevos Puertos. Nuevos Puertos contends otherwise and alleges that the capital increase and the subsequent capital contributions and loans extended by ICTSI, through IPSAL and RCBV were made without valid corporate approval. The mediation process prior to the arbitration proceedings was concluded without the parties arriving at an agreement. Subsequently, the parties involved in the arbitration agreed for the suspension of the deadlines until March 20, 2013.

On the other hand, Ganmar S.A. (Ganmar) challenged, in summary proceedings, the legality of the Concession Agreement for the construction and operation of the Port of La Plata by Tecplata requesting also via three preliminary injunctions the suspension of the works at the terminal. Ganmar alleges that Tecplata's concession should have been awarded through a bidding process. The preliminary injunctions requested by Ganmar were rejected both by the Civil and Commercial Court and the Court of Appeals due to lack of evidence of the illegality of the Concession Agreement and/or the lack of urgent reasons to suspend the contract. Management of Tecplata believes that there is no merit in the action filed by Ganmar S.A and has not provided for possible obligations arising from the aforementioned legal proceedings.

In January 2012, the Dirección de Impuestos y Aduanas Nacionales (DIAN) of Colombia challenged the 40% special tax deduction availed by Sociedad Puerto Industrial Aguadulce SA (SPIA) for the year 2009. SPIA believes that the Colombian Tax Code allows the special deduction benefit based on the effective investments made in real productive assets under Leasing Agreements signed by SPIA. On the other hand, DIAN argues that the assets are non-existent; hence, SPIA is not entitled to the special deduction. In March 2012, DIAN reiterated its position and proposed a settlement of a penalty for the alleged inaccuracy.

On December 31, 2012, based on the assessment of the financial terms on the Leasing Agreements, considering the current scenario of the international financial market and upon analysis of the benefits granted by the free trade zone, SPIA made the decision of authorizing the expiration of the mentioned agreements on December 31, 2012. Consequently, the special deduction will be treated as a non-operational income which will be offset against fiscal losses generated in 2009 income tax return. SPIA and its legal and tax consultants strongly believe that the assessment has no factual and legal basis. Accordingly, no provision has been recognized in the consolidated financial statements as of December 31, 2012.

As discussed in Note 1.2, TICT filed a Notice of Termination of the Investment Agreement on December 28, 2012. However, on February 18, 2013, a letter was filed by TPGC with the State Council of Damascus requesting for referral of the dispute to arbitration, the appointment of the respective arbitrators for TPGC and TICT, and for the designation by the State Council of Damascus an appropriate head for the arbitration board. As of March 7, 2013, TICT has not received an order or notice from the State Council of Damascus.

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

25. Financial Instruments

25.1 Fair Values

Set out below is a comparison of carrying amounts and fair values of all of the Group's financial instruments by category as of December 31:

	2010		2011		**2012**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Financial Assets						
Loans and receivables:						
Cash and cash equivalents:						
Cash on hand and in banks	US$29,604,911	US$29,604,911	US$67,827,093	US$67,827,093	**US$65,266,208**	**US$65,266,208**
Cash equivalents	315,775,463	315,775,463	389,808,637	389,808,637	**121,578,705**	**121,578,705**
Receivables:						
Trade	37,834,166	37,834,166	45,288,957	45,288,957	**62,157,625**	**62,157,625**
Advances and nontrade	9,339,689	9,339,689	11,474,923	11,474,923	**12,741,069**	**12,741,069**
	392,554,229	392,554,229	514,399,610	514,399,610	**261,743,607**	**261,743,607**
AFS financial assets:						
Quoted equity shares	990,772	990,772	992,662	992,662	**1,384,564**	**1,384,564**
Unquoted equity shares	747,346	747,346	757,615	757,615	**786,908**	**786,908**
	1,738,118	1,738,118	1,750,277	1,750,277	**2,171,472**	**2,171,472**
Financial assets at FVPL -						
Derivative assets	10,272,180	10,272,180	8,369,207	8,369,207	**9,894,037**	**9,894,037**
	US$404,564,527	US$404,564,527	US$524,519,094	US$524,519,094	**US$273,809,116**	**US$273,809,116**
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US$637,056,702	US$798,666,078	US$648,724,075	US$761,523,056	**US$771,116,929**	**US$920,426,290**
Loans payable	675,486	675,486	2,481,536	2,481,536	**10,225,949**	**10,225,949**
Accounts payable and other current liabilities*	86,135,720	86,135,720	109,038,840	109,038,840	**160,539,045**	**160,539,045**
Concession rights payable	181,034,616	230,694,087	163,072,817	223,673,739	**169,762,448**	**239,052,974**
	904,902,524	1,116,171,371	923,317,268	1,096,717,171	**1,111,644,371**	**1,330,244,258**
Financial Liabilities at FVPL -						
Derivative liabilities	–	–	249,585	249,585	**86,849**	**86,849**
	US$904,902,524	US$1,116,171,371	US$923,566,853	US$1,096,966,756	**US$1,111,731,220**	**US$1,330,331,107**

** Excludes statutory liabilities and provisions for claims and losses*

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 value of fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 0.74 percent to 6.77 percent in 2010, 0.014 percent to 4.712 percent in 2011 and 0.82 percent to 18.749 percent in 2012.

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

The fair values of derivative assets and liabilities, specifically forward contracts and prepayment options, are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions. For cross-currency swap and other structured derivatives, fair values are based on counterparty bank valuation.

25.2 Fair Value Hierarchy

The Group held the following financial instruments measured at fair value and the Group uses the following hierarchy for determining and disclosing the fair value of such instruments by source of inputs as of December 31:

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: inputs that are not based on observable market data or unobservable inputs.

	2010			
	Amount	Level 1	Level 2	Level 3
AFS investments - Quoted equity shares	US$990,772	US$990,772	US$–	US$–
Financial assets at FVPL - Derivative assets	10,272,180	–	10,272,180	–

	2011			
	Amount	Level 1	Level 2	Level 3
AFS investments - Quoted equity shares	US$992,662	US$992,662	US$–	US$–
Financial assets at FVPL - Derivative assets	8,369,207	–	8,369,207	–
Financial liabilities at FVPL - Derivative liabilities	249,585	–	249,585	–

	2012			
	Amount	Level 1	Level 2	Level 3
AFS investments - Quoted equity shares	**US$1,384,564**	**US$1,384,564**	**US$–**	**US$–**
Financial assets at FVPL - Derivative assets	**9,894,037**	**–**	**9,894,037**	**–**
Financial liabilities at FVPL - Derivative liabilities	**86,849**	**–**	**86,849**	**–**

In 2010, 2011 and 2012, 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.

25.1 Derivative Financial Instruments

ICTSI enters into derivative transactions as economic hedges of certain underlying exposures arising from its foreign currency-denominated loans, revenues and expenses. Such derivatives, which include cross-currency swaps, interest rate swap and currency forwards, are accounted for either as cash flow hedges or transactions not designated as hedges.

25.2 Derivative Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2009, ICTSI entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on the Group's foreign currency-denominated term loan facilities with details as follow:

Counterparty	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In Philippine Peso)	*(In US Dollar)*		
DBP-LBP	₱6,000,000,000	US$129,870,130	3M PDSTF + 175 bps	December 5, 2013
HSBC	707,850,000	15,321,429	9.50%	May 28, 2014
HSBC	485,100,000	10,500,000	10.25%	November 28, 2015
	₱7,192,950,000	US$155,691,559		

The tables below provide the details of ICTSI's outstanding cross-currency swaps as of December 31:

	2010						
Counterparty	Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain (Loss)
	(In US Dollar)	*(In Philippine Peso)*					
Floating-to-Fixed							
HSBC	US$21,070,375	₱1,000,000,000	3M PDSTF + 175 bps	5.92%	47.46	2013	US$974,335
HSBC	10,488,777	500,000,000	3M PDSTF + 175 bps	5.97%	47.67	2013	772,729
HSBC	10,397,172	500,000,000	3M PDSTF + 175 bps	5.35%	48.09	2013	749,516
HSBC	10,377,750	500,000,000	3M PDSTF + 175 bps	5.90%	48.18	2013	663,834
HSBC	10,364,842	500,000,000	3M PDSTF + 175 bps	5.19%	48.24	2013	817,687
HSBC	10,645,093	500,000,000	3M PDSTF + 175 bps	4.50%	46.97	2013	649,472
HSBC	10,354,111	500,000,000	3M PDSTF + 175 bps	5.23%	48.29	2013	819,528
Deutsche Bank	10,559,662	500,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	669,663
Deutsche Bank	10,444,955	500,000,000	3M PDSTF + 175 bps	5.39%	47.87	2013	627,954
Citibank	10,351,967	500,000,000	3M PDSTF + 175 bps	4.65%	48.30	2013	693,843
Citibank	10,559,662	500,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	516,425
	125,614,366	6,000,000,000					7,954,986
Fixed-to-Fixed							
Deutsche Bank	9,905,116	480,200,000	10.25%	8.00%	48.48	2015	1,421,511
Total	US$135,519,482	₱6,480,200,000					US$9,376,497

(Forward)

2011							
Counterparty	Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain (Loss)
	(In US Dollar)	*(In Philippine Peso)*					
Floating-to-Fixed							
HSBC	US$15,802,781	₱750,000,000	3M PDSTF + 175 bps	5.92%	47.46	2013	US$615,033
HSBC	7,866,583	375,000,000	3M PDSTF + 175 bps	5.97%	47.67	2013	422,689
HSBC	7,783,313	375,000,000	3M PDSTF + 175 bps	5.90%	48.18	2013	435,696
HSBC	7,797,879	375,000,000	3M PDSTF + 175 bps	5.35%	48.09	2013	476,044
HSBC	7,765,583	375,000,000	3M PDSTF + 175 bps	5.23%	48.29	2013	522,454
HSBC	7,773,632	375,000,000	3M PDSTF + 175 bps	5.19%	48.24	2013	518,996
HSBC	7,983,818	375,000,000	3M PDSTF + 175 bps	4.50%	46.97	2013	367,184
Deutsche Bank	7,833,716	375,000,000	3M PDSTF + 175 bps	5.39%	47.87	2013	442,275
Deutsche Bank	7,919,747	375,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	385,810
Citibank	7,763,975	375,000,000	3M PDSTF + 175 bps	4.65%	48.30	2013	513,728
Citibank	7,919,747	375,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	437,212
	94,210,774	4,500,000,000					5,137,121
Fixed-to-Fixed							
Deutsche Bank	9,804,043	475,300,000	10.25%	8.00%	48.48	2015	1,474,476
Total	US$104,014,817	₱4,975,300,000					US$6,611,597

2012							
Counterparty	Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain (Loss)
	(In US Dollar)	*(In Philippine Peso)*					
Floating-to-Fixed							
HSBC	**US$10,535,188**	**₱500,000,000**	**3M PDSTF + 175 bps**	**5.92%**	**47.46**	**2013**	**US$1,384,622**
HSBC	**5,182,421**	**250,000,000**	**3M PDSTF + 175 bps**	**5.19%**	**48.24**	**2013**	**804,747**
HSBC	**5,322,546**	**250,000,000**	**3M PDSTF + 175 bps**	**4.50%**	**46.97**	**2013**	**683,239**
HSBC	**5,198,586**	**250,000,000**	**3M PDSTF + 175 bps**	**5.35%**	**48.09**	**2013**	**782,498**
HSBC	**5,177,055**	**250,000,000**	**3M PDSTF + 175 bps**	**5.23%**	**48.29**	**2013**	**808,643**
HSBC	**5,244,389**	**250,000,000**	**3M PDSTF + 175 bps**	**5.97%**	**47.67**	**2013**	**769,399**
HSBC	**5,188,875**	**250,000,000**	**3M PDSTF + 175 bps**	**5.90%**	**48.18**	**2013**	**774,480**
Deutsche Bank	**5,279,831**	**250,000,000**	**3M PDSTF + 175 bps**	**4.55%**	**47.35**	**2013**	**744,415**
Deutsche Bank	**5,222,478**	**250,000,000**	**3M PDSTF + 175 bps**	**5.39%**	**47.87**	**2013**	**775,762**
Citibank	**5,279,831**	**250,000,000**	**3M PDSTF + 175 bps**	**4.55%**	**47.35**	**2013**	**545,149**
Citibank	**5,175,983**	**250,000,000**	**3M PDSTF + 175 bps**	**4.65%**	**48.30**	**2013**	**622,643**
Total	**US$62,807,183**	**₱3,000,000,000**					**US$8,695,597**

Under the floating-to-fixed cross-currency swaps, ICTSI pays fixed interest on the US$ notional amount and receives floating rate on the Philippine peso notional amount, on a quarterly basis simultaneous with the interest payments on the term loan facilities. In addition, ICTSI pays periodic US$ principal payments and receives Philippine peso principal payments based on a given swap rate, equal to and simultaneous with the principal payments on the term loan facilities.

Under the fixed-to-fixed cross-currency swaps, ICTSI pays and receives fixed interest rates on the US$ and Philippine peso notional amounts on a semi-annual basis, respectively. ICTSI also pays periodic US$ principal payments and receives Philippine peso principal payments based on a given swap rate, equal to and simultaneous with the principal payments on the term loan facilities.

On October 1, 2010, ICTSI de-designated the fixed-to-fixed cross-currency swap with Deutsche Bank that hedges its Philippine peso-denominated Corporate Note maturing in 2014. The fair value of the cross-currency swap at the time of the de-designation amounted to a gain of US$1.4 million while the amount deferred in equity amounted to US$0.1 million. The amount deferred in equity will be amortized using the effective interest method based on the remaining term of the hedged loan. The amortization recognized in the 2010, 2011 and 2012 consolidated statements of income under "Foreign exchange loss" account amounted to US$5 thousand and, US$29 thousand and US$84 thousand, respectively.

On December 20, 2010, the said fixed-to-fixed cross-currency swap with Deutsche Bank was terminated. Proceeds arising from the settlement transaction of the cross-currency swap amounted to US$2.1 million, which is the fair value of the swap at settlement date. Movement in the fair value of the swap subsequent to the de-designation date amounting to US$0.8 million was recognized in the 2010 consolidated statement of income.

On January 4, 2012, ICTSI pre-terminated its fixed-to-fixed cross-currency swap with a notional amount of US$11.1 million, which was used to hedge its Philippine peso-denominated loan maturing in November 2015. The fair value of the cross-currency swap at the time of the de-designation amounted to a gain of US$1.4 million while the amount deferred in equity amounted to US$0.4 million. The amount deferred in equity will be amortized using the effective interest method based on the remaining term of the hedged loan. The amortization recognized in the 2012 consolidated statement of income under "Foreign exchange gain" account amounted to US$89 thousand. Loss on settlement of cross-currency swap amounting to US$0.1 million was recognized in the 2012 consolidated statement of income.

As of December 31 2010, 2011 and 2012, the market valuation gains on the outstanding cross-currency swaps amounted to US$9.4 million, US$6.6 million and US$8.7 million, respectively. The effective portion of the change in fair values of these cross-currency swaps amounting to US$6.6 million (net of US$2.8 million deferred tax), US$4.6 million (net of US$2.0 million deferred tax) and US$6.1 million (net of US$2.6 million deferred tax), for the years ended December 31, 2010, 2011 and 2012, respectively, were taken to equity under other comprehensive loss (see Note 14.7). The ineffective portion of the hedge is immaterial.

Translation hedging. On May 1, 2010, ICTSI designated US$51.0 million (₱2.3 billion) of its Philippine peso-denominated short-term investments as cash flow hedges of the currency risk on Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees until 2011.

Foreign currency translation gains or losses on the Philippine peso-denominated short-term investments that qualify as highly effective cash flow hedges are deferred in equity. Any ineffective portion is recognized directly in earnings. Foreign currency translation gains or losses deferred in equity would form part of variable fees, presented as "Port authorities' share in gross revenues" in the consolidated statement of income, when the hedged variable PPA fee is recognized. Foreign currency losses amounting to US$0.3 million and US$0.8 million were presented as part of "Port authorities' share in gross revenues" in the 2010 and 2011 consolidated statement of income, respectively (see Note 19.2).

As of December 31, 2010, US$25.1 million (₱1.1 billion) of short-term investments are hedged against the remaining forecasted Philippine peso-denominated variable port fees to the PPA (see Note 11). Foreign currency translation income on Philippine peso-denominated short-term investments designated as cash flow hedges aggregating to US$0.2 million (net of deferred income tax of US$0.1 million) have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2010.

As of December 31, 2011 and 2012, there are no outstanding Philippine peso-denominated short-term investments designated as translation hedges.

In 2011, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of the currency risk on Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees to API and port construction costs to a contractor. The hedging covers forecasted Mexican peso-denominated monthly fixed port fees from November 2011 until October 2012 and approximately 24 percent of the total Mexican peso-denominated port construction costs. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port (including port fees during the construction period) and would be recycled to profit and loss through depreciation.

Also in December 2012, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of the currency risk on Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses from January to March 2013.

As of December 31, 2011, an aggregate of US$14.1 million (MXN196.2 million) and US$40.0 million (MXN557.2 million) equivalent of Mexican peso- denominated short-term investments are hedged against the Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees and civil work payments to a contractor, respectively (see Note 11). Foreign currency translation loss on Mexican peso-denominated short-term investments designated as cash flow hedges aggregating to US$5.6 million (net of deferred income tax of US$2.4 million) have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2011. No amount has been recycled from equity to foreign exchange gain or loss in the 2011 consolidated statement of income.

As of December 31, 2012 an aggregate of US$5.3 million (MXN68.6 million) and US$24.6 million (MXN316.4 million) equivalent of Mexican peso-denominated short-term investments have been designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses and civil work payments to contractors, respectively.

Foreign currency translation loss as of December 31, 2011 and 2012 on Mexican peso-denominated short-term investments designated as cash flow hedges aggregating to US$7.8 million and US$5.8 million, respectively, have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2011 and 2012. No amount has been recycled from equity to foreign exchange gain or loss in the 2011 and 2012 consolidated statements of income.

Interest Rate Swap. In 2012, BCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in 2021. A notional amount of US$5.0 million out of the total US$7.9 million floating rate loan was swapped to fixed rate. Under the interest rate swap, BCT pays fixed interest of 1.45% and receives floating rate of three-month LIBOR on the notional amount. As of December 31, 2012, the market valuation loss on the outstanding interest rate swap amounted to US$87 thousand. The effective portion of the change in the fair value of the interest rate swap amounting to US$70 thousand (net of US$17 thousand deferred tax) for the year ended December 31, 2012 was taken to equity under other comprehensive loss (see Note 14.7).

25.5 Other Derivative Instruments Not Designated as Hedges

Foreign Currency Forwards. As of December 31, 2011, ICTSI has outstanding sell US$ buy MXN pesos forward with an aggregate notional amount of US$15.0 million and fair value loss of US$0.2 million. The forward contracts are to hedge the variability of cash flows arising from the Mexican peso-denominated civil work payments to contractors and these matured between February and April 2012.

As of December 31, 2012, ICTSI has outstanding sell US$ buy MXN pesos forward with an aggregate notional amount of US$10.0 million and fair value gain of US$0.1 million. The forward contracts are to hedge the variability of cash flows arising from the Mexican peso-denominated civil work payments to contractors, which will mature between January and March 2013.

Embedded Prepayment Options. In 2008, embedded prepayment options were identified in ICTSI's two loan contracts with HSBC or the FXCN Note with outstanding principal amounts of US$15.0 million (₱715.0 million) (the 5.5-year loan) and US$10.3 million (₱490.0 million) (the 7-year loan) as of December 31, 2008 (see Note 15.2.4). The prepayment options are exercisable on the third (for the 5.5-year loan) and fourth (for the seven-year loan) anniversary of issue or any interest payment date thereafter. The 5.5-year loan can be preterminated at 102 percent of the outstanding principal if the remaining term at the time of prepayment is at least 18 months; and at 101 percent if the remaining term is less than 18 months. The seven-year loan can be preterminated at 103 percent of the outstanding principal if the remaining term at the time of prepayment is at least 36 months; 102 percent if the remaining term is less than 36 but more than 12 months; or 101 percent if the remaining term is 12 months or less.

The fair value of the embedded derivatives at inception aggregating to US$0.2 million was recorded as a derivative asset and a corresponding amount was recorded as a premium on the host loan contracts. The derivative asset is marked-to-market through profit or loss while the loan premium is amortized over the life of the respective loans.

In May 2012, ICTSI exercised the prepayment option on its 5.5-year loan with The Hong Kong and Shanghai Banking Corporation Limited (HSBC) with outstanding principal amount of US$16.5 million (₱693.6 million). Fair value of the embedded derivative amounting to US$1.2 million as of exercise date was charged to "Other expense" account in the 2012 consolidated statement of income (see Note 19.3).

The total fair value of the embedded derivatives as of December 31, 2010, 2011 and 2012 amounted to US$0.9 million, US$1.8 million and US$1.1 million, respectively. Net change in fair value recognized in profit or loss amounted to US$0.7 million gain, US$0.9 million gain and US$0.7 million loss in 2010, 2011 and 2012, respectively.

25.6 Fair Value Changes on Derivatives

The net movements in fair value changes of ICTSI's derivative instruments (both freestanding and embedded derivatives) are as follows:

	2010	2011	**2012**
Balance at beginning of year	US$2,563,954	US$10,272,180	**US$8,119,622**
Net changes in fair value of derivatives:			
Designated as accounting hedges	10,388,819	(626,460)	**6,647,169**
Not designated as accounting hedges	1,547,525	2,201,141	**2,168,210**
	14,500,298	11,846,861	**16,935,001**
Less fair value of settled instruments	4,228,118	3,727,239	**7,127,813**
Balance at end of year	US$10,272,180	US$8,119,622	**US$9,807,188**

The net movement in fair value changes of freestanding derivative instruments designated as cash flow hedges are presented in the consolidated statements of comprehensive income as follows:

	2010	2011	**2012**
Balance at beginning of year	(US$2,097,717)	(US$1,797,967)	**(US$7,550,633)**
Changes in fair value of cash flow hedges			
Designated derivatives	10,388,819	(626,460)	**6,647,169**
Designated cash equivalents	67,241	(8,935,759)	**1,983,543**
Transferred to consolidated statements of income	(10,027,846)	1,344,124	**(4,978,464)**
Tax effects	(128,464)	2,465,429	**(5,828,164)**
Balance at end of year	(US$1,797,967)	(US$7,550,633)	**(US$9,726,549)**

The net changes in fair value of the derivatives not designated as accounting hedges and the change in fair value of cash flow hedges transferred to profit or loss are presented in the consolidated statement of income under the following accounts:

	2010	2011	**2012**
Foreign exchange gain	US$9,161,547	US$2,991,780	**US$7,387,540**
Interest expense on borrowings	2,004,400	(1,962,797)	**(854,131)**
Port authorities' share in gross revenues	(285,142)	(784,308)	**–**
Other expense	694,566	612,342	**613,265**
	US$11,575,371	US$857,017	**US$7,146,674**

Fair value changes on derivatives as of December 31 are presented as follows:

	2010	2011	**2012**
Derivative assets:			
Freestanding	US$9,376,497	US$6,611,597	**US$8,779,837**
Embedded	895,683	1,757,610	**1,114,200**
Subtotal	10,272,180	8,369,207	**9,894,037**
Derivative liabilities – freestanding	–	(249,585)	**(86,849)**
Total	US$10,272,180	US$8,119,622	**US$9,807,188**

26. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise mainly of bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's port operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

ICTSI had port operations and development projects in 18 countries as of December 31, 2012. Short-term treasury activities are carried out at the subsidiary level; however, overall policy decisions concerning the Group's financial risks are centralized at the Parent Company in Manila. The Board reviews and approves the Group's policies for managing each of these risks, as summarized below, as well as authority limits. Treasury operations are reviewed annually by Internal Audit to ensure compliance with Group's policies.

ICTSI finances its business activities through a mix of cash flows from operations and long-term loans from banks. It is the Group's policy to minimize the use of short-term loans. The Group's borrowings are in Philippine Peso, US Dollar and Pakistani Rupee at fixed and floating rates of interest. The Group minimizes its currency exposure by matching its currency of borrowing to the currency of operations at the relevant business unit whenever possible. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

In the context of PFRS 7, the main risks arising from the normal course of the Group's business are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Working Capital Management

The Parent Company has minimal working capital requirements due to the short cash collection cycle of its business. Working capital requirements are well within the credit facilities established which are adequate and available to the Parent Company to meet day-to-day liquidity and working capital requirements. The credit facilities are regularly reviewed by the Treasury Group to ensure that they meet the objectives of the Group. Most of the foreign operating subsidiaries currently do not access short-term credit facilities as their respective cash flows are sufficient to meet working capital needs.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates 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 Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the floating rate loans and derivative instruments.

The following table sets out the carrying amount, by maturity, of the Group's liabilities that are exposed to interest rate risk for the year ended December 31:

	2010							
	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total *(In Original Currency)*	*(In US Dollar)*	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	US$2,625,000	US$2,625,000	US$2,625,000	US$2,625,000	US$–	US$10,500,000	US$10,500,000	US$10,136,095
Interest rate	LIBOR + 1.10% spread	LIBOR + 1.10% spread	LIBOR + 1.10% spread	LIBOR + 1.10% spread	–			

* *Net of Debt Issuance Costs*

2011	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total (In Original Currency)	(In US Dollar)	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	US$7,875,000	US$–	US$–	US$–	US$–	US$7,875,000	US$7,875,000	US$7,839,881
Interest rate	LIBOR + 1.10% spread	–	–	–	–			
US$ Securities	US$1,870,753	US$2,005,774	US$2,150,541	US$2,305,757	US$2,472,175	US$10,805,000	US$10,805,000	US$10,570,817
Interest rate	Passive Referential Rate from Ecuador Central Bank (PRECB) + 2.5%	PRECB + 2.5%	PRECB + 2.5%	PRECB + 2.5%	PRECB + 2.5%	PRECB + 2.5%		

** Net of Debt Issuance Costs*

2012	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**Over 5 Years**	**Total** (In Original Currency)	(In US Dollar)	**Net Debt***
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	**US$287,500**	**US$287,500**	**US$287,500**	**US$352,064**	**US$2,377,536**	**US$3,592,100**	**US$3,592,100**	**US$3,528,501**
Interest rate	**LIBOR + 2.65% spread**							
US$ Loan	**US$150,000,000**	**US$10,000,000**	**US$–**	**US$–**	**US$–**	**US$160,000,000**	**160,000,000**	**159,352,887**
Interest rate	**Prevailing market rates**							
US$ Securities	**US$2,784,509**	**US$2,985,480**	**US$3,200,958**	**US$3,431,988**	**US$–**	**US$12,402,935**	**12,402,935**	**12,234,286**
Interest rate	**Passive Referential Rate from Ecuador Central Bank (PRECB) + 2.5%**							
PKR loan	**Rs497,925,776**	**Rs497,925,776**	**Rs497,925,776**	**Rs497,925,784**	**Rs–**	**Rs1,991,703,112**	**20,503,957**	**20,408,740**
Interest rate	**KIBOR + 1.75 p.a.**							

** Net of Debt Issuance Costs*

Re-pricing of floating rate financial instruments is mostly done monthly, quarterly or semi-annually. Interest on fixed rate financial instruments is fixed until maturity of the instrument. Financial instruments not included in the above tables are either noninterest bearing, therefore not subject to interest rate risk, or has minimal interest rate exposure due to the short-term nature of the account (i.e., cash equivalents).

The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ICTSI's profit before tax and equity (through the impact on unhedged floating rate borrowings and fair value of cross-currency swaps designated as hedges, respectively), at December 31 are as follows (amounts in millions unless otherwise indicated):

	Effect on Profit Before Tax			
	Increase/Decrease in Interest Rates (%)	2010	2011	**2012**
Loans	+1.0	(US$0.1)	(US$0.2)	**(US$2.0)**
	-1.0	0.1	0.2	**2.0**

	Effect on Equity			
	Increase/Decrease in Interest Rates (%)	2010	2011	**2012**
Derivative assets	+1.0	(US$0.2)	(US$0.4)	**(US$0.1)**
	-1.0	0.2	0.4	**0.1**

Liquidity Risk

The Group monitors and maintains a certain level of cash and cash equivalents and bank credit facilities deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows. The Group's policy is that not more than 25 percent of borrowings should mature in any 12-month period. Eight percent and nine percent of the Group's total borrowings, gross of debt issuance costs, as of December 31, 2010 and 2011, respectively, matured in less than a year from the balance sheet date. On the other hand, 31 percent of the Group's total borrowings, gross of debt issuance costs as of December 31, 2012 will mature in the ensuing 12 months. Currently maturing debt grew as at December 31, 2012 mainly because of the US$160.0 million bridge financing availed towards the end of 2012 for the acquisitions and general corporate requirements of the Group. These medium-term loans are originally maturing in October 2013 up to

January 2014 but the Group prepaid an aggregate of US$140.0 million in January and February 2013 (see Note 15.2.2). Excluding the impact of these medium-term loans, only 13 percent of the Group's total borrowings, gross of debt issuance costs, as of December 31, 2012 will mature in less than a year. The Group is reassessing its policy in mitigating liquidity risk in line with the current developments and demands of its rapidly growing business.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31 based on contractual undiscounted payments (amounts in millions of US dollars unless otherwise indicated).

2010	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
Long-term debt	US$17.9	US$11.2	US$21.1	US$140.9	US$450.0	US$641.1
Accounts payable and other current liabilities*	78.5	7.6	–	–	–	86.1
Loans payable	–	0.7	–	–	–	0.7
Concession rights payable	9.8	9.8	19.7	112.9	184.4	336.6
Total	US$106.2	US$29.3	US$40.8	US$253.8	US$634.4	US$1,064.5

** Excludes statutory liabilities and provisions for claims and losses*

2011	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
Long-term debt	US$21.0	US$13.2	US$25.3	US$142.8	US$450.0	US$652.3
Accounts payable and other curren liabilities*	99.3	0.1	9.6	–	–	109.0
Loans payable	2.5	–	–	–	–	2.5
Concession rights payable	10.1	10.1	19.8	90.4	164.1	294.5
Derivative liability	0.2	–	–	–	–	0.2
Total	US$133.1	US$23.4	US$54.7	US$233.2	US$614.1	US$1,058.5

** Excludes statutory liabilities and provisions for claims and losses*

2012	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
Long-term debt	**US$35.6**	**US$24.6**	**US$221.0**	**US$259.0**	**US$558.2**	**US$1,098.4**
Accounts payable and other current liabilities*	**145.8**	**0.1**	**14.6**	**–**	**–**	**160.5**
Loans payable	**–**	**0.3**	**9.9**	**–**	**–**	**10.2**
Concession rights payable	**4.7**	**4.7**	**9.4**	**76.6**	**248.4**	**343.8**
Derivative liability	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Total	**US$186.2**	**US$29.7**	**US$254.9**	**US$335.6**	**US$806.6**	**US$1,613.0**

** Excludes statutory liabilities and provisions for claims and losses*

The financial liabilities in the above tables are gross undiscounted cash flows. However, those amounts may be settled using cash on hand and cash in banks, aggregating US$29.6 million, US$67.8 million and US$65.3 million as of December 31, 2010, 2011 and 2012, respectively. Furthermore, cash equivalents, amounting to US$315.8 million, US$389.8 million and US$121.6 million as of December 31, 2010, 2011 and 2012, respectively, may also be used to manage liquidity.

Foreign Currency Risk

As a result of operations in subsidiaries whose functional currency is not the US dollars, the Group's consolidated balance sheets can be affected significantly by movements in the subsidiary's functional currency and US dollar exchange rates (see Note 1.3).

In respect of financial assets and liabilities held in currencies other than the functional currencies of the Parent Company and the operating subsidiaries, the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot/forward rates where necessary to address short-term imbalances.

The Group recognized in the consolidated statements of income net foreign exchange gain amounting to US$3.5 million, US$3.5 million and US$5.3 million, arising from net foreign-currency denominated financial assets and liabilities as of December 31, 2010, 2011 and 2012, respectively, which resulted mainly from the movements of Philippine peso, Brazilian real, Syrian pound and Colombian peso against the US dollar and Malagasy ariary against Euro.

The following table shows the Group's significant foreign currency-denominated financial assets and liabilities and their US Dollar equivalents at December 31:

	2010		2011		**2012**	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	**Foreign Currency**	**US Dollar**
Current Financial Assets						
Cash and cash equivalents:						
Philippine peso	5,450,492,223	US$124,326,921	4,124,881,883	US$34,432,659	**2,112,619,285**	**US$51,464,538**
RMB	34,523,549	5,225,299	66,854,353	10,620,400	**108,287,902**	**17,380,012**
PKR	–	–	–	–	**1,513,567,845**	**15,581,705**
EUR	5,154,263	6,898,466	17,441,114	22,605,427	**7,227,082**	**9,534,689**
ARS	18,459,921	4,639,686	11,015,912	2,561,840	**32,369,143**	**6,585,117**
MXN	–	–	1,389,521,952	99,709,520	**65,158,021**	**5,069,361**
COP	3,604,493,136	1,889,444	459,472,225	237,025	**4,178,385,013**	**2,364,677**
INR	–	–	–	–	**99,524,435**	**1,809,700**
BND	2,084,616	1,627,335	2,203,972	1,699,416	**2,135,190**	**1,747,863**
JPY	135,796,259	1,674,017	133,342,133	1,733,742	**142,043,582**	**1,637,390**
IDR	6,315,649,562	702,051	8,979,266,622	990,105	**14,475,543,373**	**1,478,152**
MGA	3,155,135,661	1,476,087	8,193,827,898	3,649,812	**3,187,907,554**	**1,402,511**
BRL	10,774,472	6,485,567	4,541,715	2,432,888	**1,540,113**	**750,689**
USD	259,367	259,367	1,218,631	1,218,631	**436,123**	**436,123**
PLN	250,827	84,673	1,355,675	393,474	**742,225**	**239,923**
HRK	–	–	2,106,034	362,092	**368,090**	**64,191**
Receivable:						
BRL	17,680,078	10,642,315	18,477,627	9,898,022	**22,846,146**	**11,135,770**
Philippine peso	185,982,468	4,242,301	154,599,086	3,526,439	**195,652,263**	**4,766,194**
IDR	4,025,981,446	447,530	3,952,069,846	435,778	**31,775,451,754**	**3,244,711**
MGA	3,655,442,538	1,710,149	4,791,188,722	2,134,160	**7,358,076,426**	**3,237,165**
PKR	–	–	–	–	**247,696,720**	**2,549,960**
RMB	10,423,388	1,577,628	15,892,454	2,524,656	**14,776,760**	**2,371,643**
PLN	2,943,876	993,781	3,028,803	879,086	**3,826,745**	**1,236,988**
EUR	–	–	–	–	**813,462**	**1,073,200**
BND	769,621	600,797	811,738	625,906	**864,857**	**707,971**
COP	–	–	513,484,326	264,887	**878,753,342**	**497,314**
HRK	–	–	1,503,731	258,537	**711,417**	**124,063**
USD	–	–	785,588	785,588	**–**	**–**
		175,503,414		203,980,090		**148,491,620**
Current Financial Liabilities						
Accounts payable and other current liabilities:						
Philippine peso	1,330,855,930	30,357,115	2,391,972,299	54,561,412	**2,170,467,686**	**52,873,756**
MXN	–	–	2,339,005	167,843	**317,091,122**	**24,670,016**
BRL	22,998,676	13,843,783	28,891,863	15,476,678	**34,475,394**	**16,804,150**
USD	1,305,233	1,305,233	501,657	501,657	**13,548,181**	**13,548,181**
PKR	–	–	–	–	**886,431,585**	**9,125,534**
MGA	10,769,745,973	5,038,478	13,332,828,610	5,938,899	**15,581,418,344**	**6,855,001**
ARS	–	–	33,429,245	7,774,243	**27,972,216**	**5,690,615**
PLN	11,953,826	4,035,319	5,992,017	1,739,135	**6,548,501**	**2,116,790**
IDR	3,463,485,483	385,003	4,569,513,883	503,861	**20,627,823,621**	**2,106,385**
COP	813,805,421	426,590	3,951,816,929	2,038,595	**3,505,022,877**	**1,983,601**
JPY	168,052,418	2,071,652	172,653,119	2,244,872	**167,353,967**	**1,929,152**
HRK	–	–	12,056,292	2,072,846	**9,638,234**	**1,680,804**
RMB	3,990,630	604,000	6,514,577	1,034,898	**8,529,978**	**1,369,046**
Georgian lari	–	–	631,000	378,865	**1,297,018**	**782,279**
EUR	312,599	418,383	69,698	90,335	**308,013**	**406,361**
BND	573,655	447,818	540,502	416,765	**451,745**	**369,798**
SYP	349,668	7,464	195,990	3,625	**–**	**–**

(Forward)

	2010		2011		**2012**	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	**Foreign Currency**	**US Dollar**
Noncurrent Financial Liabilities						
Long-term debt						
PKR	–	US$–	–	US$–	**1,982,454,030**	**US$20,408,741**
PHP	700,056,666	15,968,446	693,077,257	15,809,244	**470,831,062**	**11,469,697**
Concession rights payable						
PKR	–	–	–	–	**1,283,875,000**	**13,217,089**
EUR	16,599,764	22,217,124	16,342,902	21,182,036	**23,892,010**	**31,520,729**
		97,126,408		131,935,809		**218,927,725**
Net foreign currency-denominated financial assets (liabilities)		US$78,377,006		US$72,044,281		**(US$70,436,105)**

In translating the foreign currency-denominated monetary assets and liabilities into US dollar amounts, the Group used the exchange rates as shown in the table of exchange rates (see Note 3.3).

The following tables present the impact on the Group's income before income tax (due to change in the fair value of foreign currency denominated financial assets and liabilities) and equity (due to translation hedging), of changes in the exchange rate between the foreign currencies and the US dollar (holding all other variables held constant) as at December 31 (amounts in millions of US dollar unless otherwise indicated):

	2010	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar against other foreign currency exchange rates:		
5% appreciation	(US$4.9)	US$0.8
5% depreciation	5.5	(0.8)

	2011	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar against other foreign currency exchange rates:		
5% appreciation	(US$0.1)	US$1.3
5% depreciation	0.1	(1.5)

	2012	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar against other foreign currency exchange rates:		
5% appreciation	**(US$0.5)**	**(US$0.7)**
5% depreciation	**0.5**	**0.9**

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to float interest rates of the debt and derivatives and the proportion of the financial instruments in foreign currencies are all constant and on the basis of hedge designation in place at each balance sheet date.

<u>Credit Risk</u>

The Group trades only with recognized, creditworthy third parties and the exposure to credit risk is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with recognized third parties, collateral is not required in respect of financial assets. Moreover, counterparty credit limits are reviewed by management on an annual basis. The limits are set to minimize the concentration of risks and mitigate financial losses through potential counterparty failure.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2010, 2011 and 2012, about 35 percent, 39 percent and 20 percent, respectively, of cash and cash equivalents of the Group is with a local bank. Investments of funds are made only with counterparties approved by the Board. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

At December 31, the following tables provide the credit information and maximum exposure of the ICTSI's financial assets (amounts in million dollars unless otherwise indicated):

2010	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$29.6	US$–	US$–	US$29.6
Cash equivalents	315.8	–	–	315.8
Receivables				
Trade	27.8	10.0	3.0	40.8
Advances and nontrade	8.6	0.7	0.1	9.4
AFS Investments				
Unquoted equity shares	0.7	–	–	0.7
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	10.3	–	–	10.3
	US$393.8	US$10.7	US$3.1	US$407.6

2011	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$67.8	US$–	US$–	US$67.8
Cash equivalents	389.8	–	–	389.8
Receivables				
Trade	33.8	11.5	3.1	48.4
Advances and nontrade	11.1	0.3	0.1	11.5
AFS Investments				
Unquoted equity shares	0.8	–	–	0.8
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	8.4	–	–	8.4
	US$512.7	US$11.8	US$3.2	US$527.7

2012	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	**US$65.3**	**US$–**	**US$–**	**US$65.3**
Cash equivalents	**121.6**	**–**	**–**	**121.6**
Receivables				
Trade	**47.0**	**15.1**	**3.3**	**65.4**
Advances and nontrade	**12.4**	**0.3**	**0.1**	**12.8**
AFS Investments				
Unquoted equity shares	**0.8**	**–**	**–**	**0.8**
Quoted equity shares	**1.4**	**–**	**–**	**1.4**
Derivative Assets	**9.9**	**–**	**–**	**9.9**
	US$258.4	**US$15.4**	**US$3.4**	**US$277.2**

At December 31, the credit quality per class of financial assets that were neither past due nor impaired follow (amounts in millions unless otherwise indicated):

2010	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$29.6	US$–	US$–	US$29.6
Cash equivalents	315.8	–	–	315.8
Receivables:				
Trade	25.2	2.3	0.3	27.8
Advances and nontrade	8.6	–	–	8.6
AFS Investments				
Unquoted equity shares	0.7	–	–	0.7
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	10.3	–	–	10.3
	US$391.2	US$2.3	US$0.3	US$393.8

2011	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$67.8	US$–	US$–	US$67.8
Cash equivalents	389.8	–	–	389.8
Receivables:				
Trade	32.3	1.1	0.4	33.8
Advances and nontrade	10.9	0.2	–	11.1
AFS Investments				
Unquoted equity shares	0.8	–	–	0.8
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	8.4	–	–	8.4
	US$511.0	US$1.3	US$0.4	US$512.7

2012	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	**US$65.3**	**US$–**	**US$–**	**US$65.3**
Cash equivalents	**121.6**	**–**	**–**	**121.6**
Receivables:				
Trade	**36.4**	**7.1**	**3.5**	**47.0**
Advances and nontrade	**12.3**	**0.1**	**–**	**12.4**
AFS Investments				
Unquoted equity shares	**0.8**	**–**	**–**	**0.8**
Quoted equity shares	**1.4**	**–**	**–**	**1.4**
Derivative Assets	**9.9**	**–**	**–**	**9.9**
	US$247.7	**US$7.2**	**US$3.5**	**US$258.4**

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, derivative financial assets and AFS Investments - based on the credit standing of the counterparty.

Receivables - Grade A receivables pertains to those receivables from clients or customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by ICTSI. Those receivables which are collected consistently beyond their due dates and require persistent effort from ICTSI are included under Grade C.

At December 31, the aging analyses of the receivables that were past due but not impaired follow (amounts in millions of dollars unless otherwise indicated):

	2010				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$6.7	US$1.3	US$1.6	US$0.4	US$10.0
Advances and nontrade	0.2	0.4	–	0.1	0.7
	US$6.9	US$1.7	US$1.6	US$0.5	US$10.7

	2011				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$8.7	US$1.2	US$0.9	US$0.7	US$11.5
Advances and nontrade	0.1	0.1	0.1	–	0.3
	US$8.8	US$1.3	US$1.0	US$0.7	US$11.8

	2012				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	**US$9.9**	**US$2.6**	**US$1.6**	**US$1.0**	**US$15.1**
Advances and nontrade	**0.1**	**0.1**	**–**	**0.1**	**0.3**
	US$10.0	**US$2.7**	**US$1.6**	**US$1.1**	**US$15.4**

Capital Management

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers the total equity as its capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2010, 2011 and 2012.

The Group monitors capital using gearing ratio. Gearing ratio is total debt over net worth (total equity) where total debt includes long-term debt and loans payable. Some creditor banks compute gearing ratio as total debt less cash and cash equivalents over net worth for the computation of the Group's financial covenants.

The Group's policy is to keep the gearing ratio within two times.

	2010	2011	**2012**
Long-term debt	US$637,056,702	US$648,724,075	**US$771,116,929**
Loans payable	675,486	2,481,536	**10,225,949**
Total debt (a)	637,732,188	651,205,611	**781,342,878**
Net worth (b)	630,233,600	940,499,824	**1,191,153,788**
Gearing ratio (a/b)	1.01 times	0.69 times	**0.66 times**

27. **Earnings Per Share Computation**

The following table presents information necessary to calculate earnings per share:

	2010	2011	**2012**
Net income attributable to equity holders of the parent, as presented in the consolidated statements of income	US$98,276,099	US$130,529,698	**US$143,211,542**
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (see Note 14.6)	–	(10,934,028)	**(28,719,271)**
Net income attributable to equity holders of the parent, as adjusted (a)	US$98,276,099	US$119,595,670	**US$114,492,271**
Common shares outstanding at beginning of year	1,992,066,860	1,992,066,860	**1,992,066,860**
Weighted shares held by subsidiaries	(36,839,300)	(26,410,850)	**(10,255,313)**
Weighted treasury shares	(59,227,125)	(53,204,625)	**(50,348,375)**
Weighted average shares outstanding (b)	1,896,000,435	1,912,451,385	**1,931,463,172**
Effect of dilutive stock grants	56,259,000	52,186,500	**49,694,000**
Weighted average shares outstanding adjusted for potential common shares (c)	1,952,259,435	1,964,637,885	**1,981,157,172**
Basic earnings per share (a/b)	US$0.052	US$0.063	**US$0.059**
Diluted earnings per share (a/c)	US$0.050	US$0.061	**US$0.058**

28. **Other Matters**

28.1 Amendment in the Articles of Incorporation of ICTSI

On April 14, 2011, the stockholders and the Board of ICTSI approved the amendment in its Article of Incorporation to include in its primary purpose the power to establish subsidiaries or affiliates in the Philippines or in any part of the world to carry on its business and those incidental thereto, and to guaranty the obligations of such subsidiaries or affiliates or any entity in which ICTSI has lawful interest.

28.2 MICT Berth 6

The MICT Berth 6 Project is a port development project being undertaken by the Company with the approval of the PPA and in compliance with the Company's commitment under its concession contract with the PPA. The City Council of Manila issued City Council Resolution No. 141 dated September 23, 2010, adopting the Committee Report of the ad hoc committee which investigated the reclamation done in Isla Putting Bato in Manila. The ad hoc committee found "the implementation of the MICT Berth 6 Project was made without the prior consultation with the City of Manila and without prior approval of the City Council of Manila in violation of Section 2(c), 26 and 27 of the Local Government Code, and further the reclamation work in the said project was undertaken without the consent of the City Mayor and without an appropriate ordinance from the City Council of Manila in violation of Section 2G of the Manila Water Code."

The Company and its legal counsels' position is that Resolution No. 141 of the City Council of Manila is purely recommendatory and is not the final word on the issue whether the MICT Berth 6 Project is validly undertaken or not.

On November 26, 2010, the PPA, through the Office of the Solicitor General, filed a petition for certiorari and prohibition with very urgent prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 of the City Council of Manila. On December 8, 2010, the Supreme Court granted a temporary restraining order ("TRO") enjoining the Mayor of Manila and the City Council of Manila from stopping or suspending the implementation of the MICT Berth 6 Project of the PPA. The TRO shall be continuing until further orders from the Supreme Court.

On June 1, 2011, the Supreme Court granted the Company's motion to intervene in case of PPA vs. City of Manila and City Council of Manila (G.R. No. 194420), which allowed the Company to participate in the proceedings before the Supreme Court, as the Company has a legal interest in the matter in litigation and in the success of PPA. The Supreme Court likewise admitted the Company's petition-in-intervention. The Company received the City Council of Manila's comment to its petition-in-intervention on August 23, 2011 and the City of Manila's comment on December 15, 2011. On April 11, 2012, the Company filed its consolidated reply to these comments. The parties await the Supreme Court's resolution of this case.

Notwithstanding the foregoing legal proceedings, the MICT Berth 6 Project was completed and inaugurated by the President of the Republic of the Philippines in July 2012 (see Notes 20 and 23.28).

28.3 Agreement with the Republic of Honduras and Banco Financiera Comercial Hondurena , S.A.

On February 1, 2013, ICTSI was awarded with a 30-year agreement by the Republic of Honduras, acting on behalf of the Commission for the Public-Private Alliance Promotion (COALIANZA), and Banco Financiera Comercial Hondurena, S.A. (FICOHSA Bank) for the design, financing, construction, maintenance, operation and exploitation of the container terminals and general cargo of Puerto Cortés, Republic of Honduras (the "Agreement"). The Container and General Cargo Terminal of Puerto Cortés (the "Terminal") will have 1,100 meters of quay for containers and 400 meters of quay for general cargo, 14 meters of draft, 62.2 hectares of total surface area, 12 ship-to-shore cranes, and a volume capacity of approximately 1.8 million TEUs.

Pursuant to the Agreement, ICTSI, or its duly established operating company, (the "Operating Company") is granted the exclusive right to carry out the design, financing, construction, equipment, conservation, operation and exploitation of the Terminal and to provide related standard services. The operative exploitation is treated as a right, as well as a mechanism through which ICTSI can recover its investment. The Operating Company is required to put up at the inception a minimum capital stock of US$31.0 million which is equivalent to 20 percent of the investment of the mandatory initial works with 25 percent thereof fully paid and registered.

In consideration of the rights granted, the Operating Company is obliged to pay certain contributions to the following: (a) Municipality of Puerto Cortés - 4% of the gross income without considering the tax over sales, payable monthly; (b) National Port Company - US$100,000 for each hectare occupied of the existing surfaces, from the beginning of the exploitation of the occupied spaces and the new built surfaces referring to the works of the National Port Company from the date of Occupation, payable annually; US$75,000 for each hectare of the new built and/or earned to the sea surfaces referring to the mandatory works from the beginning of the operation exploration of the occupied surfaces, payable annually; a certain amount for each movement of the container of importation/exportation regardless if it is full or empty, with a right to reimbursement in an amount equivalent to 25% of the imposed amount; for the load not packed in containers - US$1 for each ton of fractioned load that is operated in the Terminal, US$5 for each unit of rolling load that is operated in the Terminal, US$1 for each passenger operated in the Terminal; Upfront payment of US$25.0 million with 70% paid on execution date of the Agreement and the balance within 6 months from said execution date; (c) COALIANZA - 2% of the total of the Reference Investment of the Project, paid on execution date of the Agreement; and (d) Trustee (FICOHSA Bank) - 0.37% of the annual gross income, payable monthly; and US$1,584,835 paid on execution date of the Agreement. As of March 7, 2013, ICTSI and COALIANZA are complying with several pre-conditions for the execution of the concession contract, and the parties have 60 days from the date of the award, or until April 2, 2013 to sign the concession contract.

Board of Directors

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Chairman

Jon Ramon Aboitiz
Director

Octavio Victor R. Espiritu
Independent Director

Joseph R. Higdon
Independent Director

Jose C. Ibazeta
Director

Stephen A. Paradies
Director

Andres Soriano III
Director

Atty. Rafael T. Durian
Corporate Secretary

Officers

Enrique K. Razon Jr.
President

Martin L. O'Neil
Senior Vice President and Chief Financial Adviser

Fernando L. Gaspar
Senior Vice President and Chief Administration Officer

Marcelo J. Suarez
Senior Vice President and Americas Region Head

Jens O. Floe
Senior Vice President and Africa Region Head

Hans-Ole Madsen
Senior Vice President and Europe and Middle East Region Head

Paul P.L. Lo
Senior Vice President and Greater China Area Head

Christian R. Gonzalez
Vice President and Asia Region Head

Rafael J. Consing Jr.
Vice President and Treasurer

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Jose Manuel M. de Jesus
Vice President, Business Development Asia

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Earl Eric Nestor H. Ferrer
Vice President, Global IT

Vivien F. Miñana
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TERMINAL HEADS

Asia

Christian R. Gonzalez
Manila International Container Terminal General Manager
ICTSI Jasa Prima Tbk President Commisioner
Bauan International Ports, Inc. President

Jose Manuel M. de Jesus
ICTSI Subic, Inc. President
Hijo International Port Services President
Davao Integrated Ports Services and Stevedoring Corp. President
Mindanao International Container Terminal Services, Inc. President
South Cotabato Integrated Port Services, Inc. President

Rico T. Cruz
New Muara Container Terminal Sdn. Bhd. General Manager

Lasmar L. Edullantes
PT Makassar Terminal Services President Director / Chief Executive Officer

Apollo Zhou
Yantai Rising Dragon International Container Terminal, Inc. General Manager

Mohamed Ghandar
ICTSI India (Pvt.) General Manager

Capt. Naoki Yamauchi
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