

COVER SHEET

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SEC Registration Number

I	N	T	E	R	N	A	T	I	O	N	A	L		C	O	N	T	A	I	N	E	R		T	E	R	M	I	N	A	L	
S	E	R	V	I	C	E	S	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

(Company's Full Name)

I	C	T	S	I		A	D	M	I	N	I	S	T	R	A	T	I	O	N		B	U	I	L	D	I	N	G				
M	I	C	T		S	O	U	T	H		A	C	C	E	S	S		R	O	A	D	,		M	A	N	I	L	A			

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

Jose Joel M. Sebastian

(Contact Person)

(+632) 8245 4101

(Company Telephone Number)

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Month Day
(Fiscal Year)

S	E	C	20	I	S
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(Form Type)

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

N/A

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings
(as of December 31, 2019)

1,366

as of December 31, 2019
Total No. of Stockholders

US\$301.6M

Domestic

US\$1,361M

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO
SECTION 20 OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter
International Container Terminal Services, Inc.
3. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
4. SEC Identification Number **147212**
5. BIR Tax Identification Code **000-323-228**
6. Address of Principal Office **3F ICTSI Administration Building
Manila International Container Terminal
South Access Road, Manila, Philippines
Postal Code 1012**
7. Registrant's telephone number, including area code **(632) 8245-4101**
8. Date, time and place of the meeting of security holders
**April 16, 2020, 10:00 a.m., at The Tent at Solaire,
1 Aseana Avenue, Entertainment City, Parañaque City, Metro Manila, Philippines**
9. Approximate date on which the Information Statement is first to be sent or given to security holders
March 24, 2020
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding as of December 31, 2019
Common Stock, P1.00 par value	2,000,598,608

Amount of consolidated debt outstanding as of **December 31, 2019: US\$1,662.6 million**
11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes ☒ No ☐

Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Common Stock**

ICTSI MANAGEMENT IS NOT SOLICITING PROXIES FOR THIS ANNUAL STOCKHOLDERS' MEETING. PLEASE DO NOT SEND ICTSI MANAGEMENT YOUR PROXY.
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ICTSI 2020 ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of International Container Terminal Services, Inc. (ICTSI) will be held at The Tent at Solaire, 1 Aseana Avenue, Entertainment City, Parañaque City, Metro Manila, Philippines at **10:00am** on Thursday, **April 16, 2020**, with the following agenda:

1. Call to order. The call is done to officially open the meeting.
2. Determination of existence of quorum. The presence of shareholders holding at least majority of the outstanding shares is required for the existence of a quorum.
3. Approval of the Minutes of the Annual Stockholders' Meeting held on April 11, 2019. Said minutes record the proceedings at the last stockholders' meeting prior to this meeting.
4. Chairman's Report. The Chairman's Report will present a summary of business operation of the corporation and its subsidiaries during preceding fiscal year.
5. Approval of the Chairman's Report and the 2019 Audited Financial Statements. Having heard the report, the shareholders are asked to approve the Chairman's Report and the Audited Financial Statements.
6. Approval/ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting. Said acts, contracts, investments and resolutions are summarized in Item 15 of the Information Statement (SEC Form 20-IS) to be furnished to the shareholders and approval thereof by the stockholders is sought.
7. Election of Directors. The incumbent directors are named in Item 5 of the Information Statement, together with their respective profiles and qualifications. The directors of the corporation are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting, and until their respective successors have been elected and qualified.
8. Appointment of External Auditors. The appointment of the external auditor named in Item 7 of the Information Statement is being sought.
9. Other matters. Any other matter, which may be brought to the attention of the stockholders, may be taken up.
10. Adjournment. This is done to officially end the meeting.

The dividend policy of the Corporation is described in the section entitled "Dividends and Dividend Policy" in Item 15 of the Information Statement.

The Board of Directors fixed **March 16, 2020** as the record date for the purpose of determining the Stockholders entitled to notice and to vote.

Registration starts at **9:00 a.m.** Please bring your identification documents (e.g. SSS, driver's license, passport) to facilitate registration.

Should you be unable to attend the meeting, but wish to be represented, you may send us a Proxy (in the form attached as "Schedule 1" to the Information Statement). For Stockholders whose shareholdings are lodged with the Philippine Central Depository, please secure a certification from your respective brokers and send it to us not later than **5:00 p.m. on March 31, 2020**.

Proxy validation will be held at the Executive Lounge, 4/F ICTSI Administration Building, South Access Road, MICT, Port of Manila on **April 3, 2020 at 10:00am**.

Manila, March 6, 2020.

FOR THE BOARD OF DIRECTORS



BENJAMIN M. GOROSPE III
Assistant Corporate Secretary

PART I.A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Stockholders' Meeting of International Container Terminal Services, Inc. (ICTSI) will be held on April 16, 2020 at The Tent at Solaire, 1 Aseana Avenue, Entertainment City, Parañaque City, Metro Manila at 10:00a.m.

The address of the principal office of International Container Terminal Services, Inc. is ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines. This Information Statement will be made available through QR Code which will be mailed to Stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting on or about March 24, 2020.

Item 2. Dissenters' Right of Appraisal

Under Section 80 of the Revised Corporation Code, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and
- (3) in case of merger or consolidation.

To exercise the appraisal right the stockholder shall send a written demand on the Corporation within 30 days from the approval of the proposed amendments by the stockholders. The Corporation shall pay the fair value of the shares that the stockholder will surrender in accordance with the process, procedure and timetable provided under Section 80 to 85 of the Revised Corporation Code.

If the dissenting stockholder and the Company cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be determined by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Company and a third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Company within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of the Revised Corporation Code.

However, the matters to be acted upon at the Annual Stockholders' Meeting are not matters with respect to which a dissenting Stockholder may exercise his appraisal right.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than election of Directors and ratification of acts of the Board of Directors and Management, there are no substantial interest, by security holdings or otherwise, of ICTSI, any Director or Officer thereof, any nominee for Director, or associate of any of the foregoing persons in any matter to be acted upon at the Annual Stockholders' Meeting.

None of the Directors of ICTSI has informed ICTSI in writing that he intends to oppose any action to be taken by ICTSI at this Annual Stockholders' Meeting.

PART I.B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of February 29, 2020, common shares issued and outstanding were 2,045,177,671 shares (including 44,530,595 treasury shares). While Preferred A and B shares outstanding as of the same date were 3,800,000 shares and 700,000,000 shares, respectively.

<u>Voting/Non Voting Shares</u>	<u>Type of Securities</u>	<u>No. of Foreign Owned shares</u>	<u>No. of Local Owned shares</u>	<u>No. of Outstanding shares</u>
Voting shares	Common shares	805,434,828	1,195,212,248	2,000,647,076
Voting shares	Preferred B shares	-	700,000,000	700,000,000
Total Outstanding Voting shares		805,434,828	1,895,212,248	2,700,647,076
Foreign Ownership Level of Total Outstanding Voting shares		29.82%		
Non Voting shares	Preferred A shares	3,800,000		3,800,000
Foreign Ownership Level of Total Outstanding Voting and Non- Voting shares		29.92%		

Only Stockholders of record at the close of business on March 16, 2020 are entitled to notice and to vote at the Annual Stockholders' Meeting. The common stock and preferred B stock will vote on matters scheduled to be taken up at the Annual Meeting with each share being entitled to cast one (1) vote.

For the election of Directors, Stockholders entitled to vote may vote such number of shares for as many persons as there are Directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.

Security Ownership of Certain Beneficial Owners and Management

Beneficial Owners

The following are known to the registrant to be, directly or indirectly the record or beneficial owner of more than five (5) percent of registrant's voting securities as of February 29, 2020:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage*
Common	PCD Nominee Corporation (Non-Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	Deutsche Bank Manila - Clients' Acct. - 19/F, Net Quad Center, 31 st Street cor. 4 th Avenue E-Square Zone, Crescent Park, West Bonifacio Global City, Taguig, Metro Manila Represented by Michelle Mabansag, Head of Global Securities Operations, only holds a legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	280,416,515	10.37%
Common	PCD Nominee Corporation (Non-Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	The Hongkong & Shanghai Banking Corp. Ltd. – Clients' Acct. - 4/F HSBC Centre 3058 Fifth Avenue, West Bonifacio Global City, Taguig, Metro Manila Represented by Maris Flores, Senior Vice President and Head, HSBC Securities Services and Kathy Dela Torre, Senior Vice President Client Services, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	276,537,494	10.23%
Common	PCD Nominee Corporation (Filipino)	AB Capital Securities, Inc., Units 1911-1912, 19/F, PSE Tower, 5 th Avenue corner 28 th St., Bonifacio Global City, Taguig, Metro Manila	Filipino	515,748,967	19.07%

	6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	Represented by Victor L. Vital, President; Ericsson C. Wee, First Vice, President; and Lamberto M. Santos, Jr., Senior Advisor, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.			
Common	Bravo International Port Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati, Metro Manila	Bravo International Port Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	279,675,000	10.34%
Preferred B	Achillion Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati, Metro Manila	Achillion Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	700,000,000	25.88%

**Percentage ownership were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,704,447,076 (which excludes treasury shares) as of February 29, 2020.*

Security Ownership of Management

As of February 29, 2020, the aggregate beneficial ownership of all Directors and executive officers totals to 1,690,620,270 shares, equivalent to 62.51 percent.

Title of Class	Name	Number of shares and nature of beneficial ownership		Citizenship	Percentage ¹
Common & Preferred B	Enrique K. Razon, Jr. ²	1,682,105,057	Direct and Indirect	Filipino	62.20% ³
Common	Stephen A. Paradies	4,087,573	Direct	Filipino	0.15%
Common	Jose C. Ibazeta	2,475,090	Direct	Filipino	0.09%
Common	Andres Soriano III	1,150,481	Direct and Indirect	American	0.04%
Common	Octavio Victor R. Espiritu	300,000	Direct	Filipino	0.01%
Common	Silverio Benny J. Tan	273,000	Direct	Filipino	0.01%
Common	Joseph R. Higdon	156,000	Direct	American	0.01%
Common	Jose Joel M. Sebastian	30,284	Direct	Filipino	0.00%
Common	Gigi Iluminada T. Miguel	25,491	Direct	Filipino	0.00%
Common	Cesar Buenaventura	10,001	Direct	Filipino	0.00%
Common	Benjamin M. Gorospe III	6,293	Direct	Filipino	0.00%
Common	Rafael T. Durian	1,000	Direct	Filipino	0.00%
Common	Rafael D. Consing, Jr.	-	Direct	Filipino	-

¹ Percentage ownership were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,704,447,076 (which excludes treasury shares) as of February 29, 2020.

² Shares in the name of Enrique K. Razon, Jr. and Razon Group.

³ The percentage ownership of Enrique K. Razon, Jr. and the Razon Group is at 62.29% if based on the total number of issued and outstanding common shares and preferred B voting shares of 2,700,647,076 (which excludes treasury shares and preferred A non-voting shares) as of February 29, 2020.

Dealings with Company's Shares

Directors, officers, and controlling shareholders are required to report their dealings in Company shares within three (3) business days from all ICTSI share-related transactions.

ICTSI discloses to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) the ownership (direct and indirect) and any acquisition or disposal of ICTSI securities by ICTSI directors, officers and controlling shareholders pursuant to the PSE Revised Disclosures and Securities Regulations Code. Directors and officers are likewise prohibited from buying or selling ICTSI securities (e.g. shares of stock) during the period within which material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed.

The ICTSI shares held by its Directors in FY 2019 are as follows:

Directors	January 1, 2019	December 31, 2019
Enrique K. Razon, Jr.*	1,681,105,057	1,682,105,057
Stephen A. Paradies	4,087,573	4,087,573
Andres Soriano III	3,150,481	2,150,481
Jose C. Ibazeta	2,775,710	2,555,090
Octavio Victor R. Espiritu	300,000	300,000
Joseph R. Higdon	156,000	156,000
Cesar A. Buenaventura	-	10,001

**Shares in the name of Enrique K. Razon, Jr. and Razon Group; consists of 981,105,057 common shares as of January 1, 2019 and 982,105,057 common shares as of December 31, 2019; and 700,000,000 Preferred B shares*

Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more to disclose.

Changes in Control

There are no changes in control to disclose.

Item 5. Directors and Executive Officers

The following are information on the business experience of the members of the Board of Directors (the Board) and Executive Officers of ICTSI for the last five (5) years.

The members of the Board of Directors and Executive Officers of ICTSI are the following:

Office	Name	Citizenship	Age
Chairman of the Board and President	Enrique K. Razon, Jr.	Filipino	60
Director	Cesar A. Buenaventura ¹	Filipino	90
Director	Octavio Victor R. Espiritu ²	Filipino	76
Director	Joseph R. Higdon ³	American	78
Director	Jose C. Ibazeta	Filipino	77
Director	Stephen A. Paradies	Filipino	66
Director	Andres Soriano III	American	68
Senior Vice President, Chief Financial Officer & Compliance Officer	Rafael D. Consing, Jr.	Filipino	51
Senior Vice President, Finance	Jose Joel M. Sebastian	Filipino	56
Vice President and Treasurer	Gigi Iluminada T. Miguel	Filipino	50
Corporate Secretary	Rafael T. Durian	Filipino	86
Asst. Corporate Secretary	Silverio Benny J. Tan	Filipino	63
Asst. Corporate Secretary	Benjamin M. Gorospe III	Filipino	52

¹Independent Director

²Independent Director

³Independent Director

The following are the Regional Heads and Global Corporate Officers for the ICTSI group of companies:

Office	Name	Citizenship	Age
Senior Vice President, Global Corporate Head	Christian Martin R. Gonzalez	Filipino	44
Senior Vice President, Regional Head – Asia Pacific	Andrew Dawes	British	47
Senior Vice President, Regional Head – Latin America	Anders Kjeldsen	Danish	50
Senior Vice President, Regional Head-Europe & Middle East and Africa	Hans-Ole Madsen	Danish	54
Senior Vice President, Head of Global Commercial	Tico Wieske	Dutch	56
Chief Risk Officer and Vice President, Business Process, Strategy and Controls	Sandy A. Alipio	Filipino	49
Vice President, Head of Financial Management and Budget	Caroline C. Causon	Filipino	42
Vice President, Head of Global Corporate Human Resources	Michael Robin Cruickshanks	British	62
Vice President, Chief Information Officer	Brian Hibbert	British	52
Vice President, Senior Administration Officer	Vivien F. Minana	Filipino	55
Vice President, Head of Global Engineering – Infrastructure and Project Delivery	Nathan A. Clarke ¹	Australian	38
Vice President, Head of Global Engineering – Equipment Maintenance	Johan Swart	South African	60
Vice President, Head of Global Corporate Audit & Compliance	Tricianne M. Zingapan	Filipino	48

¹ Appointment effective on January 1, 2020

The following are the business experiences of ICTSI's directors and officers for the **past five years**:

Directors

Enrique K. Razon, Jr., age 60, Filipino

Mr. Razon has been a Director of International Container Terminal Services, Inc. (ICTSI)* since December 1987 and has been its Chairman since 1995.

Concurrently, Mr. Razon is the Chairman and the President of ICTSI*, IWI Container Terminal Holdings, Inc., ICTSI Foundation, Inc., Razon Industries, Inc., Sureste Realty Corporation, Quasar Holdings, Inc., Falcon Investco Holdings, Inc., Achillion Holdings, Inc., Collingwood Investment Company Ltd., Bravo International Port Holdings, Inc., and Provident Management Group, Inc.; the Chief Executive Officer (CEO) and the Chairman of Bloomberry Resorts Corporation; Chairman of Sureste Properties, Inc, Monte Oro Resources and Energy, Inc., Bloomberry Resorts & Hotels, Inc., Prime Metroline Holdings Corp. and Pilipinas Golf Tournament Inc.; Director of ICTSI (Hongkong) Ltd., Australian Container Terminals, Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital, and Xcell Property Ventures, Inc.

In addition, he is a member of the US-Philippines Society, the ASEAN Business Club, and Philippines, Inc.

The De La Salle University in the Philippines has conferred on Mr. Razon the degree of Doctor of Science in

Logistics honoris causa.

**Publicly-listed Corporation*

Cesar A. Buenaventura, O.B.E., age 90, Filipino

Mr. Buenaventura was elected an Independent Director of ICTSI* last February 12, 2019. On March 1, 2019, he was appointed as the Chairman of the Corporate Governance Committee as well as Chairman of the Related Party Transactions Committee, and a member of the Audit Committee of ICTSI. He is the Director and Chairman of Mitsubishi Hitachi Power Systems Phils Inc. and Buenaventura Echaz and Partners, Inc., Director and Vice Chairman of DMCI Holdings, Inc.*, Director of Semirara Mining and Power Corp.*, iPeople, Inc.*, Petroenergy Resources Corp.*, Concepcion Industrial Corp.* Pilipinas Shell Petroleum Corp.*, DM Consunji Inc., and The Country Club. He is likewise a Trustee and Chairman of Pilipinas Shell Foundation Inc., and Trustee of Bloomberry Cultural Foundation and ICTSI Foundation. He was formerly a Director of Philippine American Life Insurance Co., AG&P Co. of Manila, Ayala Corporation*, First Philippine Holdings Corp.*, Philippine Airlines*, Philippine National Bank*, Benguet Corporation*, Asian Bank, Ma. Cristina Chemical Industries, Paysetter International Inc., Maibarara Geothermal Inc., and Manila International Airport Authority.

His career started with Engineer David Consunji in 1951. Mr. Buenaventura then moved to the Shell Group of Companies in 1956 where he served as the first Filipino CEO and Chairman from 1975 until his retirement in 1990. He served 2 more years in the capacity of non-executive chairman until 1992. He was appointed member of the Monetary Board of Central Bank of the Philippines representing the private sector from 1981 until 1987.

Mr. Buenaventura is the founding chairman of the Pilipinas Shell Foundation Inc., and founding member of the Board of Trustees of the Makati Business Club. He was a member of the Board of Regents of the University of the Philippines from 1987 to 1994, the Board of Trustees of the Asian Institute of Management from 1994 to 2007, and President of Benigno Aquino S. Foundation from 1985-2010.

He is a recipient of many awards, among which are – Most Distinguished Alumnus, College of Engineering, University of the Philippines in 1977, the Management Man of the year by the Management Association of the Philippines in 1985, Outstanding Professional in Engineering by the Professional Regulatory Commission in 1997, Outstanding Fulbrighter in the field of business by the Philippine Fulbright Association in 2008, recipient of Centennial Award as one of the UP's Top 100 Alumni Engineering Graduates.

In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

Mr. Buenaventura received his Bachelor of Science degree in Civil Engineering from the University of the Philippines and his Master's degree in Civil Engineering majoring in Structures from Lehigh University Bethlehem, Pennsylvania in 1954, as a Fulbright scholar.

**Publicly-listed Corporation*

Octavio Victor R. Espiritu, age 76, Filipino

Mr. Espiritu has been an Independent Director of ICTSI* since April 2002. On March 1, 2019, he was appointed as the Chairman of the Audit Committee and a member of the Corporate Governance Committee, Nomination Sub-Committee, Remuneration Sub-Committee, Board Risk Oversight Committee and Related Party Transactions Committee of ICTSI.* He is also a Director of Bank of the Philippine Islands, Philippine Dealing System Holdings Corp. and Subsidiaries, and Phil Stratbase Consultancy Inc.

Formerly, Mr. Espiritu was a three-term former President of the Bankers Association of the Philippines, a former President and Chief Executive Officer (CEO) of Far East Bank and Trust Company, and Chairman of the Board of Trustees of the Ateneo de Manila University for fourteen (14) years.

Mr. Espiritu received his primary, secondary, and college education from the Ateneo de Manila University, where he obtained his AB Economics degree in 1963. In 1966, he received his Master's Degree in Economics

from Georgetown University in Washington DC, USA.

**Publicly-listed Corporation*

Joseph R. Higdon, age 78, American

Mr. Higdon has been an Independent Director of ICTSI* since April 2007. On March 1, 2019, he was appointed as member of the Corporate Governance Committee and Board Risk Oversight Committee of ICTSI. He is also a board advisor to SM Investments Corporation*, Security Bank Corporation*. In addition, he is a director of Philippine Equity Partners.

Formerly, Mr. Higdon was the Senior Vice President of Capital Research and Management, a Los Angeles (USA)-based international investment management firm, until June 2006. He joined Capital Research and Management in 1974 and has covered Philippine stocks from 1989 to 2006. He was the Vice President of the New World Fund, which focused on companies doing business in emerging countries and was a Director of Capital Strategy Research.

Mr. Higdon received his Bachelor of Science degree, major in Political Science, from the University of Tennessee in 1968.

**Publicly-listed Corporation*

Jose C. Ibazeta, age 77, Filipino

Mr. Ibazeta has been a Director of ICTSI* since December 1987. On March 1, 2019, he was appointed as Chairman of the Nomination Sub-Committee and a former member of Audit Committee of ICTSI.

Formerly, he was named a Trustee and Vice-President of ICTSI Foundation in 2009. He also served as ICTSI's Treasurer until February 2007, and he was appointed as President and Chief Executive Officer of the Power Assets and Liabilities Management Corporation (PSALM) by the President of the Republic of the Philippines. He served as PSALM President and CEO from February 1, 2007 to March 30, 2010. In April 2010, he declined his nomination as Director of ICTSI by reason of his appointment as Acting Secretary of the Department of Energy, a position he held from April 1, 2010 until June 30, 2010. He was re-elected a Director of ICTSI* in August 2010.

In addition, Mr. Ibazeta is a Consultant to the Chairman of the Board of A. Soriano Corporation*. He is a Director of A. Soriano Corporation, Anscor Consolidated Corporation, AFC Agribusiness Corporation, Anscor Holdings, Inc., Minuet Realty Corporation, Phelps Dodge Philippines Energy Products Corporation, Seven Seas Resorts and Leisure, Inc, Island Aviation, Inc, and Vicinetum Holdings, Inc. He is also the Chairman and President of Island Aviation, Inc, President of Seven Seas Resorts and Leisure, Inc, and Pamalican Resort, Inc. Mr. Ibazeta is also the founding Chairman and a Director of Philippine Stratbase Consultancy, Inc.

At AGP Group Holdings, PTE, Ltd, Mr. Ibazeta is a member of the Board, the Executive Committee and the Compliance Steering Committee as well as Chairman of the Audit Committee. He is Chairman of the AG&P Estate Management, Inc, member of the Board of Atlantic, Gulf & Pacific Company of Manila, Inc, AG&P FieldCOM, Inc, and Gas Entec Co, Ltd. He is the Treasurer and a member of the Board of AGP Philippines Holdings, Inc.

Mr. Ibazeta is a member of the Board of Trustees of Radio Veritas and St James the Great Parish Foundation. He received his Bachelor of Science in Economics degree from the Ateneo de Manila University in 1963 and his Master's Degree in Business Administration from the University of San Francisco, USA in 1968. He completed all academic requirements and passed the comprehensive exams for an MBC in Banking and Finance from the New York University in 1975.

**Publicly-listed Corporation*

Stephen A. Paradies, age 66, Filipino

Mr. Paradies has been a Director of ICTSI* since December 1987. On March 1, 2019, he was appointed Chairman of the Board Risk Oversight Committee, and is also a member of the Audit Committee, Nomination Sub-Committee, Remuneration Sub-Committee, and Related Party Transactions Committee of ICTSI.

He is also a Board Director of IWI Container Terminal Holdings, Inc. Union Investments Corp., Sureste Properties Inc., Prime Metro BMD Corp., Prime Metro Power Holdings Inc., Prime Metro Infrastructure Holdings Inc., MORE Palawan Power Corp., Amber Electric & Power Corp., and The Country Club Inc. Mr. Paradies is the Chairman & President of Parraz Development Corp.; a Trustee of Bloomberry Cultural Foundation Inc.; Board Chairman of Napagapa Beverages, Inc. and MORE Electric & Power Corp.

Mr. Paradies received his Bachelor of Science Degree, Major in Business Management, from the Santa Clara University, California, USA.

**Publicly-listed Corporation*

Andres Soriano III, age 68, American

Mr. Soriano has been a Director of ICTSI* since July 1992. Currently, he is the Chairman of the Remuneration Sub-Committee.

In addition, Mr. Soriano is the Chairman and Chief Executive of A. Soriano Corporation*, the Chairman and President of Anscor Consolidated Corp., the Chairman of The Andres Soriano Foundation, Inc., Phelps Dodge International Philippines, Inc., Phelps Dodge Philippines Energy Products Corp., Seven Seas Resorts and Leisure, Inc., and Pamalican Resort, Inc.

Formerly, Mr. Soriano was the President and Chief Operating Officer (COO) of San Miguel Corporation* and later, its Chairman and CEO. He was also the Chairman of Coca Cola (Philippines), Coca Cola Amatil (Australia) and Nestle (Philippines) and was a Director of SPI Technologies, Inc., eTelecare Global Solutions, Inc., G.E. Asian Advisory and Wharton East Asia Executive Board.

Mr. Soriano received a Bachelor of Science degree in Economics, major in Finance and International Business, from Wharton School of Finance and Commerce, University of Pennsylvania in 1972.

**Publicly-listed Corporation*

Executive Officers

Rafael D. Consing, Jr., age 51, Filipino

Mr. Consing is the Senior Vice President and Chief Financial Officer of International Container Terminal Services, Inc. (ICTSI)*. He was appointed to the said position on October 5, 2015 and was subsequently appointed as the Compliance Officer on February 9, 2016. Prior to such role, he was the Vice President and Treasurer of ICTSI*. Concurrently, he is a Director and Treasurer of the following ICTSI subsidiaries: Hijo International Port Services, Inc., Subic Bay International Terminal Corp., Subic Bay International Terminal Holdings, Inc., ICTSI Subic Inc., Cordilla Properties Holdings, Inc., IW Cargo Handlers, Inc., IWI Container Terminal Holdings, Inc., Laguna Gateway Inland Container Terminal, Inc., Intermodal Terminal Holdings, Inc., Cavite Gateway Terminal, Inc.,; an alternate member of Sociedad Puerto Industrial Aguadulce S.A., a Director of Falconer Aircraft Management, Inc., Tecplata S.A., Contecon Manzanillo S.A., Terminal Maritima de Tuxpan, S.A. de C.V., Operadora Portuaria Centroamericana S.A. de C.V., ICTSI Oregon, Inc., Global Procurement Ltd., ICTSI Honduras Ltd., Aeolina Investments Limited, Crixus Limited, ICTSI Georgia Corp., ICTSI QFC LLC, ICTSI Project Delivery Services Co. Pte. Ltd., ICTSI South Asia Pte. Ltd., ICTSI Mauritius Ltd., Consultports S.A. de C.V., Asiastar Consultants Limited, ICTSI Far East Pte. Ltd., and Manila North Harbour Port, Inc.; the Chairman of CGSA Transportadora S.L. and SPIA Spain S.L.; a Director and the Deputy Chairman of ICTSI Ltd. and International Container Terminal Holdings, Inc.; a Director A of ICTSI Capital B.V., Royal Capital B.V., ICON Logistiek B.V., ICTSI Americas B.V., ICTSI Cameroon B.V., Tecplata B.V., Global Container Capital B.V., CGSA B.V., SPIA Colombia B.V., CMSA B.V., TSSA B.V., ICTSI Treasury B.V., ICTSI Cooperatief U.A., ICTSI Oceania B.V., ICTSI Tuxpan B.V., ICTSI Africa B.V., ICTSI Global

Cooperatief U.A., and ICTSI Global Finance B.V.; and a Commissioner of PT ICTSI Jasa Prima Tbk.

Mr. Consing started his career at the Multinational Investment Bancorporation in June 1989. From 1999 to 2007, he assumed various roles in HSBC, including Director and the Head of Debt Capital Markets for the Philippines, and subsequently for South East Asia, and later on as the Managing Director and the Head of the Financing Solutions Group, Asia Pacific. In HSBC, Mr. Consing was involved in strategic and situational financing and advisory activities, including acquisition and leveraged finance, debt capital markets, credit ratings and capital advisory. He also held positions in investment banking with Bankers Trust NY / Deutsche Bank and ING Barings. In 1993 to 1995, Mr. Consing served as the Vice President and the Treasurer of Aboitiz & Company, Inc. and Aboitiz Equity Ventures, Inc*.

Mr. Consing received his A.B. degree, major in Political Science, from the De La Salle University, Manila, in 1989. He is an alumnus of the Emerging CFO: Strategic Financial Leadership Program of the Stanford Graduate School of Business.

**Publicly-listed Corporation*

Jose Joel M. Sebastian, age 56, Filipino

Mr. Sebastian is the Senior Vice President, Finance. He was appointed to the said position on October 5, 2015. He joined ICTSI* as the Vice President and Controller in September 2008. Concurrently, he is a Director and the President of International Container Terminal Holdings, Inc., ICTSI Ltd., and ICTSI Georgia Corp.; the Deputy Chairman of CGSA Transportadora S.L. and SPIA Spain S.L.; a Director and the President of Bauan International Ports, Inc., Davao Integrated Port & Stevedoring Services Corp., a Director and Treasurer of Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Abbotsford Holdings, Inc., ICTSI Asia Pacific Business Services, Inc., Manila North Harbour Port, Inc., and Falconer Aircraft Management, Inc.; a Director A of ICTSI Capital B.V., Royal Capital B.V., ICON Logistiek B.V., ICTSI Americas B.V., ICTSI Cameroon B.V., Tecplata B.V., Global Container Capital B.V., CGSA B.V., SPIA Colombia B.V., CMSA B.V., TSSA B.V., ICTSI Treasury B.V., ICTSI Cooperatief U.A., ICTSI Oceania B.V., ICTSI Tuxpan B.V., ICTSI Africa B.V., ICTSI Global Cooperatief U.A., and ICTSI Global Finance B.V.; and a Director of Cordilla Properties Holdings, Inc., , Tartous International Container Terminal, JSC., International Container Terminal Services Private Limited, ICTSI DR Congo S.A., PT ICTSI Jasa Prima Tbk, Global Procurement Ltd., ICTSI Honduras Ltd., Lekki International Container Terminal Services LFTZ Enterprises, Tecon Suape S.A., Contecon Guayaquil S.A., Contecon Manzanillo S.A., Terminal Maritima de Tuxpan, S.A. de C.V., Aeolina Investments Limited, Crixus Limited, ICTSI (M.E.) DMCC, ICTSI Middle East DMCC, ICTSI QFC LLC, ICTSI South Asia Pte. Ltd., ICTSI Project Delivery Services Co. Pte. Ltd., Consultports, S.A. de C.V., ICTSI South Pacific Limited, Motukea International Terminal Limited, South Pacific International Container Terminal Limited, Operadora Portuaria Centroamericana S.A. de C.V., Tungsten RE Ltd and Manila North Harbour Port, Inc.

Mr. Sebastian started his professional career with SyCip Gorres Velayo and Co (a member firm of Ernst & Young Global Limited) in 1984 and was admitted to the partnership in 1999. His expertise is in financial audits of publicly-listed companies in the telecommunications, port services, shipping, real estate, retail, power generation and distribution, manufacturing, media and entertainment industries. Mr. Sebastian is a member of the Auditing and Assurance Standards Council in the Philippines since 2015 representing the private industry.

Mr. Sebastian is a Certified Public Accountant. He graduated from the De La Salle University, Manila, in 1983 with a degree in Bachelor of Science in Commerce major in Accounting. He also attended the Accelerated Development Programme of the University of New South Wales in 1996.

**Publicly-listed Corporation*

Gigi Iluminada T. Miguel, age 50, Filipino

Ms. Miguel was appointed on May 2, 2018 as the Vice President and Treasurer of ICTSI*. Prior to such role,

she was the Liability and Capital Director of ICTSI. Concurrently, she is also a Director of Pakistan International Container Terminal. Prior to joining ICTSI, she was already a seasoned banker, having been connected with China Banking Corporation.

Ms. Miguel received her Master's Degree in Business Administration from Ateneo Graduate School of Business, and is a graduate of BS Applied Mathematics from the University of the Philippines.

**Publicly-listed Corporation*

Rafael T. Durian, age 86, Filipino

Atty. Durian has been the ICTSI*'s Corporate Secretary since 1987. He is likewise the Corporate Secretary of ICTSI Foundation, Inc.; the Corporate Secretary and a Director of Razon Industries, Inc., Sureste Realty Corp. and Provident Management Group, Inc.

Atty. Durian earned his Bachelor of Laws degree from San Beda College and is a member of the Integrated Bar of the Philippines. He was a Partner at Cruz Durian Alday & Cruz-Matters Law Office.

**Publicly-listed Corporation*

Silverio Benny J. Tan, age 63, Filipino

Atty. Tan is a partner in and was managing partner from 2013 to 2015, in the law firm of Picazo Buyco Tan Fider & Santos. He is chairman of the Board of Mapfre Insular Insurance Corporation. He is a director and corporate secretary of Prime Metroline Holdings, Inc., Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., OSA Industries Philippines Inc., Negros Perfect Circles Food Corp and Razon & Co. Inc. He is also a director of the following companies: Celestial Corporation, Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dress Line Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Apex Mining Company Inc.*, Sureste Properties, Inc., Bloomberry Resorts and Hotels Inc., Bloomberry Resorts Corporation*, MORE Electric & Power Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Monte Oro Resources & Energy Inc., Bloomberry Cultural Foundation Inc. and Pilipinas Golf Tournaments, Inc. He is the assistant corporate secretary of ICTSI*, International Container Terminal Holdings, Inc., ICTSI Ltd., ICTSI Honduras Ltd.

Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines - College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

**Publicly-listed Corporation*

Benjamin M. Gorospe III, age 52, Filipino

Atty. Gorospe was appointed as the Assistant Corporate Secretary of ICTSI* on September 17, 2013. He is also the Global Head for Tax and Regional Legal Manager for the Americas of ICTSI*. Atty. Gorospe is a Director and the Corporate Secretary of Davao Integrated Port & Stevedoring Services Corp., Mindanao International Container Terminal Services, Inc., Cordilla Properties Holdings, Inc.; the Assistant Secretary of International Container Terminal Holdings, Inc., Global Procurement Ltd., ICTSI Ltd., ICTSI Honduras Ltd. and ICTSI Georgia Corp.; and a Director of ICTSI Far East Pte. Ltd., ICTSI South Asia Pte. Ltd., Tungsten RE Ltd., and Consultports S.A. de C.V.

Atty. Gorospe joined ICTSI* in 2003 as a Tax Manager. Prior to this, he worked with the Tax Department of SyCip Gorres Velayo & Co. (a member firm of Ernst & Young Global Limited) for five (5) years and with its Audit Department for one (1) year.

Atty. Gorospe completed his law degree at the University of the Philippines, Diliman. He is also a Certified Public Accountant. He graduated from Xavier University with a degree of Bachelor of Science in Commerce, major in Accounting.

**Publicly-listed Corporation*

Regional Heads and Global Corporate Officers for the ICTSI group of companies

Christian Martin R. Gonzalez, age 44, Filipino

Mr. Gonzalez is the Senior Vice President, Global Corporate Head of the ICTSI* Group. He also served as Vice President, Regional Head – Asia Pacific.

Prior to his current role, he served as the Director General and Chief Executive Officer (CEO) of Madagascar International Container Terminal Services Ltd. (MICTSL), which operates the port in Toamasina, Madagascar, and thereafter, appointed as the Vice President and Head of Asia Pacific Region & Manila International Container Terminal.

When he first joined the ICTSI Group in 1997, he worked in various Operations departments before he was appointed as the Assistant Manager for Special Projects of ICTSI Ltd. He was named MICT Operations Manager in 2003. In 2006, he was designated as the Chief Operating Officer and later CEO of MICTSL in 2009. In 2010, he was designated as a Director of Bloomberry Resorts and Hotels, Inc. and The Country Club. In 2012, Mr. Gonzalez was appointed as the Head of ICTSI's Business Development for Asia region. He was also appointed as the President of ICTSI Foundation, Inc. on April 15, 2016. He is currently the Chairman and President of Subic Bay International Terminal Holdings, Inc., ICTSI Subic, Inc., Cavite Gateway Terminal, Inc., Laguna Gateway Inland Container Terminal, Inc., President of ICTSI Asia Pacific Business Services, Inc., Chairman and President of Intermodal Terminal Holdings, Inc., President of IW Cargo Handlers, Inc.; the Chairman of Cordilla Properties Holdings, Inc., ICTSI Far East Pte. Ltd., Mindanao International Container Terminal Services, Inc. and ICTSI Ltd.; President Commissioner of PT ICTSI Jasa Prima Tbk.; an alternate member of Sociedad Puerto Industrial Aguadulce S.A.; a Director of Bauan International Port, Inc., Davao Integrated Port & Stevedoring Services Corp., Hijo International Port Services, Inc., South Cotabato Integrated Ports Services, Inc., Subic Bay International Terminal Corp., ICTSI Honduras Ltd., ICTSI (Hong Kong) Ltd., International Container Terminal Services Private Limited, Abbotsford Holdings, Inc., IWI Container Terminal Holdings, Inc., ICTSI Project Delivery Services Co. Pte. Ltd., ICTSI South Asia Pte. Ltd., Asiastar Consultants Limited, Manila North Harbour Port, Inc., Bloomberry Resorts Corporation*, Sureste Properties, Inc., and Prime Metroline Transit Corporation; and a Commissioner of PT Makassar Terminal Services.

Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

**Publicly-listed Corporation*

Andrew James Dawes, age 47, British

Mr. Dawes is the Senior Vice President, Regional Head – Asia Pacific of the ICTSI* Group.

Mr. Dawes is the Director and Chairman of Victoria International Container Terminal Limited and Pakistan International Container Terminal Limited; a Director of ICTSI Subic, Inc., Subic Bay International Container Terminal Corporation, Subic Bay International Terminal Holdings, Inc., Yantai International Container Terminal Limited, ICTSI South Pacific Limited, Motukea International Terminal Limited, and South Pacific International Container Terminal Limited.

Prior to his current role, Mr. Dawes was Managing Director of APM Terminals Salalah in Oman.

He also held senior roles in multinational port management companies in Europe, the Middle East, Africa and the Americas. He was chief executive officer of Intels Nigeria Ltd. in Lagos, managing director and chief operations officer of various APM Terminals in both regional and concessions locations in Africa and the Middle East. He likewise held key roles in DP World, P&O Ports, and Southampton Container Terminal in the UK.

**Publicly-listed Corporation*

Anders Kjeldsen, age 50, Danish

Mr. Kjeldsen is the Senior Vice President, Regional Head – Latin America of the ICTSI* Group. Prior to joining ICTSI*, he served as Head of Latin America portfolio for APM Terminals until January 2017. Before moving to Latin America, he was appointed as portfolio Chief Operation Officer for Global Ports Investment PLC. (GPI, PLC.) in Russia for 3 years.

Mr. Kjeldsen is a director of Contecon Guayaquil S.A. and Tecon Suape S.A.; President of Tecplata S.A.; and Principal Member of Sociedad Puerto Industrial Aguadulce S.A.

Prior to his role in GPI PLC., Mr. Kjeldsen was CEO of APM Terminals West Med where he was responsible for a total of 5 million TEU capacity, being the business units in Algeciras and Tangier. He joined the A.P. Moller-Maersk Group in 1991. During the last 29 years, he worked in most disciplines of the container terminal industry. He has been involved in terminal operations in most parts of the world such as Denmark, Germany, Netherlands, Spain, Russia and Panama.

Mr. Kjeldsen is an officer from the Danish Army and undertook several executive development programs at Wharton and IMD.

**Publicly-listed Corporation*

Hans-Ole Madsen, age 54, Danish

Mr. Hans-Ole Madsen is the Senior Vice President, Regional Head for Europe and Middle East and Africa of the ICTSI* Group. Concurrently, he is the Chairman of ICTSI DR Congo S.A.; a Deputy Chairman of Adriatic Gate Container Terminal; and a Director of the following ICTSI subsidiaries: Pakistan International Container Terminal Limited, Baltic Container Terminal Ltd., Batumi International Container Terminal LLC; ICTSI (M.E.) DMCC, ICTSI Middle East DMCC, and Madagascar International Container Terminal Services, Ltd.

Mr. Madsen has more than 30 years of international experience within the port, shipping & logistic industry.

**Publicly-listed Corporation*

Tico Wieske, age 56, Dutch

He is the Senior Vice President and Head of Global Commercial of the ICTSI* Group.

Mr. Wieske is a Director of Victoria International Container Terminal Limited and Yantai International Container Terminal Limited.

Before joining ICTSI*, he held various senior positions within APM Terminals including Global Head of Key Client Management Asia Carriers of APM Terminals based in, Hongkong. Prior to this, he was the Chief Commercial Officer of APM Terminals for the Asia Pacific Region as well as Africa Middle India Sub Continent region.. He represented APM Terminals in various boards including, ACT Aqaba Container Terminal in Jordan, APMT Port of Bahrain, SAGT South Asia Gate Way Terminals in Colombo Sri Lanka, SETV Abidjan Ivory Coast, DIT Douala Cameroon and MPS in Tema, Ghana.

Mr. Wieske earned his B.A. Economics degree in J. van Zwijndregt in Hague, the Netherlands.

**Publicly-listed Corporation*

Sandy A. Alipio, age 49, Filipino

Mr. Alipio is the Chief Risk Officer and Vice President for Business Process, Strategy and Controls of the

ICTSI* Group effective March 6, 2019. Before his current role, he was Vice President for Audit and Compliance.

Prior to his work at ICTSI*, he spent a decade working for the San Francisco-based, Elan Pharmaceuticals, holding several positions such as Internal Control, Senior Director, R&D Finance, Vice President of BioNeurology Finance and the Vice President of Internal Audit & SOX.

From 2000 to 2004, Mr. Alipio was a Senior Manager for Audits and Business Advisory at KPMG LLP in San Francisco. He was with Makati-based SGV and Co. from 1994 and was seconded in Chicago back in 1997. He was also a Manager for Assurance and Business Advisory Services in 2000.

A Certified Internal Auditor and a Certified Public Accountant, Mr. Alipio is a graduate of University of the Philippines, Diliman.

**Publicly-listed Corporation*

Caroline C. Causon, age 42, Filipino

Ms. Causon is the Vice President of Financial Management and Budget of the ICTSI* Group. She was appointed to the said position in April 2018. She is also currently a Director of Batumi International Container Terminal Ltd.

Prior to ICTSI, she handled various senior assurance and financial advisory roles at SyCip Gorres Velayo & Co. (a member firm of Ernst & Young Global Limited) and Manabat Sanagustin & Co. (a member firm of KPMG International).

Ms. Causon is a CFA Charterholder and a Certified Public Accountant. She graduated from the University of Santo Tomas with a degree in Bachelor of Science in Accountancy (Cum Laude) in 1999. She also attended the Management Development Program of the Asian Institute of Management in 2008.

**Publicly-listed Corporation*

Michael Robin Cruickshanks, age 62, British

Mr. Cruickshanks is the Vice President for Global Corporate Human Resources of the ICTSI* Group. Mr. Cruickshanks has extensive experience within the field of human resources in the industries of investment banking and logistics. Prior to ICTSI, Mr. Cruickshanks was the HR advisor to National Commercial Bank in Jeddah, Saudi Arabia. He also worked for global Swiss-based logistics company Panalpina World Transport in the role of Global Head of Compensation and Benefits, covering 16,000 plus employees in over 90 countries. Mr. Cruickshanks also held the position of Managing Director, Compensation and Benefits for the Dutch investment bank, Rabobank International. From 1993 - 1999, he was based in Madrid, Spain and New York, U.S.A. for Santander Investment to serve as Global Head of Compensation & Benefits as well as parallel generalists role supporting front line staff.

Mr. Cruickshanks holds a BSc (Honours) degree in Zoology from Newcastle University as well as Post-graduate Diploma in Business Information Technology.

**Publicly-listed Corporation*

Brian Mark Hibbert, Age 52, British

Mr. Hibbert was appointed as Chief Information Officer of the ICTSI* Group on October 1, 2018 after heading operational technology within the Group for several months.

Prior to joining ICTSI, Brian served as Head of Operations Technology and Transformation Leader in a global capacity for APM Terminals and as Vice President of Product Management for web-based logistics startup International Asset Systems, Inc. in Oakland, CA. USA. Brian also served in multiple leadership roles between 1995 to 2008 as a member of the original pioneering team that grew Navis LLC, a terminal systems provider,

into the market leading position it maintains today.

Brian was educated in the United Kingdom at Palmers College and later studied Product Management and Marketing at Caltech in Pasadena, California. He graduated from the APM Terminals Magnum program held in conjunction with Esade of Barcelona in 2013.

**Publicly-listed Corporation*

Vivien F. Miñana, age 55, Filipino

Ms. Miñana was appointed in 2006 as the Vice President and Senior Administration Officer of the ICTSI* Group and ICTSI Ltd. Prior to her appointment in 2006, she was the Vice President and Controller of ICTSI* and ICTSI Ltd. from 2000 to 2006. Currently, Ms. Miñana is the Treasurer of Container Terminals Systems Solutions Philippines, Inc.

A Certified Public Accountant, Ms. Miñana received her Master's Degree in Business Management from the Asian Institute of Management in Manila, and is a graduate of BS Accounting from the De La Salle University, Manila.

**Publicly-listed Corporation*

Nathan A. Clarke, age 38, Australian

Mr. Clarke is Vice President, Head of Global Engineering – Infrastructure and Project Delivery of the ICTSI* Group effective January 1, 2020.

Mr. Clarke joined ICTSI's Global Engineering team as a project manager in 2011 and has since held several positions including Regional Infrastructure Manager (Asia-Pacific) and Director of Port Planning. Prior to this, Mr. Clarke served with engineering consultancy firm AECOM Technologies, Inc. as a maritime engineer from 2004, working on numerous port projects around Australia and the Asia-Pacific region.

Mr. Clarke holds a Bachelor of Engineering (Project Engineering and Management) with 1st Class Honours from the University of Sydney, Australia, and is currently completing a Masters of Business Administration through Charles Sturt University, Australia.

**Publicly-listed Corporation*

Johan Swart, age 60, South African

Mr. Swart is Vice President, Head of Global Engineering – Equipment Maintenance of the ICTSI* Group effective March 6, 2019.

Prior to his current role, Mr. Swart served as Vice President for Maintenance at Global Container Terminals in Canada. From 2008 to 2015, he was Head of Engineering at APM Terminals in Ghana and Nigeria. He also spent 30 years working for Transnet Port Terminals in Cape Town, holding several positions such as Container Crane Commissioning Electrician, Technical Assistant – Electrical Engineering Container Cranes, Senior Technical Supervisor – Electrical Engineering Container Lifting Equipment and Technical Manager – Electrical and Mechanical.

Mr. Swart holds a National Technical Certificate in Electrical Engineering from Maitland Technical College South Africa and a Diploma in Electrical Engineering at Transnet Port Terminals, South Africa, among other certifications.

**Publicly-listed Corporation*

Tricianne M. Zingapan, age 48, Filipino

Ms. Zingapan is the Vice President for Global Corporate Audit and Compliance for the ICTSI* Group effective March 6, 2019.

Prior to joining ICTSI Group, she was the Head of Internal Audit for Coca-Cola FEMSA Philippines. Ms. Zingapan spent more than 6 years with Coca-Cola FEMSA Philippines starting in 2012 where she held several leadership positions including National Key Accounts Finance Head, Financial Planning & Analysis Head, Internal Controls & Finance Transformation Head and Head of Internal Audit. Her career in Coca-Cola FEMSA included an assignment in Mexico with the Corporate Controllershship group.

She spent close to a decade in Shell holding various roles and leadership positions, including Retail Finance Head, Asia-Pacific Aviation Regional Finance Head based in Singapore and thereafter, as the LPG Philippine Finance Head while playing an important role in the Philippines LPG Portfolio Project for Shell.

Early in her career, she worked in Singapore as an Associate/Consultant for AT Kearney and as an e-Procurement Account Manager for Ariba.

Ms. Zingapan received her Bachelor of Science in Business Administration and Accountancy from the University of the Philippines, Diliman (*Cum Laude*) and a Master's Degree in Business Administration from the JL Kellogg Graduate School of Business, Northwestern University in the USA.

**Publicly-listed Corporation*

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting, and until their respective successors have been elected and qualified.

Except for the Chairman, Enrique K. Razon, Jr., all Directors are nominees as they do not have shareholdings sufficient to elect themselves to the Board.

Directors' Attendance

Pursuant to the Company's By – laws, the Board should hold a regular meeting every month but special meetings may also be called by the Chairman of the Board or the President. The attendance of the Board for the Annual Stockholders Meeting as well as both regular and special meetings in 2019 is as follows:

Board	Name	Date of Election*	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Enrique K. Razon Jr.	April 11, 2019	22	22	100%
Member	Stephen A. Paradies	April 11, 2019	22	20	91%
Member	Andres Soriano III	April 11, 2019	22	20	91%
Member	Jose C. Ibazeta	April 11, 2019	22	21	95%
Independent	Joseph Higdon	April 11, 2019	22	20	91%
Independent	Octavio Victor R. Espiritu	April 11, 2019	22	21	95%
Independent	Cesar A. Buenaventura**	April 11, 2019	19	18	95%

* Regular Board Meeting, Annual Stockholders' Meeting and Organizational Board Meeting

** Elected on February 12, 2019

Directors' Trainings

Each director attended corporate governance trainings, continuing education program and conferences in 2019:

Name	No. of Hours	Topic Discussed	Organizer	Date
Enrique K. Razon, Jr.	4	Advanced Corporate Governance Program: Digital Governance	Institute of Corporate Directors	August 9, 2019
Jose C. Ibazeta	4	Advanced Corporate Governance Program: Digital Governance	Institute of Corporate Directors	August 9, 2019
Cesar A. Buenaventura	9	GRI and Sustainability: Strategies for Future-Proofing Sustainable Business & Investments	University of Asia and the Pacific	February 13, 2019
Andres Soriano III	4	Corporate Governance Training	SGV & Co.	July 1, 2019
Stephen A. Paradies	4	Advanced Corporate Governance Program: Digital Governance	Institute of Corporate Directors	August 9, 2019
Octavio Victor R. Espiritu	4	Advanced Corporate Governance Program: Digital Governance	Institute of Corporate Directors	August 9, 2019
Joseph R. Higdon	4	Advanced Corporate Governance Program	Institute of Corporate Directors	April 30, 2019

Directors and Executive Officers

The following have been nominated as Members of the Board of Directors for the ensuing year and their respective profiles are provided above:

Office	Name	Citizenship	Age
Chairman of the Board and President	Enrique K. Razon, Jr.	Filipino	60
Director	Cesar A. Buenaventura*	Filipino	90
Director	Octavio Victor R. Espiritu*	Filipino	76
Director	Joseph R. Higdon*	American	78
Director	Jose C. Ibazeta	Filipino	77
Director	Stephen A. Paradies	Filipino	66
Director	Andres Soriano III	American	68

*As Independent Director

Nominees for Independent Directors/Nomination Committee

In line with established procedures, a formal nomination of an Independent Director is signed by an incumbent Director, and is submitted to the Corporate Secretary. The Corporate Secretary, guided by the By-Laws, Revised Manual on Corporate Governance and the Revised Corporation Code, forwards the same to the Nomination Committee. In accordance with its Revised Manual on Corporate Governance, the Nominations Committee passes upon the qualifications of the nominee and the process includes an examination of the nominee's business background and company affiliations. The Nominations Committee ascertains that the nominee does not possess any of the disqualifications to serve as an Independent Director of ICTSI as provided in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

Octavio Victor R. Espiritu, Joseph R. Higdon and Cesar A. Buenaventura were nominated as Independent Directors of ICTSI. There are no other nominees for independent directors. Octavio Victor R. Espiritu was nominated by Jose C. Ibazeta, an incumbent Director. Messrs. Espiritu and Ibazeta are not related. Joseph R. Higdon was nominated by the Chairman, Enrique K. Razon, Jr. Messrs. Higdon and Razon are not related. Cesar A. Buenaventura was nominated by Stephen A. Paradies. Messrs. Buenaventura and Paradies are not related. Information on the nominees are stated on page 8 of this Information Statement.

Section 10, Article I of ICTSI's By – laws provide non-controlling shareholders a right to nominate candidates for the Board of Directors. The amendment of ICTSI's By – laws to incorporate the provisions of SRC Rule 38 (as amended) was approved by the SEC on June 23, 2010.

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The Nomination Committee is composed of Jose C. Ibazeta (Chairman), Stephen A. Paradies and Octavio Victor R. Espiritu.

Significant Employees

No person who is not an executive officer of ICTSI is expected to make a significant contribution to ICTSI.

Family Relationships

Stephen A. Paradies is the brother-in-law and Christian R. Gonzalez is the nephew of Chairman and President, Enrique K. Razon, Jr. There are no other family relationship up to the fourth civil degrees either by consanguinity or affinity among the directors and officers listed in this report.

Involvement in Certain Legal Proceedings

ICTSI is not aware of any of legal cases which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, executive officers or controlling person, including:

- (a) Any bankruptcy petition filed by or against any business of which a director, executive officer or controlling partner was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the nominee's involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

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. 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.

MICT

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 Resolution No. 141 dated September 23, 2010, adopting the Committee Report of the ad hoc committee that investigated the reclamation done in Isla Puting Bato in Manila, which stated that the project should have had prior consultation with the City of Manila, approval and ordinance from the City of Manila, and consent from the City Mayor. 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 application for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 before the Supreme Court. 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 Supreme Court also granted the Company's motion to intervene in the case of PPA vs. City of Manila and City Council of Manila. The Supreme Court, in a Resolution dated August 14, 2019, dismissed this case for being moot and academic since the Berth 6 construction has been completed and is currently operational.

Notwithstanding the pendency of the foregoing legal proceedings at the time of completion, the MICT Berth 6 Project was inaugurated by the President of the Republic of the Philippines in July 2012.

In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI before the Regional Trial Court of Manila, Branch 55, for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The amount of claim is ₱223.8 million (approximately US\$4.5 million) plus legal interest and attorney's fees of ₱1.0 million (US\$20.1 thousand).

PLDT initially filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard. The case is currently on trial.

PICT

In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against Pakistan International Container Terminal (PICT) in the Honorable High Court of Sindh (HCS) claiming a sum of approximately US\$2.0 million along with the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyre Gantry Cranes in 2004. The HCS has rendered a judgement and decree in favor of PICT and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. In June 2017, KPT filed an appeal against the aforesaid judgment before the Divisional Bench of HCS. Upon advice of PICT's legal advisor, management believes that there is no merit in this claim.

Also in 2007, PICT has filed an interpleader civil suit before HCS against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of demand raised by the DDO on PICT to pay property tax out of the Handling, Marshalling and Storage (HMS) charges payable to KPT amounting to approximately US\$0.2 million for the period from 2003 to 2007. In compliance with the Order of HCS, PICT deposited the amount with Nazir of HCS, out of amount withheld by PICT from HMS charges billed by KPT. In 2014, another demand was made by DDO amounting to approximately US\$0.7 million for the period from 2008 to 2014. On

an application filed by PICT for directions, HCS ordered for deposit of the aforementioned amount out of HMS charges billed by KPT and PICT subsequently complied with the order of HCS. In 2015, HCS issued further orders directing PICT to deposit the remaining HMS charges due and payable with Nazir of HCS in quarterly installments and PICT complied accordingly. The decision of the suit is still pending, and PICT's legal advisor believes that there may be no adverse implication for depositing the payments with Nazir of HCS due to KPT in view of complying with the HCS's order.

While completing the tax audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (DCIR) modified the deemed assessment of PICT and made certain disallowances/additions on the taxable income and raised an income tax demand of approximately US\$0.8 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who partially decided the appeal in favor of PICT. Consequently, PICT made the payment of approximately US\$0.7 million, in respect of issues confirmed by the CIR-A, and filed a second appeal before the Appellate Tribunal Inland Revenue, which is now pending for adjudication. Upon advice of PICT's tax advisor, management believes that the issues involved in the appeal is expected to be decided in favor of PICT.

In 2017, the Assistant Commissioner Sindh Revenue Board (AC-SRB) under Sindh Sales Tax on Services Act, 2011 raised a demand of approximately US\$3.7 million along with penalty and default surcharge, for the tax periods January 2013 to December 2014 on exempt services provided by PICT. PICT filed an Appeal with Commissioner Appeals - SRB which is pending for hearing. The tax advisor of PICT is of the view that PICT has strong defense and appeal will be decided in favor of PICT.

In 2017, the Additional Commissioner Inland Revenue (ACIR) modified the deemed assessment of PICT for the tax year 2016 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions/disallowances to the taxable income and tax credits claimed by PICT and raised an income tax demand of approximately US\$1.59 million. PICT filed an appeal before the Commissioner Inland Revenue – Appeals (CIR-A) who had decided the appeal partly in favor of PICT. Being aggrieved by the decision of CIR-A, PICT as well as the tax department filed the appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication. PICT has also sought stay from HCS against the demand created by ACIR after appeal effect proceedings. HCS vide its final order directed the ACIR not to take any coercive recovery measures until the finalization of appeal before the ATIR which is pending adjudication. The tax advisor of PICT is of the view that the issues involved in the appeal will be decided in favor of PICT.

In 2019, ACIR amended the deemed assessment of PICT for the tax year 2018 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions/disallowance to the taxable income and tax credits claimed by PICT and raised an income tax demand of approximately US\$3.47 million. PICT filed an appeal before CIR-A which is pending adjudication. PICT has also obtained stay from HCS against the demand created by ACIR. HCS vide its interim order directed ACIR not to take any coercive recovery measures till the finalization of appeal before the CIR-A which is pending adjudication. The tax advisor of PICT is of the view that the issues involved in the appeal will be decided in favor of PICT.

In 2019, ACIR amended the deemed assessment of PICT for the tax year 2014 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions/disallowance to the taxable income and tax credits claimed by PICT and raised an income tax demand of approximately US\$2.92 million. PICT is in process of filing an appeal before CIR-A. The tax advisor of PICT is of the view that the issues involved in the order to be appealed will be decided in favor of PICT.

TSSA

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\$3.0 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 and such cargo was destroyed by Brazilian customs authorities. The lower court and Court of Appeals ruled in favor of Interfood. An amount of BRL12.0 million (approximately US\$3.1 million) in TSSA's bank account has been garnished by the lower court. The provision aggregating BRL13.8 million (US\$4.2 million), BRL13.8 million (US\$3.6 million) and BRL13.8 million (US\$3.4 million) were recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets as at

December 31, 2017, 2018 and 2019, respectively. In July 2016, the State Court rendered a decision against TSSA. The said judgment, however, is still subject to a last appeal with the Supreme Court in Brasilia. In September 2019, the State Court issued a decision that rendered TSSA a credit against Interfood for the amount of BRL3.5 million (US\$0.9 million). This decision is still subject to confirmation by the Supreme Court in Brasilia.

TICT

On December 28, 2012, TICT filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) on the grounds of “unforeseen change of circumstances” and “Force Majeure”. In early 2013, TPGC submitted to arbitration TICT’s termination notice. On April 1, 2014, the arbitration panel decided in favor of TPGC. While the award has become executory on April 20, 2015, management and its legal counsels believe that TPGC will not be able to successfully enforce the award outside of Syria.

BICTL

In 2015, BICTL filed a case against Revenue Service with the Tbilisi City Court for the cancellation of the tax assessment in the amount of US\$860.7 thousand (GEL2.3 million). The case involves Value-Added Tax on fees collected by BICTL for services rendered in relation to the export of scrap materials. The Revenue Service alleged that such fees are subject to VAT while BICTL believes that it has good legal basis to treat the services as a VAT zero-rated sale of services. In March 2016, the Tbilisi City Court rendered a decision in favor of Revenue Service. BICTL has appealed the said decision with the appellate court. The Tbilisi Court of Appeals considered BICTL’s arguments and position. On May 16, 2018, the said court partially satisfied BICTL’s claim and major part of the penalty was cancelled.

The decision of the Court of Appeals was appealed by BICTL in the Supreme Court of Georgia in May 2019. The appeal is accepted by the Supreme Court and we are waiting the decision of the Supreme Court.

ICTSI Oregon

Due to the continuing labor disruptions caused by the International Longshore and Warehouse Union and ILWU Local 8 (collectively “ILWU”) in Portland, Oregon commencing in June 2012, ICTSI Oregon filed two separate counter-claims in United States federal court against the ILWU seeking monetary damages. The first is a claim for damages caused by the ILWU’s unlawful secondary activity under the National Labor Relations Act. The second is an antitrust claim brought against the ILWU and the Pacific Maritime Association (PMA). The antitrust claim was initially dismissed by the federal court. The judge granted ICTSI Oregon permission to appeal the dismissal to the United States Court of Appeals for the Ninth Circuit. In July 2017, the Ninth Circuit upheld the dismissal of the claim. ICTSI Oregon filed a petition for writ of certiorari with the United States Supreme Court seeking to reverse the Ninth Circuit’s decision. This petition was denied. Accordingly, the antitrust claim has been finally disposed of.

ICTSI Oregon’s second counterclaim against ILWU is a claim for money damages caused by the ILWU’s unlawful secondary activity under the National Labor Relations Act. Initially, ICTSI also joined ILWU Local 40 to this claim but later dismissed that ILWU affiliate. In connection with ICTSI’s second counterclaim, the National Labor Relations Board (NLRB) sought and obtained two federal court injunctions against the ILWU prohibiting illegal work stoppages as well as a finding of contempt of court against the ILWU for injunction violations. The federal district court initially stayed ICTSI Oregon’s damage claim for unlawful secondary activity pending completion of administrative proceedings before the NLRB. The NLRB’s administrative proceedings were completed in a manner favorable to ICTSI Oregon in 2015. However, the ILWU appealed to the United States Court of Appeals for the District of Columbia Circuit in Washington D.C. On November 6, 2017, the US Court of Appeals rejected the ILWU’s appeals and upheld two NLRB decisions declaring that the ILWU engaged in deliberate work stoppages and slowdowns, made false safety claims, and engaged in other illegal coercive conduct against ICTSI Oregon and its customers.

As a result of the US Court of Appeals decisions, the federal district court in Oregon lifted the stay in early 2018 and scheduled a trial of ICTSI Oregon’s damage claim commencing in October 2019. This is a substantial claim, seeking a multi-million dollar judgment against the ILWU. After a two-week trial in Portland, Oregon, a jury verdict was rendered on November 4, 2019 in favor of ICTSI Oregon on the remaining claims against ILWU for

unlawful labor practices. The jury verdict awarded damages to ICTSI Oregon in the total sum of US\$93.6 million. The court has yet to enter judgement on the verdict. Instead, it has decided to hear the ILWU's post-verdict motions first. Briefing on those motions were completed in early February 2020 and a decision from the federal court is likely in or about 30 to 60-days from the hearing held on February 14, 2020.

ICTSI also had brought a breach of fiduciary duty claim against the PMA in federal court. Based on a settlement between ICTSI and PMA, that claim was voluntarily dismissed in 2018.

SPIA

In February 2018, Conalvias Construcciones S.A.S., (Conalvias) filed an arbitration case at the Arbitration Center of the Chamber of Commerce of Bogota against SPIA for the unlawful termination of the Construction of Paving Works and Utilities contract ("the Contract"), and for several breaches committed by SPIA under the Contract. In August 2019, the arbitral tribunal ceased its functions due to the lack of payment of the arbitrators' fees by the parties.

On June 11, 2019, Columbia's Superintendence of Companies (the "Bankruptcy Court") ordered the commencement of Conalvias' liquidation proceeding. On July 31, 2019, SPIA timely filed its claim before the Bankruptcy Court to be acknowledged as contingent creditor and as fifth class creditor on Conalvias liquidation proceeding. SPIA's contingent claim and fifth class claim amounted to COP105.6 billion (US\$32.1 million) and COP27.7 billion (US\$8.4 million), respectively. SPIA's claims were not included because no judicial proceeding was currently ongoing between the parties in the Project of Claims submitted by the Liquidator before the Bankruptcy Court. SPIA objected the Liquidator's Project of Claims, requesting to be acknowledged as creditor. Among other arguments, SPIA stated that it was already acknowledged as a creditor in the reorganization proceeding. On February 13, 2020, the Liquidator sent a settlement proposal in which SPIA's claim is acknowledged as a fifth class postponed contingent claim. This proposal is under review.

Certain Relationships and Related Party Transactions

Transactions with Related Parties

The table below summarizes transactions with related parties for the last three years, as disclosed in the accompanying consolidated financial statements:

Related Party	Relationship	Nature of Transaction	2017		2018		2019	
			Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
(In Millions)								
ICBV SPIA	Joint venture	Interest-bearing loans (see Note 8) ⁽ⁱ⁾	US\$25.40	US\$269.48	US\$2.80	US\$–	US\$–	US\$–
		Interest income (converted into interest-bearing loan) (see Note 8) ⁽ⁱ⁾	15.52	35.50	13.35	–	–	–
		Interest receivable ⁽ⁱ⁾	17.75	9.05	14.35	–	–	–
SPIA Spain S.L. SPIA	Joint venture	Interest-bearing loans (see Note 8) ⁽ⁱ⁾	–	–	(1.29)	270.99	(103.21)	167.78
		Interest income (converted into interest-bearing loan) (see Note 8) ⁽ⁱ⁾	–	–	4.41	53.26	(29.94)	43.36
		Interest receivable ⁽ⁱ⁾	–	–	4.95	9.73	16.69	6.37
YICT YPH	Non-controlling shareholder	Port fees ⁽ⁱⁱ⁾	1.59	–	0.32	0.15	0.18	–
		Trade transactions ⁽ⁱⁱⁱ⁾	–	–	0.87	(0.07)	0.01	–
		Interest-bearing loans ^(iv)	21.60	–	–	–	–	–
		Interests on loans ^(iv)	0.28	–	–	–	–	–
YPG	Common shareholder	Port fees ⁽ⁱⁱ⁾	3.10	0.17	3.86	0.90	2.86	0.55
		Trade transactions ⁽ⁱⁱⁱ⁾	1.66	–	1.74	(0.20)	1.24	(0.02)
SCIPSI Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.17	(0.02)	0.19	(0.02)	0.18	(0.02)
AGCT Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.25	(0.04)	0.32	(0.03)	0.44	(0.04)
PICT Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	5.50	(0.40)	2.09	(0.01)	2.22	(0.12)

Related Party	Relationship	Nature of Transaction	2017		2018		2019	
			Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
(In Millions)								
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vi)	—	—	—	—	0.04	0.01
		Container handling revenue ^(vii)						
LGICT	Non-controlling shareholder		0.37	0.01	0.13	—	0.22	0.01
		Management fees	0.47	(0.04)	0.45	(0.03)	0.48	(0.10)
BIPI	Common shareholder	Maintenance and repairs	0.14	(0.01)	0.13	(0.02)	0.13	(0.04)
		Rent expense						
Atlantic Gulf and Pacific Co. of Manila, Inc. (AG&P)	Common shareholder		0.06	(0.02)	0.09	(0.03)	0.07	(0.03)
		Utilities	0.03	—	0.03	(0.01)	0.03	—
IDRC								
Ledya SARL	Non-controlling shareholder	Management fees	0.85	(0.85)	1.43	(0.53)	2.39	—
Parent Company								
Prime Metro BMD Corporation	Common shareholder	Construction services ^(viii)	—	—	4.73	5.73	35.10	(1.01)
Prime Metro Power Holdings Corporation	Common shareholder	Dredging services ^(viii)	—	—	1.41	0.40	2.60	—
		Sublease ^(ix)	—	—	0.21	0.06	0.38	0.18
		Reimbursement of operating expenses	—	—	0.04	0.04	0.03	0.01
Prime Metroline Infrastructure Holdings Corporation	Common shareholder	Sublease ^(ix)	—	—	—	—	0.09	0.04
		Reimbursement of operating expenses	—	—	—	—	0.07	—
FAMI	Joint venture	Reimbursement of operating expenses	—	—	0.02	0.02	0.02	0.01
		Management fees	—	—	—	—	0.09	(0.02)
(Forward)								
CGT								
Prime Metro BMD Corporation	Common shareholder	Contract administration and site management services ^(x)	0.10	(0.02)	0.61	(0.25)	0.16	(0.04)

- (i) On October 1, 2018, ICBV assigned to SPIA Spain S.L. all its outstanding interest-bearing loans, including interest converted into interest-bearing loan, and interest receivable from SPIA as of the same date, amounting to US\$321.1 million and US\$9.6 million, respectively.
- (ii) YICT is authorized under the Joint Venture Agreement to collect port charges levied on cargoes, port construction fees and facility security fee in accordance with government regulations. Port fees remitted by YICT for YPH /YPG are presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income. Outstanding payable to YPH/YPG related to these port charges are presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.
- (iii) Trade transactions include utilities, rental and other transactions paid by YICT to YPH and YPG.
- (iv) On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of April 30, 2017. The remaining loan from YPH was fully paid upon the availment of a long-term loan from ABC on April 26, 2017 (see Notes 15.2.3 and 17).
- (v) AGCT has entered into agreements with Luka Rijeka, a non-controlling shareholder, for the latter's provision of services such as equipment maintenance, power and fuel and supply of manpower, among others. Total expenses incurred by AGCT in relation to these agreements were recognized and presented in the consolidated statements of income as part of Manpower costs, Equipment and facilities-related expenses and Administrative and other operating expenses.
- (vi) PICT has entered into an agreement with Premier Mercantile Services (Private) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.
- (vii) Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.
- (viii) ICTSI has entered into contracts with Prime Metro BMD Corporation for the construction of port facilities.
- (ix) ICTSI has entered into contracts with Prime Metro BMD Corporation, Prime Metro Power Holdings Corporation and Prime Metroline Infrastructure Holdings Corporation for the sublease of office space.
- (x) CGT has entered into contract with Prime Metro BMD Corporation for contract administration and site management services.

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

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2017, 2018 and 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related

parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation paid to the Chairman of the Board and President, and four (4) highest paid executive officers named below, as a group, for 2019 amounted to US\$2.5 million (2018: US\$2.6 million). The estimated amount of compensation expected to be paid in 2020 to the Chairman of the Board and President and four (4) highest paid executive officers as a group, amounted to US\$2.6 million.

Name and Principal Position	Year	Salary	Bonus and Others ²	Total ³
Enrique K. Razon, Jr. <i>Chairman of the Board and President</i>				
Rafael D. Consing, Jr. <i>Senior Vice-President, Chief Financial Officer and Compliance Officer</i>				
Jose Joel M. Sebastian <i>Senior Vice-President, Finance</i>				
Gigi Iluminada T. Miguel <i>Vice-President and Treasurer</i>				
Benjamin M. Gorospe III <i>Assistant Corporate Secretary</i>				
Chairman of the Board and President and four (4) highest paid executive officers, as a group	2020 (Estimate)	US\$0.4M	US\$2.2M	US\$2.6M
	2019 (Actual)	0.4M	2.1M	2.5M
	2018 (Actual)	0.4M	2.2M	2.6M
All officers and Directors, as a group, Unnamed ¹	2020 (Estimate)	1.4M	9.7M	11.1M
	2019 (Actual)	1.6M	8.0M	9.6M
	2018 (Actual)	1.2M	6.5M	7.7M

¹Including four (4) highest paid executive officers

²Mainly includes non-cash compensation based on Stock Incentive Plan paid out of the allocated Treasury Shares of ICTSI

³Includes total compensation paid in the Philippines by the registrant and its subsidiaries

The members of the Board of Directors receive directors' fees as compensation in accordance with the Company's By-Laws. There are no material terms of any other arrangements or contracts where any director of ICTSI was compensated or is to be compensated, directly or indirectly, in 2018, 2019 or in the coming year, for any service provided as a director.

Named executive officers are covered by Letters of Appointment with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from ICTSI by any named executive officer from a change-in-control of the Company, except for the automatic vesting of awarded shares under the Stock Incentive Plan referred to below.

Certain officers were granted awards under the Stock Incentive Plan (SIP) in 2017, 2018 and 2019. Discussion on the SIP is further disclosed in Note 19, *Share-based Payment Plan*, to the Annual Audited Consolidated Financial Statements.

Item 7. Independent Public Accountants

The principal external auditor is the firm SGV & Co. The Group has engaged Mr. Martin C. Guantes, partner of SGV & Co., for the audit of the Group's books and accounts in 2019.

The appointment of the partner-in-charge will be in compliance with SEC Rule 68, Paragraph 3 (b)(iv) and SEC Memorandum Circular No. 8, Series of 2003, which require the rotation of the external auditor every five (5) years and a two-year cooling off period in the re-engagement of the same signing partner or individual auditor.

The reappointment of SGV & Co. as the Company's external auditors is part of the agenda for this year's annual stockholders meeting.

A representative of the external auditor is expected to be present at the annual stockholders' meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

External Audit Fees and Services

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

	2017	2018	2019
Audit Fees	US\$1,203.9	US\$1,283.9	US\$1,365.2
Audit-related Fees	437.4	—	—
Tax Fees	239.9	288.6	325.1
Other Fees	92.3	348.9	1,125.3

Audit Fees include the audit of the Group's annual financial statements.

Audited-Related Fees include the review of interim financial statements and issuance of comfort letters for the capital market raising transactions of the Group.

Tax fees paid to SGV & Co./Ernst & Young are for tax compliance, tax advisory services and transfer-pricing studies. The increase in 2018 was mainly due to increased number of engagements on tax advisory and on tax planning for the restructuring of the subsidiaries.

Other fees include due diligence services related to business development, sustainability reporting and other various one-time engagements. The increase in 2019 was mainly due to the Group's initiatives to seek for new project opportunities.

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 11, 2019.

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 Co. (a member firm of Ernst & Young Global Limited), on accounting and financial statement disclosures.

Requirements under Section 49 of the Revised Corporation Code of the Philippines

- (i) ICTSI has an effective shareholder voting mechanism which is included in the Company's By-Laws, Manual on Corporate Governance and SEC Form 20-IS.

During the annual stockholders' meeting held on April 11, 2019, only Stockholders of record were entitled to notice and to vote at the Annual Stockholders' Meeting. The common stock and preferred B stock voted on matters scheduled to be taken up at the Annual Meeting with each share being entitled to cast one (1) vote.

Stock Transfer Services, Inc. validated the votes during the Proxy Validation Date. Validation of proxies was done by the Corporate Secretary and persons designated by the Corporate Secretary who were under his supervision and control, in accordance with the procedure and guidelines set out in the ICTSI's By-Laws and Rule 20(11)(b) of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

- (ii) The stockholders were given the opportunity to ask questions. Given that no stockholders asked any questions related to the matters reported by the Chairman of the Board and matters raised for approval by the stockholders, no questions and answers were recorded in the minutes of the meeting. The minutes of the annual stockholders' meeting is disclosed in the company website and may be viewed through this link: https://www.ictsi.com/sites/default/files/2019-04/ictsi_asm_minutes_11_april_2019.pdf
- (iii) The following are the matters discussed and resolutions reached for the 2019 Annual Stockholders Meeting:

MATTERS DISCUSSED/ RESOLUTIONS REACHED
Approval of the Minutes of the Annual Meeting of Stockholders Held on April 20, 2018
Approval of the 2018 Audited Financial Statements
Approval/Ratification of Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the 2018 Annual Stockholders' Meeting
Appointment of External Auditor

- (iv) The votings results during the 2019 Annual Stockholders Meeting are as follows:

AGENDA ITEMS	VOTING RESULTS		
	APPROVING	DISSENTING	ABSTAINING
Approval of the Minutes of the Annual Meeting of Stockholders Held on April 20, 2018	2,180,494,917	-	169,520
Approval of the 2018 Audited Financial Statements	2,178,342,887	-	2,435,050
Approval/Ratification of Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the 2018 Annual Stockholders' Meeting	2,178,312,837	273,450	2,191,650
Appointment of External Auditor	2,175,572,447	4,676,610	207,200

- (v) Stockholders holding 2,180,777,937 shares are present in person or by proxy for the annual stockholders' meeting on April 11, 2019.

The Directors and Officers who attended the meeting were as follows:

Enrique K. Razon, Jr. - Chairman
Stephen A. Paradies - Non-Executive Director
Jose C. Ibazeta - Non-Executive Director
Andres Soriano III - Non-Executive Director
Joseph R. Higdon - Independent Director
Octavio Victor R. Espiritu - Independent Director
Cesar A. Buenaventura - Independent Director
Christian R. Gonzalez - Senior Vice President, Global Corporate Head
Rafael D. Consing, Jr. - Senior Vice President, Chief Financial Officer and Compliance Officer
Jose Joel M. Sebastian - Senior Vice President, Finance
Andrew James Dawes - Senior Vice President, Regional Head –Asia Pacific
Robin Cruickshanks - Vice President, Head of Global Corporate Human Resources
Sandy A. Alipio - Vice President, Chief Risk Officer
Caroline C. Causon - Vice President, Head of Financial and Budgeting
Gigi Iuminada T. Miguel - Vice President and Treasurer
Triciane M. Zingapan - Vice President, Head of Global Corporate Audit and Compliance

Atty. Benjamin M. Gorospe III - Assistant Corporate Secretary
Atty. Silverio Benny J. Tan - Assistant Corporate Secretary
Arthur R. Tabuena - Head of Investors Relations

- (vi) The full report of the Company's continuous effort to adhere to best practices of corporate governance is publicly made available in the Governance Section of the Company website: <https://www.ictsi.com/governance> and Annual Report on Corporate Governance https://www.ictsi.com/sites/default/files/2019-05/annual_report_on_corporate_governance_2018_0.pdf.
- (vii) To determine and measure the effectiveness of the Board of Directors, the Board has adopted a standard Board Self-Assessment System to ensure effectiveness and identify the areas of improvement of governance practices. The evaluation and assessment include the performance of the Board, the Chairman of the Board, of each Director, and of each Board Committee.
- (viii) On director disclosure on self dealings, Directors, Officers, and controlling shareholders are required to report their dealings in Company shares within three (3) business days from the date of the ICTSI share-related transactions. ICTSI discloses to the PSE and SEC the ownership (direct and indirect) and any acquisition or disposal of ICTSI securities by ICTSI Directors, Officers and controlling shareholders pursuant to the PSE Revised Disclosures and the Securities Regulations Code. Directors and Officers are likewise prohibited from buying or selling ICTSI securities during the period within which material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed. The Company also discloses purchases of its shares from the market within the same day or before the start of the next trading day. On related party transactions, see discussion on Certain Relationship and Related Party Transactions in Page 23 above.

Item 8. Compensation Plans

ICTSI is centered on empowering, motivating and energizing its employees' talents. The Company continues to improve and develop competencies in the people working for its success.

An Employees Stock Option Plan ("ESOP") was established in 1991 under which shares from authorized but unissued capital stock were set aside for subscription by directors, officers, and employees. A Stock Option Committee composed of three (3) directors determined the number of shares to which a particular recipient was entitled. The subscription price under the ESOP was 95% of the issue price in the initial public offering of the Company and is subject to revision by Stock Option Committee from time to time.

In January 2007, Board approved the amendment of ESOP to convert it into a restricted stock plan called the "Stock Incentive Plan" (the "SIP"). The amendment of the ESOP into an SIP was approved by the stockholders at a special meeting held in March 2007.

Under the SIP, shares from our treasury will be granted to a participant by a resolution of Stock Incentive Committee. The Committee determines who and how many will be the awarded shares under the SIP.

ICTSI currently has no stock options, warrants or rights plan.

Descriptions and explanations of the above transactions are further disclosed in Note 20, *Share-based Payment Plan*, to the Annual Audited Consolidated Financial Statements.

PART I.C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Otherwise for Exchange

There are no authorization or issuance of securities otherwise for exchange to disclose.

Item 10. Modification or Exchange of Securities

There are no modification or exchange of securities to disclose.

Item 11. Financial and Other Information

There are no financial and other information to disclose.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no mergers, consolidations, acquisitions and similar matters to disclose.

Item 13. Acquisition or Disposition of Property

There are no acquisition or disposition of property to disclose.

Item 14. Restatement of Accounts

There is no restatement of accounts to disclose.

Part I.D. OTHER MATTERS**Item 15. Action with Respect to Reports**

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since April 11, 2019, the date of the last Annual Stockholders' Meeting. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and to the Philippine Stock Exchange, and in the 2019 Annual Report and the Report of the Chairman.

(a) Approval of the minutes of the annual stockholders' meeting held on April 11, 2019 covering the following matters:

- Approval of the minutes of the annual meeting of the stockholders held on April 19, 2018;
- Chairman's report
- Approval of the 2018 audited financial statements
- Election of Directors, including independent Directors
- Appointment of external auditors

Copy of the minutes of the stockholders' meeting is available in the Company website (https://www.ictsi.com/sites/default/files/2019-04/ictsi_asm_minutes_11_april_2019.pdf)

(b) Ratification of all Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for the ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management, which include the following highlights:

1. Availment, amendment, and renewal of credit, risk and term loan facilities with various banks
2. Guarantees involving loan facilities of subsidiaries in various banks
3. Appointment of Attorneys-in-Fact for various transactions
4. Election of new Independent Director as endorsed by the Corporate Governance Committee
5. Appointment of officers for its Regional Operating Headquarters and other subsidiaries
6. Approval of the 2019 Governance Support Structure
7. Approval of the new Related Party Transaction Committee Charter and Policy
8. Change in issued and/or outstanding shares
9. Reversal of the appropriated retained earnings
10. Additional disclosure on share buy-back transactions
11. Provisions for future stock subscription
12. Acquisition of port in Rio de Janeiro, Brazil
13. Approval of ICTSI's Purpose and Values to replace its Mission, Vision and Values

14. Approval of Intercompany Loans
15. Setting of 2020 Board Meeting Schedules
16. Review and approval of the Board and Executive Remuneration

(c) Reports and Compliance

- i. On October 10, 2019, the Board of Directors approved and adopted the Material Related Party Transactions (RPT) Policy and submitted to SEC on October 23, 2019, as required under the SEC Memorandum 10 Series of 2019 Copy of the Material RPT Policy is available in the company website (https://www.ictsi.com/sites/default/files/2019-10/ictsi_related_party_transaction_policy_10242019.pdf)
- ii. To ensure accountability, fairness and transparent corporate governance, and the implementation of the Company's vision, mission, and strategic objectives, including the means to effectively monitor the management's performance, the Board, on its meeting on October 10, 2019, approved the Company's Purpose and Values to replace the Company's Mission, Vision and Values.
- iii. To ensure that the Company is in compliance and adopted leading practices on good governance, the Directors and Key Officers were provided a 4-hour Corporate Governance training on August 9 and 13, 2019, conducted by the Institute of Corporate Directors, a provider accredited by the SEC.

Anti – Bribery Policy and Procedure

Pursuant to the Code of Business Conduct, ICTSI rolled out its Anti-Bribery Compliance Policy and Procedure. This shall provide guidance to all ICTSI employees, suppliers, and third parties acting on its behalf. This policy sets out procedures specifically targeted at addressing corruption risks. Through this policy, ICTSI is able to embed the culture of anti-corruption practices to its personnel, as evident in its intensified campaigns done during the New Employee orientation programs, and through refresher courses during employee engagement programs and fora. In 2019, ICTSI implemented the Terminal Health Check Program. The program is a two (2) day training course composed of lectures, interaction with the participants, workshops and open forum for questions with special emphasis on the importance of ICTSI's anti-bribery and anti-corruption obligations by reminding employees that the policy sets out operating procedures specifically targeted at combating corruption risks to ensure that ICTSI operates in accordance with applicable regulations. It targeted employees from various departments of each local subsidiary.

ICTSI holds itself to the highest ethical standards, and is committed to acting with integrity in its business dealings and relationships, both locally and internationally. ICTSI complies with the relevant anti-corruption legislations in all the countries where it has a presence, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. Local business customs and/or culture shall never be a valid reason for engaging in bribery and other corrupt practices.

ICTSI employees are prohibited from asking for, accepting or receiving bribes, or any other personal benefit that would induce the employee to breach his/her duty to act in good faith, to act impartially or in accordance with a position of trust. ICTSI also strictly implements its programs against tipping and other forms of extortion.

To promote anti-corruption and transparency in dealings with suppliers, ICTSI implemented in April 2018 the use of its e-sourcing system, as a medium to send requests for quotations and for suppliers to submit their quotations accordingly. This means that suppliers shall send quotes through this system instead of via e-mail, fax, hard copy, phone call, etc. This provides a more systematic process of submitting quotations for a single requirement and promotes transparency and fairness amongst vendors.

Employee Trainings

As employees may have some weaknesses in their workplace skills, ICTSI adheres to its objective of keeping its employees abreast of recent developments and concepts which they could use in their respective fields. ICTSI

believes that training programs present crucial opportunities to expand the knowledge base of all employees which in the end will not only benefit employees individually but the company as an organization.

Acknowledging that training is crucial for organization development and success, ICTSI, in 2019, implemented the following programs:

- 1.) **Behavioral trainings which are initiated by the company as part of organization development**
 - a. Strategic Planning and Leadership trainings
 - b. Customer Service Training;
 - c. Labor and Employee Relations Summit;
 - d. Team Building Sessions
 - e. Health and Safety Leadership Workshop
- 2.) **Company Orientation Programs**
 - a. Operations for Non-Operations;
 - b. Orientation for newly hired employees;
 - c. Outside Truck Driver's Orientation
 - d. Mandatory 8-hour Safety and Health Seminar for Workers
 - e. Orientation re: government mandated benefits and new laws (TRAIN & Data Privacy)
 - f. Orientation for HMI;
 - g. Orientation for Retiring Employees;
 - h. Overview of Terminal Operations
 - i. Ugnayan sa Pantalan.
 - j. Claims for Non-Claims
 - k. Integrated Management System (IMS) Awareness Training
 - l. IMS Internal Audit
 - m. IMS Workshops
 - n. Refresher on Company Policies – Tipping & Bribery
- 3.) **Technical training programs for skills enhancement**
 - a. Prime Movers, Reach Stackers, Quay Cranes, Rubber Tired Gantries, Sidelifter
 - b. Hatch Clerk Training
 - c. Management of Terminal Operations
 - d. MS Excel Training program – Basic & Advanced
 - e. PISM Purchasing & Supply Chain Trainings
 - f. Certified Management Accountant Program
 - g. Digital Communication & Branding
 - h. PC Assembly, Hardware & Software Troubleshooting / Repair & Data Recovery
 - i. IT Programming Courses
 - j. Fire Fighting Seminar & Drill
 - k. Earthquake Drill
 - l. Port Safety & Health Standards
 - m. Training Course for Pollution Officers
 - n. Chemical Spill Training & Drill
 - o. Occupational Safety & Health Seminar
 - p. SAP GT Training
 - q. Commercial Claims 101
 - r. First Aid with Basic Life Support
 - s. Business Communication
 - t. Driving Performance – Program for Supervisors and Superintendents
 - u. Terminal Executive Diploma
 - v. PPA Competency Workshop
 - w. LLDA PCO Seminar

- x. League of Corporate Foundations CSR Expo 2019
- y. Programming Training
- z. IMS Internal Audit Training
- aa. Practical Incident Investigation and Root Cause Analysis
- bb. HSCS Workshop
- cc. Defensive Driving Seminar
- dd. 18th PRDCI Commercial Arbitration Training Seminar
- ee. NAVIS Auto-Stow Training
- ff. Advanced Dashboard Training
- gg. Office 365 SharePoint End User Training
- hh. Weather and Tropical Cyclone 101
- ii. MMDA Traffic Management Training

Health, Safety and Productivity of its Employees

Aside from investing in employee trainings, ICTSI also trusts that investing in well-being of employees with health and welfare benefits can help attract and retain employees. Offering convenient access to health care services will not only promote health awareness but will likewise reduce lost productivity. Moreover, proactively upkeeping and supporting the health needs of employees will reduce absenteeism, improve productivity and increase employee engagement.

In view of the above, ICTSI maintains its own medical and dental facilities for the use of its employees and their dependents. Medical Services include medical check-ups, consultations, treatments, minor surgeries, issuance of medical certificates and approval of sick leave applications. All regular employees and their immediate dependents are provided access to clinic medicines (i.e., antibiotics, maintenance medicines, over-the-counter (OTC) medicines, etc.) ICTSI likewise provides free Chest X-Ray for dependents with suspected Pulmonary Tuberculosis.

Services of duly licensed nurses are also readily available. The nurses assist the doctor in the treatment of employees and/or their dependent/s, dispense medicine to patients based on the doctor's prescription, file medical records of employees and/or their dependents, apply first aid and/or other immediate/necessary treatment to employees especially in cases of injuries sustained in accidents or incidents occurring within the company premises in the absence of a doctor, assist in transporting employee patients to accredited hospitals in case of emergencies, and conduct home visits to absent employees upon the written request from authorized representative/officer of ICTSI.

Aside from medical services rendered by accredited doctors and nurses, free dental services are performed by duly licensed dentists whose duties include oral check-ups, oral prophylaxis, tooth filing, and tooth extraction.

ICTSI's medical and dental facilities provide round the clock services for employees and their dependents. ICTSI maintains its own ambulance to address emergency medical cases. A fire truck is always on stand-by within the terminal premises to provide immediate service and assistance in cases of fire and other catastrophes.

The introduction of a health insurance plan which provides employees access to medical insurance coverage for their Out-Patient and In-Patient (hospitalization, consultation, laboratory, etc.) medical needs is also worth noting. It is provided through an approved Health Care Provider and offers a choice of varying medical plans. Employee has the option to use his/her medical and dental reimbursement (MDR) benefit to enroll his/her dependents in any of our available Dependent Programs. This MDR benefit may also be used for the order and free delivery of medicines via MEDEXPRESS, a delivery service drugstore.

Annual Physical Exam is also conducted religiously in order to promote health awareness and early detection of illnesses. It is a routine test performed on employees to check their overall health. With the yearly physical examination, medical practitioners are able to identify the health status of the employees. Through the variety of blood tests and screenings during the exams such as Complete Blood Count (CBC), Urinalysis, Chest X-ray, Electrocardiogram (ECG), Fecalalysis and Visual Acuity Screening, they are able to check on employees with Hypertension, Diabetes, Tuberculosis and other illnesses. Through this, further complications and spread of

infectious diseases are prevented by giving some recommendations for follow up testing as well as changes in lifestyle, exercise or diet with the overall objective to improve and maintain employees' health. By identifying the disease, proper disease management can be done thus preventing further unnecessary hospitalizations and at the same time reducing the cost of primary care.

During the APE event, partner healthcare professionals also provides Cardiometabolic Workplace Wellness program which includes Biometric Tests (Blood Sugar, Cholesterol, Blood Pressure screening, Body Mass Index/Obesity screening and Foot Doppler test) which helps the company in profiling our employees and assessing their overall cardiometabolic health status thus, helping us further to reduce rates of illnesses like Hypertension, Diabetes, Dyslipidemia, etc. Further, from the baseline workforce profiling gathered during APE, we design and provide a customized wellness program like prevention of lifestyle-related diseases and Smoking Cessation campaign among others. ICTSI also strongly upholds the importance of a safe, secure and healthful work environment. In this regard, it recognizes the need to sustain a drug and alcohol free workplace. Annual drug test for all employees during the company's scheduled APE and Random Drug Test per month for minimum of 100 employees is conscientiously conducted.

Safety Trainings

In 2019, ICTSI, in its flagship operations in Manila International Container Terminal (MICT), hereinafter "ICTSI-MICT," kept its momentum in implementing health and safety programs as part of its continued thrust to make its operations safer and more efficient. In 2019, the terminal continued to implement programs which were aimed to promote Health and Safety (H&S) leadership among its line personnel, encourage workforce engagement and reduce health and safety issues for various users of the port facilities. These programs were instrumental to the realization of establishing an integrated management system for quality, environment, and occupational health and safety.

Demonstrating Effective H&S Leadership & Engaging the Workforce

- To help reinforce the importance of health and safety (H&S), the General Manager has modified the sequence of items normally taken up during its MANCOM meetings and made H&S as the first item to be discussed. This set-up has been replicated as well by the Operations Head in his daily meetings with his teams.
- To promote an awareness of health and safety issues and help cultivate an atmosphere of collaboration among different departments and between management and workers, Health & Safety Committee meetings are regularly conducted (at least on a monthly basis). Measures to mitigate identified hazards are typical topics of discussion during these meetings.
- Prior to the commencement of a job or work shift, toolbox meetings are facilitated by line managers / supervisors together with health and safety officers. During these pre-job safety meetings, workplace hazards and safe work practices related to the specific work activity are being discussed.
- To ensure that risks have been assessed properly, a joint risk assessment (RA) by the line managers / supervisors together with the HSE department were done for each significant process in the work areas. These RAs are documented and the recommended controls are monitored. Results of the RAs are rolled-out to the concerned workers as part of the safety briefing.
- Safety inspections and walkarounds are periodically conducted by HSE officers and line personnel to identify hazards in the terminal premises. The hazards and corresponding mitigations are promptly communicated with workers so that they are made aware of the hazards in their jobs. These regular inspections do not only demonstrate management's commitment to improving health and safety but also gives an opportunity for managers and workers to interact and jointly assess if the HSE programs are working effectively.
- In Q4 2019, a reporting program on hazards and near-miss incidents was launched. The Near Miss and Hazard Alert (NMHA) program is composed of the NMHA cards designed for easy reporting of the employees and drop boxes to which employees can drop their concerns. These are collected by the HSE to check on the items raised and address it to the concerned department. The NMHA encourages employee awareness on hazards and near misses.

- Aside from the safety inspections and walkarounds, an internal audit for quality, environment and occupational safety and health is performed to check the compliance of company against the international standard ISO 900:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), and ISO 45001:2018 (Occupational Safety and Health Management System). A team of trained ISO internal auditors conducts the said audit at least twice a year.
- Harnessing the power of audio-visual communication, safety reminders and materials were developed and are played / featured in TV monitors deployed in several locations around the terminal.
- Since it is critical for all employees to know the necessary steps to be taken in the event of an emergency, emergency drills are being conducted at least every quarter. Emergencies related to fire and earthquakes are the common ones and are facilitated in collaboration with emergency response experts coming from local government and regulatory agencies (i.e. MMDA, BFP and Manila Disaster Risk Reduction Management Office or MDRMO).
- To ensure that all employees are aware of the IMS Policy, a roll out was conducted on IMS Awareness and the IMS Policy was posted on strategic locations in the terminal. Workshops on IMS documentation were also done to ensure that it complies with the requirements of the standard.

HSE Management for other Port Users (Contractors and Customers):

- Whenever services of Contractors are engaged by ICTSI-MICT for its various projects, their capabilities and competencies are assessed (through an enhanced Procurement process) to help ensure that the company's health and safety standards are met. This is also because work activities performed by contractor personnel are often non-routine and involve varying degrees of risk. Regardless of the contract / scope of work, ICTSI-MICT ensures that contractors work safely and have equal priority as employees in respect to health and safety.
- Drivers of trucks entering MICT premises are subjected to a health and safety induction for them to be informed about the various safety rules and regulations, the traffic flow and the potential hazards inside the terminal. After the brief training session (which is being provided daily), a laminated document containing the necessary 'safety reminders for drivers' is then issued to them to help them conduct their transactions safely and efficiently.
- A Truck Driver's Forum was also organized to be held annually to present the gaps and challenges in implementing environment, health and safety protocols. The discussion is focused on improvement solutions to address safety concerns / violations of outside truck drivers. This is also an avenue to discuss new protocols / technologies for the gates, changes in terminal security protocols and additional safety requirements.
- For vessel crew / personnel who wish to disembark due to shore leave or any other approved purpose, ICTSI-MICT has assigned service vehicles to shuttle them safely from the berth areas to the designated pedestrian exit gate and vice-versa. Prior to disembarking, vessel personnel undergo a Safety Induction (so that that they will be aware of the terminal's safety rules and regulations).
- ICTSI-MICT in support to the PPA's celebration of the 24th National Maritime Week, September 22-29, 2019, conducted a simultaneous vessel dress-up and blowing of horns and a festive parade of ICTSI employees, Parola eco-patrollers, PPA employees and contractors. The event included a lecture series with topics aligned in this year's theme: "Empowering Women in the Maritime Community". Resource speakers talked about Dieting and Losing Weight the Healthy Way, Understanding Women's Reproductive Health and Image Enhancement & Pampering Session. Different booths on wellness and health were set-up too for the day for the employees and guests to visit. Along the entire week, a clean-up drive on the port's rip rap area and fences were done by the employees.

Other Health & Safety improvements

- To ensure that ICTSI-MICT is fully equipped with a reliable fire fighting equipment, a new fire truck was purchased in addition to the existing fire truck. This enables the terminal to respond to fire emergencies quickly. Along with the new fire truck are paraphernalia such as fireman suit, self-contained breathing apparatus and accessories.
- To help prevent workplace illnesses and injuries, ICTSI-MICT conducted a WEM (workplace environment measurement) assessment through a DOLE-OSHC accredited provider. The results of the work environment measurement exercises are being used as basis not only for compliance to health and safety regulations but also for continuous workplace facilities improvement. Since ICTSI-MICT has also WEM equipment, easy and verifiable measurements can also be taken at any time needed.
- The flagship terminal has finally secured its ISO 9001, 14001 and 45001 Certification officially on December 23, 2019 after passing the strict auditing from Socotec Certification International. The three Integrated Management System (IMS) standards referred to as Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015) and Occupational Safety and Health Management System (ISO 45001:2018) shall ensure that ICTSI operates at high-level quality of service, strong customer focus, robust health and safety management of workers and stakeholders, environmentally sound and improved overall performance.
- A Road Safety Program for Children in partnership with Pedro Guevarra Elementary School, San Nicolas, Binondo was launched early 2019 to provide road safety awareness to children. This is a project in collaboration with the Sustainability and Development Section.

(a) Revised Manual on Corporate Governance

The Group adopted a Manual on Corporate Governance in January 2003. Its latest Revised Manual on Corporate Governance (“CG Manual”), pursuant to SEC Memorandum Circular 19-2016, was submitted to the Philippine SEC on May 31, 2017 and is available in the Company website. Last January 15, 2019, the Company, through its Compliance Officer, submitted a Certificate attesting to its full compliance with the objectives set forth in the CG Manual. The Company has not deviated from its CG Manual and further commits itself to principles and best practices of governance in the attainment of corporate goals.

Presently, the Compliance Officer is Rafael D. Consing, Jr. The Compliance Officer coordinates with the Philippine SEC with respect to compliance requirements; monitors compliance with the CG Manual; and reports any governance-related issues to the Board.

For the annual report on corporate governance, the SEC has recently implemented the use of the Integrated Annual Corporate Governance Report (“I-ACGR”) by virtue of SEC Memorandum Circular 15-2017. Accordingly, the Company submitted its 2018 I-ACGR last May 29, 2019. For the 2019 I-ACGR, the Company is set to submit the same on or before the mandated deadline, which is May 30, 2020.

(b) Continuing Improvements for Corporate Governance

The Company continues to improve its systems and processes to enhance adherence to and strengthen practices of good corporate governance. In compliance with the latest mandates of the SEC such as those provided under SEC Memorandum Circular 19-2016 and incorporated in the CG Manual, the Company has implemented significant developments. Among others, the Board has established the Corporate Governance Committee, Board Risk Oversight Committee and Related Party Transactions Committee in addition with the Audit Committee, Nomination Subcommittee and Remuneration Subcommittee. To achieve an appropriate mix of competence and expertise, the composition of the Board is checked against prevailing requirements. To ensure diversity and allow a healthy balance of ideas, wisdom and experience on the management and business of ICTSI, the Board is made to be a majority of Non-Executive Directors. The competence of the Board is followed through by the Company by the conduct of annual continuing training for all directors and orientation program

for first-time directors.

The Company also prioritizes healthy external relations. Through the Investor's Relations Office, the Company effectively communicates and relates with all its stockholders as well as all stakeholders.

These improvements are being updated and documented by the Company through the I-ACGR submitted annually to the SEC.

In the previous years, ICTSI's Independent Directors constitute at least 20% of the membership of the Board, or two seats in the ICTSI Board, in accordance with prevailing laws. To further promote best practices in good corporate governance, the Board has elected its third Independent Director last February 12, 2019.

Recognition and Awards in 2019

December: For the sixth year in a row, ICTSI was recognized by The Asset Corporate Awards as one of the elite companies in Asia showing All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations. ICTSI's Global Corporate Investor Relations Department was also recognized as among the Best Investor Relations teams; while the company's programs and activities supporting diversity, inclusivity and gender equality for women in Papua New Guinea was lauded as a Highly-Commended Initiative for Diversity and Inclusion. These Awards were given at a gala dinner last December 2019 in Hong Kong.

November: ICTSI was awarded as Winner for the Priority Integrated Sector - Logistics Category to the ASEAN Business Awards (ABA) 2019. Priority Integrated Sector—Excellence Awards recognizes outstanding performance and presence in the ASEAN Economic Community Priority Integration Sectors. This includes the recognition of integration and connectivity between ASEAN business owned and operated by the applicant. ICTSI won the same award in 2018.

October: ICTSI's initiative supporting the global fight against modern slavery has been cited as one of the outstanding corporate sustainability efforts in the Philippines during the 2019 Sustainable Business Awards. ICTSI earned a Special Recognition for Business Responsibility and Ethics for leading the effort to stop human trafficking across local and global supply chains, made possible through a Php5-million grant by ICTSI Foundation, Inc. (IFI), ICTSI's corporate social responsibility arm, to the Voice of the Free Foundation, Inc. (formerly the Visayan Forum) in 2018.

September: Alpha Southeast Asia recognized ICTSI as one of the best managed companies in the Philippines – clinching five awards in the 9th Annual Institutional Investor Awards. ICTSI led publicly-listed companies in the country for having the Strongest Adherence to Corporate Governance and Most Organized Investor Relations Company; whilst second best in having the Best Senior Management IR Support and Most Consistent Dividend Policy. Meanwhile, Rafael D. Consing Jr., ICTSI Senior Vice President and Chief Financial Officer, was named Southeast Asia's and Philippines' Best CFO.

June: Corporate Governance Asia recognized ICTSI as one of the Best Investor Relations Companies in the Philippines during the 9th Asian Excellence Award last June 28, 2019 in Hong Kong. Key ICTSI officers were likewise recognized, including Chairman and President, Enrique K. Razon Jr. as Asia's Best CEO (Investor Relations); Senior Vice President and Chief Financial Officer Rafael D. Consing Jr. as Asia's Best CFO (Investor Relations); and Treasury Director and Head of Investor Relations Arthur R. Tabuena as Best Investor Relations Professional.

June: ICTSI was recognized by the Institute of Corporate Directors (ICD) for being one of the high-ranking PLCs in the Philippines based on the Asean Corporate Governance Scorecard (ACGS). Benchmarked against international best practices, the ACGS' rigorous methodology provides foreign investors and external fund managers with comparable information on which to base their investment decision making process. The Company was lauded for its 2018 results, maintaining commendable compliance with best practices in the following areas: board responsibilities, disclosure and transparency, rights of shareholders, equitable treatment of shareholders, and role of stakeholders.

Dividends and Dividend Policy

The details of ICTSI's declaration of cash dividends are as follows:

	2017	2018	2019
Date of Board approval	April 20, 2017	April 19, 2018	April 11, 2019
Cash dividends (regular) per share	US\$0.050 (P2.47)	US\$0.050 (P2.50)	US\$0.056 (P2.92)
Cash dividends (special) per share	–	–	US\$0.040 (P2.08)
Record date	May 5, 2017	May 4, 2018	April 29, 2019
Payment date	May 17, 2017	May 11, 2018	May 7, 2019

Dividends may be declared only out of the unrestricted retained earnings. A board resolution is required for declaration of dividends. In addition, approval of stockholders representing at least two-thirds of the outstanding capital stock is required for the payment of stock dividends. Dividends are payable to all common stockholders, on the basis of outstanding shares held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board. Preferred A shareholders are entitled to dividends at rates to be fixed by the Board. As of December 31, 2019, the Board has not set the dividend rate for Preferred A shares. On the other hand, Preferred B shareholders shall earn no dividends.

Moreover, retained earnings were reduced by distributions paid out by Royal Capital B.V., a subsidiary of ICTSI, to holders of Securities aggregating US\$41.6 million in 2017, US\$60.3 million 2018 and US\$60.7 million in 2019. Please refer also to Note 14, *Equity*, to the 2019 Audited Annual Consolidated Financial Statements.

Of the total retained earnings of US\$411.0 million, US\$460.1 million and US\$301.0 million, as of December 31, 2017, 2018 and 2019, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$951.5 million, US\$1,110.5 million and US\$1,356.5 million, as of December 31, 2017, 2018 and 2019, respectively, are not available for dividend distribution. As at December 31, 2019, the retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares held amounting to US\$83.0 million.

On December 29, 2017, the Board of the Parent Company appropriated US\$25.0 million for additional working capital requirements of its continuing domestic and foreign expansion projects in 2018. On March 6, 2018, the Board of the Parent Company approved the release of US\$150.0 million from the appropriated retained earnings back to unappropriated retained earnings due to completion of the project in VICT in Australia. On April 11, 2019, the Board of the Parent Company approved the release of US\$125.0 million from the appropriated retained earnings back to unappropriated retained earnings due to the partial completion of the new berth in ICTSI and the partial completion of the expansion projects in CMSA, OPC and ICTSI Iraq. On December 9, 2019, the remaining appropriated retained earnings of the Parent Company amounting to US\$87.1 million was released back to unappropriated retained earnings due to the substantial completion of the expansion projects in CMSA, OPC and ICTSI Iraq.

As at December 31, 2017, 2018 and 2019, total appropriated retained earnings of the Parent Company amounted to US\$362.1 million, US\$212.1 million and nil, respectively.

As of December 31, 2019, the unappropriated retained earnings of the Parent Company that is available for dividend declaration amounted to US\$150.2 million.

Item 16. Matters Not Required to be Submitted

There are no matters not required to be submitted to be disclosed.

Item 17. Amendment of Charter, Bylaws or Other Documents

There are no amendment of charter, bylaws or other documents to be disclosed.

Item 18. Other Proposed Actions

Approval of the 2019 Minutes of the Annual Stockholders' Meeting

The Minutes of the Annual Stockholders' Meeting of ICTSI held on April 11, 2019 ("Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters conferred to in said Minutes since it has already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. The Minutes of the 2019 Annual stockholders Meeting, subject to the shareholders' approval, has been disclosed and uploaded in ICTSI's company website (https://www.ictsi.com/sites/default/files/2019-04/ictsi_asm_minutes_11_april_2019.pdf). In addition, copies of the Minutes shall be posted and will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of the Minutes.

Approval of the 2019 Audited Consolidated Financial Statements

The annual consolidated financial statements of ICTSI and subsidiaries as of and for the year ended December 31, 2019 and the accompanying notes to annual consolidated financial statements (referred to as "Consolidated Financial Statements") prepared by ICTSI and audited by SGV & Co., the independent auditors appointed by the stockholders, will be submitted for approval of the Stockholders at the Annual Stockholders' Meeting.

The Consolidated Financial Statements have been meticulously prepared in conformity with the Financial Reporting Standards reflecting the amounts based on the best estimates and informed judgment of the management with an appropriate consideration to materiality the same being the Company management's responsibility.

In this regard, management maintains a comprehensive system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. Management likewise discloses to ICTSI's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors thoroughly reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of ICTSI.

SGV & Co. have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors of ICTSI and subsidiaries.

The affirmative vote of majority of the votes cast on this proposal will constitute approval of the Consolidated Financial Statements.

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval, except where the particular proxies provide for a negative vote or an abstention. If there is an objection, the Chairman will call for a division of the house. The votes of shareholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by Stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee

that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting.

The following matters require the following votes:

Subject Matter	Votes Required
Approval of Minutes of the Annual Stockholders' Meeting	Majority of the votes cast
Approval of the 2019 Audited Financial Statements	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management	Majority of the votes cast
Election of Directors	The top seven (7) nominees with the most number of votes are elected
Reappointment of SGV & Co. as the Company's external auditors	Majority of the votes cast

Undertaking to Provide Annual Report

A copy of the 2019 ICTSI Annual Report on SEC Form 17-A for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission, will be sent to any stockholder at the address he indicates, without charge upon written request addressed to:

The Corporate Secretary
International Container Terminal Services, Inc.
3F ICTSI Administration Building
Manila International Container Terminal
MICT South Access Road, Port of Manila
1012 Manila, Philippines

Item 20. Proxies

There are no matters regarding proxies to be disclosed.

Attached herewith are the following: Annex "A" is the Management Report of the Company; Annex "B" is the Audited Financial Statements of the Company as of December 31, 2019; Annexes "C", "C-1", and "C-2" are the Certifications of the Independent Directors; Annex "D" is the Certification that no directors or officers are connected with any government agencies or its instrumentalities.

Part IV. SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila on March 6, 2020.

For and behalf of the Board of Directors

By:


BENJAMIN M. GOROSPE III
Assistant Corporate Secretary

Schedule 1 – Proxy Form

Instructions for submission of attached Proxy Form

1. Submission of the Proxy

- (a) The proxy form must be completed, signed and dated by the shareholder or his duly authorized representative, and received at the principal office and mailing address of ICTSI not later than 5:00 p.m. on March 31, 2020, with the following details:

Attention: Atty. Benjamin M. Gorospe III, Assistant Corporate Secretary
3/F ICTSI Administration Bldg., MICT South Access Road, Port of Manila

- (b) If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all of the joint owners.
- (c) If the shares of stock are owned in an "and/or" capacity, the proxy form must be signed by either one of the owners.
- (d) If the shares of stock are owned by a corporation, association, partnership, or unincorporated entity, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to its by-laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose.
- (e) A proxy form given by a broker or dealer in respect of shares of stock carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.
- (f) If any customer of a broker or dealer who is the beneficial owner of shares of stock executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

2. Revocation of Proxy

An owner of shares of stock who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received at ICTSI's principal office and mailing address not later than 5:00 p.m. on March 31, 2020. A proxy is also considered revoked if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

3. Validation of Proxies

Proxy validation will be held at the Executive Lounge, 4/F ICTSI Administration Building, South Access Road, MICT, Port of Manila on April 3, 2020 at 10:00 a.m. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the ICTSI's By-Laws and Rule 20(11)(b) of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.

PROXY

The undersigned (the "Principal") hereby constitutes and appoints [Name of Proxy] _____ (the "Proxy") as his/her attorney-in-fact, so that the Proxy or any other person empowered by the Proxy, shall have, without need of further authorization from the Principal, with full power and authority to represent and vote any and all of the shares of stock of the Principal in INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (the "Corporation") at any and all stockholders' meetings of the Corporation, or any adjournment thereof, on all matters that may be brought before said meetings, including the election of directors, as fully and to all intents and purposes as such Principal might do if present and acting in person.

This proxy shall be valid for a period of five (5) years from date hereof unless sooner revoked by the Principal in writing.

IN WITNESS WHEREOF, this proxy has been executed by the Principal on the date and place indicated below.

Signature over Printed Name of Principal

Date signed: _____

Place signed: _____

Management Report

Management’s Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the consolidated financial position and results of operations of ICTSI and its wholly and majority-owned subsidiaries (collectively known as “ICTSI Group”) and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the year ended December 31, 2019. 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 throughput ranging from 50,000 to 3,000,000 twenty-foot equivalent units (TEUs). It also handles general cargoes and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing, and services for refrigerated containers or reefers. As of report date, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. There are ten terminal operations, including an inland container terminal, a barge terminal and combined terminal operations in Subic in the Philippines, two each in Indonesia, Papua New Guinea and Brazil; and one each in China, Ecuador, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico, Iraq, Argentina, DR Congo, Colombia and Australia; and an existing concession to construct, develop and operate a port in Tuxpan, Mexico.

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

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

- Asia
 - Manila - Manila International Container Terminal, Port of Manila, Philippines (MICT)
 - Zambales - New Container Terminal (NCT) 1 and 2, Subic Bay Freeport Zone, Olongapo City, Philippines (SBITC/ICTSI Subic)
 - Batangas - Bauan Terminal, Bauan, Philippines (BIPI)
 - Laguna - Laguna Gateway Inland Container Terminal, Calamba City, Laguna, Philippines (LGICT)
 - Cavite - Cavite Gateway Terminal, Tanza, Cavite, Philippines (CGT)
 - Davao - Sasa Wharf, Port of Davao (DIPSSCOR) and Hijo International Port, Davao del Norte, Philippines (HIPS)
 - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
 - Misamis Oriental - Mindanao Container Terminal, Phividec Industrial Estate, Tagaluan, Philippines (MICTSI)
 - Manila - Manila North Harbor Port, Inc., North Harbor, Manila, Philippines (MNHPI)
 - Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) and Port of Tanjung Priok, Jakarta, Indonesia (OJA)

- China - Yantai International Container Terminal, Port of Yantai, Shandong Province, China (YICT)
- Pakistan - Port of Karachi, Karachi, Pakistan (PICT)
- Australia - Webb Dock Container Terminal at Webb Dock East, Port of Melbourne, Australia (VICT)
- Papua New Guinea - Port of Motukea, Papua New Guinea (MITL) and Port of Lae, Papua New Guinea (SPICTL)
- EMEA
 - Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
 - Georgia - Port of Batumi, Batumi, Georgia (BICTL)
 - Croatia - Brajdica Container Terminal, Rijeka, Croatia (AGCT)
 - Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
 - DR Congo - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
 - Iraq - Basra Gateway Terminal at Port of Umm Qasr, Iraq (ICTSI Iraq)
- Americas
 - Brazil - Suape Container Terminal, Suape, Brazil (TSSA) and Terminal de Contêineres 1, Port of Rio de Janeiro City, Brazil (ICTSI Rio)
 - Ecuador - Port of Guayaquil, Guayaquil, Ecuador (CGSA)
 - Argentina - Port of La Plata, Buenos Aires Province, Argentina (Tecplata)
 - Mexico - Port of Manzanillo, Manzanillo, Mexico (CMSA) and Port of Tuxpan, Mexico (TMT)
 - Colombia - Port of Buenaventura, Buenaventura, Colombia (SPIA)
 - Honduras - Puerto Cortés, Republic of Honduras (OPC)

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

Port of Rio de Janeiro City, Brazil. On July 19, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Americas B.V., signed a Share Purchase Agreement with Boreal Empreendimentos e Participações S.A. to acquire 100% of the shares of Libra Terminal Rio S.A., which holds the concession rights to operate, manage and develop the container terminal Terminal de Contêineres 1 (T1Rio) in the port of Rio de Janeiro City, Federative Republic of Brazil. The concession of T1Rio commenced in 1998 and was extended in 2011 until 2048. On December 12, 2019, the Share Purchase Agreement was completed after all conditions precedent and required regulatory approvals were obtained, and on the same day, ICTSI took over the operations of T1Rio.

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

On September 5, 2018, ICTSI has signed an SPA with Harbour Centre Port Terminal, Inc. (HCPTI) for the acquisition of 4,550,000 shares in MNHPI from HCPTI. The subject shares represent 15.17% of the total issued and outstanding shares of MNHPI. The consideration is Php910.0 million (US\$17.3 million). The Philippine Competition Commission and the PPA approved the acquisition of shares on March 15, 2019 and April 26, 2019, respectively. With the approval of the PPA, ICTSI's shareholdings in MNHPI increased from 34.83% to 50.00% effective on April 26, 2019. An additional investment cost of Php2.70 billion (US\$50.3 million) was incurred in relation to this acquisition.

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

Cavite Gateway Terminal, Philippines. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, Cavite Gateway Terminal (CGT), in partnership with the Philippine Department of Transportation, project launched the country's first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborne transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal has an annual capacity of 115,000 TEUs. The terminal was formally inaugurated and commenced commercial operations on November 22, 2018.

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

On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port. The Phase 2 expansion project was substantially completed and fully operational in the fourth quarter of 2019 and involved the development of two new berths, Berths 25 and 26, including a 10.2-hectare yard area and installation of three new quay cranes. An additional yard area of 0.9 hectares was further completed in January 2020. This expansion increased the Port's container handling capacity to 1,200,000 TEUs or by an additional 600,000 TEUs, and its capability to handle large container vessels of up to 10,000 TEUs.

Extension of Contracts

Port of Guayaquil, Guayaquil, Ecuador. On December 3, 2019, ICTSI, through its subsidiary, CGSA which operates the Port of Guayaquil in Ecuador, signed an extension to its Concession Agreement with the La Autoridad Portuaria de Guayaquil which extended the original Concession Agreement until December 31, 2046 from the original term until July 31, 2027.

Davao Sasa Port, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority (HOA) on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. On May 8, 2019, the PPA granted to DIPSSCOR the HOA to operate arrastre, stevedoring and related cargo handling services which was

valid from February 27, 2019 until December 31, 2019. As of report date, DIPPSCOR has not received a new hold-over authority.

Makar Wharf, Port of General Santos, South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of HOA on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On December 3, 2019, the PPA granted to SCIPSI the HOA to operate arrastre, stevedoring and related cargo handling services which was valid from February 25, 2019 until December 31, 2019. As of report date, SCIPSI has not yet received a new hold-over authority.

Termination of Contracts

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

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

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

Muara Container Terminal, Brunei Darussalam. The Agreement with the Brunei Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam was no longer renewed and ended effective February 21, 2017.

Others

Port of Port Sudan, Republic of the Sudan. On January 3, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Middle East DMCC, signed a Concession Agreement ('the Agreement') with Sea Ports Corporation (SPC) of Sudan to operate, manage, and develop the South Port Container Terminal (SPCT) at the Port of Sudan, Republic of the Sudan for 20 years. The Port of Sudan is the only major modern port in the Republic of the Sudan and serves as the international gateway for more than 95% of country's cargo flows.

Pursuant to the Agreement, ICTSI is required to pay: (a) an upfront fee of EUR530.0 million in installments of EUR410.0 million (US\$467.2 million) and five other installments each in the amount of EUR24.0 (US\$27.3 million) from the third to the seventh operation year; (b) fixed monthly fee; and (c) royalty fee during the concession period. The Agreement is secured by a sovereign guarantee by the Republic of the Sudan. On January 13, 2019, ICTSI paid the initial installment of upfront fee of EUR410 million (US\$470.2 million, the “Upfront Fee”). In February 2019, ICTSI established Africa Gateway Terminal (AGT), a Sudanese entity, to operate the container terminal.

On January 8, 2019, the Ministry of Finance & Economic Planning (the “Ministry”) issued a bond (the “Refund Bond”), which was subsequently amended, wherein it agreed to refund the Upfront Fee in case ICTSI is unable to take over operations by April 7, 2019.

On August 7, 2019, due to the ongoing political instability in the Republic of the Sudan and the failure of the Sudanese government to turn over SPCT on or before April 7, 2019, the Sudanese Ministry sent ICTSI a letter confirming: (1) the remittance of EUR195.2 million as partial repayment of the Upfront Fee under the terms of the Refund Bond and (2) that the balance will be repaid as soon as possible. On December 13, 2019, ICTSI, through ICTSI Middle East DMCC, received from the Sudanese Government a second partial repayment of the Upfront Fee in the amount of AED110.2 million (EUR26.8 million). ICTSI continues productive discussions with the Ministry of Finance and Economic Planning of the Republic of the Sudan for the refund of the remaining balance of the Upfront Fee under the terms of the Refund Bond and the status of the Concession Agreement following a letter from SPC regarding its cancellation which ICTSI disputes. ICTSI reserves and continues to reserve its rights under the Concession Agreement.

ICTSI, has an excellent track record of managing and making significant investments in its container terminal infrastructure and is committed to making the Port of Sudan a leading port and strategic gateway to Africa, benefitting all of its stakeholders.

Results of Operations and Key Performance Indicators

Results of Operations

The following table shows a summary of the results of operations for the year ended December 31, 2019 as compared with the same period in 2018 and 2017 as derived from the accompanying audited consolidated financial statements. As discussed in detail in the notes to the accompanying audited consolidated financial statements, the effect of the adoption of PFRS16, Leases, resulted to restatement of the 2018 and 2017 comparative information.

Table 1.1 Audited Consolidated Statements of Income

<i>In thousands, except % change data</i>	For the Years Ended December 31				
	2017 (As restated)	2018 (As restated)	2019	% Change 2017 vs 2018	% Change 2018 vs 2019
Gross revenues from port operations	US\$1,244,438	US\$1,385,785	US\$1,481,412	11.4	6.9
Revenues from port operations, net of port authorities' share	1,075,219	1,207,631	1,294,313	12.3	7.2
Total income (net revenues, interest and other income)	1,125,725	1,263,588	1,343,157	12.2	6.3
Total expenses (operating, financing and other expenses)	911,964	975,011	1,149,729	6.9	17.9
EBITDA ¹	663,443	755,406	830,144	13.9	9.9
EBIT ²	467,041	529,430	595,179	13.4	12.4
Net income attributable to equity holders of the parent	158,362	207,477	100,367	31.0	(51.6)

Earnings per share

Basic	US\$0.058	US\$0.071	US\$0.020	22.6	(71.1)
Diluted	0.057	0.071	0.020	22.6	(71.1)

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 fixed port fees and leases that are accounted as concession assets under IFRIC 12, Service Concession Agreement, and right-of-use assets under PFRS16, Leases.
- 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:

Table 1.2 EBITDA Computation

	For the Years Ended December 31				
	2017	2018		% Change	% Change
<i>In thousands, except % change data</i>	(As restated)	(As restated)	2019	2017 vs 2018	2018 vs 2019
Net income attributable to equity holders of the parent	US\$158,362	US\$207,477	US\$100,367	31.0	(51.6)
Non-controlling interests	25,576	28,329	32,301	10.8	14.0
Provision for income tax	29,824	52,771	60,761	76.9	15.1
Income before income tax	213,762	288,577	193,429	35.0	(33.0)
Add (deduct):					
Depreciation and amortization	196,402	225,976	234,965	15.1	4.0
Interest and other expenses	303,786	296,810	450,594	(2.3)	51.8
Interest and other income	(50,507)	(55,957)	(48,844)	10.8	(12.7)
EBITDA	US\$663,443	US\$755,406	US\$830,144	13.9	9.9

Key Performance Indicators

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

2019 Compared with 2018

Gross moves per hour per crane ranged to 15.5 to 36.8 moves per hour in 2019 from 14.3 to 30.7 moves per hour in 2018. Crane availability ranged to 83.8 percent to 98.3 percent in 2019 from 75.7 percent to 99.7 percent in 2018. Berth utilization was at 24.6 percent to 78.7 percent in 2019 and 19.2 percent to 84.6 percent in 2018.

2018 Compared with 2017

Gross moves per hour per crane ranged to 14.3 to 30.7 moves per hour in 2018 from 16.2 to 31.5 moves per hour in 2017. Crane availability ranged to 75.7 percent to 99.7 percent in 2018 from 81.6 percent to 99.4 percent in 2017. Berth utilization was at 19.2 percent to 84.6 percent in 2018 and 18.1 percent to 90.7 percent in 2017.

2017 Compared with 2016

Gross moves per hour per crane ranged to 16.2 to 31.5 moves per hour in 2017 from 17.3 to 32.6 moves per hour in 2016. Crane availability ranged to 81.6 percent to 99.4 percent in 2017 from 79.4 percent to 99.1 percent in 2016. Berth utilization was at 18.1 percent to 90.7 percent in 2017 and 16.3 percent to 76.5 percent in 2016.

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

Comparison of Operating Results for the Years Ended December 31, 2019 and 2018

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2018 and 2019:

Table 1.3a **Volume**

	For the Years Ended December 31		
	2018	2019	% Change
Asia	5,237,452	5,403,839	3.2
Americas	2,935,281	2,979,852	1.5
EMEA	1,563,888	1,794,327	14.7
	9,736,621	10,178,018	4.5

The Group's consolidated volume increased by 4.5 percent to 10,178,018 TEUs for the year ended December 31, 2019 from 9,736,621 TEUs handled for the same period in 2018 mainly due to improvement in trade activities; new contracts with shipping lines and services; continuous volume ramp-up at certain terminals; and contribution of new terminal, ICTSI Rio. Excluding contribution of ICTSI Rio, consolidated volume would have increased by 4.4 percent in 2019.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia, Pakistan, Australia and Papua New Guinea grew by 3.2 percent to 5,403,839 TEUs for the year ended December 31, 2019 from 5,237,452 TEUs for the same period in 2018 mainly due to new services at VICT; and continuous volume ramp-up at SBITC/ICTSI Subic, SPICTL and MITL, tapered by reduced trade volumes at PICT, YICT and OJA. The Asia operations accounted for 53.8 percent and 53.1 percent of the consolidated volume for the years ended December 31, 2018 and 2019, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and Argentina increased by 1.5 percent to 2,979,852 TEUs for the year ended December 31, 2019 from 2,935,281 TEUs for the same period in 2018 mainly due to new services at CMSA; higher trade volumes at TSSA; and contribution of new terminal, ICTSI Rio, tapered by lower trade volumes at OPC and CGSA. The Americas operations accounted for 30.1 percent and 29.3 percent of the consolidated volume for the years ended December 31, 2018 and 2019, respectively. Excluding contribution of ICTSI Rio, volume from the Americas segment would have increased by 1.0 percent in 2019.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Georgia, Madagascar and Croatia, increased by 14.7 percent to 1,794,327 TEUs for the year ended December 31, 2019 from 1,563,888 TEUs for the same period in 2018 mainly due to new services at BCT and AGCT; improvement in trade activities at ICTSI Iraq; and increase in trade volumes at IDRC and BICTL. The EMEA operations accounted for 16.1 percent and 17.6 percent of the Group's consolidated volume for the years ended December 31, 2018 and 2019, respectively.

Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2018 and 2019:

Table 1.4a Total Income

	For the Years Ended December 31		
	2018		
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	2019	% Change
Gross revenues from port operations	US\$1,385,785	US\$1,481,412	6.9
Port authorities' share in gross revenues	178,154	187,099	5.0
Net revenues	1,207,631	1,294,313	7.2
Interest income	24,089	22,764	(5.5)
Foreign exchange gain	3,577	13,126	267.0
Other income	28,291	12,954	(54.2)
	US\$1,263,588	US\$1,343,157	6.3

For the year ended December 31, 2019, net revenues stood at 96.4 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.6 percent, 1.0 percent and 1.0 percent, respectively. For the same period in 2018, net revenues stood at 95.6 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.9 percent, 0.3 percent and 2.2 percent, respectively.

Gross Revenues from Port Operations

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

The below table illustrates the consolidated gross revenues for the years ended December 31, 2018 and 2019:

Table 1.5a Gross Revenues from Port Operations

	For the Years Ended December 31		
	2018	2019	% Change
<i>(In thousands, except % change data)</i>			
Asia	US\$694,300	US\$748,585	7.8
Americas	407,071	422,754	3.9
EMEA	284,414	310,073	9.0
	US\$1,385,785	US\$1,481,412	6.9

The Group's consolidated gross revenues from port operations increased by 6.9 percent to US\$1,481.4 million for the year ended December 31, 2019 from US\$1,385.8 million for the same period in 2018 mainly due to volume growth; tariff adjustments at certain terminals; new contracts with shipping lines and services; increase in revenues from ancillary services; and contribution of new terminal, ICTSI Rio. Excluding contribution of ICTSI Rio, consolidated gross revenues would have increased by 6.7 percent in 2019.

Gross revenues from the Asia segment increased by 7.8 percent to US\$748.6 million for the year ended December 31, 2019 from US\$694.3 million for the same period in 2018 mainly due to volume growth; tariff adjustments at certain terminals; favorable container mix; favorable translation impact of the appreciation of Philippine peso (PHP)-based revenues at Philippine terminals, partially tapered by lower trade volumes at PICT and YICT; and unfavorable translation impact of the depreciation of Australian Dollars (AUD)-based revenues at VICT. The Asia operations captured 50.1 percent and 50.5 percent of the consolidated gross revenues for the years ended December 31, 2018 and 2019, respectively.

Gross revenues from the Americas segment increased by 3.9 percent to US\$422.8 million for the year ended December 31, 2019 from US\$407.1 million for the same period in 2018 mainly due to volume growth; tariff adjustments at certain terminals; increase in storage and ancillary revenues; and contribution of new terminal, ICTSI Rio, tapered by lower revenues from general cargoes at CGSA; and unfavorable translation impact of the depreciation of Brazilian Reais (BRL)-based revenues at TSSA. The Americas operations accounted for 29.4 percent and 28.5 percent of the consolidated gross revenues for the years ended December 31, 2018 and 2019, respectively. Excluding contribution of ICTSI Rio, gross revenues from the Americas segment would have increased by 3.2 percent in 2019.

Gross revenues from the EMEA segment increased by 9.0 percent to US\$310.1 million for the year ended December 31, 2019 from US\$284.4 million for the same period in 2018 primarily due to volume growth; tariff adjustments at certain terminal; and increase in revenues from general cargoes at ICTSI Iraq, partially tapered by lower storage revenues at ICTSI Iraq and unfavorable translation impact of the depreciation of Euro (EUR)-based revenues at MICTSL and AGCT. The EMEA operations stood at 20.5 percent and 20.9 percent of the consolidated gross revenues for the years ended December 31, 2018 and 2019, respectively.

Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, grew by 5.0 percent to US\$187.1 million for the year ended December 31, 2019 from US\$178.1 million for the same period in 2018 as a result of volume growth and stronger revenues at these terminals.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income decreased by 5.5 percent to US\$22.8 million for the year ended December 31, 2019 from US\$24.1 million for the same period in 2018 mainly due to lower interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain increased to US\$13.1 million for the year ended December 31, 2019 from US\$3.6 million for the same period in 2018 mainly due to the favorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income decreased by 54.2 percent to US\$13.0 million for the year ended December 31, 2019 from US\$28.3 million for the same period in 2018 mainly due to the absence of a non-recurring gain from pre-termination of interest rate swap; and reversal of accrued taxes and provisions at CMSA in 2018. Other income includes the Group's rental, dividend income, and other sundry income accounts.

Total Expenses

The below table shows the breakdown of total expenses for 2018 and 2019.

Table 1.6a **Total Expenses**

For the Years Ended December 31			
	2018		
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	2019	% Change
Manpower costs	US\$217,154	US\$230,009	5.9
Equipment and facilities-related expenses	110,738	109,445	(1.2)
Administrative and other operating expenses	124,334	124,716	0.3
Total cash operating expenses	452,226	464,170	2.6
Depreciation and amortization	225,976	234,965	4.0
Interest expense and financing charges on borrowings	101,310	108,201	6.8
Interest expense on lease liabilities	103,486	102,439	(1.0)
Interest expense on concession rights payable	37,545	40,537	8.0
Equity in net loss of joint ventures and an associate	22,222	19,747	(11.1)
Foreign exchange loss and others	32,246	179,670	457.2
	US\$975,011	US\$1,149,729	17.9

Total cash operating expenses of the Group increased by 2.6 percent to US\$464.2 million for the year ended December 31, 2019 from US\$452.2 million for the same period in 2018 mainly due to volume growth; government-mandated and contracted salary rate adjustments at certain terminals; unfavorable translation impact of PHP-based expenses at Philippine terminals; and contribution of new terminal, ICTSI Rio, partially tapered by continuous monitoring of cost optimization measures; and favorable translation impact of Pakistan Rupee (PKR)-based expenses at PICT; AUD-based expenses at VICT and BRL-based expenses at TSSA. Excluding contribution of ICTSI Rio, consolidated cash operating expenses would have increased by 2.3 percent in 2019.

Manpower Costs

Manpower costs increased by 5.9 percent to US\$230.0 million for the year ended December 31, 2019 from US\$217.2 million for the same period in 2018 primarily due to volume growth; government-mandated and contracted salary rate adjustments at certain terminals; and contribution of new terminal, ICTSI Rio, partially tapered by continuous monitoring of cost optimization measures. Excluding contribution of ICTSI Rio, consolidated manpower costs would have increased by 5.5 percent in 2019.

Manpower costs accounted for 48.0 percent and 49.5 percent of consolidated cash operating expenses for the years ended December 31, 2018 and 2019, respectively.

Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses decreased by 1.2 percent to US\$109.4 million for the year ended December 31, 2019 from US\$110.7 million for the same period in 2018 mainly due to the net effect of lower fuel and power cost and increase in repairs and maintenance and contribution of new terminal, ICTSI Rio. Excluding contribution of ICTSI Rio, consolidated equipment and facilities-related expenses would have decreased by 1.4 percent in 2019.

Equipment and facilities-related expenses represented 24.5 percent and 23.6 percent of consolidated cash operating expenses for the years ended December 31, 2018 and 2019, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased marginally by 0.3 percent to US\$124.7 million for the year ended December 31, 2019 from US\$124.3 million for the same period in 2018 due to

increase in information technology-related costs; increase in business development expenses; and contribution of new terminal, ICTSI Rio, tapered by reduction in travel cost, professional fees and offices expenses. Excluding contribution of ICTSI Rio, consolidated administrative and other operating expenses would have decreased marginally by 0.1 percent in 2019.

Administrative and other operating expenses stood at 27.5 percent and 26.9 percent of consolidated cash operating expenses for the years ended December 31, 2018 and 2019, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 4.0 percent to US\$235.0 million for the year ended December 31, 2019 from US\$226.0 million for the same period in 2018 mainly due to higher depreciation arising from expansion projects at MICT, ICTSI Iraq, and OPC; port equipment acquisitions at SPICTL and MITL; and contribution of new terminal, ICTSI Rio.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 6.8 percent to US\$108.2 million for the year ended December 31, 2019 from US\$101.3 million for the same period in 2018 primarily due to higher average outstanding loan balance during the period arising from term loans obtained and refinancing of senior guaranteed perpetual securities redeemed in 2019, tapered by interest reduction from pre-termination of the Project Finance Facility at CMSA in May 2018.

Interest Expense on Lease Liabilities

Interest expense on lease liabilities decreased by 1.0 percent to US\$102.4 million for the year ended December 31, 2019 from US\$103.5 million for the same period in 2018 mainly due to favorable translation impact of BRL-based interest expense at TSSA.

Interest Expense on Concession Rights Payable

Interest on concession rights payable increased by 8.0 percent to US\$40.5 million for the year ended December 31, 2019 from US\$37.5 million for the same period in 2018 mainly due to the concession right liabilities recognized at SPICTL and MITL in the second quarter of 2018.

Equity in Net Loss of Joint Ventures and An Associate

Equity in net loss of joint ventures and an associate decreased by 11.1 percent to US\$19.7 million for the year ended December 31, 2019 from US\$22.2 million for the same period in 2018 mainly due to the decrease in the Company's share in net loss at SPIA driven by volume growth and higher EBITDA. Equity in net loss of joint ventures and an associate in 2019 includes the Group's share in net income of MNHPI and net loss of FAMI.

Foreign Exchange Loss and Others

Foreign exchange loss and others increased to US\$179.7 million for the year ended December 31, 2019 from US\$32.2 million for the same period in 2018 mainly due to the non-recurring impairment charge on the concession rights of Tecplata amounting to US\$156.0 million as a result of the lower projected cash flows on its updated business plan caused by the prevailing and challenging economic conditions in Argentina; the non-recurring acceleration of debt issue costs incurred associated with the availment of the Euro-denominated term loan which was partially prepaid in July 2019, partially tapered by the absence of the impairment charge on the goodwill of DIPSSCOR in 2018; write-off of debt issue cost from pre-termination of project finance facility at CMSA in 2018; and decrease in foreign exchange loss arising from favorable translation impact of certain currencies against US dollar. 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 9.9 percent to US\$830.1 million for the year ended December 31, 2019 from US\$755.4 million for the same period in 2018 mainly due to strong revenues; and positive contribution of new terminal, ICTSI Rio. Excluding the contribution of ICTSI Rio, consolidated EBITDA would have increased by 9.8 percent in 2019. EBITDA margin increased to 56.0 percent in 2019 from 54.5 percent in 2018.

Meanwhile, consolidated EBIT increased by 12.4 percent to US\$595.2 million for the year ended December 31, 2019 from US\$529.4 million for the same period in 2018 mainly due to stronger EBITDA, tapered by higher depreciation. Excluding contribution of ICTSI Rio, consolidated EBIT would have increased by 12.3 percent in 2019. EBIT margin increased to 40.2 percent in 2019 from 38.2 percent in 2018.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax decreased by 33.0 percent to US\$193.4 million for the year ended December 31, 2019 from US\$288.6 million for the same period in 2018 mainly as a result of the non-recurring impairment charge on the concession rights at Tecplata; and higher depreciation, tapered by strong operating income; and decrease in equity in net loss at SPIA. Excluding contribution of ICTSI Rio and the non-recurring items, consolidated income before income tax would have increased by 21.3 percent in 2019. The ratio of income before income tax to consolidated gross revenues stood at 20.8 percent and 13.1 percent in 2018 and 2019, respectively.

Consolidated provision for current and deferred income taxes increased by 15.1 percent to US\$60.8 million for the year ended December 31, 2019 from US\$52.8 million for the same period in 2018 mainly due to higher taxable income at most of the terminals. Effective income tax rate in 2018 and 2019 stood at 18.3 percent and 31.4 percent, respectively.

Net Income

Consolidated net income decreased by 43.7 percent to US\$132.7 million for the year ended December 31, 2019 from US\$235.8 million for the same period in 2018. Excluding contribution of ICTSI Rio and the non-recurring items, consolidated net income would have increased by 22.1 percent in 2019.

The ratio of consolidated net income to gross revenues stood at 17.0 percent and 9.0 percent in 2018 and 2019, respectively.

Consolidated net income attributable to equity holders decreased to US\$100.4 million for the year ended December 31, 2019 from US\$207.5 million for the same period in 2018. Excluding contribution of ICTSI Rio and the non-recurring items, net income attributable to equity holders would have increased by 23.2 percent in 2019.

Basic and diluted earnings per share decreased to US\$0.020 in 2019 from US\$0.071 in 2018.

Comparison of Operating Results for the Years Ended December 31, 2018 and 2017

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2017 and 2018:

Table 1.7a **Volume**

	For the Years Ended December 31		
	2017	2018	% Change
Asia	4,815,905	5,237,452	8.8
Americas	2,855,580	2,935,281	2.8
EMEA	1,481,973	1,563,888	5.5
	9,153,458	9,736,621	6.4

The Group's consolidated volume increased by 6.4 percent to 9,736,621 TEUs for the year ended December 31, 2018 from 9,153,458 TEUs handled for the same period in 2017 mainly due to improvement in trade activities; new contracts with shipping lines and services; and contribution of new terminals, VICT, SPICTL and MITL. Excluding new terminals, consolidated volume would have increased by 2.6 percent in 2018.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia, Pakistan, Australia and Papua New Guinea grew by 8.8 percent to 5,237,452 TEUs for the year ended December 31, 2018 from 4,815,905 TEUs for the same period in 2017 mainly due to improvement in trade activities at most of the Philippine terminals; new services at YICT; and contribution of new terminals, VICT, SPICTL and MITL, tapered by decreased vessel calls at PICT. Excluding new terminals, volume from Asia operations would have increased by 1.5 percent in 2018. The Asia operations accounted for 52.6 percent and 53.8 percent of the consolidated volume for the years ended December 31, 2017 and 2018, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras and Mexico increased by 2.8 percent to 2,935,281 TEUs for the year ended December 31, 2018 from 2,855,580 TEUs for the same period in 2017 mainly due to new contracts with shipping lines and services and increased transshipments at CMSA; and higher trade volumes at OPC, slightly tapered by reduced transshipments at CGSA. The Americas operations accounted for 31.2 percent and 30.1 percent of the consolidated volume for the years ended December 31, 2017 and 2018, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Georgia, Madagascar and Croatia, increased by 5.5 percent to 1,563,888 TEUs for the year ended December 31, 2018 from 1,481,973 TEUs for the same period in 2017 mainly due to new shipping lines and services at BCT; and increased trade volumes at AGCT, BICTL and IDRC, slightly tapered by market decline in Iraq resulting to decrease in trade volumes at ICTSI Iraq. The EMEA operations accounted for 16.2 percent and 16.1 percent of the Group's consolidated volume for the years ended December 31, 2017 and 2018, respectively.

Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2017 and 2018:

Table 1.8a Total Income

	For the Years Ended December 31		
	2017	2018	
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	<i>(As restated)</i>	% Change
Gross revenues from port operations	US\$1,244,438	US\$1,385,785	11.4
Port authorities' share in gross revenues	169,220	178,154	5.3
Net revenues	1,075,218	1,207,631	12.3
Interest income	21,853	24,089	10.2
Foreign exchange gain	5,048	3,577	(29.1)
Other income	23,606	28,291	19.8
	US\$1,125,725	US\$1,263,588	12.2

For the year ended December 31, 2018, net revenues stood at 95.6 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.9 percent, 0.3 percent and 2.2 percent, respectively. For the same period in 2017, net revenues stood at 95.5 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.9 percent, 0.5 percent and 2.1 percent, respectively.

Gross Revenues from Port Operations

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

The below table illustrates the consolidated gross revenues for the years ended December 31, 2017 and 2018:

Table 1.9a Gross Revenues from Port Operations

	For the Years Ended December 31		
	2017	2018	% Change
<i>(In thousands, except % change data)</i>			
Asia	US\$591,246	US\$694,300	17.4
Americas	401,382	407,071	1.4
EMEA	251,810	284,414	12.9
	US\$1,244,438	US\$1,385,785	11.4

The Group's consolidated gross revenues from port operations increased by 11.4 percent to US\$1,385.8 million for the year ended December 31, 2018 from US\$1,244.4 million for the same period in 2017 mainly due to volume growth; new contracts with shipping lines and services; increase in revenues from non-containerized cargoes, storage and ancillary services; tariff adjustments; and contribution of new terminals, VICT, SPICTL and MITL. Excluding new terminals, consolidated gross revenues would have increased by 6.6 percent in 2018.

Gross revenues from the Asia segment reported a growth of 17.4 percent to US\$694.3 million for the year ended December 31, 2018 from US\$591.2 million for the same period in 2017 mainly due to volume growth at most of the Philippine terminals and YICT; and contribution of new terminals, VICT, SPICTL and MITL, partially tapered by lower trade volumes at PICT; and unfavorable translation impact of the depreciation of PHP-based revenues at Philippine terminals. Excluding new terminals, gross revenues from Asia operations would have increased by 7.5 percent in 2018. The Asia operations captured 47.5 percent and 50.1 percent of the consolidated gross revenues for the years ended December 31, 2017 and 2018, respectively.

Gross revenues from the Americas segment increased by 1.4 percent to US\$407.1 million for the year ended December 31, 2018 from US\$401.4 million for the same period in 2017 mainly due to volume growth, higher storage revenues at CMSA; and higher storage and ancillary revenues combined with

tariff adjustments at OPC, tapered by lower transshipments at CGSA; and unfavorable translation impact of the depreciation of BRL-based revenues at TSSA. The Americas operations accounted for 32.3 percent and 29.4 percent of the consolidated gross revenues for the years ended December 31, 2017 and 2018, respectively.

Gross revenues from the EMEA segment increased by 12.9 percent to US\$284.4 million for the year ended December 31, 2018 from US\$251.8 million for the same period in 2017 primarily due to volume growth at AGCT, BICTL and IDRC; increase in general cargoes and storage revenues at ICTSI Iraq; new shipping lines and services combined with increase in revenues from general cargoes at BCT; and favorable translation impact of the appreciation of EUR-based revenues at MICTSL and AGCT. The EMEA operations stood at 20.2 percent and 20.5 percent of the consolidated gross revenues for the years ended December 31, 2017 and 2018, respectively.

Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, increased by 5.3 percent to US\$178.2 million for the year ended December 31, 2018 from US\$169.2 million for the same period in 2017 as a result of volume growth and stronger revenues at these terminals.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 10.2 percent to US\$24.1 million for the year ended December 31, 2018 from US\$21.9 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased by 29.1 percent to US\$3.6 million for the year ended December 31, 2018 from US\$5.0 million for the same period in 2017 mainly due to the unfavorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased by 19.8 percent to US\$28.3 million for the year ended December 31, 2018 from US\$23.6 million for the same period in 2017 mainly due to a non-recurring gain from pre-termination of interest rate swap; and reversal of accrued taxes and provisions at CMSA in 2018, tapered by the absence of the non-recurring gain from reimbursement of costs incurred in relation to the termination of the sub-concession agreement at LICTSLE in 2017; and recognition of income tax credit at OPC in 2017. Other income includes the Group's rental, dividend income, and other sundry income accounts.

Total Expenses

The below table shows the breakdown of total expenses for 2017 and 2018.

Table 1.10a Total Expenses

	For the Years Ended December 31		
	2017	2018	
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	<i>(As restated)</i>	% Change
Manpower costs	US\$207,584	US\$217,154	4.6
Equipment and facilities-related expenses	93,083	110,738	19.0
Administrative and other operating expenses	111,109	124,334	11.9
Total cash operating expenses	411,776	452,226	9.8
Depreciation and amortization	196,402	225,976	15.1
Interest expense on lease liabilities	87,123	103,486	18.8
Interest expense and financing charges on borrowings	100,413	101,310	0.9
Interest expense on concession rights payable	33,106	37,545	13.4
Equity in net loss of joint ventures and an associate	36,337	22,222	(38.8)
Foreign exchange loss and others	46,807	32,246	(31.1)
	US\$911,964	US\$975,011	6.9

Total cash operating expenses of the Group increased by 9.8 percent to US\$452.2 million for the year ended December 31, 2018 from US\$411.8 million for the same period in 2017 mainly due to start-up costs at new terminals, VICT, SPICTL and MITL; increase in prices of fuel; higher fuel and power consumption driven by volume growth, and equipment rentals at certain terminals, partially tapered by continuous monitoring of cost optimization measures; and favorable translation impact of PHP-based expenses at Philippine terminals and BRL-based expenses at TSSA. Excluding new terminals, consolidated cash operating expenses would have increased by 3.7 percent in 2018.

Manpower Costs

Manpower costs increased by 4.6 percent to US\$217.2 million for the year ended December 31, 2018 from US\$207.6 million for the same period in 2017 primarily due to cost contribution of new terminals, VICT, SPICTL and MITL; and government-mandated and contracted salary rate adjustments at certain terminals, partially tapered by continuous monitoring of cost optimization measures. Excluding new terminals, consolidated manpower costs would have decreased by 1.3 percent in 2018.

Manpower costs accounted for 50.4 percent and 48.0 percent of consolidated cash operating expenses for the years ended December 31, 2017 and 2018, respectively.

Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses increased by 19.0 percent to US\$110.7 million for the year ended December 31, 2018 from US\$93.1 million for the same period in 2017 mainly due to cost contribution of new terminals, VICT, SPICTL and MITL; increase in prices of fuel; and higher fuel and power consumption driven by volume growth, and equipment rentals at certain terminals. Excluding new terminals, consolidated equipment and facilities-related expenses would have increased by 12.5 percent in 2018.

Equipment and facilities-related expenses represented 22.6 percent and 24.5 percent of consolidated cash operating expenses for the years ended December 31, 2017 and 2018, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 11.9 percent to US\$124.3 million for the year ended December 31, 2018 from US\$111.1 million for the same period in 2017 mainly due to cost contribution of new terminals, VICT, SPICTL and MITL; increase in information technology-related costs; and increase in legal fees, partially tapered by continuous monitoring of cost optimizations measures. Excluding new terminals, consolidated administrative and other operating expenses would have increased by 5.4 percent in 2018.

Administrative and other operating expenses stood at 27.0 percent and 27.5 percent of consolidated cash operating expenses for the years ended December 31, 2017 and 2018, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 15.1 percent to US\$226.0 million for the year ended December 31, 2018 from US\$196.4 million for the same period in 2017 mainly due to contribution of new terminals, VICT, SPICTL and MITL; and higher depreciation arising from expansion projects at ICTSI Iraq, CMSA and OPC.

Interest Expense on Lease Liabilities

Interest expense on lease liabilities increased by 18.8 percent to US\$103.5 million for the year ended December 31, 2018 from US\$87.1 million for the same period in 2017 mainly due to higher lease liability at VICT.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased marginally by 0.9 percent to US\$101.3 million for the year ended December 31, 2018 from US\$100.4 million for the same period in 2017 primarily due to lower capitalized borrowing costs on qualifying assets; and new loans, partially tapered by interest reduction from pre-termination of the Project Finance Facility at CMSA. Capitalized borrowing costs on qualifying assets amounted to US\$10.4 million in 2017 at a capitalization rate ranging from 2.4 percent to 6.7 percent and US\$4.3 million in 2018 at a capitalized rate ranging from 3.5 percent to 7.0 percent.

Interest Expense on Concession Rights Payable

Interest on concession rights payable increased by 13.4 percent to US\$37.5 million for the year ended December 31, 2018 from US\$33.1 million for the same period in 2017 mainly due to the concession right liabilities recognized at new terminals, SPICTL and MITL.

Equity in Net Loss of Joint Ventures and An Associate

Equity in net loss of joint ventures and an associate decreased by 38.8 percent to US\$22.2 million for the year ended December 31, 2018 from US\$36.3 million for the same period in 2017 mainly due to the decrease in the Company's share in net loss at SPIA driven by volume growth and positive EBITDA. Equity in net loss of joint ventures and an associate in 2018 is net of the Group's share in net income of MNHPI, a 34.83%-owned associate.

Foreign Exchange Loss and Others

Foreign exchange loss and others decreased to US\$32.2 million for the year ended December 31, 2018 from US\$46.8 million for the same period in 2017 mainly due to lower restructuring and separation costs at certain terminals; and decrease in foreign exchange loss arising from favorable translation impact of certain currencies against US dollar, partially tapered by non-recurring impairment charge on the goodwill of DIPSSCOR in 2018; and write-off of debt issue cost from pre-termination of project finance facility at CMSA in 2018. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

EBITDA and EBIT

Consolidated EBITDA increased by 13.9 percent to US\$755.4 million for the year ended December 31, 2018 from US\$663.4 million for the same period in 2017 mainly due to strong revenues combined with positive contribution of new terminals, SPICTL and MITL. Excluding the new terminals, consolidated EBITDA would have increased by 8.6 percent in 2018. EBITDA margin increased to 54.5 percent in 2018 from 53.3 percent in 2017.

Meanwhile, consolidated EBIT increased by 13.4 percent to US\$529.4 million for the year ended December 31, 2018 from US\$467.0 million for the same period in 2017 mainly due to stronger EBITDA, tapered by higher depreciation charges. Excluding the new terminals, consolidated EBIT would have increased by 10.3 percent in 2017. EBIT margin increased to 38.2 percent in 2018 from 37.5 percent in 2017.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 35.0 percent to US\$288.6 million for the year ended December 31, 2018 from US\$213.8 million for the same period in 2017 as a result of strong operating income; decrease in equity in net loss at SPIA; and lower restructuring and separation costs, tapered by increase in depreciation charges; and the impact of the non-recurring items. Excluding new terminals and the non-recurring items, consolidated income before income tax would have increased by 30.6 percent in 2018. The ratio of income before income tax to consolidated gross revenues stood at 17.2 percent and 20.8 percent in 2017 and 2018, respectively.

Consolidated provision for current and deferred income taxes increased to US\$52.8 million for the year ended December 31, 2018 from US\$29.8 million for the same period in 2017 mainly due to higher taxable income at most of the terminals. Effective income tax rate in 2017 and 2018 stood at 14.0 percent and 18.3 percent, respectively.

Net Income

Consolidated net income increased by 28.2 percent to US\$235.8 million for the year ended December 31, 2018 from US\$183.9 million for the same period in 2017. Excluding new terminals and the non-recurring items, consolidated net income would have increased by 27.8 percent in 2018.

The ratio of consolidated net income to gross revenues stood at 14.8 percent and 17.0 percent in 2017 and 2018, respectively.

Consolidated net income attributable to equity holders grew by 31.0 percent to US\$207.5 million for the year ended December 31, 2018 from US\$158.4 million for the same period in 2017. Excluding new terminals and the non-recurring items, net income attributable to equity holders would have increased by 29.9 percent in 2018.

Basic and diluted earnings per share increased to US\$0.071 in 2018 from US\$0.058 in 2017 and to US\$0.071 in 2018 from US\$0.057 in 2017, respectively, mainly due to higher net income, partially tapered by increase in distributions to holders of perpetual capital securities from issuance of senior guaranteed perpetual capital securities in January 2018.

Comparison of Operating Results for the Years Ended December 31, 2017 and 2016

TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2016 and 2017:

Table 1.11a **Volume**

	For the Years Ended December 31		
	2016	2017	% Change
Asia	4,552,881	4,815,905	5.8
Americas	3,004,690	2,855,580	(5.0)
EMEA	1,131,792	1,481,973	30.9
	8,689,363	9,153,458	5.3

The Group's consolidated volume increased by 5.3 percent from 8,689,363 TEUs for the year ended December 31, 2016 to 9,153,458 TEUs handled for the same period in 2017 mainly due to continuous improvement in trade activities and continuous volume ramp-up at certain terminals; and contribution of new terminals, IDRC and VICT, partially tapered by decrease in vessel calls and lower transshipments at CGSA. Excluding new terminals, consolidated volume would have increased by 3.6 percent in 2017.

Volume from the Asia segment, consisting of terminals in the Philippines, China, Indonesia, Pakistan and Australia, increased by 5.8 percent from 4,552,881 TEUs for the year ended December 31, 2016 to 4,815,905 TEUs for the same period in 2017 mainly due to continuous improvement in trade activities at most of the Philippine Terminals and YICT; and contribution of a new terminal, VICT, tapered by decreased vessel calls and transshipments at PICT. Excluding VICT, volume from Asia operations would have increased by 3.8 percent in 2017. The Asia operations accounted for 52.4 percent and 52.6 percent of the consolidated volume for the years ended December 31, 2016 and 2017, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras and Mexico, decreased by 5.0 percent from 3,004,690 TEUs for the year ended December 31, 2016 to 2,855,580 TEUs for the same period in 2017 mainly due to reduced vessel calls and lower transshipments at CGSA, tapered by increased trade volumes and new services at CMSA; and marginal economic recovery and improvement in trade activities at TSSA. The Americas operations accounted for 34.6 percent and 31.2 percent of the consolidated volume for the years ended December 31, 2016 and 2017, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Georgia, Madagascar and Croatia, reported a 30.9 percent growth from 1,131,792 TEUs for the year ended December 31, 2016 to 1,481,973 TEUs for the same period in 2017 mainly due to continuous growth and ramp-up at ICTSI Iraq; continuous improvement in trade activities in the region resulting to double-digit growth at all EMEA terminals; and contribution of a new terminal, IDRC. Excluding IDRC, volume from EMEA operations would have increased by 26.3 percent in 2017. The EMEA operations accounted for 13.0 percent and 16.2 percent of the Group's consolidated volume for the years ended December 31, 2016 and 2017, respectively.

Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2016 and 2017:

Table 1.12a Total Income

	For the Years Ended December 31		
	2016	2017	
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	<i>(As restated)</i>	% Change
Gross revenues from port operations	US\$1,128,395	US\$1,244,438	10.3
Port authorities' share in gross revenues	166,479	169,220	1.6
Net revenues	961,916	1,075,218	11.8
Interest income	17,651	21,853	23.8
Foreign exchange gain	33,865	5,048	(85.1)
Other income	13,393	23,606	76.3
	US\$1,026,825	US\$1,125,725	9.6

For the year ended December 31, 2017, net revenues stood at 95.5 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.9 percent, 0.5 percent and 2.1 percent, respectively. For the same period in 2016, net revenues stood at 93.7 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.7 percent, 3.3 percent and 1.3 percent, respectively.

Gross Revenues from Port Operations

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

The below table illustrates the consolidated gross revenues for the years ended December 31, 2016 and 2017:

Table 1.13a Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2016	2017	% Change
Asia	US\$581,405	US\$591,246	1.7
Americas	387,423	401,382	3.6
EMEA	159,567	251,810	57.8
	US\$1,128,395	US\$1,244,438	10.3

The Group's consolidated gross revenues from port operations increased by 10.3 percent from US\$1,128.4 million for the year ended December 31, 2016 to US\$1,244.4 million for the same period in 2017 mainly due to volume growth; tariff rate adjustments at certain terminals; new contracts with shipping lines and services; and contribution of new terminals, IDRC and VICT. Excluding new terminals, consolidated gross revenues would have increased by 6.0 percent in 2017.

Gross revenues from the Asia segment increased by 1.7 percent from US\$581.4 million for the year ended December 31, 2016 to US\$591.2 million for the same period in 2017 mainly due to volume growth at most of the Philippine terminals and YICT; and contribution of new terminal, VICT, tapered by unfavorable translation impact of the depreciation of PHP-based revenues at Philippine terminals. Excluding VICT, gross revenues from Asia operations would have decreased by 0.3 percent in 2017. The Asia operations captured 51.5 percent and 47.5 percent of the consolidated gross revenues for the years ended December 31, 2016 and 2017, respectively.

Gross revenues from the Americas segment increased by 3.6 percent from US\$387.4 million for the year ended December 31, 2016 to US\$401.4 million for the same period in 2017 mainly due to volume growth at CMSA; tariff rate adjustments at CGSA; and improvement in trade activities combined with favorable translation impact of the appreciation of Brazilian Reais (BRL) at TSSA, partially tapered by decreased vessel calls at CGSA. The Americas operations accounted for 34.3 percent and 32.3 percent of the consolidated gross revenues for the years ended December 31, 2016 and 2017, respectively.

Gross revenues from the EMEA segment grew by 57.8 percent from US\$159.6 million for the year ended December 31, 2016 to US\$251.8 million for the same period in 2017 primarily due to continuous volume growth at ICTSI Iraq; continuous improvement in trade activities in the region; and contribution of a new terminal, IDRC. Excluding IDRC, gross revenues from EMEA operations would have increased by 37.6 percent in 2017. The EMEA operations stood at 14.2 percent and 20.2 percent of the consolidated gross revenues for the years ended December 31, 2016 and 2017, respectively.

Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, increased by 1.6 percent from US\$166.5 million for the year ended December 31, 2016 to US\$169.2 million for the same period in 2017 as a result of volume growth and stronger revenues at these terminals.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 23.8 percent from US\$17.7 million for the year ended December 31, 2016 to US\$21.9 million for the same period in 2017 mainly due to higher interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased from US\$33.9 million for the year ended December 31, 2016 to US\$5.0 million for the same period in 2017 mainly due to the unfavorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation

or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased from US\$13.4 million for the year ended December 31, 2016 to US\$23.6 million for the same period in 2017 mainly due to the one-time gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE; and recognition of income tax credit at OPC. Other income includes the Group's rental, dividend income, and other sundry income accounts.

Total Expenses

The below table shows the breakdown of total expenses for 2016 and 2017.

Table 1.14a Total Expenses

	For the Years Ended December 31		
	2016	2017	
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	<i>(As restated)</i>	% Change
Manpower costs	US\$192,536	US\$207,584	7.8
Equipment and facilities-related expenses	99,767	93,083	(6.7)
Administrative and other operating expenses	107,201	111,109	3.6
Total cash operating expenses	399,504	411,776	3.1
Depreciation and amortization	160,965	196,402	22.0
Interest expense and financing charges on borrowings	75,050	100,413	33.8
Interest expense on lease liabilities	53,809	87,123	61.9
Equity in net loss of a joint venture and an associate	5,572	36,337	552.1
Interest expense on concession rights payable	34,050	33,106	(2.8)
Foreign exchange loss and others	41,239	46,807	13.5
	US\$770,189	US\$911,964	18.4

Total cash operating expenses of the Group increased by 3.1 percent from US\$399.5 million for the year ended December 31, 2016 to US\$411.8 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; higher fuel and power consumption as a result of increase in volume; increase in fuel prices and power tariff rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cost optimization measures implemented; and favorable translation impact of PHP-based expenses at Philippine terminals. Excluding new terminals, consolidated cash operating expenses would have decreased by 2.0 percent in 2017.

Manpower Costs

Manpower costs increased by 7.8 percent from US\$192.5 million for the year ended December 31, 2016 to US\$207.6 million for the same period in 2017 primarily due to contribution of new terminals, IDRC and VICT; government-mandated and contracted salary rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, partially tapered by cost optimization measures implemented; and favorable translation impact of PHP-based costs at Philippine terminals. Excluding new terminals, consolidated manpower costs would have increased marginally by 0.8 percent in 2017.

Manpower costs accounted for 48.2 percent and 50.4 percent of consolidated cash operating expenses for the years ended December 31, 2016 and 2017, respectively.

Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses decreased by 6.7 percent from US\$99.8 million for the year ended December 31, 2016 to US\$93.1 million for the same period in 2017 mainly due to cost contribution of new terminals, IDRC and VICT; increase in fuel prices and power tariff rate adjustments at certain terminals; and unfavorable translation impact of BRL at TSSA, tapered by cancellation of

port lease at ICTSI Oregon as a result of pre-termination of lease agreement; and favorable translation impact of PHP-based expenses at Philippine terminals. Excluding new terminals, consolidated equipment and facilities-related expenses would have decreased by 9.9 percent in 2017.

Equipment and facilities-related expenses represented 25.0 percent and 22.6 percent of consolidated cash operating expenses for the years ended December 31, 2016 and 2017, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 3.6 percent from US\$107.2 million for the year ended December 31, 2016 to US\$111.1 million for the same period in 2017 mainly due to contribution of new terminals, IDRC and VICT; increase in professional fees; and unfavorable translation impact of BRL at TSSA, tapered by reduction in insurance costs, documentary stamp taxes, travel and other office expenses in relation to cost optimization measures implemented; and favorable translation impact of Philippine-based expenses at Philippine terminals. Excluding new terminals, consolidated administrative and other operating expenses would have increased marginally by 0.7 percent in 2017.

Administrative and other operating expenses stood at 26.8 percent and 27.0 percent of consolidated cash operating expenses for the years ended December 31, 2016 and 2017, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 22.0 percent from US\$161.0 million for the year ended December 31, 2016 to US\$196.4 million for the same period in 2017 mainly due to higher depreciation arising from the depreciation of port facilities and equipment at the new terminals, IDRC and VICT; and expansion projects at ICTSI Iraq and CGSA.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 33.8 percent from US\$75.1 million for the year ended December 31, 2016 to US\$100.4 million for the same period in 2017 primarily due to higher average loan balance and lower capitalized borrowing costs on qualifying assets. Capitalized borrowing costs on qualifying assets amounted to US\$24.3 million in 2016 at a capitalization rate of 6.5 percent and US\$10.4 million in 2017 at a capitalization rate ranging from 2.4 percent to 6.7 percent.

Interest Expense on Leased Liabilities

Interest expense on lease liabilities increased by 61.9 percent from US\$53.8 million for the year ended December 31, 2016 to US\$87.1 million for the same period in 2017 mainly due to higher lease liabilities at CMSA and VICT.

Equity in Net Loss of A Joint Venture and An Associate

Equity in net loss of a joint venture and an associate increased from US\$5.6 million for the year ended December 31, 2016 to US\$36.3 million for the same period in 2017 due to the increase in the Company's share in net loss at SPIA arising from start-up costs as SPIA started operations in January 2017. Equity in net loss of a joint venture and an associate is net of the Group's share in net income of MNHPI, a 34.83%-owned associate, of US\$0.4 million from October 30, 2017 to December 31, 2017.

Foreign Exchange Loss and Others

Foreign exchange loss and others increased from US\$41.2 million for the year ended December 31, 2016 to US\$46.8 million for the same period in 2017 primarily due to increase in foreign exchange loss arising from unfavorable translation impact of certain currencies against US dollar; restructuring and separation costs at certain terminals in 2017; and write-off of costs incurred associated with the

securing of the revolving credit facility, upon cancellation of the said facility in June 2017, tapered by the absence of non-recurring charge on pre-termination of lease agreement at ICTSI Oregon amounting to US\$23.4 million in 2016; and recognition of probable loss on non-trade advances and solidarity contribution on equity at CGSA in 2016. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

EBITDA and EBIT

Consolidated EBITDA grew by 18.0 percent from US\$562.4 million for the year ended December 31, 2016 to US\$663.4 million for the same period in 2017 primarily due to strong volume and revenues; combined with cost optimization measures implemented; and positive contribution of new terminal, IDRC, tapered by the start-up costs at VICT. Excluding the new terminals, consolidated EBITDA would have increased by 12.8 percent in 2017. EBITDA margin increased from 49.8 percent in 2016 to 53.3 percent in 2017.

Meanwhile, consolidated EBIT increased by 16.3 percent from US\$401.4 million for the year ended December 31, 2016 to US\$467.0 million for the same period in 2017 mainly due to stronger EBITDA, tapered by higher depreciation charges. Excluding the new terminals, consolidated EBIT would have increased by 15.6 percent in 2017. EBIT margin increased from 35.6 percent in 2016 to 37.5 percent in 2017.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax decreased from US\$256.6 million for the year ended December 31, 2016 to US\$213.8 million for the same period in 2017 primarily due to higher depreciation charges; higher interest and financing charges; restructuring and separation costs; and increase in equity in net loss of a joint venture, tapered by strong operating income; non-recurring gain from reimbursement of costs related to the terminated sub-concession agreement at LICTSLE in 2017; and absence of a non-recurring charge on pre-termination of lease agreement at ICTSI Oregon in 2016. Excluding new terminals; equity in net loss of a joint venture and an associate; and the non-recurring items, consolidated income before income tax would have increased by 2.8 percent in 2017. The ratio of income before income tax to consolidated gross revenues stood at 22.7 percent and 17.2 percent in 2016 and 2017, respectively.

Consolidated provision for current and deferred income taxes decreased from US\$63.1 million for the year ended December 31, 2016 to US\$29.8 million for the same period in 2017 mainly due to income tax exemption of OPC which was finalized in the first quarter of 2017. Effective income tax rate in 2016 and 2017 stood at 24.6 percent and 17.2 percent, respectively.

Net Income

Consolidated net income decreased by 5.0 percent from US\$193.6 million for the year ended December 31, 2016 to US\$183.9 million for the same period in 2017. Excluding new terminals; equity in net loss of a joint venture and an associate; and the non-recurring items, consolidated net income would have increased by 8.9 percent in 2017. The ratio of consolidated net income to gross revenues stood at 17.2 percent and 14.8 percent in 2016 and 2017, respectively.

Consolidated net income attributable to equity holders decreased by 12.1 percent from US\$180.1 million for the year ended December 31, 2016 to US\$158.4 million for the same period in 2017. Excluding new terminals; equity in net loss of a joint venture and an associate; and the non-recurring items, net income attributable to equity holders would have increased by 8.8 percent in 2017.

Basic and diluted earnings per share increased from US\$0.066 in 2016 to US\$0.058 in 2017 and US\$0.065 in 2016 to US\$0.057 in 2017, respectively.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

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

Financial Position

Table 1.15a Consolidated Balance Sheets

(In thousands, except % change data)	As of December 31				
	2017	2018	2019	% Change 2017 vs 2018	% Change 2018 vs 2019
	(As restated)	(As restated)			
Total assets	US\$5,212,433	US\$5,453,474	US\$5,750,878	4.6	5.5
Current assets	499,076	673,439	468,394	34.9	(30.4)
Total equity	1,572,955	1,947,941	1,634,526	23.8	(16.1)
Total equity attributable to equity holders of the parent	1,408,317	1,782,437	1,469,908	26.6	(17.5)
Total interest-bearing debt	1,493,605	1,307,054	1,662,629	(12.5)	27.2
Current liabilities	404,052	445,682	655,088	10.3	47.0
Total liabilities	3,639,478	3,505,534	4,116,351	(3.7)	17.4
Current assets/total assets	9.6%	12.4%	8.1%		
Current ratio	1.24	1.51	0.72		
Debt-equity ratio ¹	0.95	0.67	1.02		

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

Total assets increased by 5.5 percent to US\$5.8 billion as of December 31, 2019 from US\$5.5 billion as of December 31, 2018 mainly due to payment of upfront fee related to the concession contract at AGT; additional investment at MNHPI; investments in capital expenditures, which include the expansion projects at ICTSI Iraq, CMSA and MICT; and port equipment acquisitions; and acquisition of new terminal, ICTSI Rio. These investments were funded mainly by cash generated from the Group's operations and debt financing. Non-current assets stood at 87.7 percent and 91.9 percent of the total consolidated assets as of December 31, 2018 and December 31, 2019, respectively.

Current assets decreased by 30.4 percent to US\$468.4 million as of December 31, 2019 from US\$673.4 million as of December 31, 2018 mainly due to payment of upfront fee related to the concession contract at AGT; acquisition of new terminal, ICTSI Rio; and deployment of cash to fund capital expenditures, tapered by strong cash inflows generated from operations. Current assets accounted for 12.4 percent and 8.1 percent of the total consolidated assets of the Group as of December 31, 2018 and December 31, 2019, respectively. Current ratio stood at 1.51 and 0.72 as of December 31, 2018 and December 31, 2019, respectively. Current ratio as of December 31, 2019 decreased mainly due to the reclassification of the maturing senior notes at the Parent Company to current liability, increasing current liabilities by US\$179.3 million.

Total equity decreased by 16.1 percent to US\$1.6 billion as of December 31, 2019 primarily due to the redemption of the US\$139.7 million senior guaranteed perpetual capital securities in May 2019; payment of dividends; and distribution to holders of perpetual capital securities, tapered by net income generated for the period.

Total liabilities increased by 17.4 percent to US\$4.1 billion as of December 31, 2019 mainly due to the net availments of US\$381.6 million term loan facility at ICTSI Global Finance B.V. (IGFBV) and US\$42.5 million (EUR38.0 million) term loan facility at ICTSI Middle East DMCC. Financial

leverage, the ratio of total interest-bearing debt to total assets, stood at 24.0 percent and 28.9 percent as of December 31, 2018 and December 31, 2019, respectively.

Meanwhile, current liabilities increased to US\$655.1 million as of December 31, 2019 from US\$445.7 million as of December 31, 2018 mainly due to the reclassification of the US\$179.3 million senior notes scheduled for repayment in the next twelve-months at the Parent Company; and higher accounts payable, tapered by full repayment of loans at OPC and BCT.

Material Variances Affecting the Balance Sheet

Balance sheet accounts as of December 31, 2019 with variances of plus or minus 5.0 percent against December 31, 2018 balances are discussed, as follows:

Noncurrent Assets

1. Intangible assets increased by 10.4 percent to US\$2.2 billion as of December 31, 2019 mainly due to consolidation of new terminal, ICTSI Rio; expansion projects at MICT and ICTSI Iraq; and recognition of concession rights on the extension of concession contract at CGSA, tapered by the nonrecurring impairment charge on the concession rights at Tecplata.
2. Investment in and advances to joint ventures and associates increased by 16.3 percent to US\$443.2 million as of December 31, 2019 mainly due to acquisition of the additional 15.17 % stake in MNHPI.
3. Other noncurrent assets increased to US\$345.3 million as of December 31, 2019 mainly due to payment of upfront fee related to the concession contract at AGT.

Current Assets

4. Cash and cash equivalents decreased by 47.5 percent to US\$234.8 million as of December 31, 2019 due to payment of upfront fee related to the concession contract at AGT; acquisition of new terminal, ICTSI Rio; and deployment of cash to fund capital expenditures, tapered by strong cash inflows generated from operations.
5. Spare parts and supplies increased by 8.9 percent to US\$37.1 million as of December 31, 2019 primarily due to consolidation of new terminal, ICTSI Rio; and acquisition of port equipment spare parts at ICTSI Iraq.
6. Derivative assets decreased to US\$21 thousand as of December 31, 2019 mainly due to loss on mark-to-market valuation from interest rate swap at CGSA.

Equity

7. Treasury shares increased to US\$83.0 million as of December 31, 2019 mainly as a result of acquisition of 13,034,730 treasury shares in 2019, partially tapered by stock awards vested and issued in 2019.
8. Retained earnings decreased by 34.6 percent to US\$301.0 million as of December 31, 2019 mainly due to dividends declared and paid during the period; and distribution to holders of perpetual capital securities, partially tapered by net income attributable to equity holders of the parent for the year.
9. Perpetual capital securities decreased by 11.7 percent to US\$1.0 billion as of December 31, 2019 due to the redemption of the US\$139.7 million senior guaranteed perpetual securities in May 2019.

Noncurrent Liabilities

10. Noncurrent portion of long-term debt increased by 17.0 percent to US\$1.4 billion as of December 31, 2019 mainly due to net availments of term loan facilities at IGFBV amounting to US\$381.6 million and ICTSI Middle East DMCC amounting to US\$42.5 million (EUR38.0 million); refinancing of maturing bridge loans at SPICTEL and MITL, partially tapered by reclassification of the maturing senior notes at the Parent Company to current portion of long-term debt amounting to US\$179.3 million.
11. Noncurrent portion of concession rights payable increased by 22.8 percent to US\$651.7 million as of December 31, 2019 mainly due to recognition of concession rights payables at ICTSI Rio and CGSA.

12. Deferred tax liabilities increased by 11.3 percent to US\$164.2 million as of December 31, 2019 mainly due to income tax effect of the consolidation of ICTSI Rio; excess of fair value over book value of net assets of certain terminals; and difference in depreciation and amortization periods of port infrastructure classified as concession rights at certain terminals.
13. Other noncurrent liabilities increased to US\$48.1 million as of December 31, 2019 arising mainly from unrealized loss on mark-to-market valuation from interest rate swap at IGFBV and VICT.

Current Liabilities

14. Loans payable decreased to nil as of December 31, 2019 due to refinancing of maturing bridge loans at SPICTL and MITL; and full repayment of loan at BCT.
15. Accounts payable and other current liabilities increased by 12.9 percent to US\$347.6 million as of December 31, 2019 mainly due to the consolidation of new terminal, ICTSI Rio; the liability on the increased stake in MNHPI; and port equipment payables at MICT.
16. Current portion of long-term debt increased to US\$235.1 million as of December 31, 2019 primarily due to the reclassification of the senior notes scheduled for repayment in the next twelve months at the Parent Company to current liabilities, partially tapered by full repayment of loan at OPC.
17. Current portion of concession rights payable decreased by 14.3 percent to US\$9.1 million as of December 31, 2019 mainly arising from lower concession fees scheduled for payment in the next twelve months at CGSA.
18. Current portion of lease liabilities increased to US\$19.5 million as of December 31, 2019 mainly arising from higher lease scheduled for payment at CMSA and TSSA in the next twelve months.
19. Income tax payable increased by 24.3 percent to US\$39.3 million as of December 31, 2019 mainly due to higher taxable income at ICTSI Iraq.
20. Current portion of derivative liabilities increased to US\$4.5 million as of December 31, 2019 due to unrealized loss on mark-to-market valuation from interest rate swap at IGFBV and VICT.

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

Noncurrent Assets

21. Intangible assets increased by 8.3 percent to US\$2.0 billion as of December 31, 2018 mainly due to recent acquisitions of port equipment and infrastructure development and recognition of concession rights assets at SPICTL and MITL; on-going rehabilitation and development works at OPC; and expansion projects at ICTSI Iraq and MICT.
22. Property and equipment decreased by 5.1 percent to US\$1.4 billion as of December 31, 2018 due to depreciation expense recognized during the period, tapered by expansion project at CMSA and terminal construction at CGT.
23. Right-of-use assets decreased by 10.4 percent to US\$590.8 million as of December 31, 2018 due to amortization expense recognized during the period.
24. Investment properties decreased by 7.1 percent to US\$7.4 million as of December 31, 2018 mainly due to depreciation expense recognized during the period.
25. Deferred tax assets increased by 6.5 percent to US\$382.9 million as of December 31, 2018 mainly due to higher deferred income tax benefit from net operating loss carry-over at VICT; and unrealized foreign exchange losses, mainly Parent Company.
26. Other noncurrent assets increased by 41.2 percent to US\$138.9 million as of December 31, 2018 mainly due to advances to contractors related to expansion projects at CMSA and MICT; and increase in deposits for the acquisition of investments.

Current Assets

27. Cash and cash equivalents increased by 60.0 percent to US\$447.1 million as of December 31, 2018 due to net proceeds from issuance of senior guaranteed perpetual capital securities in January 2018; strong cash inflows generated from operations, tapered by continuous deployment of cash to fund capital expenditures; pre-termination of project finance facility at CMSA; and repayment of loan at Parent Company during the period.

28. Receivables increased by 6.7 percent to US\$120.4 million as of December 31, 2018 primarily due to contributions of new terminals, VICT, SPICTL and MITL.
29. Derivative assets increased by 38.1 percent to US\$0.4 million as of December 31, 2018 mainly due to gain on mark-to-market valuation from interest rate swap at CGSA.

Equity

30. Treasury shares increased to US\$58.1 million as of December 31, 2018 mainly as a result of acquisition of 25,039,790 treasury shares in 2018.
31. Retained earnings increased by 12.0 percent to US\$460.1 million as of December 31, 2018 mainly due to net income attributable to equity holders of the parent for the year amounting to US\$207.5 million, tapered by declaration of dividends and distributions to holders of perpetual capital securities amounting to US\$97.6 million and US\$60.3 million, respectively.
32. Perpetual capital securities increased by 51.5 percent to US\$1.2 billion as of December 31, 2018 due to RCBV's issuance of a US\$400.0 million 5.875 percent fixed-for-life senior guaranteed perpetual capital securities in January 2018.
33. Other comprehensive loss increased by 17.5 percent to US\$173.3 million as of December 31, 2018 due to net unfavorable exchange differences on translation of foreign operations' financial statements.

Noncurrent Liabilities

34. Noncurrent portion of long-term debt decreased by 13.5 percent to US\$1.2 billion as of December 31, 2018 mainly due to pre-termination of project finance facility at CMSA, partially tapered by loan availments at IDRC and OPC.
35. Noncurrent portion of concession rights payable increased by 12.9 percent to US\$530.7 million as of December 31, 2018 mainly due to recognition of concession right liabilities at SPICTL and MITL.
36. Other noncurrent liabilities decreased by 8.8 percent to US\$32.3 million as of December 31, 2018 arising mainly due to the amortization of the Polish grant authority ("EU Grant") at BCT.

Current Liabilities

37. Loans payable decreased by 41.6 percent to US\$35.7 million as of December 31, 2018 due to repayment of loan at Parent Company, tapered by loan availments at SPICTL and MITL.
38. Accounts payable and other current liabilities increased by 11.9 percent to US\$307.9 million as of December 31, 2018 primarily due to port equipment acquisitions at MICT.
39. Current portion of long-term debt increased to US\$50.8 million as of December 31, 2018 primarily due to increase in term loans scheduled for repayment in the next twelve months at certain terminals.
40. Current portion of concession rights payable increased by 6.7 percent to US\$10.6 million as of December 31, 2018 arising from higher concession fees scheduled for payment in the next twelve months.
41. Current portion of lease liabilities increased to US\$8.4 million as of December 31, 2018 mainly arising from higher lease schedule for payment at TSSA in the next twelve months.
42. Income tax payable increased by 7.0 percent to US\$31.6 million as of December 31, 2018 mainly due to contribution of new terminals, SPICTL and MITL and higher taxable income at MICT.
43. Derivative liabilities decreased by 68.2 percent to US\$0.6 million as of December 31, 2018 mainly due to pre-termination of interest rate swap at CMSA.

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, 2017, 2018 and 2019:

Table 1.16a Consolidated Cash Flows

	For the Year Ended December 31				
	2017	2018		% Change	% Change
<i>(In thousands, except % change data)</i>	<i>(As restated)</i>	<i>(As restated)</i>	2019	<i>2017 vs 2018</i>	<i>2018 vs 2019</i>
Net cash provided by operating activities	US\$605,389	US\$695,787	US\$758,842	14.9	9.1
Net cash used in investing activities	(432,381)	(327,900)	(659,588)	(24.2)	101.2
Net cash used in financing activities	(226,149)	(185,937)	(305,198)	(17.8)	64.1
Effect of exchange rate changes on cash	7,509	(14,298)	(6,301)	(290.4)	(55.9)
Net increase (decrease) in cash and cash equivalents	(45,632)	167,652	(212,245)	(467.4)	(226.6)
Cash and cash equivalents, beginning	325,059	279,427	447,079	(14.0)	60.0
Cash and cash equivalents, end	US\$279,427	US\$447,079	US\$234,834	60.0	(47.5)

Consolidated cash and cash equivalents decreased by 47.5 percent to US\$234.8 million as of December 31, 2019 from US\$447.1 million as of December 31, 2018 mainly due to payment of upfront fee related to the concession contract at AGT; acquisition of new terminal, ICTSI Rio; continuous deployment of cash to fund capital expenditures; and repayment of loans, tapered by strong cash inflows generated from operations.

Net cash provided by operating activities increased by 9.1 percent to US\$758.8 million for the year ended December 31, 2019 from US\$695.8 million for the same period in 2018 mainly due to strong results of operations.

Net cash used in investing activities for the year ended December 31, 2019 amounted to US\$659.6 million which consists mainly of payment of upfront fee related to the concession contract at AGT; acquisition of new terminal, ICTSI Rio; additional investment at MNHPI; and capital expenditures of US\$240.8 million, excluding capitalized borrowing costs. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and/or equity issuances, as necessary.

Net cash used by financing activities for the year ended December 31, 2019 amounted to US\$305.2 million which consists mainly of the US\$390.0 million and US\$42.4 million (EUR37.4 million) net proceeds from a loan availments at IGFBV and ICTSI Middle East, respectively, tapered by the repayment of loans; redemption of the perpetual capital securities amounting to US\$139.7 million; payment of dividends and debt servicing costs; and acquisition of non-controlling interest at BIPI. Meanwhile, the net cash used in financing activities for the same period in 2018 includes the US\$392.3 million net proceeds from the issuance of senior guaranteed perpetual capital securities in January 2018.

Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2017, 2018 and 2019:

Table 1.17a Capital Sources

(In thousands, except % change data)	As of December 31		2019	% Change	
	2017	2018			
	(As restated)	(As restated)		2017 vs 2018	2018 vs 2019
Loans payable	US\$61,187	US\$35,718	US\$-	(41.6)	(100.0)
Current portion of long-term debt	22,149	50,848	235,116	129.6	362.4
Long-term debt, net of current portion	1,410,269	1,220,487	1,427,513	(13.5)	17.0
Total short and long-term debt	1,493,605	1,307,053	1,662,629	(12.5)	27.2
Equity	1,572,955	1,947,941	1,634,526	23.8	(16.1)
	US\$3,066,560	US\$3,254,994	US\$3,297,155	6.1	1.3

The Group's total debt and equity capital increased by 1.3 percent as of December 31, 2019 primarily due to increase in debt financing activities to fund acquisitions, expansion projects, capital expenditures and other general corporate requirements, tapered by redemption senior guaranteed perpetual securities in May 2019.

Debt Financing

The table below provides the breakdown of the Group's outstanding loans as of December 31, 2019:

Table 6.18 Outstanding Loans

(In thousands)	Company	Final Maturity	Interest Rate	Amount
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	762,570
Secured US Dollar Term Loan	IGFBV	2026	Fixed*	291,993
Secured AUD Term Loan	VICT	2023 – 2031	Fixed*	230,657
Unsecured US Dollar Bond**	Parent	2020	Fixed	179,272
Secured US Dollar Term Loan	IGFBV	2021	Floating	90,000
Secured EUR Term Loan	ICTSI Middle East	2022	Floating	42,445
Secured US Dollar Term Loans	IDRC	2022	Fixed	20,220
Secured PGK Term Loan	SPICTL	2024	Floating	17,798
Secured PGK Term Loan	MITL	2024	Floating	13,806
Unsecured US Dollar Term Loans	CGSA	2021	Fixed*	9,559
Secured RMB Term Loan	YICT	2023	Floating	4,309
				1,662,629
Total Debt				1,662,629
Less current portion and short-term				235,116
Long-term debt, net of current portion				US\$1,427,513

*Under interest rate swap agreement

**US\$16.8 million under Euro-US Dollar cross currency swap agreement

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of December 31, 2019:

Table 1.19a Outstanding Debt Maturities

(In thousands)	Amount
2020	US\$235,116
2021	128,323
2022	73,673
2023	484,530
2024 and onwards	740,987
Total	US\$1,662,629

MTN Programme

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

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

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

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

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

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

As at December 31, 2019, carrying value of notes under the MTN Programme amounted to US\$762.6 million.

US Dollar-denominated Notes

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

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

The 2020 Notes were not registered with the SEC. The Notes were offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended,

and, subject to certain exceptions, may not be offered or sold within the United States. The 2020 Notes are traded and listed in the Singapore Stock Exchange.

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

In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375 percent maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05 percent with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group's Euro net investment in its subsidiary in Madagascar, MICTSL. As of December 31, 2019, the market valuation loss on the outstanding cross currency swap amounted to US\$0.6 million (EUR0.5 million).

As at December 31, 2019, the carrying value of the 2020 Notes amounted to US\$179.3 million.

Project Finance Facilities

VICT. On July 15, 2016, VICT signed a syndicated project finance facilities with various international and regional banks for principal amount of US\$300.0 million (AUD398.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BSY) plus average margin of 3.1 percent per annum and maturities until 2023, 2026 and 2031 and working capital facility of US\$15.1 million (AUD20.0 million).

In 2016 and 2017, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD338.3 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10 percent to 2.973 percent and receives floating rate of six-month Bank Bill Swap Bid Rate (BSY) basis points on the notional amount. As of December 31, 2019, the market valuation loss on the outstanding interest rate swaps amounted to US\$10.1 million (AUD14.4 million).

As at December 31, 2019, the term facilities were fully drawn and the carrying value of the loans amounted to US\$230.7 million (AUD328.5 million).

On January 8, 2020, VICT prepaid US\$25.8 million (AUD38.5 million) of the loans.

US dollar and Foreign Currency-denominated Term Loans and Securities

CGSA. On March 29, 2016, CGSA (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement which consists of two tranches of loans amounting to US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with interest based on three-month LIBOR plus an agreed margin. Tranche I has a final maturity in March 2021 while Tranche II in May 2017. On May 30, 2017, CGSA fully paid the loan under Tranche II.

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA's floating rate US\$-denominated floating rate loan maturing in 2021. A total notional amount of US\$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount. As at December 31, 2019, the market valuation gain on the outstanding interest rate swaps amounted to US\$23 thousand.

As at December 31, 2019, the outstanding balance of the loans aggregated to US\$9.6 million.

YICT. On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from Agricultural Bank of China at an interest rate published by People's Bank of China (PBOC) minus an

agreed margin and a final maturity in November 2023 to refinance its maturing loan. As at December 31, 2019, the outstanding balance of the loan amounted to US\$4.3 million (RMB30.0 million).

AGCT. In 2013, AGCT signed a ten-year loan agreement for US\$13.7 million (EUR10.6 million) with Raiffeisenbank Austria d.d. which carries a mark-up at the rate of 1-month EURIBOR plus a spread of 3.40 percent and is secured by AGCT's port equipment. The loan was fully paid in the fourth quarter 2019.

The loan is under an interest rate swap agreement in which the floating rate Euro denominated loan was swapped to fixed interest. Under the interest rate swap, AGCT pays fixed interest of 5.39 percent for US\$3.5 million (EUR2.9 million) and 4.75 percent for US\$2.6 million (EUR2.2 million) and receives floating rate of one-month EURIBOR plus 3.40 bps on the US\$6.1 million (EUR5.1 million). As of December 31, 2019, the market valuation loss on the outstanding interest rate swap amounted to nil.

On April 30, 2018, AGCT obtained a loan amounting to US\$0.7 million (EUR0.6 million) from Raiffeisen Bank d.d. at a fixed rate of 2.50 percent and a maturity date of October 31, 2019. The loan was fully paid on May 31, 2019.

OPC. On July 11, 2017, OPC (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender") and ICTSI (as "Surety") signed a loan agreement amounting to US\$77.0 million with interest based on three-month LIBOR plus an agreed margin and maturity date of July 2020. Proceeds of the loan was used to finance capital expenditures. OPC availed US\$39.5 million out of the US\$77.0 million term loan facility. The loan was fully paid on October 20, 2019 ahead of its maturity date.

SPICTL and MITL. On April 13, 2018, Australia and New Zealand (ANZ) Banking Group (PNG) Limited granted PGK-denominated bridge loan facilities to SPICTL and MITL amounting to US\$31.1 million (PGK101.0 million) and US\$25.2 million (PGK82.0 million), respectively, with interest based on ANZ's published Indicator Lending Rate minus an agreed margin and initial tenor of six months from drawdown date. The loans availed by SPICTL and MITL in April 2018 and May 2018, respectively, were both extended further and matured on December 2, 2019.

On November 27, 2019, SPICTL and MITL, as borrowers, and Australia and New Zealand (ANZ) Banking Group (PNG) Limited, as lender, signed a loan agreement which consists of a PGK five-year term loan facility of US\$31.6 million (PGK106.9 million) and a PGK revolving loan facility of US\$5.9 million (PGK20.0 million), with interest based on ANZ's published Indicator Lending Rate minus an agreed margin. As at December 31, 2019, SPICTL and MITL has availed US\$17.8 million (PGK60.2 million) and US\$13.8 million (PGK46.7 million), respectively, from the term loan facility to refinance the maturing bridge loans.

IDRC. On October 9, 2018, IDRC availed of a four-year term loan with Rawbank RDC amounting to US\$25.0 million at a fixed interest rate. On May 6, 2019, IDRC availed of another four-year term loan with Rawbank DRC amounting to US\$3.0 million at a fixed interest rate. As at December 31, 2019, the outstanding balance of the loan aggregated to US\$20.2 million.

ICTSI Middle East DMCC. On January 9, 2019, ICTSI Middle East DMCC, as borrower, and ICTSI, as guarantor, signed a term loan facility agreement with Citigroup Global Markets Asia Limited and Standard Chartered Bank, the original mandated lead arrangers and bookrunners, for the principal amount of US\$297.6million (EUR260.0 million) with interest rate based on EURIBOR plus an agreed margin and maturing on December 20, 2022. The term facility agreement was entered into pursuant to the Loan Facility Programme Agreement dated July 24, 2014 between ICTSI Global Finance B.V. as the borrower, ICTSI as the guarantor, and The Bank of New York Mellon, Singapore Branch as the trustee ("Loan Programme"). ICTSI Middle East DMCC acceded to the Loan Programme as an additional borrower and an additional obligor thereunder.

On January 10, 2019, ICTSI Middle East DMCC has fully drawn the EUR260.0 million from the facility. On June 12, 2019, ICTSI Middle East DMCC, as borrower, and ICTSI, as guarantor, signed an amendment and syndication agreement with various international and local banks for the term loan facility. On July 15, 2019 and December 17, 2019, partial pre-payment of US\$219.1 million (EUR195.2 million) and US\$30.0 million (EUR26.8 million), respectively, was made on the EUR260 term loan facility. As at December 31, 2019, the outstanding balance of the loan amounted to US\$42.4 million (EUR37.9 million).

ICTSI Global Finance B.V. On March 21, 2019, IGFBV, as borrower, Metropolitan Bank and Trust Company, as lender, and ICTSI, as surety, signed a term loan facility amounting to US\$300.0 million with interest based on three-month LIBOR plus an agreed margin and a tenor of 7 years. On April 29, 2019, IGFBV has fully availed the term loan facility. As at December 31, 2019, the outstanding balance of the term loan facility amounted to US\$292.0 million.

In April 2019, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the ICTSI Global Finance B.V.'s floating rate US\$-denominated floating rate loan maturing in 2026. A total notional amount of US\$300.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.6981 percent and receives floating rate of three-month LIBOR plus 130 basis points on the notional amount. As at December 31, 2019, the market valuation loss on the outstanding interest rate swaps amounted to US\$10.8 million.

On November 26, 2019 and December 5, 2019, IGFBV availed of 18-month loan from MUFG Bank Ltd. with interest based on three-month LIBOR plus an agreed margin, amounting to US\$45.0 million each. Both loans are outstanding as at December 31, 2019.

On January 6, 2020, IGFBV availed another US\$20.0 million loan.

Loan Covenants

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

There was no material change in the covenants related to the Group's long-term debts. As at December 31, 2019, ICTSI and subsidiaries were in compliance with their loan covenants except for VICT whose Debt Service Coverage Ratio requirement was not met but having been irrevocably waived by the creditors on December 20, 2019, no event of default has occurred.

Equity Financing

Perpetual Capital Securities

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

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

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

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

On January 10, 2018, the Board approved the principal terms and conditions of the US\$350.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities (the “New Securities”). The New Securities were unconditionally and irrevocably guaranteed by ICTSI at par. On January 11, 2018, the Board approved the issuance of additional Senior Guaranteed Perpetual Capital Securities amounting to US\$50.0 million (“Additional Securities”) which was consolidated and formed a single series with the New Securities initially offered on January 10, 2018. The Additional Securities were also unconditionally and irrevocably guaranteed by ICTSI. The cash proceeds received by RCBV from the issuance of the New and Additional Securities amounted to US\$392.3 million, net of debt issuance costs, which shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.

On March 14, 2019, RCBV (the “Issuer”) and ICTSI (the “Guarantor”) sent a notice to The Hong Kong and Shanghai Banking Corporation Limited (HSBC, as “Trustee” and “Agent”) for the redemption of the remaining US\$139.7 million of the US\$300-million Senior Guaranteed Perpetual Capital Securities (“Securities”) and payment of accrued distributions on May 5, 2019. The securities were redeemed on May 2, 2019.

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

The Group has geographically diverse operations and transacts in currencies other than its functional currency. Consequently, the Group is exposed to the risk of fluctuation of the exchange rates between the US dollar and other local currencies such as PHP, AUD, BRL, MXN and EUR that may adversely affect its results of operations and financial position. The Group attempts to match its revenues and expenses whenever possible and, from time to time, engages in hedging activities. Changes in exchange rates affect the US dollar value of the Group’s revenues and costs that are denominated in foreign currencies. The Group also enters into cross currency swap agreements in order to manage its exposure to fluctuations in the net investments in its subsidiaries denominated in foreign currencies.

The Group’s non-US dollar currency-linked revenues was 50.9 percent and 51.0 percent of gross revenues for the periods ended December 31, 2018 and 2019, respectively. Foreign currency-linked revenues include the following: (1) arrastre charges of MICT; and (2) non-US dollar revenues of international subsidiaries. ICTSI incurs expenses in foreign currency for the operating and start up

requirements of its international subsidiaries. Concession fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

The below table provides the currency breakdown of the Group's revenue for the year ended December 31, 2019:

Table 1.20a Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	42 % USD	58 % PhP
SBITC/ICTSI Subic	55 % USD	45 % PhP
DIPSSCOR		100 % PhP
HIPS		100 % PhP
SCIPSI		100 % PhP
BIPI		100 % PhP
MICTSI		100 % PhP
LGICT	23 % USD	77 % PhP
BCT	69 % USD/10 % EUR	21 % PLN
TSSA		100 % BRL
MICTSL	100 % EUR*	
PTMTS		100 % IDR
YICT		100 % RMB
AGCT	79 % EUR	21 % HRK
CGSA	100 % USD	
BICTL	100 % USD	
PICT	81 % USD	19 % PKR
OJA	73 % USD	27 % IDR
CMSA	39 % USD	61 % MXN
OPC	100 % USD	
ICTSI Iraq	81 % USD	19 % IQD
IDRC	100 % USD	
VICT		100 % AUD
SPICTL/MITL		100 % PGK
Tecplata	100% USD	
ICTSI Rio	20% USD	80% BRL

*MGA pegged to the EURO

Interest Rate Risk

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

Liquidity Risk

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

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

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

Consolidated Financial Statements

The Group's 2019 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 & 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. Martin C. Guantes, partner of SGV & Co., for the audit of the Group's books and accounts in 2019.

External Audit Fees and Services

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

	2017	2018	2019
Audit Fees	US\$1,203.9	US\$1,283.9	US\$1,365.2
Audit-related Fees	437.4	—	—
Tax Fees	239.9	288.6	325.1
Other Fees	92.3	348.9	1,125.3

Audit Fees include the audit of the Group's annual financial statements.

Audited-Related Fees include the review of interim financial statements and issuance of comfort letters for the capital market raising transactions of the Group.

Tax fees paid to SGV & Co./Ernst & Young are for tax compliance, tax advisory services and transfer-pricing studies. The increase in 2018 was mainly due to increased number of engagements on tax advisory and on tax planning for the restructuring of the subsidiaries.

Other fees include due diligence services related to business development, sustainability reporting and other various one-time engagements. The increase in 2019 was mainly due to the Group's initiatives to seek for new project opportunities.

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 11, 2019.

Directors and Executive Officers

Please refer to pages 6 to 17 of the 20-IS

Estimated Capital Expenditures and Sources of Financing

The Group's capital expenditures for 2020 are expected to be approximately US\$270.0 million. The estimated capital expenditure budget will be utilized mainly for the ongoing expansion projects at MICT and CMSA; for the yard expansion at IDRC; equipment acquisitions and upgrades; and for maintenance requirements. The Group expects to fund these capital expenditures through a combination of available

cash, internally-generated funds, third party loans and other fund raising activities, if necessary.

Compliance with Leading Practice on Corporate Governance

The Group adopted a Manual on Corporate Governance in January 2003. Its latest Revised Manual on Corporate Governance (“CG Manual”), pursuant to SEC Memorandum Circular 19-2016, was submitted to the Philippine SEC on May 31, 2017 and is available in the Company website. Last January 15, 2020, the Company, through its Compliance Officer, submitted a Certificate attesting to its full compliance with the objectives set forth in the CG Manual. The Company has not deviated from its CG Manual and further commits itself to principles and best practices of governance in the attainment of corporate goals.

Presently, the Compliance Officer is Rafael D. Consing, Jr. The Compliance Officer coordinates with the SEC with respect to compliance requirements; monitors compliance with the CG Manual; and reports any governance-related issues to the Board.

On October 10, 2019, the Board approved the ICTSI’s Purpose and Values to replace the Company’s Mission, Vision and Values and updated the policies and procedures to guide its activities and effectively monitor the management’s performance, and supervise the proper implementation of the same.

The Company continues to improve its systems and processes to enhance adherence to and strengthen practices of good corporate governance. In compliance with the latest mandates of the SEC such as those provided under SEC Memorandum Circular 19-2016 and incorporated in the CG Manual, the Company has implemented significant developments. Among others, the Board has established the Corporate Governance Committee, Board Risk Oversight Committee and Related Party Transactions Committee in addition with the Audit Committee, Nomination Subcommittee and Remuneration Subcommittee. To achieve an appropriate mix of competence and expertise, the composition of the Board is checked against prevailing requirements. To ensure diversity and allow a healthy balance of ideas, wisdom and experience on the management and business of ICTSI, the Board is made to be a majority of Non-Executive Directors. The competence of the Board is followed through by the Company by the conduct of annual continuing training for all directors and orientation program for first-time directors.

The Company also prioritizes healthy external relations. Through the Investor’s Relations Office, the Company effectively communicates and relates with all its stockholders as well as all stakeholders.

For the annual report on corporate governance, the SEC has implemented the use of the Integrated Annual Corporate Governance Report (“I-ACGR”) by virtue of SEC Memorandum Circular 15-2017. Accordingly, the Company submitted its 2018 I-ACGR last May 29, 2019. For the 2019 I-ACGR, the Company is set to submit the same on or before the mandated deadline, which is May 30, 2020. For benchmarking against global standards on good corporate governance, ICTSI also provides responses to the ASEAN Corporate Governance Scorecard.

In the previous years, ICTSI’s Independent Directors constitute at least 20% of the membership of the Board, or two seats in the ICTSI Board, in accordance with prevailing laws. To further promote best practices in good corporate governance, the Board has elected its third Independent Director last February 2019.

Anti – Bribery Policy and Procedure

Pursuant to the Code of Business Conduct, ICTSI rolled out its Anti-Bribery Compliance Policy and Procedure. This shall provide guidance to all ICTSI employees, suppliers, and third parties acting on its behalf. This policy sets out procedures specifically targeted at addressing corruption risks. Through this policy, ICTSI is able to embed the culture of anti-corruption practices to its personnel, as evident in its

intensified campaigns done during the New Employee orientation programs, and through refresher courses during employee engagement programs and fora. In 2019, ICTSI implemented the Terminal Health Check Program. The program is a two (2) day training course composed of lectures, interaction with the participants, workshops and open forum for questions with special emphasis on the importance of ICTSI's anti-bribery and anti-corruption obligations by reminding employees that the policy sets out operating procedures specifically targeted at combating corruption risks to ensure that ICTSI operates in accordance with applicable regulations. It targeted employees from various departments of each local subsidiary.

ICTSI holds itself to the highest ethical standards, and is committed to acting with integrity in its business dealings and relationships, both locally and internationally. ICTSI complies with the relevant anti-corruption legislations in all the countries where it has a presence, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. Local business customs and/or culture shall never be a valid reason for engaging in bribery and other corrupt practices.

ICTSI employees are prohibited from asking for, accepting or receiving bribes, or any other personal benefit that would induce the employee to breach his/her duty to act in good faith, to act impartially or in accordance with a position of trust. ICTSI also strictly implements its programs against tipping and other forms of extortion.

To promote anti-corruption and transparency in dealings with suppliers, ICTSI implemented in April 2018 the use of its e-sourcing system, as a medium to send requests for quotations and for suppliers to submit their quotations accordingly. This means that suppliers shall send quotes through this system instead of via e-mail, fax, hard copy, phone call, etc. This provides a more systematic process of submitting quotations for a single requirement and promotes transparency and fairness amongst vendors.

Employee Trainings

As employees may have some weaknesses in their workplace skills, ICTSI adheres to its objective of keeping its employees abreast of recent developments and concepts which they could use in their respective fields. ICTSI believes that training programs present crucial opportunities to expand the knowledge base of all employees which in the end will not only benefit employees individually but the company as an organization.

Acknowledging that training is crucial for organization development and success, ICTSI, in 2019, implemented the following programs:

1.) Behavioral trainings which are initiated by the company as part of organization development

- a. Strategic Planning and Leadership trainings
- b. Customer Service Training;
- c. Labor and Employee Relations Summit;
- d. Team Building Sessions
- e. Health and Safety Leadership Workshop

2.) Company Orientation Programs

- a. Operations for Non-Operations;
- b. Orientation for newly hired employees;
- c. Outside Truck Driver's Orientation
- d. Mandatory 8-hour Safety and Health Seminar for Workers
- e. Orientation re: government mandated benefits and new laws (TRAIN & Data Privacy)
- f. Orientation for HMI;

- g. Orientation for Retiring Employees;
- h. Overview of Terminal Operations
- i. Ugnayan sa Pantalan.
- j. Claims for Non-Claims
- k. Integrated Management System (IMS) Awareness Training
- l. IMS Internal Audit
- m. IMS Workshops
- n. Refresher on Company Policies – Tipping & Bribery

3.) **Technical training programs for skills enhancement**

- a. Prime Movers, Reach Stackers, Quay Cranes, Rubber Tired Gentries, Sidelifter
- b. Hatch Clerk Training
- c. Management of Terminal Operations
- d. MS Excel Training program – Basic & Advanced
- e. PISM Purchasing & Supply Chain Trainings
- f. Certified Management Accountant Program
- g. Digital Communication & Branding
- h. PC Assembly, Hardware & Software Troubleshooting / Repair & Data Recovery
- i. IT Programming Courses
- j. Fire Fighting Seminar & Drill
- k. Earthquake Drill
- l. Port Safety & Health Standards
- m. Training Course for Pollution Officers
 - n. Chemical Spill Training & Drill
 - o. Occupational Safety & Health Seminar
 - p. SAP GT Training
 - q. Commercial Claims 101
 - r. First Aid with Basic Life Support
 - s. Business Communication
 - t. Driving Performance – Program for Supervisors and Superintendents
 - u. Terminal Executive Diploma
 - v. PPA Competency Workshop
 - w. LLDA PCO Seminar
 - x. League of Corporate Foundations CSR Expo 2019
 - y. Programming Training
 - z. IMS Internal Audit Training
 - aa. Practical Incident Investigation and Root Cause Analysis
 - bb. HSCS Workshop
 - cc. Defensive Driving Seminar
 - dd. 18th PRDCI Commercial Arbitration Training Seminar
 - ee. NAVIS Auto-Stow Training
 - ff. Advanced Dashboard Training
 - gg. Office 365 SharePoint End User Training
 - hh. Weather and Tropical Cyclone 101
 - ii. MMDA Traffic Management Training

Health, Safety and Productivity of its Employees

Aside from investing in employee trainings, ICTSI also trusts that investing in well-being of employees with health and welfare benefits can help attract and retain employees. Offering convenient access to health care services will not only promote health awareness but will likewise reduce lost productivity. Moreover, proactively upkeeping and supporting the health needs of employees will reduce absenteeism, improve productivity and increase employee engagement.

In view of the above, ICTSI maintains its own medical and dental facilities for the use of its employees and their dependents. Medical Services include medical check-ups, consultations, treatments, minor surgeries, issuance of medical certificates and approval of sick leave applications. All regular employees and their immediate dependents are provided access to clinic medicines (i.e., antibiotics, maintenance medicines, over-the-counter (OTC) medicines, etc.) ICTSI likewise provides free Chest X-Ray for dependents with suspected Pulmonary Tuberculosis.

Services of duly licensed nurses are also readily available. The nurses assist the doctor in the treatment of employees and/or their dependent/s, dispense medicine to patients based on the doctor's prescription, file medical records of employees and/or their dependents, apply first aid and/or other immediate/necessary treatment to employees especially in cases of injuries sustained in accidents or incidents occurring within the company premises in the absence of a doctor, assist in transporting employee patients to accredited hospitals in case of emergencies, and conduct home visits to absent employees upon the written request from authorized representative/officer of ICTSI.

Aside from medical services rendered by accredited doctors and nurses, free dental services are performed by duly licensed dentists whose duties include oral check-ups, oral prophylaxis, tooth filing, and tooth extraction.

ICTSI's medical and dental facilities provide round the clock services for employees and their dependents. ICTSI maintains its own ambulance to address emergency medical cases. A fire truck is always on stand-by within the terminal premises to provide immediate service and assistance in cases of fire and other catastrophes.

The introduction of a health insurance plan which provides employees access to medical insurance coverage for their Out-Patient and In-Patient (hospitalization, consultation, laboratory, etc.) medical needs is also worth noting. It is provided through an approved Health Care Provider and offers a choice of varying medical plans. Employee has the option to use his/her medical and dental reimbursement (MDR) benefit to enroll his/her dependents in any of our available Dependent Programs. This MDR benefit may also be used for the order and free delivery of medicines via MEDEXPRESS, a delivery service drugstore.

Annual Physical Exam is also conducted religiously in order to promote health awareness and early detection of illnesses. It is a routine test performed on employees to check their overall health. With the yearly physical examination, medical practitioners are able to identify the health status of the employees. Through the variety of blood tests and screenings during the exams such as Complete Blood Count (CBC), Urinalysis, Chest X-ray, Electrocardiogram (ECG), Fecalalysis and Visual Acuity Screening, they are able to check on employees with Hypertension, Diabetes, Tuberculosis and other illnesses. Through this, further complications and spread of infectious diseases are prevented by giving some recommendations for follow up testing as well as changes in lifestyle, exercise or diet with the overall objective to improve and maintain employees' health. By identifying the disease, proper disease management can be done thus preventing further unnecessary hospitalizations and at the same time reducing the cost of primary care.

During the APE event, partner healthcare professionals also provides Cardiometabolic Workplace Wellness program which includes Biometric Tests (Blood Sugar, Cholesterol, Blood Pressure screening, Body Mass Index/Obesity screening and Foot Doppler test) which helps the company in profiling our employees and assessing their overall cardiometabolic health status thus, helping us further to reduce rates of illnesses like Hypertension, Diabetes, Dyslipidemia, etc. Further, from the baseline workforce profiling gathered during APE, we design and provide a customized wellness program like prevention of lifestyle-related diseases and Smoking Cessation campaign among others. ICTSI also strongly upholds the importance of a safe, secure and healthful work environment. In this regard, it recognizes the need to sustain a drug and alcohol free workplace. Annual drug test for all employees during the company's scheduled APE and Random Drug Test per month for minimum of 100 employees

is conscientiously conducted.

Safety Trainings

In 2019, ICTSI, in its flagship operations in Manila International Container Terminal (MICT), hereinafter “ICTSI-MICT,” kept its momentum in implementing health and safety programs as part of its continued thrust to make its operations safer and more efficient. In 2019, the terminal continued to implement programs which were aimed to promote Health and Safety (H&S) leadership among its line personnel, encourage workforce engagement and reduce health and safety issues for various users of the port facilities. These programs were instrumental to the realization of establishing an integrated management system for quality, environment, and occupational health and safety.

Demonstrating Effective H&S Leadership & Engaging the Workforce

- To help reinforce the importance of health and safety (H&S), the General Manager has modified the sequence of items normally taken up during its MANCOM meetings and made H&S as the first item to be discussed. This set-up has been replicated as well by the Operations Head in his daily meetings with his teams.
- To promote an awareness of health and safety issues and help cultivate an atmosphere of collaboration among different departments and between management and workers, Health & Safety Committee meetings are regularly conducted (at least on a monthly basis). Measures to mitigate identified hazards are typical topics of discussion during these meetings.
- Prior to the commencement of a job or work shift, toolbox meetings are facilitated by line managers / supervisors together with health and safety officers. During these pre-job safety meetings, workplace hazards and safe work practices related to the specific work activity are being discussed.
- To ensure that risks have been assessed properly, a joint risk assessment (RA) by the line managers / supervisors together with the HSE department were done for each significant process in the work areas. These RAs are documented and the recommended controls are monitored. Results of the RAs are rolled-out to the concerned workers as part of the safety briefing.
- Safety inspections and walkarounds are periodically conducted by HSE officers and line personnel to identify hazards in the terminal premises. The hazards and corresponding mitigations are promptly communicated with workers so that they are made aware of the hazards in their jobs. These regular inspections do not only demonstrate management’s commitment to improving health and safety but also gives an opportunity for managers and workers to interact and jointly assess if the HSE programs are working effectively.
- In Q4 2019, a reporting program on hazards and near-miss incidents was launched. The Near Miss and Hazard Alert (NMHA) program is composed of the NMHA cards designed for easy reporting of the employees and drop boxes to which employees can drop their concerns. These are collected by the HSE to check on the items raised and address it to the concerned department. The NMHA encourages employee awareness on hazards and near misses.
- Aside from the safety inspections and walkarounds, an internal audit for quality, environment and occupational safety and health is performed to check the compliance of company against the international standard ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), and ISO 45001:2018 (Occupational Safety and Health Management System). A team of trained ISO internal auditors conducts the said audit at least twice a year.
- Harnessing the power of audio-visual communication, safety reminders and materials were developed and are played / featured in TV monitors deployed in several locations around the terminal.

- Since it is critical for all employees to know the necessary steps to be taken in the event of an emergency, emergency drills are being conducted at least every quarter. Emergencies related to fire and earthquakes are the common ones and are facilitated in collaboration with emergency response experts coming from local government and regulatory agencies (i.e. MMDA, BFP and Manila Disaster Risk Reduction Management Office or MDRRMO).
- To ensure that all employees are aware of the IMS Policy, a roll out was conducted on IMS Awareness and the IMS Policy was posted on strategic locations in the terminal. Workshops on IMS documentation were also done to ensure that it complies with the requirements of the standard.

HSE Management for other Port Users (Contractors and Customers):

- Whenever services of Contractors are engaged by ICTSI-MICT for its various projects, their capabilities and competencies are assessed (through an enhanced Procurement process) to help ensure that the company's health and safety standards are met. This is also because work activities performed by contractor personnel are often non-routine and involve varying degrees of risk. Regardless of the contract / scope of work, ICTSI-MICT ensures that contractors work safely and have equal priority as employees in respect to health and safety.
- Drivers of trucks entering MICT premises are subjected to a health and safety induction for them to be informed about the various safety rules and regulations, the traffic flow and the potential hazards inside the terminal. After the brief training session (which is being provided daily), a laminated document containing the necessary 'safety reminders for drivers' is then issued to them to help them conduct their transactions safely and efficiently.
- A Truck Driver's Forum was also organized to be held annually to present the gaps and challenges in implementing environment, health and safety protocols. The discussion is focused on improvement solutions to address safety concerns / violations of outside truck drivers. This is also an avenue to discuss new protocols / technologies for the gates, changes in terminal security protocols and additional safety requirements.
- For vessel crew / personnel who wish to disembark due to shore leave or any other approved purpose, ICTSI-MICT has assigned service vehicles to shuttle them safely from the berth areas to the designated pedestrian exit gate and vice-versa. Prior to disembarking, vessel personnel undergo a Safety Induction (so that they will be aware of the terminal's safety rules and regulations).
- ICTSI-MICT in support to the PPA's celebration of the 24th National Maritime Week, September 22-29, 2019, conducted a simultaneous vessel dress-up and blowing of horns and a festive parade of ICTSI employees, Parola eco-patrollers, PPA employees and contractors. The event included a lecture series with topics aligned in this year's theme: "Empowering Women in the Maritime Community". Resource speakers talked about Dieting and Losing Weight the Healthy Way, Understanding Women's Reproductive Health and Image Enhancement & Pampering Session. Different booths on wellness and health were set-up too for the day for the employees and guests to visit. Along the entire week, a clean-up drive on the port's rip rap area and fences were done by the employees.

Other Health & Safety improvements

- To ensure that ICTSI-MICT is fully equipped with a reliable fire fighting equipment, a new fire truck was purchased in addition to the existing fire truck. This enables the terminal to respond to fire emergencies quickly. Along with the new fire truck are paraphernalia such as fireman suit, self-contained breathing apparatus and accessories.

- To help prevent workplace illnesses and injuries, ICTSI-MICT conducted a WEM (workplace environment measurement) assessment through a DOLE-OSHC accredited provider. The results of the work environment measurement exercises are being used as basis not only for compliance to health and safety regulations but also for continuous workplace facilities improvement. Since ICTSI-MICT has also WEM equipment, easy and verifiable measurements can also be taken at any time needed.
- The flagship terminal has finally secured its ISO 9001, 14001 and 45001 Certification officially on December 23, 2019 after passing the strict auditing from Socotec Certification International. The three Integrated Management System (IMS) standards referred to as Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015) and Occupational Safety and Health Management System (ISO 45001:2018) shall ensure that ICTSI operates at high-level quality of service, strong customer focus, robust health and safety management of workers and stakeholders, environmentally sound and improved overall performance.
- A Road Safety Program for Children in partnership with Pedro Guevarra Elementary School, San Nicolas, Binondo was launched early 2019 to provide road safety awareness to children. This is a project in collaboration with the Sustainability and Development Section.

(a) Revised Manual on Corporate Governance

The Group adopted a Manual on Corporate Governance in January 2003. Its latest Revised Manual on Corporate Governance (“CG Manual”), pursuant to SEC Memorandum Circular 19-2016, was submitted to the Philippine SEC on May 31, 2017 and is available in the Company website. Last January 15, 2019, the Company, through its Compliance Officer, submitted a Certificate attesting to its full compliance with the objectives set forth in the CG Manual. The Company has not deviated from its CG Manual and further commits itself to principles and best practices of governance in the attainment of corporate goals.

Presently, the Compliance Officer is Rafael D. Consing, Jr. The Compliance Officer coordinates with the Philippine SEC with respect to compliance requirements; monitors compliance with the CG Manual; and reports any governance-related issues to the Board.

For the annual report on corporate governance, the SEC has recently implemented the use of the Integrated Annual Corporate Governance Report (“I-ACGR”) by virtue of SEC Memorandum Circular 15-2017. Accordingly, the Company submitted its 2018 I-ACGR last May 29, 2019. For the 2019 I-ACGR, the Company is set to submit the same on or before the mandated deadline, which is May 30, 2020.

(b) Continuing Improvements for Corporate Governance

The Company continues to improve its systems and processes to enhance adherence to and strengthen practices of good corporate governance. In compliance with the latest mandates of the SEC such as those provided under SEC Memorandum Circular 19-2016 and incorporated in the CG Manual, the Company has implemented significant developments. Among others, the Board has established the Corporate Governance Committee, Board Risk Oversight Committee and Related Party Transactions Committee in addition with the Audit Committee, Nomination Subcommittee and Remuneration Subcommittee. To achieve an appropriate mix of competence and expertise, the composition of the Board is checked against prevailing requirements. To ensure diversity and allow a healthy balance of ideas, wisdom and experience on the management and business of ICTSI, the Board is made to be a majority of Non-Executive Directors. The competence of the Board is followed through by the Company by the conduct of annual continuing training for all directors and orientation program for first-time directors.

The Company also prioritizes healthy external relations. Through the Investor’s Relations Office, the

Company effectively communicates and relates with all its stockholders as well as all stakeholders.

These improvements are being updated and documented by the Company through the I-ACGR submitted annually to the SEC.

In the previous years, ICTSI's Independent Directors constitute at least 20% of the membership of the Board, or two seats in the ICTSI Board, in accordance with prevailing laws. To further promote best practices in good corporate governance, the Board has elected its third Independent Director last February 12, 2019.

Recognition and Awards in 2019

December: For the sixth year in a row, ICTSI was recognized by The Asset Corporate Awards as one of the elite companies in Asia showing All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations. ICTSI's Global Corporate Investor Relations Department was also recognized as among the Best Investor Relations teams; while the company's programs and activities supporting diversity, inclusivity and gender equality for women in Papua New Guinea was lauded as a Highly-Commended Initiative for Diversity and Inclusion. These Awards were given at a gala dinner last December 2019 in Hong Kong.

November: ICTSI was awarded as Winner for the Priority Integrated Sector - Logistics Category to the ASEAN Business Awards (ABA) 2019. Priority Integrated Sector—Excellence Awards recognizes outstanding performance and presence in the ASEAN Economic Community Priority Integration Sectors. This includes the recognition of integration and connectivity between ASEAN business owned and operated by the applicant. ICTSI won the same award in 2018.

October: ICTSI's initiative supporting the global fight against modern slavery has been cited as one of the outstanding corporate sustainability efforts in the Philippines during the 2019 Sustainable Business Awards.

ICTSI earned a Special Recognition for Business Responsibility and Ethics for leading the effort to stop human trafficking across local and global supply chains, made possible through a Php5-million grant by ICTSI Foundation, Inc. (IFI), ICTSI's corporate social responsibility arm, to the Voice of the Free Foundation, Inc. (formerly the Visayan Forum) in 2018.

September: Alpha Southeast Asia recognized ICTSI as one of the best managed companies in the Philippines – clinching five awards in the 9th Annual Institutional Investor Awards. ICTSI led publicly-listed companies in the country for having the Strongest Adherence to Corporate Governance and Most Organized Investor Relations Company; whilst second best in having the Best Senior Management IR Support and Most Consistent Dividend Policy. Meanwhile, Rafael D. Consing Jr., ICTSI Senior Vice President and Chief Financial Officer, was named Southeast Asia's and Philippines' Best CFO.

June: Corporate Governance Asia recognized ICTSI as one of the Best Investor Relations Companies in the Philippines during the 9th Asian Excellence Award last June 28, 2019 in Hong Kong. Key ICTSI officers were likewise recognized, including Chairman and President, Enrique K. Razon Jr. as Asia's Best CEO (Investor Relations); Senior Vice President and Chief Financial Officer Rafael D. Consing Jr. as Asia's Best CFO (Investor Relations); and Treasury Director and Head of Investor Relations Arthur R. Tabuena as Best Investor Relations Professional.

June: ICTSI was recognized by the Institute of Corporate Directors (ICD) for being one of the high-ranking PLCs in the Philippines based on the Asean Corporate Governance Scorecard (ACGS). Benchmarked against international best practices, the ACGS' rigorous methodology provides foreign investors and external fund managers with comparable information on which to base their investment decision making process. The Company was lauded for its 2018 results, maintaining commendable compliance with best practices in the following areas: board responsibilities, disclosure and

transparency, rights of shareholders, equitable treatment of shareholders, and role of stakeholders.

Business of Issuer

Overview

ICTSI is an international operator of common user container terminals serving the global container shipping industry whose principal business includes the operation, management, development and acquisition of container terminals focusing on facilities with total annual throughputs ranging from 50,000 TEUs to 3,000,000 TEUs. The primary mechanism for the operation of these terminals is long-term concession agreements with local port authorities and governments through ICTSI and its subsidiaries. As at March 3, 2020, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. There are ten terminal operations, including a barge terminal and an inland container terminal in the Philippines, two each in Indonesia, Papua New Guinea (PNG) and Brazil including ICTSI Rio Brasil 1 (ICTSI Rio), the newly acquired terminal in Rio De Janeiro, one each in China, Ecuador, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, Democratic Republic (DR) of Congo, and Australia; an existing concession to construct and operate a port in Tuxpan, Mexico. In 2017, 2018 and 2019, the Group handled consolidated throughput of 9,153,458 TEUs, 9,736,621 TEUs, and 10,178,018 TEUs, respectively.

The Group provides different services in each of the port operated based on the nature of business and industry of the country of operations and the general needs of customers including shipping lines, cargo owners and port users. The Group primarily handles international containerized cargoes, which include cargoes shipped in containers for international import or export. The Group's customer base mainly includes shipping lines and cargo owners. The Group also provides a number of ancillary services such as storage, container stripping and stuffing, inspection, weighing and services for refrigerated containers or reefers, as well as roll-on/roll-off and anchorage services to non-containerized cargoes or general cargoes on a limited basis.

These services fall into three general categories:

On-vessel. This refers to all work performed on board a ship. This includes the loading and unloading of cargoes, rigging gears, opening and closing hatches, securing cargo stored on board and shifting cargo to and from vessels;

Off-vessel. This refers to the services involved in moving containers from container yards to the gate. This includes the receiving, handling, checking and delivery of containers over piers, wharves, transit sheds, warehouses and open storage areas and the transfer of containers from the tail of a consignee's transportation unit; and

Other Services. At some terminals, maintenance services to ships that are docked in the harbor for which the port operator receives berthing and harbor fees from shipping lines are provided. ICTSI also offers ancillary services relating to its core services, such as container and truck weighing, use of reefer outlets to provide power to refrigerated containers and extended storage.

The fee structure for the Group's services varies across the terminals it operates based upon local regulations and practices. In some terminals, such as MICT, the Company charges shipping lines fees for on-vessel charges and charges cargo owners separately for off-vessel services. The Philippine Port Authority (PPA) sets different tariffs for on-vessel and off-vessel services. In other jurisdictions, the Group charges only the shipping lines or the cargo owners who have separate arrangements among themselves. ICTSI mostly charges cargo owners on a cash-on-delivery basis. Containers are not allowed to leave the port facility until actual cash payment has been made and confirmed received. Shipping lines may be granted credit lines of up to 30 days.

For the three years ended December 31, 2017, 2018 and 2019, the percentage contribution of foreign operations or operations outside the Republic of the Philippines to revenues from cargo handling services and net income attributable to equity holders of the parent are as follows:

	2017	2018	2019
Gross revenues	64.1%	63.2%	63.3%
Net income attributable to equity holders of the parent*	42.6%	65.4%	11.6%

* 2019 amount includes impairment loss on nonfinancial assets in Tecplata of US\$156.0 million.

Competition

The Group's primary competitors are other international port operators, including financial investors, shipping lines and domestic concerns that operate terminals or that provide alternate routes for shipping lines that would otherwise utilize the Group's terminals.

Asia

Currently, South Harbor is MICT's only competitor in the international marine container service market in Manila. The PPA authorized Asian Terminals, Inc. (ATI) to provide fully integrated cargo handling services at the South Harbor from March 1992 to May 2013. It was granted a 25-year extension from May 2013. The PPA's tariffs are applied uniformly to both MICT and the South Harbor. MICT has an estimated market share of 65% of the container traffic in Manila in 2019. Other Philippine terminals either dominate the market or do not have any direct competitor in their immediate area of operations.

After the Company's acquisition of 51% of YICT and divestment of its holdings in YRDICTL in July 2014, higher yielding international container cargo in the Port of Yantai has been handled exclusively by YICT. Domestic cargo has been handled exclusively by YRDICTL.

The Port of Karachi is one of South Asia's largest and busiest deep-water seaports. The port currently has three terminals: ICTSI's PICT, Karachi International Container Terminal (KICT) and South Asia Pakistan Terminals (SAPT). KICT and SAPT are operated by Hutchison Port Holdings. At the other side of the city of Karachi is the Port Qasim, where Qasim International Container Terminal (QICT) is located. QICT is operated by Dubai Ports World. The Company believes that PICT captured approximately 17% of the total container traffic in 2019, with QICT, KICT and SAPT handling 36%, 18% and 29%, respectively.

VICT, being the new player in the Melbourne container market, is facing competition from established terminal operators, DP World and Patrick Terminals. VICT is continuing to ramp up volume as they continue to negotiate for new shipping line services contracts. VICT captured 18% of the container volume in Melbourne in 2019, while DP World and Patrick Terminals handled 34% and 37%, respectively. The balance was captured by other various seaports.

MITL and SPICTL, the two terminals in PNG, do not have competitors in Motukea and Lae.

Americas

The Group has eight terminals in the Americas: Tecon Suape, SA (TSSA); Contecon Guayaquil, SA (CGSA); Tecplata, SA (Tecplata); Sociedad Puerto Industrial Aguadulce, S.A. (SPIA); Contecon Manzanillo, SA (CMSA); Operadora Portuaria Centroamericana, SA (OPC), Terminal Maritima de Tuxpan, S.A de C.V (TMT) and ICTSI Rio Brasil1 (ICTSI Rio). All of the terminals in the Americas are operational except for TMT as management is currently working on its development plan.

TSSA faces limited local competition operating the Port of Suape as the nearest local ports are at least 800 kilometers away following the cessation of regular container handling activities of the port at Recife in 2004. TSSA has a market share of 100% and 40% of the container traffic at Pernambuco and Northeast region of Brazil in 2019, respectively.

CGSA is located at the port of Guayaquil, which serves as Ecuador's main international trading gateway. The port is connected to the main terrestrial highways of Ecuador and has good access to other principal cities in the country. CGSA's main competitor at the Port of Guayaquil is Terminal Portuario Guayaquil (TPG), operated by the Chilean company SAAM. In addition, in October 2019, DP World opened a greenfield container terminal at the Port of Posorja, which is 120km away from the City of Guayaquil. We expect stiffer competition with the opening of DP World's terminal. CGSA's market share in 2019 was 42% of the traffic at the port while TPG was 37%. The balance was handled by private terminals.

The Port of Buenaventura in Colombia, where SPIA is located, handles approximately 50% of the country's foreign trade. SPIA is estimated to have handled 28% of the volume while the other two terminals at the port, Buenaventura Regional Port Society (SPRBUN) and Buenaventura Container Terminal (TCBUEN) captured 46% and 25%, respectively.

The Manzanillo market, where CMSA operates, is currently dominated by SSA de Mexico, S.A. de C.V with 52% market share. CMSA's entry in the market is designed to address the congestion at the competing terminals and the competitor's inability to further expand their capacity to absorb the growing demand. CMSA has an estimated 33% market share in 2019.

OPC, on the other hand, dominates the Honduras market and a good portion of the El Salvador, Nicaragua and Guatemala markets. OPC faces limited competition from Puerto Castilla due to the competitor's small capacity. OPC captured 82% of the container market in 2019.

ICTSI Rio, our newly acquired terminal in Rio de Janeiro, Brasil, captured 30% of the market in 2019. Its two main competitors, MultiRio and Sepetiba Tecon handled 45% and 30%. The balance was handled by other smaller terminals.

Europe, Middle East and Africa (EMEA)

The Group has six operating terminals in the EMEA region: Baltic Container Terminal (BCT); Madagascar International Container Terminal, Ltd. (MICTSL); Batumi International Container Terminal (BICTL); Adriatic Gateway Container Terminal (AGCT); ICTSI Iraq; and IDRC. Compared with other operating terminals in the region, BCT, BICTL and AGCT face stiffer competition.

The stiff competition faced by BCT comes from Gdynia Container Terminal (GCT) in Gdynia and Deepwater Container Terminal (DCT) in Gdansk. DCT has made efforts in 2011 to strengthen its efficiency by adding new equipment and has already commissioned the second berth in December 2016. BCT's market share in 2019 is estimated to be at 15% of the container traffic in Poland, with DCT and GCT handling 72% and 12%, respectively.

MICTSL is dominating the Madagascar container market and practically has no competition.

BICTL is facing competition from its main competitor, Poti Sea Port. BICTL captured 18% of the market in 2019, with Poti Sea Port handling the balance.

AGCT is experiencing stiff competition as well from the ports of Koper and Trieste. In 2019, AGCT captured 14% of the market, while Koper and Trieste handled 50% and 36%, respectively.

ICTSI Iraq has established itself as Iraq's leading terminal by capturing 48% of the container volume in 2019. It faces limited competition from several terminals at the Umm Qasr Port with MISNAF, Gulfainer and CMA Berth 4 handling 20%, 13% and 11%, respectively.

IDRC handled 66% of the container volume at the Port of Matadi in the Democratic Republic of Congo in 2019. The balance is handled by the terminal operated by the Société Commerciale de Transports et de Ports (SCTP) which is government owned company.

Key Competitive Strengths

Despite the presence of competition where ICTSI and subsidiaries operate, the Group has identified the following as its key competitive strengths:

Globally diversified revenue base

ICTSI owns or operates ports in 18 countries across three geographic regions namely: Asia, the Americas, and EMEA. This geographical scoping reduces the concentration of ICTSI's business in any particular country, region or industry. In 2019, Asia accounted for 53.1% of throughput and 50.5% of consolidated gross revenues from port operations, the Americas accounted for 29.3% of throughput and 28.6% of consolidated gross revenues from port operations, and EMEA accounted for 17.6% of throughput and 20.9% of consolidated gross revenues from port operations. Moreover, port facilities in various terminals serve a number of different shipping lines, which reduces reliance on any one particular customer. There is no single dominating customer, and no customer has contributed to more than 10% of the Group's consolidated gross revenues in 2017, 2018 and 2019.

Leading market positions in key targeted markets

The Group's major terminals enjoy leading positions in their respective geographic markets. In addition, most of its major terminals are strategically located in emerging markets with strong growth and profit potentials, including Asia, EMEA and Americas. The Company's terminals mainly serve as end-destination ports for discrete markets and cargo cachement areas. The Company believes that its strong market position in the regions where it operates allows it to enhance operating efficiencies and maximize throughput, which increases profitability. The Company owns or operates the largest container terminals in terms of volume throughput and capacity in the Philippines, the Brazilian state of Pernambuco, Madagascar, Yantai in China, Honduras, Iraq, DR Congo and more recently, in Papua New Guinea. At these terminals, there are limited opportunities for competition from other port operators, other ports or other terminals within the same ports due to high barriers to entry. Some of these barriers include the limited number of port sites, government controls and high terminal construction costs. This means that there are few substitutes for the Company's services, which allows it to maintain significant pricing power contributing to strong margins. The Company has targeted its acquisitions at port concessions that are privatized from government control. Many of these ports are in emerging markets, which generally exhibit stronger growth than developed markets; thus the Company believes that its leading position in these markets will allow it to directly capture organic growth in line with the economic growth of these markets. Furthermore, all of the Company's concession agreements are long-term agreements that ensure continued benefits from long-term GDP growth trends.

Experienced and dynamic management team

The Group's management team has extensive experience in the container terminal and container shipping sectors. Management structure is decentralized with extensive authority delegated to the regional operating units where management teams are closest to their customers and have the most comprehensive knowledge for the regulatory, labor and other key operating conditions prevailing in their respective jurisdictions. The decentralized structure also allows a lean and flat management team, which reduces administrative costs. Meanwhile, senior management at the corporate level focuses on providing overall strategy, direction and oversight as well as managing key global functions such as information technology, engineering and finance. The Group has strong financial controls over each operating entity through standardized monthly reporting, annual budget process, regular financial and

operating audits, control over external sourcing of funds and capital, insurance coverage and risk management.

Established track record of improving operational efficiency and performance

The Group has also made substantial investments in terminal facilities to enhance handling capacity and operating efficiency, modernizing information technology systems and expanding and rehabilitating civil works. The Group also provides its know-how through enhanced training and improved work processes to streamline labor practices, and rationalize commercial strategies to boost yield per TEU. The Group has received commendations and recognitions for its success in improving cargo handling and assisting in the development of private sector. The Group has been cited by the World Bank for its success in public-private partnerships in South America, Africa and Europe.

Strong and stable cash flows and strong capital structure

The Group believes that its major terminals provide stable cash flows because of its globally diversified operations and long-term concession agreements, which have a capacity-weighted average remaining term of approximately 18 years. In addition, the Group's terminals focus on end-destination cargo, which accounts for substantially all of the Group's consolidated throughput volume. The Group believes that its focus on end-destination cargo limits concentration risk to individual container shipping lines in that if a shipping line that calls at one of its terminals ceases to operate, the cargo intended for that particular destination will simply transfer to another shipping line that is still calling in that terminal. As of December 31, 2019, the Company's total indebtedness was US\$1,662.6 million and its total indebtedness to total equity ratio (interest-bearing debt over total equity, as shown in the consolidated balance sheet) was 1.02 times, providing head room for future financial leverage. The Company believes that its cash flows and debt structure will provide it with a solid platform to pursue investment opportunities, supported by its active balance sheet management strategies and liability management initiatives which have helped streamline its debt maturity profile and interest payment schedules significantly.

Demonstrated ability to control operating costs

Lastly, the Group has continuously demonstrated its ability to control operating costs effectively, which allows the Group to generate profitable margins in both weak and strong economic environments. Cost containment measures are continuously enforced all throughout the Group. These programmes may include cost reductions, equipment upgrades, and projects to improve labour efficiencies and processes. As an example, the Company recently implemented its Terminal Appointment Booking System (TABS), which helps to improve capacity and operational efficiency in its terminals. Improvements to the labor pool also come from knowledge and experience sharing across ports. The Company also plans to expand the handling capacity of its ports as needed, such as the construction of new yard facilities at the MICT.

Principal Suppliers

The Group is neither dependent on a single nor a few suppliers, of which the loss of any or more would have a material adverse effect on its operations, nor has existing major supply contracts.

Customers

Consistent with the high degree of concentration in the global shipping industry, major container shipping lines contribute significantly to the Group's business and revenues. However, ICTSI's business, primarily serving domestic markets as oppose to transshipment business, is as such not dependent on a single or a few customers, of which the loss of any or more would have a material adverse effect on the Group's operations taken as a whole (In the domestic market the departure of a specific shipping line or consortium will not automatically result in loss of volumes to the Gate-way terminal operator since cargo volumes then shift to another shipping line or consortium). Although the

Group provides services to many of its customers at two or more of its terminals, each entity negotiates contracts independently at each port and generally does not entertain any bulk rebates. The Group conducts selected marketing and sales activities with its shipping line customers in each terminal and has established a global commercial department to support the business units and regions, ensuring that the Group can take advantage of a shipping line's global presence. The Group maintains Terminal Service as well as Service Level Agreements with a number of shipping lines specifying service and performance standards. The Company will continue to maintain high-level relationships with a number of its clients, as it believes that this engagement is necessary to anticipate changes in a dynamic shipping industry and in turn to ensure alignment with ICTSI's service delivery. On the other hand, its business or profitability is not materially dependent on any relationship with any individual customer. As also seen in the previous years, ICTSI's customer base remains very broad. There is no single dominating customer, and no customer has contributed to more than 10% of the Group's consolidated revenues in 2017, 2018 and 2019.

Related Parties

Related party transactions are discussed in Part IV, Item 12 of this report, and in Note 22, Related Party Transactions, to the 2019 Annual Audited Consolidated Financial Statements.

Intellectual Property, Licenses, Contracts and Agreements

The "ICTSI" name and logo are registered trademarks in the Philippines. The Company also possesses copyrights for certain proprietary software systems, whose remaining useful lives range from one to five years. The Group sees to it that its rights for the design, source codes and use of these software systems are secured at all times to ensure continued use and support from vendors.

The Company also entered into global agreements for third party software licenses or services, for the use of The Group.

Please refer also to Note 24, Significant Contracts and Agreements, to the Annual Audited Consolidated Financial Statements for detailed discussion of the Group's contracts and agreements to operate, manage and develop the terminals.

Government Regulations and Licenses

The Group's operations are subject to a variety of laws and regulations promulgated by the national and local government of each jurisdiction in which it operates. Rights and obligations under the concession agreements are discussed in Note 24, Significant Contracts and Agreements, to the Annual Audited Consolidated Financial Statements. The Group believes that it is in compliance, in all material aspects, with applicable government regulations in each jurisdiction in which it operates. The Group is not aware of any governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on the Group's properties and operations.

Various governmental and quasi-governmental agencies and regulatory bodies require the holding of certain licenses, concessions and permits with respect to port and port-related operations. For example, the PPA regulates all port operations in the Philippines, except for ports in Misamis Oriental and Subic, which are regulated by PHIVIDEC Industrial Authority and Subic Bay Metropolitan Authority (SBMA), respectively. Services and fees being offered to the port users may be controlled and approved by the respective regulatory agency. Overseas operations are conducted under valid licenses, concessions, permits or certificates granted by the applicable regulatory body in that jurisdiction.

In addition, the fee structure for the Group's services varies across the terminals it operates based on local regulations and practices. In some terminals, the operator charges shipping lines fees for on-vessel services and charges cargo owners separately for off-vessel services. The port authority sets different tariffs for on-vessel and off-vessel services. In other jurisdictions, the operator charges only the shipping lines or the cargo owners who have separate arrangement among themselves. ICTSI charges

cargo owners mostly on a cash-on-delivery basis. Containers are not allowed to leave the port facility until actual cash payment has been made and confirmed received. Shipping lines may be granted credit lines up to 30 days. Yet in some jurisdictions, release order of cargoes should come from the port authority.

The Group maintains regular dialogue with local government and regulatory authorities through its management teams or representatives in each jurisdiction, to ensure compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits or certificates.

As of December 31, 2019, there are no pending requests for government approval for any of the Group's principal activities, except those arising from new or ongoing bids to operate, manage, or develop ports, which the Group's Business Development Offices undertake.

Development Activities Expenses

Amount spent during the last three years on business development activities pursuing future port acquisitions are as follows (amounts in millions):

	Amounts	% of Revenues
2017	US\$4.0	0.32%
2018	6.2	0.45%
2019	5.9	0.40%

Insurance

The Company has established a world-class comprehensive insurance program that maintains insurance policies that cover its physical assets as well as its employees. The Company's main insurance programs are its Global Port All Risk Property Policy, which covers handling equipment and terminal infrastructure from damage and loss due to, among others, natural catastrophe perils such as earthquake, seaquake, flood, named windstorm, tsunami, volcanic eruption and tornado, physical damage, and coverage for strikes, riots, labour disturbances and civil commotion; Terminal Operator's Liability Program, which embodies the standard terms of insurance coverage for port properties and terminal operators' liability for all its operations globally which coverage includes, but is not limited to, liabilities for cargo damage, uncollected cargo, unintended and unexpected pollution and disposal costs, third party property damage and third party liability; and Employee Benefits programs which covers among others the health care needs of its employees in the countries in which it operates and other insurance programs as reasonably needed by its terminals. The Company believes that its insurance coverage is more than adequate to cover all normal risks associated with the operation of its business and is consistent with industry standards.

Safety, Quality, Maintenance and Compliance with Environmental Laws

Equipment Inspection and Maintenance

To help ensure equipment reliability and support operational efficiency, the Group provides regular inspection and maintenance of its equipment and facilities. It has established formal procedures for periodic maintenance and inspection of equipment in line with international best practices (RCM) and manufacturers' recommendations. Formal corporate policies are issued to address maintenance of the critical components such as the structure, hoisting mechanisms, elevators, twist locks, safety devices interlocks and load path crane components. On a regular basis, the Group commissions structural professional consultants to provide testing of equipment, such as crane structures. Purchase of wire ropes is always accompanied with load test certificates. Wire ropes and twist locks installed on different container handling equipment are monitored and tested for defects through visual and Non Destructive

Test (NDT) inspections and discarded from usage based on established discard criteria. All these activities are recorded and maintained as part of Group's Asset Management System.

Quality, Health and Safety, Environmental Management Systems and Compliance with Environmental Laws

The well-being and health of all its stakeholders is the Group's number one priority. The Group is continuing with its efforts to have the highest standards in place to ensure that its people and stakeholders are safe, respected, and treated fairly. The Group is committed to carry out its business operations in a safe, efficient, and environmentally responsible manner and to care for the well-being of all those on sites and who may be impacted by its activities.

As a demonstration of this commitment, the Group's terminals (through the years) have maintained external certification on the following international management system standards:

Terminal	Certifications
MICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
BIPI	International Ship and Port Facility Security Code
DIPSSCOR	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems
MICTSI	International Ship and Port Facility Security Code
MTS	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 18001:2007 Occupational Health and Safety Management Systems
PT OJA	International Ship and Port Facility Security Code
PICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
SBITC	International Ship and Port Facility Security Code
SCIPSI	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems OHSAS 18001:2007 Occupational Health and Safety Management Systems
MITL	International Ship and Port Facility Security Code
SPICTL	International Ship and Port Facility Security Code
VICT	International Ship and Port Facility Security Code
YICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
AGCT	International Ship and Port Facility Security Code
BCT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 22000:2005 Food Safety Management Systems ISO 22301:2014 Business Continuity Management Systems ISO 27001:2017 Information Security Management Systems ISO 50001:2011 Energy Management Systems
ICTSI Iraq	International Ship and Port Facility Security Code

Terminal	Certifications
	ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems OHSAS 18001:2007 Occupational Health and Safety Management Systems
BICTL	International Ship and Port Facility Security Code
IDRC	International Ship and Port Facility Security Code
MICTSL	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 28000:2007 Supply Chain Security Management Systems
CGSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 14064:2006 GHG Neutral Programme OHSAS 18001:2007 Occupational Health and Safety Management Systems ISO 28000:2007 Supply Chain Security Management Systems BASC for Safe and Secure International Trade
CMSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems OHSAS 18001:2007 Occupational Health and Safety Management Systems ISO 28000:2007 Supply Chain Security Management Systems
OPC	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
SPIA	International Ship and Port Facility Security Code
Tecplata	International Ship and Port Facility Security Code
TSSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems
ICTSI Rio	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems

The Group continuously strives to develop and promote a positive health and safety and environmental-friendly culture across its business operations. Every employee who works for the Company is expected to demonstrate positive health, safety and environmental behaviors, report and mitigate potential risks and look after the health, safety and well-being of each other. Managers are held accountable for defining clear roles and responsibilities, providing appropriate resources, measuring, attaining and reviewing HSE goals to support continuous improvement in the Group's HSE performance.

The amount invested by the Group to implement its various Health, Safety and Environmental programs and injury prevention initiatives for the past three years are as follows: US\$3.3 million in 2017, US\$4.7 million in 2018 and US\$6.1 million in 2019.

Employees

The Group has a total of 7,628, 7,870 and 8,996 permanent employees as of December 31, 2017, 2018 and 2019 respectively. The Group generally does not hire contractual employees as the Group believes that it can achieve greater efficiency with a dedicated staff of employees who are familiar with the Group's internal systems. The following table shows the number of employees by activity and location:

	As of December 31		
	2017	2018	2019
Employees by Activity			
Operations	4,997	5,208	5,988
Engineering	1,139	1,136	1,294
Finance and administration	1,194	1,233	1,314
Corporate offices	162	157	172
Others	136	136	228
Total	7,628	7,870	8,996
Employees by Geographic Region			
Asia	3,701	3,953	4,447
Americas	2,596	2,468	3,028
EMEA	1,331	1,449	1,521
Total	7,628	7,870	8,996

The number of employees increased in 2018 mainly due to new terminals in PNG at the Port of Lae and Port of Motukea that started operations in February 2018 and May 2018, respectively. The number of employees increased in 2019 as a result of acquisition of ICTSI Rio on December 12, 2019. The Group does not anticipate any major change or increase in its labor force in the ensuing 12 months from its existing operating terminals. There are no current or known threats from employees to engage in any work stoppage across all terminals.

Majority or a large portion of these employees are union members. As of December 31, 2017, 2018 and 2019, approximately 61.21 percent, 57.88 percent and 49.64 percent, respectively, of the labor force are unionized. The above percentages are based on total permanent employee headcount regardless of whether an employee is entitled and eligible to join a union or not. The Group has collective bargaining agreements (CBA) in many of the ports in which it operates.

Asia

MICT. On April 26, 2019, ICTSI and the Nagkakaisang Manggagawa sa Pantalan ng ICTSI – National Federation of Labor Unions (NMPI-NAFLU), the bargaining unit for MICT workers, renewed its CBA for another five years effective up to April 25, 2024.

A five-year CBA between ICTSI and Anchorage Labor Union-ICTSI-NAFLU (ALU-ICTSI-NAFLU), the bargaining unit for the MICT Anchorage Division, was also signed on March 15, 2019, effective until March 14, 2024.

Both CBAs contain provisions on employee benefits to union members such as: wage increases; rice and meal allowances; paid leaves; medical, dental and hospitalization benefits; life insurance; profit - sharing; retirements; uniforms; welfare, education, access to a calamity fund; and union leave with pay. The CBAs also provide a venue for settling grievances.

On April 29, 2009, MICT was given the Outstanding Achievement on Industrial Peace and Harmony Award by the Employers Confederation of the Philippines, which indicates that the relationship between the union and MICT has developed into a partnership.

MICTSI. On March 20, 2015, a CBA was signed between MICTSI and Mindanao International Container Terminal Services, Inc. Labor Union - Federation of Democratic Labor Union Organization (MICTSILU-FDLO) with a term of five years ending on March 20, 2020. One of the provisions in the CBA is to agree on the renegotiation solely on the wage increase on the 4th and 5th year upon the expiration of the 3rd year of this agreement.

Other salient provisions of the CBA include wage increases, leaves, hours of work, medical and hospitalization benefits, retirement, education fund contribution, group life insurance, plant uniform, rice subsidy, production incentive bonus, Christmas package and signing bonus. Other matters relative to the union are periodically discussed in the Labor Management Council, consisting of representatives from the management of MICTSI and MICTSILU-FDLO, which meets once every month.

DIPPSCOR. On September 15, 2016, DIPSSCOR and DIPSSCOR Employees and Workers Union - Association of Trade Unions-TUCP (DEWU-ATU/TUCP), being the sole bargaining unit, signed a new five-year CBA. The CBA came into effect on June 1, 2016 and will expire on May 31, 2021.

The CBA contains provision on employee benefits to union members such as: wage increase, productivity incentives, rice subsidy, meal allowances, paid leaves, medical, dental and hospitalization benefits, life insurance, retirement benefits, death aids, uniforms, access to personal cash advances, union leave with pay and grievance machinery. The economic provisions of the CBA will be renegotiated on the 3rd year of the effectivity of the CBA.

On March 4, 2016, DIPSSCOR received a Certificate of Compliance on Labor Relations from the Department of Labor and Employment (DOLE) for having been compliant with Labor Relations upon evaluation of the aforementioned CBA.

SCIPSI. On November 5, 2012, the management of SCIPSI and the PRO-LABOR Champ Movement in Makar (PCM-M) entered into a CBA for a term of five years or until November 5, 2017.

60 days before the expiration of the said CBA, petition for certification election was filed by two intervenors, SCIPSI Employees Union-Southern Philippines Federation of Labor (SCIPSI EU-SPFL) and Makar Port Labor Organization (MPLO) at the DOLE. On March 9, 2018, a certification election was held and the labor union PCM-M was re-elected.

A new collective bargaining agreement was signed on August 14, 2019 and ratified on August 20, 2019. The CBA was registered with the Department of Labor and Employment on August 28, 2019.

In November 2009, the DOLE cited SCIPSI for Best Labor Management Cooperation (LMC) in Region XII in the Philippines given by the National Conciliation and Mediation Board (NCMB) in Mindanao and awarded as National Finalist in Outstanding LMC for Industrial Peace in the Philippines in November 2015. It is important to note that the Company's LMC is an important vehicle in disseminating its corporate values and ensuring industrial peace.

MTS. On April 1, 2019, MTS and Serikat Pekerja Mandiri PT Makassar Terminal Services (SPM MTS), the labor union, signed a CBA that is effective for two years from April 1, 2019 to March 31, 2021. The CBA was approved by the Pemerintah Kota Makassar, Suku Dinas Tenaga Kerja (the Ministry of Labor in the City of Makassar) on September 24, 2019.

The CBA contains provisions on benefits for all employees such as: wage increases, box share allowance, meal allowance, transport allowance, government and religious mandated leaves and leaves for important reasons like worker's marriage, paternity leaves, child baptism, marriage of worker's children, death of immediate worker's family member, among others.

YICT. The right to unionize is guaranteed for the employees of YICT. All employees are unionized by law. Unionism is not a big issue in China since unions are considered as partners in a stable work force.

PICT. The Democratic Employees Union (PICT-DEU) was formed on April 23, 2014 as the bargaining unit for PICT workers. The CBA was renewed on January 1, 2019 and will be effective for a period of two years.

VICT. VICT signed an Enterprise Agreement with the Australian Maritime Officers Union that was endorsed by the Fair Work Commission on October 19, 2016. It has an initial term of four years and will expire on October 19, 2020. The Agreement primarily covers rates of pay, working hours and leave entitlements. The Agreement covers the operational staff at VICT.

MITL and SPICTL. MITL and SPICTL assumed, through implementation agreement, the CBA entered into between the Employers Federation of Papua New Guinea and the PNG Maritime and Transport Workers Union called the Papua New Guinea National Stevedoring and Handling Workers' Union Industrial Agreement. The CBA was signed on November 26, 2016 and is effective until November 25, 2019. Negotiation on the renewal of CBA is ongoing and is expected to be completed in April 2020. The Agreement regulates employment contracts, normal and overtime hours, remuneration conditions including timing and rates of increases, employment groups such as guaranteed wage earners, permanent and casual workers, vacation and shift schedules, health and safety requirements, retirement and conditions for termination of employment contracts.

There are no labor unions in SBITC, ICTSI Subic, BIPI, CGT, LGICT and OJA.

Americas

CGSA. There is a unionized Works Council since October 2008 and a CBA signed initially on July 16, 2009. The CBA was renewed in January 2019 and will be effective for the next two years. Besides the benefits that any worker is entitled by law, CBA secures for the employees some additional benefits: in-out transportation, food service and uniform. There have been no cases of strikes or walkouts since CGSA took over operations in 2007.

TSSA. The administrative and maintenance employees in TSSA are represented by the Sindicato dos Auxiliares de Administracao de Aramazens Gerais do Estado de Pernambuco (SINDAGE). The CBA with SINDAGE is renewed every two years and was last signed in June 2019. TSSA and the union have a good relationship and there had not been any major labor disturbances, such as strikes, slowdown, boycott or mass absences in years. The employees receive benefits such as dental and health insurance, local restaurant privileges, support for professional development, leaves and transportation services. The CBA will expire on June 30, 2021. Occasional workers at the customs inspections area and all other operations personnel, both represented by occasional labor unions, have entered into a CBA with TSSA. The CBA relating to customs inspections area workers will expire in February 2021 and negotiations on renewal of CBA is on-going as at March 5, 2019. Meanwhile, the CBA relating to all other operations personnel will expire in June 2021.

CMSA. CMSA has a Collective Work Contract (CWC) signed in November 2010 with Union de Estibadores y Jornaleros del Pacifico, which is part of Confederacion Regional Obrero Mexicana (CROM). CROM has not had a strike since it was founded 95 years ago. The CWC is effective until year 2044 and extendible based on any extension on the concession agreement with Administracion Portuaria Integral de Manzanillo, S.A., de C.V. There is an annual review of the salaries and every two years there is a salaries and benefits comprehensive review. CMSA is committed to give benefits in addition to those required by the Mexican Labor Law i.e., 5% savings fund, transportation, uniforms, scholarships, contributions in the case of death of workers, sports support and life insurance. There is an additional fee of 16.23% of salary paid to the union to support the administration expenses and retirement fund of the workers.

OPC. OPC has a new collective agreement signed with all employees that is effective for three years from 2020 up to 2022. The collective agreement stipulates employees' benefits like pension, medical

and life insurance, trainings, employee engagement, vacation bonus, meal subsidy, special leaves, salary loans, among others.

There are no labor unions in Tecplata and ICTSI Rio.

EMEA

BCT. On March 20, 2008, the labor union at the terminal of BCT in Gdynia, Poland declared a strike because of a deadlock in the 2008 salary negotiations. The strike lasted until April 1, 2008. An agreement on salary regulations was signed between the Strike Committee and BCT Management Board.

Renegotiation on the CBA also began in 2009, but was suspended at the insistence of the union. The union has not approached BCT's management to resume negotiations. The new Remuneration and Work Regulations address the outstanding issues of the CBA and remain in place pending completion of the negotiations.

MICTSL. MICTSL assumed the CBA entered into by the previous port operator. The agreement sets out the obligations of the port operator with respect to matters such as medical care, housing allowances and holidays. A salary grid is produced from time to time under the agreement that sets forth applicable wages. Under the CBA and applicable employment regulations, union representatives may only be dismissed after the employer has successfully petitioned the Labor Inspectorate to do so. The CBA stipulates that there should be no diminution of benefits

The right to strike is protected, provided that at least 48 hours' notice is given to management. In 2009, there was a two-day temporary operational disruption due to political unrest wherein the then President of Madagascar was ousted. The disruption did not produce any adverse effect on MICTSL. In 2010, MICTSL experienced two strikes attributed to the politicization of the concession agreement and privatization of port operations. The CBA was renewed on October 1, 2015 for a period of five years, and can be subject to review three years after effectivity date upon the request of either of the parties.

AGCT. AGCT's CBA was signed on December 18, 2019 and is effective until end of 2020. The CBA regulates employment contracts, overtimes, add-ons, vacations, salary increases or decreases, other benefits, health and safety requirements and conditions for termination of employment contracts. There have been no cases of strikes or walkouts in AGCT since 2011.

IDRC. There is no labor union in IDRC but there is a framework in place for communication and grievances with elected labor representatives.

ICTSI Iraq and BICTL. There are no labor unions in ICTSI Iraq, and BICTL.

Risks Relating to the Group's Business

The Group's business is highly dependent on regional and global economic trends.

The volume of containers the Company handles and the usage of other port-related services are influenced by the performance and growth of regional and international trading economies. The Company has a substantial port operations business within the Philippines as well as an international portfolio of terminals. Its core business consists of the management, operation and development of container terminals and the provision of cargo handling and other port-related services. Such services are required by the Company's shipping line customers for the transportation of containerized goods by sea within the global and regional marketplace. As a result, there is a correlation between the condition

of global and regional economies and the volume of container throughput the Company handles. Because the Company tends to operate small- to medium-sized end-destination terminals, the Company's results of operations are highly influenced by specific conditions in the local markets where it operates. Furthermore, the global markets have experienced, and may continue to experience, economic downturn and political instability in several areas of the world, which may result in increased fuel prices, lower trade volumes, interruptions of the continuity of operations, decreases in imports and exports or reduced trading partners, which may adversely affect the Group's business and results of operations.

The Group operates in a number of emerging markets that have experienced economic and political instability.

The Group operates mainly in emerging markets, many of which have experienced political and economic instability in the past and may be continuing up to the present. Many of the countries where the Group operates or may operate in the future continue to face significant budget deficits, limited foreign currency reserves, volatile exchange rates, and highly regulated and less sophisticated banking sectors. Furthermore, many of ICTSI's subsidiaries, including the Philippines, have experienced frequent changes in governments, political scandals, terrorist attacks and civil strife. There is no assurance that the future political environment in these countries will become stable or that current or future governments will be able to adopt economic policies that will sustain economic growth.

The Group is dependent on concessions and other key contracts to conduct its business.

The conduct of the Group's business is restricted within the terms of the concession and other key contracts that put a limit to its operational and strategic options. ICTSI and subsidiaries usually only obtain the right, subject to certain conditions, to operate, manage and develop terminals for a set period of time. These contracts contain provisions that allow the relevant port authority to suspend, cancel or terminate the contract on specified grounds, including noncompliance with the terms of the contract and, in certain instances, the occurrence of a "change in control" of ICTSI without the consent of the relevant port authority or if the relevant port authority determines that the public interest may be better served by the cancellation of the contract in accordance with its regulations. Hence, there can be no assurance that further challenges in the Group's operations will not be raised or that its concessions will not be terminated for public policy reason. Also, these concessions and key contracts may limit the ability of the Group to raise tariffs that it charges to customers. The Group's major contracts and agreements are disclosed in Note 24, *Significant Contracts and Agreements*, to the Annual Audited Consolidated Financial Statements.

The Group is limited in its ability to raise the tariffs billable to customers in most terminals.

The aforementioned contracts and agreements may prescribe maximum tariffs that the Group can charge or bill shipping lines and customers and either prohibit any changes in those tariffs without prior approval of the relevant port authority or subject the tariffs to an automatic adjustment mechanism. At certain terminals, tariff increases have recently been implemented in phases causing timing differences when the Company petitioned for an increase and the actual increase in tariff. In countries in which tariffs are not prescribed, such as Poland, Brazil, Australia and DR Congo, the Group is still limited in its ability to raise tariffs by market norms, competition and local demand.

The Group faces competition at its domestic and international terminals on factors such as location, facilities, supporting infrastructure, service and price.

Competition is heightened at domestic and international terminals on factors such as location, facilities, supporting infrastructure, service and price. The Group's competitors may offer lower tariffs than what its own terminal offers in a certain location; or have greater financial resources with which to develop the ports that they operate to provide better access and improved facilities, structure and services. One of the strategies that the Group employs is to acquire terminals in emerging markets, then improve

operations and grow volume organically. If trading volume increase, competitors may begin to target these same markets. Increased competition from existing and future competitors may result in a reduction in the Group's market share in locations where it operates, a decrease in volume of containers it handles, or increased price competition which could result in possible declines in the Group's cash flows, operating margins and profitability.

The Group's failure to effectively manage its existing container terminal operations and growth as a result of rapid expansion and development may adversely impact the Group's business.

The Group is rapidly expanding its container terminal operations, in particular, those located overseas. This rapid expansion into new markets diminishes the Group's management resources to effectively govern its existing container terminal operations and more ambitious growth. It has presented, and will continue to present significant challenges for the Group's management, operational and administrative systems and its ability to maintain effective systems of internal controls. The Group may not successfully integrate new acquisitions to meet its efficiency and performance standards, nor keep existing facilities up to those same standards. The Group needs to constantly develop and adjust management and administrative responsibilities to match market conditions and its growth and expansion strategies. The Group's continued development into a global terminal operator requires it to identify new qualified personnel with widespread knowledge of its industry and the countries in which it operates. Failure to identify suitable personnel for these management and administrative positions may adversely affect the Group's ability to manage its growth and continue to pursue its growth strategy and eventually impact its business, results of operations and financial condition.

The Group's results of operations and financial condition may be adversely affected by exchange rate fluctuations.

Because of the geographic diversity of the Group's business, it receives revenue and incurs expenses in a variety of currencies. Its revenues are primarily in U.S. dollars, Philippine pesos, Brazilian real, Mexican Pesos and Euros while its expenses are generally in local currencies. The Group attempts to operationally hedge its foreign exchange exposure by matching its revenues and expenses whenever possible and, from time to time, engages in hedging activities to mitigate residual foreign exchange cash flow exposures. The Company is subject to translation risks whereby changes in exchange rates impact its reported revenues in U.S. dollar terms. Because the Company reports its financial statements in U.S. dollars, increases in the value of the U.S. dollar against the currencies in which it receives revenues in its international operations, such as Philippine pesos, Brazilian real, Mexican Pesos and Euros, could restrict its revenue growth in U.S. dollar terms and vice versa. Continued fluctuations in the value of the U.S. dollar against its other subsidiaries' functional currencies could cause the Company's revenues to decrease in U.S. dollar terms and distort comparisons of its results of operations and financial condition across periods.

The Group's business has high dependence upon key personnel with special skills that are not readily available in the market.

In order for the Group to maintain its operating and performance standards, it highly leverages on the continued service of key personnel. The Group has a relatively small management team which makes it more dependent on senior personnel than some of its larger competitors. With the rapid growth of the container terminal industry, competition for skilled senior employees becomes intense and there are limited numbers of qualified candidates. The Group's business and results of operations may be adversely affected if any of the existing key personnel leaves their position and the Group fails to find a similarly competent replacement.

The Group is subject to the risk of system failures.

The Group's business is highly reliant on complex information technology and automated systems to handle its terminal operations for high productivity and efficient handling of containers. Any systems

failure may result in delayed or hindered terminal operations. These events may adversely affect the achievement of the Group's planned business growth and results of operations.

The Group's facilities could be exposed to unforeseen catastrophic events over which it has little or no control.

The Group's facilities could be exposed to effects of natural disasters and other potentially catastrophic events, such as major accidents, acts of God, terrorist attacks, armed conflicts and hostilities. To cite, the Philippines is vulnerable to typhoons, earthquakes and other major natural disasters, which could suspend MICT's operations temporarily or damage or destroy key equipment. Since operations at MICT have historically provided the majority of the Group's revenues from port operations, occurrence of a catastrophic event affecting the Philippines could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to regulations that govern operational, environmental and safety standards.

Lastly, the Group's terminal services are conducted under licenses, concessions, permits or certificates granted by applicable regulatory body in the countries in which it operates. Various environmental and safety standards may also be enforced by each jurisdiction in which the Group operates. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Group, including revocation or suspension of the Group's concessions or licenses, which may adversely impact results of operations and financial condition.

Henceforth, the Group has established an Enterprise Risk Management program to assess and ensure that the potential impact and likelihood of any of these risks are minimized and will not adversely impact the Group's business as a whole through an established risk assessment, communication, mitigation and monitoring process. These business risks, however, might result to financial statement risks for which the Group identifies and includes as part of its financial risk management objectives and policies. These risk factors are further discussed in Part III, Item 6 of this report and in Note 27, *Financial Risk Management Objectives and Policies*, to the Annual Audited Consolidated Financial Statements.

Properties

Principal Facilities

Asia

Philippines - MICT. MICT provides a full range of container cargo handling services to shipping lines transporting international containerized cargo to and from the Port of Manila with an estimated handling capacity of 3,000,000 TEUs per year. MICT occupies a total land area of 105 hectares, of which 94 hectares have been developed, and includes six berths. MICT also has a 1,750-meter long wharf which can accommodate six to seven ships, depending on the ships' sizes. In 2012, ICTSI completed the development of Berth 6, which was a condition for the extension of the MICT Contract and to accommodate increasing volume. Adjacent to the MICT wharf is a container yard, with a total stacking capacity of 63,615 TEUs, 2,221 TEUs of which are refrigeration-ready with reefer plugs. MICT also has one container freight station (warehouses): two for imports; and one for exports. The facility also has a truck holding area, with 400 truck parking bays. MICT has two gates: inbound has seven lanes and outbound has six lanes.

The terminal is fully equipped with security features recommended by the United States Homeland Security Agency, including gamma ray scanning devices and a closed-circuit television surveillance system.

On May 14, 2008, the Board of Investments (BOI) of the Philippines approved ICTSI's registration of the construction of Berth 6 of MICT with Pioneer status under the Omnibus Investments Code of 1987, which entitles Berth 6 to an income tax holiday for a six-year period from November 2011, among others. Berth 6 was completed and inaugurated in July 2012, and increased the terminal capacity to 2,500,000 TEUs per year. The Berth 6 features additional 14 hectares of container space, three additional quay cranes for offloading ships and ten RTGs. On July 2, 2015, the BOI approved the registration of ICTSI's construction of Berth 7 of MICT on a Non-Pioneer status under the Omnibus Investment Code of 1987. Berth 7 is entitled to an income tax holiday of three years starting from July 2017.

As of December 31, 2019, MICT has a total of 18 quay cranes complemented by 55 rubber-tired gantries (RTGs), 13 empty container handlers, four reach stackers, 25 forklifts, and a huge fleet of transportation equipment.

Philippines - New Container Terminal 1. Subic Bay International Terminal Corporation (SBITC) originally developed, managed and operated the NSD Waterfront Area in Subic, Philippines. However, in April 2008, the NSD Waterfront Area was replaced by the New Container Terminal (NCT-1). NCT 1 is a 14-hectare terminal with a 280-meter berth and controlling depth of 13 meters, making it possible to handle post-Panamax vessels. The estimated handling capacity of NCT-1 is 300,000 TEUs per year. As of December 31, 2019, SBITC has two post-Panamax cranes, three RTGs, four reach stackers, two empty container handlers, three forklifts, 22 prime movers and 30 chassis.

Philippines - New Container Terminal 2. On July 27, 2011, SBMA and ICTSI signed the contract for the operation and management of NCT-2 for a period of 25 years. ICTSI subsequently assigned said contract to ICTSI Subic, Inc. (ISI) and SBMA approved the assignment through a resolution dated August 19, 2011. NCT-2 is a 14-hectare terminal, which includes a 280-meter berth with 13 meters depth. As of December 31, 2019, ISI has two post-Panamax quay cranes, three RTGs, three reach stackers and two forklifts. The new terminal has an annual throughput capacity of 300,000 TEUs.

Philippines - Bauan Terminal. Bauan International Ports, Inc. (BIPI) owns a 20-hectare facility, of which four hectares remain undeveloped, situated along the protected waters of Batangas Bay in Bauan, Batangas. The facility is a multi-purpose, multi-user terminal with a 240-meter berth with two berthing positions. The facility also contains a storage area and a car terminal facility, and is supported with

various heavy lift cranes and two ten-ton forklifts. The car terminal facility can handle 254,696 completely built units per year.

Philippines - Mindanao Container Terminal (MCT). Mindanao International Container Terminal Services, Inc. or MICTSI operates the MCT located at Phividec Industrial Estate, Misamis Oriental. MICTSI has a 24-hectare terminal area for infrastructures, equipment and support facilities and handles containerized and non-containerized cargo. The terminal also has a 300-meter berth with a controlling depth of 13 meters that can service two vessels at once. The terminal is also supported by an 11-hectare yard area inclusive of container yard road networks, with a storage capacity of 6,816 TEUs. The terminal is also equipped with 262 reefer plugs at 440 volts. The estimated handling capacity of MCT is 300,000 TEUs per year. As of December 31, 2019, MICTSI has two quay cranes, three reach stackers, five prime movers and four RTGs.

Philippines - Sasa Wharf. DIPSSCOR is a cargo handler at the Sasa International Port in Davao City, Philippines and the facilities are not for the exclusive use of DIPSSCOR. The terminal covers an area of 16.75 hectares with 10 berthing positions of 10.6 meters in depth and occupying a total length of 1,093 meters. The total throughput capacity of the terminal is 500,000 TEUs per year. As of December 31, 2019, DIPSSCOR has three RTGs, three reach stackers and nine forklifts.

Philippines - Makar Wharf. SCIPSI is a stevedoring and cargo handling service provider at the Makar Wharf, Port of General Santos, General Santos City, Southern Mindanao. The Makar Wharf is a general purpose wharf handling domestic and international containerized, general and roll-on/roll-off cargo as well as domestic passenger traffic. The terminal surface area is 14 hectares that includes nine berths at 850 meters in length with 8-12 meters depth. The terminal is also equipped with 204 reefer plugs and has a total capacity of 250,000 TEUs per year. As of December 31, 2019, SCIPSI has four reach stackers, 25 chassis, 23 prime movers and 16 operating forklifts.

Philippines - Hijo Port. In 2012, ICTSI, through its wholly owned subsidiary, Abbotsford, together with Hijo Resources Corp., a diversified group involved in leisure and tourism, agribusiness, property development and port operations, invested in HIPS for the construction, development and operation of 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 120 meters and 150 meters long, and various terminal support facilities. HIPS is currently handling break bulk cargo. As of December 31, 2019, HIPS has one mobile harbor crane, an empty container handler and three forklifts.

Philippines – Calamba, Laguna. On March 2, 2015, LGICT commenced operation of its one-stop inland container terminal located in Calamba City, Laguna. LGICT is 60%-owned by IW Cargo Handlers, Inc., a wholly-owned subsidiary of the Company, and 40% owned by Nippon Container Terminals Co. Ltd., Transnational Diversified Corporation and NYK Fil-Japan Shipping Corp. LGICT primarily operates as an extension of the seaport operations of MICT and is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers. LGICT is situated on a 21-hectare property that is 58 kilometers from Metro Manila, located near various economic export zones and adjacent to a railroad. As of December 31 2019, LGICT has two reach stackers and three side lifters.

Philippines – Tanza, Cavite. On April 21, 2017, ICTSI, through its wholly-owned subsidiary, CGT, in partnership with the Philippine Department of Transportation, project launched the country's soon-to-be first container roll-on roll-off barge terminal in Tanza, Cavite. CGT will facilitate off-the-roads seaborne transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal will have an annual capacity of 115,000 TEUs, which is equivalent to 140,000 fewer truck trips on city roads each year. The terminal was formally inaugurated on November 22, 2018. As of December 31, 2019, CGT has an empty container handler and two forklifts.

Philippines - Manila North Harbor. MNHPI, a 50%-owned joint venture of ICTSI acquired in October 2017 and April 2019, has a concession contract with the PPA for the development, management, operation and maintenance of Manila North Harbor. MNHPI commenced operations on April 12, 2010. MNHPI is committed to modernize and develop Manila North Harbor to transform it to a premier maritime hub. MNHPI provides cargo handling services for containerized and break-bulk cargoes to shipping lines and tramp vessel operators plying the domestic routes. Overall, the port facility can accommodate up to 2,200,000 TEUs of containerized cargoes, 2,000,000 metric tons of break-bulk cargoes and 2,500,000 passengers per year.

The 63.5 hectare land area is divided into three terminals namely, Container Terminal, Multi-Purpose Terminal, and Ro-Ro Terminal. These terminals work in synergy to optimize the port operations. At present, the total quay length is 5,758 meters equivalent to 41 berthing positions. MNHPI handles an average of about 4,000 vessel calls per year.

In 2017, MNHPI completed its Phase 1 Development Program which provided modern port facilities including a modern Container Terminal, Ro-Ro Terminal, a modern Passenger Terminal Complex, and One-Stop Processing Centers, all allowing efficient processing of transactions between shipping lines, MNHPI, PPA and other government agencies.

MNHPI also has a fleet of modern cargo handling equipment which include eight quay container cranes, 27 RTGs, 21 reach stackers, six empty container handlers and 33 heavy fork lifts, among others. Ancillary facilities were also built such as six weighbridges, the power center equipped with two 2.5 megawatt generator sets for back-up power, and the reefer facility with 144 plugs.

China - Port of Yantai. YICT's terminal covers an area of 76.6 hectares with four berthing positions of 14 to 17 meters in depth and occupying a total length of 1,300 meters. The estimated handling capacity of YICT is 1,300,000 TEUs per year. As of December 31, 2019, YICT has seven quay cranes, which handle loading and unloading of cargoes with the support from one empty container handler, three RTGs, five reach stackers, 15 prime movers, 20 forklifts, 20 RMGs and 33 chassis.

Indonesia - Makassar Container Terminal. Makassar Terminal Services (MTS) supplies and operates equipment for PT Pelabuhan Indonesia IV (Pelindo IV), the Indonesian government agency which operates the Port of Makassar. MTS covers an area of 12.4 hectares with 850-meter berth length and seven berthing positions with 12 meters of depth. The total port terminal capacity is 650,000 TEUs with the estimated handling capacity of MTS at 250,000 TEUs per year. As of December 31, 2019, MTS has two quay cranes, three RTGs, 9 prime movers and 9 chassis.

Indonesia - Port of Tanjung Priok. In July 2012, ICTSI acquired 100% of the equity interest of OJA through its indirect majority owned subsidiary, JASA. OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and containers at the Port of Tanjung Priok, Jakarta, Indonesia. OJA had existing cooperation agreements with PT. Pelabuhan Indonesia II (Pelindo) under a profit sharing scheme. The scheme covers the terminal operations for berths 300, 301, 302 and 303, which are operated by Pelindo and located in Terminal III of Tanjung Priok Port. These cooperation agreements have terms of two years that can be extended by the parties. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with Pelindo, Tanjung Priok Branch for international container stevedoring services under a profit sharing scheme. The terminal has a capacity of 400,000 TEUs per year, berth length of 600 meters with two berthing positions of 11.5 meters in depth and 5.86 hectares container yard. As of December 31, 2019, the terminal has seven quay cranes, seven reach stackers, five rail mounted gantries, a forklift, two RTGs, 30 prime movers and 31 chassis.

Pakistan - Karachi Port. In October 2012, ICTSI, through its wholly owned subsidiary ICTSI Mauritius, completed the acquisition of a majority shareholding in PICT. PICT has a contract with

Karachi Port Trust 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. The terminal has a capacity of 750,000 TEUs per year and a berth length of 600 meters with a depth of 13.5 meters. As of December 31, 2019, PICT has six quay cranes supplemented by three empty container handlers, 12 reach stackers, 15 forklifts, 20 RTGs and a large fleet of transportation equipment handling the existing operations at Karachi Port.

Australia – Port of Melbourne. On May 2, 2014, ICTSI, through its subsidiary in Australia, VICT, signed a contract with the Port of Melbourne Corporation for the design, construction, commissioning, maintenance, operation and financing of Melbourne’s Webb Dock new international container terminal and empty container park. The contract grants a lease concession until 2040. Phase 1 of the terminal comprised of a berth of 330 meters fitted with three neo-Panamax ship-to-shore cranes, 23.8 hectares of yard with fully automated operations from gate to quayside, delivering an estimated capacity of 350,000 TEUs. The terminal itself can handle vessels with a capacity in excess of 8,000 TEUs, and also features a 10-hectare empty container park with a working capacity of around 250,000 TEUs. Phase 2 of the terminal comprised of a 330-meter berth fitted with additional two neo-Panamax ship-to-shore cranes and 11.5 hectares of yard increasing the capacity of the terminal to 1,000,000 TEUs.

Phase 1 and Phase 2 of the project commenced commercial operations in the second quarter of 2017 and first quarter of 2018, respectively.

As of December 31, 2019, VICT has five quay cranes, one reach stacker, 20 automated stacking cranes, 11 automated container carriers, 3 forklifts and 2 prime movers.

Papua New Guinea - Port of Lae and Port of Motukea. In September 2017, ICTSI received a notification from PNGPCL, a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the two 25-year agreements signed by ICTSI’s PNG subsidiaries, MITL and SPICTL, with PNGPCL for the operation, management and development of the two international ports in Motukea and Lae in PNG.

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

The Port of Lae is the largest container handling facility in PNG. Lae is the capital of Morobe Province and is the second largest city in PNG. The estimated annual capacity of the Lae Tidal Basin is 250,000 TEUs. The total developed land area is 11.4 hectares and quay length is 250 meters. As of December 31, 2019, SPICTL has two mobile harbor cranes, three RTGs, four reach stackers, two empty container handlers, three forklifts, seven prime movers and 11 chassis.

The Port of Motukea is the only terminal in Port Moresby, the largest city in Papua New Guinea, that is permitted to handle international containers. The estimated annual capacity of the Motukea port is 250,000 TEUs. Total developed land area is 9.7 hectares and quay length is 240 meters. As of December 31, 2019, MITL has one mobile harbor crane, two reach stackers, an empty container handler, three forklifts and six chassis.

Americas

Ecuador - Guayaquil Container and Multipurpose Terminal. CGSA is the exclusive operator of a container and multipurpose terminal in the Port of Guayaquil, Ecuador. The total land area of the terminal is 133.52 hectares, of which 92.5 hectares is developed. The total berth length is 1,717.5 meters with 10 berthing positions including tugboat berth with 10.5 meters of depth. The estimated handling capacity of CGSA is 1,400,000 TEUs per year with 3,819 reefer plugs to accommodate the demand for the containerization of bananas.

In 2008, CGSA completed upgrades to its inventory and maintenance processes and IT services. CGSA had also made physical improvements of the terminal including container and multipurpose yard improvements, construction of a new berth as a reinforcement of an existing one, construction of an electric substation, and acquisitions of cranes and RTGs. New reefer stations and plugs were also added to accommodate the shift from bananas as break bulk cargo to containers. As of December 31, 2019, CGSA has six quay cranes and three mobile harbor cranes that are supported by 23 RTGs, 14 reach stackers, 8 empty container handlers, 42 forklifts and a huge fleet of transportation equipment that handle movement of containerized cargoes at the terminal.

Brazil - Suape Container Terminal. TSSA is the exclusive operator of the container terminal in the port in Suape, Brazil until the earlier of (a) throughput of 250,000 boxes (approx. 400,000 TEUs) for three consecutive years or (b) after the first 15 years of the concession. The terminal covers a developed area of 39.4 hectares and undeveloped area of 2.5 hectares. TSSA has a 660-meter long two-berth wharf, a 30-hectare container yard, 576 reefer plugs, and a 4,900-square meter CFS and a truck weighing scale. The estimated handling capacity of TSSA is 700,000 TEUs per year.

TSSA has completed the build-out of the infrastructure of the Suape Container Terminal, including the acquisition of equipment and the development of civil works, such as yard expansions. As of December 31, 2019, TSSA has six quay cranes, 14 RTGs, six reach stackers, four empty container handlers, 13 forklifts, 38 prime movers and 48 chassis that complement the servicing of all movements of containerized cargoes inside the terminal.

Colombia - Port of Buenaventura. SPIA owns 225 hectares of land in the Aguadulce Peninsula in Buenaventura. SPIA was granted a 30-year concession by the Colombian National Institute of Concessions to develop, construct and operate a container handling facility in Aguadulce. The Aguadulce Peninsula is across the channel from the existing Port of Buenaventura. Buenaventura is located on the west coast of Colombia. It is the biggest port in the country and the only Colombian port on the Pacific coast. SPIA started initial operations in the fourth quarter of 2016. The terminal has a total area of 128 hectares and berth length of 600 meters with a depth of 14.5 meters, 11.3-hectare container yard and 640 reefer plugs. Estimated annual capacity of SPIA is 550,000 TEUs. The terminal can be accessed through a 20.7-kilometre road that circumvents the urban parts of Buenaventura. It also has 140 hectares along this access road for logistics development. As of December 31, 2019, SPIA has four quay cranes, 10 RTGs, three empty container handlers, three reach stackers, 20 forklifts, 32 prime movers and 46 chassis.

Argentina - La Plata Port. In October 2008, Tecplata was granted a 30-year concession to build and operate an all-purpose port terminal in the Port of La Plata, Argentina, by the *Consorcio de Gestion del Puerto La Plata*, which would expire in 2038. The port development project covers 41.2 hectares, 29.6 hectares of which is from the concession agreement and 11.6 hectares is from *Compania Fluvial del Sud S.A.* via a Usufruct Agreement for a term of 20 years renewable at Tecplata's option for another 20 years. The terminal has an estimated handling capacity of 450,000 TEUs with a 600-meter berth having four berthing positions and 11 meters of quay side depth. The terminal is capable of expanding to handle 900,000 TEUs with a berth length of 800 meters. As of December 31, 2019, Tecplata has four quay cranes, two reach stackers, three empty container handlers, 9 RTGs, seven forklifts, 18 prime movers and 20 chassis. Tecplata started commercial operations in April 2019.

Mexico - Port of Manzanillo. In June 2010, ICTSI signed a 34-year concession for the development and operation of the Second Specialized Container Terminal (TEC-II) at the Port of Manzanillo in Mexico. ICTSI established CMSA to operate the Port of Manzanillo. The port development project covers about 77 hectares with 1,080 meters of seafront. The development of the container terminal will be done in three phases. Construction of Phase 1A development, which started in November 2011, was completed and CMSA formally commenced commercial operations in November 2013. Phase 1A has a berth length of 720 meters with two berthing positions with a depth of 16 meters, yard capacity of 710,000 TEUs and a handling capacity of 900,000 TEUs. Phase 1B was completed in May 2017 and started commercial operations thereafter. Phase 1B involved the construction of a yard that increased CMSA's

yard capacity to 967,000 TEUs.

Phase 2A development started in December 2017 and it consists of three stages. Stage 1 Phase 2A was completed in the third quarter of 2018, Stage 2 Phase 2A is expected to be completed in the second quarter of 2020 and shall be operational thereafter, this stage involve the construction of 180 meters of berth and it started development in May 2019, while the additional yard in Stage 3 Phase 2A is expected to be completed in September 2021.

Stage 1 Phase 2A increased yard capacity by 150,000 TEUs, Stage 2 Phase 2A will increase yard capacity by 250,000 TEUs and Stage 3 Phase 2A by 260,000 TEUs for an expected total yard capacity of 1.6 million TEUs after the completion of Phase 2A. The expansion of the berth in Stage 2 of Phase 2A shall bring additional berthing position. Two quay cranes and four RTGs were put to operations in 2019.

As at December 31, 2019, the estimated handling capacity of CMSA is 1,100,000 TEUs with eight quay cranes supported by six reach stackers, seven empty container handlers, 24 RTGs, 26 forklifts, 40 prime movers and 40 chassis.

Honduras - Puerto Cortés. 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 29 years through a public hearing held in Tegucigalpa, Honduras. OPC started its commercial operations in December 2013. The terminal has a 1,150-meter pier with four berthing positions and depth from 11 to 14 meters, 21.7-hectare container yard, 1,744 reefer plugs, a 7,600-square meter CFS and has an estimated annual capacity of 1,000,000 TEUs. As of December 31, 2019, OPC has three quay cranes, four mobile harbor cranes, two empty container handlers, 19 reach stackers, 23 forklifts, 47 terminal tractors and 61 chassis.

Mexico - Port of Tuxpan. On 27 May 2015, the Company acquired 100.0% of TMT from Grupo TMM, S.A.B. and Inmobiliaria TMM, S.A. de C.V. TMT is a Mexican company with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of land with an area of 29.1 hectares where the maritime container terminal will be constructed.

Brazil - Libra Rio Terminal 1. ICTSI Rio is located in a prime location in the state of Rio de Janeiro - Brazil's largest economic region, having the advantage of being near to major oil and gas industrial zones and surrounding import-export hubs. The terminal has a handling capacity of about 530,000 TEUs, with a total area of 101,000 square meters of yard and a quay length of 715 meters, that will be extended to 800 meters by the end of 2022 as part of the second phase of the expansion as required under the concession contract. The terminal is equipped with five ship-to-shore cranes, two of which are super post-Panamax, and 16 RTGS, 12 of which are electric, and is connected by an on-dock railway. The terminal delivers services at high productivity and safety standards and is capable of handling efficiently vessels of up to 335 meters of length overall (LOA), 48.5 meters of beam with a maximum draft of 14.6 meters. To be able to receive the next generation of vessels expected to be deployed at the Brazilian coast, with 366 meters of LOA, 52 meters of beam and maximum draft of 15.2 meters, Rio de Janeiro Port Authority has started the studies to upgrade the maritime access channel. To address the future growth in demand, ICTSI Rio Brasil 1 is capable of expanding its area up to 248,000 square meters and its quay length up to 910 meters with a handling capacity of 1,200,000 TEUs.

EMEA

Poland – Port of Gdynia. BCT has a lease contract to operate the Container Terminal in Gdynia, Poland. The terminal covers an area of 57 hectares and its facilities include a 790-meter long wharf with five berths (four of which are for container loading and unloading operations and one of which is equipped with a hydraulic ramp for roll-on roll-off operations), a container stacking yard, a cargo handling zone,

two warehouses and a rail facility with three rail tracks. The estimated handling capacity of BCT is 1,200,000 TEUs per year. As of December 31, 2019, BCT has six quay cranes, two mobile harbor cranes, two rail-mounted gantries, three reach stackers, 18 RTGs, 21 forklifts, 2 straddle carriers and a large fleet of transportation equipment that handle loading and unloading of containerized cargo at the terminal.

Madagascar - Port of Toamasina. MICTSL manages, operates and develops the Port of Toamasina, Madagascar. The terminal covers an area of 24 hectares and its facilities include two berths with a combined length of 307 meters and a depth in excess of up to 12 meters. The estimated handling capacity of MICTSL is 400,000 TEUs per year. As of December 31, 2019, MICTSL has four mobile harbor cranes, three empty container handlers, four forklifts, three reach stackers, nine RTGs, 18 prime movers and 24 chassis.

Georgia - Port of Batumi. BICTL operates a container terminal and a ferry and dry bulk handling facility in the Port of Batumi, in Georgia. BICTL covers an area of 13.6 hectares, has two berths with combined length of 465 meters and depth between 8 and 11.3 meters. The estimated handling capacity of BICTL is 150,000 TEUs per year. As of December 31, 2019, BICTL has two mobile harbor cranes, two empty container handlers, four reach stackers, nine forklifts and seven prime movers.

Croatia - Brajdica Container Terminal. In March 2011, ICTSI, through its wholly owned subsidiary, ICBV, entered into a Share Purchase Agreement with Luka Rijeka D.D., a Croatian company to acquire a 51% interest in AGCT. AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The port includes a 17 hectare yard, with a combined 790-meter quay and depth of 10.5 to 14.8 meters. The current capacity is 600,000 TEUs per year with 252 reefer plugs. As of December 31, 2019, AGCT has four quay cranes, six RTGs, two rail-mounted gantries, four reach stackers, four forklifts, 14 prime movers and 21 chassis to support its operations.

Iraq – Port of Umm Qasr. On April 8, 2014, ICTSI, through its wholly owned subsidiary ICTSI Dubai, and General Company for Ports of Iraq (GCPI) signed the Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 (“Contract”) in the Port of Umm Qasr (“Port”) in Iraq. The Contract grants ICTSI the rights to: (a) manage and operate the existing container facility at Berth 20 of the Port for a period of 10 years, (b) build, under a build-operate-transfer (BOT) scheme, a new container and general cargo terminal in the Port for a concession period of 26 years, and (c) provide container and general cargo terminal services in both components. On March 1, 2016, an addendum to the Contract (“Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate an additional existing Quay No. 19 for a total of 13 years, with the first three years for the completion of rehabilitation works. Also, the Addendum extended the original term for the management and operation of Quay No. 20 from 10 to 13 years. On March 26, 2017, a second addendum to the Contract (“Second Addendum”) was signed by the parties granting ICTSI, through ICTSI Dubai, the right to manage and operate Quay No. 21 co-terminus with the Contract and the First Addendum. The Second Addendum extended the term for the management and operation of Quay No. 19 and 20 from 13 to 21 years. ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. Berth 21 started commercial operations in the third quarter of 2018 while rehabilitation works are on-going. Phase 1 of the expansion project (Berth 27) under the BOT scheme has 250 meters of berth with an estimated capacity of 300,000 TEUs. When fully developed, the facility will have 600 meters of quay with an estimated capacity of 900,000 TEUs. Berth 27 was completed and fully operational in the first quarter of 2017.

On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port. The Phase 2 expansion project was substantially completed and fully operational in the fourth quarter of 2019 and involved the development of two new berths, Berths 25 and 26, including a 10.2-hectare yard area and installation of three new quay cranes. An additional yard area of 0.9 hectares was further completed in January 2020. This expansion increased the Port’s container handling capacity

to 1,200,000 TEUs or by an additional 600,000 TEUs, and its capability to handle large container vessels of up to 10,000 TEUs.

The Port covers an area of 78.2 hectares, 22.8 hectares of which is still undeveloped. The Port has four berths with length of 400 meters and depth of 12.5 meters. As of December 31, 2019, the terminal has seven quay cranes, two mobile harbor cranes, six empty container handlers, ten RTGs, 20 forklifts, 12 reach stackers, 35 chassis and 29 prime movers.

Congo - River Port in Matadi, Democratic Republic of Congo. On January 23, 2014, ICTSI, through its subsidiary, ICTSI Cooperatief, forged a business partnership with SIMOBILE for the establishment and formation of a joint venture company, ICTSI DR Congo (IDRC). IDRC will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein. SIMOBILE is a concessionaire of a parcel of land along the Congo river in the district of Mbengu, Township of Matadi in the Democratic Republic of Congo, intended for port use. Phase 1 of the facility consists of two berths that can handle 175,000 TEUs. The capacity and berth length can, subject to demand, be doubled in Phase 2. The first phase comprised of two berths with total length of 350 meters, which service shipping lines, importers and exporters. Phase 1 was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017. As of December 31, 2019, IDRC has two mobile harbor cranes, two empty container handlers, two forklifts, five reach stackers, eight prime movers and eight chassis.

Other Properties Owned by ICTSI and Subsidiaries

Location	Descriptions/Owner	Encumbrance
Cabuyao, Laguna, Philippines	20-hectare property that was original site of the inland container depot project/ IWI Container Terminal Holdings, Inc. (IWI CTHI, formerly ICTSI Warehousing, Inc.) ¹	None
Calamba, Laguna, Philippines	25-hectare property which is the site of LGICT's one-stop inland container terminal/ICTSI	None
Bauan, Batangas, Philippines	20-hectare (approximately) property in Batangas acquired from AG&P in December 1997/BIPI ²	None
Tanza, Cavite, Philippines	6-hectare property located in Tanza, Cavite acquired by Cavite Gateway Terminal, Inc. ¹ (CGT) from Capital Resources Corporation and the Heirs of Francisco Joaquin for use in the gateway terminal business of CGT.	A small portion of the property was mortgaged by the sellers to Asia Pacific Lending Corporation (APLC) ³ .
Gdynia, Poland	3.5 hectares of lot with a building owned by BCT was acquired from local real estate company. These properties are being leased to third parties.	None
Central Matadi, DR Congo	13.3 hectares of land owned by IDRC, 10.47 hectares of which is where the terminal is built, while 2.83 hectares is for future terminal expansion	10.47 hectares was mortgaged to Rawbank DRC

¹ 100% owned by ICTSI

² 80% owned by IWI CTHI

³ The sellers have represented that the mortgages in favor of APLC have already been discharged or terminated, although the annotation of the mortgages on the titles to the property could not be cancelled due to the dissolution of APLC.

Market for Issuer's Common Equity and Related Stockholder Matters

Principal Market where Company's common equity is traded: Philippine Stock Exchange

Principal Market for the Company's common equity: Philippine Stock Exchange

As of the latest practicable trading date on March 3, 2020, the share prices of ICTSI were:

	<i>In US Dollar</i>	<i>In Philippine Peso</i>
Opening :	US\$2.14	₱108.40
High :	2.14	108.40
Low :	2.09	106.00
Closing :	2.09	106.00

* Amounts expressed in Philippine peso have been translated to USD using the closing exchange rate quoted from the Bankers Association of the Philippines as at the end of March 3, 2020.

The high and low share prices for each quarter within the last two years are:

Calendar Period	Price/Common Share*			
	High		Low	
	<i>In US Dollar</i>	<i>In Philippine Peso</i>	<i>In US Dollar</i>	<i>In Philippine Peso</i>
2018				
Quarter 1	US\$2.176	₱113.50	US\$1.917	₱100.00
Quarter 2	1.875	100.00	1.447	77.20
Quarter 3	1.761	95.15	1.431	77.30
Quarter 4	1.959	103.00	1.712	90.00
2019				
Quarter 1	US\$2.448	₱128.52	US\$1.852	₱97.25
Quarter 2	2.898	148.50	2.369	121.40
Quarter 3	2.848	147.60	2.315	120.00
Quarter 4	2.666	135.00	2.281	115.50

* Amounts expressed in Philippine peso have been translated to USD using the closing exchange rates quoted from the Philippine Dealing System as at the end of each quarter in 2018 and 2019.

Holdings

The number of stockholders of record as of the latest practicable date on February 29, 2020 was 1,362. Common shares issued and outstanding as of the same date were 2,045,177,671 shares (including 44,530,595 treasury shares). While Preferred A and B shares outstanding as of the same date were 3,800,000 shares and 700,000,000 shares, respectively.

As of February 29, 2020, the public ownership level of the Company is at 50.45% based only on common shares. The public ownership level of the Company is at 37.37% if both common and Preferred B voting shares are considered.

The following are the Company's top 20 registered common stockholders as of February 29, 2020:

Name	No. of Shares Held	% of Total
1. PCD Nominee Corporation (Non-Filipino)	804,566,797	29.75%
2. PCD Nominee Corporation (Filipino)	791,056,246	29.25%
3. Bravo International Port Holdings, Inc.	279,675,000	10.34%
4. Achillion Holdings, Inc.	80,000,000	2.96%
5. Sureste Realty Corporation	23,016,176	0.85%
6. Enrique Razon	18,143,687	0.67%
7. Enrique K. Razon Jr. as voting trustee	15,936,201	0.59%
8. A. Soriano Corporation	11,850,637	0.44%
9. Stephen Paradies	4,087,473	0.15%
10. Razon Industries, Inc.	3,758,133	0.14%
11. Felicia S. Razon	868,725	0.03%
12. Cosme Maria De Aboitiz	527,343	0.02%
13. Ma. Consuela R. Medrano &/or Victorino S. Medrano Jr	250,000	0.01%
14. Jose Sy Ching	220,000	0.01%
15. Ong Tiong	213,360	0.01%
16. Silverio Benny J. Tan	200,000	0.01%
17. Ma. Socorro S. Gatmaitan	196,000	0.01%
18. Alberto Mendoza &/or Lawrence Mendoza	192,457	0.01%
19. CBNA MLA OBO AC 6011800001	170,870	0.01%
20. Ma. Henrietta R. Santos	155,053	0.01%

As of February 29, 2020, 700,000,000 Preferred B shares (25.88%)* are held by Achillion Holdings, Inc. and 3,800,000 Preferred A shares (0.14%)* are held by International Container Terminal Holdings, Inc.

*Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,704,447,076 (which excludes treasury shares) as of February 29, 2020.

Security Ownership of Certain Beneficial Owners and Management

Beneficial Owners

The following are known to the registrant to be, directly or indirectly the record or beneficial owner of more than five (5) percent of registrant's voting securities as of February 29, 2020:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage*
Common	PCD Nominee Corporation (Non-Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	Deutsche Bank Manila - Clients' Acct. - 19/F, Net Quad Center, 31 st Street cor. 4 th Avenue E-Square Zone, Crescent Park, West Bonifacio Global City, Taguig, Metro Manila Represented by Michelle Mabansag, Head of Global Securities Operations, only holds a legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	280,416,515	10.37%

Common	PCD Nominee Corporation (Non-Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	The Hongkong & Shanghai Banking Corp. Ltd. – Clients' Acct. - 4/F HSBC Centre 3058 Fifth Avenue, West Bonifacio Global City, Taguig, Metro Manila Represented by Maris Flores, Senior Vice President and Head, HSBC Securities Services and Kathy Dela Torre, Senior Vice President Client Services, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	276,537,494	10.23%
Common	PCD Nominee Corporation (Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	AB Capital Securities, Inc., Units 1911-1912, 19/F, PSE Tower, 5 th Avenue corner 28 th St., Bonifacio Global City, Taguig, Metro Manila Represented by Victor L. Vital, President; Ericsson C. Wee, First Vice, President; and Lamberto M. Santos, Jr., Senior Advisor, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Filipino	515,748,967	19.07%
Common	Bravo International Port Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati, Metro Manila	Bravo International Port Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	279,675,000	10.34%
Preferred B	Achillion Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati, Metro Manila	Achillion Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	700,000,000	25.88%

**Percentage ownership were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,704,447,076 (which excludes treasury shares) as of February 29, 2020.*

Dividends and Dividend Policy

The details of ICTSI's declaration of cash dividends are as follows:

	2017	2018	2019
Date of Board approval	April 20, 2017	April 19, 2018	April 11, 2019
Cash dividends (regular) per share	US\$0.050 (₱2.47)	US\$0.050 (₱2.50)	US\$0.056 (₱2.92)
Cash dividends (special) per share	—	—	US\$0.040 (₱2.08)
Record date	May 5, 2017	May 4, 2018	April 29, 2019
Payment date	May 17, 2017	May 11, 2018	May 7, 2019

Dividends may be declared only out of the unrestricted retained earnings. A board resolution is required for declaration of dividends. In addition, approval of stockholders representing at least two - thirds of the outstanding capital stock is required for the payment of stock dividends. Dividends are payable to all common stockholders, on the basis of outstanding shares held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board. Preferred A shareholders are entitled to dividends at rates to be fixed by

the Board. As of December 31, 2019, the Board has not set the dividend rate for Preferred A shares. On the other hand, Preferred B shareholders shall earn no dividends.

Moreover, retained earnings were reduced by distributions paid out by Royal Capital B.V., a subsidiary of ICTSI, to holders of Securities aggregating US\$41.6 million in 2017, US\$60.3 million in 2018 and US\$60.7 million in 2019. Please refer also to Note 14, *Equity*, to the 2019 Audited Annual Consolidated Financial Statements.

Of the total retained earnings of US\$411.0 million, US\$460.1 million and US\$301.0 million, as of December 31, 2017, 2018 and 2019, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$951.5 million, US\$1,110.5 million and US\$1,356.5 million, as of December 31, 2017, 2018 and 2019, respectively, are not available for dividend distribution. As at December 31, 2019, the retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares held amounting to US\$83.0 million.

On December 29, 2017, the Board of the Parent Company appropriated US\$25.0 million for additional working capital requirements of its continuing domestic and foreign expansion projects in 2018. On March 6, 2018, the Board of the Parent Company approved the release of US\$150.0 million from the appropriated retained earnings back to unappropriated retained earnings due to completion of the project in VICT in Australia. On April 11, 2019, the Board of the Parent Company approved the release of US\$125.0 million from the appropriated retained earnings back to unappropriated retained earnings due to the partial completion of the new berth in ICTSI and the partial completion of the expansion projects in CMSA, OPC and ICTSI Iraq. On December 9, 2019, the remaining appropriated retained earnings of the Parent Company amounting to US\$87.1 million was released back to unappropriated retained earnings due to the substantial completion of the expansion projects in CMSA, OPC and ICTSI Iraq.

As at December 31, 2017, 2018 and 2019, total appropriated retained earnings of the Parent Company amounted to US\$362.1 million, US\$212.1 million and nil, respectively.

As of December 31, 2019, the unappropriated retained earnings of the Parent Company that is available for dividend declaration amounted to US\$150.2 million.

Recent Sale of Unregistered Securities

On May 15, 2013, ICTSI issued 53,110,811 new common shares to Mr. Enrique K. Razon, Jr. for a subscription price of Php91.00 per share. This is an exempt transaction under SRC Rule 10.1(e) (The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.)

Description of Registrant's Securities

ICTSI's capital stock comprised of common and preferred shares. Common shares are listed and traded in the Philippine Stock Exchange. Preferred shares comprising of preferred A and B shares are not traded. Details and movement in the shares of stock of ICTSI are disclosed in Note 14, *Equity*, to the 2019 Audited Annual Consolidated Financial Statements.

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. 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 A shares, which were subscribed to by International Container Terminal Holdings, Inc., are non-voting, entitled to dividend 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 have preference over common shares in the distribution of the assets of the Parent Company (see Note 14.3 to the 2018 Audited Annual Consolidated Financial Statements). As at March 3, 2020, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). As at March 3, 2020, Preferred B shares have the following features: voting; issued only to Philippine Nationals; not convertible into common shares; earn no dividend and redeemable at the option of the Board.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

I	N	T	E	R	N	A	T	I	O	N	A	L		C	O	N	T	A	I	N	E	R		T	E	R	M	I	N
A	L		S	E	R	V	I	C	E	S	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A
R	I	E	S																										

Principal Office (No./Street/Barangay/City/Town/Province)

I	C	T	S	I		A	D	M	I	N	I	S	T	R	A	T	I	O	N		B	U	I	L	D	I	N	G	,
M	A	N	I	L	A		I	N	T	E	R	N	A	T	I	O	N	A	L		C	O	N	T	A	I	N	E	R
T	E	R	M	I	N	A	L		S	O	U	T	H		A	C	C	E	S	S		R	O	A	D	,	M	A	
N	I	L	A																										

Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

ictsi.ir@ictsi.com

Company's Telephone Number/s

8245-4101

Mobile Number

09285031362

No. of Stockholders

1,366

Annual Meeting

Month/Day

04/16

Fiscal Year

Month/Day

12/31

CONTACT PERSON INFORMATIONThe designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Jose Joel M. Sebastian

Email Address

jsebastian@ictsi.com

Telephone Number/s

8247-8053

Mobile Number

09209744633

Contact Person's Address

3F ICTSI Administration Building, Manila International Container Terminal South Access Road, Manila
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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EXCELLENCE UNCONTAINED

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

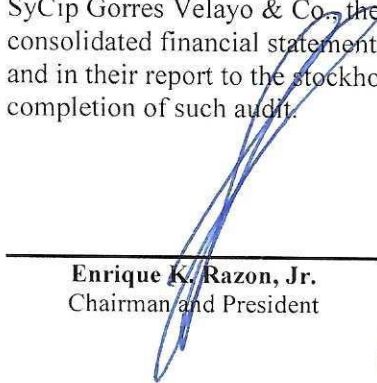
The management of International Container Terminal Services, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of and for the years ended December 31, 2017, 2018 and 2019, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

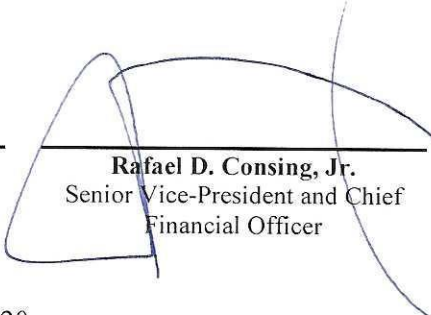
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

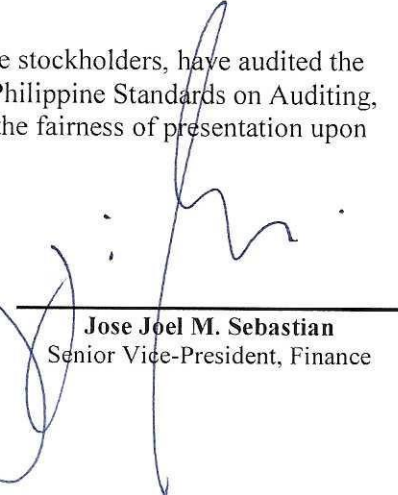
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, have audited 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 audit.


Enrique K. Razon, Jr.
Chairman and President


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


Jose Joel M. Sebastian
Senior Vice-President, Finance

Signed this 3rd day of March 2020.

SUBSCRIBED AND SWORN to before me this 3rd day of March 2020 affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon, Jr.	P6820100A	19 April 2018	Manila
Rafael D. Consing, Jr.	P0706112B	18 February 2019	Manila
Jose Joel M. Sebastian	P1857283A	04 February 2017	Manila

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Series of 2020.

ICTSI Administration Building
Manila International Container Terminal
MICT South Access Road, Port of Manila
Manila 1012, Philippines
Telephone: 63 2 / 245 4101
Facsimile: 63 2 / 245 2245
Email: info@ictsi.com
URL: www.ictsi.com


ATTY. PEDRO D. GENATO
Notary Public Until Dec. 31, 2021
Notarial Commission 2020 - 044 Mla.
IBP# 092833 Pasig - 10-7-2019
PIR# Mla 9112244 - 1-2-2020
Roll# 12038, TIN# 132-436-687
(MCLE Compl. No. VI-0021170 until 4-14-2022)

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
International Container Terminal Services, Inc.

Opinion

We have audited the consolidated financial statements of International Container Terminal Services, Inc. (ICTSI) and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017, 2018 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Impairment Testing of Goodwill, Intangible Assets, Property and Equipment and Right-of-use Assets

Under PFRSs, the Group is required to annually perform an impairment test of the carrying amounts of goodwill and intangible assets not yet available for use. When indicators of impairment exist, the Group is also required to test for impairment its intangible assets already in use, property and equipment and right-of-use assets. The impairment testing is significant to our audit because the balance of goodwill, intangible assets, property and equipment and right-of-use assets of certain subsidiaries aggregating to US\$620.1 million as of December 31, 2019 is material to the consolidated financial statements. In addition, management's assessment process involves significant judgment and estimation based on assumptions, specifically the forecasted revenue growth, earnings before interest, tax, depreciation and amortization (EBITDA) margins, capital expenditures and weighted average cost of capital, which are affected by market or economic conditions in the country where the cash generating unit operates.

The Group's disclosures about the impairment testing of goodwill, intangible assets, property and equipment and right-of-use assets are included in Note 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist to assist us in evaluating the assumptions and methodologies used by the Group in its value-in-use calculations. These assumptions include the forecasted free cash flow, revenue growth, EBITDA margins, capital expenditures and weighted average cost of capital. We reviewed the basis and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth and EBITDA margins, which we compared against historical performance of the cash-generating unit, available comparable market data in the country where it is located, regionally and worldwide or with the other subsidiaries of the Group in the region. We tested the parameters used in the determination of the discount rate against market data. We also focused on the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill, intangible assets, property and equipment and right-of-use assets.

Recognition of Deferred Income Taxes

The Group operates port terminals in eighteen (18) countries through a large number of domestic and foreign subsidiaries that are governed by varying and complex income tax laws and regulations. Accordingly, management's assessment process for the recognition of deferred tax assets and liabilities involves the exercise of significant judgments. As of December 31, 2019, the Group recognized deferred tax assets amounting to US\$321.4 million and deferred tax liabilities amounting to US\$164.2 million. Meanwhile, deferred tax liabilities have not been recognized for undistributed cumulative earnings amounting to US\$1,356.5 million as of December 31, 2019 because the Parent Company has control over these earnings.

The Group's disclosure about deferred tax assets and liabilities are included in Note 21 to the consolidated financial statements.



Audit Response

We involved our internal specialists in the countries where the Group's port terminals are located to review management's assessment and calculations of deferred tax. We also tested the significant consolidation adjustments related to deferred taxes arising from capitalization of borrowing costs at the consolidated level and fair value adjustments arising from business combination, among others. We also reviewed the basis for non-recognition of deferred tax liabilities on undistributed cumulative earnings by reviewing the historical and forecasted dividend declaration made by the subsidiaries with undistributed cumulative earnings.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted Philippine Financial Reporting Standard (PFRS) 16, *Leases*, under the full retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the recorded right-of-use asset and lease liability amounts are material to the consolidated financial statements and the adoption involves the application of significant judgment and estimation in determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rates. This adoption of PFRS 16 resulted in the recognition of right-of-use assets and lease liability amounting to US\$590.8 million and US\$1,137.1 million, respectively, as of January 1, 2019, and the recognition of amortization expense and interest expense of US\$30.0 million and US\$102.4 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Note 3.1 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low-value assets exemption, the selection of the transition approach and any election of available practical expedients.

We tested the population of lease agreements by comparing the number of locations per operations report against the lease contract database.

On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate.



We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test-computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Accounting for the Acquisition of Libra Terminal Rio S.A.

On July 19, 2019, ICTSI, through its wholly owned subsidiary ICTSI Americas B.V, signed a Share Purchase Agreement with Boreal Empreendimentos e Participações S.A. to acquire 100% of the shares of Libra Terminal Rio S.A. for a total consideration of US\$179.7 million. The acquisition was completed on December 12, 2019, after all conditions precedent and required regulatory approvals were obtained and the facilities were turned over to ICTSI. This matter is significant to our audit because of the amount of purchase price consideration and the judgments, estimates and complexity involved in the purchase price allocation, specifically on the determination of the fair values of intangible assets (i.e., concession rights), which resulted to a provisional goodwill of US\$60.4 million.

The disclosures related to the acquisition and purchase price allocation of Libra Terminal Rio S.A. are included in Note 1.4 to the consolidated financial statements.

Audit Response

We involved our internal specialist to assist us in evaluating the assumptions and methodologies used by the Group for the purchase price allocation exercise, specifically on the determination of the fair values of intangible assets (i.e. concession rights). These assumptions include the forecasted free cash flows, revenue growth, EBITDA margins, capital expenditures and weighted average cost of capital. We reviewed the basis and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth and EBITDA margins, which we compared against available comparable market data in the country where it is situated, regionally and worldwide. We tested the parameters used in the determination of the discount rate against market data.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to



the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

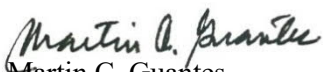
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Martin C. Guantes.

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-4 (Group A),

August 23, 2018, valid until August 22, 2021

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2018,

February 26, 2018, valid until February 25, 2021

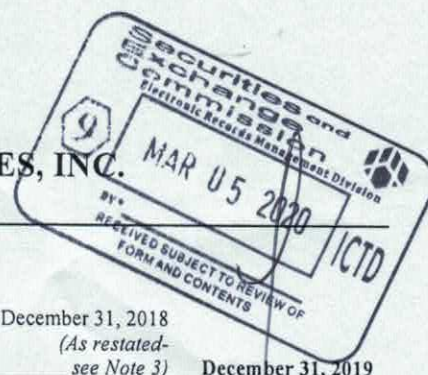
PTR No. 8125242, January 7, 2020, Makati City

March 3, 2020



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS



	December 31, 2017 (As restated- see Note 3)	December 31, 2018 (As restated- see Note 3)	December 31, 2019
ASSETS			
Noncurrent Assets			
Intangibles (Notes 1, 5, 15, 20 and 24)	US\$1,815,712,424	US\$1,965,646,951	US\$2,170,511,100
Property and equipment (Notes 1, 6, 15, 20 and 24)	1,440,972,449	1,367,163,957	1,419,359,207
Right-of-use assets (Note 3)	659,243,580	590,803,123	575,598,262
Investment properties (Notes 7 and 20)	8,011,137	7,438,718	7,164,752
Investments in and advances to joint ventures and associates (Notes 1, 8 and 22)	382,227,852	381,234,014	443,218,451
Deferred tax assets (Notes 3, 4 and 21)	308,826,608	328,864,421	321,374,611
Other noncurrent assets (Notes 1, 8, 9, 15, 20, 23, 24, 25 and 26)	98,363,669	138,883,890	345,256,767
Total Noncurrent Assets	4,713,357,719	4,780,035,074	5,282,483,150
Current Assets			
Cash and cash equivalents (Notes 1, 11 and 27)	279,427,071	447,079,325	234,833,975
Receivables (Notes 3, 12 and 27)	112,891,114	120,423,777	124,400,180
Spare parts and supplies (Notes 1 and 3)	35,669,801	34,045,427	37,064,763
Prepaid expenses and other current assets (Note 13)	70,778,705	71,464,364	72,074,051
Derivative assets (Notes 9 and 26)	308,834	426,415	21,392
Total Current Assets	499,075,525	673,439,308	468,394,361
	US\$5,212,433,244	US\$5,453,474,382	US\$5,750,877,511
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)	67,330,188	67,330,188	67,330,188
Additional paid-in capital (Notes 14 and 19)	547,852,934	549,381,676	549,379,899
Cost of shares held by subsidiaries (Note 14)	(74,261,595)	(74,261,595)	(74,261,595)
Treasury shares (Notes 14 and 19)	(15,059,524)	(58,112,070)	(83,012,573)
Excess of consideration over the carrying value of non-controlling interests acquired or disposed (Notes 1 and 14)	(142,555,041)	(142,555,041)	(146,647,844)
Retained earnings (Note 14)	410,980,891	460,110,831	300,951,814
Perpetual capital securities (Note 14)	761,341,287	1,153,615,197	1,018,513,566
Other comprehensive loss - net (Notes 3, 8, 9, 14, 23 and 26)	(147,547,961)	(173,308,549)	(162,581,447)
Total equity attributable to equity holders of the parent	1,408,317,401	1,782,436,859	1,469,908,230
Equity Attributable to Non-controlling Interests (Note 14)	164,638,013	165,503,658	164,618,113
Total Equity	1,572,955,414	1,947,940,517	1,634,526,343
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 5, 6, 9, 15, 20 and 26)	1,410,268,488	1,220,486,951	1,427,513,249
Concession rights payable - net of current portion (Notes 1, 5, 20, 24 and 26)	470,238,945	530,665,958	651,656,837
Lease liabilities - net of current portion (Note 3)	1,177,950,449	1,128,776,410	1,169,717,011
Deferred tax liabilities (Notes 4 and 21)	141,486,388	147,574,028	164,249,595
Other noncurrent liabilities (Notes 16, 23 and 26)	35,481,336	32,348,582	48,126,164
Total Noncurrent Liabilities	3,235,425,606	3,059,851,929	3,461,262,856
Current Liabilities			
Loans payable (Notes 17 and 26)	61,187,102	35,718,397	-
Accounts payable and other current liabilities (Notes 18, 20, 22 and 25)	275,126,369	307,918,845	347,600,024
Current portion of long-term debt (Notes 5, 6, 15, 20 and 26)	22,149,388	50,848,341	235,115,540
Current portion of concession rights payable (Notes 1, 5, 24 and 26)	9,942,171	10,603,454	9,083,671
Current portion of lease liabilities (Note 3)	4,172,624	8,370,713	19,458,157
Income tax payable (Notes 4 and 21)	29,541,111	31,606,706	39,292,454
Derivative liabilities (Notes 16 and 26)	1,933,459	615,480	4,538,466
Total Current Liabilities	404,052,224	445,681,936	655,088,312
Total Liabilities	3,639,477,830	3,505,533,865	4,116,351,168
	US\$5,212,433,244	US\$5,453,474,382	US\$5,750,877,511

See accompanying Notes to Consolidated Financial Statements.



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

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2017 (As restated- see Note 3)	2018 (As restated – see Note 3)	2019
INCOME			
Gross revenues from port operations (Notes 4 and 24)	US\$1,244,438,207	US\$1,385,784,747	US\$1,481,411,618
Interest income (Notes 11 and 22)	21,853,348	24,088,787	22,763,877
Foreign exchange gain (Note 27)	5,047,602	3,577,036	13,125,990
Other income (Notes 1, 6, 7, 16, 20 and 26)	23,605,865	28,291,483	12,954,057
	1,294,945,022	1,441,742,053	1,530,255,542
EXPENSES			
Port authorities' share in gross revenues (Notes 1, 20, 22 and 24)	169,219,580	178,153,647	187,098,550
Manpower costs (Notes 19, 22 and 23)	207,583,461	217,153,639	230,009,047
Equipment and facilities-related expenses (Notes 22 and 24)	93,083,067	110,737,487	109,444,655
Administrative and other operating expenses (Note 22)	111,109,079	124,334,237	124,715,857
Depreciation and amortization (Notes 5, 6 and 7)	196,402,389	225,975,590	234,964,577
Interest expense and financing charges on borrowings (Notes 15 and 17)	100,413,422	101,309,642	108,201,028
Interest expense on concession rights payable (Note 5)	33,106,078	37,545,440	40,537,024
Interest expense on lease liabilities (Note 3)	87,122,732	103,486,069	102,439,467
Equity in net loss of joint ventures and an associate - net (Note 8)	36,337,377	22,222,236	19,747,127
Foreign exchange loss (Notes 26 and 27)	14,758,042	4,974,118	3,879,791
Impairment losses on goodwill and nonfinancial assets (Notes 5 and 10)	–	5,786,047	156,000,000
Other expenses (Notes 1, 6, 15, 20, 21, 22, and 26)	32,047,974	21,486,067	19,789,965
	1,081,183,201	1,153,164,219	1,336,827,088
CONSTRUCTION REVENUE (EXPENSE) (Note 24)			
Construction revenue	105,610,854	104,799,461	136,781,814
Construction expense	(105,610,854)	(104,799,461)	(136,781,814)
	–	–	–
INCOME BEFORE INCOME TAX	213,761,821	288,577,834	193,428,454
PROVISION FOR INCOME TAX (Note 21)			
Current	55,719,117	75,418,424	64,399,476
Deferred	(25,895,310)	(22,647,106)	(3,638,596)
	29,823,807	52,771,318	60,760,880
NET INCOME	US\$183,938,014	US\$235,806,516	US\$132,667,574
Attributable To			
Equity holders of the parent	US\$158,362,465	US\$207,477,473	US\$100,366,870
Non-controlling interests	25,575,549	28,329,043	32,300,704
	US\$183,938,014	US\$235,806,516	US\$132,667,574
Earnings Per Share (Note 28)			
Basic	US\$0.058	US\$0.071	US\$0.020
Diluted	0.057	0.071	0.020

See accompanying Notes to Consolidated Financial Statements.



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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017 <i>(As restated- See Note 3)</i>	2018 <i>(As restated- See Note 3)</i>	2019
NET INCOME FOR THE YEAR	US\$183,938,014	US\$235,806,516	US\$132,667,574
OTHER COMPREHENSIVE GAIN (LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations' financial statements (Note 14)	69,040,205	(34,843,264)	18,007,340
Net change in unrealized mark-to-market values of derivatives (Note 26)	(4,534,403)	(2,955,994)	(19,234,259)
Net unrealized mark-to-market gain (loss) on available-for-sale investments (Notes 9 and 14)	(365,234)	393,072	329,693
Share of other comprehensive gain (loss) of an associate (Notes 8 and 14)	1,043,169	(2,083,048)	4,737,990
Income tax relating to components of other comprehensive income (loss) (Note 26)	1,099,025	1,174,531	5,346,748
	66,282,762	(38,314,703)	9,187,512
<i>Items not to be reclassified to profit or loss in subsequent periods</i>			
Share of other comprehensive gain (loss) of an associate (Notes 8 and 14)	(54,681)	193,807	(1,615,082)
Actuarial losses on defined benefit plans - net of tax (Note 23)	(109,651)	(159,390)	—
	(164,332)	34,417	(1,615,082)
	66,118,430	(38,280,286)	7,572,430
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	US\$250,056,444	US\$197,526,230	US\$140,240,004
Attributable To			
Equity holders of the parent	US\$215,027,145	US\$181,716,885	US\$111,093,972
Non-controlling interests	35,029,299	15,809,345	29,146,032
	US\$250,056,444	US\$197,526,230	US\$140,240,004

See accompanying Notes to Consolidated Financial Statements.



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

Attributable to Equity Holders of the Parent (Note 14)													
	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary	Treasury Shares	Excess of Consideration over the Carrying Value of Non-controlling Interests acquired or disposed	Retained Earnings	Perpetual Capital Securities	Other Comprehensive Loss - net	Total	Attributable to Non-controlling Interests (Note 14)	Total Equity
Balance at December 31, 2016	US\$236,222	US\$67,330,188	US\$536,216,117	(US\$72,492,481)	(US\$1,769,114)	(US\$17,904,401)	(US\$142,555,041)	US\$779,439,375	US\$761,341,287	(US\$285,445,364)	US\$1,624,396,788	US\$141,683,210	US\$1,766,079,998
Effect of PFRS 16 adoption in 2019 (Note 3)	—	—	—	—	—	—	—	(384,908,227)	—	81,232,723	(303,675,504)	—	(303,675,504)
Balance at January 1, 2017, as restated	236,222	67,330,188	536,216,117	(72,492,481)	(1,769,114)	(17,904,401)	(142,555,041)	394,531,148	761,341,287	(204,212,641)	1,320,721,284	141,683,210	1,462,404,494
Net income for the year, as restated	—	—	—	—	—	—	—	158,362,465	—	—	158,362,465	25,575,549	183,938,014
Other comprehensive loss (Note 14)	—	—	—	—	—	—	—	—	—	56,664,680	56,664,680	9,453,750	66,118,430
Total comprehensive income for the year (Note 14)	—	—	—	—	—	—	—	158,362,465	—	56,664,680	215,027,145	35,029,299	250,056,444
Cash dividends (Note 14)	—	—	—	—	—	—	—	(100,333,742)	—	—	(100,333,742)	(12,074,496)	(112,408,238)
Distributions on perpetual capital securities (Note 14)	—	—	—	—	—	—	—	(41,578,980)	—	—	(41,578,980)	—	(41,578,980)
Share-based payments (Note 19)	—	—	3,620,110	—	—	—	—	—	—	—	3,620,110	—	3,620,110
Issuance of treasury shares for share-based payments (Notes 14 and 19)	—	—	(1,342,692)	—	—	1,342,692	—	—	—	—	—	—	—
Sale of ICTSI common shares (Note 14)	—	—	9,359,399	—	—	11,069,183	—	—	—	—	20,428,582	—	20,428,582
Issuance and exchange of perpetual capital securities (Note 14)	—	—	—	—	—	(9,566,998)	—	—	—	—	(9,566,998)	—	(9,566,998)
Balance at December 31, 2017	US\$236,222	US\$67,330,188	US\$547,852,934	(US\$72,492,481)	(US\$1,769,114)	(US\$15,059,524)	(US\$142,555,041)	US\$410,980,891	US\$761,341,287	(US\$147,547,961)	US\$1,408,317,401	US\$164,638,013	US\$1,572,955,414



Attributable to Equity Holders of the Parent (Note 14)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary	Treasury Shares	Excess of Consideration over the Carrying Value of Non-controlling Interests acquired or disposed	Retained Earnings	Perpetual Capital Securities	Other Comprehensive Loss - net	Total	Attributable to Non-controlling Interests (Note 14)	Total Equity
Balance at December 31, 2017	US\$236,222	US\$67,330,188	US\$547,852,934	(US\$72,492,481)	(US\$1,769,114)	(US\$15,059,524)	(US\$142,555,041)	US\$819,667,903	US\$761,341,287	(US\$256,622,429)	US\$1,707,929,945	US\$164,638,013	US\$1,872,567,958
Effect of PFRS 16 adoption in 2019 (Note 3)	—	—	—	—	—	—	—	(408,687,012)	—	109,074,468	(299,612,544)	—	(299,612,544)
Balance at January 1, 2018, as restated prior to adoption of PFRS 9	236,222	67,330,188	547,852,934	(72,492,481)	(1,769,114)	(15,059,524)	(142,555,041)	410,980,891	761,341,287	(147,547,961)	1,408,317,401	164,638,013	1,572,955,414
Effect of PFRS 9 adoption in 2018	—	—	—	—	—	—	—	(449,581)	—	—	(449,581)	—	(449,581)
Balance at January 1, 2018, as restated after adoption of PFRS 9	236,222	67,330,188	547,852,934	(72,492,481)	(1,769,114)	(15,059,524)	(142,555,041)	410,531,310	761,341,287	(147,547,961)	1,407,867,820	164,638,013	1,572,505,833
Net income for the year, as restated	—	—	—	—	—	—	—	207,477,473	—	—	207,477,473	28,329,043	235,806,516
Other comprehensive loss (Note 14)	—	—	—	—	—	—	—	—	—	(25,760,588)	(25,760,588)	(12,519,698)	(38,280,286)
Total comprehensive income for the year (Note 14)	—	—	—	—	—	—	—	207,477,473	—	(25,760,588)	181,716,885	15,809,345	197,526,230
Issuance of perpetual capital securities (Note 14)	—	—	—	—	—	—	—	—	392,273,910	—	392,273,910	—	392,273,910
Cash dividends (Note 14)	—	—	—	—	—	—	—	(97,584,250)	—	—	(97,584,250)	(14,943,700)	(112,527,950)
Distributions on perpetual capital securities (Note 14)	—	—	—	—	—	—	—	(60,313,702)	—	—	(60,313,702)	—	(60,313,702)
Acquisition of ICTSI common shares (Note 14)	—	—	—	—	—	(45,329,627)	—	—	—	—	(45,329,627)	—	(45,329,627)
Share-based payments (Note 19)	—	—	3,805,823	—	—	—	—	—	—	—	3,805,823	—	3,805,823
Issuance of treasury shares for share-based payments (Notes 14 and 19)	—	—	(2,277,081)	—	—	2,277,081	—	—	—	—	—	—	—
Balance at December 31, 2018	US\$236,222	US\$67,330,188	US\$549,381,676	(US\$72,492,481)	(US\$1,769,114)	(US\$58,112,070)	(US\$142,555,041)	US\$460,110,831	US\$1,153,615,197	(US\$173,308,549)	US\$1,782,436,859	US\$165,503,658	US\$1,947,940,517
Balance at December 31, 2018, as previously stated	US\$236,222	US\$67,330,188	US\$549,381,676	(US\$72,492,481)	(US\$1,769,114)	(US\$58,112,070)	(US\$142,555,041)	US\$882,814,174	US\$1,153,615,197	(US\$314,752,823)	US\$2,063,695,928	US\$165,503,658	US\$2,229,199,586
Effect of PFRS 16 (Note 3)	—	—	—	—	—	—	—	(422,703,343)	—	141,444,274	(281,259,069)	—	(281,259,069)
Balance at January 1, 2019, as restated	236,222	67,330,188	549,381,676	(72,492,481)	(1,769,114)	(58,112,070)	(142,555,041)	460,110,831	1,153,615,197	(173,308,549)	1,782,436,859	165,503,658	1,947,940,517
Net income for the year	—	—	—	—	—	—	—	100,366,870	—	—	100,366,870	32,300,704	132,667,574
Other comprehensive income (Note 14)	—	—	—	—	—	—	—	—	—	10,727,102	10,727,102	(3,154,672)	7,572,430
Total comprehensive income for the year (Note 14)	—	—	—	—	—	—	—	100,366,870	—	10,727,102	111,093,972	29,146,032	140,240,004
Cash dividends (Note 14)	—	—	—	—	—	—	—	(194,227,725)	—	—	(194,227,725)	(26,124,380)	(220,352,105)
Distributions on perpetual capital securities (Note 14)	—	—	—	—	—	—	—	(60,713,793)	—	—	(60,713,793)	—	(60,713,793)
Share-based payments (Note 19)	—	—	4,363,863	—	—	—	—	—	—	—	4,363,863	—	4,363,863
Issuance of treasury shares for share-based payments (Notes 14 and 19)	—	—	(4,365,640)	—	—	4,365,640	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	(29,266,143)	—	—	—	—	(29,266,143)	—	(29,266,143)
Transactions with non-controlling interests (NCI):													
Acquisition of NCI in BIPI (Note 14.4)	—	—	—	—	—	—	(470,523)	—	—	—	(470,523)	(7,529,477)	(8,000,000)
Restructuring of SBITHI (Note 14.4)	—	—	—	—	—	—	152,559	—	—	—	152,559	(152,559)	—
Transfer of shares to NCI in MITL (Notes 1.2 and 14.4)	—	—	—	—	—	—	(3,774,839)	—	—	—	(3,774,839)	3,774,839	—
Redemption of perpetual securities	—	—	—	—	—	—	—	(4,584,369)	(135,101,631)	—	(139,686,000)	—	(139,686,000)
Balance at December 31, 2019	US\$236,222	US\$67,330,188	US\$549,379,899	(US\$72,492,481)	(US\$1,769,114)	(US\$83,012,573)	(US\$146,647,844)	US\$300,951,814	US\$1,018,513,566	(US\$162,581,447)	US\$1,469,908,230	US\$164,618,113	(US\$1,634,526,343)

See accompanying Notes to Consolidated Financial Statements.



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US\$213,761,821	US\$288,577,834	US\$193,428,454
Adjustments for:			
Depreciation and amortization (Notes 5, 6 and 7)	196,402,389	225,975,590	234,964,577
Interest expense on:			
Borrowings (Notes 15 and 17)	100,413,422	101,309,642	108,201,028
Concession rights payable (Note 5)	33,106,078	37,545,440	40,537,024
Lease liabilities	87,122,732	103,486,069	102,439,467
Loss (gain) on:			
Write-off of debt issuance costs and costs of securing a revolving credit facility due to cancellation (Notes 15 and 20)	3,042,918	7,034,590	2,737,326
Disposal of property and equipment - net (Note 20)	342,344	333,685	(118,749)
Equity in net loss of joint ventures and an associate - net (Note 8)	36,337,377	22,222,236	19,747,127
Impairment losses on goodwill and nonfinancial assets (Notes 5 and 10)	—	5,786,047	156,000,000
Share-based payments (Notes 14 and 19)	3,332,323	3,905,795	4,236,787
Unrealized foreign exchange loss (gain)	281,773	226,052	(10,079,431)
Interest income (Notes 11 and 22)	(21,853,348)	(24,088,787)	(22,763,877)
Dividend income (Note 20)	(198,456)	(179,163)	(6,082)
Operating income before changes in working capital	652,091,373	772,135,030	829,323,651
Decrease (increase) in:			
Receivables	(4,304,192)	(12,054,160)	1,804,075
Prepaid expenses and other current assets	(17,047,419)	(7,794,919)	(22,392,890)
Spare parts and supplies	(3,513,995)	(230,603)	(1,595,010)
Increase in:			
Accounts payable and other current liabilities	32,096,389	16,107,996	4,235,651
Pension liabilities	2,050,136	549,752	3,659,895
Cash generated from operations	661,372,292	768,713,096	815,035,372
Income taxes paid	(55,983,622)	(72,926,146)	(56,193,659)
Net cash flows provided by operating activities	605,388,670	695,786,950	758,841,713
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets (Notes 5 and 24)	(96,594,666)	(171,939,604)	(164,088,221)
Property and equipment (Note 6)	(213,028,926)	(72,953,124)	(59,343,506)
Additional shares in joint ventures and an associate (Notes 1 and 8)	(81,191,619)	(2,338,207)	(50,238,787)
A subsidiary (Note 1)	—	—	(175,194,780)
Proceeds from:			
Disposal of property and equipment (Notes 6 and 20)	901,825	6,478,250	3,588,384
Return of amount paid to Concessionaire (Note 1)	12,500,000	—	—
Interest received	4,102,297	5,638,814	8,067,122
Dividends received	198,456	179,163	6,082
Payments for concession rights	(13,481,693)	(45,106,484)	(18,168,198)
Decrease (increase) in:			
Other noncurrent assets	(9,340,496)	(45,520,033)	(211,173,601)
Advances to a joint venture	(24,995,718)	(2,338,682)	6,957,483
Payment for pre-termination of lease agreement (Note 1)	(11,450,000)	—	—
Net cash flows used in investing activities	(432,380,540)	(327,899,907)	(659,588,022)

(Forward)



	Years Ended December 31		
	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 15)	US\$111,106,280	US\$61,637,183	US\$712,390,058
Issuance of perpetual capital securities (Note 14)	—	392,273,910	—
Short-term borrowings (Note 17)	66,119,186	41,807,933	48,763
Sale of treasury shares (Note 14)	20,428,582	—	—
Payments of:			
Long-term borrowings (Note 15)	(47,667,209)	(208,758,152)	(326,291,565)
Lease liabilities	(301,018)	(4,046,066)	(8,349,175)
Interest on borrowings and concession rights payable	(126,201,898)	(132,749,685)	(140,150,173)
Interest on lease liabilities	(41,076,031)	(49,337,001)	(49,470,812)
Dividends (Note 14)	(112,503,197)	(114,731,592)	(215,499,171)
Short-term borrowings (Note 17)	(44,244,615)	(64,419,585)	(35,623,721)
Redemption of perpetual capital securities (Note 14)	—	—	(139,686,000)
Distributions on perpetual capital securities (Note 14)	(41,578,980)	(60,313,702)	(60,713,793)
Acquisition of non-controlling interests	—	—	(8,000,000)
Acquisition of ICTSI common shares (Note 14)	(9,566,998)	(45,329,627)	(29,266,143)
Decrease in other noncurrent liabilities	(663,258)	(1,970,908)	(4,586,601)
Net cash flows used in financing activities	(226,149,156)	(185,937,292)	(305,198,333)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	7,509,505	(14,297,497)	(6,300,708)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(45,631,521)	167,652,254	(212,245,350)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	325,058,592	279,427,071	447,079,325
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 11)			
	US\$279,427,071	US\$447,079,325	US\$234,833,975

See accompanying Notes to Consolidated Financial Statements.



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

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 Parent Company is ICTSI Administration Building, Manila International Container Terminal 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 3, 2020.

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as "the Group") entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. As at March 3, 2020, the Group is involved in 31 terminal concessions and port development projects in 18 countries worldwide. There are ten terminal operations, including an inland container terminal, a barge terminal and combined terminal operations in Subic in the Philippines, two each in Indonesia, Papua New Guinea (PNG) and Brazil, one each in China, Ecuador, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, Democratic Republic (DR) of Congo, and Australia; and an existing concession to construct, develop and operate a port in Tuxpan, Mexico.

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

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

Phase 1 of the facility consists of two berths that can handle 175,000 twenty-foot equivalent units (TEUs) and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017.



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

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

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

On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port. The Phase 2 expansion project was substantially completed and fully operational in the fourth quarter of 2019 and involved the development of two new berths, Berths 25 and 26, including a 10.2-hectare yard area and installation of three new quay cranes. An additional yard area of 0.9 hectares was further completed in January 2020. This expansion increased the Port’s container handling capacity to 1,200,000 TEUs or by an additional 600,000 TEUs, and its capability to handle large container vessels of up to 10,000 TEUs.

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



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

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100% of the capital stock of Terminal Maritima de Tuxpan, S.A de C.V (TMT) for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares of land owned by TMT. As of March 3, 2020, management is currently working on a development plan on TMT.

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

Davao, Philippines. On April 21, 2006, the Philippine Ports Authority (PPA) granted Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority (HOA) on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. On May 8, 2019, the PPA granted to DIPSSCOR the HOA to operate arrastre, stevedoring and related cargo handling services which was valid from February 27, 2019 until December 31, 2019. As of March 3, 2020, DIPSSCOR has not received a new hold-over authority.

South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of HOA on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On December 3, 2019, the PPA granted to SCIPSI the HOA to operate arrastre, stevedoring and related cargo handling services which was valid from February 25, 2019 until December 31, 2019. As of March 3, 2020, SCIPSI has not received a new hold-over authority.

Port of Portland, Oregon, U.S.A. In October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon, Inc. (ICTSI Oregon) to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. During the latter part of 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. The estimated amount of probable loss from the pre-termination of the lease agreement of US\$23.4 million which includes the cash compensation and the



carrying value of the container handling equipment and spare parts was charged to the 2016 consolidated statement of income (see Note 24.22).

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

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

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

Lekki International Container Terminal Services LFTZ Enterprise, Nigeria. On August 10, 2012, ICTSI, through its wholly-owned subsidiary, Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE), and Lekki Port LFTZ Enterprise (Lekki Port, the Concessionaire) signed the Sub-concession Agreement (Agreement) that grants LICTSLE, as a sub-concessionaire, an exclusive right to develop and operate, and to provide handling equipment and container terminal services at the container terminal within Lekki Port located at Ibeju Lekki, Lagos State, Federal Republic of Nigeria for a period of 21 years. On May 17, 2017, ICTSI and Lekki Port mutually agreed to terminate the Agreement subject to a payment by Lekki Port of an agreed amount. On May 23, 2017, ICTSI received the agreed amounts of US\$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement, and US\$7.5 million representing compensation of costs incurred by ICTSI in relation to the project which was recognized as "Other income" in the 2017 consolidated statement of income (see Notes 20.1 and 24.8). The termination of the Agreement was finalized and deemed effective on May 24, 2017.

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



ICTSI, through its subsidiaries, ISPL, MITL and SPICTL entered into Subscription and Shareholders Agreements (SSA) with the impacted communities (IC) for the management and governance of and the further transfers and/or issues of shares of MITL and SPICTL. The SSAs became effective upon the effectivity of the TOAs.

On August 8, 2019, ISPL entered into agreements with the local Tatana and Baruni communities, represented by Noho-Mage Holdings Limited (Noho-Mage), for the latter to acquire a 30% stake in MITL. In accordance with the agreements, the shares, representing 30% stake in MITL, together with all the benefits and rights attached to those shares, will be transferred to Noho-Mage, following entry of its name in the share register of MITL. On December 20, 2019, 30% of the shares held by ISPL were transferred to Noho-Mage after these shares were entered in MITL's share register under the name of Noho-Mage. The share transfer increased non-controlling interests by US\$3.8 million (PGK12.8 million). After the transfer of shares, ISPL retains 70% ownership stake in MITL.

On February 15, 2020, ISPL entered into share acquisition agreements with the local communities, Ahi Terminal Services Limited (Ahi) and Labu Investment Limited (Labu), for the transfer of SPICTL shares from ISPL to Ahi and Labu with each local community acquiring a 15% stake in SPICTL. The transfer of 30% of SPICTL shares from ISPL to the local communities became effective upon signing of the said agreements. After the transfer of shares, ISPL retains 70% ownership stake in SPICTL.

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

On September 5, 2018, ICTSI has signed an SPA with Harbour Centre Port Terminal, Inc. (HCPTI) for the acquisition of 4,550,000 shares in MNHPI from HCPTI. The subject shares represent 15.17% of the total issued and outstanding shares of MNHPI. The consideration is Php910.0 million (US\$17.3 million). The Philippine Competition Commission and the PPA approved the acquisition of shares on March 15, 2019 and April 26, 2019, respectively. With the approval of the PPA, ICTSI's shareholdings in MNHPI increased from 34.83% to 50% effective on April 26, 2019. An additional investment cost of Php2.7 billion (US\$50.3 million) was incurred in relation to this acquisition.

Port of Port Sudan, Sudan. On January 3, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Middle East DMCC, signed a Concession Agreement with the Sea Ports Corporation of Sudan (SPC) to operate, manage and develop the South Port Container Terminal (SPCT) at Port of Sudan, Republic of the Sudan for 20 years. The Port of Sudan is the only major modern port in the country and serves as the international gateway for more than 95% of Sudan's cargo flows.

Pursuant to the Agreement, ICTSI is required to pay: (a) an upfront fee of EUR530.0 million in installments of EUR410.0 million (US\$467.2 million) and five other installments each in the amount of EUR24.0 (US\$27.3 million) from the third to the seventh operation year; (b) fixed monthly fee; and (c) royalty fee during the concession period. The Agreement is secured by a sovereign guarantee by the Republic of the Sudan. On January 13, 2019, ICTSI paid the initial installment of upfront fee of EUR410.0 million (US\$470.2 million, the "Upfront Fee") and shown



as part of “Other noncurrent assets” (see Note 9). In February 2019, ICTSI established Africa Gateway Terminal (AGT), a Sudanese entity, to operate the container terminal.

On January 8, 2019, the Ministry of Finance and Economic Planning (the “Ministry”) issued a bond (the “Refund Bond”), which was subsequently amended, wherein it agreed to refund the Upfront Fee in case ICTSI is unable to take over operations by April 7, 2019.

On August 7, 2019, due to the ongoing political instability in the Republic of the Sudan and the failure of the Sudanese government to turn over SPCT on or before April 7, 2019, the Sudanese Ministry sent ICTSI a letter confirming: (1) the remittance of EUR195.2 million as partial repayment of the Upfront Fee under the terms of the Refund Bond and (2) that the balance will be repaid as soon as possible. On December 13, 2019, ICTSI, through ICTSI Middle East DMCC, received from the Sudanese Government a second partial repayment of the Upfront Fee in the amount of AED110.2 million (US\$26.8 million). ICTSI continues productive discussions with the Ministry of Finance and Economic Planning of the Republic of the Sudan for the refund of the remaining balance of the Upfront Fee under the terms of the Refund Bond and the status of the Concession Agreement following a letter from SPC regarding its cancellation which ICTSI disputes. ICTSI reserves and continues to reserve its rights under the Concession Agreement.

ICTSI has an excellent track record of managing and making significant investments in container terminal infrastructure and is committed to making the Port of Sudan a leading port and strategic gateway to Africa, benefitting all of its stakeholders.

Port of Rio de Janeiro City, Federative Republic of Brazil. On July 19, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Americas B.V, signed a Share Purchase Agreement with Boreal Empreendimentos e Participações S.A. (Boreal) to acquire 100% of the shares of Libra Terminal Rio S.A. (ICTSI Rio), which holds the concession rights to operate, manage and develop the container terminal Terminal de Contêineres 1 (T1Rio) in the port of Rio de Janeiro City, Federative Republic of Brazil. The concession of T1Rio commenced in 1998 and was extended in 2011 until 2048. On December 12, 2019, the Share Purchase Agreement was completed after all conditions precedent and required regulatory approvals were obtained, and at the same time, the facilities were turned over to ICTSI.

Port of Guayaquil, Ecuador. On December 3, 2019, CGSA and APG signed the addendum to the concession agreement extending the term of the concession until December 2046, from the original term until July 2027. The addendum sets out the revised investment commitments of CGSA and modified the manner of determining the variable fee (see Note 24.4).

1.3 Subsidiaries, Joint Ventures and Associates

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2017		2018		2019	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
<u>Subsidiaries:</u>									
Asia									
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	–	100.00	–	100.00	–
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Mauritius Ltd.	Mauritius	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Aeolina Investments Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Pakistan International Container Terminal (PICT)	Pakistan	Port Management	Pakistani Rupee	–	64.53	–	64.53	–	64.53

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2017		2018		2019	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
IFEL	Singapore	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
NMCTS	Brunei	Port Management	Brunei Dollar	-	100.00	-	100.00	-	100.00
IJP and Subsidiaries	Indonesia	Maritime infrastructure and logistics	US Dollar	-	80.16	-	80.16	-	80.16
OJA	Indonesia	Port Management	US Dollar	-	80.16	-	80.16	-	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	Indonesia	Software Developer	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI (Hong Kong) Limited (IHKL)	Hong Kong	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Yantai International Container Terminals, Limited (YICT)	China	Port Management	Renminbi	-	51.00	-	51.00	-	51.00
Pentland International Holdings, Ltd.	British Virgin Islands	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
Global Procurement Ltd. (formerly ICTSI Poland)	Bermuda	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Honduras Ltd.	Bermuda	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	-	100.00	-	100.00	-	100.00
International Container Terminal Services (India) Private Limited	India	Port Management	Indian Rupee	-	100.00	-	100.00	-	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	-	95.00	-	95.00	-	95.00
Australian International Container Terminals Limited (AICTL)	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 Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	-	100.00	-	100.00	-
Hijo International Port Services, Inc. (HIPS)	Philippines	Port Management	Philippine Peso	-	65.00	-	65.00	-	65.00
DIPSSCOR	Philippines	Port Management	Philippine Peso	-	96.95	-	96.95	-	96.95
IWI Container Terminal Holdings, Inc. (IWI CTHI, formerly ICTSI Warehousing, Inc.)	Philippines	Warehousing	Philippine Peso	100.00	-	100.00	-	100.00	-
IW Cargo Handlers, Inc.	Philippines	Port Equipment Rental	US Dollar	-	100.00	-	100.00	-	100.00
Container Terminal Systems Solutions Philippines, Inc.	Philippines	Software Developer	US Dollar	-	100.00	-	100.00	-	100.00
Bauan International Port, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	-	60.00	-	60.00	-	80.00
Prime Staffers and Selection Bureau, Inc. ^(a)	Philippines	Manpower Recruitment	Philippine Peso	100.00	-	100.00	-	100.00	-
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	100.00	-	100.00	-	-	90.5
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	-	83.33	-	90.5	-
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	-	83.33	-	83.33	-	90.5
Cordilla Properties Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	-	100.00	-	100.00	-
SCIPSI	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38	35.70	14.38
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
Icon Logistiek B.V.	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00
ICTSI Cooperatief	The Netherlands	Holding Company	US Dollar	1.00	99.00	1.00	99.00	1.00	99.00
Global Container Capital, B.V.	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Treasury B.V. (ITBV)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2017		2018		2019	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
ICTSI Americas B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Africa B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Sudan B.V. (formerly ICTSI Cameroon B.V.)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
CMSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Tecplata B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
SPIA Colombia B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
TSSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
CGSA B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
SPIA Spain S.L.	Spain	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
CGSA Transportadora S.L.	Spain	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Crixus Limited	British Virgin Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
VICT	Australia	Port Management	Australian Dollar	–	100.00	–	100.00	–	100.00
Asia Pacific Port Holdings Private Ltd. (APPH) ^(b)	Singapore	Holding Company	US Dollar	–	–	–	–	–	–
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00	–	75.00
IOBV	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Asia Pacific Business Services, Inc. (APBS)	Philippines	Business Process Outsourcing	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Ltd. Regional Operating Headquarters (ROHQ)	Philippines	Regional Operating Headquarters	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Project Delivery Services Co. Pte. Ltd.	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI QFC LLC	Qatar	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI South Asia Pte. Ltd.	Singapore	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
LGICT	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00	–	60.00
ICTSI Middle East DMCC	United Arab Emirates	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Global Cooperatief U.A.	The Netherlands	Holding Company	US Dollar	99.00	1.00	99.00	1.00	99.00	1.00
Consultports S.A. de C.V.	Mexico	BDO	Mexican Peso	–	100.00	–	100.00	–	100.00
Asiastar Consultants Limited ^(a)	Hong Kong	Management Services	US Dollar	–	100.00	–	100.00	–	100.00
CGT	Philippines	Port Management	Philippine Peso	–	100.00	–	100.00	–	100.00
Intermodal Terminal Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
ICTSI Americas B.V. (Multinational Headquarters) ^(a)	Panama	BDO	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI South Pacific Limited ^(a)	Papua New Guinea	Holding Company	Papua New Guinean Kina	–	100.00	–	100.00	–	100.00
MITL ^(a)	Papua New Guinea	Port Management	Papua New Guinean Kina	–	100.00	–	100.00	–	70.00
SPICTL ^(a)	Papua New Guinea	Port Management	Papua New Guinean Kina	–	100.00	–	100.00	–	100.00
Tungsten RE Ltd. ^(a)	Bermuda	Insurance Company	US Dollar	–	100.00	–	100.00	–	100.00

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2017		2018		2019	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Europe, Middle East and Africa (EMEA)									
Tartous International Container Terminal, Inc. (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
Adriatic Gate Container Terminal (AGCT)	Croatia	Port Management	Euro	—	51.00	—	51.00	—	51.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	—	100.00	—	100.00	—	100.00
LICTSLE	Nigeria	Port Management	US Dollar	—	100.00	—	100.00	—	100.00
IDRC	DR Congo	Port Management	US Dollar	—	52.00	—	52.00	—	52.00
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	—	100.00	—	100.00	—	100.00
Africa Gateway Terminal (AGT) ^(f)	Sudan	Port Management	Euro	—	—	—	—	—	100.00
Americas									
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	51.00	49.00	51.00	49.00	51.00	49.00
Contecon Manzanillo S.A. (CMSA) ^(e)	Mexico	Port Management	Mexican Peso	1.00	99.00	1.00	99.00	1.00	99.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	—	100.00	—	100.00	—	100.00
ICTSI Oregon	U.S.A.	Port Management	US Dollar	—	100.00	—	100.00	—	100.00
C. Ultramar, S.A.	Panama	Holding Company	US Dollar	—	100.00	—	100.00	—	100.00
Future Water, S.A.	Panama	Holding Company	US Dollar	—	100.00	—	100.00	—	100.00
Kinston Enterprise, Inc.	Panama	Holding Company	US Dollar	—	100.00	—	100.00	—	100.00
International Ports of South America and Logistics SA	Uruguay	Holding Company	US Dollar	—	100.00	—	100.00	—	100.00
Tecplata S.A. (Tecplata) ^(d)	Argentina	Port Management	US Dollar	—	100.00	—	100.00	—	100.00
Nuevos Puertos S. A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	4.00	96.00	4.00	96.00
Operadora Portuaria Centroamericana, S.A. (OPC)	Honduras	Port Management	US Dollar	30.00	70.00	30.00	70.00	30.00	70.00
TMT	Mexico	Port Management	Mexican Peso	—	100.00	—	100.00	—	100.00
CMSA Servicios Portuarios SA De CV ^(a)	Mexico	Manpower Services	Mexican Peso	—	100.00	—	100.00	—	100.00
CMSA Servicios Profesionales Y De Especialistas SA De CV ^(a)	Mexico	Manpower Services	Mexican Peso	—	100.00	—	100.00	—	100.00
Logipuerto S.A. ^(d)	Ecuador	Logistics Solutions Provider	US Dollar	—	—	—	100.00	—	100.00
ICTSI Rio	Brazil	Port Management	Brazilian Real	—	—	—	—	—	100.00
Joint Ventures:									
Sociedad Puerto Industrial Aguadulce SA (SPIA)	Colombia	Port Management	US Dollar	—	46.30	—	46.30	—	46.30
Falconer Aircraft Management, Inc.(FAMI) ^(d)	Philippines	Aircraft Management	Philippine Peso	—	—	—	49.00	—	49.00
MNHPI ^(c)	Philippines	Port Management	Philippine Peso	34.83	—	34.83	—	50.00	—
Associate:									
Asiaview Realty and Development Corporation (ARDC)	Philippines	Realty	Philippine Peso	—	49.00	—	49.00	—	49.00

^(a) Established in 2017

^(b) Deregistered in 2017

^(c) Acquired 34.83% stake as an associate on October 30, 2017 and additional 15.17% stake as joint venture on April 26, 2019

^(d) Established in 2018

^(e) Changed its functional currency from US Dollar to Mexican Peso on August 31, 2019

^(f) Established in February 2019 and has not yet started commercial operations as of March 3, 2020



1.4 Purchase Price Allocation

On July 19, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Americas B.V, signed a Share Purchase Agreement with Boreal Empreendimentos e Participações S.A. (Boreal) to acquire 100% of the shares of ICTSI Rio. On December 12, 2019, the Share Purchase Agreement was completed after all conditions precedent and required regulatory approvals were obtained, and at the same time, the facilities were turned over to ICTSI.

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

Assets	
Property and equipment	US\$11,245,385
Intangibles	225,454,605
Right-of-use assets	4,806,263
Deferred tax assets	14,777,334
Other noncurrent assets	9,336,812
Cash and cash equivalents	4,522,137
Receivables	3,392,929
Spare parts and supplies	1,307,928
Prepaid expenses and other current assets	9,382,490
	US\$284,225,883
Liabilities	
Concession rights payable	US\$99,997,680
Lease liabilities	4,982,873
Deferred tax liabilities	46,864,417
Accounts payable and other current liabilities	13,045,778
	US\$164,890,748
Total identifiable net assets at fair value	US\$119,335,135
Goodwill arising on acquisition	60,381,782
Purchase consideration transferred and satisfied by cash	US\$179,716,917
Cash paid at acquisition date	US\$179,716,917
Less cash and cash equivalents of ICTSI Rio	4,522,137
Net cash outflow	US\$175,194,780

Gross revenues and net loss attributable to equity holders of the parent of ICTSI Rio from acquisition date to December 31, 2019 amounted to US\$2.6 million (BRL10.2 million) and US\$0.3 million (BRL1.1 million). If the acquisition had taken place at the beginning of the year, consolidated revenues would have been higher by US\$50.9 million (BRL200.8 million) and net income attributable to equity holders of the parent would have been higher by US\$7.6 million (BRL29.8 million) for the year ended December 31, 2019.



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 in 2017, financial assets at FVOCI in 2018 and 2019 and derivative financial instruments, which have been measured at fair value. The Group adopted PFRS 9 effective January 1, 2018 and opted not to restate comparative figures as permitted by the transitional provisions of PFRS 9. 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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in PICT, MTS, AICTL, CTVCC, SBITC, SBITHI, ICTSI Subic, BIPI, DIPSSCOR, YICT, SCIPSI, RCBV, AGCT, IJP, OJA, ITBV, HIPS, APPH (until December 2017), IGFBV, IDRC, LGICT and MITL 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.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. The difference between the fair value of the consideration and book value of the share in the net assets acquired is presented under "Excess of consideration over the carrying value of non-controlling interests acquired or disposed" 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 non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statement of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income (OCI) 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 using uniform accounting policies as those 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 re-assesses 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 "Exchange differences on translation of foreign operations' financial statements" 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 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, Significant Accounting Judgments, Estimates and Assumptions

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 at January 1, 2019:

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee shall recognize a liability to deliver lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees shall be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially similar as compared with the accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to provide more disclosures than under PAS 17. PFRS 16 supersedes PAS 17 *Leases*, Philippine Interpretation IFRIC 4 *Determining whether an Arrangement contains a Lease*, Standard Interpretations Committee (SIC)-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group adopted PFRS 16 using the full retrospective method of adoption with the date of initial application of January 1, 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').



Impact on the consolidated balance sheets as at December 31

	2017 Increase (decrease)	2018 Increase (decrease)
Assets		
Property and equipment - net	(US\$15,219,191)	(US\$10,884,589)
Right-of-use assets - net	659,243,580	590,803,123
Investments in and advances to joint ventures and associates	—	46,024
Deferred tax assets	136,722,318	127,349,063
Total Assets	US\$780,746,707	US\$707,313,621
Equity		
Retained earnings	(408,687,012)	(422,703,343)
Cumulative translation adjustments	109,074,468	141,444,274
Total Equity	(299,612,544)	(281,259,069)
Liabilities		
Accounts payable and other current liabilities	(1,440,050)	(1,401,204)
Current portion of lease liabilities	4,172,624	8,370,713
Lease liabilities - net of current portion	1,177,950,449	1,128,776,410
Other noncurrent liabilities	(100,323,772)	(147,173,229)
Total Liabilities	1,080,359,251	988,572,690
Total Liabilities and Equity	US\$780,746,707	US\$707,313,621

Impact on the consolidated statements of income for the years ended December 31

	2017 Increase (decrease)	2018 Increase (decrease)
Port Authorities' share in gross revenues	(US\$21,307,193)	(US\$24,951,781)
Equipment and facilities-related expenses	(64,124,270)	(88,233,329)
Depreciation and amortization	22,937,721	30,263,874
Equity in net loss of a joint venture	—	(46,024)
Foreign exchange loss	9,872,811	(241,993)
Interest expense on lease liabilities	87,122,732	103,486,069
Income before income tax	(34,501,801)	(20,276,816)
Benefit from deferred income tax	10,723,016	6,260,485
Net income	(US\$23,778,785)	(US\$14,016,331)
Attributable to equity holders of the parent	(US\$23,778,785)	(US\$14,016,331)

Impact on the consolidated statements of other comprehensive income for the years ended December 31

	2017 Increase (decrease)	2018 Increase (decrease)
Net income	(US\$23,778,785)	(US\$14,016,331)
Other comprehensive income	27,841,745	32,369,806
Total comprehensive income	US\$4,062,960	US\$18,353,475
Attributable to equity holders of the parent	US\$4,062,960	US\$18,353,475



Impact on earnings per share for the years ended December 31

	2017	2018
	Increase (decrease)	Increase (decrease)
Basic	(US\$0.01)	(US\$0.01)
Diluted	(US\$0.01)	(US\$0.01)

Impact on the consolidated statements of cash flows for the years ended December 31

	2017	2018
	Increase (decrease)	Increase (decrease)
Net cash flows from operating activities	US\$41,377,049	US\$53,383,067
Net cash flows from financing activities	(41,377,049)	(53,383,067)

Nature of the effect of adoption of PFRS 16

The Group has lease contracts for some of its terminals and facilities. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as fixed and variable rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables accounts, respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied PFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in the consolidated financial statements have been restated.

Significant Judgments and Estimates on Adoption of PFRS 16

The Group has determined that the concession agreements of CMSA, TSSA, VICT, BCT, BICTL, MICTSI, TMT and Tecplata, are within the scope of PFRS 16.

The application of PFRS 16 requires the Group to make significant judgments and estimates related to the determination of the interest rate used for discounting the lease payments. This affects the valuation of the lease liabilities and the valuation of the right-of-use assets.

The present value of the lease payments is determined using the discount rate representing the interest rate applicable to the currency of the lease contract and for similar tenor, adjusted by the credit spread of the entity, observed in the period when the lease contract commences.



Amounts recognized in the consolidated balance sheets

Set-out below are the reconciliation of the Group's right-of-use assets and lease liabilities during the period:

Right-of-use assets

	2017	2018	2019
Balance at beginning of year	US\$654,190,216	US\$659,243,580	US\$590,803,123
Additions	—	3,731,523	569,038
Amortization	(23,505,018)	(31,009,014)	(29,981,819)
Effect of business combination	—	—	4,806,263
Cumulative translation adjustments	28,558,382	(41,162,966)	9,401,657
Balance at end of year	US\$659,243,580	US\$590,803,123	US\$575,598,262

Lease liabilities

	2017	2018	2019
Balance at beginning of year	US\$1,084,666,061	US\$1,182,123,073	US\$1,137,147,123
Interest expense	87,122,732	103,486,069	102,439,467
Payments	(41,377,049)	(53,383,067)	(57,819,987)
Effect of business combination	—	—	4,982,873
Additions	—	—	569,038
Foreign exchange differences	51,711,329	(95,078,952)	1,856,654
Balance at end of year	US\$1,182,123,073	US\$1,137,147,123	US\$1,189,175,168
Current portion of lease liabilities	US\$4,172,624	US\$8,370,713	US\$19,458,157
Lease liabilities - net of current portion	1,177,950,449	1,128,776,410	1,169,717,011
Balance at end of year	US\$1,182,123,073	US\$1,137,147,123	US\$1,189,175,168

Summarized below are the amounts recognized in the consolidated profit or loss:

	2017	2018	2019
Amortization of right-of-use assets	US\$23,505,018	US\$31,009,014	US\$29,981,819
Interest expense on lease liabilities	87,122,732	103,486,069	102,439,467
Lease expense not included in the measurement of lease liabilities (under Port Authorities' share in gross revenues)	17,708,343	13,940,200	13,875,594
Lease expense on short-term leases exempted from IFRS 16 classified under:			
Equipment and facilities-related expenses	1,645,919	1,489,634	1,634,752
Administrative and other operating expenses	172,620	174,323	184,460
Lease expense on low value assets exempted from IFRS 16 classified under:			
Equipment and facilities-related expenses	—	2,883	16,193
Administrative and other operating expenses	7,084	30,759	5,731

Maturity profile

The minimum lease payments pertaining to lease liabilities as at December 31, 2019 are as follows:

	Amount
2020	US\$99,547,602
2021	116,910,604
2022	122,046,649
2023	124,861,898
2024 onwards	2,271,007,988
Total	US\$2,734,374,741



Lease commitments of the Group that are not reflected in the measurement of lease liabilities

The Group is exposed to future cash outflows that are not yet reflected in the measurement of the lease liabilities since the leases have not yet commenced:

	Amount
2020	US\$3,778,119
2021	12,330,852
2022	24,745,066
2023	25,597,989
2024 onwards	269,268,795
Total	US\$335,720,821

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

- *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
 - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
 - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.



- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments did not have significant impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Upon adoption of the Interpretation, the Group applied significant judgement in identifying any uncertainties over its income tax treatments especially that the Group operates in a complex multinational environment. The Group assessed that the Interpretation did not have significant impact on the consolidated financial statements.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.



An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group.

- *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

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

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, that can have significant effects on the amounts recognized in the consolidated financial statements:

Determination of Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3. Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of



activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

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 (see Note 1.3). CMSA changed its functional currency from US dollar to Mexican Peso on August 31, 2019 as there was a change in the currency that primarily influences its revenue and expenses, and cash flows.

Service Concession Arrangements. The Group has determined that the concession contracts of the Parent Company, SBITC, MICTSL, CGSA, Tecplata, AGCT, ICTSI Subic, LICTSLE (until May 24, 2017), PICT, OPC, ICTSI Iraq, SPICTL, MITL and ICTSI Rio 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 at December 31, 2017, 2018 and 2019 are presented in Note 5 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.

Revenue from contracts with customers (applicable starting January 1, 2018 upon the adoption of PFRS 15)

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*
The Group provides port services, mainly cargo handling, to its customers. The Group has determined that each of the services are capable of being distinct.
- *Determining the transaction price*
The Group determined that the transaction price is in accordance with the tariff rates published by port authorities in certain jurisdictions or agreed rates with the customers.
- *Determining the timing of satisfaction of port services*
The Group concluded that the revenue for port operations is to be recognized when the services are rendered.

Deferred Tax Assets. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized as at December 31, 2017, 2018 and 2019 are disclosed in Note 21 to the consolidated financial statements. Unrecognized deferred tax assets on net operating loss carry-over (NOLCO) and other losses of certain subsidiaries amounted to US\$3.0 million, US\$3.3 million and US\$26.6 million as at December 31, 2017, 2018 and 2019, respectively. These losses relate to subsidiaries that have a history of losses and may not be used to offset



taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

Determination of uncertainties over its income tax treatments. Upon adoption of the Interpretation, the Group applied significant judgement in identifying any uncertainties over its income tax treatments especially that the Group operates in a complex multinational environment. The Group assessed that the Interpretation did not have significant impact on the consolidated financial statements.

Contingencies. The Group is currently a party in a number of legal cases and negotiations involving cargo, labor, tax, contracts and other issues. The Group's estimate of the probable costs for the resolution of these cases and negotiations has been developed in consultation with outside counsels handling the defense for these matters and is based upon an analysis of probable 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 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\$29.8 million, US\$20.3 million and US\$16.2 million as at December 31, 2017, 2018 and 2019, respectively (see Notes 18 and 25).

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 initial 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 at December 31, 2017, 2018 and 2019 are disclosed in Note 5 to the consolidated financial statements.

Right-of-use Assets. The determination of the initial cost of right-of-use assets on lease arrangements requires management to make estimates and assumptions. 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 right-of-use assets as at December 31, 2017, 2018 and 2019 amounted to US\$659.2 million, US\$590.8 million, and US\$575.6 million, respectively.

Determination of Fair Values of Identifiable Assets and Liabilities. In the process of determining the goodwill in relation to the Group's acquisition of an associate and a subsidiary, management uses estimates and assumptions in determining the fair value of identifiable assets and liabilities of the associate. Management is required to use a suitable discount rate and determine the present of value of 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 goodwill and the share in the fair values of identifiable assets and liabilities of MNHPI and ICTSI Rio are disclosed in Note 8 and Note 1 to the consolidated financial statements, respectively.

Construction Revenue and Cost Recognition. The Group's revenue from construction services in relation to its service concession arrangement is recognized using the input 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, right-of-use assets, investment properties, and investments in a joint venture and associates.

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 right-of-use assets, intangible assets, including intangible assets not yet available for use, property and equipment, investment properties and investments in and advances to joint ventures and associates are disclosed in Notes 3, 5, 6, 7 and 8 to the consolidated financial statements, respectively. There are no impairment losses on nonfinancial assets in 2017 and 2018. Impairment loss on nonfinancial assets recognized in 2019 amounted to US\$156.0 million (see Notes 5 and 10).

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.

The carrying amounts of goodwill as at December 31, 2017, 2018 and 2019 are disclosed in Note 5 to the consolidated financial statements. There are no impairment losses on goodwill recognized in 2017 and 2019. Impairment loss on goodwill recognized in 2018 amounted to US\$5.8 million (see Notes 5 and 10).



Estimating Useful Lives. Management determines the estimated useful lives and the related depreciation and amortization charges for its concession rights, computer software, 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, computer software, 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 intangible assets (including 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 5, 6 and 7 to the consolidated financial statements, respectively.

Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 26 to the consolidated financial statements.

Estimating Allowance for Doubtful Accounts (applicable until December 31, 2017 prior to the adoption of PFRS 9). 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, and 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 at December 31, 2017, 2018 and 2019 amounted to US\$35.7 million, US\$34.0 million and US\$37.1 million, respectively.

The cost of these spare parts and supplies amounted to US\$40.1 million, US\$38.3 million and US\$41.6 million as at December 31, 2017, 2018 and 2019, respectively.

Write-downs of spare parts and supplies charged to the consolidated statements of income amounted to US\$2.5 million in 2017, US\$0.4 million in 2018 and US\$1.5 million in 2019.

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 23 and included among others, discount rate and future salary increases. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in other comprehensive income and are not reclassified to profit or loss in subsequent 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.

The carrying values of pension assets and pension liabilities as at December 31, 2017, 2018 and 2019 are disclosed in Note 23 to the consolidated financial statements.

Definition of Default and Credit-impaired Financial Assets (applicable starting January 1, 2018 upon the adoption of PFRS 9)

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when a customer is more than 120 days past due on its contractual obligations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate Company's expected loss.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

Measurement of expected credit losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, or an approximation thereof. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Inputs, assumptions and estimation techniques

General approach for debt financial assets measured at amortized cost other than trade receivables. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is



considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default.* The PD represents the likelihood of a debtor or customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on available market data using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default.* LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).
- *Exposure at default.* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified approach for trade receivables. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and geography).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.



To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group considers macro-economic factors such as GDP growth rates and inflation rates of selected countries in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Grouping of instruments for losses measured on collective basis. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The Group considers in its collective assessment the type of customers and its geographical location.

The appropriateness of groupings is monitored and reviewed on a periodic basis by Group. In 2018 and 2019, the total gross carrying amount of loans and receivables for which lifetime ECLs have been measured on a collective basis amounted to US\$113.7 million and US\$107.2 million, respectively.

The carrying values of receivables and the related allowance for credit losses of the Group are disclosed in Note 12.

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 Combinations 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 the 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 when the Group effectively 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 (concession rights) and under construction (contract assets), 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 routine 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 3 to 36 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, excluding those considered as integral part of property and equipment, 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.

Contract Assets (applicable starting January 1, 2018 upon the adoption of PFRS 15)

Contract assets, classified as part of concession rights, refer to on-going construction and upgrade services on concession arrangements under the scope of IFRIC 12.

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 non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling 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; and 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 in the consolidated statement of 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 non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures



used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then 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 year during which the combination has occurred 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 for 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 gain or loss in the consolidated statement of income.

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

Acquisition of Assets

When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.



Property and Equipment

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 available for use 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:

Land improvements	7-25 years
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	5-25 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 available 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. Spare parts are classified as property and equipment if the expected time of use is more than twelve months and provided that the capitalization thresholds are met.

Borrowing Costs

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, including interest in respect of lease liabilities recognized in accordance with PFRS 16. 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.

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term ranging from 3 to 36 years. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments



that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities 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 lease liabilities. Otherwise, these are classified as noncurrent liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense 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.

Investment Properties

Investment properties consisting mainly of land and improvements and buildings are initially measured at cost including transaction costs. Subsequent to initial recognition, improvements and buildings 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 an 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.

Investments in Joint Ventures and in Associates

Investment in associates 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.



A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the cost of investment in associates and joint ventures is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates and the joint ventures. Goodwill, if any, relating to associates or joint ventures 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 associates and joint ventures. Where there has been a change recognized directly in the equity of the associates and the joint ventures, 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 associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

The reporting dates of the associates, the joint ventures and the Parent Company are identical and the accounting policies of the associates and joint ventures conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and its carrying value, and then recognizes the loss as "Equity in net loss of joint ventures and an associate" in the consolidated statement of income.

Upon loss of joint control over the joint venture and loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associates upon loss of joint control and significant influence, respectively, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Impairment of Nonfinancial Assets

Intangibles, except intangibles not yet brought into use, property and equipment, right-of-use assets, investment properties, and investment in associates and joint ventures 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 costs of disposal 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 costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less costs of disposal 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 of disposal, 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 spare parts and supplies, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

For these nonfinancial 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.

Investments in Joint Ventures and in Associates. 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 associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that the investment in joint ventures and in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and joint ventures and the carrying amount of the investment, and recognizes the amount in the consolidated statement of income. The Group's investment in ARDC has been fully provided with an allowance for probable loss (see Note 8).



Fair Value Measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of non-financial assets such as investment properties and financial instruments measured at amortized cost are disclosed in Notes 7 and 26.1, respectively.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments – Classification and Measurement (*applicable starting January 1, 2018 upon the adoption of PFRS 9*)

Classification of financial assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for



managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash in banks (see Note 11), trade receivables (see Note 12), and receivables from related parties (see Note 22).



Financial assets at fair value through other comprehensive income (FVOCI)

Debt instruments. A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2018 and 2019, the Group does not have debt instruments at FVOCI.

Equity instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of December 31, 2018 and 2019, the Group elected to classify irrevocably all equity investments as financial asset at FVOCI (see Note 9).

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statements of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVTPL consists of derivative instruments not designated under hedge accounting (see Note 26).



Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of financial instruments (*applicable starting January 1, 2018 upon the adoption of PFRS 9*)

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets (*applicable starting January 1, 2018 upon the adoption of PFRS 9*)

PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and



- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowance

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Determining the stage for impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the



date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Write-off policy

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Financial Instruments (applicable until December 31, 2017 prior to the adoption of PFRS 9)

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 (FVTPL).

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 FVTPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. Financial liabilities are classified as either financial liabilities at FVTPL 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 2017.

Financial Assets and Financial Liabilities at FVTPL. These include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVTPL. 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 FVTPL 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 FVTPL 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 Notes 9, 16 and 26).

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. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similar to cash flow hedges.

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 FVTPL.

Subsequent re-assessment 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 re-assessment 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 rate (EIR) method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR 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 EIR 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 had 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 OCI. 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 on the investments is reported as interest income using the EIR method. 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.

As of December 31, 2017, 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 FVTPL 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, other noncurrent 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.

An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 EIR 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 ownership of the asset; or b) has neither transferred nor retained substantially all the risks and rewards of ownership 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 ownership 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. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

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. The Group has currently enforceable right when if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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 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 and 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, write-downs are made for the differences between the cost and the net realizable value.

Prepaid Expenses and Other Current Assets

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 Port Fees, Insurance, Bonds and Other Expenses, and Advance Rent and Deposits.

Prepaid insurance, port fees, bonds and other expenses, and advance rent and non-refundable 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 Credits. Tax credits granted and tax credit certificates are issued by tax authorities in lieu of tax refunds, which can be used to offset against future tax liabilities and customs duties. In some jurisdictions, tax credit certificates can be sold or exchanged for cash and cash equivalents.

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.

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.

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 Parent Company’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 Parent Company and no dividends are allocated to them respectively. Shares vested during the reporting period are satisfied with treasury shares.

Retained Earnings

Retained earnings are the result of Group’s accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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 at the balance sheet date. All foreign currency differences are taken to the consolidated statement of income 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 statement of income items as at and for the years ended December 31:

	2017		2018		2019	
	Closing	Average	Closing	Average	Closing	Average
Foreign currency to 1 unit of						
US dollar (USD or US\$):						
Argentine peso (AR\$)	18.623	16.562	37.668	28.102	59.873	48.366
Australian dollar (AUD)	1.281	1.304	1.419	1.338	1.424	1.438
Brazilian real (BRL or R\$)	3.313	3.193	3.881	3.657	4.025	3.947
Brunei dollar (BND or B\$)	1.338	1.381	1.371	1.344	1.345	1.366
Chinese renminbi (RMB)	6.507	6.756	6.879	6.620	6.963	6.908
Colombian peso (COP)	2,985.780	2,952.400	3,254.250	2,955.553	3,287.230	3,282.870
Euro (EUR or €)	0.833	0.885	0.872	0.847	0.892	0.893
Georgian lari (GEL)	2.596	2.508	2.675	2.535	2.863	2.818
Honduran lempira (HNL)	23.588	23.485	24.339	23.906	24.629	24.572
Hong Kong dollar (HKD)	7.814	7.792	7.832	7.838	7.791	7.835
Croatian kuna (HRK)	6.192	6.621	6.463	6.289	6.634	6.628
Indian rupee (INR)	63.873	65.125	69.768	68.379	71.380	70.408
Indonesian rupiah (IDR or Rp)	13,555.000	13,382.000	14,390.000	14,243.000	13,866.000	14,142.000
Iraqi dinar (IQD)	1,176.526	1,186.463	1,192.682	1,188.468	1,182.872	1,187.112
Malagasy ariary (MGA)	3,242.950	3,137.360	3,496.770	3,349.826	3,630.000	3,644.020
Mexican peso (MXN)	19.659	18.920	19.650	19.233	18.927	19.248
Pakistani rupee (PKR or Rs)	110.700	105.347	139.800	121.785	154.874	150.356
Papua New Guinean kina (PGK)	3.218	3.187	3.369	3.292	3.383	3.385
Philippine peso (₱)	49.930	50.400	52.580	52.676	50.635	51.793
Polish zloty (PLN)	3.484	3.777	3.737	3.613	3.794	3.839
Singaporean dollar (SGD)	1.336	1.381	1.363	1.349	1.346	1.364
South African rand (ZAR)	12.383	13.310	14.347	13.253	14.000	14.450
United Arab Emirates dirham (AED)	3.673	3.673	3.673	3.673	3.673	3.673

Starting 2018, Argentina's economy has been considered as hyperinflationary. Accordingly, companies in Argentina whose functional currency is AR\$ are required to apply PAS 29, *Financial Reporting in Hyperinflationary Economies*. As of December 31, 2019, the functional currency of Tecplata remains to be US\$.

Determination of and Change in Functional Currency

Functional currency is the currency of the primary economic environment in which the entity operates, which is normally the one in which it primarily generates and expends cash. The Group considers the following factors in determining its functional currency:

- a) the currency:
 - a. that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and
 - b. of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.
- b) the currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

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 adjustments 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*. 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. 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 re-assessed and adjusted, if necessary.

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



Pension Benefits

Defined Benefit Plans. The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, ROHQ, MTS, IJP, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA, CMSA Servicios Portuarios SA De CV, CMSA Servicios Profesionales Y De Especialistas SA De CV, ICTSI Iraq and APBS have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The pension plans of the Parent Company, BIPI, DIPSSCOR, SBITC and SCIPSI 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.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between the return on plan assets and interest income and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined Contribution Plan. YICT, 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 (applicable starting January 1, 2018 upon the adoption of PFRS 15)

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 incentives, output tax, and other sales taxes or duties. 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:

Revenue Contract with Customer

Gross Revenues from Port Operations. Revenue, net of any incentives, is generally recognized when the services are rendered. The performance obligations are satisfied and payment is generally due upon completion and billing of the services. In circumstances wherein the collection is not certain, the Group makes an assessment of the probability of collecting the consideration to which it will be entitled in exchange for the services that it performed. In evaluating whether collectibility of an amount of consideration is probable, the Group considers the customer's ability and intention to pay the amount of consideration when it becomes due.

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.

Revenue Recognition (applicable until December 31, 2017 prior to the adoption of PFRS 15)

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

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 the Board 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.

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 cost relating to construction or upgrade services by reference to the stage of completion of the contract in accordance with PAS 11.



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 initially recognized as a liability in the consolidated balance sheet and recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to the acquisition or construction of a fixed asset, it is initially recognized as a liability in the consolidated balance sheet and recognized as income in equal amounts over the period of depreciation 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 revenues 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 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 include costs of administering the business as incurred by administrative and corporate 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 costs of business development offices in relation to the acquisition of new terminals or projects under exploratory stage.

Taxes

Current 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 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and 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 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 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 re-assessed 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 treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period; otherwise, these shall be recognized in profit or loss.

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*, 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, the Middle East and Africa (EMEA), and Americas. Financial information on geographical segments is presented in Note 4 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 at December 31, 2019 are listed below. The Group intends to adopt the following pronouncements when they become effective.

Deferred

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
On January 13, 2016, the FSRC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The amendments will apply in future transactions of the Group.

Effective January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The Group does not expect any significant impact of adopting these amendments.



Effective beginning on or after January 1, 2021

- **PFRS 17, *Insurance Contracts***
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. The new standard is not applicable to the Group.

4. Segment Information

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

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

- **Asia** - includes Manila International Container Terminal (MICT), BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic, HIPS, MICTSI, LGICT, CGT and MNHPI in the Philippines; YICT in China; OJA, IJP and MTS in Indonesia; VICT in Australia; NMCTS in Brunei; PICT in Pakistan; MITL and SPICTL in PNG; and AICTL, ICTHI, ICTSI Ltd. and other holding companies and those companies incorporated in The Netherlands for the purpose of supporting the funding requirements of the Group;
- **EMEA** - includes BCT in Poland, BICTL in Georgia, AGCT in Croatia, MICTSL in Madagascar, LICTSLE in Nigeria, IDRC in DR Congo, ICTSI Iraq in Iraq and AGT in Sudan; and
- **Americas** - includes TSSA and ICTSI Rio in Brazil, CGSA in Ecuador, SPIA in Colombia, Tecplata in Argentina, CMSA and TMT in Mexico, OPC in Honduras and ICTSI Oregon in Oregon, U.S.A.

Management monitors the operating results of each 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 at and for the years ended December 31:

2017 (As restated- see Note 3)				
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	4,815,905	1,481,973	2,855,580	9,153,458
Gross revenues	US\$591,246,219	US\$251,809,694	US\$401,382,294	US\$1,244,438,207
Capital expenditures ^(b)	210,519,043	23,085,986	74,241,270	307,846,299
Other information:				
Segment assets ^(c)	2,803,492,744	473,732,265	1,626,381,627	4,903,606,636
Segment liabilities ^(d)	2,367,725,237	132,257,819	968,467,275	3,468,450,331

2018 (As restated- see Note 3)				
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	5,237,452	1,563,888	2,935,281	9,736,621
Gross revenues	US\$694,299,542	US\$284,414,457	US\$407,070,748	US\$1,385,784,747
Capital expenditures ^(b)	110,892,716	70,068,704	84,718,126	265,679,546
Other information:				
Segment assets ^(c)	3,090,097,425	512,328,397	1,522,184,139	5,124,609,961
Segment liabilities ^(d)	2,414,557,578	144,577,291	767,218,262	3,326,353,131

2019				
	Asia	EMEA	Americas	Consolidated
Volume ^(a)	5,403,839	1,794,327	2,979,852	10,178,018
Gross revenues	US\$748,585,117	US\$310,072,688	US\$422,753,813	US\$1,481,411,618
Capital expenditures ^(b)	117,731,469	54,243,679	70,525,050	242,500,198
Other information:				
Segment assets ^(c)	2,981,506,846	747,594,125	1,700,401,929	5,429,502,900
Segment liabilities ^(d)	2,917,829,781	127,314,528	867,664,810	3,912,809,119

^(a) Measured in TEUs.

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

^(c) Segment assets do not include deferred tax assets amounting to US\$247.8 million, US\$285.6 and US\$300.7 million as at December 31, 2017, 2018 and 2019, respectively.

^(d) Segment liabilities do not include income tax payable amounting to US\$29.5 million, US\$31.6 million, and US\$39.3 million, and deferred tax liabilities amounting to US\$80.5 million, US\$104.3 million and US\$143.5 million as at December 31, 2017, 2018 and 2019, 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 years ended December 31:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Net income attributable to equity holders of the parent	US\$158,362,465	US\$207,477,473	US\$100,366,870
Non-controlling interests	25,575,549	28,329,043	32,300,704
Provision for income tax	29,823,807	52,771,318	60,760,880
Income before income tax	213,761,821	288,577,834	193,428,454
Add (deduct):			
Depreciation and amortization	196,402,389	225,975,590	234,964,577
Interest and other expenses ^(a)	303,785,625	296,809,619	453,615,073
Interest and other income ^(b)	(50,506,815)	(55,957,306)	(51,864,595)
EBITDA ^(c)	US\$663,443,020	US\$755,405,737	US\$830,143,509

^(a) Interest and other expenses include the following as shown in the consolidated statements of income: foreign exchange loss; interest expense on concession rights payable and lease liabilities; interest expense and financing charges on borrowings; impairment losses on goodwill and nonfinancial assets; equity in net loss of joint ventures and an associate; and other expenses.

^(b) Interest and other income include the following as shown in the consolidated statements 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 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 fixed port fees and leases that are capitalized as concession assets under IFRIC 12 and right-of-use assets under PFRS 16;
- EBITDA does not reflect the interest expense, or cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

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

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 35.9 percent, 36.8 percent and 36.7 percent of the consolidated gross revenues from port operations for the years ended December 31, 2017, 2018 and 2019, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 64.1 percent, 63.2 percent and 63.3 percent of the consolidated gross revenues from port operations for the years ended December 31, 2017, 2018 and 2019, respectively.



5. Intangibles

This account consists of:

2017							
	Concession Rights (see Note 24)				Computer Software	Goodwill	Total
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal			
Cost							
Balance at beginning of year	US\$298,810,749	US\$549,311,243	US\$1,408,029,366	US\$2,256,151,358	US\$44,859,595	US\$126,454,791	US\$2,427,465,744
Acquisitions or additions	31,825	–	109,458,821	109,490,646	2,182,645	–	111,673,291
Disposals	–	–	–	–	(12,479)	–	(12,479)
Termination of contracts (see Note 1.2)	(16,738,959)	–	–	(16,738,959)	(489,789)	–	(17,228,748)
Transfers from other accounts (see Notes 6 and 9)	–	–	14,163,889	14,163,889	8,356,744	–	22,520,633
Translation adjustments	6,294,649	2,868,427	556,186	9,719,262	3,551,071	1,375,267	14,645,600
Balance at end of year	288,398,264	552,179,670	1,532,208,262	2,372,786,196	58,447,787	127,830,058	2,559,064,041
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	92,646,595	121,345,546	337,050,804	551,042,945	22,699,768	64,985,984	638,728,697
Amortization for the year	10,321,295	23,060,424	57,581,598	90,963,317	9,317,360	–	100,280,677
Disposals	–	–	–	–	(12,237)	–	(12,237)
Termination of contracts (see Note 1.2)	(988,389)	–	–	(988,389)	(489,789)	–	(1,478,178)
Translation adjustments	1,066,800	789,201	1,925,894	3,781,895	2,050,763	–	5,832,658
Balance at end of year	103,046,301	145,195,171	396,558,296	644,799,768	33,565,865	64,985,984	743,351,617
Net Book Value	US\$185,351,963	US\$406,984,499	US\$1,135,649,966	US\$1,727,986,428	US\$24,881,922	US\$62,844,074	US\$1,815,712,424

2018							
	Concession Rights (see Note 24)				Computer Software	Goodwill	Total
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal			
Cost							
Balance at beginning of year	US\$288,398,264	US\$552,179,670	US\$1,532,208,262	US\$2,372,786,196	US\$58,447,787	US\$127,830,058	US\$2,559,064,041
Acquisitions or additions	28,171,046	111,606,482	144,942,204	284,719,732	878,928	–	285,598,660
Transfers from (to) other accounts (see Notes 6 and 9)	–	–	(9,309,831)	(9,309,831)	9,839,247	–	529,416
Translation adjustments	(12,320,425)	(7,106,223)	(14,088,363)	(33,515,011)	(1,879,895)	(7,370,444)	(42,765,350)
Balance at end of year	304,248,885	656,679,929	1,653,752,272	2,614,681,086	67,286,067	120,459,614	2,802,426,767
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	103,046,301	145,195,171	396,558,296	644,799,768	33,565,865	64,985,984	743,351,617
Amortization for the year	10,333,719	25,463,710	62,985,189	98,782,618	8,570,392	–	107,353,010
Impairment loss for the year (see Notes 5 and 10)	–	–	–	–	–	5,786,047	5,786,047
Transfers to other accounts (see Note 6)	–	–	–	–	(3,699,777)	–	(3,699,777)
Translation adjustments	(4,064,759)	(3,019,904)	(7,886,586)	(14,971,249)	(1,050,376)	10,544	(16,011,081)
Balance at end of year	109,315,261	167,638,977	451,656,899	728,611,137	37,386,104	70,782,575	836,779,816
Net Book Value	US\$194,933,624	US\$489,040,952	US\$1,202,095,373	US\$1,886,069,949	US\$29,899,963	US\$49,677,039	US\$1,965,646,951

2019							
	Concession Rights (see Note 24)				Computer Software	Goodwill	Total
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal			
Cost							
Balance at beginning of year	US\$304,248,885	US\$656,679,929	US\$1,653,752,272	US\$2,614,681,086	US\$67,286,067	US\$120,459,614	US\$2,802,426,767
Acquisitions or additions	–	33,016,365	165,571,229	198,587,594	657,484	–	199,245,078
Transfers from (to) other accounts (see Notes 6 and 9)	–	–	(8,750,793)	(8,750,793)	1,424,994	–	(7,325,799)
Effect of business combination	–	122,437,834	149,095,065	271,532,899	8,990,238	60,381,782	340,904,919
Translation adjustments	(2,410,672)	534,681	(1,237,698)	(3,113,689)	(2,293,734)	(1,035,973)	(6,443,396)
Balance at end of year	301,838,213	812,668,809	1,958,430,075	3,072,937,097	76,065,049	179,805,423	3,328,807,569
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	109,315,261	167,638,977	451,656,899	728,611,137	37,386,104	70,782,575	836,779,816
Amortization for the year	10,032,101	27,080,649	69,445,141	106,557,891	8,946,146	–	115,504,037
Impairment loss for the year (see Notes 5 and 10)	–	–	156,000,000	156,000,000	–	–	156,000,000
Effect of business combination	–	12,275,287	36,996,199	49,271,486	5,797,046	–	55,068,532
Translation adjustments	(1,023,530)	(954,763)	(2,322,148)	(4,300,441)	(978,152)	222,677	(5,055,916)
Balance at end of year	118,323,832	206,040,150	711,776,091	1,036,140,073	51,151,144	71,005,252	1,158,296,469
Net Book Value	US\$183,514,381	US\$606,628,659	US\$1,246,653,984	US\$2,036,797,024	US\$24,913,905	US\$108,800,171	US\$2,170,511,100



Concession Rights

Additions to concession rights under port infrastructure pertain to acquisitions of port equipment and construction mainly in MICT, ICTSI Iraq and OPC in 2017. In 2018, additions to concession rights mainly pertain to acquisition of the terminal operating agreements, including acquisition of port facilities and equipment in SPICTL and MITL and acquisition of port facilities and equipment in OPC, MICT and ICTSI Iraq. Additions to concession rights under port infrastructure in 2019 mainly pertain to construction of various civil works and acquisitions of port facilities and equipment in ICTSI, OPC, BGT and PNG entities, and recognition of additional capitalized fixed fees in CGSA arising from the extension of the concession period and acquisition of ICTSI Rio (see Note 24). 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 on Nonfinancial Assets (see Note 10).

The reduction in concession rights under upfront fees pertains to the termination of the Sub-concession Agreement of LICTSLE and lease agreement of ICTSI Oregon amounting to US\$12.5 million and US\$4.2 million in 2017, respectively (see Note 1.2).

Concession rights have remaining amortization periods ranging from 3 to 36 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 and upfront fees as at December 31, 2019 are as follows:

	Amount
2020	US\$9,083,670
2021	15,696,689
2022	16,851,144
2023	17,365,855
2024 onwards	601,743,150
Total	US\$660,740,508

Interest expense on concession rights payable amounted to US\$33.1 million in 2017, US\$37.5 million in 2018 and US\$40.5 million in 2019.

Capitalized borrowing costs amounted to US\$0.5 million in 2017 at a capitalization rate of 2.40 to 2.80 percent, US\$1.8 million in 2018 at a capitalization rate of 3.50 to 7.00 percent and US\$1.7 million in 2019 at a capitalization rate of 7.0 percent. Unamortized borrowing costs amounted to US\$108.2 million, US\$106.9 million and US\$106.6 million as at December 31, 2017, 2018 and 2019, respectively.

Nonfinancial Assets of Tecplata. In 2019, an impairment charge of US\$156.0 million was recorded in respect of the Group's concession right assets consisting of port infrastructure in Tecplata based on value-in-use calculation using discounted cash flows throughout the estimated period of concession. The remaining carrying value of Tecplata's concession right assets after the impairment charge is US\$134.3 million. The reportable segment of Tecplata is Americas. The impairment charge in Tecplata was a result of lower projected cash flows arising from the current unfavorable economic conditions in Argentina.

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 that is also based on the industry's WACC. Management assumed a discount rate of 14.95% percent for Tecplata as at



December 31, 2019. Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use.

Computer Software

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

Goodwill

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

	2017	2018	2019
ICTSI Rio (see Note 1.4)	US\$–	US\$–	US\$61,757,061
PICT	27,462,533	21,746,214	19,629,689
AGCT	17,728,394	16,986,890	16,547,252
YICT	10,132,830	9,585,269	9,468,674
DIPSSCOR	6,104,243	–	–
Others	1,416,074	1,358,666	1,397,495
	US\$62,844,074	US\$49,677,039	US\$108,800,171

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

Goodwill of DIPSSCOR. In 2018, an impairment charge of US\$5.8 million was recorded in respect of the Group's goodwill in DIPSSCOR based on value-in-use calculation using discounted cash flows throughout the estimated period of concession. The remaining carrying value of goodwill in DIPSSCOR after the impairment charge is nil. The reportable segment of DIPSSCOR is Asia. The impairment charge in DIPSSCOR was a result of lower projected cash flows as DIPSSCOR's concession contract ended in April 2016 and is currently operating on the basis of hold-over authority granted by the PPA (see Note 3).

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). Management assumed a discount rate of 10.34 percent for DIPSSCOR as at December 31, 2018. Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use.



6. Property and Equipment

This account consists of:

2017 (As restated- see Note 3)									
	Land and Land Improvements	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\$96,951,119	US\$313,100,191	US\$614,336,505	US\$52,011,360	US\$47,766,482	US\$26,902,905	US\$4,966,530	US\$557,250,105	US\$1,713,285,197
Effect of PFRS 16 (Note 3)	(1,036,055)	(13,682,048)	—	—	—	—	—	—	(14,718,103)
Restated balances	95,915,064	299,418,143	614,336,505	52,011,360	47,766,482	26,902,905	4,966,530	557,250,105	1,698,567,094
Additions	8,965,269	3,461,476	11,654,116	2,326,541	1,475,136	2,116,693	130,601	78,271,801	108,401,633
Disposals	—	(65,998)	(3,595,352)	(1,226,779)	(439,928)	(382,923)	(306,129)	—	(6,017,109)
Termination of contract (Note 1.2)	—	(372,517)	(8,967,138)	(470,687)	(1,026,718)	(388,616)	—	(31,975)	(11,257,651)
Transfers from (to) other accounts (see Notes 5 and 9)	816,135	326,795,051	133,094,682	494,547	1,566,153	(4,649,570)	241,629	(475,258,659)	(16,900,032)
Translation adjustments	1,994,289	17,339,377	12,140,270	184,174	254,288	723,745	37,458	33,099,835	65,773,436
Balance at end of year	107,690,757	646,575,532	758,663,083	53,319,156	49,595,413	24,322,234	5,070,089	193,331,107	1,838,567,371
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	—	75,470,325	175,292,543	32,950,717	37,263,831	9,059,107	1,765,593	—	331,802,116
Effect of PFRS 16 (Note 3)	—	501,088	—	—	—	—	—	—	501,088
Restated balances	—	75,971,413	175,292,543	32,950,717	37,263,831	9,059,107	1,765,593	—	332,303,204
Depreciation and amortization for the year	1,389,254	25,937,532	33,371,797	4,127,746	4,740,157	3,091,669	178,907	—	72,837,062
Disposals	—	(65,998)	(2,936,474)	(1,029,064)	(386,182)	(355,223)	—	—	(4,772,941)
Termination of contract (Note 1.2)	—	(66,713)	(3,824,711)	(468,380)	(1,003,907)	(266,283)	—	—	(5,629,994)
Transfers to other accounts (Note 5)	—	—	—	—	—	(2,312,000)	—	—	(2,312,000)
Translation adjustments	495,519	1,918,565	2,258,395	(34,562)	84,735	504,649	(57,710)	—	5,169,591
Balance at end of year	1,884,773	103,694,799	204,161,550	35,546,457	40,698,634	9,721,919	1,886,790	—	397,594,922
Net Book Value	US\$105,805,984	US\$542,880,733	US\$554,501,533	US\$17,772,699	US\$8,896,779	US\$14,600,315	US\$3,183,299	US\$193,331,107	US\$1,440,972,449



2018 (As restated- see Note 3)

	Land and Land Improvements	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\$108,726,812	US\$660,257,580	US\$758,663,083	US\$53,319,156	US\$49,595,413	US\$24,322,234	US\$5,070,089	US\$193,331,107	US\$1,853,285,474
Effect of PFRS 16 (Note 3)	(1,036,055)	(13,682,048)	—	—	—	—	—	—	(14,718,103)
Restated Balances	107,690,757	646,575,532	758,663,083	53,319,156	49,595,413	24,322,234	5,070,089	193,331,107	1,838,567,371
Additions	864,344	6,249,691	24,690,098	3,712,932	2,325,115	2,397,457	281,358	63,128,867	103,649,862
Disposals	—	(42,027)	(8,617,701)	(1,762,068)	(387,310)	(21,651)	(135,368)	(5,566,437)	(16,532,562)
Transfers from (to) other accounts (see Notes 5 and 9)	2,312,374	72,640,768	123,481,079	1,064,662	5,705,808	16,823,715	(543,121)	(221,066,394)	418,891
Translation adjustments	(1,981,712)	(51,707,556)	(36,352,672)	(959,173)	(1,453,127)	(625,172)	(137,875)	(6,922,708)	(100,139,995)
Balance at end of year	108,885,763	673,716,408	861,863,887	55,375,509	55,785,899	42,896,583	4,535,083	22,904,435	1,825,963,567
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	1,884,773	103,193,711	204,161,550	35,546,457	40,698,634	9,721,919	1,886,790	—	397,093,834
Effect of PFRS 16 (Note 3)	—	501,088	—	—	—	—	—	—	501,088
Restated Balances	1,884,773	103,694,799	204,161,550	35,546,457	40,698,634	9,721,919	1,886,790	—	397,594,922
Depreciation and amortization for the year	1,398,904	31,642,635	41,895,837	3,897,035	4,698,699	3,627,446	91,765	—	87,252,321
Disposals	—	(31,254)	(8,075,758)	(1,239,106)	(225,220)	(50,831)	—	—	(9,622,169)
Transfers to other accounts (Note 5)	—	—	—	—	3,699,777	—	—	—	3,699,777
Translation adjustments	(48,420)	(7,275,785)	(10,230,851)	(777,861)	(1,135,473)	(208,445)	(448,406)	—	(20,125,241)
Balance at end of year	3,235,257	128,030,395	227,750,778	37,426,525	47,736,417	13,090,089	1,530,149	—	458,799,610
Net Book Value	US\$105,650,506	US\$545,686,013	US\$634,113,109	US\$17,948,984	US\$8,049,482	US\$29,806,494	US\$3,004,934	US\$22,904,435	US\$1,367,163,957

2019

	Land and Land Improvements	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\$109,922,272	US\$683,634,152	US\$861,863,887	US\$55,375,509	US\$55,785,899	US\$42,896,583	US\$4,535,083	US\$22,904,435	US\$1,836,917,820
Effect of PFRS 16 (Note 3)	(1,036,509)	(9,917,744)	—	—	—	—	—	—	(10,954,253)
Restated Balances	108,885,763	673,716,408	861,863,887	55,375,509	55,785,899	42,896,583	4,535,083	22,904,435	1,825,963,567
Additions	8,416,612	3,342,391	30,987,332	2,748,607	3,418,275	926,957	410,058	47,424,086	97,674,318
Disposals	—	(168,304)	(11,262,711)	(2,291,215)	(1,680,038)	(263,718)	(211,752)	—	(15,877,738)
Effect of business combination (Note 1.4)	—	1,655,162	10,872,600	2,255,426	872,840	3,515,581	—	2,573,967	21,745,576
Translation Adjustments	3,425,120	324,934	726,359	(56,478)	(235,655)	577,801	37,050	4,845,985	9,645,116
Transfers from (to) other accounts (see Notes 5 and 9)	17,867,906	8,095,543	15,780,113	16,446,108	1,338,016	589,852	(15,389)	(32,128,237)	27,973,912
Balance at end of year	138,595,401	686,966,134	908,967,580	74,477,957	59,499,337	48,243,056	4,755,050	45,620,236	1,967,124,751
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	3,235,257	128,100,059	227,750,778	37,426,525	47,736,417	13,090,089	1,530,149	—	458,869,274
Effect of PFRS 16 (Note 3)	—	(69,664)	—	—	—	—	—	—	(69,664)
Restated Balances	3,235,257	128,030,395	227,750,778	37,426,525	47,736,417	13,090,089	1,530,149	—	458,799,610
Depreciation and amortization for the year	2,271,825	31,805,749	42,308,401	4,670,497	4,345,116	3,562,305	133,194	—	89,097,087
Disposals	—	(104,559)	(7,948,711)	(2,206,782)	(1,629,467)	(273,026)	—	—	(12,162,545)
Effect of business combination (Note 1.4)	—	341,836	4,969,238	1,398,062	473,772	3,317,284	—	—	10,500,192
Translation adjustments	90,889	546,809	1,141,313	(123,804)	(162,091)	56,934	(18,850)	—	1,531,200
Balance at end of year	5,597,971	160,620,230	268,221,019	41,164,498	50,763,747	19,753,586	1,644,493	—	547,765,544
Net Book Value	US\$132,997,430	US\$526,345,904	US\$640,746,561	US\$33,313,459	US\$8,735,590	US\$28,489,470	US\$3,110,557	US\$45,620,236	US\$1,419,359,207



Capitalized borrowing costs amounted to US\$9.9 million in 2017 at a capitalization rate of 5.65 to 6.73 percent, US\$2.5 million in 2018 at a capitalization rate of 3.76 to 6.47 percent and nil in 2019 at a capitalization rate of 6.45 percent. Unamortized borrowing costs amounted to US\$62.1 million, US\$62.1 million and US\$61.0 million as at December 31, 2017, 2018 and 2019, respectively.

Construction in progress is mainly composed of ongoing port development and expansion projects in VICT and CGT as of December 31, 2017; CMSA and MICT as of December 31, 2018; and CMSA as of December 31, 2019 (see Note 1.2).

Fully depreciated property and equipment with cost amounting to US\$153.3 million, US\$185.7 million and US\$213.5 million as at December 31, 2017, 2018 and 2019, respectively, are still being used in the Group's operations.

Port equipment of BCT with a total carrying value of US\$3.0 million, US\$6.0 million and US\$6.0 million as at December 31, 2017, 2018 and 2019, respectively, were pledged as collateral for its outstanding loans from its overdraft facility (see Note 17); port equipment of AGCT with a total carrying value of HRK148.3 million (US\$24.0 million), HRK141.3 million (US\$21.9 million) and nil, were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 15.2.3) as at December 31, 2017, 2018 and 2019, respectively; certain property and equipment of YICT with total carrying value of RMB176.9 million (US\$27.2 million), RMB167.6 million (US\$24.4 million) and RMB158.4 million (US\$22.7 million) as at December 31, 2017, 2018 and 2019, respectively, were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 15.2.3); certain port equipment of CMSA with a total carrying value of US\$42.7 million as at December 31, 2017, were pledged as security for its long-term loans from the project finance facility (see Note 15.2.2); and all current and future assets of VICT, including port equipment, with a total carrying value of AUD813.0 million (US\$639.6 million), AUD837.1 million (US\$590.7 million) and AUD855.0 million (US\$600.3 million), as of December 31, 2017, 2018 and 2019, respectively, were pledged as securities for its project finance facilities (see Note 15.2.3); parcels of land of IDRC with a total carrying value of US\$10.2 million as at December 31, 2018 and 2019, was pledged as collateral for its outstanding loan (see Note 15.2.2).

7. Investment Properties

The details of investment properties are as follows:

	2017		
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US\$11,018,513	US\$667,375	US\$11,685,888
Additions	1,783,034	337,512	2,120,546
Translation adjustments	(17,472)	(537)	(18,009)
Balance at end of year	12,784,075	1,004,350	13,788,425
Accumulated Depreciation and Amortization			
Balance at beginning of year	5,002,386	428,198	5,430,584
Amortization during the year	340,629	6,300	346,929
Translation adjustments	—	(225)	(225)
Balance at end of year	5,343,015	434,273	5,777,288
Net Book Value	US\$7,441,060	US\$570,077	US\$8,011,137



	2018		
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US\$12,784,075	US\$1,004,350	US\$13,788,425
Translation adjustments	(208,466)	(6,410)	(214,876)
Balance at end of year	12,575,609	997,940	13,573,549
Accumulated Depreciation and Amortization			
Balance at beginning of year	5,343,015	434,273	5,777,288
Amortization during the year	355,217	6,028	361,245
Translation adjustments	—	(3,702)	(3,702)
Balance at end of year	5,698,232	436,599	6,134,831
Net Book Value	US\$6,877,377	US\$561,341	US\$7,438,718

	2019		
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US\$12,575,609	US\$997,940	US\$13,573,549
Disposals	(36,630)	(7,331)	(43,961)
Translation adjustments	150,049	4,638	154,687
Balance at end of year	12,689,028	995,247	13,684,275
Accumulated Depreciation and Amortization			
Balance at beginning of year	5,698,232	436,599	6,134,831
Amortization during the year	375,504	6,130	381,634
Translation adjustments	—	3,058	3,058
Balance at end of year	6,073,736	445,787	6,519,523
Net Book Value	US\$6,615,292	US\$549,460	US\$7,164,752

Land and improvements mainly include land held for capital appreciation and land improvements subject to operating leases.

Investment properties of MICT and IWI CTHI located in Laguna, Philippines have a fair value of ₱872.6 million (US\$16.6 million) as at February 7, 2018 based on a valuation performed by a qualified independent appraiser whose report was dated February 27, 2018.

Fair value of the investment properties was determined using the sales comparison approach. This means that valuations performed by qualified independent appraisers are based on sales of similar or substitute properties, significantly adjusted for differences in the nature, location or condition of the specific property. This valuation approach is categorized as *Level 3* in the fair value hierarchy as of December 31, 2017, 2018 and 2019. The significant unobservable input to the valuation is the price per square meter which ranges from ₱2,268 (US\$43.1) to ₱4,750 (US\$90.3).

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

Rental income derived from rental-earning investment properties presented as part of “Other income” account in the consolidated statements of income amounted to US\$0.4 million in 2017, US\$0.6 million in 2018 and US\$1.2 million in 2019 (see Note 20.1). 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 2017, 2018 and 2019. The rent agreement covering rental-earning investment properties is renewable at the option of both parties yearly.

Operating expenses related to the investment property amounted to US\$0.1 million, US\$0.1 million and US\$0.2 million in 2017, 2018 and 2019, respectively, which pertains mainly to real property taxes.



8. Investments in and Advances to Joint Ventures and Associates

This account consists of:

	2017	2018 (As restated- see Note 3)	2019
Investments in and advances to joint ventures	US\$299,680,549	US\$299,308,204	US\$443,218,451
Investments in associates	90,022,297	89,400,804	7,474,994
	389,702,846	388,709,008	450,693,445
Less allowance for probable losses	7,474,994	7,474,994	7,474,994
	US\$382,227,852	US\$381,234,014	US\$443,218,451

Investment in and Advances to Joint Ventures

As at December 31, 2019, investments in joint ventures mainly pertain to the Group's 46.3 percent ownership interest in SPIA and 50.0 percent ownership interest in MNHPI (effective April 26, 2019). The advances to joint ventures mainly represent interest-bearing loans used by SPIA to finance the construction of its terminal and its start-up operations in Colombia (see Note 22.1). SPIA started commercial operations in the fourth quarter of 2016.

The Group has a 49.0 percent investment in FAMI. FAMI was established in March 2018.

The movements and details of this account are as follows:

	2017	2018 (As restated- see Note 3)	2019
Investment in Joint Ventures:			
Balance at beginning of year	US\$16,450,596	(US\$14,521,557)	(US\$35,673,334)
Acquisition of shares in a joint venture	47,619	2,338,207	1,820,764
Step-up acquisition:			
Previously held as associate	—	—	82,267,101
Additional acquisition of shares to obtain joint control	—	—	67,588,023
Conversion of advances to equity	5,732,420	—	123,455,823
Share in other comprehensive income	—	—	4,805,012
Equity in net losses during the year	(36,752,192)	(23,489,984)	(20,155,440)
Balance at end of year	(14,521,557)	(35,673,334)	224,107,949
Advances to a joint venture (see Note 22.1)	314,202,106	334,981,538	219,110,502
	US\$299,680,549	US\$299,308,204	US\$443,218,451

The summarized financial information of SPIA as at and for the years ended December 31 follows:

	2017	2018	2019
Current assets ^(a)	US\$11,703,748	US\$15,124,799	US\$20,335,432
Noncurrent assets	618,971,579	604,996,288	574,689,836
Current liabilities ^(b)	325,518,840	347,818,988	231,580,065
Noncurrent liabilities ^(c)	336,484,536	354,254,325	242,058,775

(a) Current assets include cash and cash equivalents amounting to US\$4.8 million, US\$2.5 million and US\$2.5 million as at December 31, 2017, 2018 and 2019, respectively.

(b) Current liabilities include income tax payable amounting to US\$0.2 million as at December 31, 2017 and nil as at December 31, 2018 and 2019.

(c) Noncurrent liabilities include deferred tax liabilities amounting to US\$7.1 million, US\$6.7 million and US\$6.3 million as at December 31, 2017, 2018 and 2019, respectively.



	2017	2018	2019
Gross revenues from port operations	US\$14,535,018	US\$41,445,905	US\$62,341,723
Operating expenses	(22,000,141)	(25,666,482)	(26,043,928)
Depreciation and amortization	(33,840,567)	(36,121,362)	(37,902,541)
Other income	2,855,285	2,894,862	7,353,113
Other expenses ^(d)	(43,954,592)	(46,184,668)	(45,183,455)
Benefit from (provision for) income tax	3,026,612	13,007,569	(3,453,374)
Net loss	(US\$79,378,385)	(US\$50,624,176)	(US\$42,888,462)

(d) Other expenses include interest expense on concession rights payable amounting to US\$1.3 million in 2017, 2018 and 2019 and interest expense on advances from ICBV and PSA amounting to US\$35.5 million in 2017, US\$38.6 million in 2018 and US\$33.4 million in 2019.

The difference between the carrying value of investment in SPIA against the share in net assets of SPIA represents the excess of fair value over the carrying value of the concession rights of SPIA.

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

On September 5, 2018, ICTSI has signed an SPA with Harbour Centre Port Terminal, Inc. (HCPTI) for the acquisition of 4,550,000 shares in MNHPI from HCPTI. The subject shares represent 15.17% of the total issued and outstanding shares of MNHPI. The consideration is Php910.0 million (US\$17.3 million). The Philippine Competition Commission and the PPA approved the acquisition of shares on March 15, 2019 and April 26, 2019, respectively. With the approval of the PPA, ICTSI's shareholdings in MNHPI increased from 34.83% to 50% effective on April 26, 2019. An additional investment cost of Php2.7 billion (US\$50.3 million) was incurred in relation to this acquisition. As a result, MNHPI became a joint venture of ICTSI.

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

	October 2017	April 2019	Total
Assets			
Property and equipment	US\$358,492	US\$111,017	US\$469,509
Intangibles	140,322,295	56,409,485	196,731,780
Deferred tax asset	1,504,712	734,225	2,238,937
Other noncurrent assets	1,740,985	352,766	2,093,751
Cash and cash equivalents	5,712,181	1,808,161	7,520,342
Receivables	3,038,693	1,578,107	4,616,800
Spare parts and supplies	1,767,810	815,638	2,583,448
Prepaid expenses and other current assets	2,300,524	492,684	2,793,208
	US\$156,745,692	US\$62,302,083	US\$219,047,775

(Forward)



	October 2017	April 2019	Total
Liabilities			
Loans payable	(US\$37,168,452)	(US\$11,264,028)	(US\$48,432,480)
Accounts payable and other current liabilities	(3,027,272)	(4,281,936)	(7,309,208)
Long-term debt	(9,286,109)	—	(9,286,109)
Concession rights payable	(20,073,115)	(8,475,662)	(28,548,777)
Other noncurrent liabilities	(1,166,435)	(496,150)	(1,662,585)
Deferred tax liability	(17,759,649)	(7,345,516)	(25,105,165)
	(88,481,032)	(31,863,292)	(120,344,324)
Total identifiable net assets at fair value	68,264,660	30,438,791	98,703,451
Goodwill arising on acquisition	12,879,340	37,149,232	50,028,572
Purchase consideration and additional investment cost satisfied by cash	US\$81,144,000	US\$67,588,023	US\$148,732,023

The finalized fair values reflect the financial effects of adjustments on intangibles, concession rights payable and goodwill.

The summarized financial information of MNHPI as at and for the year ended December 31 follows:

	2018	2019
Current assets ^(a)	US\$29,180,195	US\$64,810,619
Noncurrent assets	326,894,513	430,090,522
Current liabilities	110,297,818	122,276,271
Noncurrent liabilities ^(b)	75,399,475	108,276,851

(a) Current assets include cash and cash equivalents amounting to US\$9.5 million and US\$47.2 million as at December 31, 2018 and 2019, respectively.

(b) Noncurrent liabilities include deferred tax liabilities amounting to US\$18.9 million and US\$46.0 million as at December 31, 2018 and 2019, respectively.

	2018	2019
Gross revenues from port operations	US\$72,668,167	US\$80,167,377
Operating expenses	(36,097,953)	(36,841,910)
Depreciation and amortization	(19,019,400)	(23,534,697)
Other income	845,881	679,686
Other expenses ^(c)	(14,019,412)	(11,745,930)
Provision for income tax	(737,477)	(2,662,170)
Net income	US\$3,639,806	US\$6,062,356

(c) Other expenses include interest expense on concession rights payable amounting to US\$3.7 million and US\$3.8 million and interest expense and financing charges on borrowings amounting to US\$7.3 million and US\$5.6 million in 2018 and 2019, respectively.

As of December 31, 2019, the difference between the carrying value of investment in MNHPI against the share in net assets of MNHPI represents the notional goodwill on MNHPI amounting to US\$52.9 million and excess of fair value over the carrying value of identifiable assets and liabilities of MNHPI amounting to US\$51.5 million.



Investments in an Associates

The movements and details of this account are as follows:

	2017	2018	2019
Investments in Associates			
Balance at beginning of year	US\$7,474,994	US\$90,022,297	US\$89,400,804
Acquisition of shares in MNHPI (see Note 1.3)	81,144,000	–	–
Share in other comprehensive income (loss) (see Note 14.7)	988,488	(1,889,241)	(67,022)
Equity in net income during the year	414,815	1,267,748	408,313
Reclassification as joint venture	–	–	(82,267,101)
Balance at end of year	90,022,297	89,400,804	7,474,994
Less allowance for probable losses	7,474,994	7,474,994	7,474,994
	US\$82,547,303	US\$81,925,810	US\$–

The Group has a 49 percent investment in 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.

With the acquisition of joint control in MNHPI in April 2019, the investment in MNHPI was reclassified as associate to joint venture.

9. Other Noncurrent Assets

This account consists of:

	2017	2018	2019
Upfront fee (Note 1.2)	US\$–	US\$–	US\$221,347,091
Advances to suppliers, contractors and others (net of allowance for probable losses of US\$0.7 million as at December 31, 2017, 2018 and 2019) (see Note 20)	54,038,658	91,145,589	58,841,240
Restricted cash (see Notes 15 and 25)	21,008,123	24,897,124	30,669,940
Input tax (see Note 13)	246,775	883,098	13,063,592
Receivable from port authority – noncurrent portion	–	–	8,275,184
AFS investments/ Financial assets at FVOCI (see Notes 3 and 26)	13,348,132	13,722,125	3,183,366
Derivative assets (Note 26)	4,765,819	152,906	1,731
Pension assets (see Note 23)	–	89,898	–
Prepayments and others	4,956,162	7,993,150	9,874,623
	US\$98,363,669	US\$138,883,890	US\$345,256,767

Upfront Fee

Pursuant to the Concession Agreement signed with SPC of Sudan, ICTSI was required to pay an upfront fee. On January 13, 2019, ICTSI paid the initial installment of Upfront Fee of EUR410.0 million (US\$470.2 million). On July 3, 2019 and December 14, 2019, ICTSI received partial repayments of the Upfront Fee in the amount of EUR195.2 million (US\$220.2 million) and AED110.2 million (US\$26.8 million), respectively, based on terms of the refund bond (see Note 1). As of December 31, 2019, remaining deposit amounted to EUR188.0 million (US\$210.8 million). The balance of Upfront Fee includes the foreign currency translation hedging loss amounting to US\$10.6 million that was reclassified from equity in January 2019 (see Note 26.4).



Advances to Suppliers, Contractors and Others

Advances to suppliers, contractors and others mainly pertain to advance payments for the acquisition of transportation equipment and construction of port facilities, advance payments for future rentals and deposits for acquisitions of properties and investments. As at December 31, 2017, 2018 and 2019, this account includes advances and deposits to suppliers and contractors and for the acquisition of properties and investments amounting to US\$47.4 million, US\$81.0 million and US\$51.3 million, respectively (see Notes 1.2 and 8).

Restricted Cash

Restricted cash pertains mainly to cash deposits placed by the Group as required by the concession agreements for MICTSL, SCIPSI and DIPSSCOR. The garnished cash of TSSA arising from a civil suit filed by a former customer of TSSA is likewise included in this account (see Note 25). This account also included the US\$13.0 million cash of CMSA placed in special purpose debt service and operating and maintenance reserve accounts in accordance with the project finance loan documents in 2017, nil in 2018 and 2019 due to termination of CMSA loan (see Note 15.2.2). In 2018, this account also included the US\$17.3 million (AUD24.6 million) cash of VICT placed in a special purpose debt service reserve account in accordance with the project finance loan documents (see Note 15.2.3).

Input Tax

This account includes prepaid input tax, and is expected to be utilized after 12 months from the balance sheet date.

Receivable from Port Authority

This account pertains to ICTSI Rio's receivable from port authority representing the amount recoverable from Companhia Docas do Rio de Janeiro (CDRJ or the port authority) for the reimbursement of costs disbursed for the expansion works on Terminal 1 of the port of Rio de Janeiro, through offsetting against the monthly fixed and variable fees and/or payments by CDRJ.

On March 24, 2014, CDRJ responded to the letter filed by ICTSI Rio in January 2014, accepting the proposed manner of costs reimbursement related to the landfilling works as part of the expansion of Terminal 1. The receivable is subject to an interest at an annual rate of Brazilian Long-term Interest Rate (TJLP) plus a premium of 2.18%. As of December 31, 2019, the total amount of the receivable from CDRJ amounted to BRL49.8 million (US\$12.4 million) and is expected to be collected up to January 2023. The current portion of the receivable amounted to BRL16.6 million (US\$4.1 million) as of December 31, 2019 and is classified as non-trade receivables in the 2019 consolidated balance sheet.

AFS Investments/ Financial Assets at FVOCI

The net movement in unrealized mark-to-market gain on AFS investments / financial assets at FVOCI is as follows:

	2017	2018	2019
Balance at beginning of year	US\$952,022	US\$586,788	US\$979,860
Change in fair value of AFS investments/ financial assets at FVOCI	(365,234)	393,072	329,693
Balance at end of year (see Note 14.7)	US\$586,788	US\$979,860	US\$1,309,553

Prepayments and Others

As at December 31, 2019, this account includes the minimum presumed income tax of Tecplata amounting to US\$4.0 million which is available to be offset against its future income tax payable (see Note 21).



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, right-of-use assets, investments in joint ventures and associates, 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-year period or remaining concession 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 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 9.50 percent to 13.01 percent in 2017, 10.02 percent to 16.21 percent in 2018 and 5.51 percent to 14.95 percent in 2019.

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 ranging from 5 percent to 13 percent, 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 and growth in the industry and 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 volume 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.

11. Cash and Cash Equivalents

This account consists of:

	2017	2018	2019
Cash on hand and in banks	US\$212,792,304	US\$139,138,642	US\$164,362,158
Cash equivalents (see Note 26.4)	66,634,767	307,940,683	70,471,817
	US\$279,427,071	US\$447,079,325	US\$234,833,975

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 at the balance sheet date.

Interest income derived from interest-earning bank deposits and short-term investments amounted to US\$4.1 million, US\$4.8 million and US\$6.1 million for the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2018, ICTSI designated EUR138.3 million (US\$158.5 million) of its Euro denominated cash equivalents as cash flow hedges (see Note 26.4). On January 8, 2019, ICTSI terminated the cash flow hedge of its Euro-denominated cash equivalents (see Notes 9, 24.14 and 26.4).

12. Receivables

This account consists of:

	2017	2018	2019
Trade	US\$107,650,970	US\$113,688,162	US\$107,201,838
Advances and nontrade (see Note 9)	12,725,127	14,703,918	26,256,514
	120,376,097	128,392,080	133,458,352
Less allowance for doubtful accounts	7,484,983	7,968,303	9,058,172
	US\$112,891,114	US\$120,423,777	US\$124,400,180

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

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



Movements in the allowance for doubtful accounts are summarized below:

2017			
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$7,351,831	US\$52,758	US\$7,404,589
Provision during the year	848,788	—	848,788
Write-off	(744,270)	—	(744,270)
Translation adjustments	(24,124)	—	(24,124)
Balance at end of year	US\$7,432,225	US\$52,758	US\$7,484,983

2018			
	Trade	Advances and Nontrade	Total
Balance at beginning of year, as restated	US\$7,881,806	US\$52,758	US\$7,934,564
Provision during the year	342,172	—	342,172
Write-off	(40,785)	—	(40,785)
Translation adjustments	(267,648)	—	(267,648)
Balance at end of year	US\$7,915,545	US\$52,758	US\$7,968,303

2019			
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$7,915,545	US\$52,758	US\$7,968,303
Provision during the year	1,116,491	—	1,116,491
Write-off	44,851	—	44,851
Translation adjustments	(71,473)	—	(71,473)
Balance at end of year	US\$9,005,414	US\$52,758	US\$9,058,172

13. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2018	2019
Input tax (see Note 9)	US\$29,378,322	US\$38,946,312	US\$24,519,257
Prepaid port fees, insurance, bonds and other expenses	17,189,416	18,574,479	26,437,932
Creditable withholding taxes	14,576,148	6,550,338	6,646,854
Tax credits	7,064,208	2,472,451	6,001,745
Receivable from port authorities	2,050,693	3,784,274	6,279,487
Others	519,918	1,136,510	2,188,776
	US\$70,778,705	US\$71,464,364	US\$72,074,051

Input Tax

This account includes input tax recognized mainly by ICTSI, CMSA, CGT and BICTL from the acquisition of terminal equipment and payments of civil works in relation to the construction activities at these terminals (see Notes 6 and 9) and expected to be applied against output tax within 12 months from the balance sheet date.

Tax Credits

Tax credits consist of tax credits granted by the tax authorities and tax credit certificates issued to ICTSI, TSSA, OPC, CGSA and ICTSI Rio which can be applied against tax liabilities in the future.



Receivable from port authorities

This account represents amount receivable for the Group's share in fees collected by the port authorities.

14. Equity

The Group was listed with the PSE on March 23, 1992. In its initial public offering, the Parent Company offered its common shares at a price of ₱6.70. As at December 31, 2017, 2018 and 2019, the Parent Company had 1,399, 1,383 and 1,366 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 at December 31 were as follows:

	Number of Shares					
	Authorized			Issued and Subscribed		
	2017	2018	2019	2017	2018	2019
Preferred A Shares - nonvoting, non-cumulative, ₱1.00 (US\$0.048) par value	993,000,000	993,000,000	993,000,000	3,800,000	3,800,000	3,800,000
Preferred B Shares - voting, non-cumulative, ₱0.01 (US\$0.0002) par value	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000
Common Stock - ₱1.00 (US\$0.048) par value	4,227,397,381	4,227,397,381	4,227,397,381	2,045,177,671	2,045,177,671	2,045,177,671

	Number of Shares		
	Issued and Subscribed		
	2017	2018	2019
Treasury Shares			
Balance at beginning of year	(17,130,267)	(10,982,205)	(34,175,740)
Acquisitions during the year	(5,400,000)	(25,039,790)	(13,034,730)
Sale during the year	10,000,000	—	—
Issuance for share-based payments (see Note 19)	1,548,062	1,846,255	2,631,407
Balance at end of year	(10,982,205)	(34,175,740)	(44,579,063)

	Amount Issued and Subscribed		
	2017	2018	2019
Preferred Stock	US\$236,222	US\$236,222	US\$236,222
Common Stock	US\$67,781,529	US\$67,781,529	US\$67,781,529
Subscription Receivable	(451,341)	(451,341)	(451,341)
	US\$67,330,188	US\$67,330,188	US\$67,330,188
Treasury Shares			
Balance at beginning of year	(US\$17,904,401)	(US\$15,059,524)	(US\$58,112,070)
Issuance of treasury shares for share-based payments (see Note 19)	1,342,692	2,277,081	4,365,640
Sale during the year	11,069,183	—	—
Acquisitions during the year	(9,566,998)	(45,329,627)	(29,266,143)
Balance at end of year	(US\$15,059,524)	(US\$58,112,070)	(US\$83,012,573)



Preferred Shares

The Preferred A shares, which were subscribed by ICTHI, are nonvoting, entitled to dividend 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 have preference over common shares in the distribution of the assets of the Parent Company (see Note 14.3). As at March 3, 2020, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). As at March 3, 2020, Preferred B shares have the following features: voting; issued only to Philippine Nationals; not convertible into common shares; earn no dividend and redeemable at the option of the Board.

Achillion is a Philippine corporation owned and controlled by ICTSI's Chairman and President and controlling stockholder, Mr. 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.

Treasury Shares

Treasury shares came from the acquisition of ICTSI common shares or transfer of ICTSI common shares held by subsidiaries. Part of the treasury shares are subsequently reissued upon vesting of stock awards under the Stock Incentive Plan (SIP) (see Note 19).

On November 26, 2018, the Board of ICTSI approved and authorized the re-purchase from the open market of up to 30 million ICTSI shares, in addition to the number of shares approved and ratified by the BOD on September 16, 2015 initially at 10 million shares and on November 17, 2016 for an additional 20 million shares. The purpose of the said authorizations is to provide management the flexibility to acquire shares from the open market either for the SIP or as and when management deems the price of the shares to be undervalued. In 2017, 2018 and 2019, the Company acquired 5,400,000 treasury shares totaling US\$9.6 million, 25,039,790 treasury shares totaling US\$45.3 million and 13,034,730 treasury shares totaling US\$29.3 million, respectively.

On September 8, 2017, the Board of ICTSI approved the sale of 10 million treasury shares. The approval of sale is in response to a reverse inquiry from an investor who expressed serious interest for a sizable ownership of the Company. On the same date, ICTSI's 10 million treasury shares were sold at US\$2.07 (Php105.10) per share with net proceeds amounting to US\$20.4 million. The said transaction resulted in the increase of US\$9.4 million in additional paid-in capital and the reduction in treasury shares of US\$11.1 million in 2017.

14.2 Additional Paid-in Capital

Additional paid-in capital is increased when ICTSI grants stock awards and these stock awards vest under the SIP. Aggregate increase in additional paid-in capital amounted to US\$2.3 million and US\$1.5 million in 2017 and 2018, respectively, and aggregate decrease in additional paid-in capital amounted to US\$1.8 thousand in 2019, as a result of granting and vesting of stock awards (see Note 19).



14.3 Cost of Shares Held by Subsidiaries

Details and movements in preferred and common shares held by subsidiaries as at December 31 are as follows:

	2017		2018		2019	
	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	734,970	1,769,114	734,970	1,769,114	734,970	1,769,114
	4,534,970	US\$74,261,595	4,534,970	US\$74,261,595	4,534,970	US\$74,261,595

As at December 31, 2017, 2018 and 2019, cost of preferred shares held by a subsidiary pertains to preference A shares held by ICTHI and cost of common shares held by a subsidiary pertains to common shares held by IWI CTHI.

14.4 Non-controlling Interests

On April 10, 2019, IWI CTHI acquired 2,050,000 common shares of BIPI, representing 20% non-controlling interest from Atlantic, Gulf & Pacific Company of Manila, Inc. (AG&P) for US\$8.0 million (Php416.1 million). This transaction increased IWI CTHI's ownership in BIPI from 60% to 80% (see Note 1.3) and reduced non-controlling interests by US\$7.5 million (Php391.6 million). The difference between the purchase price and carrying value of the non-controlling interest of US\$0.5 million (Php24.5 million) was recognized in equity as "Excess of consideration over the carrying value of non-controlling interests acquired or disposed" in the 2019 consolidated balance sheet.

On December 12, 2019, ICTSI and Royal Port Services, Inc. (RPSI), a minority shareholder in SBITHI, entered into a Shareholders' Agreement to restructure the ownership of SBITHI, including the transfer of ownership of 100% shares of ICTSI Subic held by ICTSI to SBITHI and subscription of additional shares by ICTSI in SBITHI. Before the restructuring, ICTSI owned 83.33% while RPSI owned 16.67% of SBITHI and ICTSI Subic was 100% and directly owned by ICTSI. After the restructuring, by way of ICTSI transferring its 100% direct ownership in ISI to SBITHI and subscribing to additional SBITHI shares as a consideration to the ICTSI Subic shares transferred, ICTSI's ownership in SBITHI was increased to 90.5% while RPSI's ownership in SBITHI was reduced to 9.5%. The restructuring resulted in the reduction of non-controlling interests amounting to US\$0.2 million that was recognized in equity in the 2019 consolidated balance sheet.

On December 20, 2019, 30% of the shares held by ISPL were transferred to Noho-Mage after these shares were entered in MITL's share register under the name of Noho-Mage. The share transfer increased non-controlling interests by US\$3.8 million (PGK12.8 million) (see Note 1.2).



The dividends distributed to non-controlling shareholders are as follows:

	2017	2018	2019
IDRC	US\$—	US\$2,858,291	US\$9,600,000
YICT	—	1,841,962	4,754,574
PICT	8,764,022	6,335,029	3,758,946
BIPI	799,936	1,142,966	3,417,450
SCIPSI	1,481,089	615,898	2,286,790
SBITHI	—	—	1,087,890
LGICT	—	151,872	695,075
AGCT	987,166	1,864,889	494,296
DIPSSCOR	42,283	28,866	29,359
MTS	—	103,927	—
	US\$12,074,496	US\$14,943,700	US\$26,124,380

14.5 Retained Earnings

The details of ICTSI's declaration of cash dividends are as follows:

	2017	2018	2019
Date of Board approval	April 20, 2017	April 19, 2018	April 11, 2019
Cash dividends (regular) per share	US\$0.05 (P2.47)	US\$0.05 (P2.50)	US\$0.05 (P2.92)
Cash dividends (special) per share	—	—	US\$0.04 (P2.08)
Record date	May 5, 2017	May 4, 2018	April 29, 2019
Payment date	May 17, 2017	May 11, 2018	May 7, 2019

Retained earnings were reduced by distributions paid out by RCBV to holders of Perpetual Capital Securities discussed in Note 14.6 below aggregating US\$41.6 million in 2017, US\$60.3 million in 2018 and US\$60.7 million in 2019.

Of the total retained earnings of US\$411.0 million, US\$460.1 million and US\$301.0 million as at December 31, 2017, 2018 and 2019, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$951.5 million, US\$1,110.5 million and US\$1,356.5 million, as at December 31, 2017, 2018 and 2019, respectively, were not available for dividend distribution (see Note 21). As at December 31, 2019, the retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares held amounting to US\$83.0 million.

On December 29, 2017, the Board of the Parent Company appropriated US\$25.0 million for additional working capital requirements of its continuing domestic and foreign expansion projects in 2018. On March 6, 2018, the Board of the Parent Company approved the release of US\$150.0 million from the appropriated retained earnings back to unappropriated retained earnings due to completion of the project in VICT in Australia. On April 11, 2019, the Board of the Parent Company approved the release of US\$125.0 million from the appropriated retained earnings back to unappropriated retained earnings due to the partial completion of the new berth in ICTSI and the partial completion of the expansion projects in CMSA, OPC and ICTSI Iraq. On December 9, 2019, the remaining appropriated retained earnings of the Parent Company amounting to US\$87.1 million was released back to unappropriated retained earnings due to the substantial completion of the expansion projects in CMSA, OPC and ICTSI Iraq.

As at December 31, 2017, 2018 and 2019, total appropriated retained earnings of the Parent Company amounted to US\$362.1 million, US\$212.1 million and nil, respectively.

As of December 31, 2019, the unappropriated retained earnings of the Parent Company that is available for dividend declaration amounted to US\$150.2 million.



14.6 Perpetual Capital Securities

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 accordance with 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. 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 at that date will be recognized as a financial liability until payment is made.



On January 29, 2015, RCBV issued US\$300.0 million 6.25 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.551 percent or US\$298.7 million. The new issue was partly used to finance the tendered US\$230.0 million 8.375 percent Subordinated Guaranteed Perpetual Capital Securities (“Original Securities”) at a tender price of 107.625 or US\$247.5 million. The cash proceeds received by RCBV amounted to US\$46.7 million, net of debt issuance cost. Exchange premium and unamortized debt issuance cost of the Original Securities amounting to US\$23.2 million, was directly charged against retained earnings. This was treated as an equity transaction since the perpetual capital securities are treated as part of equity in the 2015 consolidated balance sheet.

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

In July and August 2015, RCBV redeemed and cancelled a total of US\$11.3 million of the Subordinated Guaranteed Perpetual Capital Securities.

On May 5, 2016, RCBV redeemed the remaining US\$108.3 million of the US\$350 million Original and Further Securities and paid the accrued distributions amounting to US\$4.5 million. The difference amounting to US\$7.6 million between the total of the redemption price and accrued distributions of US\$112.8 million and the carrying amount of the remaining Original and Further Securities of US\$105.2 million was directly charged against retained earnings.

On October 3, 2016, RCBV tendered its US\$300.0 million 6.25 percent and US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities for redemption at a price of 106.75 and 105.75, respectively. On October 20, 2016, RCBV redeemed a total of US\$345.5 million of the tendered securities and paid the associated accrued distributions of US\$9.3 million. Together with the redemption, RCBV issued US\$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.225. The new issue was used to finance the redemption and payment of accrued distributions of the tendered securities. The difference amounting to US\$41.2 million between the redemption price of US\$376.2 million, including accrued distributions of US\$9.3 million, and the carrying value of the redeemed perpetual capital securities amounting to US\$335.0 million was directly charged to retained earnings. The amount equivalent to the proceeds from the new issue, net of debt issuance costs, was recognized as additional perpetual capital securities.

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

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

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



On May 2, 2019, RCBV redeemed the remaining US\$139.7 million of the US\$300.0 million Senior Guaranteed Perpetual Capital Securities (“Securities”) and paid the associated accrued distributions of US\$4.4 million. The difference amounting to US\$4.6 million between the redemption price of US\$139.7 million and the carrying value of the Securities of US\$135.1 million was directly charged to retained earnings.

RCBV paid distributions totaling US\$41.6 million, US\$60.3 million and US\$60.7 million to the holders of the Securities in 2017, 2018 and 2019, respectively (see Note 14.5). Interest expense on Perpetual Capital Securities, which represents cumulative distributions to holders of Perpetual Capital Securities, amounted US\$41.6 million, US\$63.9 million and US\$59.4 million for the years ended December 31, 2017, 2018 and 2019. However, the interest expense has not been recognized in the consolidated statements of income but instead directly charged against retained earnings since the Perpetual Capital Securities are presented as equity attributable to equity holders of the parent. For purposes of computing for earnings per share, the cumulative distributions to holders of Perpetual Capital Securities are deducted from net income attributable to equity holders of the parent.

14.7 Other Comprehensive Loss - Net

The details of other comprehensive net loss, net of applicable tax, as at December 31 are as follows:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Cumulative translation adjustments from: (see Note 3.3)	(US\$150,551,471)	(US\$172,929,719)	(US\$151,767,707)
Unrealized mark-to-market gain (loss) on derivatives (see Notes 26.4 and 26.6)	247,337	(1,534,126)	(15,421,637)
Unrealized mark-to-market gain on AFS investments (see Note 9)	586,788	979,860	1,309,553
Business combination revaluation reserve	609,969	609,969	609,969
Share of other comprehensive gain (loss) of associates (see Note 8)	988,488	(900,753)	3,837,237
Actuarial gains on defined benefit plans (see Note 23)	570,928	466,220	(1,148,862)
	(US\$147,547,961)	(US\$173,308,549)	(US\$162,581,447)

*Cumulative translation adjustments arise from the change in functional currency of the Parent Company and some of its subsidiaries' translation of foreign operations.

15. Long-term Debt

15.1 Outstanding Balances and Maturities

A summary of outstanding balance of long-term debt (net of debt issuance costs) as at December 31 is presented below:

	2017	2018	2019
US dollar-denominated notes (see Note 15.2.1)	US\$179,241,377	US\$179,255,736	US\$179,272,241
US dollar-denominated term loans (see Note 15.2.2)	217,199,722	70,664,215	411,771,892
Foreign currency-denominated loans (see Note 15.2.3)	282,423,146	263,513,330	266,568,877
US dollar-denominated medium-term notes (see Note 15.2.4)	753,553,631	757,902,011	762,570,382
Loan Facility (see Note 15.2.5)	—	—	42,445,397
	1,432,417,876	1,271,335,292	1,662,628,789
Less current portion	22,149,388	50,848,341	235,115,540
	US\$1,410,268,488	US\$1,220,486,951	US\$1,427,513,249



The balances of and movements in unamortized debt issuance costs, premium and discounts, net of the recognized fair value of prepayment option as at and for the years ended December 31 are shown below:

	2017	2018	2019
Balance at beginning of year	US\$64,810,450	US\$58,729,772	US\$44,367,336
Debt issuance costs during the year	623,485	–	7,477,108
Amortization during the year	(6,626,331)	(6,366,709)	(7,227,372)
Write-off due to prepayment of long-term debt (see Notes 15.2.2 and 20.3)	–	(7,034,590)	(2,737,326)
Translation adjustments	(77,832)	(961,137)	3,260
Balance at end of year	US\$58,729,772	US\$44,367,336	US\$41,883,006

Amortization of debt issuance costs is 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 at December 31, 2019 were as follows:

	Amount
2020	US\$237,132,862
2021	135,743,184
2022	81,553,337
2023	491,977,748
2024 onwards	758,104,664
	US\$1,704,511,795

15.2 Details and Description

15.2.1 US Dollar-denominated Notes

On March 10, 2010, ICTSI signed a Subscription Agreement with HSBC and JP Morgan Securities, Ltd. for the issuance of ten-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, maturing on March 17, 2020. The Original Notes bear interest at a fixed rate of 7.375 percent, 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 investments in existing and new terminal construction activities, refinance some of its existing debt and for other general corporate purposes.

The Notes were not registered with the Philippine 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.



On September 17, 2013, ITBV exchanged newly issued US\$207.5 million 5.875 percent Notes due 2025 for ICTSI's US\$178.9 million 7.375 percent Notes due 2020. The Notes due 2020 were then reduced from US\$450.0 million to US\$271.1 million. The Notes due 2025 were issued by ITBV under its US\$1.0 billion Medium Term Note Programme (the "MTN Programme") and are unconditionally and irrevocably guaranteed by ICTSI (see Note 15.2.4).

On January 29, 2015, a total of US\$117.5 million 5.875 percent Notes due 2025 from the MTN Programme were issued at a price of 102.625 and US\$102.6 million of which was used to exchange with holders of US\$91.8 million 7.375 percent Notes due 2020. The cash proceeds received by ITBV amounted to US\$11.6 million, net of debt issuance cost. These new Notes were consolidated and formed a single series with the US\$282.5 million 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 and April 30, 2014 (see Note 15.2.4).

As at December 31, 2019, the outstanding balance of the Notes due 2020 amounted to US\$179.3 million, net of debt issuance costs.

15.2.2 US Dollar-denominated Term Loans

CMSA. On October 21, 2015, CMSA signed a US\$260.0 million Project Finance Facility with International Finance Corporation (IFC) and Inter-American Development Bank (IADB), and participated by Standard Chartered Bank (SCB) and KfW Ipelex Bank.

The CMSA Project (the Project) is for the development and operation of a Specialized Container terminal at the Port of Manzanillo in Manzanillo, Mexico. The terminal will have a capacity of 2.2 million TEUs when completely built. The development will be done in three phases with phase one creating capacity of 750,000 TEUs. Phase two, which is expected to be completed by 2020, will increase the terminal's capacity to 1.4 million TEUs.

The financing package, which has a tenor of 12 years and a long availability period of four years, will help CMSA finance the completion of phases one and two of the Project. Interest is payable semi-annually based on floating interest rate computed at 6-month London Interbank Offered Rate (LIBOR) plus loan spread with a weighted average of 2.80 percent.

In accordance with the project finance loan documents, CMSA is required to maintain special purpose debt service and operating and maintenance reserve accounts to guarantee the debt payments and project costs disbursements and to pledge certain major port equipment as security (see Notes 6 and 9).

On December 23, 2015, CMSA availed US\$95.0 million from the US\$260.0 million facility. On November 15, 2016, CMSA availed an additional US\$86.0 million from the same facility. In 2017, CMSA paid US\$6.8 million of the loans. Upon prepayment of the loan on May 15, 2018, the related outstanding debt issuance costs of US\$7.0 million was written off and charged to profit and loss as "Other expenses" in the 2018 consolidated statement of income (see Notes 15.1 and 20.3)

CGSA. In October 2015, CGSA availed of a three-year unsecured term loan with BBP Bank, S.A. amounting to US\$4.0 million at a fixed interest rate. The loan was fully paid in September 18, 2018.

On March 29, 2016, CGSA (as "Borrower"), Metropolitan Bank and Trust Company (as "Lender" or "MBTC") and ICTSI (as "Surety") signed a loan agreement which consists of two tranches of US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with interest based on three-month



London Inter-bank Offered Rate (LIBOR) plus an agreed margin. Tranche I has a final maturity in March 2021 and Tranche II in May 2017. In 2016, CGSA availed of loans with a total amount of US\$40.0 million. Portion of the proceeds of these loans was used to refinance the unsecured term loans of CGSA amounting to US\$9.2 million in April 2016. In 2017, CGSA fully paid the loan under Tranche II. As at December 31, 2019, CGSA has paid a total amount of US\$22.9 million of the loan under Tranche I. The outstanding balance of the loan with MBTC amounted to US\$9.6 million as at December 31, 2019.

OPC. On July 11, 2017, OPC (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement amounting to US\$77.0 million with interest based on three-month LIBOR plus an agreed margin and maturity date of July 2020. Proceeds of the loan was used to finance capital expenditures. OPC availed US\$39.5 million out of the US\$77.0 million term loan facility. The loan was fully paid on October 20, 2019 ahead of its maturity date.

IDRC. On October 9, 2018, IDRC availed of a four-year term loan with Rawbank DRC amounting to US\$25.0 million at a fixed interest rate. In 2018 and 2019, IDRC has paid US\$1.0 million and US\$6.3 million of the loan, respectively. As at December 31, 2019, the outstanding balance of the loan amounted to US\$17.7 million.

On May 6, 2019, IDRC availed of another four-year term loan with Rawbank DRC amounting to US\$3.0 million at a fixed interest rate. In 2019, IDRC has paid US\$0.5 million of the loan. As at December 31, 2019, the outstanding balance of the loan amounted to US\$2.5 million.

IGFBV. On March 21, 2019, IGFBV, as borrower, Metropolitan Bank and Trust Company, as lender, and ICTSI, as surety, signed a term loan facility amounting to US\$300.0 million with interest based on three-month LIBOR plus an agreed margin and with a tenor of 7 years. On April 29, 2019, IGFBV has fully availed the term loan facility. As at December 31, 2019, the outstanding balance of the term loan facility amounted to US\$292.0 million, net of US\$3.4 million debt issuance costs.

On November 26, 2019 and December 5, 2019, IGFBV availed of 18-month loan from MUFG Bank Ltd. with interest based on three-month LIBOR plus an agreed margin, amounting to US\$45.0 million each. Both loans are outstanding as at December 31, 2019.

On January 6, 2020, IGFBV availed another US\$20.0 million loan.

15.2.3 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 and is secured against all present and future plant machinery, tools and equipment (see Note 6). Principal is repayable in nine equal semi-annual installments commencing in July 2012. Proceeds of the loan were partially used to fully pay the loans with 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. The loan with remaining balance of Rs.1.5 billion was refinanced by Habib Bank Limited. The new loan carries a mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 0.75 percent and is secured against all present and future plant machinery, tools and equipment (see Note 6). Principal is repayable in five equal semi-annual installments commencing in June 2015. The loans were fully paid on June 2, 2017.



AGCT. In March 2013, AGCT signed the first part of a ten-year loan agreement for US\$8.1 million (EUR6.2 million) with Raiffeisenbank Austria d.d. to partly finance the purchase of port equipment intended for the Brajdica Container Terminal. The principal is repayable in 112 monthly installments from January 31, 2014 up to April 30, 2023. Interest is payable monthly based on floating interest rate computed at 1-month Euro Interbank Offered Rate plus a spread of 4.2 percent. On July 1, 2016, the spread was reduced from 4.2 percent to 3.4 percent. The loan is secured by AGCT's port equipment (see Note 6). The loan was fully-paid on October 25, 2019.

On July 22, 2013, AGCT signed the second part of the same loan agreement for US\$5.6 million (EUR4.4 million). Principal is repayable in 120 monthly installments from January 31, 2014 up to December 31, 2023. Interest is payable monthly based on floating interest rate computed at 1-month Euro Interbank Offered Rate plus a spread of 4.2 percent. The loan is secured by AGCT's port equipment (see Note 6). On July 1, 2016, the spread on the interest of AGCT's loans was reduced from 4.2 percent to 3.4 percent. The loan was fully-paid on December 20, 2019.

On April 2018, AGCT signed a loan agreement for US\$0.7 million (EUR0.6 million). Principal is repayable in 15 installments starting August 31, 2018 up to October 31, 2019. Interest is payable monthly based on fixed interest rate of 2.50%. In 2018, AGCT, paid US\$0.3 million (EUR0.2 million) of the loans. The loan was fully-paid on May 31, 2019.

SPICTL and MITL. On April 13, 2018, Australia and New Zealand (ANZ) Banking Group (PNG) Limited granted PGK-denominated bridge loan facilities to SPICTL and MITL amounting to US\$31.1 million (PGK101.0 million) and US\$25.2 million (PGK82.0 million), respectively, with interest based on ANZ's published Indicator Lending Rate minus an agreed margin and initial tenor of six months from drawdown date. The loans availed by SPICTL and MITL in April 2018 and May 2018, respectively, were both extended further and matured on December 2, 2019 (see Note 17).

On November 27, 2019, SPICTL and MITL, as borrowers, and Australia and New Zealand (ANZ) Banking Group (PNG) Limited, as lender, signed a loan agreement which consists of a PGK five-year term loan facility of US\$31.6 million (PGK106.9 million) and a PGK revolving loan facility of US\$5.9 million (PGK20.0 million), with interest based on ANZ's published Indicator Lending Rate minus an agreed margin. As at December 31, 2019, SPICTL and MITL has availed US\$17.8 million (PGK60.2 million) and US\$13.8 million (PGK46.7 million), respectively, from the term loan facility, to refinance the maturing bridge loans.

YICT. The Company acquired, through the consolidation of YICT, the long-term loan with outstanding balance of US\$35.8 million (RMB222.2 million) as at December 31, 2014. The long-term loan with Agricultural Bank of China (ABC), which was availed principally to finance the development project related to the construction of the container terminal, bears an interest rate of 6.15 percent per annum and matured on December 7, 2014. On December 4, 2014, YICT signed a two-year loan agreement to refinance the loan bearing a lower interest rate of 6.0 percent per annum, which was repriced at 4.75 percent per annum in 2015.

Upon maturity of the loan from ABC in December 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT's loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130.0 million) was renewed with an interest rate of 4.50 percent per annum and matured on April 30, 2017 (see Note 17). On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from ABC payable in



installments with a final maturity on November 21, 2023 to refinance the maturing loan with YPH. Interest is based on the interest rate published by People's Bank of China (PBOC) less 5.00 percent of such base rate. The floating rate is subject to adjustment every twelve months. The outstanding balance of the loan amounted to US\$4.3 million (RMB30.0 million) as at December 31, 2019.

VICT. On July 15, 2016, VICT signed the syndicated project finance facilities with international and regional banks, namely: Citibank N.A., KFW IPEX-Bank, Standard Chartered Bank as Mandated Lead Arrangers and Bookrunners, Bank of China Limited, DBS Bank Ltd., Investec Bank PLC as Mandated Lead Arrangers, and Cathay United Bank as Lead Arranger, for principal amount of US\$300.0 million (AUD398.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus average margin of 3.1% per annum and maturities until 2023, 2026 and 2031. VICT is required to maintain a special purpose debt service account in accordance with the project finance loan documents and the finance facilities are secured against IOBV's shares in VICT, all present assets of VICT, and will be secured against future assets of VICT, among others (see Notes 6 and 9).

As at December 31, 2019, VICT has availed a total of US\$265.4 million (AUD378.0 million) from the facilities. In 2018 and 2019, VICT paid US\$8.7 million (AUD11.6 million) and US\$19.8 million (AUD28.4 million) of the loans, respectively. The total outstanding balance of the loans amounted to US\$230.7 million (AUD328.5 million), net of debt issuance costs, as at December 31, 2019.

On January 8, 2020, VICT prepaid US\$25.8 million (AUD38.5 million) of the loans.

15.2.4 US Dollar-denominated Medium Term Note Programme (the "MTN Programme")

On January 9, 2013, ITBV established the MTN Programme that would allow ITBV 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. This was increased to US\$1.0 billion in August 2013.

Also, on January 9, 2013, ITBV and ICTSI signed a Subscription Agreement with HSBC and UBS AG, Hong Kong Branch, for the issuance of ten-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, net of applicable taxes, and were set at a price of 99.014 and payable semi-annually in arrears.

Moreover, on January 28, 2013, ITBV and ICTSI signed a Subscription Agreement with UBS AG, Hong Kong Branch, for the issuance of an additional ten-year US\$100.0 million guaranteed MTN under the MTN Programme (the "MTN Tap") to form a single series with the Original MTN as 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, net of applicable taxes, and were set at a price of 101.25 and payable semi-annually in arrears.

The aggregate net proceeds of the MTN amounting to US\$393.8 million were used to refinance some of ICTSI's existing debt and for other general corporate purposes.

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



On April 25, 2014, the Board of ICTSI confirmed, ratified and approved the issuance of additional notes under the US\$1.0 billion medium term note programme of ITBV, in the aggregate nominal amount of US\$75.0 million. These new notes were consolidated and formed a single series with the US\$207.5 million, 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 (see Note 15.2.1). The said notes were issued on April 30, 2014.

On January 29, 2015, a total of US\$117.5 million, 5.875 percent Notes due 2025 from the MTN Programme were issued at a price of 102.625 and US\$102.6 million of which was used to exchange with holders of US\$91.8 million 7.375 percent Notes due 2020. The cash proceeds received by ITBV amounted to US\$11.6 million, net of debt issuance cost. The 2025 Notes were issued by ITBV under its US\$1.0 billion MTN programme, and are unconditionally and irrevocably guaranteed by ICTSI. These new Notes were consolidated and formed a single series with the US\$282.5 million 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 and April 30, 2014.

As at December 31, 2019, outstanding notes under the programme amounted to US\$762.6 million, which includes the US\$207.5 million 5.875 percent Notes due 2025 and US\$117.5 million 5.875 percent Notes due 2025 discussed in Note 15.2.1.

The MTN were not registered with the Philippine SEC. The MTN were offered in offshore transactions outside the United States in accordance with 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.

15.2.5 Loan Facility Programme

IGFBV. On July 24, 2014, the Board of ICTSI approved the establishment of a loan facility programme pursuant to which IGFBV, may from time to time enter into one or more loan facilities with one or more lenders under the said programme, to be guaranteed by ICTSI. In connection with the establishment of the said programme, the Board also approved the first loan facility under the programme with IGFBV as the borrower and ICTSI as the guarantor. The loan facility is a revolving credit facility with a principal amount of US\$350.0 million and a tenor of five years from signing date, July 24, 2014. In 2015, IGFBV has availed a total of US\$100.0 million from the US\$350.0 million five-year revolving credit facility bearing interest ranging from 2.13 to 2.14 percent per annum. In August 2015, IGFBV prepaid the US\$100.0 million loan.

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

The related debt issuance cost of the revolving facility amounting to US\$7.1 million was being amortized over five years until the revolving credit facility was cancelled on June 8, 2017. As a result of the cancellation, the unamortized portion of the costs of securing the loan facility amounting to US\$3.0 million was charged to profit or loss and recognized as “Other expenses” in the 2017 consolidated statement of income (see Note 20.3). Commitment fees amounting to US\$1.2 million in 2017, representing 0.78 percent per annum of the amount of undrawn facility, is recorded as part of “Interest expense and financing charges on borrowings” account in the consolidated statements of income.



ICTSI Middle East DMCC. On January 9, 2019, ICTSI Middle East DMCC, as borrower, and ICTSI, as guarantor, signed a term loan facility agreement with Citigroup Global Markets Asia Limited and Standard Chartered Bank, the original mandated lead arrangers and bookrunners, for the principal amount of EUR260.0 million (US\$297.6 million) with interest rate based on Euro Interbank Offer Rate (EURIBOR) plus an agreed margin and maturity on December 20, 2022. The term facility agreement was entered into pursuant to the Loan Facility Programme Agreement dated July 24, 2014 between ICTSI Global Finance B.V. as the borrower, ICTSI as the guarantor, and The Bank of New York Mellon, Singapore Branch as the trustee (“Loan Programme”). ICTSI Middle East DMCC acceded to the Loan Programme as an additional borrower and an additional obligor thereunder. On January 10, 2019, ICTSI Middle East DMCC has fully availed the US\$297.6 million (EUR260.0 million) from the facility.

On June 12, 2019, ICTSI Middle East DMCC, as borrower, and ICTSI, as guarantor, signed an amendment and syndication agreement with various international and local banks for the term loan facility.

On July 15, 2019 and December 17, 2019, ICTSI Middle East DMCC prepaid US\$219.1 million (EUR195.0 million) and US\$30.0 million (EUR26.8 million) of the loan. As a result of the partial prepayment of the loan, the unamortized portion of the debt issuance costs related to the prepaid loan amounting to US\$2.7 million (EUR2.4 million) was charged to profit or loss and recognized as “Other expenses” in the 2019 consolidated statement of income.

As at December 31, 2019, the outstanding balance of the loans amounted to US\$42.4 million (EUR37.9 million), net of debt issuance costs.

15.3 Loan Covenants and Capitalized Borrowing Costs

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

There was no material change in the covenants related to the Group’s long-term debt. As at December 31, 2019, ICTSI and subsidiaries were in compliance with their loan covenants except for VICT whose Debt Service Coverage Ratio requirement was not met but having been irrevocably waived by the creditors on December 20, 2019, no event of default has occurred.

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\$93.4 million in 2017, US\$93.9 million in 2018 and US\$99.3 million in 2019 (see Notes 5 and 6).



16. Other Noncurrent Liabilities

This account consists of:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Accrued taxes and others (see Note 18)	US\$6,962,591	US\$6,856,714	US\$6,594,946
Derivative liability (Note 26)	2,441,379	2,220,022	16,975,097
Pension liabilities (see Note 23)	9,477,311	9,240,574	12,306,051
Government grant	13,278,509	10,815,283	8,353,225
Others	3,321,546	3,215,989	3,896,845
	US\$35,481,336	US\$32,348,582	US\$48,126,164

Government Grant

On March 29, 2012, BCT and CUPT, a Polish grant authority, signed the EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$17.3 million (PLN53.9 million) and on October 21, 2013, BCT and CUPT signed a second EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$4.8 million (PLN14.6 million). The confirmation of the availability of the EU Grant was a condition precedent to any borrowing under the facility agreement of BCT. In December 2015, BCT finalized capital expenditure projects supported by the EU Grant with an estimated total of US\$19.5 million. As at December 31, 2019, BCT has availed a total of US\$19.5 million of the EU Grant. The EU Grant is treated as deferred income and is amortized over the duration of the existing concession agreement ending on May 31, 2023. The unamortized deferred income from government grant amounted to US\$13.3 million, US\$10.8 million and US\$8.5million as at December 31, 2017, 2018 and 2019, respectively. Amortization of deferred income include under “Other income” amounted to US\$2.5 million for each of the years 2017, 2018 and 2019 (see Note 20.1).

Accrued Taxes and Others

Accrued taxes and others as at December 31, 2019 include the noncurrent portion of customs duties payable in relation to the importation of port equipment in CGSA amounting to US\$6.6 million. The current portion amounting to US\$1.0 million as at December 31, 2019 is included in “Accounts payable and other current liabilities” account under accrued output and other taxes (see Note 18).

17. Loans Payable

Loans payable are unsecured loans obtained by ICTSI and several subsidiaries.

On November 28, 2016, OPC availed of a US\$15.0 million short-term loan from Metropolitan Bank and Trust Company. The loan bears interest at prevailing market rate and matures on November 23, 2017. On July 26, 2017, OPC prepaid the US\$15.0 million short-term loan.

On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and a maturity date of January 25, 2017. The loan was used to refinance YICT’s maturing loan with ABC (see Note 15.2.3). On January 12, 2017 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130.0 million) was renewed with an interest rate of 4.50 percent per annum and matured on April 30, 2017. On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from ABC payable in installments with a final maturity on November 21, 2023 to refinance the maturing loan with YPH. Interest is based



on the interest rate published by PBOC less 5.00 percent of such base rate. The floating rate is subject to adjustment every twelve months (see Note 15.2.3).

In 2017, BCT availed loans from its overdraft facility with HSBC Bank Polska S.A with interest based on prevailing market rate. In 2018, BCT paid a total amount of US\$1.3 million of the loan from its overdraft facility and availed additional loans amounting to US\$3.3 million. In 2019, BCT fully paid the loans.

On March 30, 2017, CGSA availed one-year loans from Citibank, Banco Bolivariano and Banco Guayaquil totaling to US\$8.5 million at prevailing market rates. In 2017, CGSA paid a total amount of US\$6.4 million. The loans were fully paid in March 2018.

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

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

On April 13, 2018, Australia and New Zealand (ANZ) Banking Group (PNG) Limited granted PGK-denominated bridge loan facilities to SPICTL and MITL amounting to US\$31.1 million (PGK101.0 million) and US\$25.2 million (PGK82.0 million), respectively, with interest based on ANZ's published Indicator Lending Rate minus an agreed margin and initial tenor of six months from drawdown date. The loans availed by SPICTL and MITL in April 2018 and May 2018, respectively, were both extended further and matured on December 2, 2019 (see Note 15.2.3).

Interest expense incurred related to these loans payable amounted to US\$0.4 million in 2017, US\$1.1 million in 2018 and US\$1.7 million in 2019.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Trade (see Notes 20.3 and 22.1)	US\$117,954,432	US\$139,578,578	US\$192,842,974
Accrued expenses:			
Output and other taxes (see Note 16)	53,313,749	72,475,917	45,401,373
Salaries and benefits	22,790,520	25,596,903	31,496,484
Interest (see Notes 15, 17)	23,497,213	22,767,344	24,110,077
Others	16,272,269	17,828,504	19,920,519
Provisions for claims and losses (see Notes 20, 24 and 25)	29,821,998	20,278,993	16,197,873
Customers' deposits	8,592,074	7,987,562	10,448,979
Dividends payable	2,459,164	1,080,917	5,899,966
Others	424,950	324,127	1,281,779
	US\$275,126,369	US\$307,918,845	US\$347,600,024

Trade payables are noninterest-bearing and are generally settled on 30-60 day terms.



Provisions for claims and losses pertain to estimated probable losses in connection with legal cases and negotiations involving cargo, labor, contracts and other issues. The movements in this account follow:

	2017	2018	2019
Balance at beginning of year	US\$36,587,263	US\$29,821,998	US\$20,278,993
Provision during the year	15,959,347	5,100,991	3,969,986
Settlement and reversal during the year (see Note 20.1)	(23,258,553)	(13,597,144)	(8,804,621)
Translation adjustment	533,941	(1,046,852)	753,515
Balance at end of year	US\$29,821,998	US\$20,278,993	US\$16,197,873

19. Share-based Payment Plan

Certain officers and employees of the Group receive remuneration through share-based payment transactions, whereby officers and employees are given awards, in the form of ICTSI common shares as equity-settled transactions, in lieu of cash incentives and bonuses under the SIP. 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. On March 7, 2016, the Board approved for the extension of the SIP for a further 10 years until March 2027 and the amendment of vesting period of the SIP. The vesting period of the SIP was amended from two years where 50% is to vest on the first anniversary date of the award and the other 50% to vest on the second anniversary date of the award, to three years where 25% is to vest on the first anniversary date of the award, 25% to vest on the second anniversary date of the award, and 50% to vest on the third anniversary date of the award. Unless the Stock Incentive Committee determines otherwise, when dividends are declared by the Company, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (DRIP).

The shares covered by the SIP are held under treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee. As at December 31, 2019, there were 45,201,465 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as at December 31, 2019, there are 44,579,063 ICTSI common shares held under treasury, part of which are 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. Awardees who resign or are terminated will lose any right to unvested shares. In the event of retirement of an awardee, the unvested shares shall automatically vest in full. In the event of death or total disability of an awardee, the outstanding unvested shares shall vest in full and the shares will be released to the designated heirs of the awardee. 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 directors 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, including DRIP shares, 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 14, 2017	2,627,463	US\$1.57 (P79.20)
May 17, 2017	113,673	US\$2.00 (P99.50)
March 9, 2018	1,862,677	US\$2.11 (P109.90)
May 11, 2018	152,059	US\$1.60 (P83.00)
March 1, 2019	1,662,309	US\$2.19 (P113.00)
May 7, 2019	145,876	US\$2.63 (P136.40)

Fair value per share was determined based on the quoted market price of stock at the date of grant.

Movements in the stock awards (number of shares) in 2017, 2018 and 2019 follow:

	2017	2018	2019
Balance at beginning of year	3,478,125	4,462,248	4,630,729
Stock awards granted	2,741,136	2,014,736	1,808,185
Stock awards vested, issued and cancelled	(1,757,013)	(1,846,255)	(2,631,407)
Balance at end of year	4,462,248	4,630,729	3,807,507

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\$3.3 million in 2017, US\$3.9 million in 2018 and US\$4.2 million in 2019, respectively. A corresponding increase in additional paid-in capital, net of applicable tax, was also recognized in the consolidated statements of changes in equity (see Note 14.2).

20. Income and Expenses

20.1 Other Income

This account consists of:

	2017	2018	2019
Reversal of accrued taxes and other accruals (see Notes 13 and 21)	US\$9,477,232	US\$14,728,255	US\$6,245,613
Rental income (see Notes 6 and 7)	1,133,773	1,855,007	2,864,392
Income from amortization of government grant (see Note 16)	2,486,258	2,470,408	2,535,920
Gain on disposal of property and equipment (see Note 6)	249,185	248,527	475,575
Dividend income (see Note 9)	198,456	179,163	6,082
Gain on settlement of insurance and other claims	86,958	87,518	2,512
Mark-to-market gain on derivatives - net (see Note 26)	—	4,078,746	—
Gain on termination of management contract (see Note 1.2)	7,500,000	—	—
Others	2,474,003	4,643,859	823,963
	US\$23,605,865	US\$28,291,483	US\$12,954,057

20.2 Port Authorities' Share in Gross Revenues

This account consists of variable port fees of the Group in accordance with the agreements with the port authorities where the Group operates, excluding in-substance fixed payments that formed part of concession rights and right-of-use assets that are amortized on a straight-line basis over the term of the concession (see Note 24). Port authorities' share in gross revenues includes variable



fees aggregating US\$169.2 million in 2017, US\$178.2 million in 2018 and US\$187.1 million in 2019 (see Note 24).

20.3 Other Expenses

	2017	2018	2019
Pre-termination cost and other bank charges	US\$3,515,738	US\$3,222,533	US\$6,157,802
Management fees (see Note 22.1)	1,508,819	2,788,377	3,186,677
Write-off of debt issuance costs and costs of securing a revolving credit facility due to cancellation (see Notes 9, 15.1, 15.2.2 and 15.2.5)	3,042,918	7,034,590	2,737,326
Restructuring and separation costs (see Note 18)	18,028,269	3,406,717	1,404,345
Loss on disposal of property and equipment (see Note 6)	591,529	582,212	356,826
Wealth tax on equity of SPIA	372,318	—	—
Others	4,988,383	4,451,638	5,946,989
	US\$32,047,974	US\$21,486,067	US\$19,789,965

Restructuring and Separation Costs

Restructuring and separation costs pertain to costs incurred with respect to cost optimization and rationalization in response to market developments in certain terminals.

21. **Income Tax**

The components of recognized deferred tax assets and liabilities are as follows:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Deferred tax assets on:			
ROU asset and lease liability under PFRS 16	US\$136,722,318	US\$127,349,063	US\$129,386,584
NOLCO	71,787,322	86,859,507	89,196,769
Unrealized foreign exchange losses	69,500,560	83,525,994	59,512,704
Intangible assets and concession rights payable under IFRIC 12	13,153,679	15,702,492	30,561,201
Accrued retirement cost and other expenses	1,344,660	1,714,591	2,120,821
Allowance for doubtful accounts and other provisions	547,690	855,787	887,591
Allowance for obsolescence	572,259	252,072	734,912
Share-based payments	391,520	352,405	470,602
Others	14,806,600	12,252,510	8,503,427
	US\$308,826,608	US\$328,864,421	US\$321,374,611
Deferred tax liabilities on:			
Accelerated depreciation and translation difference between functional and local currency	US\$66,394,548	US\$58,885,258	US\$76,401,403
Excess of fair value over book value of net assets of AGCT, BCT, Tecplata, YICT, PICT, OJA, TMT and ICTSI Rio	20,121,374	17,953,292	42,296,418
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	16,418,860	22,733,941	26,159,123
Capitalized borrowing costs	18,734,817	17,649,551	12,879,491
Nonmonetary assets	3,443,319	4,307,706	1,390,686
Unrealized foreign exchange gains	—	137,123	332,917
Unrealized mark-to-market gain on derivatives	10,083,436	20,084,387	170,138
Others	6,290,034	5,822,770	4,619,419
	US\$141,486,388	US\$147,574,028	US\$164,249,595



Other deferred taxes mainly pertain to difference in tax and accounting bases for lease and depreciation.

The Parent Company is subject to income tax based on its Philippine peso books even as its functional currency is US dollars. As a result, the Parent Company's US dollar-denominated net monetary liabilities were translated to Philippine peso giving rise to the recognition of deferred tax asset on net unrealized foreign exchange losses. The deferred tax asset on net unrealized foreign exchange losses amounting to US\$69.5 million, US\$83.5 million and US\$59.5 million as at December 31, 2017, 2018 and 2019, respectively, mainly pertains to Parent Company.

Deferred tax assets on NOLCO of certain subsidiaries amounting to US\$3.0 million, US\$3.3 million and US\$26.6 million as at December 31, 2017, 2018 and 2019, 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. Deferred tax assets are recognized for subsidiaries when there is expectation of sufficient future taxable profits from which these deferred tax assets can be utilized.

As at December 31, 2017, 2018 and 2019, deferred tax liability has not been recognized on undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$951.5 million, US\$1,110.5 million and US\$1,356.5 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 asset amounting to US\$0.4 million both in 2017 and 2018 and US\$0.5 million in 2019, 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 19). The Group recognized deferred tax asset on actuarial loss amounting to US\$0.1 million both in 2017 and 2018, respectively and US\$0.6 million in 2019. The related deferred tax assets were taken to equity.

A reconciliation of income tax expense on income before income tax at the statutory tax rates to provision for income tax for the years presented is as follows:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Income tax expense computed at statutory tax rates	US\$42,459,359	US\$69,541,689	US\$79,733,116
Add (deduct):			
Income tax incentive	(13,876,313)	(18,222,533)	(25,283,726)
Nondeductible tax losses of subsidiaries - net	2,002,481	1,000,744	5,730,235
Interest income already subjected to final tax	(668,976)	(930,483)	(726,095)
Unallowable interest expense	73,710	81,642	4,209,509
Others - net	(166,454)	1,300,259	(2,902,159)
Provision for income tax	US\$29,823,807	US\$52,771,318	US\$60,760,880



The statutory income tax rates applicable to each subsidiary are as follows:

Name of Company	Tax Rate	Tax Rules
IDRC	30.0%	The regular corporate income tax rate in DR Congo is 30 percent effective in 2019 (previously 35%). The minimum tax payable is the higher of 1 percent of revenue and CDF2.5 million for large corporations. IDRC is entitled to an income tax holiday for three years starting from June 2016 and renewed for another four years until June 2023.
ICTSI Oregon	21.0%	Based on the new tax law signed in December 2017, corporate tax rate was reduced to 21 percent from 35 percent effective January 1, 2018. ICTSI Oregon is also subject to state tax of 6.6 to 7.6 percent and city/county tax of 3.65 percent based on taxable income less federal tax. 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. In accordance with the new tax law, the AMT is repealed effective January 1, 2018. Net operating losses (NOL) incurred prior to January 1, 2018 can be carried forward for 20 years and carried back for two years. After the passage of the tax reform law, the NOL incurred after December 31, 2017 can no longer be carried back for two years but can be carried forward indefinitely. Further, the utilization of NOL shall be limited to 80 percent of the taxable income for the year.
PICT	29.0%	Corporate tax rate in Pakistan that applies to PICT is 29 percent. In 2014, a new provision [Section 113(c) of Income Tax Ordinance, 2001 (Ordinance)] is added by which companies are required to pay Alternative Corporate Tax (ACT) at 17 percent of accounting profits if the actual tax liability is less than ACT. The differential excess can be carried forward for ten years. The Government of Pakistan through Finance Act 2015 has imposed a temporary super tax in 2015 and extended the application of super tax up to the year 2019. The super tax has been levied at the rate of 2 percent (2015 to 2017: 3 percent) on all taxpayers earning income amounting to PKR500.0 million or more in the previous year. PICT accrued and paid super tax amounting to US\$1.3 million (PKR136.0million) in 2017, US\$1.7 million (PKR208.8 million) in 2018 and nil in 2019. 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 15 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.
ICTSI and other Philippine subsidiaries (excluding SBITC, ICTSI Subic and APBS), VICT, AICTL, Tecplata, CMSA and TMT	30.0%	The corporate income tax rate of Philippine entities is 30 percent. On May 14, 2008, the Board of Investments (BOI) 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 Investment 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. In 2017, Berth 6 recognized gross revenues from port operations amounting to US\$70.8 million and availed of tax incentive arising from the income tax holiday of US\$11.1 million. On July 2, 2015, the BOI approved the registration of ICTSI's construction of Berth 7 of the MICT as "Expanding Operator of Container Yard" on a Non-Pioneer status under the Omnibus Investment Code of 1987. Starting July 2017, Berth 7 is entitled, among others, to an income tax holiday for a period of three years with a base revenue of ₱7.0 billion (US\$139.7 million) applicable for each anniversary year. In 2017, 2018 and 2019, ICTSI



Name of Company	Tax Rate	Tax Rules
		availed of tax incentive arising from the income tax holiday of US\$0.8 million, US\$4.3 million and US\$14.7 million, respectively. 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 percent of gross income, as provided by law, in lieu of the itemized allowed deductions. For the years ended December 31, 2017, 2018 and 2019, BIPI and SCIPSI have elected to use OSD in computing for their taxable income. DIPSSCOR opted to use itemized deductions method for the years ended December 31, 2017, 2018 and 2019 in computing for its taxable income. MICTSI elected to use OSD in computing for their taxable income for the years ended December 31, 2017 and 2018, and itemized deductions method for the year ended December 31, 2019. On March 3, 2014, HIPS was registered with the BOI as a new operator of seaport and container yard/terminal on a non-pioneer status under the Omnibus Investment Code of 1987. HIPS is entitled, among others, to an income tax holiday for four years from January 2016 or start of commercial operations, whichever is earlier. On September 26, 2016, HIPS has requested the BOI to cancel its registration in light of developments affecting the economics of the project. The said cancellation was approved in 2017. On March 28, 2016, LGICT was registered with the BOI as a new export services provider on a non-pioneer status under the Omnibus Investment Code of 1987. LGICT is entitled, among others, to an income tax holiday for four years from March 2016. On September 26, 2019, CGT was registered with the BOI as a new operator of seaport on a non-pioneer status under Book 1 of E.O. No. 226. CGT is entitled, among others, to an income tax holiday for four years from October 2019. VICT and AICTL are subject to corporate income tax rate of 30 percent. Tax losses can be carried forward indefinitely, subject to same business and continuity of ownership tests. Tecplata's nominal tax rate is 30 percent. In accordance with the tax reform in 2017, the tax rate was reduced to 30 percent in 2018 and further reduced to 25 percent starting 2021. In addition to income tax, Tecplata was subjected to annual minimum presumed income tax (MPIT) calculated as 1 percent of the fixed and current assets until second half of 2019 (see Note 9). Unutilized MPIT can be used to offset against income tax payable for the next ten fiscal years from the year MPIT was paid. Tax losses can be carried forward for five years. Effective January 1, 2014, CMSA and TMT are subject to corporate income tax rate of 30 percent.
RCBV, ITBV and other subsidiaries in The Netherlands	25.0%	The corporate income tax rate in the Netherlands is 19 percent on taxable income of up to €200,000 and 25.0 percent on taxable income exceeding €200,000. Tax losses in Netherlands can be carried back one year, and carried forward for six years starting 2019 (previously nine years).
OPC	25.0%	The corporate income tax rate is 25 percent in Honduras, and an additional social contribution is levied calculated as 5 percent of the surplus of the net taxable income above HNL1.0 million. On January 31, 2017, the Secretariat of Finance (SEFIN) issued a resolution through which it grants the Company an exemption of Net Asset Tax, Temporary Solidarity Contribution, Advance of 1 percent in respect of Income Tax provided for in Decree No. 96-2012, (Law on Anti-Evasion Measures on Income Tax) of the Income Tax modality corresponding to 1.5 percent of Gross Income Declared set forth in Article 22-A of the Income Tax Act, as well as from all those taxes related to income, for the lifetime of the project called "Design, Financing, Construction,



Name of Company	Tax Rate	Tax Rules
		Maintenance, Operation and Exploitation of Puerto Cortes' Container and General Cargo Terminal", as of the date of commencement of operations, and it must be renewed annually until the end of the concession by SEFIN. It is stated in the official document that SEFIN will verify that OPC complies with the commitments and objectives stipulated in the concession contract, otherwise, the benefit of the tax exemption will be suspended. The tax authorities will verify that OPC is in compliance with its obligations and, otherwise, the benefit will be suspended. Likewise, OPC shall update the registration of exempted payers annually.
MTS, IJP, OJA, PT CTSSI and YICT	25.0%	Registered as a Sino-foreign joint venture in China, Berths 61 and 62 of YICT are entitled to a full tax holiday in the first five years and 50 percent exemption in the subsequent five years starting 2008 and 2006, respectively. YICT's tax exemption is until December 2015 and starting year 2016, YICT is subjected to the 25 percent regular income tax rate. Tax losses can be carried forward for five years. In January 2015, Berths 51 and 52 of YICT were granted a full tax holiday in the first three years and 50 percent exemption in the subsequent three years. MTS, IJP and OJA are subject to corporate income tax rate in Indonesia of 25 percent.
CGSA	25.0%	CGSA's corporate income tax rate applicable starting 2018 is 25 percent. This tax is calculated after deducting 15 percent of social contribution on profits for workers. CGSA is subject to the payment of an annual temporary contribution equivalent to 0.20 percent of taxable income in 2018, starting 2020 until 2022.
MICTSL and SPIA	20.0%	MICTSL is subject to statutory corporate income tax rate of 20 percent. A minimum tax of MGA0.32 million plus 0.5 percent of the annual turnover is levied if the company incurs a loss or if the corporate tax rate calculated using the 20 percent rate is less than the minimum tax. SPIA is incorporated in Colombia and 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. General corporate income tax rate decreases to 32 percent in 2020, 31 percent in 2021, and 30 percent in 2022. Subsequently, a structural tax reform passed in December 2016 increased the income tax rate for Free Trade Zone users by 5 percent, from 15 percent to 20 percent effective starting 2017. Net tax losses until 2016 can be carried indefinitely. Net tax losses starting 2017 can be carried forward for the next twelve years.
BCT	19.0%	BCT is subject to statutory corporate income tax rate of 19 percent.
AGCT	18.0%	The statutory corporate tax rate in Croatia for entities which operate in the free-trade zone is 15 percent from 2014 up to 2016 and 18 percent from 2017 onwards.
TSSA	15.25%	TSSA's statutory income tax rate is 34.0 percent, including 9 percent as social contribution, and was granted a tax incentive reducing tax rate to 15.25 percent. The tax incentive is applicable for the years 2005 to 2022 on profits from port operating services in Suape, Pernambuco. Tax losses can be carried forward indefinitely but amount of tax loss that can be utilized is limited to 30 percent of taxable income for a tax year.
ICTSI Rio	34%	ICTSI Rio is subject to statutory corporate income tax rate of 34 percent, including 9 percent as social contribution. Tax losses can be carried forward indefinitely but amount of tax loss that can be utilized is limited to 30 percent of taxable income for a tax year.



Name of Company	Tax Rate	Tax Rules
BICTL and ICTSI Iraq	15.0%	BICTL is subject to statutory corporate income tax rate of 15 percent. Starting January 1, 2017, income tax is calculated based on distributed profit. ICTSI Iraq is subject to statutory corporate income tax rate of 15 percent. Tax losses can be carried forward up to five years provided that losses may not offset more than half of the taxable income of each of the five years and the loss may offset only income from the same source from which the loss arose. Any carry-over losses are subject to discretion of the tax authorities.
SBITC, ICTSI Subic, Inc. and APBS	5.0%	SBITC and ICTSI Subic are registered with the Subic Bay Metropolitan Authority as Subic Bay Free Port Zone Enterprises that are entitled to certain tax incentives including a preferential income tax rate of 5.0 percent based on gross revenues less allowable deductions. APBS is registered with the Philippine Economic Zone Authority as an Ecozone IT Enterprise that is entitled to certain tax incentives including a preferential income tax rate of 5.0 percent on gross income from Philippine Economic Zone Authority-registered activities, in lieu of all national and local taxes. APBS is also entitled to an income tax holiday of four years from date of commercial operations on December 31, 2015.
LICTSLE	0.0%	LICTSLE was located in a free trade zone governed by the Nigeria Export Processing Zones Authority. LICTSLE was exempt from all taxes, including corporate income tax.
SPICTL and MITL	30%	The corporate tax rate for resident PNG companies is 30 percent. Tax losses can be carried forward for a period of 7 years. Corporate income tax is collected under a provisional tax system. Provisional tax is imposed by assessment issued by the Internal Revenue Commission based on the last year assessed with an 8 percent increase. Provisional tax is payable over three equal instalments in April, July and October. In the event that no prior assessment exists, the Commissioner General has the right to estimate the amount of tax that he believes should be paid. Applications can be made to adjust (reduce or increase) the amount of provisional tax payable.



22. Related Party Transactions

22.1 Transactions with the Shareholders and Affiliates

			2017		2018		2019	
Related Party	Relationship	Nature of Transaction	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
(In Millions)								
ICBV								
SPIA	Joint venture	Interest-bearing loans (see Note 8) ⁽ⁱ⁾	US\$25.40	US\$269.48	US\$2.80	US\$–	US\$–	US\$–
		Interest income (converted into interest-bearing loan) (see Note 8) ⁽ⁱ⁾	15.52	35.50	13.35	–	–	–
		Interest receivable ⁽ⁱ⁾	17.75	9.05	14.35	–	–	–
SPIA Spain S.L.								
SPIA	Joint venture	Interest-bearing loans (see Note 8) ⁽ⁱ⁾	–	–	(1.29)	270.99	(103.21)	167.78
		Interest income (converted into interest-bearing loan) (see Note 8) ⁽ⁱ⁾	–	–	4.41	53.26	(29.94)	43.36
		Interest receivable ⁽ⁱ⁾	–	–	4.95	9.73	16.69	6.37
YICT								
YPH	Non-controlling shareholder	Port fees ⁽ⁱⁱ⁾	1.59	–	0.32	0.15	0.18	–
		Trade transactions ⁽ⁱⁱⁱ⁾	–	–	0.87	(0.07)	0.01	–
		Interest-bearing loans ^(iv)	21.60	–	–	–	–	–
		Interests on loans ^(iv)	0.28	–	–	–	–	–
YPG	Common shareholder	Port fees ⁽ⁱⁱ⁾	3.10	0.17	3.86	0.90	2.86	0.55
		Trade transactions ⁽ⁱⁱⁱ⁾	1.66	–	1.74	(0.20)	1.24	(0.02)
<i>Forward</i>								
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.17	(0.02)	0.19	(0.02)	0.18	(0.02)
AGCT								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.25	(0.04)	0.32	(0.03)	0.44	(0.04)
PICT								
Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	5.50	(0.40)	2.09	(0.01)	2.22	(0.12)
		Container handling revenue ^(vi)	–	–	–	–	0.04	0.01
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vii)	0.37	0.01	0.13	–	0.22	0.01
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.47	(0.04)	0.45	(0.03)	0.48	(0.10)
		Maintenance and repairs	0.14	(0.01)	0.13	(0.02)	0.13	(0.04)
BIPI								
Atlantic Gulf and Pacific Co. of Manila, Inc. (AG&P)	Common shareholder	Rent expense	0.06	(0.02)	0.09	(0.03)	0.07	(0.03)
		Utilities	0.03	–	0.03	(0.01)	0.03	–
IDRC								
Ledya SARL	Non-controlling shareholder	Management fees	0.85	(0.85)	1.43	(0.53)	2.39	–
Parent Company								
Prime Metro BMD Corporation	Common shareholder	Construction services ^(viii)	–	–	4.73	5.73	35.10	(1.01)
		Dredging services ^(viii)	–	–	1.41	0.40	2.60	–
		Sublease ^(ix)	–	–	0.21	0.06	0.38	0.18
Prime Metro Power Holdings Corporation	Common shareholder	Reimbursement of operating expenses	–	–	0.04	0.04	0.03	0.01
		Sublease ^(ix)	–	–	–	–	0.09	0.04



			2017		2018		2019	
Related Party	Relationship	Nature of Transaction	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance
(In Millions)								
Prime Metro Infrastrcture Holdings Corporation	Common shareholder	Reimbursement of operating expenses	—	—	—	—	0.07	—
		Sublease ^(ix)	—	—	—	—	0.09	0.04
FAMI	Joint Venture	Reimbursement of operating expenses	—	—	0.02	0.02	0.02	0.01
		Management fees	—	—	—	—	0.09	(0.02)
CGT								
Prime Metro BMD Corporation	Common shareholder	Contract administration and site management services ^(x)	0.10	(0.02)	0.61	(0.25)	0.16	(0.04)

- (i) On October 1, 2018, ICBV assigned to SPIA Spain S.L. all its outstanding interest-bearing loans, including interest converted into interest-bearing loan, and interest receivable from SPIA as of the same date, amounting to US\$321.1 million and US\$9.6 million, respectively.
- (ii) YICT is authorized under the Joint Venture Agreement to collect port charges levied on cargoes, port construction fees and facility security fee in accordance with government regulations. Port fees remitted by YICT for YPH /YPG are presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income. Outstanding payable to YPH/YPG related to these port charges are presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.
- (iii) Trade transactions include utilities, rental and other transactions paid by YICT to YPH and YPG.
- (iv) On December 5, 2016, YICT obtained a US\$21.6 million (RMB150.0 million) short-term loan from YPH at an interest rate of 4.35 percent per annum and maturity date of January 25, 2017. The loan was used to refinance YICT's maturing loan with ABC. On January 12 and March 1, 2017, YICT prepaid a total amount of US\$3.0 million (RMB20.0 million) and the balance of US\$18.9 million (RMB130 million) was renewed with an interest rate of 4.50 percent per annum and a maturity date of April 30, 2017. The remaining loan from YPH was fully paid upon the availment of a long-term loan from ABC on April 26, 2017 (see Notes 15.2.3 and 17).
- (v) AGCT has entered into agreements with Luka Rijeka, a non-controlling shareholder, for the latter's provision of services such as equipment maintenance, power and fuel and supply of manpower, among others. Total expenses incurred by AGCT in relation to these agreements were recognized and presented in the consolidated statements of income as part of Manpower costs, Equipment and facilities-related expenses and Administrative and other operating expenses.
- (vi) PICT has entered into an agreement with Premier Mercantile Services (Private) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.
- (vii) Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.
- (viii) ICTSI has entered into contracts with Prime Metro BMD Corporation for the construction of port facilities.
- (ix) ICTSI has entered into contracts with Prime Metro BMD Corporation, Prime Metro Power Holdings Corporation and Prime Metroline Infrastructure Holdings Corporation for the sublease of office space.
- (x) CGT has entered into contract with Prime Metro BMD Corporation for contract administration and site management services.

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

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2017, 2018 and 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2017	2018	2019
Short-term employee benefits	US\$1,581,345	US\$1,582,621	US\$1,520,311
Post-employment pension	29,061	25,728	29,154
Share-based payments	924,459	1,054,395	969,691
Total compensation to key management personnel	US\$2,534,865	US\$2,662,744	US\$2,519,156



23. Pension Plans

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, ROHQ, MTS, IJP, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA, CMSA Servicios Portuarios SA De CV, CMSA Servicios Profesionales Y De Especialistas SA De CV, ICTSI Iraq and APBS 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\$3.1 million in 2017, US\$2.0 million in 2018 and US\$2.7 million in 2019.

Pension plans consist of:

	2017	2018	2019
Pension assets (presented as "Other noncurrent assets")			
Asia	US\$–	US\$89,898	US\$–
Pension liabilities (presented as "Other noncurrent liabilities")			
Asia	US\$3,902,514	US\$3,506,518	US\$5,513,975
EMEA	2,185,414	2,091,535	1,944,206
Americas	3,389,383	3,642,521	4,847,870
	US\$9,477,311	US\$9,240,574	US\$12,306,051

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.

	2017	2018	2019
Net pension expense:			
Current service cost	US\$3,621,890	US\$1,479,640	US\$2,115,471
Net interest cost	404,141	310,069	457,327
Past service cost	14,026	129,984	105,226
Effect of curtailments	(942,538)	–	–
	US\$3,097,519	US\$1,919,693	US\$2,678,024
Pension liabilities:			
Present value of defined benefit obligation	US\$18,307,974	US\$17,359,581	US\$22,307,102
Fair value of plan assets	(8,830,663)	(8,119,007)	(10,001,051)
	US\$9,477,311	US\$9,240,574	US\$12,306,051
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$16,197,260	US\$18,307,974	US\$17,359,581
Current service cost	3,621,890	1,479,640	2,115,471
Interest cost	820,113	736,123	1,087,157
Actuarial loss (gain) on obligations - net	(383,074)	(239,853)	3,093,324
Past service cost	14,026	129,984	105,226
Effect of curtailments	(942,538)	–	–
Benefits paid	(1,344,941)	(1,788,019)	(2,463,479)
Translation adjustment	(250,140)	(591,584)	433,958
Change in plan position	575,378	(674,684)	575,864
Balance at end of year	US\$18,307,974	US\$17,359,581	US\$22,307,102



	2017	2018	2019
Changes in fair value of plan assets:			
Balance at beginning of year	US\$8,709,653	US\$8,830,663	US\$8,119,007
Interest income	415,972	426,054	629,830
Actuarial gain (loss) on plan assets	(88,308)	(413,038)	120,698
Benefits paid	(1,588,039)	(844,130)	(1,481,506)
Actual contributions	848,616	1,168,962	1,590,167
Translation adjustment	(43,590)	(412,485)	357,093
Change in plan position	576,359	(637,019)	665,762
Balance at end of year	US\$8,830,663	US\$8,119,007	US\$10,001,051
Actual return on plan assets	US\$327,664	US\$13,016	US\$750,528

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.

	2017	2018	2019
Net pension expense:			
Current service cost	US\$—	US\$46,171	US\$—
Net interest income	—	(619)	—
	US\$—	US\$45,552	US\$—
Pension assets:			
Fair value of plan assets	US\$—	US\$665,762	US\$—
Present value of defined benefit obligation	—	(575,864)	—
	US\$—	US\$89,898	US\$—
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$575,378	US\$—	US\$575,864
Current service cost	—	46,171	—
Interest cost	—	34,825	—
Actuarial gain on obligations - net	—	(117,784)	—
Benefits paid	—	(19,690)	—
Translation adjustment	—	(42,342)	—
Change in plan position	(575,378)	674,684	(575,864)
Balance at end of year	US\$—	US\$575,864	US\$—
Changes in fair value of plan assets:			
Balance at beginning of year	US\$576,359	US\$—	US\$665,762
Interest income	—	35,444	—
Actuarial loss on plan assets	—	(24,132)	—
Benefits paid	—	(19,690)	—
Actual contribution	—	69,116	—
Translation adjustment	—	(31,995)	—
Change in plan position	(576,359)	637,019	(665,762)
Balance at end of year	US\$—	US\$665,762	US\$—
Actual return (loss) on plan assets	US\$—	US\$11,312	US\$—

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2020.



The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, ROHQ, APBS, DIPSSCOR, MTS, OJA, IJP, SCIPSI, MICTSI, AGCT, BCT, MICTSL, ICTSI Iraq, CMSA, CMSA Servicios Portuarios SA De CV, CMSA Servicios Profesionales Y De Especialistas SA De CV and CGSA are shown below (in percentage):

	2017	2018	2019
Discount rate			
Asia	5.21% - 7.40%	7.08% - 8.00%	4.40% - 6.25%
EMEA	3.25% - 10.40%	1.50% - 8.79%	2.00% - 8.79%
Americas	3.91% - 7.47%	4.25% - 7.97%	4.21% - 9.75%
Future salary increases			
Asia	3.00% - 10.00%	4.00% - 10.00%	3.00% - 10.00%
EMEA	2.50% - 5.00%	2.50% - 5.00%	3.00% - 5.00%
Americas	1.50% - 5.04%	1.00% - 5.04%	1.00% - 5.04%

A quantitative sensitivity analysis for significant assumptions as at December 31, 2019 is shown below (amounts in millions):

	Discount rate		Future salary increases	
Sensitivity level	-1%	+1%	-1%	+1%
Impact on the net defined benefit obligation	2.3	(2.1)	(2.1)	2.5

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected to be made in the future out of the defined benefit plan obligation:

	2017	2018	2019
Within the next 12 months	US\$1,596,827	US\$1,906,203	US\$2,604,914
Between 2 and 5 years	4,910,600	4,677,517	2,604,914
Between 5 and 10 years	7,328,031	7,743,023	9,688,902
Beyond 10 years	24,678,316	33,306,769	46,065,189
Total expected payments	US\$38,513,774	US\$47,633,512	US\$60,963,919

The average duration of the defined benefit plan obligation as at December 31, 2019 is 15.35 years.

The amount of experience adjustments on pension obligations amounted to US\$0.7 million in 2017, US\$0.3 million in 2018 and US\$0.7 million in 2019. The amount of experience adjustments on plan assets amounted to nil in 2017, US\$29.1 thousand in 2018 and nil in 2019.

The plan assets of Group are being held by various trustee banks. The investing decisions of these plans are made by the respective trustees.



The following table presents the carrying amounts and fair values of the combined assets of the plans less liabilities:

	2017	2018	2019
Cash and cash equivalents	US\$2,489,501	US\$2,317,648	US\$3,929,447
Investments in debt securities	954,661	1,004,346	1,188,909
Investments in government securities	3,845,057	4,108,594	3,375,337
Investments in equity securities	1,541,764	1,556,629	1,749,794
Others	2,716	105,058	93,935
	8,833,699	9,092,275	10,337,422
Liabilities	(3,036)	(307,506)	(336,372)
	US\$8,830,663	US\$8,784,769	US\$10,001,050

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or stated at fair market values.

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 3.92 percent to 7.81 percent and have maturities from 2021 to 2027;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 3.5 percent to 11.14 percent and have maturities from 2020 to 2031; and
- Investments in equity securities include investment in shares of stock of ICTSI amounting to US\$0.8 million, US\$0.8 million and US\$1.0 million as at December 31, 2017, 2018 and 2019, respectively. For years ended December 31, 2017, 2018 and 2019, mark-to-market gain arising from investment in ICTSI shares amounted to US\$0.4 million, US\$0.3 million and US\$0.6 million, respectively.

The carrying amounts of investments in equity securities also approximate their fair values given that they are stated at fair market values. 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 YICT are members of a state-managed retirement benefit scheme operated by the local government. YICT is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of YICT with respect to the retirement benefit scheme is to make the specified contributions.

PICT operates a recognized provident fund scheme for all its eligible employees. Equal monthly contributions are made by PICT and the employees to the fund at a rate of 8.33 percent of the basic salary.

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 100 percent of their eligible compensation and those who have reached the age of 21 years old are eligible to make contributions following six months of continuous 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 Oregon's matching contributions to the 401k plan are immediately vested and cannot be forfeited.

Contributions made by YICT, ICTSI Oregon and PICT to the plans and recognized as expense under manpower costs totaled US\$0.9 million in 2017, US\$0.8 million in 2018 and US\$1.1 million in 2019.

24. Significant 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 at December 31, 2019, ICTSI and its subsidiaries, joint venture and associate are in compliance with their concession agreements.

24.1 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, which was extended for another 25 years until May 18, 2038.

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, craneage fees, stripping/stuffing charges, and all other revenues from ancillary services. Harbor dues, berthing fees, and wharfage included in gross revenues defined in the MICT contract amounted to US\$17.2 million in 2017, US\$17.3 million in 2018 and US\$18.3 million in 2019.

In addition, under the original contract, 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. Under the renewal contract effective May 19, 2013, the Parent Company agreed to pay the PPA a fixed fee of US\$600.0 million payable in 100 advanced quarterly installments and pay a variable fee of 20 percent of the gross revenues.

Both the original and renewal contracts contain 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 the structures, buildings, facilities and equipment of the Parent Company being used at the MICT shall automatically 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. Upon expiration of the original contract of MICT in May 2013, the Parent Company executed a deed of absolute transfer to effect the transfer of



ownership of the said structures, improvements, buildings, facilities and equipment, except equipment purchased during the last five years of the original contract. Berth 6 was included in the said transfer. However, ICTSI shall continue to have possession, control and use of the transferred assets for another 25 years in accordance with the terms of the renewal contract in consideration for the upfront fee payment made by the Parent Company.

In 1997, the Parent Company signed a contract for leasehold rights over the storage facilities at the MICT. Under the contract, the Parent Company is committed to pay the PPA ₱55.0 million (equivalent to US\$1.0 million as at December 31, 2019) 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\$5.2 million as at December 31, 2019) 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 non-containerized 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 non-containerized cargoes at berthside for the first three years, plus 10 percent thereof.

24.2 Contract with Subic Bay Metropolitan Authority (SBMA) and
Royal Port Services, Inc. (RPSI)

On February 20, 2007, SBITC was awarded by the SBMA the contract to operate the New Container Terminal 1 (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.

24.3 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 amounted to €1.0 million (US\$1.3 million) per year for the years 2005 to 2007; €1.5 million (US\$1.9 million) per year for the years 2008 to 2010; €2.0 million (US\$2.6 million) per year for years 2011 to 2015; and €2.5 million (US\$3.2 million) per year for the years 2016 to 2025. The part of fixed fees attributable to year 2025 will be prorated up to the anniversary date of the concession handover.



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.

24.4 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 rendering of port services that includes the exploitation, construction, financing, operation, management and maintenance of container and multipurpose terminals 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 TEUs 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 undertook to 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. Fixed fees and variable fees are subject to annual increase according to index of adjustment factor calculated for the sum of 0.50 consumer price index (CPI) of Ecuador and 0.50 CPI of United States of America. The upfront fee, recorded as concession rights and concession rights payable at inception, is subject to interest based on three-month LIBOR rate.

In October 2014, the Concession Agreement was amended in order to modify the formula of calculation of variable fee from November 2014 at 9.5% of total gross revenues.

On December 3, 2019, CGSA and APG signed the addendum to the concession agreement extending the term of the concession until December 2046, from the original term until July 2027. The addendum sets out the revised investment commitments of CGSA and modified the manner of determining the variable fee. Henceforth, the variable fee shall be computed based on gross revenues less credit notes (net revenue), using a rate of 9.5% applied up to a certain base level of volume that changes yearly until 2046. An additional variable fee shall be paid if the actual volume exceeds the base volume agreed, based on a rate from 1% to 5% applicable to an agreed range of volume in excess of the base volume.

24.5 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 with the following considerations: (i) fixed rent fee - payable on a monthly basis and in advance for AR\$8.7755 (US\$0.23) per square meter (sqm) per month (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, which is to be adjusted



according to the cost of dredging. The port of La Plata shall be operated by ICTSI through Tecplata. Tecplata took over bare possession of the terminal on November 10, 2008. On July 17, 2014, an addendum to the concession agreement was signed which indicated that the terminal is considered in commercial operations for purposes of payment of US\$4.0 million assured royalty once the terminal accepts calls from post-panamax vessels. Tecplata started commercial operations in April 2019 but has not yet started to serve post-panamax vessels.

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 Container Freight Station (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. The First Stage was completed with a berth of 600 meters which is 100 meters more than the required. The Second Stage and Third Stage become mandatory in 2028.

24.6 Agreement on Concession of Container and Ro-Ro Terminal Brajdica

In March 2011, ICTSI, through its wholly-owned subsidiary, ICBV, entered into a Share Purchase Agreement (SPA) with Luka Rijeka, a Croatian company, to purchase a 51.0 percent interest in 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\$0.60 per sqm of the occupied concession area until second quarter of 2013 and variable port fees equivalent to 1.0 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 sqm; 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 TEUs of volume handled; €4.8 (US\$6.2) per TEU for annual throughput of 350,001 to 400,000 TEUs; and €3.2 (US\$4.1) per TEU for volume handled above 400,000 TEUs.

24.7 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 sqm per month with 6.0 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 12.0 percent to 17.0 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. 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. 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 5).

24.8 Sub-Concession Agreement (SCA) between ICTSI and 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. 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. On November 7, 2012, ICTSI through ICBV, established LICTSLE to operate the Deep Water Port in the LFTZ. In 2012, ICTSI paid US\$12.5 million sub-concession fee to Lekki Port, which is recognized as Concession Rights in the consolidated balance sheets (see Note 5). On January 26, 2014, ICBV executed a Share Purchase Agreement with CMA Terminals (CMAT), a member of CMA-CGM Group. Under the said Agreement, ICBV agreed to sell its 25 percent shareholdings in LICTSLE to CMAT, subject to certain conditions precedent to completion.

On May 17, 2017, ICTSI and Lekki Port mutually agreed to terminate the Agreement subject to a payment by Lekki Port of an agreed amount. On May 23, 2017, ICTSI received the agreed amounts of US\$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement and US\$7.5 million representing compensation of costs incurred by ICTSI in relation to the project which was recognized as “Other income” in the 2017 consolidated statement of income (see Notes 1.2 and 20.1). The termination of the Agreement was finalized and deemed effective on May 24, 2017.

24.9 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 Rs.411 per sqm 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.

24.10 Agreement between OPC, the Republic of Honduras and
Banco Financiera Comercial Hondurena, S.A

On February 1, 2013, ICTSI was awarded with a 29-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 development of the container terminal and general cargo of Puerto Cortés, Republic of Honduras (the “Agreement”). The Agreement was signed on March 21, 2013 and is valid until August 30, 2042. 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 dredge, 62.2 hectares of total surface area, nine ship-to-shore cranes, and a volume capacity of approximately 1.8 million TEUs.

Pursuant to the Agreement, OPC 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 development of the occupied spaces and the new built surfaces referring to the ENP Works known as OPC Works 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 On Demand Mandatory Works from the beginning of the operative exploitation 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; (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. Total payments in relation to this Agreement aggregated US\$34.9 million, which are presented as part of “Intangibles” account in the consolidated balance sheets (see Note 5).

On October 29, 2015, the Agreement was amended to incorporate the following, among others:

(a) OPC shall carry out the Works of the National Port Company relating to the construction and development of Berth 6 with a length of 550 meters out of the 1,100 meters of quay for containers under the Agreement. OPC shall complete the second phase on June 30, 2023 at the latest; (b) 10% reduction from the original variable and fixed rates related to the annual contribution paid to the National Port Company as well as contributions per movement of container of importation/exportation, ton of load not packed in containers, unit of rolling load and terminal passenger. The reduction in variable and fixed rates were effective upon the commencement of the first phase of berth construction subject to annual escalation based on inflation calculated as prescribed in the amended agreement; (c) reduction in the number of port equipment investment commitment; and (d) modification in the timing of committed investment in infrastructure and equipment.



24.11 Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 in the Port of Umm Qasr in Iraq

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

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

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

On October 22, 2017, ICTSI signed an agreement with GCPI for the Phase 2 of expansion development of the Port. The Phase 2 expansion project was substantially completed and fully operational in the fourth quarter of 2019 and involved the development of two new berths, Berths 25 and 26, including a 10.2-hectare yard area and installation of three new quay cranes. An additional yard area of 0.9 hectares was further completed in January 2020. This expansion increased the Port's container handling capacity to 1,200,000 TEUs or by an additional 600,000 TEUs, and its capability to handle large container vessels of up to 10,000 TEUs.

24.12 Terminal Operating Agreement and Subscription and Shareholders Agreement - Lae

Terminal Operating Agreement (TOA). In September 2017, ICTSI received a notification from PNG Ports Corporation Limited (PNGPCL), a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the 25-year agreement signed by ICTSI's PNG subsidiary, SPICTL, with PNGPCL for the operation, management and development of the international port in Lae in PNG. SPICTL was allowed by PNGPCL to take over the port facilities and begin operations at the Port of Lae in February 2018. The TOA and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

The initial annual rent amounted to PGK22.8 million (US\$6.9 million) and is subject to periodic review. The TOA also required the payment of advance rent amounting to PGK57.0 million (US\$17.3 million) to be applied equally over the first 10 years of the term of the TOA.



Subscription and Shareholders Agreement (SSA). ICTSI, through its subsidiaries, ISPL and SPICTL entered into an SSA with the local communities for the management and governance of and the further transfers and/or issues of shares of SPICTL. The SSA became effective upon the effectivity of the TOA for Lae on June 1, 2018. Under the SSA, the local communities have the right to subscribe up to 30% of the total initial shares of SPICTL. Pre-emptive rights on additional subscriptions are available to all shareholders. On February 15, 2020, ISPL entered into share acquisition agreements with the local communities, Ahi Terminal Services Limited (Ahi) and Labu Investment Limited (Labu), for the transfer of SPICTL shares from ISPL to Ahi and Labu with each local community acquiring a 15% stake in SPICTL. The transfer of 30% of SPICTL shares from ISPL to the local communities became effective upon signing of the said agreements.

24.13 Terminal Operating Agreement and Subscription and Shareholders Agreement - Motukea

Terminal Operating Agreement (TOA). In September 2017, ICTSI received a notification from PNGPCL, a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the 25-year agreement signed by ICTSI's PNG subsidiary, MITL, with PNGPCL for the operation, management and development of the international port in Motukea in PNG. MITL was allowed by PNGPCL to take over the port facilities and begin operations at the Port of Motukea in May 2018. The TOA and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

The initial annual rent amounted to PGK16.2 million (US\$5.2 million) and is subject to periodic review. The TOA also required the payment of advance rent amounting to PGK43.0 million (US\$13.1 million) to be applied equally over the first 10 years of the term of the TOA.

Subscription and Shareholders Agreement (SSA). ICTSI, through its subsidiaries, ISPL and MITL entered into a SSA with the impacted communities (IC) for the management and governance of and the further transfers and/or issues of shares of MITL. The SSA became effective upon the effectivity of the TOA for MITL on June 1, 2018. Under the SSA, the local communities have the right to subscribe up to 30% of the total initial shares of MITL. Pre-emptive rights on additional subscriptions are available to all shareholders. On August 8, 2019, ISPL entered into agreements with the local Tatana and Baruni communities, represented by Noho-Mage Holdings Limited (Noho-Mage), for the latter to acquire a 30% stake in MITL. In accordance with the agreements, the shares, representing 30% stake in MITL, together with all the benefits and rights attached to those shares, will be transferred to Noho-Mage, following entry of its name in the share register of MITL. On December 20, 2019, 30% of the shares held by ISPL were transferred to Noho-Mage after these shares were entered in MITL's share register under the name of Noho-Mage.

24.14 Concession Agreement between Sea Ports Corporation of Sudan and ICTSI Middle East DMCC

On January 3, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Middle East DMCC, signed a Concession Agreement with the SPC to operate, manage and develop the SPCT at the port of Port Sudan, Republic of the Sudan for 20 years. Pursuant to the concession agreement, ICTSI is required to pay: (a) an upfront fee of €530.0 million in installments of €410.0 million (US\$467.2 million) and five other installments each in the amount of €24.0 million (US\$27.3 million) from the third to the seventh operation year; (b) fixed monthly fee of €1.0 million in the first 72 months of the concession term and €1.5 million, subject to adjustments, for the remainder of the term; and (c) royalty fee of 14% of gross revenue during the first six operating years of the concession and 16% of gross revenue starting the seventh operating year.



The port of Port Sudan is the only major modern port in the country and serves as the international gateway for more than 95% of Sudan's cargo flows. The Agreement is secured by a sovereign guarantee by the Republic of the Sudan. On January 13, 2019, ICTSI paid the initial installment of upfront fee of EUR410.0 million (US\$470.2 million, the "Upfront Fee"). In February 2019, ICTSI established AGT, a Sudanese entity, to operate the container terminal.

On January 8, 2019, the Ministry of Finance and Economic Planning (the "Ministry") issued a bond (the "Refund Bond"), which was subsequently amended, wherein it agreed to refund the Upfront Fee in case ICTSI is unable to take over operations by April 7, 2019. On August 7, 2019, due to the ongoing political instability in the Republic of the Sudan and the failure of the Sudanese government to turn over SPCT on or before April 7, 2019, the Sudanese Ministry sent ICTSI a letter confirming: (1) the remittance of EUR195.2 million as partial repayment of the Upfront Fee under the terms of the Refund Bond and (2) that the balance will be repaid as soon as possible. On December 13, 2019, ICTSI, through ICTSI Middle East DMCC, received from the Sudanese Government a second partial repayment of the Upfront Fee in the amount of AED110.2 million (US\$26.8 million). ICTSI continue productive discussions with the Ministry of Finance and Economic Planning of the Republic of the Sudan for the refund of the remaining balance of the Upfront Fee under the terms of the Refund Bond.

24.15 Lease Agreement Between Companhia Docas Do Rio De Janeiro (CDRJ) and Libra Terminal Rio S.A. (ICTSI Rio)

ICTSI Rio was declared the winning bidder for the exclusive management, operation and development of the facilities in Terminal 1 of the Port of Rio de Janeiro to carry out container handling and storage services by virtue of the lease agreement signed with CDRJ in March 1998. The lease agreement sets out the investment commitments of ICTSI Rio, minimum operational requirements, remuneration to be paid by ICTSI Rio for the use of the port facilities including waterway access and CDRJ's share of container handling charges, as well as the committed minimum annual volume to be handled including the penalty for not meeting the required minimum annual volume. The original term of the lease was 25 five years until May 2023 extendible for up to another 25 years.

Pursuant to the twelfth amendment of the Lease Agreement signed on September 16, 2011, in order to adopt the terminal to the requirements of integrated logistics in international trade, ICTSI Rio committed to invest BRL543.1 million in construction works and equipment. The port modernization requirement is in accordance with the Modernization of Ports Act in Brazil. To allow for the recovery of the committed investments, the term of the agreement was early renewed for another 25 years until May 2048. CDRJ and ICTSI Rio also agreed to adjust the minimum annual volume to be handled and set the new base fixed fee considering additional areas as each of the three phases of expansion is completed, and base variable fee from BRL18.0 to BRL22.5 per container handled. The base fixed and variable fees are readjusted based on the general price index in Brazil.

24.16 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 based on a certain formula. 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.

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.

24.17 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 at December 31, 2019, BCT invested US\$110.5 million (€89.0 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, twenty-two amendments in the contract were made reducing the monthly rental to US\$0.61 million and US\$0.55 million in May 2004 and October 2013, respectively. Under the revised 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.

24.18 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, shown as “Intangible assets” account in the consolidated balance sheets and amortized up to year 2055, 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 of US\$0.1 million from November 2, 2007 to 2008, US\$0.2 million from November 2, 2008 to 2009, US\$0.5 million from November 2, 2009 to 2011 and US\$0.8 million from November 2, 2011 to expiration date of the contract as stipulated in the agreement.

24.19 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 (US\$46.9 million) payable in advance in quarterly installments and variable fees based on percentages of MICTSI's gross revenue ranging from 15 to 18 percent during the term of the contract. The said fixed fees will be subject to renegotiation by both parties after five years and every five years thereafter, taking into consideration variances between the projected and actual cargo volumes.

24.20 Deed of Usufruct between Tecplata and Compañía Fluvial del Sud, S.A.

In 2008, Tecplata entered into a lease agreement with Compañía 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, starting in 2010, subject to renewal for another 20 years at the option of Tecplata. On December 20, 2010, Tecplata and Compañía 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, 2012 and 2013 with respect to the original values of the lease amounting to approximately US\$0.5 million (as at December 31, 2013) would be paid in 36 installments once Tecplata starts operations (the mentioned discount was paid in 2014).

24.21 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 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\$4.0 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.



The port facilities will be turned over by API to CMSA in three phases: (a) Phase I, North Area, Position 18: 379,534.217 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; and (c) Phase III, South Area (Position 20): 186,355.22 sqm of the federal land area and 18,000 sqm of the maritime area. On November 30, 2010, the first phase of the ceded area was formally delivered to CMSA while a portion of the second phase of the ceded area equivalent to 42,000 sqm of the federal land area and 18,000 sqm of the maritime area were delivered in advance to CMSA. The remaining portion of the second phase of the ceded area equivalent to 116,329.294 sqm was delivered to CMSA on June 30, 2017. CMSA formally requested for the delivery of the third phase of the ceded area on January 1, 2020.

CMSA shall pay annual fixed fees of MXN163.0 million (US\$12.9 million), MXN75.5 million (US\$6.0 million) and MXN 83.8 million (US\$6.6 million) for the first, second and third phases of the ceded area, respectively. The annual fixed fees shall be paid and adjusted based on CPI on a monthly basis. Further, CMSA shall pay monthly variable fees of US\$10.40 (MXN200) per TEU, up to a maximum volume of 1,500,000 TEUs per year. The contract requires the payment of a minimum variable fee calculated based on a certain minimum guaranteed volume per year starting on the sixth year of the contract until the end of the concession.

CMSA started commercial operations in November 2013.

24.22 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 for the container/break bulk facility at Terminal 6. Under the terms of the agreement, ICTSI Oregon and ICTSI paid the Port of Portland 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 of Portland additional incremental revenue per container moved. Furthermore, the Port of Portland 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 October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd, stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. During the latter part of 2016, the Port of Portland and ICTSI Oregon began discussions of a mutual agreement to terminate the lease agreement. The estimated amount of probable loss from the pre-termination of the lease agreement of US\$23.4 million, which includes the cash compensation and the carrying value of the container handling equipment and spare parts was charged to the 2016 consolidated statement of income (See Note 1).



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

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

24.23 Development Agreement between VICT and POMC

On May 2, 2014, ICTSI, through its subsidiary in Australia, VICT, signed a contract in Melbourne with POMC for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container Terminal (Terminal) and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The Contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5; (b) design, build and commission the new ECP at WDE; and (c) operate the Terminal and ECP until June 30, 2040.

In consideration for the contract, VICT is committed to pay fixed fee subject to escalation over the lease term.

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

24.24 Concession to Construct and Operate a Maritime Container Terminal in the Port of Tuxpan

On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100 percent of the capital stock of TMT for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee of MXN23.24 plus VAT, per square meter of assigned area; and (2) pay minimum guaranteed fee starting January 2018 ranging from MXN145.33 (US\$9.51) per TEU to MXN340.60 (US\$22.29) per TEU for containerized cargo and MXN3.37 (US\$0.22) per ton to MXN5.62 (US\$0.37) per ton for general cargo, based on agreed minimum volume. As of March 3, 2020, management is currently working on a development plan on TMT.



24.25 Shareholders' Agreement (Agreement) with AG&P

On September 30, 1997, IWI CTHI 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 CTHI conveying to the latter a parcel of land for a total purchase price of ₱632.0 million (equivalent to US\$12.5 million as at December 31, 2019). The said land was transferred by IWI CTHI to BIPI under a tax-free exchange of asset for shares of stock.

Notwithstanding the sale on April 10, 2019, of all the remaining BIPI shares held by AG&P, representing 20% stake in BIPI, the unfulfilled obligations under the Agreement shall remain in force, under the terms included in the agreement executed on April 10, 2019 containing the sale and purchase of the 20% stake in BIPI.

24.26 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 Pelabuhan Indonesia IV (Pelindo), 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. In December 2012, MTS extended the joint operation contract, which will originally expire on September 30, 2013, until February 1, 2023. Under the agreement, MTS provides and operates CHE at the Port of Makassar. For the services provided, MTS is paid by Pelindo 60 percent of the gross revenue based on the published tariff for the operation of CHE owned by MTS.

24.27 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, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of hold-over authority on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On December 3, 2019, the PPA granted to SCIPSI the HOA to operate arrastre, stevedoring and related cargo handling services which was valid from February 25, 2019 until December 31, 2019. As of March 3, 2020, SCIPSI has not received a new hold-over authority.

24.28 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 cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. On May 8, 2019, the PPA granted to DIPSSCOR the HOA to operate arrastre, stevedoring and related cargo handling services which



was valid from February 27, 2019 until December 31, 2019. As of March 3, 2020, DIPPSCOR has not received a new hold-over authority.

24.29 Joint Venture Contract on Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL) and YICT

In January 2007, the Group (through IHKL) 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\$99.1 million as at December 31, 2013) 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 YPH. As such, the non-controlling shareholder of the Company was changed from YPG and SDIC to YPH.

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.

On July 1, 2014, the Group, through its subsidiary IHKL, acquired 51 percent of the total equity interest of YICT and the Group sold its 60 percent ownership interest in YRDICTL to YPH. The Group entered into a joint venture agreement on YICT with DP World and YPH for a period of 29 years until September 29, 2043, and may be extended upon agreement of all parties. The objective of these transactions is to consolidate and optimize the overall port operations within the Zhifu Bay Port Area in Yantai, China. YICT became the only foreign container terminal within the Zhifu Bay Port Area. DP World China (Yantai) and YPH owns 12.5 percent and 36.5 percent ownership interest in YICT, respectively, with ICTSI as the majority shareholder.

Pursuant to the said joint venture agreement, the Board of YICT shall be comprised of six members, three of which the Group has the right to elect. The Chairman of the Board shall be appointed by the Group and the said Chairman shall be entitled to a casting vote in the event of equality of votes. The Group is also entitled to appoint the General Manager and Financial Controller. The land operated by YICT was contributed by YPH and is valid until August 28, 2043.

YICT is authorized by YPH to collect, on its behalf, the port charges (including port charges levied on cargoes and facilities security fees) in accordance with the state regulations and shall, after retaining 50% of the port charges levied on cargoes (as the fees for maintaining the facilities within the port owned by YICT) and 80% of the facilities security fees (as the fees for maintaining and improving the security facilities within the terminal owned by YICT) collected, pay to YPH the remaining parts no later than the fifteenth (15th) day of the following month.

24.30 Cooperation Agreement for Operation of Terminal Area III of the Tanjung Priok Port at Jakarta, Indonesia between PT Pelabuhan Indonesia II (Pelindo) and OJA

OJA has existing cooperation agreements with Pelindo 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 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. On



June 5, 2013, OJA signed a 15-year Cooperation Agreement with Pelindo for international container stevedoring services wherein the parties will share a fixed percentage of revenues. Pending the fulfillment of certain conditions, the 15-year term of the Cooperation Agreement has not yet commenced as of March 3, 2020. The refrigerated container plugging and monitoring and inspection of container customs are being renewed yearly.

24.31 Shareholders' Agreement on IDRC

On January 23, 2014, the Group, through its subsidiary, ICTSI Cooperatief, forged a business partnership with SIMOBILE for the establishment and formation of a joint venture company, IDRC. IDRC, which is then 60 percent-owned by ICTSI Cooperatief, will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein.

At incorporation, the share capital of IDRC amounted to US\$12.5 million represented by 12,500 ordinary voting shares. IDRC was incorporated for an initial term of 99 years, subject to early dissolution or prorogation. ICTSI contributed US\$2.0 million cash upon incorporation and the US\$5.5 million cash in tranches while SIMOBILE contributed land valued at US\$5.0 million. On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to SCTP SA in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, SIP Sprl, its 10% ownership in IDRC. Thereafter, IDRC is owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA.

Pursuant to the shareholders' agreement, the Board of IDRC shall be comprised of six members, four of which will be appointed by the Group.

Phase 1 of the facility consists of two berths that can handle 175,000 TEUs and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 was completed in the fourth quarter of 2016. Initial operations started in the third quarter of 2016 while commercial operations started in January 2017.

24.32 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 was valid for a period of four years from commencement date or May 22, 2009. The term was extendible for a period of one year at a time, for a maximum of two years subject to the mutual agreement of the parties. In consideration for the services, the Government paid 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 were US\$8.1 million and US\$8.5 million, respectively. The operation fees for each year were paid in 12 equal monthly installments. Since 2012, the Agreement had been extended yearly for a period of one year or until May 20, 2017 as an interim operator. However, as part of the Government's ongoing overall restructuring, state-owned enterprise Darussalam Assets Sdn Bhd will take over the Muara Container Terminal operations from the Brunei Ports Department effective February 21, 2017. The future plans for Muara Container Terminal contemplate its integration with the development of a Special Economic Zone, which is not ICTSI's core competency and will require huge investments on the part of NMCTS. As part of ICTSI's efforts at rationalising its



portfolio to achieve the best possible sources of long-term growth and return for its shareholders, ICTSI, through NMCTS, is no longer interested in signing a new contract with the state-owned enterprise Darusalam Assets Sdn Bhd. Thus, the Agreement was pre-terminated effective February 21, 2017.

The Agreement contained commitments and restrictions which included, 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, as well as penalties for failure to meet the service level requirements.

The existing contracts and agreements entered into by the Group contain 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, non-compete arrangements, productivity targets and other related matters.

25. 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. 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.

MICT

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 Resolution No. 141 dated September 23, 2010, adopting the Committee Report of the ad hoc committee that investigated the reclamation done in Isla Puting Bato in Manila, which stated that the project should have had prior consultation with the City of Manila, approval and ordinance from the City of Manila, and consent from the City Mayor. 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 application for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 before the Supreme Court. 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 Supreme Court also granted the Company's motion to intervene in the case of PPA vs. City of Manila and City Council of Manila. The Supreme Court,



in a Resolution dated August 14, 2019, dismissed this case for being moot and academic since the Berth 6 construction has been completed and is currently operational.

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.

In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI before the Regional Trial Court of Manila, Branch 55, for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The amount of claim is ₱223.8 million (approximately US\$4.5 million) plus legal interest and attorney's fees of ₱1.0 million (US\$20.1 thousand).

PLDT initially filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard. The case is currently on trial.

PICT

In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against Pakistan International Container Terminal (PICT) in the Honorable High Court of Sindh (HCS) claiming a sum of approximately US\$2.0 million along with the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyre Gantry Cranes in 2004. The HCS has rendered a judgement and decree in favor of PICT and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. In June 2017, KPT filed an appeal against the aforesaid judgment before the Divisional Bench of HCS. Upon advice of PICT's legal advisor, management believes that there is no merit in this claim.

Also in 2007, PICT has filed an interpleader civil suit before HCS against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of demand raised by the DDO on PICT to pay property tax out of the Handling, Marshalling and Storage (HMS) charges payable to KPT amounting to approximately US\$0.2 million for the period from 2003 to 2007. In compliance with the Order of HCS, PICT deposited the amount with Nazir of HCS, out of amount withheld by PICT from HMS charges billed by KPT. In 2014, another demand was made by DDO amounting to approximately US\$0.7 million for the period from 2008 to 2014. On an application filed by PICT for directions, HCS ordered for deposit of the aforementioned amount out of HMS charges billed by KPT and PICT subsequently complied with the order of HCS. In 2015, HCS issued further orders directing PICT to deposit the remaining HMS charges due and payable with Nazir of HCS in quarterly installments and PICT complied accordingly. The decision of the suit is still pending, and PICT's legal advisor believes that there may be no adverse implication for depositing the payments with Nazir of HCS due to KPT in view of complying with the HCS's order.

While completing the tax audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (DCIR) modified the deemed assessment of PICT and made certain disallowances/additions on the taxable income and raised an income tax demand of approximately US\$0.8 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who partially decided the appeal in favor of PICT. Consequently, PICT made the payment of approximately US\$0.7 million, in respect of issues confirmed by the CIR-A, and filed a second



appeal before the Appellate Tribunal Inland Revenue, which is now pending for adjudication. Upon advice of PICT's tax advisor, management believes that the issues involved in the appeal is expected to be decided in favor of PICT.

In 2017, the Assistant Commissioner Sindh Revenue Board (AC-SRB) under Sindh Sales Tax on Services Act, 2011 raised a demand of approximately US\$3.7 million along with penalty and default surcharge, for the tax periods January 2013 to December 2014 on exempt services provided by PICT. PICT filed an Appeal with Commissioner Appeals - SRB which is pending for hearing. The tax advisor of PICT is of the view that PICT has strong defense and appeal will be decided in favor of PICT.

In 2017, the Additional Commissioner Inland Revenue (ACIR) modified the deemed assessment of PICT for the tax year 2016 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions/disallowances to the taxable income and tax credits claimed by PICT and raised an income tax demand of approximately US\$1.59 million. PICT filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who had decided the appeal partly in favor of PICT. Being aggrieved by the decision of CIR-A, PICT as well as the tax department filed the appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication. PICT has also sought stay from HCS against the demand created by ACIR after appeal effect proceedings. HCS vide its final order directed the ACIR not to take any coercive recovery measures until the finalization of appeal before the ATIR which is pending adjudication. The tax advisor of PICT is of the view that the issues involved in the appeal will be decided in favor of PICT.

In 2019, ACIR amended the deemed assessment of PICT for the tax year 2018 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions/disallowance to the taxable income and tax credits claimed by PICT and raised an income tax demand of approximately US\$3.47 million. PICT filed an appeal before CIR-A which is pending adjudication. PICT has also obtained stay from HCS against the demand created by ACIR. HCS vide its interim order directed ACIR not to take any coercive recovery measures till the finalization of appeal before the CIR-A which is pending adjudication. The tax advisor of PICT is of the view that the issues involved in the appeal will be decided in favor of PICT.

In 2019, ACIR amended the deemed assessment of PICT for the tax year 2014 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions/disallowance to the taxable income and tax credits claimed by PICT and raised an income tax demand of approximately US\$2.92 million. PICT is in process of filing an appeal before CIR-A. The tax advisor of PICT is of the view that the issues involved in the order to be appealed will be decided in favor of PICT.

TSSA

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\$3.0 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 and such cargo was destroyed by Brazilian customs authorities. The lower court and Court of Appeals ruled in favor of Interfood. An amount of BRL12.0 million (approximately US\$3.1 million) in TSSA's bank account has been garnished by the lower court. The provision aggregating BRL13.8 million (US\$4.2 million), BRL13.8 million (US\$3.6 million) and BRL13.8 million (US\$3.4 million) were recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets as at December 31, 2017, 2018 and 2019, respectively. In July 2016, the State Court rendered a



decision against TSSA. The said judgment, however, is still subject to a last appeal with the Supreme Court in Brasilia. In September 2019, the State Court issued a decision that rendered TSSA a credit against Interfood for the amount of BRL3.5 million (US\$0.9 million). This decision is still subject to confirmation by the Supreme Court in Brasilia.

TICT

On December 28, 2012, TICT filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) on the grounds of “unforeseen change of circumstances” and “Force Majeure”. In early 2013, TPGC submitted to arbitration TICT’s termination notice. On April 1, 2014, the arbitration panel decided in favor of TPGC. While the award has become executory on April 20, 2015, management and its legal counsels believe that TPGC will not be able to successfully enforce the award outside of Syria.

BICTL

In 2015, BICTL filed a case against Revenue Service with the Tbilisi City Court for the cancellation of the tax assessment in the amount of US\$860.7 thousand (GEL2.3 million). The case involves Value-Added Tax on fees collected by BICTL for services rendered in relation to the export of scrap materials. The Revenue Service alleged that such fees are subject to VAT while BICTL believes that it has good legal basis to treat the services as a VAT zero-rated sale of services. In March 2016, the Tbilisi City Court rendered a decision in favor of Revenue Service. BICTL has appealed the said decision with the appellate court. The Tbilisi Court of Appeals considered BICTL’s arguments and position. On May 16, 2018, the said court partially satisfied BICTL’s claim and major part of the penalty was cancelled.

The decision of the Court of Appeals was appealed by BICTL in the Supreme Court of Georgia in May 2019. The appeal is accepted by the Supreme Court and we are waiting the decision of the Supreme Court.

ICTSI Oregon

Due to the continuing labor disruptions caused by the International Longshore and Warehouse Union and ILWU Local 8 (collectively “ILWU”) in Portland, Oregon commencing in June 2012, ICTSI Oregon filed two separate counter-claims in United States federal court against the ILWU seeking monetary damages. The first is a claim for damages caused by the ILWU's unlawful secondary activity under the National Labor Relations Act. The second is an antitrust claim brought against the ILWU and the Pacific Maritime Association (PMA). The antitrust claim was initially dismissed by the federal court. The judge granted ICTSI Oregon permission to appeal the dismissal to the United States Court of Appeals for the Ninth Circuit. In July 2017, the Ninth Circuit upheld the dismissal of the claim. ICTSI Oregon filed a petition for writ of certiorari with the United States Supreme Court seeking to reverse the Ninth Circuit’s decision. This petition was denied. Accordingly, the antitrust claim has been finally disposed of.

ICTSI Oregon’s second counterclaim against ILWU is a claim for money damages caused by the ILWU's unlawful secondary activity under the National Labor Relations Act. Initially, ICTSI also joined ILWU Local 40 to this claim but later dismissed that ILWU affiliate. In connection with ICTSI’s second counterclaim, the National Labor Relations Board (NLRB) sought and obtained two federal court injunctions against the ILWU prohibiting illegal work stoppages as well as a finding of contempt of court against the ILWU for injunction violations. The federal district court initially stayed ICTSI Oregon's damage claim for unlawful secondary activity pending completion of administrative proceedings before the NLRB. The NLRB’s administrative proceedings were completed in a manner favorable to ICTSI Oregon in 2015. However, the ILWU appealed to the United States Court of Appeals for the District of Columbia Circuit in Washington D.C. On November 6, 2017, the US Court of Appeals rejected the ILWU’s appeals and upheld two NLRB



decisions declaring that the ILWU engaged in deliberate work stoppages and slowdowns, made false safety claims, and engaged in other illegal coercive conduct against ICTSI Oregon and its customers.

As a result of the US Court of Appeals decisions, the federal district court in Oregon lifted the stay in early 2018 and scheduled a trial of ICTSI Oregon's damage claim commencing in October 2019. This is a substantial claim, seeking a multi-million dollar judgment against the ILWU. After a two-week trial in Portland, Oregon, a jury verdict was rendered on November 4, 2019 in favor of ICTSI Oregon on the remaining claims against ILWU for unlawful labor practices. The jury verdict awarded damages to ICTSI Oregon in the total sum of US\$93.6 million. The court has yet to enter judgement on the verdict. Instead, it has decided to hear the ILWU's post-verdict motions first. Briefing on those motions were completed in early February 2020 and a decision from the federal court is likely in or about 30 to 60-days from the hearing held on February 14, 2020.

ICTSI also had brought a breach of fiduciary duty claim against the PMA in federal court. Based on a settlement between ICTSI and PMA, that claim was voluntarily dismissed in 2018.

SPIA

In February 2018, Conalvias Construcciones S.A.S., (Conalvias) filed an arbitration case at the Arbitration Center of the Chamber of Commerce of Bogota against SPIA for the unlawful termination of the Construction of Paving Works and Utilities contract ("the Contract"), and for several breaches committed by SPIA under the Contract. In August 2019, the arbitral tribunal ceased its functions due to the lack of payment of the arbitrators' fees by the parties.

On June 11, 2019, Columbia's Superintendence of Companies (the "Bankruptcy Court") ordered the commencement of Conalvias' liquidation proceeding. On July 31, 2019, SPIA timely filed its claim before the Bankruptcy Court to be acknowledged as contingent creditor and as fifth class creditor on Conalvias liquidation proceeding. SPIA's contingent claim and fifth class claim amounted to COP105.6 billion (US\$32.1 million) and COP27.7 billion (US\$8.4 million), respectively. SPIA's claims were not included because no judicial proceeding was currently ongoing between the parties in the Project of Claims submitted by the Liquidator before the Bankruptcy Court. SPIA objected the Liquidator's Project of Claims, requesting to be acknowledged as creditor. Among other arguments, SPIA stated that it was already acknowledged as a creditor in the reorganization proceeding. On February 13, 2020, the Liquidator sent a settlement proposal in which SPIA's claim is acknowledged as a fifth class postponed contingent claim. This proposal is under review.

26. Financial Instruments

26.1 Fair Values

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments by category whose fair value is different from its carrying amount as at December 31:

	2017		2018		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US\$1,432,417,876	US\$1,547,607,808	US\$1,271,335,292	US\$1,318,503,380	US\$1,662,628,789	US\$1,752,911,779
Lease liabilities	1,182,123,073	1,178,779,656	1,137,147,123	1,136,850,285	1,189,175,168	1,191,280,770
Concession rights payable	480,181,116	510,902,353	541,269,412	556,134,127	660,740,508	646,423,482
	US\$3,094,722,065	US\$3,237,289,817	US\$2,949,751,827	US\$3,011,487,792	US\$3,512,544,465	US\$3,590,616,031



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 values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 1.43 percent to 12.23 percent in 2017, 1.26 percent to 12.90 percent in 2018 and 1.26 to 15.48 percent in 2019.

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, interest rate swaps, currency forwards and other structured derivatives, fair values are based on counterparty bank valuation.

26.2 Fair Value Hierarchy

The following tables below present the fair value hierarchy of the Group's financial instruments as of December 31:

2017				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value:				
Derivative assets	US\$5,074,653	US\$–	US\$5,074,653	US\$–
Derivative liabilities	4,374,838	–	4,374,838	–
AFS investments	12,639,082	12,639,082	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,547,607,808	1,047,984,942	–	499,622,866
Concession rights payable	510,902,353	–	–	510,902,353
Lease Liabilities	1,178,779,656	–	1,178,779,656	–
2018				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value:				
Derivative assets	US\$579,321	US\$–	US\$579,321	US\$–
Derivative liabilities	2,835,502	–	2,835,502	–
Financial assets at FVOCI	13,032,349	13,032,349	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,318,503,380	984,325,835	–	334,177,545
Concession rights payable	556,134,127	–	–	556,134,127
Lease Liabilities	1,136,850,285	–	1,136,850,285	–



2019				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value:				
Derivative assets	US\$23,123	US\$–	US\$23,123	US\$–
Derivative liabilities	21,513,563	–	21,513,563	–
Financial assets at FVOCI	2,482,923	2,482,923	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	1,752,911,779	1,032,125,609	–	720,786,170
Concession rights payable	646,423,482	–	–	646,423,482
Lease Liabilities	1,191,280,770	–	1,191,280,770	–

In 2017, 2018 and 2019, 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.

26.3 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 interest rate swaps and currency forwards, are accounted for either as cash flow hedges or transactions not designated as hedges.

26.4 Derivative Instruments Accounted for as Cash Flow Hedges

Interest Rate Swap. In 2014, AGCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate Euro-denominated loan maturing in 2023. A notional amount of EUR5.1 million (US\$6.2 million) and EUR3.8 million (US\$4.6 million) out of the total EUR10.6 million (US\$12.8 million) floating rate loan was swapped to fixed rate. Under the interest rate swap, AGCT pays fixed interest of 6.19 percent for EUR5.1 million and 5.55 percent for EUR3.8 million and receives floating rate of one-month EURIBOR plus 4.20 bps on the notional amount. Starting July 2016, the fixed interest for EUR5.1 million and EUR3.8 million was reduced to 5.39 percent and 4.75 percent, respectively, and AGCT receives floating rate of one-month EURIBOR plus 3.40 bps on the notional amount. The market valuation loss on the outstanding interest rate swap amounted to EUR0.3 million (US\$0.4 million) and EUR0.2 million (US\$0.3 million) as at December 31, 2017 and 2018. The effective portion of the change in the fair value of the interest rate swap amounting to EUR0.2 million (US\$0.3 million), net of EUR0.1 million (US\$0.1 million) deferred tax and EUR0.2 million (US\$0.2 million), net of EUR40.1 thousand (US\$46.0 thousand) deferred tax, for the years ended December 31, 2017 and 2018, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

On December 31, 2019, AGCT terminated the outstanding interest rate swap due to the payment of the underlying EUR-denominated floating rate loan. The amount deferred in equity representing the effective portion of the change in fair value of the swap amounting to EUR0.2 million (US\$0.2 million) at the time of prepayment was transferred to profit and loss and recognized under “Interest expense and financing charges on borrowings” account in the 2019 consolidated statement of income.



In August 2016, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD320.4 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10 to 2.5875 percent and receives floating rate of six-month Bank Bill Swap Bid Rate (BBSY) basis points on the notional amount. In March 2017, VICT entered into additional interest rate swap transactions to hedge an additional AUD5.5 million and AUD12.4 million of its AUD-denominated loans maturing in 2026 and 2031, respectively. VICT pays an annual fixed interest of 2.885 to 2.9730 percent for the loans maturing in 2026 and 2031, respectively. The market valuation gain on the outstanding interest rate swaps amounted to AUD4.6 million (US\$3.6 million) as of December 31, 2017, respectively, and the market valuation loss on the outstanding interest rate swaps amounted to AUD1.5 million (US\$1.1 million) and AUD14.4 million (US\$10.1 million) as of December 31, 2018 and 2019, respectively. The effective portion of the change in the fair value of the interest rate swap amounting to AUD3.2 million (US\$2.3 million), net of AUD1.4 million (US\$1.3 million) deferred tax, AUD1.0 million (US\$0.9 million), net of AUD0.5 million (US\$0.2 million) deferred tax and AUD10.1 million (US\$7.2 million), net of AUD4.3 million (US\$3.1 million) deferred tax, for the years ended December 31, 2017, 2018 and 2019, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

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

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

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA's floating rate US\$-denominated floating rate loan maturing in 2021. A total notional amount of US\$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount. As of December 31, 2017, 2018 and 2019, the market valuation gain on the outstanding interest rate swaps amounted to US\$0.3 million, US\$0.3 million and US\$23.1 thousand, respectively. The effective portion of the change in the fair value of the interest rate swap amounting to US\$0.2 million, net of US\$0.1 million deferred tax, US\$0.2 million, net of US\$0.1 million deferred tax and US\$ 16.2 thousand, net of US\$ 6.9 thousand deferred tax for the years ended December 31, 2017, 2018 and 2019, respectively, was taken to equity under other comprehensive loss (see Note 14.7).



In April 2019, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the ICTSI Global Finance B.V.'s US\$-denominated floating rate loan maturing in 2026. A total notional amount of US\$300.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.6981 percent and receives floating rate of three-month LIBOR plus 130 basis points on the notional amount. As of December 31, 2019, the market valuation loss on the outstanding interest rate swaps amounted to US\$10.8 million. The effective portion of the change in the fair value of the interest rate swap amounting to US\$7.6 million, net of US\$3.2 million deferred tax, for the year ended December 31, 2019, was taken to equity under other comprehensive loss.

Net Investment Hedging. In March 2017, ICTSI entered into a cross currency swap that converts the US dollar bond with a coupon of 7.375 percent maturing on March 17, 2020 to a Euro liability that has a coupon of 5.05 percent with the same maturity. The EUR15.0 million cross currency swap was designated as a net investment hedge to offset the movement of the Group's Euro net investment in its subsidiary in Madagascar, MICTSL. As of December 31, 2017, 2018 and 2019, the market valuation loss on the outstanding cross currency swap amounted to EUR1.8 million (US\$2.2 million), EUR1.1 million (US\$1.2 million) and EUR0.5 million (US\$0.6 million), respectively. The effective portion of the fair value of the cross currency swap amounting EUR1.3 million (US\$1.5 million), net of EUR0.5 million (US\$0.7 million) deferred tax, EUR0.7 million (US\$0.8 million), net of EUR0.4 million (US\$0.4 million) deferred tax and EUR0.4 million (US\$0.4 million), net of EUR0.2 million (US\$0.2 million) deferred tax for the years ended December 31, 2017, 2018 and 2019, respectively, was taken to equity under other comprehensive loss (see Note 14.7).

Translation Hedging. In 2018, ICTSI designated EUR138.3 million (US\$158.5 million) of its Euro-denominated cash equivalents as cash flow hedges to hedge the variability of a Euro-denominated transaction that would arise as a result of changes in the EUR:USD exchange rate. The related foreign currency translation loss on the Euro-denominated cash equivalents designated as cash flow hedges aggregating to US\$10.2 million was taken to equity under other comprehensive loss. No ineffectiveness was recognized in the consolidated statements of income for the year ended December 31, 2018.

On January 8, 2019, ICTSI terminated the cash flow hedge of its Euro-denominated cash equivalents. The related foreign currency translation loss on the Euro-denominated cash equivalents designated as cash flow hedges aggregating to US\$10.6 million that was taken to equity was reclassified as part of upfront fee paid to SPC included in "Other noncurrent asset" account in the 2019 consolidated balance sheet (see Notes 9, 11 and 24.14).

26.5 Other Derivative Instruments Not Designated as Hedges

Currency Forwards. In 2017, ICTSI entered into USDPHP forwards to hedge Philippine Peso disbursements. As of December 2019, there were no outstanding USDPHP forward contracts.



26.6 Fair Value Changes on Derivatives

The net movements in fair value changes of ICTSI's derivative instruments are as follows:

	2017	2018	2019
Balance at beginning of year	US\$5,234,218	US\$699,815	(US\$2,256,181)
Net changes in fair value of derivatives:			
Designated as accounting hedges	(4,534,403)	(2,955,996)	(19,234,259)
	699,815	(2,256,181)	(21,490,440)
Less fair value of settled instruments	—	—	—
Balance at end of year	US\$699,815	(US\$2,256,181)	(US\$21,490,440)

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:

	2017	2018	2019
Balance at beginning of year	US\$3,682,715	US\$247,337	(US\$1,534,126)
Changes in fair value of cash flow hedges of designated derivatives	(4,534,403)	(2,955,996)	(19,234,259)
Tax effects	1,099,025	1,174,533	5,346,748
Balance at end of year (see Note 14.7)	US\$247,337	(US\$1,534,126)	(US\$15,421,637)

Fair value changes on freestanding derivatives as at December 31 are presented as follows:

	2017	2018	2019
Derivative assets (see Note 9)	US\$5,074,653	US\$579,321	US\$23,123
Derivative liabilities (see Note 16)	(4,374,838)	(2,835,502)	(21,513,563)
Total	US\$699,815	(US\$2,256,181)	(US\$21,490,440)

27. 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 has port operations and development projects in 18 countries as at December 31, 2019. 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 regularly reviewed annually by Internal Audit to ensure compliance with the 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 US Dollar, Philippine Peso, Euro, Chinese Renminbi, Pakistani Rupee and Australian Dollar at fixed and floating rates of interest. The Group minimizes its currency exposure by matching its currency of borrowing to the currency of operations and functional currency 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.



The following tables set out the carrying amount, by maturity, of the Group's liabilities that are exposed to interest rate risk as at December 31:

2017							
	Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years	Total	Net Debt*
	<i>(In Original Currency)</i>					<i>(In US Dollar)</i>	
Liabilities							
Long-term Debt							
Floating Rate:							
US\$ Loan	3,920,000	20,580,000	—	—	—	24,500,000	US\$24,500,000
Interest rate	LIBOR + 1.15% spread						
RMB Loan	10,000,000	20,000,000	20,000,000	20,000,000	20,000,000	90,000,000	13,831,684
Interest rate	PBOC standard rate less 5%						
2018							
	Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years	Total	Net Debt*
	<i>(In Original Currency)</i>					<i>(In US Dollar)</i>	
Liabilities							
Long-term Debt							
Floating Rate:							
US\$ Loan	29,500,000	—	—	—	—	29,500,000	US\$29,500,000
Interest rate	LIBOR + 1.15% spread						
RMB Loan	—	10,000,000	20,000,000	20,000,000	—	50,000,000	7,269,027
Interest rate	PBOC standard rate less 5%						



2019								
	Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*
						(In Original Currency)	(In US Dollar)	
Liabilities								
Long-term Debt								
Floating Rate:								
US\$ Loan	90,000,000	—	—	—	—	90,000,000	US\$90,000,000	US\$90,000,000
Interest rate	LIBOR + 0.75% spread							
Eur Loan	-	38,225,000	—	—	—	38,225,000	42,861,693	42,445,397
Interest rate	EURIBOR + 1.00% spread							
PGK Loan	42,760,000	21,380,000	21,380,000	21,380,000	—	106,900,000	31,603,843	31,603,843
Interest rate	ANZ ILR* less 6.45%							
RMB Loan	-	10,000,000	20,000,000	—	—	30,000,000	4,308,364	4,308,364
Interest rate	PBOC standard rate less 5%							

*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 income before income tax (through the impact on unhedged floating rate borrowings), at December 31 are as follows (amounts in millions unless otherwise indicated):

	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax		
		2017	2018	2019
Loans	+1.0	(US\$0.3)	(US\$0.4)	(US\$1.7)
	-1.0	0.3	0.4	1.7

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. Five percent, four percent and 14 percent of the Group's total borrowings, gross of debt issuance costs as at December 31, 2017, 2018 and 2019, respectively, will mature in the ensuing 12 months. The Group is re-assessing 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 at December 31 based on contractual undiscounted payments (amounts in millions unless otherwise indicated).

	2017					Total
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
Long-term debt	US\$37.8	US\$8.7	US\$52.4	US\$1,077.4	US\$777.9	US\$1,954.2
Accounts payable and other current liabilities*	130.3	40.6	13.9	—	—	184.8
Other noncurrent liabilities*	—	—	—	58.6	58.3	116.9
Loans payable	61.2	—	—	—	—	61.2
Derivative liabilities	1.9	—	—	2.5	—	4.4
Concession rights payable	11.4	12.4	23.1	236.2	725.0	1,008.1
Lease liabilities	13.8	13.9	32.6	570.4	2,428.1	3,058.8
Total	US\$256.4	US\$75.6	US\$122.0	US\$1,945.1	US\$3,989.3	US\$6,388.4

*Excludes statutory liabilities, noncurrent portion of derivative liabilities and provisions for claims and losses.

	2018					Total
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
Long-term debt	US\$6.0	US\$19.9	US\$31.5	US\$679.8	US\$578.5	US\$1,315.7
Concession rights payable	11.3	12.3	22.8	187.2	579.1	812.7
Accounts payable and other current liabilities*	170.8	22.9	20.9	—	—	214.6
Other noncurrent liabilities*	—	—	—	56.5	104.7	161.2
Loans payable	4.0	31.7	—	—	—	35.7
Derivative liabilities	—	—	—	1.5	1.3	2.8
Lease liabilities	14.7	14.7	30.9	589.2	2,128.4	2,777.9
Total	US\$206.8	US\$101.5	US\$106.1	US\$1,514.2	US\$3,392.0	US\$5,320.6

*Excludes statutory liabilities, noncurrent portion of derivative liabilities and provisions for claims and losses.



2019						
	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\$196.6	US\$32.4	US\$22.7	US\$1,166.3	US\$321.4	US\$1,739.4
Accounts payable and other current liabilities*	208.5	18.2	60.6	—	—	287.3
Other noncurrent liabilities*	—	—	—	11.0	1.2	12.2
Loans payable	—	—	—	—	—	—
Derivative liabilities	0.6	0.8	3.2	1.4	15.6	21.6
Concession rights payable	13.6	14.2	26.8	316.8	952.5	1,323.9
Lease liabilities	24.4	24.4	50.8	618.9	2,014.5	2,733.0
Total	US\$443.7	US\$90.0	US\$164.1	US\$2,114.4	US\$3,305.2	US\$6,117.4

*Excludes statutory liabilities, noncurrent portion of derivative 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 in banks, aggregating US\$212.8 million, US\$139.1 million and US\$164.4 million as at December 31, 2017, 2018 and 2019, respectively. Furthermore, cash equivalents, amounting to US\$66.6 million, US\$307.9 million and US\$70.5 million as at December 31, 2017, 2018 and 2019, respectively, may also be used to manage liquidity.

Changes in liabilities arising from financing activities

	December 31, 2017	Cash flows	Foreign exchange movement	Translation Adjustment	Changes in fair values	Others*	December 31, 2018
Long-term debt	US\$1,491,147,648	(US\$147,120,969)	(US\$78,215)	(US\$28,245,836)	US\$—	US\$—	US\$1,315,702,628
Loans payable	61,187,102	(22,611,652)	—	(748,001)	—	(2,109,052)	35,718,397
Concession rights payable	480,181,116	(45,106,484)	(661,779)	(4,403,103)	—	111,259,662	541,269,412
Dividends payable	2,459,164	(114,731,592)	—	(281,331)	—	113,634,676	1,080,917
Derivative liability	4,374,838	—	—	(118,482)	2,793,953	(4,214,807)	2,835,502
Accrued interest	23,497,213	(95,204,244)	44	(468,603)	—	94,942,934	22,767,344
Lease liabilities	1,182,123,073	(53,383,067)	(95,078,952)	—	—	103,486,069	1,137,147,123
Total liabilities from financing activities	US\$3,244,970,154	(US\$478,158,008)	(US\$95,818,902)	(US\$34,265,356)	US\$2,793,953	US\$416,999,482	US\$3,056,521,323

* Others includes capitalization of fixed fees under IFRIC 12, reclassifications, accrual of dividends and accrual of interest from interest-bearing loans.

	December 31, 2018	Cash flows	Foreign exchange movement	Translation Adjustment	Changes in fair values	Others*	December 31, 2019
Long-term debt	US\$1,315,702,628	US\$393,575,601	US\$14,314	(US\$4,780,746)	US\$—	US\$—	US\$1,704,511,797
Loans payable	35,718,397	(35,574,959)	—	(143,438)	—	—	—
Concession rights payable	541,269,412	(18,168,198)	651,989	(3,316,232)	—	140,303,536	660,740,507
Dividends payable	1,080,917	(215,499,171)	—	(33,886)	—	220,352,106	5,899,966
Derivative liability	2,835,502	—	—	(707,831)	19,385,893	—	21,513,564
Accrued interest	22,767,343	(99,613,148)	—	(17,775)	—	100,973,657	24,110,077
Lease liabilities	1,137,147,123	(57,876,260)	1,912,927	—	—	107,991,378	1,189,175,168
Total liabilities from financing activities	US\$3,056,521,322	(US\$33,156,135)	US\$2,579,230	(US\$8,999,908)	US\$19,385,893	US\$569,620,677	US\$3,605,951,079

* Others includes capitalization of fixed fees under IFRIC 12, reclassifications, accrual of dividends and accrual of interest from interest-bearing loans.

Foreign Currency Risk

As a result of operations in subsidiaries whose functional currency is not the US dollar, the Group's consolidated balance sheets can be affected significantly by movements in the subsidiaries' 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 loss amounting to US\$9.7 million in 2017 and US\$1.4 million in 2018 and net foreign exchange gain amounting to US\$9.2 million in 2019 arising from net foreign currency-denominated financial assets and liabilities as at December 31, 2017, 2018 and 2019, respectively, which resulted mainly from the movements of Philippine peso, Brazilian real, Mexican peso 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:

	2017		2018		2019	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
Current Financial Assets						
Cash and cash equivalents:						
EUR	12,293,881	US\$14,758,804	213,954,993	US\$245,342,191	8,472,751	US\$9,498,600
Philippine peso	1,148,871,876	23,009,651	3,093,628,295	58,836,597	4,159,243,079	82,141,662
AUD	15,772,555	12,316,788	13,119,603	9,248,008	16,620,742	11,671,869
RMB	22,448,497	3,450,006	54,956,682	7,989,632	57,432,757	8,248,278
MXN	17,650,885	897,853	156,636,561	7,971,164	100,988,591	5,335,689
PGK	—	—	26,833,063	7,964,224	79,282,850	23,435,664
MGA	7,809,848	2,408	23,753,405,826	6,792,956	7,345,505,091	2,023,555
PKR	162,816,359	1,470,789	424,947,479	3,039,682	1,315,643,101	8,494,926
IDR	27,069,628,442	1,997,022	24,704,560,188	1,716,787	40,594,603,400	2,927,636
BRL	4,136,316	1,248,699	3,670,933	945,824	55,719,999	13,843,478
HRK	2,823,546	455,984	3,169,459	490,438	2,981,670	449,453
PLN	525,125	150,720	2,092,191	559,828	1,443,388	380,440
ARS	185,893	9,982	9,329,237	247,671	25,303,439	422,619
BND	130,273	97,400	—	—	105,102	78,142
SGD	—	—	—	—	79,701	59,213
HKD	—	—	—	—	520	67
GEL	—	—	—	—	945,822	330,360
INR	—	—	—	—	6,333,424	88,728
ZAR	—	—	—	—	2,721	194
HNL	—	—	—	—	42,630,646	1,730,913
CDF	—	—	—	—	16,623	10
AED	—	—	—	—	5,261,189	1,432,395
IQD	—	—	—	—	2,323,211,507	1,964,043
Receivables:						
Philippine peso	240,006,619	4,806,862	614,488,899	11,686,742	755,909,009	14,928,587
BRL	35,469,070	10,707,644	38,053,710	9,804,625	52,304,657	12,994,946
PKR	883,443,443	7,980,519	1,101,583,695	7,879,712	1,337,463,167	8,635,815
AUD	—	—	10,754,822	7,581,074	19,288,558	13,545,336
RMB	37,828,954	5,813,757	39,307,057	5,714,481	38,605,854	5,544,428
IDR	3,493,435,916	257,723	71,522,854,562	4,970,317	16,099,722,713	1,161,094
PGK	—	—	14,766,769	4,382,871	9,413,492	2,782,587
MXN	5,812,506	295,666	73,765,812	3,753,909	62,051,602	3,278,470
EUR	11,333,654	13,606,052	1,774,644	2,034,984	2,368,852	2,655,664
MGA	3,164,275	976	6,367,904,259	1,821,082	5,975,156,125	1,646,049
PLN	1,087,604	312,162	4,086,074	1,093,352	3,691,126	972,885
HRK	1,643,263	265,376	1,611,405	249,347	1,912,521	288,291
SGD	—	—	—	—	886,196	658,393
ARS	—	—	—	—	8,745,769	146,072
HNL	—	—	—	—	1,151,960	46,773
IQD	—	—	—	—	530,820,422	448,756
		103,912,843		412,117,498		244,292,080
Current Financial Liabilities						
Accounts payable and other current liabilities:						
Philippine peso	175,501,430	3,514,950	7,277,391,689	138,406,080	5,367,006,393	105,994,004
MXN	27,643,794	1,406,165	989,382,822	50,349,246	1,154,900,840	61,018,695
AUD	18,632,861	14,550,401	21,082,301	14,860,914	23,596,888	16,570,848
BRL	23,658,372	7,142,150	51,571,721	13,287,571	116,039,760	28,829,754
PKR	1,146,856,805	10,360,043	1,635,347,661	11,697,766	1,854,081,215	11,971,546
MGA	7,463,117	2,301	24,879,751,965	7,115,067	19,383,357,840	5,339,768
IQD	—	—	6,536,932,513	5,480,868	6,168,828,888	5,215,128
PLN	3,315,168	951,513	16,807,113	4,497,247	9,781,376	2,578,117
GEL	3,481,585	1,340,979	11,379,902	4,254,169	7,309,617	2,553,132

(Forward)



	2017		2018		2019	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
PGK	–	US\$–	10,995,059	US\$ 3,263,404	26,039,316	US\$7,697,108
RMB	22,285,923	3,425,020	18,190,558	2,644,553	12,998,521	1,866,799
HRK	6,619,636	1,069,028	11,160,234	1,726,922	13,624,239	2,053,699
IDR	4,684,475,982	345,590	11,578,983,459	804,655	10,300,718,616	742,876
EUR	1,043,706	1,252,969	403,130	462,269	731,629	820,212
SGD	–	–	–	–	129,273	96,042
ARS	–	–	–	–	1,317,330,296	22,002,076
HNL	–	–	–	–	94,877,706	3,852,276
AED	–	–	–	–	349,159	95,061
Noncurrent Financial Liabilities						
Other noncurrent liabilities:						
AUD	128,525,531	100,365,587	209,923,421	147,975,019	11,676,238	8,199,605
PLN	14,651,405	4,205,219	44,503,147	11,908,152	36,713,904	9,676,833
Philippine peso	12,950,585	259,375	51,226,640	974,261	216,680,873	4,279,271
MXN	689,659	35,081	13,104,784	666,897	11,181,552	590,773
IDR	698,049	51	8,727,320,178	606,485	10,285,235,425	741,759
EUR	86,144	103,416	331,576	380,219	267,041	299,374
MGA	193,616	60	700,568,053	200,347	603,501,802	166,254
BRL	–	–	–	–	651,685	161,909
HRK	–	–	–	–	622,119	93,777
ARS	–	–	–	–	26,498,544	442,579
AED	–	–	–	–	883,535	240,548
Long-term debt						
AUD	336,143,728	262,494,638	354,714,813	250,038,472	328,455,102	230,656,673
RMB	90,000,000	13,831,684	50,000,000	7,269,027	29,999,132	4,308,363
EUR	5,078,571	6,096,825	5,411,905	6,205,831	37,861,294	42,445,397
PGK	–	–	–	–	106,915,794	31,603,841
Concession rights payable						
EUR	13,018,930	15,629,226	11,861,501	13,601,583	10,580,966	11,862,070
HRK	84,270,397	13,609,121	82,604,968	12,782,202	81,408,249	12,271,367
PKR	743,524,014	6,716,550	656,513,953	4,696,110	549,290,996	3,546,696
PGK	–	–	267,847,531	79,498,861	268,959,664	79,503,300
BRL	–	–	–	–	412,528,070	102,491,446
Lease Liability						
Philippine peso	–	–	–	–	817,139,326	16,137,836
AUD	–	–	–	–	889,616,538	624,730,715
BRL	–	–	–	–	859,744,572	213,601,136
MXN	–	–	–	–	5,639,190,706	297,944,244
		468,707,942		795,654,197		1,975,292,907
Net foreign currency-denominated financial liabilities		(US\$364,795,099)		(US\$383,536,699)		(US\$1,731,000,827)

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 unless otherwise indicated):

	2017	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$2.1	(US\$1.3)
5% depreciation	(2.3)	1.4



2018		
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$0.6	(US\$0.6)
5% depreciation	(0.6)	0.7
2019		
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	2.9	2.1
5% depreciation	(3.2)	(2.4)

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.

Credit Risk

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 of 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 at December 31, 2017, 2018 and 2019, about 45 percent, 75 percent and 38 percent, respectively, of cash and cash equivalents of the Group is with Philippine local banks. 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 sheets.

At December 31, the following tables provide credit information and maximum exposure of ICTSI's financial assets (amounts in millions unless otherwise indicated):

2017				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$209.8	US\$—	US\$—	US\$209.8
Cash equivalents	66.6	—	—	66.6
Receivables				
Trade	66.0	34.7	7.0	107.7
Advances and nontrade	8.5	3.7	0.5	12.7
AFS Investments	13.3	—	—	13.3
Derivative Assets	5.1	—	—	5.1
	US\$369.3	US\$38.4	US\$7.5	US\$415.2



2018				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$137.5	US\$—	US\$—	US\$137.5
Cash equivalents	307.9	—	—	307.9
Receivables				
Trade	71.4	34.8	7.5	113.7
Advances and nontrade	10.4	3.8	0.5	14.7
AFS Investments	13.7	—	—	13.7
Derivative Assets	0.6	—	—	0.6
	US\$541.5	US\$38.6	US\$8.0	US\$588.1

2019				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$161.7	US\$—	US\$—	US\$161.7
Cash equivalents	70.5	—	—	70.5
Receivables				
Trade	71.7	26.9	8.6	107.2
Advances and nontrade	7.2	18.6	0.5	26.3
Financial Assets at FVOCI	3.2	—	—	3.2
Derivative Assets	—	—	—	—
	US\$314.3	US\$45.5	US\$9.1	US\$368.9

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):

2017				
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$209.8	US\$—	US\$—	US\$209.8
Cash equivalents	66.6	—	—	66.6
Receivables:				
Trade	35.0	24.3	6.7	66.0
Advances and nontrade	5.5	3.0	—	8.5
AFS Investments	13.3	—	—	13.3
Derivative Assets	5.1	—	—	5.1
	US\$335.3	US\$27.3	US\$6.7	US\$369.3

2018				
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$137.5	US\$—	US\$—	US\$137.5
Cash equivalents	307.9	—	—	307.9
Receivables:				
Trade	51.0	16.8	3.6	71.4
Advances and nontrade	7.3	3.1	—	10.4
AFS Investments	13.7	—	—	13.7
Derivative Assets	0.6	—	—	0.6
	US\$518.0	US\$19.9	US\$3.6	US\$541.5



2019				
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and Receivables				
Cash and cash equivalents:				
Cash in banks	US\$161.7	US\$–	US\$–	US\$161.7
Cash equivalents	70.5	–	–	70.5
Receivables:				
Trade	43.7	24.9	3.1	71.7
Advances and nontrade	7.0	0.2	–	7.2
Financial Assets at FVOCI	3.2	–	–	3.2
Derivative Assets	–	–	–	–
	US\$286.1	US\$25.1	US\$3.1	US\$314.3

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, derivative financial assets and AFS Investments/financial assets at FVOCI - based on the credit standing of the counterparty.

Receivables - Grade A receivables pertain 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 the Group. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Group 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 unless otherwise indicated):

2017					
	Past Due but Not Impaired				Total
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	
Trade	US\$20.7	US\$6.6	US\$7.4	US\$–	US\$34.7
Advances and nontrade	2.5	0.2	0.3	0.7	3.7
	US\$23.2	US\$6.8	US\$7.7	US\$0.7	US\$38.4

2018					
	Past Due but Not Impaired				Total
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	
Trade	US\$23.4	US\$5.2	US\$4.2	US\$2.0	US\$34.8
Advances and nontrade	–	1.5	0.2	2.1	3.8
	US\$23.4	US\$6.7	US\$4.4	US\$4.1	US\$38.6

2019					
	Past Due but Not Impaired				Total
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	
Trade	US\$20.8	US\$2.2	US\$1.4	US\$2.5	US\$26.9
Advances and nontrade	0.4	2.0	1.4	14.8	18.6
	US\$21.2	US\$4.2	US\$2.8	US\$17.3	US\$45.5



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 total equity and debt 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 and raise additional debt through either the bond or loan markets or prepay existing debt. No changes were made in the objectives, policies or processes during the years ended December 31, 2017, 2018 and 2019.

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.

	2017	2018	2019
Long-term debt	US\$1,432,417,876	US\$1,271,335,292	US\$1,662,628,789
Loans payable	61,187,102	35,718,397	–
Total debt (a)	1,493,604,978	1,307,053,689	1,662,628,789
Net worth or total equity (b)	1,572,955,414	1,947,940,517	1,634,526,343
Gearing ratio (a/b)	0.95 times	0.67 times	1.02 times

28. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2017 (As restated- see Note 3)	2018 (As restated- see Note 3)	2019
Net income attributable to equity holders of the parent – as previously stated	US\$182,141,250	US\$221,493,804	US\$100,366,870
Effect of PFRS 16	(23,778,785)	(14,016,331)	–
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (see Note 14.6)	(41,578,979)	(63,903,980)	(59,379,985)
Net income attributable to equity holders of the parent, as adjusted (a)	US\$116,783,486	US\$143,573,493	US\$40,986,885
Common shares outstanding at beginning of year	2,045,177,671	2,045,177,671	2,045,177,671
Weighted shares held by subsidiaries	(734,970)	(734,970)	(734,970)
Weighted treasury shares	(17,612,022)	(12,705,706)	(34,353,423)
Weighted average shares outstanding (b)	2,026,830,679	2,031,736,995	2,010,089,278
Effect of dilutive stock grants	4,462,248	4,630,729	3,807,507
Weighted average shares outstanding adjusted for potential common shares (c)	2,031,292,927	2,036,367,724	2,013,896,785
Basic earnings per share (a/b)	US\$0.058	US\$0.071	US\$0.020
Diluted earnings per share (a/c)	US\$0.057	US\$0.071	US\$0.020



**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. and its subsidiaries (the Group) as at December 31, 2017, 2018, and 2019, and for each of the three years in the period then ended, and have issued our report thereon dated March 3, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-4 (Group A),

August 23, 2018, valid until August 22, 2021

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125242, January 7, 2020, Makati City

March 3, 2020

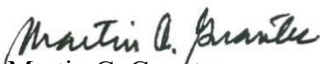


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. and its subsidiaries (the Group) as at December 31, 2017, 2018, and 2019, and for each of the three years in the period then ended, included in this Form 17-A and have issued our report thereon dated March 3, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-4 (Group A),

August 23, 2018, valid until August 22, 2021

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125242, January 7, 2020, Makati City

March 3, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. and its subsidiaries (the Group) as at December 31, 2017, 2018, and 2019, and for each of the three years in the period then ended, and have issued our report thereon dated March 3, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2017, 2018, and 2019 and for each of the three years in the period then ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-4 (Group A),

August 23, 2018, valid until August 22, 2021

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125242, January 7, 2020, Makati City

March 3, 2020



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule A. Financial Assets

December 31, 2019

Financial Assets	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at FVTPL					
Freestanding Derivatives	N/A	N/A	US\$23,124	N/A	US\$–
Amortized Cost					
Cash and Cash Equivalents	N/A	N/A	234,833,975	N/A	5,371,890
Receivables	N/A	N/A	124,400,180	N/A	–
Financial Assets at FVOCI					
Quoted Equity Shares	N/A	N/A	2,482,923	US\$2,482,923	–
Unquoted Equity Shares	N/A	N/A	700,443	N/A	–
			US\$362,440,645		US\$5,371,890

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written Off			

NOT APPLICABLE

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
Cavite Gateway Terminal, Inc.	US\$25,589,931	US\$2,712,061	(US\$122)	US\$—	US\$1,031,099	US\$—	US\$29,332,969	US\$29,332,969
Abbotsford Holdings, Inc.	11,224,091	7,983	—	—	208,353	—	11,440,427	11,440,427
ICTSI Capital B.V.	8,532,159	912,488	—	—	(11,562)	—	9,433,085	9,433,085
ICTSI Warehousing, Inc.	20,724,964	6,638,751	(8,651,642)	—	(11,659,510)	—	7,052,563	7,052,563
IW Cargo Handlers, Inc.	2,277,270	3,679	(589,951)	—	111,956	—	1,802,954	1,802,954
ICTSI South Pacific Limited	1,337,198	358,963	(142,145)	—	15,445	—	1,569,461	1,569,461
ICTSI Asia Pacific Business Services, Inc.	765,593	124,527	(35,324)	—	21,201	—	875,997	875,997
Victoria International Container Terminal Limited	703,973	21,047	—	—	(213,645)	—	511,375	511,375
TecPlata S.A.	377,094	119,272	—	—	3,556	—	499,922	499,922
Mindanao International Container Terminal Services, Inc.	257,105	244,511	(95,950)	—	8,804	—	414,470	414,470
ICTSI Ltd. RHQ	344,739	12	—	—	63,658	—	408,409	408,409
South Pacific International Container Terminal Limited	316,452	1,928	—	—	2,585	—	320,965	320,965
Intermodal Terminal Holdings, Inc.	299,777	—	—	—	11,493	—	311,270	311,270
Contecon Manzanillo S.A.	289,157	—	—	—	8,592	—	297,749	297,749
Laguna Gateway Inland Container Terminal, Inc.	548,536	745,370	(1,008,340)	—	3,608	—	289,174	289,174
ICTSI Sudan B.V. (formerly ICTSI Cameroon B.V.)	119,902	—	—	—	713	—	120,615	120,615
PT PBM Olah Jasa Andal	97,546	3,067	—	—	544	—	101,157	101,157
Pakistan International Container Terminal Limited	65,654	4,123	—	—	2,268	—	72,045	72,045
Manila North Harbour Port, Inc.	320,123	662,914	(923,535)	—	1,058	—	60,560	60,560
Cordilla Properties Holdings, Inc.	49,482	676,660	—	—	(675,572)	—	50,570	50,570
Motukea International Terminal Limited	48,865	—	—	—	1,313	—	50,178	50,178
PT Makassar Terminal Services	42,805	—	—	—	80	—	42,885	42,885

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
Hijo International Port Services, Inc. Davao Integrated Port and Stevedoring Services Corp.	US\$25,549	US\$421	US\$–	US\$–	US\$35	US\$–	US\$26,005	US\$26,005
ICTSI Africa Pty Ltd.	17,817	16,423	(9,716)	–	(75)	–	24,449	24,449
ICTSI DR Congo S.A.	22,468	–	–	–	525	–	22,993	22,993
Global Container Capital B.V.	2,503	15,860	–	–	560	–	18,923	18,923
Subic Bay International Terminal Holdings, Inc.	12,728	–	–	–	(206)	–	12,522	12,522
Operadora Portuaria Centroamericana, S.A. de C.V.	2,261	10,136	–	–	(38)	–	12,359	12,359
Yantai International Container Terminals, Limited	92,309	–	(90,272)	–	5,510	–	7,547	7,547
Bauan International Port, Inc.	2,175	–	–	–	435	–	2,610	2,610
ICTSI Oregon, Inc.	5,726	23,527	(27,256)	–	(21)	–	1,976	1,976
Batumi International Container Terminal, LLC.	843	–	–	–	–	–	843	843
Prime Staffing & Selection Bureau	472	–	–	–	349	–	821	821
South Cotabato Integrated Ports Services, Inc.	468	46	–	–	19	–	533	533
SPIA Spain SL	6,996	24,929	(31,792)	–	(105)	–	28	28
PT ICTSI Jasa Prima Tbk.	17	–	–	–	–	–	17	17
ICTSI Ltd.	9	–	–	–	–	–	9	9
Subic Bay International Terminal Corp.	9,499,895	–	(9,499,895)	–	–	–	–	–
Falconer Aircraft Management, Inc.	139,520	–	–	–	(139,520)	–	–	–
Sociedad Puerto Industrial Aguadulce S.A.	–	34,552	–	–	320,107	–	354,659	354,659
ICTSI Far East Pte. Ltd.	–	135,579	–	–	(889)	–	134,690	134,690
	–	2,696	–	–	1	–	2,697	2,697
	US\$84,164,172	US\$13,501,525	(US\$21,105,940)	US\$–	(US\$10,877,276)	US\$–	US\$65,682,481	US\$65,682,481

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule D. Intangible Assets – Other Assets

December 31, 2019

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
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See Notes 5 and 9 to the
Audited Consolidated
Financial Statements

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule E. Long-term Debt

December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Noncurrent Portion of Long-term Debt" in Related Balance Sheet	Remarks
ITBV - US dollar-denominated medium-term notes		US\$–	US\$762,570,382	See Notes 15 to the Audited Consolidated Financial Statements
ICTSI - US dollar-denominated notes		179,272,241	–	
IGFBV - US dollar-denominated loan		8,695,267	373,297,837	
CGSA - US dollar-denominated loan		7,647,060	1,911,764	
IDRC - US dollar-denominated loan		7,608,037	12,611,927	
VICT - AUD-denominated term loan		25,572,167	205,084,506	
ICTSI Middle East DMCC - Euro-denominated term loan		–	42,445,397	
SPICTL - Euro-denominated term loan		3,559,497	14,237,989	
MITL - Euro-denominated term loan		2,761,271	11,045,084	
YICT - RMB-denominated term loan		–	4,308,363	
		US\$235,115,540	US\$1,427,513,249	

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
NONE		

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

December 31, 2019

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
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NONE

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

Schedule H. Capital Stock

December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding As Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion, and Other Rights	Number of Shares Held By		
				Subsidiaries	Directors, Officers and Employees	Others
Preferred Shares						
Preferred A Shares	993,000,000	3,800,000	—	3,800,000	—	—
Preferred B Shares	700,000,000	700,000,000	—	—	700,000,000	—
Common Shares	4,227,397,381	2,000,598,608	44,579,063	734,970	991,700,270	1,008,163,368

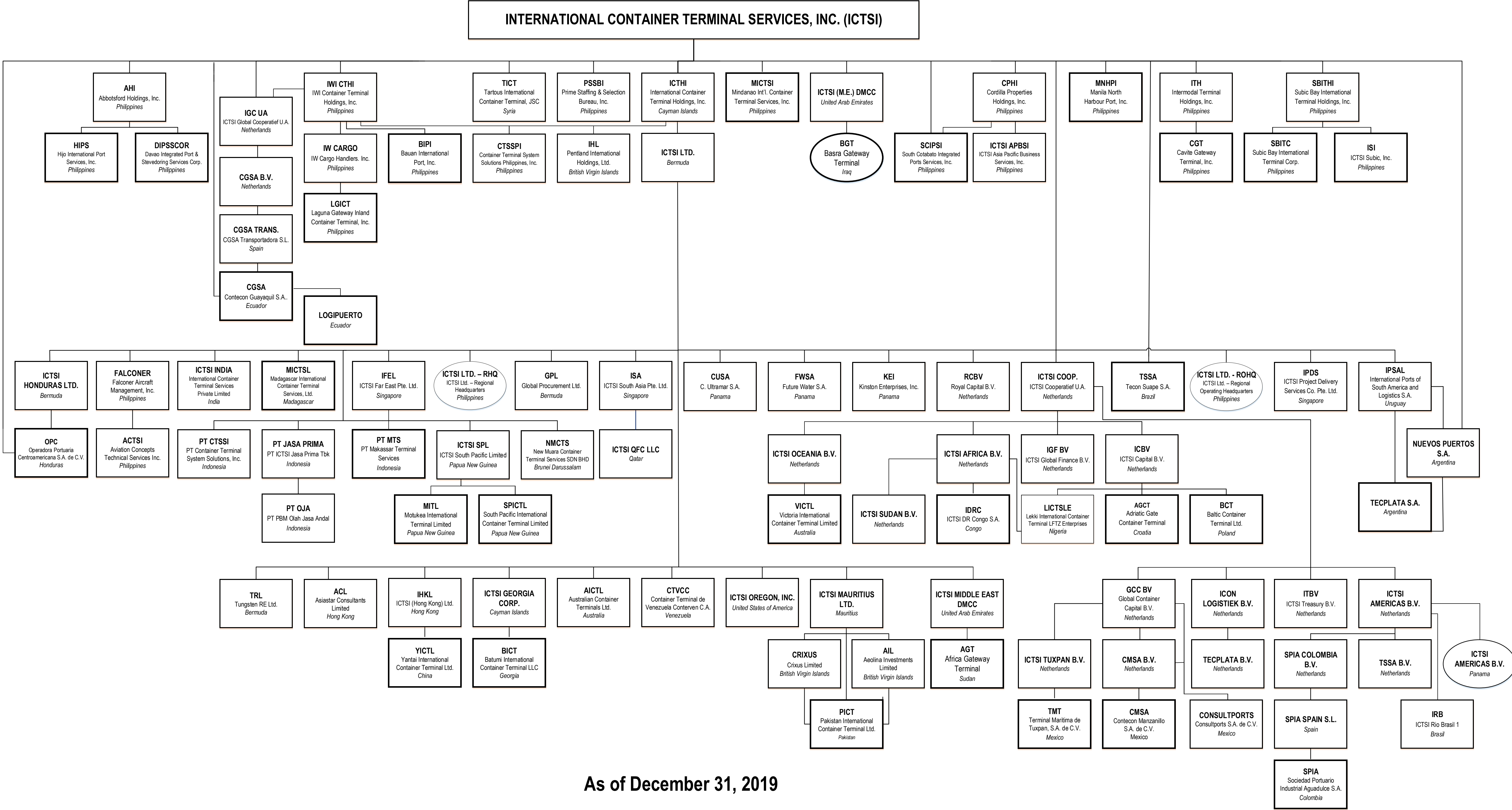
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

**Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2019**

Name and Designation of Creditor	Balance at Beginning of Period	Additions	Deductions		Current	Not current	Balance at End of Period
			Amounts paid	Others			
ICTSI Treasury B.V.	US\$802,765,516	US\$43,824,603	(US\$42,515,900)	(US\$33,349)	US\$15,325,410	US\$788,715,460	US\$804,040,870
Royal Capital B.V.	823,390,839	53,612,237	(183,402,658)	(90,646)	6,230,217	687,279,555	693,509,772
International Container Terminal Holdings, Inc.	10,618,153	305,921,305	—	(628,696)	—	315,910,762	315,910,762
ICTSI Global Finance B.V.	172,321,161	7,783,449	—	(1,071,906)	12,602,869	166,429,835	179,032,704
ICTSI Ltd.	—	22,083,580	—	(12,899,412)	—	9,184,168	9,184,168
Subic Bay International Terminal Corporation	—	13,909,973	(124)	(10,597,281)	—	3,312,568	3,312,568
ICTSI Subic, Inc.	—	2,410,612	—	(10,731)	—	2,399,881	2,399,881
ICTSI Global Cooperatief U.A.	2,329,854	—	—	25	—	2,329,879	2,329,879
ICTSI Ltd. Regional Operating Headquarters	994,024	5,424,317	(5,044,000)	(834,870)	—	539,471	539,471
Adriatic Gate Container Terminal Terminal Services, Ltd.	364,857	9,217	(9,217)	(11,532)	—	353,325	353,325
Tecon Suape, S.A.	187,423	—	—	(15,807)	—	171,616	171,616
Madagascar International Container Terminal Services, Ltd.	134,783	—	—	(26,213)	—	108,570	108,570
ICTSI Middle East DMCC	26,737	347,685	(347,685)	21,026	—	47,763	47,763
Baltic Container Terminal Ltd.	60,154	18,270	(18,270)	(14,501)	—	45,653	45,653
Contecon Guayaquil S.A.	43,843	51,637	(51,637)	(298)	—	43,545	43,545
ICTSI Project Delivery Services Co. Pte. Ltd.	842	—	—	(1)	—	841	841
Container Terminal Systems Solutions, Inc	66	—	—	2	—	68	68
Basra Gateway Terminal	722	—	—	(722)	—	—	—
	US\$1,813,238,186	US\$455,396,885	(US\$231,389,491)	(US\$26,214,912)	US\$34,158,496	US\$1,976,872,960	US\$2,011,031,456

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Schedule J. Parent Company Retained Earnings Available for Dividend Declaration
December 31, 2019

	Amount
Unappropriated parent company retained earnings, beginning	US\$263,091,344
Reconciliation:	
Add (Less):	
Unrealized foreign exchange gain	(1,353,374)
Deferred tax assets (excluding those recognized in OCI)	(60,627,987)
Mark-to-market gain on derivatives	(69,184,977)
Treasury shares	(57,177,289)
Effect of PFRS 16	69,684
Effect to retained earnings of adoption of PAS 19R	(156,917)
Unappropriated parent company retained earnings, as restated and adjusted, beginning	74,660,484
Parent company net income actually earned/realized during the period	13,264,249
Add: Non-actual/unrealized income net of tax:	
Decrease in mark-to-market gain on derivatives	69,275,857
Decrease in unrealized foreign exchange gain	1,353,374
Parent company net income actually earned/realized during the period	83,893,480
Add (Less):	
Dividend declaration during the period	(194,227,725)
Reversal of appropriated retained earnings	212,087,917
Decrease in deferred tax assets (excluding those recognized in OCI)	(1,296,637)
Purchase of treasury shares	(29,266,143)
Issuance of treasury shares	4,365,640
Unappropriated parent company retained earnings ,as adjusted, ending	US\$150,217,016



INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES
Financial Soundness Indicators

	As of and for the Year Ended December 31	
	2018	2019
Liquidity ratios		
Current ratio ^(a)	1.51	0.72
Interest rate coverage ratio ^(b)	7.46	7.67
Solvency ratios		
Debt to equity ratio ^(c)	0.67	1.02
Asset to equity ratio ^(d)	2.78	3.51
Profitability ratio		
EBITDA margin ^(e)	54.5%	56.0%

^(a) Current assets over current liabilities

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

^(c) Interest-bearing debt over total equity

^(d) Total assets over total equity

^(e) EBITDA over gross revenues from port operations

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OCTAVIO VICTOR R. ESPIRITU**, Filipino, of legal age and a resident of 203 Dingalan Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **International Container Terminal Services, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ICTSI Administration Building, Manila International container Terminal, South Access Road, 1012 Manila City, Philippines, and have been its Independent Director since April 2002.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Bank of the Philippine Islands	Independent Director	April 7, 2000 to Present
Philippine Dealing System Holdings Corp. and Subsidiaries	Independent Director	May 10, 2013 to Present
Phil Stratbase Consultancy, Inc.	Director	September 1, 2004 to Present
GANESP Ventures, Inc.	Chairman	July 22, 2011 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

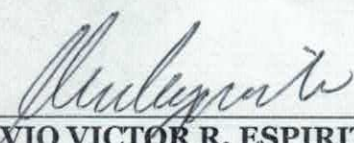
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding except as specified below:

Case filed by Luis Villafuerte and various petitioners against the Philippine Dealing System Holdings Corp. (PDS Holdings) and its subsidiaries with the Philippine Supreme Court on August 22, 2016 (as disclosed in the PDS 2016 Audited Financial Statements, page 98). Which is still pending as of the date hereof. I am an independent director of PDS Holdings and its subsidiaries.

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable	Not applicable	Not applicable

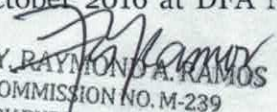
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hands this FEB 13 2020 day of 2020 at Manila City.


OCTAVIO VICTOR R. ESPIRITU
 Affiant

SUBSCRIBED AND SWORN TO before me this FEB 13 2020 day of 2020 at Manila City, affiant exhibiting to me his Passport, with No. P0623905A, issued on 14 October 2016 at DFA NCR South.

Doc. No.: 97;
 Page No.: 21;
 Book No.: 17;
 Series of 2020.


ATTY. RAYMOND A. RAMOS
 COMMISSION NO. M-239
 NOTARY PUBLIC FOR MAKATI CITY
 UNTIL DECEMBER 31, 2020
 NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.
 COMEMBO, MAKATI CITY
 SC Roll No. 62179/04-26-2013
 IBP NO. 100581/01-02-2020/Pasig City
 PTR NO. MKT 8116095/01-02-2020/Makati City
 MCLE Compliance No. VI-0007878/4-06-2018

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR A. BUENAVENTURA**, Filipino, of legal age and a resident of 58 McKinley Road, Makati City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **International Container Terminal Services, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ICTSI Administration Building, Manila International container Terminal, South Access Road, 1012 Manila City, Philippines, and have been its Independent Director since February 2018.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
iPeople, Inc.	Independent Director	1991 to Present
Petroenergy Resources Corp.	Director	1995 to Present
Concepcion Industrial Corp	Independent Director	2012 to Present
DM Consunji Inc.	Director	2012 to Present
The Country Club, Inc.	Director	2016 to Present
Pilipinas Shell Petroleum Corp.	Independent Director	2012 to Present
DMCI Holdings Inc.	Vice Chairman	1995 to Present
Semirara Mining and Power Corp.	Director	1997 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

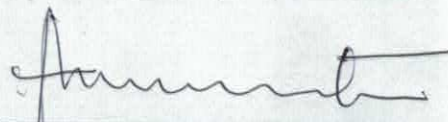
OFFENSE CHARGED/INVESTIG ATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable	Not applicable	Not applicable

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

FEB 12 2020

IN WITNESS WHEREOF, I have hereunto set my hands this ___ day of _____ 2020 at **CITY OF MAKATI** Manila City.



CESAR A. BUENAVENTURA

FEB 12 2020 Affiant

SUBSCRIBED AND SWORN TO before me this ___ day of _____ 2020 at **CITY OF MAKATI** Manila City, affiant exhibiting to me his Passport, with No. P9753800A, issued on 29 November 2018 at DFA Manila.

Doc. No.: 123
Page No.: 106
Book No.: 784
Series of 2020.

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
2086 E. Pascua St., Makati City
IBP O.R. No. 097071 / December 10, 2019
Roll No. 28947 / MCLE No. VI - 0020246
PTR No. MKT 8117044 / 1-02-2020
Appointment No. M-158

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSEPH R. HIGDON**, American, of legal age and a resident of 128 States Point Road, Tenants Harbor, ME 04860, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **International Container Terminal Services, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ICTSI Administration Building, Manila International container Terminal, South Access Road, 1012 Manila City, Philippines, and have been its Independent Director since April 2007.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Philippine Equity Partners	Independent Director	2015 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

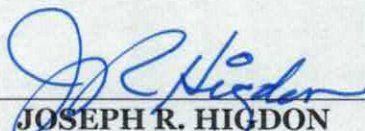
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable	Not applicable	Not applicable

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hands this 27th day of February 2020 at ~~Manila~~ **MANILA** City.


JOSEPH R. HIGDON

FEB 28 2020

Affiant

SUBSCRIBED AND SWORN TO before me this ___ day of _____ 2020 at ~~Manila~~ **MANILA** City, affiant exhibiting to me his Passport, with No. 513108471, issued on 2 December 2013 by the United States Department of State.

Doc. No.: 619 ;
Page No.: 124 ;
Book No.: 2 ;
Series of 2020.


IV. PEDRO D. GENATO
Notary Public Until Dec 31, 2021
Notary Commission 2020 - 044 Mla
Notary No. 2833 Pasig - 10-7-2019
Notary No. 9112244 - 1-2-2020
Notary No. 12038, TIN# 132-436-687
MCLE Compl. No. VI-0021170 until 4-14-2022

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) S.S.

SECRETARY'S CERTIFICATE

I, **BENJAMIN M. GOROSPE III**, of legal age, Filipino and with office address at 3rd Floor, ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines, after having been duly sworn to in accordance with law, hereby certify that:

1. I am the duly appointed Assistant Corporate Secretary of **INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.** (the "Company"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila 1012, Philippines.
2. I hereby certify that none of the Board of Directors or Independent Directors of Company are connected or employed in the Philippine government or any of the government agencies of instrumentalities in the Philippines.
3. The foregoing resolutions are in force and effect and have not been revoked, revised or otherwise amended

IN WITNESS WHEREOF, I have hereunto set my hand this 03 day of MAR 2020 in Manila City.


BENJAMIN M. GOROSPE III
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this 03 day of MAR 2020 in Manila City, affiant exhibiting to me his Passport No. P0034218A issued in Manila on 24 August 2016.

Doc. No. 694;
Page No. 139;
Book No. 2;
Series of 2020.


ATTY. PEDRO D. GENATO
Notary Public Until Dec. 31, 2021
Notarial Commission 2020 - 044 Mla.
IBP# 092833 Pasig - 10-7-2019
PIR# Mla 9112244 - 1-2-2020
Roll# 12038, TIN# 132-436-687
NCTE Compl No VI-0021170 until 4-14-2022