Turning ports into turning points

2019 ICTSI Annual Report

International Container Terminal Services, Inc.

About the cover

Most other port specialists focus on their role in global trade, and in container shipping. ICTSI, while conscious of its role in that context, also brings two unique strengths to the table.

One, it began as a one-port operation in a developing nation that had just undergone a major socio-political transformation, and later grew to become an acclaimed partner of the Philippine government in one of Asia's earliest port privatization success stories.

Two, part of its strategy is to focus on acquisitions in developing markets, parlaying its hard-earned experience and well-honed expertise into developing high-performing ports that offer all-around value.

As such, ICTSI has come to master the art and science of delivering results that optimize trade facilitation as a tool for economic transformation and support nations' aspirations for ever-greater and ever-more-sustainable growth.

ICTSI is turning ports into turning points.

Turning ports into turning points

2019 ICTSI Annual Report

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Turning ports into turning points

31 Years

31 Terminals

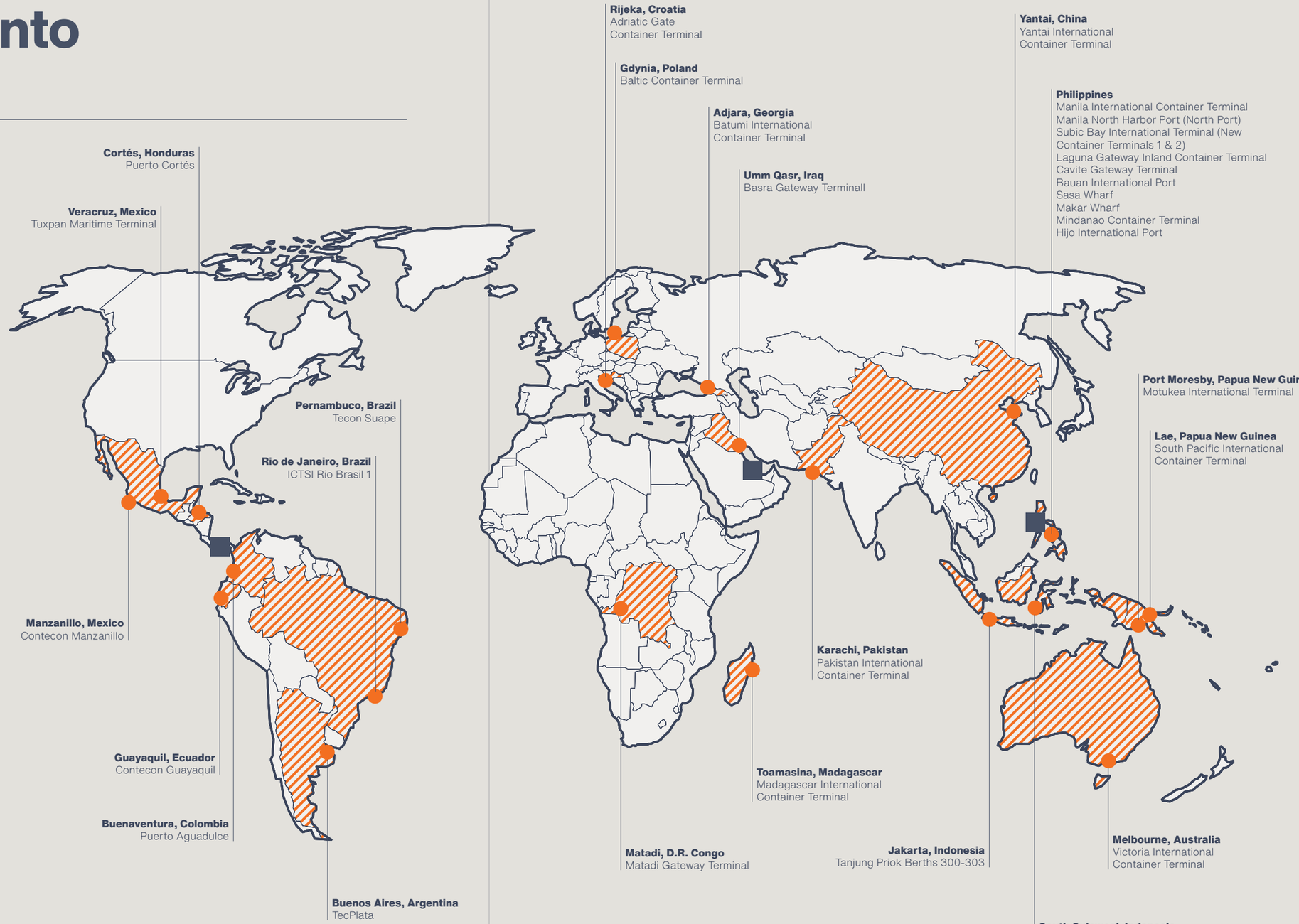
18 Countries

06 Continents

Corporate Offices
Manila, Philippines
ICTSI Asia Pacific
Manila, Philippines

ICTSI Americas
Panama City, Panama

ICTSI Europe, the Middle East & Africa (EMEA)
Dubai, United Arab Emirates



International Container Terminal Services, Inc.

Purpose and Values

Our Purpose

To make ports around the world a driver for positive and sustainable growth.
At ICTSI, we work tirelessly to develop and operate efficient and sustainable port facilities and deliver the highest possible benefits to our customers, partners, people, shareholders, and to the communities we serve.

Our Values

ICTSI's commitment to our partners and communities began more than three decades ago in the Philippines. Our projects and terminals now extend across six continents and are anchored around many of the same founding values that have underpinned our sustainable approach to growing our business and our host economies. Our five values guide our behavior and form the foundation of our purpose:

Respect for all. We place the utmost importance on safety, community, and diversity. The well-being and health of all our stakeholders is our number one priority. We strive to have the highest standards in place to ensure our people and stakeholders are safe, respected, and treated fairly.

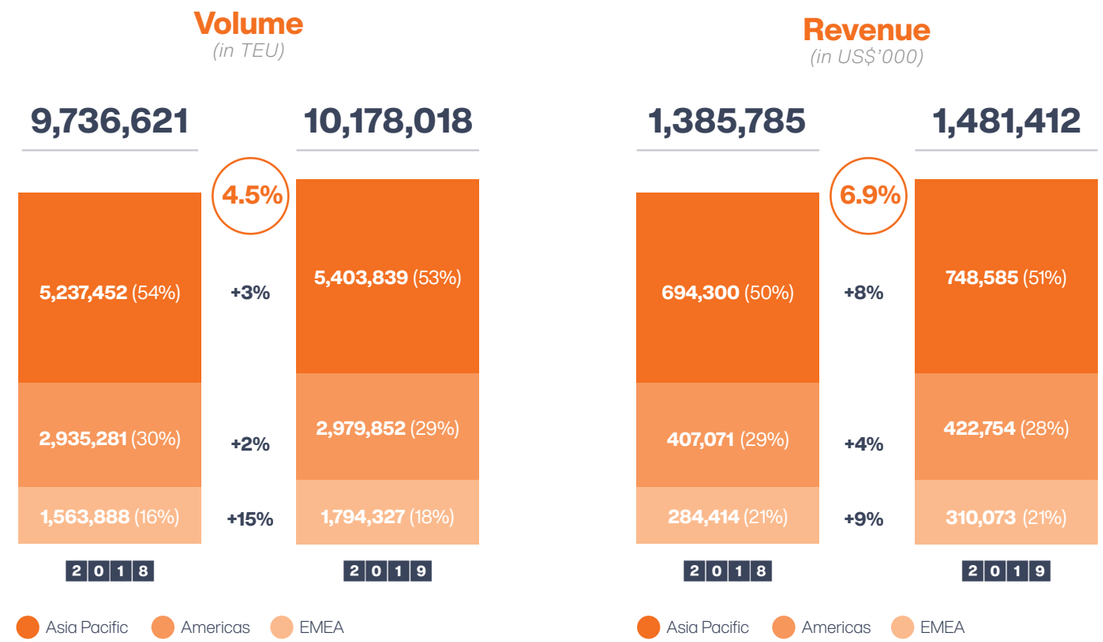
Trust. We lead with integrity, respect, and compassion for our people, partners, communities, and our environment. We take great pride in working responsibly to earn trust and keep it

Collaboration. We are a diverse and inclusive company working together and exploring new ways of doing things to deliver the best possible outcome for all stakeholders. As a responsible business, we embrace equality of opportunity and empower all our people to adapt, collaborate, and innovate across. borders.

Tenacity. Our people work tirelessly with utmost determination to achieve their goals and deliver on commitments to partners, shareholders, host communities, and the environment.

Passion. We are pioneers in an industry with deep linkages to the host economies and communities in which we operate. Our people relish the challenge of exploring new opportunities, operating terminals, creating sustainable benefits for our host communities, protecting the environment while also delivering returns to our shareholders.

2019 Highlights



(In US$ 000, except Volume and EPS)	2018*	2019	% Change
Volume (in TEU)	9,736,621	10,178,018	4.5%
Gross Revenues from Port Operations	1,385,785	1,481,412	6.9%
Cash Operating Expenses	452,226	464,170	2.6%
EBITDA	755,406	830,144	9.9%
Net Income	235,807	132,667	43.7%
Net Income Attributable to Equity Holders	207,477	100,367	51.6%
Total Assets	5,453,474	5,750,978	5.5%
Total Equity	1,947,941	1,635,526	16.1%
Fully Diluted EPS	0.071	0.020	71.1%

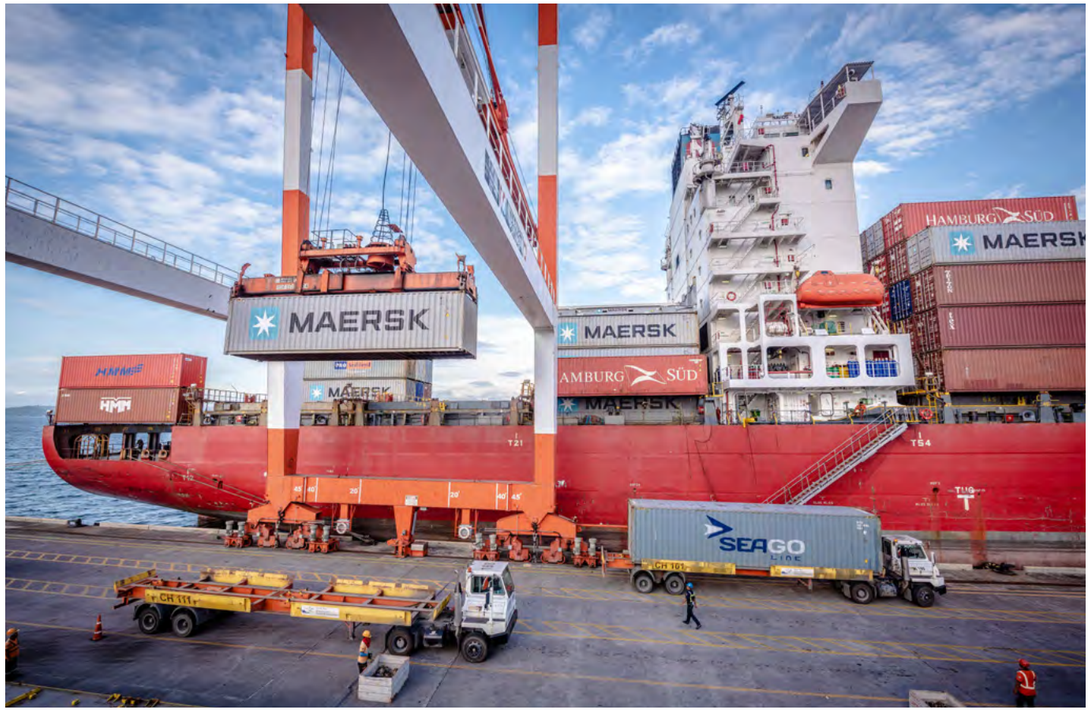
**December 31, 2018 as restated, due to the adoption of new accounting standards in 2019*

01

The Chairman's Report

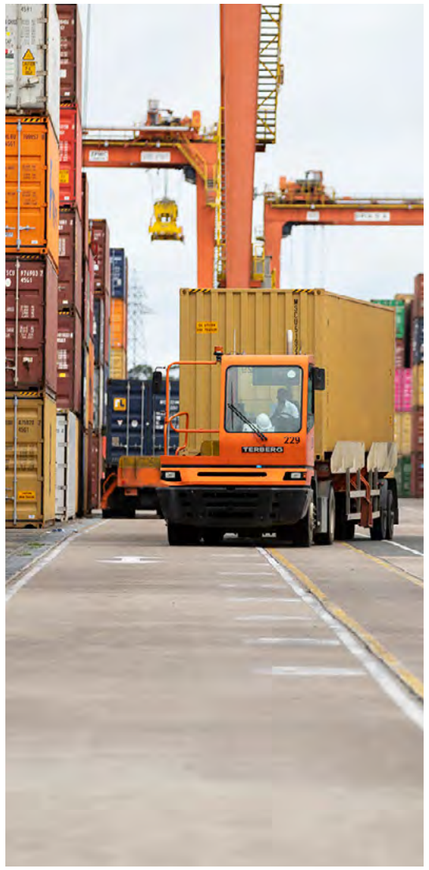
Fellow stockholders, ladies and gentlemen.

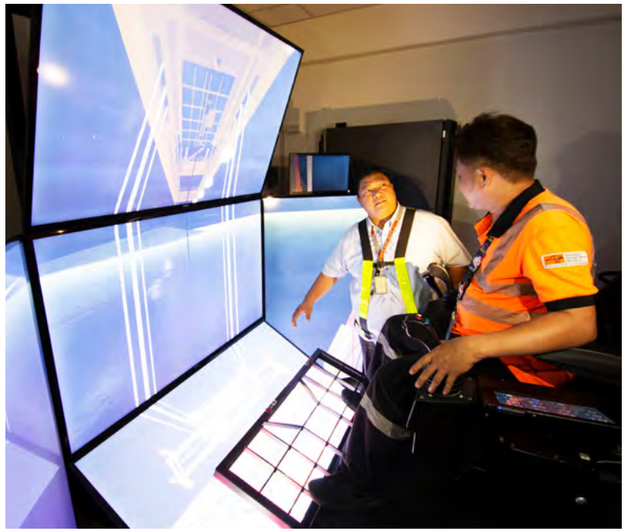
Although this annual meeting is to review the results and performance of the Company for 2019, the global pandemic and subsequent lockdowns prevented us from holding our scheduled physical meeting last April. Therefore, we are almost halfway into 2020, and our results have been in the public domain for months. I will, therefore, just recap 2019, and move on to the more pressing issue that is the pandemic and its global impact.

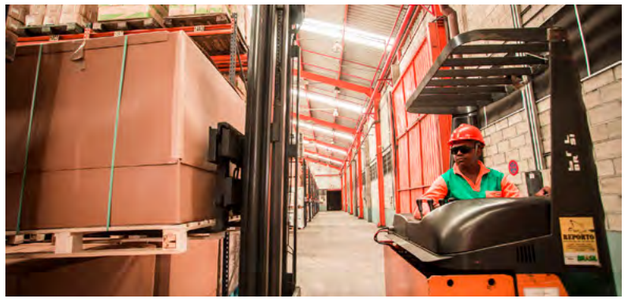


Group Volume

Consolidated volume increased by 4.5 percent to 10,178,018 TEUs in 2019, from 9,736,621 TEUs mainly due to volume ramp-up in Australia, and the contribution of our new terminal, ICTSI Rio.







Financial Performance

Consolidated gross revenues for 2019 increased by 6.9 percent to USD1,481.4 billion, from USD1,385.8 billion.

Consolidated EBITDA increased by 9.9 percent to USD830.1 million, from USD755.4 million on the back of the consolidation of ICTSI Rio and improvement of EBITDA margin to 56.0 percent in 2019, from 54.5 percent in 2018.

Consolidated cash operating expenses was USD464.2 million, from USD452.2 million in 2018, an increase of only 2.6 percent.

Consolidated net income decreased by 43.7 percent to USD132.7 million, from USD235.8 million largely from the one-off non-cash impairment for the assets of TecPlata, which we re-valued in light of the prolonged difficult economic conditions in Argentina. Without the impairment net income would have been USD288.7 million.

Consolidated net income attributable to equity holders decreased to USD100.4 million, from USD207.5 million.

Basic and diluted earnings per share decreased to 2 cents, from 7.1 cents in 2018.

Preparing for a comeback

As you all know, the global pandemic started to engulf the world in early March and one after another, countries began locking down as the virus spread throughout. By the end of March, every single country where we operate was on lockdown in one way or another. As a result, all trade whether by sea or air was impacted and travel ceased to exist. Throughout these lockdowns, all our ports – without exception – continued 24/7 operations, being an essential and vital service.

We have seen the severe impact of the pandemic on global trade flows starting from China in February and cascading to all by the end of March and at this juncture we still do not see the end in sight. But I can tell you that the impact has not been as severe as we ourselves expected, proving once again the tremendous resilience of our business.

Reacting quickly to the situation, we have slashed almost all new capital expenditures to almost nothing leaving only those projects that were about to be completed and those absolutely necessary.

We have cut our capex budget from the original USD270 million to approximately USD160 million, having already spent USD60 million at the time of the pandemic. We have also drastically cut our operating cost budget by 11 percent across the board with further cuts planned.

But even during this crisis, we are still keenly on the lookout for opportunities to expand our portfolio and continue to be very active in seeking out potential acquisitions or new projects whose potential or valuation makes sense in this environment.

Given the great uncertainty of many economies and the global economy itself, we have shored up our balance sheet, and we will continue to seize every opportunity to further strengthen our finances going forward.

Thank you.

Enrique K. Razon Jr.
Chairman & President

2019 Timeline

February – Basra Gateway Terminal (BGT) takes delivery of new rubber-tired gantries, supporting the terminal's second phase expansion.

February – Batumi International Container Terminal (BICT) inaugurates a new container freight station, complemented by a 180-meter rail spur.

May – ICTSI increases shareholdings in Manila North Harbour Port, Inc. to 50 percent.

14 June – ICTSI is declared the preferred bidder for the concession of the development, operation and maintenance of the Multi-Purpose Terminal in the Port of Kribi in Cameroon.

19 July – ICTSI acquires all the shares of Libra Terminal Rio S.A. (Libra Rio), enabling ICTSI operate, manage and develop Terminal de Contêineres 1 in the Port of Rio de Janeiro in Brazil.

August - Motukea International Terminal Limited (MITL) enters into agreements with the local Tatana and Baruni communities for the latter to acquire a 30 percent stake of MITL, in line with the Terminal Operating Agreement entered into by ICTSI and the PNG Ports Authority.

August – ICTSI Foundation, ICTSI's social responsibility arm, celebrates its 10th year, counting over 300,000 beneficiaries in the last decade.

September – BGT takes delivery of three new super quay cranes, making it the first and only maritime gateway in Iraq capable of servicing box ships of up to 9,000 TEUs.

22 October – ICTSI inaugurates Berths 25 and 26 at BGT, enabling the terminal to handle container vessels of up to 14,000 TEUs.

October - ICTSI takes delivery of a pair of new quay cranes and five rubber tired gantries for Contecon Manzanillo as part of the terminal's second phase expansion.

8 November – ICTSI receives a letter of acceptance for completeness from the Philippine Ports Authority (PPA) related to its proposal to develop Iloilo ports.

6 December – Contecon Guayaquil gets a concession extension from La Autoridad Portuario de Guayaquil for 19 more years.

12 December – ICTSI takes over operations of Terminal de Contêineres 1 in the Port of Rio de Janeiro, and rebrands it to ICTSI Rio Brasil 1.

02

Review of Operations

ICTSI Group

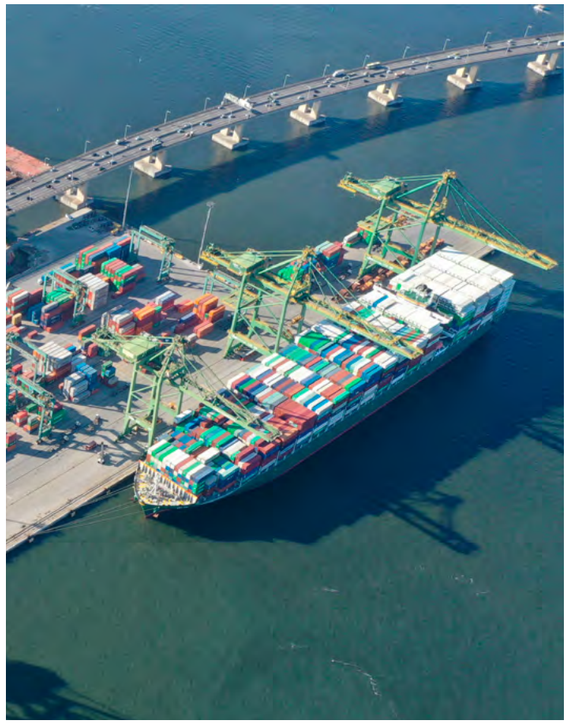
ICTSI: turning ports into turning points. The year 2019 saw International Container Terminal Services, Inc. (ICTSI) posting positive growth, effectively enhancing the Group's global operations, and further enriching its public-private partnerships in ICTSI's host countries.

At 31 years, ICTSI's port development partnerships with 18 countries have improved the operations of gateway facilities, and delivered premium trade facilitation in the Group's 30 terminals. As ICTSI entered its fourth decade since it was established in Manila, Philippines in 1988, the Company has become a vital partner of its host nations' economic and social progress.

In 2019, ICTSI continued to grow despite challenges that affected the global economy – US-China trade conflicts, BREXIT, and US disputes with Iran.

Group-wide volume increased to 10,178,018 twenty-foot equivalent units (TEU), up 4.5 percent from 2018's 9,736,621 TEUs. The increase was driven by the continuing ramp-up in new terminals in Lae and Motukea in Papua New Guinea; improvement in trade activities in Subic in the Philippines, Matadi in DR Congo, and Basra in Iraq; and new contracts with shipping lines and services in Melbourne, Australia, Gdynia, Poland, Rijeka, Croatia, Batumi, Georgia, and Manzanillo, Mexico. Excluding volumes from Rio de Janeiro, organic volume would have grown by 4.4 percent.

The year in review saw the Company's continuing efforts to tap new markets, and further expand its geographic reach. Before yearend, ICTSI acquired its second terminal in Brazil, assuming operations of Libra Terminal Rio S.A., which we have since rebranded to ICTSI Rio Brasil 1.

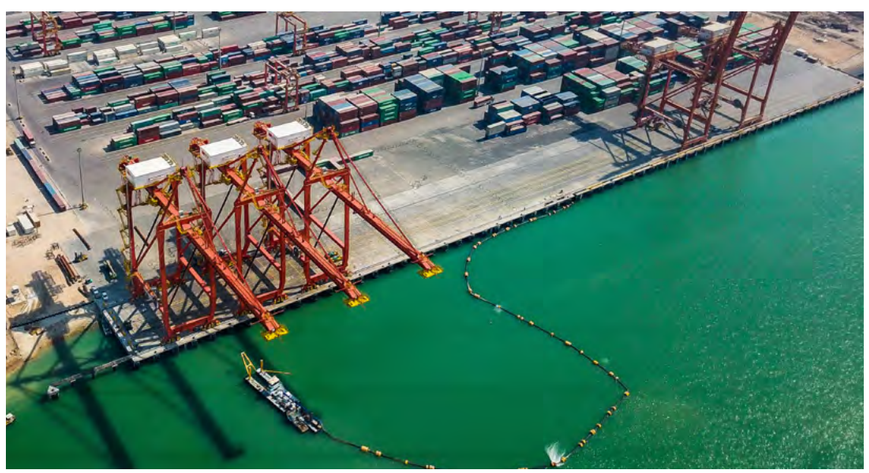


Expanding further, ICTSI was declared the preferred bidder for the concession to develop, operate and maintain the Multi-Purpose Terminal of the Port of Kribi in Cameroon. ICTSI also received a letter of completeness from the Philippine Ports Authority in relation to a proposal to develop two ports in Iloilo: the Port of Iloilo and the Port of Dumangas – ICTSI's first foray in the Visayas region in the Philippines. ICTSI is working with port authorities to finalize new concessions in both countries.

Commercial operations started at TecPlata at the Port of La Plata in Buenos Aires province, Argentina after securing a deal with Brazilian shipping line Log-in. TecPlata is positioned as a better alternative to the Port of Buenos Aires as the country's strategic gateway.

Meanwhile, continuous reinvestments on infrastructure, equipment, information technology, and manpower development enabled the Group's existing terminals to handle market demands. In Iraq, ICTSI completed the second phase expansion of Basra Gateway Terminal (BGT). Fast-tracked expansion projects are also ongoing at the Manila International Container Terminal (MICT), Contecon Manzanillo (CMSA) in Mexico, and Matadi Gateway Terminal (MGT) in DR Congo.

In efforts to further create long-term value for stakeholders, Contecon Guayaquil (CGSA) in Ecuador successfully signed an agreement with the La Autoridad Portuaria de Guayaquil (Guayaquil Port Authority) extending ICTSI's concession of the Guayaquil Container and Multipurpose Terminals for 19 and a half more years until 2046. In Papua New Guinea, the Noho-Mage Holdings Ltd., which represents ICTSI's Tatana and Baruni host communities in Port Moresby, acquired a 30 percent stake at Motukea International Terminal Ltd. (MITL) – ensuring that the port grows alongside the communities around it.



The year in review also proved to be a milestone year for the Company and its subsidiaries, gaining numerous awards and citations for leadership in port management, governance, community relations, sustainability, health and safety, finance, investor relations, corporate communication, engineering, and labor relations. In particular, UK-based *Lloyd's List*, the world's oldest maritime trade publication, recognized ICTSI as one of the world's best box port operators for 2019. For the second straight year, the ICTSI was awarded the coveted Priority Integration Sector Award for Logistics during the 2019 ASEAN Business Awards in Thailand.

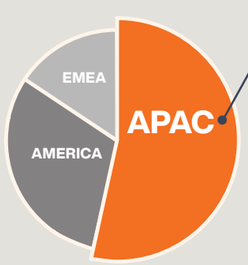
ICTSI's USD400 million fixed-for-life perpetual securities issued in January 2018, part of the Company's strategy of prudent and value-accretive capital and risk management, was likewise cited as the Philippines' Best Corporate Bond during The Asset Country Awards. Cited for bolstering the Company's capital management strategy "by extending its funding profile to match its long-term port concessions," ICTSI is the first ASEAN issuer to offer equity-accounted fixed-for-life senior perpetual securities in the international debt capital market.

Key ISO certifications were obtained by three terminals during the year: MICT with the ISO 14001:2015 Environment Management System, ISO 45001:2018 Occupational Health and Safety Management System, and ISO 9009:2015 Quality Management System; Pakistan International Container Terminal with ISO 45001:2018 Occupational Health and Safety Management System; and CGSA with the 14064-1:2006 International Standard on Greenhouse Gases certification.

Marketing efforts and promotion were sustained with ICTSI officers attending trade and business conferences such as the Forbes Global CEO Conference in Singapore, Milken Institute's 2019 Global Conference in the US, Intermodal Americas 2019, Iraq–Britain Business Conference, Iraq Petroleum Conference, Middle East Breakbulk Conference, and the Organization of American States' Hemispheric Seminar on Port Legislation.

ASIA PACIFIC

Corporate Offices
Manila, Philippines
ICTSI Asia Pacific
Manila, Philippines



53%
Contribution to Total Group Volume

↑ **3%**
5,403,839 TEUs
Total Cargo Handled (Excluding North Port)

↑ **8%**
US$748,585
Gross Revenue from Port Operation (in '000)

ICTSI's operation in Asia Pacific (excluding North Port) handled a total of 5,403,839 TEUs – a 3.2 percent increase from the 5,237,452 TEUs handled in 2018. The increase resulted mainly from new services at Victoria International Container Terminal (VICT) in Australia, and volume ramp-up at Subic Bay terminals in the Philippines and terminals in Papua New Guinea. Total volume from the Asia Pacific Region account for 53.1 percent of Group's consolidated volume for 2019.

Manila flagship deploys new equipment, records lowest yard utilization

ICTSI's Manila flagship continued to expand its equipment fleet under the USD80 million capital equipment program for the Manila International Container Terminal.

In January, MICT took delivery of four Mitsui hybrid rubber tired gantries (RTGs). The hybrids run on a combination of electric battery and a smaller diesel engine, which make them 60 percent more fuel efficient. The use of hybrid RTGs is estimated to cut MICT's carbon emissions by up to 40 percent, in line with the Company's efforts to reduce its carbon footprint. The terminal received another eight hybrid RTGs in July.

In June, MICT took delivery of another quay crane from ZPMC. The unit was deployed in Berth 3 to service the largest vessels in the Philippines. MICT has a total of 18 quay cranes as of December 2019, the largest fleet in the country to date.

Working closely with private sector partners and the Philippine Bureau of Customs to expedite the movement of overstaying containers, MICT recorded its lowest yard utilization at 58 percent despite handling its highest throughput over a four-month period.

New ECD, business prospect in Subic

In response to overstaying empty containers across major ports in Luzon, Subic Bay International Terminal Corp. opened an empty container depot in March. The facility is part of collective efforts to improve the circulation of empty containers and free up space.

Demonstrating its ability to handle complex shipment, SBITC handled the first flat rail operation in the Philippines and loaded a twin-hull catamaran onboard a CMA CGM vessel for delivery to the Maldives. The successful operation opens the door for the expansion of yacht shipping via Philippine ports.

Premier international gateway in Mindanao

In 2019, Mindanao Container Terminal unveiled its modernization plan to establish itself as the leading international gateway in Mindanao. The strategy involves adding new equipment, improving existing facilities, and providing more client-centric services.

MCT upgraded its terminal operating system and ordered new yard equipment in anticipation of volume growth as northern Mindanao sets to become a prime investment hub. Two 50-ton capacity Kalmar reach stackers were commissioned in May.

MCT also plans to become a transshipment hub and connect northern Mindanao with the rest of the country.

VICT boosts operational efficiency, sustainability

Two years after servicing its first vessel, VICT has transitioned from implementation to optimization of its automated operation.

VICT and Kalmar signed a maintenance agreement for OneTerminal – the automation solution that integrates the Navis N4 operating system with VICT's automated stacking cranes and automatic container carriers. The partnership enables VICT to maximize equipment efficiency and availability, terminal productivity, and overall port safety.

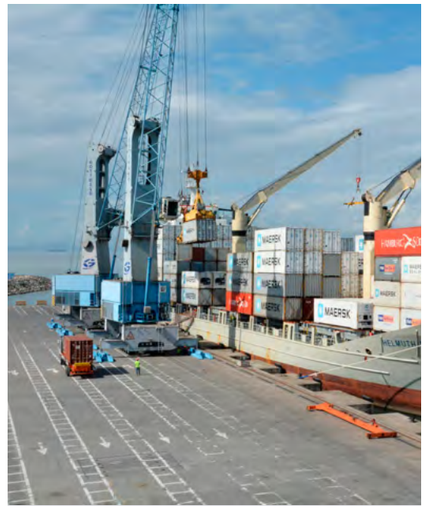
VICT continued to step up its efforts to reduce the environmental impact of its operations by building an eco-friendly wash bay for its ACC fleet. The facility prevents the overspray of cleaning materials and chemicals that could contaminate surrounding bodies of water and vegetation. Wastewater from the wash bay is processed in VICT's onsite water treatment facility and recycled for the next wash.

New equipment, deeper partnership in PNG

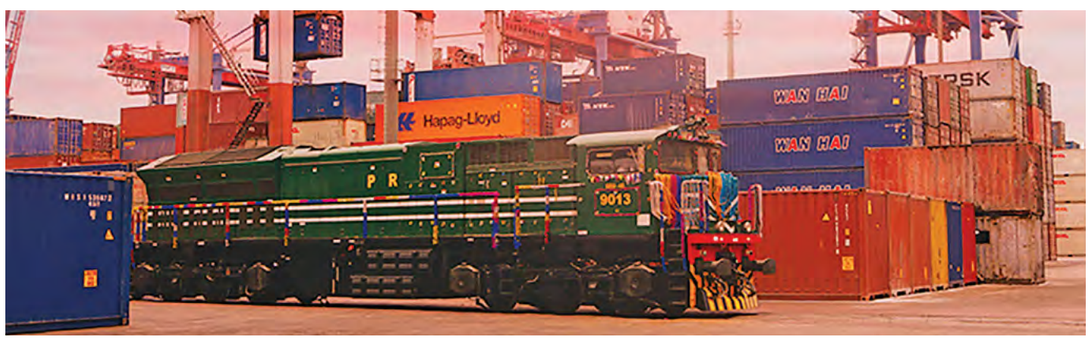
South Pacific International Container Terminal and Motukea International Terminal continued to deliver strong results and were among the Group's notable performers in the Asia Pacific region.

Early in the year, SPICT took delivery of three new hybrid, automation-ready rubber tired gantries. The RTGs were delivered ahead of schedule and are part of the program to increase the terminal's efficiency.

In August, ICTSI South Pacific and the local Tatana and Baruni Communities-- through Noho-Mage Holdings Limited --signed a share acquisition agreement granting Noho-Mage a 30 percent stake on Motukea International Terminal Limited. The transfer of shares was completed later in December.



New rail service, improved technology and diversity in Pakistan



Pakistan International Container Terminal handled 19 percent of the total volume at the Port of Karachi in 2019, rolled out several initiatives to further add value to its services.

In cooperation with state-owned Pakistan Railways, PICT launched a dedicated rail cargo service that connects the cities of Karachi and Lahore. The new service benefits the agriculture, textile, and other major industries by providing a faster and cheaper means to transport cargo. PICT is the only terminal at in Karachi with internal rail connection.

PICT upgraded its terminal operating system to N4 3.6 to leverage the new version's improved performance and scalability, simplified upgrade process for future updates, and enhanced customer experience. As part of the transition, PICT also upgraded its IT infrastructure to improve data security and integrity.

Embracing digital technology and promoting ease of doing business, PICT launched a smartphone application that allowed clients to track their cargo location and status, access billing information, and generate special service requests on-the-go.

PICT introduced its electronic delivery order (EDO) facility that allows shipping lines and non-vessel operating common carriers to issue and communicate delivery orders to their importers and to PICT directly. With web- and electronic data interchange-based options, the EDO streamlines processing time and reduces the use of paper.

New services, sustainable initiative in China

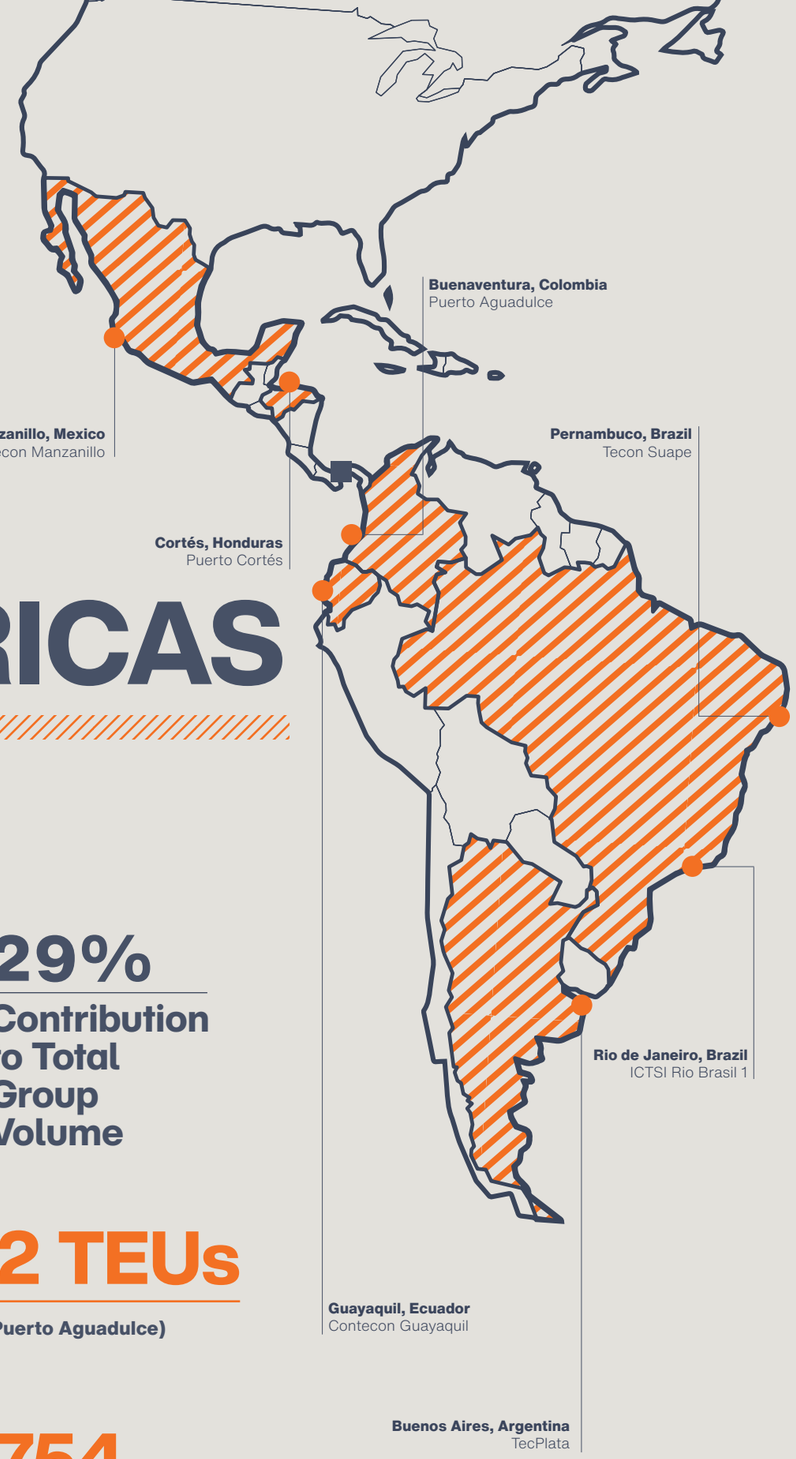
Yantai International Container Terminal welcomed new services in 2019.

In March, YICT serviced the first call of the DBR Japan weekly feeder service which links the Chinese ports of Yantai, Dalian, and Rizhao to the Japanese ports of Osaka, Tokyo, Yokohama, Nagoya, and Yokkaichi. Operated by Dalian JiFa Bohai Rim Container Lines, the service is the 11th Japanese service to call at YICT.

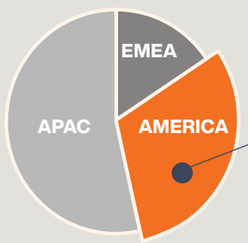
Chinese stainless steel exporter Tsingshan Holding Group chose the Port of Yantai as its base of export operations for its new stainless steel hub in Indonesia. In April, YICT serviced the 110-meter general cargo vessel Bei Jiang, which sails under the group's service.

YICT built an onsite wastewater treatment facility as part of continuing efforts to reduce the terminal's carbon footprint. The facility recycles wastewater from reefer container pre-trip inspections, allowing YICT to save up to 5,000 cubic meters of tap water and reduce sewage discharge by up to 8,400 cubic meters per year.

AMERICAS



ICTSI Americas
Panama City, Panama

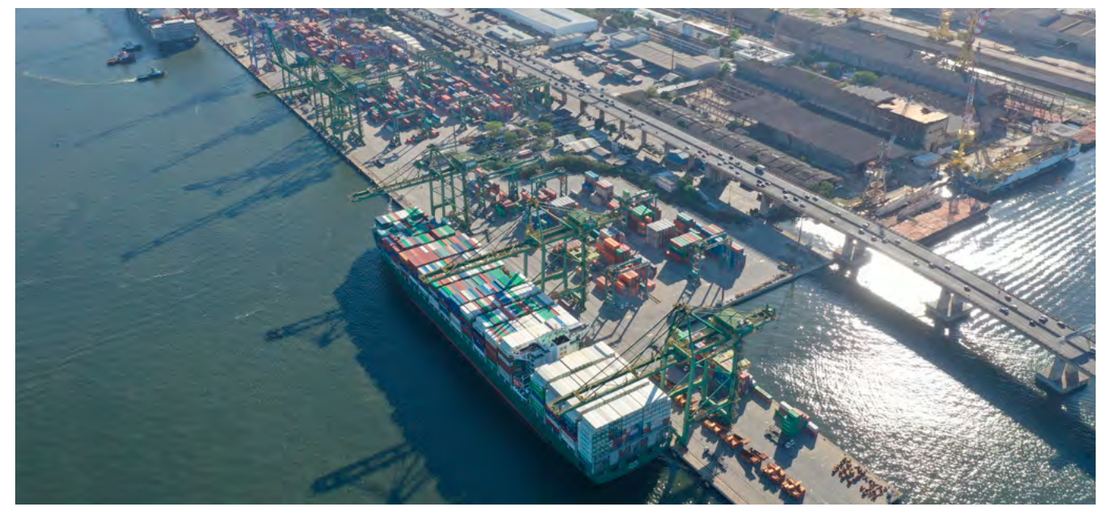


29%
Contribution to Total Group Volume

↑ **2%**
2,979,852 TEUs
Total Cargo Handled (Excluding Puerto Aguadulce)

↑ **4%**
US$422,754
Gross Revenue from Port Operation (in '000)

Amid uncertain global trade, volumes from the Americas Region (excluding Puerto Aguadulce, Colombia) grew by 1.5 percent to 2,979,852 TEUs in 2019 from previous year's 2,935,281 TEUs mainly due to new services at Mexico's Contecon Manzanillo, higher trade volumes at Brazil's Tecon Suape, and contribution of a second Brazil terminal – ICTSI Rio Brasil 1. The growth was tapered by lower trade volumes in Honduras' Operadora Portuaria Centroamericana and Ecuador's Contecon Guayaquil. For the year in review, the Americas accounted for 29.3 percent of the Group's total volume. Excluding the contribution of Rio, volume from the Americas segment would have increased by 1.0 percent in 2019.



ICTSI strengthens presence in Brazil with second terminal

ICTSI assumed operation of Terminal de Contêineres 1 in Brazil's Rio de Janeiro City after winning the public auction to acquire all the shares of Libra Terminal Rio S.A. (Libra Rio), which then held the concession to operate the terminal. Now rebranded as ICTSI Rio Brasil 1 (IRB),

Operating since 1998 in its privileged location - in the largest economic region of Brazil - ICTSI Rio Brasil 1 offers unique maritime, road and rail access, while having the advantage of being close to the main industrial oil and gas hubs and import and export centers.

Serving the surrounding expanse of import-export hubs, IRB is able to leverage on its extensive fleet of container handling equipment and its deep draft to efficiently allow the simultaneous berthing of large container vessels. ICTSI is investing in IRB's human capital, operations, security, information technology, and state-of-the-art equipment to offer its customers and partners even greater productivity and higher levels of service.

Tecon Suape sustains market lead in Pernambuco

Maintaining its market leadership, Tecon Suape continued to work with stakeholders to facilitate new direct export markets from northeast Brazil, with Suape as the eventual consolidation point. At the same time, it continued to improve port processes to further strengthen its relationship with port stakeholders and potential clients. In October, the terminal welcomed delegates from the Federation of Commerce of Goods, Services and Tourism of the State of Alagoas (Fecomércio AL), who did a study tour on potential importation of goods.

Contecon Guayaquil handles larger ships, extends concession

In May, Contecon Guayaquil set a new operational benchmark after servicing the largest ship to dock in Ecuador – the 10,010-TEU neo-Panamax CMA CGM Cochin, which plies the Ecuador-Asia route. Earlier in March, CGSA also received the 10,500-TEU capacity boxship CAP San Sounio.

The vessel arrivals highlight the importance of the recent dredging of the 95-kilometer main access channel leading to the country's primary seaport. With deeper drafts, the Port of Guayaquil is the first in Ecuador to accommodate ships of this size.

Still during the year, CGSA successfully obtained the ISO 14064-3:2006 international certification for carbon neutrality, the first port in South America and within the ICTSI Group to attain this certification.

CGSA also led port community efforts to launch the world's first comprehensive insurance program for the banana trade, the SIE (Seguro Integral de Export adores). Backed by Ecuador's multinational insurers, the program provides farmers with a single global insurance coverage for their banana exports—from container handling, transport, and third-party damages—giving farmers an indispensable tool to protect them and support the industry's growing needs. Plans are underway to extend this type of coverage to the rest of the country's exporters.

In December, CGSA secured a 19-year extension to its Concession Agreement with the La Autoridad Portuaria de Guayaquil to operate the Guayaquil Container and Multipurpose Terminal until 2046.

TecPlata begins operations; gets new clients

TecPlata in Buenos Aires started commercial operations in April with the arrival of Jacarandá, a vessel of Log-In, a Brazilian shipping line specializing in door-to-door logistics solutions. This also marked the start of Log-In's fortnightly operations at the terminal.

ICTSI is working with Log-in to boost import-export trade between Argentina and Brazil – with its regular calls not only in TecPlata, but also in two of the Group's Brazilian terminals -- ICTSI Rio Brasil 1 and Tecon Suape.

TecPlata added two of the biggest petrochemical companies in Argentina to its clientele: state-owned energy firm Yacimientos Petroliferos Fiscales (YPF), and the Argentine subsidiary of Dow Chemicals to handle their cargo and service their import-export needs. Both companies operate several facilities in greater Buenos Aires, which hosts a bustling petrochemical industry.

YPF has started to export lubricant products to the city of Santos in Brazil and import raw materials from Pecem, one of the most important ports in the Brazilian state of Ceará. YPF's chemical division meanwhile, already started to ship ISO tanks to Brazil from TecPlata.

Dow on the other hand, exports polyethylene (PE) from TecPlata to the Port of Itajaí, in Santa Catarina in southern Brazil.

Contecon Manzanillo hits 4M TEUs, beefs up expansion works

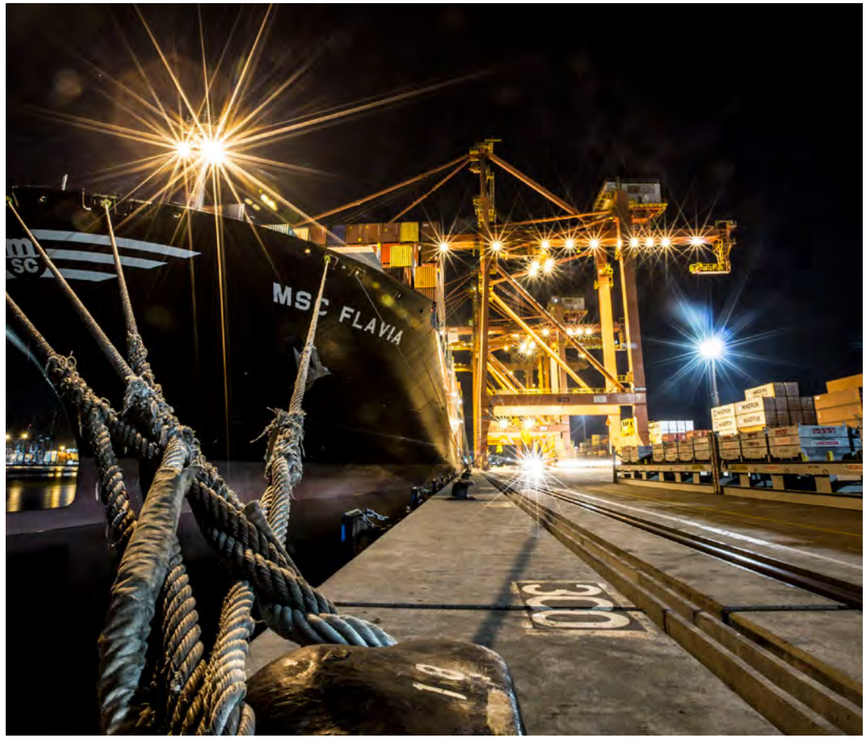
Contecon Manzanillo (CMSA) handled its first four-millionth TEU in July even as the company embarks on expansion works to increase capacity.

Since starting commercial operations in 2013, CMSA has been Mexico's gateway of choice in the Pacific coast being the only terminal in Manzanillo with land for planned expansion, and with the infrastructure and super structure to handle New-Panamax and larger vessels.

ICTSI has embarked MXN2.5 million for expansion of CMSA, which included the delivery of a pair of quay cranes and five rubber tired gantries in October. Manufactured by Shanghai Zhenhua Heavy Industries Co. Ltd., the new quay cranes can easily service the largest vessels plying intra-Pacific routes, with reach of up to 24 container rows across.

Ongoing construction works at the terminal, including another berthing position, is expected to increase Contecon's capacity by up to 50 percent, from 1.2 million TEUs to 1.6 million TEUs.

Along with Colombia's Puerto Aguadulce, CMSA recorded a milestone in December with the servicing of the 14-436 TEU vessel MSC Faith, the largest box ship to dock at the Port of Manzanillo.



Puerto Aguadulce services largest vessel to dock in Colombia

Puerto Aguadulce, ICTSI's joint venture terminal at Colombia's Port of Buenaventura, set a new milestone last December with the maiden call of the 14,436-TEU vessel MSC Faith, the largest ship to dock in Colombia.

With a length of overall of 366 meters, the MSC Faith had its maiden call in South America at Puerto Aguadulce, as part of Mediterranean Shipping Company's (MSC) new weekly service between Asia and Latin America's west coast.

MSC Faith's maiden call coincided with Puerto Aguadulce's third year anniversary.

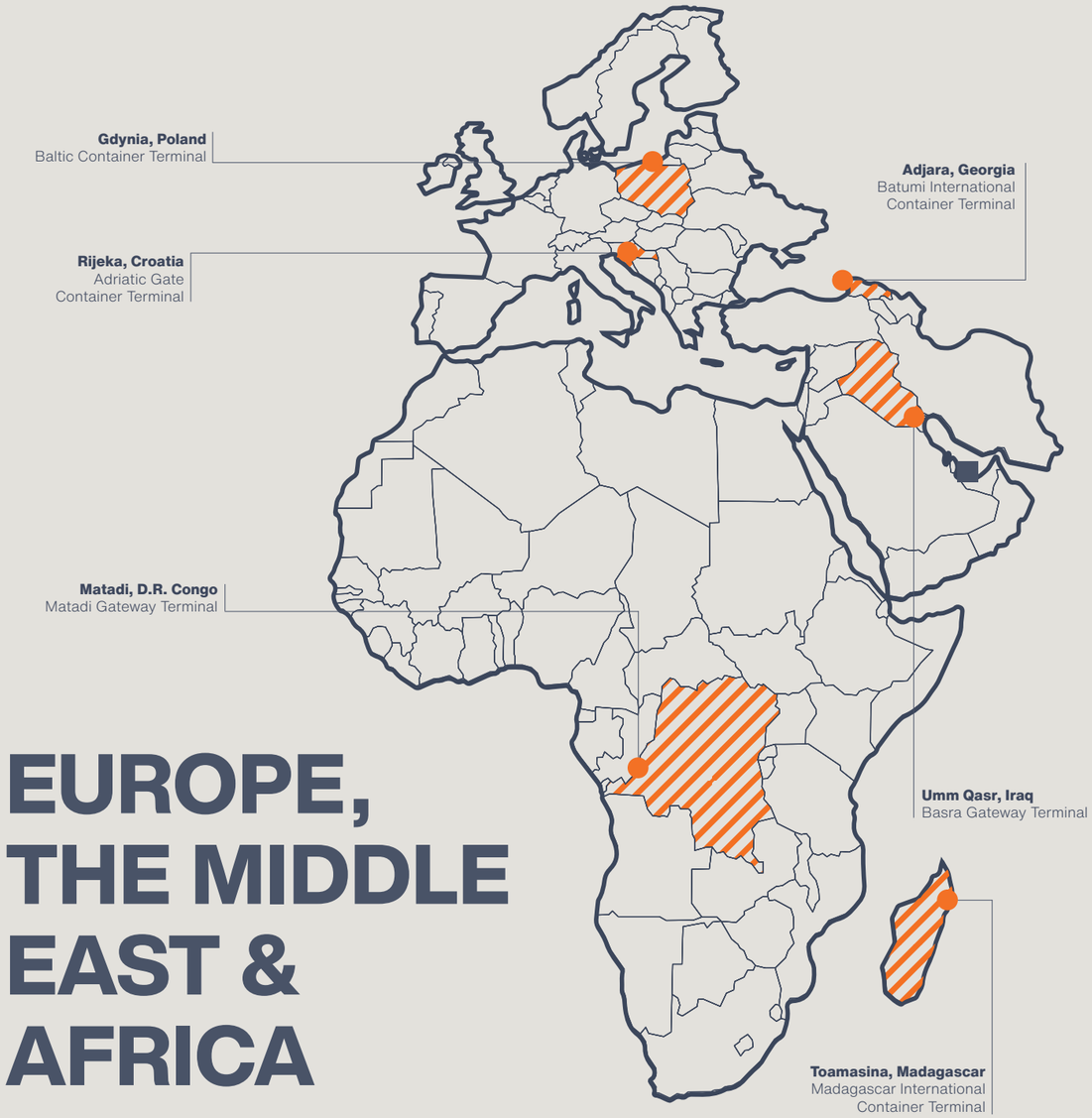
Faster turnarounds, better services seen at CA-4's busiest port

Puerto Cortes is giving its full support and cooperation to the Honduran government for the latter's initiatives to enhance the port's competitiveness and to better serve customers in the four-nation Central America-4, comprising Honduras, El Salvador, Guatemala and Nicaragua. When completed, these should improve the country's position as Central America's regional logistics hub, and Puerto Cortes as the region's main port on the Atlantic side.

To expedite intra-regional trade, the Honduran Customs Agency (Dirección Adjunta de Rentas Aduaneras – DARA) streamlined its systems for early clearance and dispatch of cargo. The Honduran Ministry of Agriculture and Livestock (SENASA) implemented online processes for the application of certificates and phytosanitary permits, improving the process and generation of payment tickets.

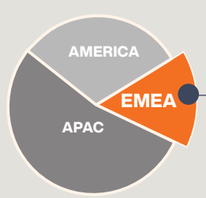
The Honduran Ministry of Infrastructure and Public Services invested in the expansion, reconstruction and maintenance of the main road and secondary road network leading to the port, with the purpose of expediting the transfer of loads between hinterland areas and border areas in the CA-4. In addition, Enpresa Nacional Portuaria (ENP), the Honduran port authority also enabled a truck entry facilitation zone next to the port's immediate confines, mitigating truck traffic on public roads during the days when a large amount of cargo is sent or received.

To match these initiatives, Puerto Cortes has drawn up plans for expansion including the construction and expansion of the container yard, and implementation of advanced port technologies.



EUROPE, THE MIDDLE EAST & AFRICA

ICTSI Europe, the Middle East & Africa (EMEA)
Dubai, United Arab Emirates



18%
Contribution to Total Group Volume

↑**15%**
1,794,327 TEUs
Total Cargo Handled

↑**9%**
US$310,073
Gross Revenue from Port Operation (in '000)

Consolidated volume from the ICTSI Group's Europe, Middle East and Africa Region grew 14.7 percent year on year, reaching 1,794,327 TEUs. The volume increase was experienced across the EMEA portfolio, and can be attributed to the successful addition of new shipping line clients as well as general market growth in the markets present. The EMEA segment comprised 17.6 percent of the Group's consolidated volume for 2019.

BGT completes multiphase investment in Iraq

In 2019, BGT completed its USD250 million multi-phase investment program in Iraq with the opening of East Berths 25 and 26 in October.

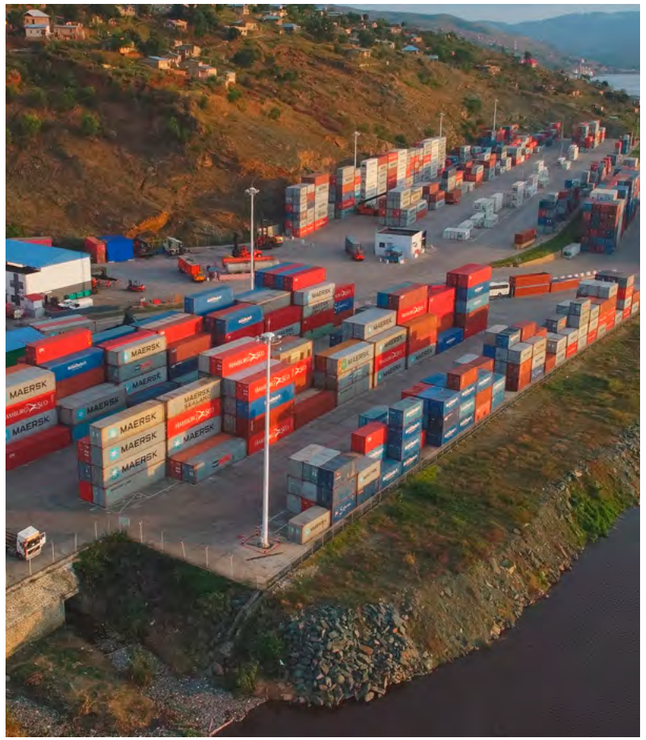
The new deep-water berths enable the handling of 10,000 TEU vessels, and the terminal's annual capacity was expanded by 600,000 TEU to 1.2 million TEU. Berths 25 and 26 are serviced by three post-Panamax quay cranes – the largest container handling equipment in Iraq – which were delivered in September.

In February, BGT took delivery of seven ZPMC RTGs to support operation at the new 11-hectare container yard. Equipped with the Variable Speed Generating system for optimized engine output, the RTGs consume less fuel and emit less carbon dioxide.

BGT continued to expand its project cargo operations, setting a record for the heaviest handled at the Port of Umm Qasr. In March, the terminal handled Weatherford rigs 827 and 830, which combined for 22,000 freight tons, and completed the operation in only three days.

The year also marked two milestones for BGT, which handled its two-millionth TEU and one-millionth ton moves.

MGT commences Phase 2 expansion



MGT, the principal gateway to the DR Congo, continues to lead the way in modern and international standard services and efficiencies to cargo owners in the region.

In January, MGT serviced its first gearless container vessel, the 2,500 TEU *Safmarine Nuba*. The WafMax class vessel is the largest handled by the terminal, showcasing economies of scale and efficiencies across DRC's supply chain. MGT demonstrated expertise and precision during the 18-hour operation by posting a record productivity of 35 moves per hour.

Responding to the actual and projected volume increase in DR Congo and the medium-term requirements of shipping lines, MGT commenced its USD100 million second phase expansion in the fourth quarter of 2019. The project covers the expansion of the terminal's capacity by another 200,000 TEUs by adding additional yard and quay as well as augmenting the equipment fleet with additional quay and yard cranes. Upon completion, MGT will be able to handle in excess of 400,000 TEU annually.

MGT is working with the relevant authorities to facilitate capital dredging of the Congo River, making way for the passage of larger vessels.

BICT starts new developments

The company continues to invest in new developments to further maximize its potential as the gateway to the Caucasus and Central Asia and boost the port's competitiveness. The terminal capacity has been increased to 200,000 TEUs, and additional expansion is being planned.

BICT launched a multi-phase expansion program that includes a two-hectare container freight station. A 2,500-square meter warehouse, along with a 180-meter rail spur for cross stuffing, was built to help clients fast-track cargo reloading and storage prior to securing customs clearance.

In November, BICT achieved a milestone with the handling of its year-to-date 100,000th TEU.

AGCT upgrades rail and waterside facilities, welcomes new service

Against the backdrop of steady demand, volume growth, and client requirements for larger vessel size and enhanced intermodal activity, AGCT continued to enhance its intermodal and waterside facilities.

AGCT upgraded its intermodal yard and railway station, enabling two rail-mounted gantries over four rail tracks to simultaneously operate on two block trains. Completed in the final quarter of the year, the upgrade increased AGCT's intermodal capacity from 75,000 TEUs to 360,000 TEUs.

A strong focus on intermodalism has added additional volume and made AGCT an efficient gateway to the Balkans and Southern Europe.

On the waterside, AGCT and the Rijeka Port Authority proceeded with a two-phase dredging project. The project will bring the alongside depth to 16.5 meters, allowing for handling of 20,000 TEU vessels.

To complement the expansion, AGCT will augment its capacity through the addition of quay cranes and yard equipment.

In May, AGCT serviced the 353-meter, 15,226-TEU vessel *Hamburg Maersk*, one of the largest container ships to call North Adriatic ports.

In July, AGCT welcomed the first call of COSCO's Piraeus-Rijeka Service, which connects eastern China to Budapest using the Rijeka and Piraeus ports as transloading points. The service comprises a regular shipping line between the two ports along with rail services operating in the Rijeka-Budapest-Rijeka and Rijeka-Belgrade-Rijeka routes

Awards and Citations

International Container Terminal Services, Inc.

Priority Integration Sector Award for Logistics
2019 ASEAN Business Awards
Association of Southeast Asian Nations Business Advisory Council (ASEAN-BAC)

Most Outstanding Company in Philippines – Transportation Sector
2019 Outstanding Companies Poll
Asiamoney Asia

Best Investor Relations Company (Philippines)
Asia's Best CEO (Investor Relations) – Enrique K. Razon Jr.
Asia's Best CFO (Investor Relations) – Rafael D. Consing, Jr.
Best IR Professional (Philippines) – Arthur R. Tabuena
9th Asian Excellence Awards
Corporate Governance Asia

Strongest Adherence to Corporate Governance in the Philippines
Most Organized Investor Relations Company in the Philippines
Best Senior Management IR Support (2nd) in the Philippines
Most Consistent Dividend Policy (2nd) in the Philippines
Southeast Asia's and Philippines' Best CFO – Rafael D. Consing, Jr.
9th Annual Institutional Investor Awards
Alpha Southeast Asia

Gold ESG Award
Best Investor Relations Team Award – ICTSI Global Corporate Investor Relations
Highly-Commended Initiative for Diversity and Inclusion – Women in Papua New Guinea Program
2019 ESG Corporate Awards
The Asset

Top performing Publicly-Listed Company (PLC) in the Philippines
ASEAN Corporate Governance Scorecard
Institute of Corporate Directors

Top 7 in ESG Reporting (Philippines)
Bloomberg

Special Recognition for Business Responsibility and Ethics – ICTSI fight against human trafficking in global supply chains
2019 Sustainable Business Awards

Best Corporate Bond in the Philippines
2018 Triple A Country Awards
The Asset

Top Business (2nd) and Top Real Property (6th) Taxpayer
City of Manila

Doctor of Science in Logistics, *honoris causa* – Enrique K. Razon Jr.
De La Salle University, Manila

Executive of the Year – Enrique K. Razon Jr.
Philippine Sportswriters Association

Finalist for Most Innovative, Best Transportation & Logistics, and Best Philippine In-House Legal Team – ICTSI Global Corporate Legal Affairs
Woman Lawyer of the Year – Atty. Lirene C. Mora-Suarez
2019 Philippine Law Awards
Asian Legal Business

Gold Anvil for Public Relations Programs: Directed at Specific Stakeholders (Indigenous Peoples/Host Communities) – ICTSI PR Program for Papua New Guinea Host Communities
54th Anvil Awards
Public Relations Society of the Philippines

Award of Excellence, 2017 ICTSI Sustainability Report
Award of Recognition, ICTSI PR Program for Papua New Guinea Host Communities
2019 Philippine Quill Awards
International Association of Business Communicators – Philippines

Awards and Citations

ICTSI - Manila International Container Terminal

ISO 14001:2015 Environment Management System
ISO 45001:2018 Occupational Health and Safety Management System
ISO 9009:2015 Quality Management System
SOCOTEC Certification International

Manila North Harbour Port, Inc.

Top Real Property (2nd) Taxpayer
City of Manila

Subic Bay International Terminal Corporation

Service Business of the Year for Logistics
SBMA Mabuhay Awards 2019
Subic Bay Metropolitan Authority

South Cotabato Integrated Port Services, Inc.

Best Reward and Recognition Program
2019 The Investors in People Awards
Investors in People

Victoria International Container Terminal

Excellence in Port Management and Infrastructure
2019 Asia Pacific Awards
Lloyd's List

Pakistan International Container Terminal

ISO 45001:2018 Occupational Health and Safety Management System
Bureau Veritas S.A.

Best in HR Practices
International Human Resource Awards 2019

Corporate Excellence Award
34th Corporate Excellence Awards
Management Association of Pakistan (MAP)

ICTSI South Pacific Ltd.

Award of Excellence for Learning and Development
Inspire Awards 2019
Navis

Sociedad Puerto Industrial de Aguadulce SA

2018 Maritime Award of the Americas in Social Responsibility
Emprendepaz Program - Puerto Aguadulce-COMPAS Foundation
Organization of American States (OAS)

Contecon Manzanillo SA

Seal of Fair Logistics
Organizacion Mundial de Cuiadades y Plataformas Logisticas (OMCPL)

Operadora Portuaria Centroamericana

Seal of Fair Logistics
Organizacion Mundial de Cuiadades y Plataformas Logisticas (OMCPL)

Most Attractive Companies to work for - Logistics and distribution
Tecoloco.com

Seal of Socially Responsible Business
Honduran Foundation for Corporate Social Responsibility

Contecon Guayaquil SA

ISO 14064-3:2006 Greenhouse Gases
TÜV Rheinland

Matadi Gateway Terminal

Prix de Reconnaissance aux Investisseurs
Agence Nationale Pour La Promotion des Investissements (National Agency for Investment Promotion), DR Congo

ICTSI Board of Directors

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Jose C. Ibazeta
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Director

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Independent Director

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Asst. Corporate Secretary

Atty. Benjamin M. Gorospe III
Asst. Corporate Secretary

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Brian Mark Hibbert
Vice President, Chief Information Officer

Gigi Iluminada T. Miguel
Vice President, Treasurer

Johan B. Swart
Vice President, Head of Global Engineering – Equipment Maintenance

Terminal Heads

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Christian R. Gonzalez
Manila International Container Terminal

Julien C. Domingo
Davao Integrated Port Services and Stevedoring Corp.
Hijo International Port Services, Inc.

Gemma M. Gloria
Mindanao International Container Terminal Services, Inc.

Roberto R. Locsin
Subic Bay International Container Terminal Corp.
ICTSI Subic, Inc.

Ferdinand S. Magtalas
Bauan International Port, Inc.

Noel C. Monzon
Cavite Gateway Terminal

Gabriel D. Muñasque
South Cotabato Integrated Port Services, Inc.

Carmela N. Rodriguez
Laguna Gateway Inland Container Terminal

Romeo A. Salvador
Manila North Harbour Port, Inc.

Asia Pacific

Robert Maxwell
Motukea International Terminal
South Pacific International Container Terminal

Tejas Nataraj
PT Makassar Terminal Services, Inc.
PT PBM Olah Jasa Andal, Inc.

Anders Dommestrup
Tim Vancampen
Victoria International Container Terminal Ltd.

Apollo Zhou
Yantai International Container Terminals Ltd.

Americas

Miguel Arturo Abisambra
Sociedad Puerto Industrial de Aguadulce S.A.

Jose Antonio Contreras
Contecon Guayaquil S.A.

Juan Carlos Corujo
Operadora Portuaria Centroamericana S.A. de C.V.

Fortino Landeros
Contecon Manzanillo S.A.

Roberto Lopes
ICTSI Rio Brasil 1

Bruno Porchietto
TecPlata S.A.

Javier Ramirez
Tecon Suape S.A.

Europe, the Middle East & Africa

Philippe Baudry
Matadi Gateway Terminal

Nikoloz Gogoli
Batumi International Container Terminal LLC

Guido Heremans
Madagascar International Container Terminal Services Ltd.

Khurram Aziz Khan
Pakistan International Container Terminal Ltd.

Phillip Marsham
Basra Gateway Terminal

Emmanuel Papagiannakis
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Wojciech Szymulewicz
Baltic Container Terminal Ltd.

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International Container Terminal Services, Inc.'s (ICTSI) common stock is listed and actively traded in the Philippine Stock Exchange under the symbol "ICT". For shareholder assistance regarding account status, stock certificates, stockholder information changes, and dividend payments:

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Investor Inquiries

ICTSI welcomes inquiries from investors, analysts and the financial community. For more information about ICTSI, please visit ictsi.com/investors.

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Turning ports into turning points

2019 ICTSI Annual Report

International Container Terminal Services, Inc.

Turning ports into turning points

2019 ICTSI Financial Report

International Container Terminal Services, Inc.

About the cover

Most other port specialists focus on their role in global trade, and in container shipping. ICTSI, while conscious of its role in that context, also brings two unique strengths to the table.

One, it began as a one-port operation in a developing nation that had just undergone a major socio-political transformation, and later grew to become an acclaimed partner of the Philippine government in one of Asia's earliest port privatization success stories.

Two, part of its strategy is to focus on acquisitions in developing markets, parlaying its hard-earned experience and well-honed expertise into developing high-performing ports that offer all-around value.

As such, ICTSI has come to master the art and science of delivering results that optimize trade facilitation as a tool for economic transformation and support nations' aspirations for ever-greater and ever-more-sustainable growth.

ICTSI is turning ports into turning points.

Turning ports into turning points

2019 ICTSI Financial Report

International Container Terminal Services, Inc.

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Manila, Philippines
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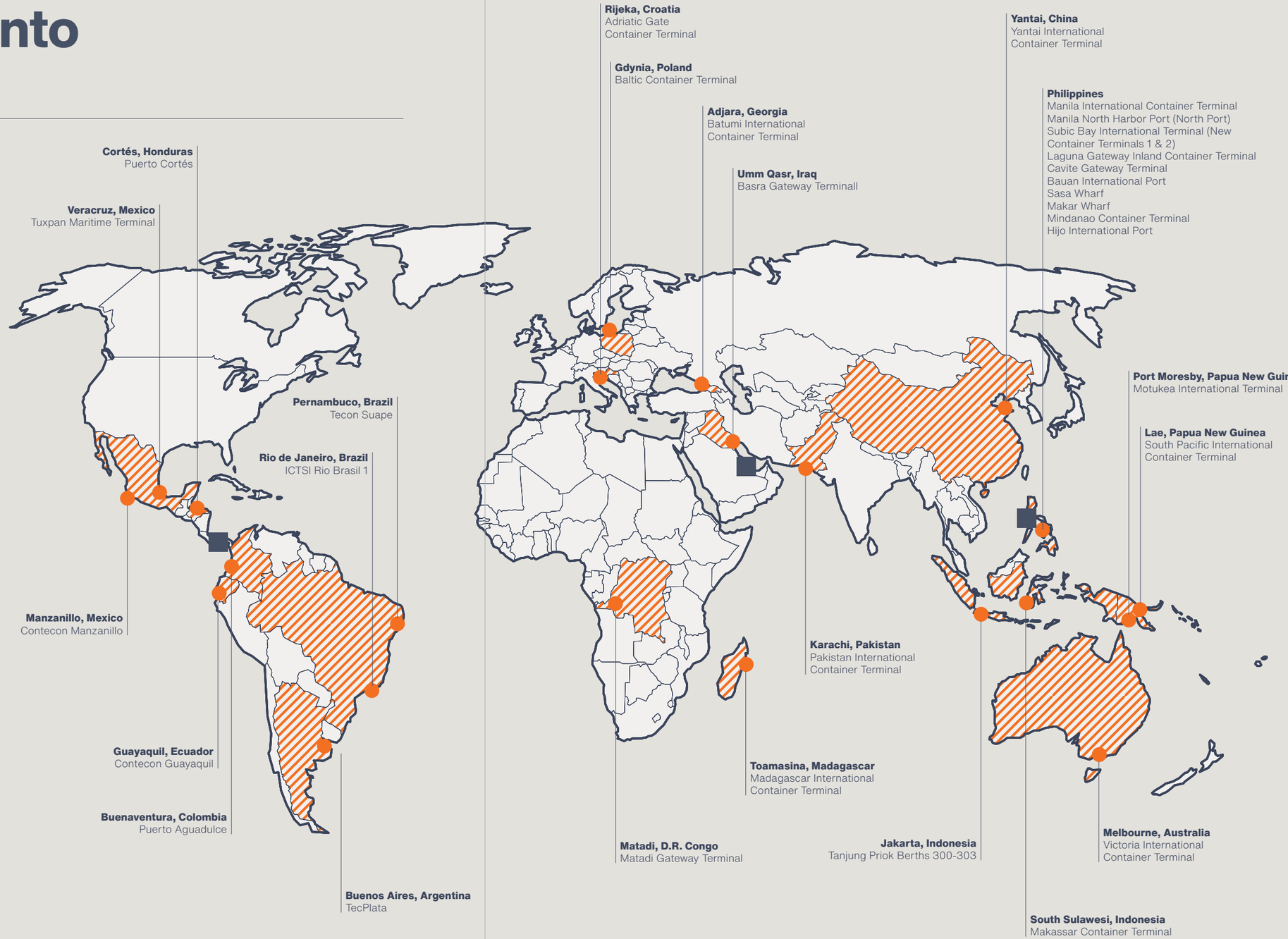
Manila, Philippines

ICTSI Americas
Panama City, Panama

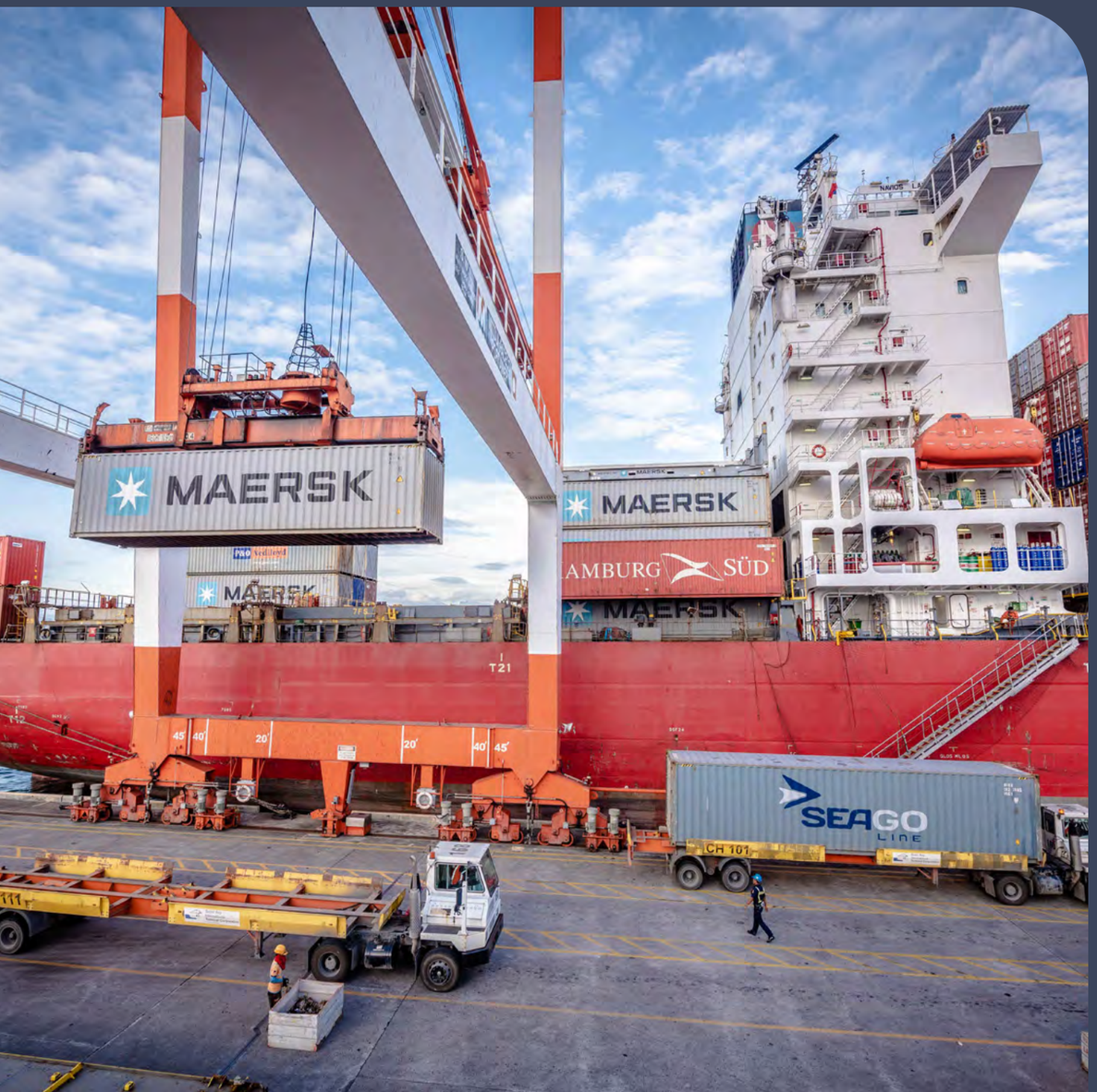
ICTSI Europe, the Middle East & Africa (EMEA)
Dubai, United Arab Emirates



International Container Terminal Services, Inc.

01

Management's Discussion and Analysis



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, Tagaloan, 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 seaborn 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 porterage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of 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 LICTSLE. The said Sub-concession Agreement (Agreement) granted LICTSLE exclusive right to develop and operate, and to provide handling equipment and container terminal service at the container terminal within Lekki Port located at Ibeju Lekki, Lagos State, Federal Republic of Nigeria for a period of 21 years. On May 23, 2017, ICTSI received the agreed amounts of US$12.5 million representing the return of payments made to Lekki Port pursuant to the Agreement, and US$7.5 million representing compensation of costs incurred by ICTSI in relation to the project. The termination of the Sub-concession Agreement has been finalized and was deemed effective May 24, 2017.

Port of Portland, Oregon, U.S.A. In October 2016, the Board of ICTSI Ltd. has authorized the management of ICTSI Oregon to negotiate with the Port of Portland and reach terms mutually acceptable to both parties with respect to the termination of the lease agreement after two major customers, Hanjin Shipping Co. and Hapag-Lloyd stopped calling the Port of Portland in March 2015 due to continuing labor disruptions. 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 **Audited Consolidated Statements of Income**

	FOR THE YEARS ENDED DECEMBER 31				
In thousands, except % change data	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 2 **EBITDA Computation**

	FOR THE YEARS ENDED DECEMBER 31				
In thousands, except % change data	2017 (As restated)	2018 (As restated)	**2019**	*% Change 2017 vs 2018*	*% Change 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 3 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 4 Total Income

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2018 (As restated)	**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 5 Gross Revenues from Port Operations

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2018	**2019**	% Change
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 6 Total Expenses

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2018 (As restated)	**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 Falconer Aircraft Management, Inc. (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 7 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 8 Total Income

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2017 (As restated)	**2018 (As restated)**	% 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 9 Gross Revenues from Port Operations

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2017	**2018**	% Change
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 10 Total Expenses

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2017 (As restated)	**2018 (As restated)**	% 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 11 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 12 Total Income

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2016 (As restated)	**2017 (As restated)**	% 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 13 Gross Revenues from Port Operations

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	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 14 Total Expenses

FOR THE YEARS ENDED DECEMBER 31			
(In thousands, except % change data)	2016 (As restated)	**2017 (As restated)**	% 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 15 Consolidated Balance Sheets

FOR THE YEARS ENDED DECEMBER 31					
(In thousands, except % change data)	2017 (As restated)	2018 (As restated)	**2019**	% Change 2017 vs. 2018	% Change 2018 vs. 2019
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 SPICTL 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 16 Consolidated Cash Flows

FOR THE YEARS ENDED DECEMBER 31					
(In thousands, except % change data)	2017 (As restated)	2018 (As restated)	**2019**	% Change 2017 vs 2018	% Change 2018 vs 2019
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 17 Capital Sources

FOR THE YEARS ENDED DECEMBER 31					
(In thousands, except % change data)	2017 (As restated)	2018 (As restated)	**2019**	% Change 2017 vs 2018	% Change 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 18 Outstanding Loans

(in thousands)	COMPANY	FINAL MATURITY	INTEREST RATE	AMOUNT
Long-Term Debt				
Unsecured US Dollar Bond	ITBV	2023 – 2025	Fixed	**US$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**
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 19 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) (BBSY) 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 (BBSY) 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 20 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.

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 consolidated financial statements including the schedules attached herein, as of and for the years ended December 31, 2017, 2018 and 2019, in accordance with the 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 review 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.

03

Independent Auditor's Report

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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.

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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

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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

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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.

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- 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 (As restated-see Note 3)	2018 (As restated–see Note 3)	**2019**
NET INCOME FOR THE YEAR	US$183,938,014	US$235,806,516	**US$132,667,574**
OTHER COMPREHENSIVE GAIN (LOSS)			
Items to be reclassified to profit or loss in subsequent periods			
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**
Items not to be reclassified to profit or loss in subsequent periods			
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	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

(Forward)

	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, 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 BPI (Note 14.4)	-	-	-	-	-	-	**(470,523)**	-	-	-	**(470,523)**	**(7,529,477)**	**(8,000,000)**
Restructuring of SBTPH (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)**

(Forward)

	Years Ended December 31		
	2017 (As restated-see Note 3)	2018 (As restated–see Note 3)	**2019**
Proceeds from:			
Disposal of property and equipment (Notes 6 and 20)	US$901,825	US$6,478,250	**US$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)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 15)	111,106,280	61,637,183	**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

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.

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 Immobiliaria 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, DIPPSCOR 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 porterage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of 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 seaborn transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal will have an annual capacity of 115,000 TEUs, which is equivalent to 140,000 fewer truck trips on city roads each year. CGT formally commenced commercial operations in November 2018.

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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
Subsidiaries:									
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**
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**

(Forward)

	PLACE OF INCORPORATION	NATURE OF BUSINESS	FUNCTIONAL CURRENCY	PERCENTAGE OF OWNERSHIP					
				2017		2018		2019	
				DIRECT	INDIRECT	DIRECT	INDIRECT	DIRECT	INDIRECT
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**
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**

(Forward)

	PLACE OF INCORPORATION	NATURE OF BUSINESS	FUNCTIONAL CURRENCY	PERCENTAGE OF OWNERSHIP					
				2017		2018		2019	
				DIRECT	INDIRECT	DIRECT	INDIRECT	DIRECT	INDIRECT
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**
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**

(Forward)

	PLACE OF INCORPORATION	NATURE OF BUSINESS	FUNCTIONAL CURRENCY	PERCENTAGE OF OWNERSHIP					
				2017		2018		2019	
				DIRECT	INDIRECT	DIRECT	INDIRECT	DIRECT	INDIRECT
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**	**–**

(Forward)

	PLACE OF INCORPORATION	NATURE OF BUSINESS	FUNCTIONAL CURRENCY	PERCENTAGE OF OWNERSHIP					
				2017		2018		2019	
				DIRECT	INDIRECT	DIRECT	INDIRECT	DIRECT	INDIRECT
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

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 INCREASE (DECREASE)	2018 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 INCREASE (DECREASE)	2018 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 routinary in nature are expensed and recognized in the consolidated statement of income as incurred in accordance with the accounting policy on Equipment and Facilities-related Expenses.

Concession rights are amortized using the straight-line method over the term of the concession arrangements ranging from 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 in-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 fulfill 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)						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwil	Total
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)						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwil	Total
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)						
	Upfront Fees	**Fixed Fees**	**Port Infrastructure**	**Subtotal**	**Computer Software**	**Goodwil**	**Total**
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

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)	(9,967,138)	(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**
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)**

(Forward)

	OCTOBER 2017	APRIL 2019	TOTAL
Total identifiable net assets at fair value	US$68,264,660	US$30,438,791	**US$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 (see 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:

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	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)**

(Forward)

	NUMBER OF SHARES		
	ISSUED AND SUBSCRIBED		
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 ten 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 ten 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 (₱2.47)	US$0.05 (₱2.50)	**US$0.05 (₱2.92)**
Cash dividends (special) per share	–	–	**US$0.04 (₱2.08)**
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* (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	US$491,977,748
2024 onwards	758,104,664
	US$1,704,511,795

(Forward)

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 Ipex 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 are as follows:

	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 adjustments	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 (₱79.20)
May 17, 2017	113,673	US$2.00 (₱99.50)
March 9, 2018	1,862,677	US$2.11 (₱109.90)
May 11, 2018	152,059	US$1.60 (₱83.00)
March 1, 2019	1,662,309	US$2.19 (₱113.00)
May 7, 2019	145,876	US$2.63 (₱136.40)

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 are as follows:

	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%	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.

(Forward)

NAME OF COMPANY	TAX RATE	TAX RULES
		In Pakistan, deductible depreciation in 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 depreciablee assets, in accordance with section 23 of 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 P7.0 billion (US$139.7 million) applicable for each anniversary year. In 2017, 2018 and 2019, ICTSI 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 fo 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.

(Forward)

NAME OF COMPANY	TAX RATE	TAX RULES
		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 one 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 five 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 one 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, 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%	CGSA's corporate income tax rate applicable atarting 2018 in 25 percent. This tax is calculated after deducting 15 percent od 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%	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 five 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 income 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.

(Forward)

NAME OF COMPANY	TAX RATE	TAX RULES
TSSA	15.25%	TSSA's statutory income tax rate is 34.0 percent, including nine 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 nine 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.
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 five 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 seven 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 eight 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

RELATED PARTY	RELATION-SHIP	NATURE OF TRANSACTION	2017 AMOUNT	2017 OUTSTANDING RECEIVABLE (PAYABLE) BALANCE	2018 AMOUNT	2018 OUTSTANDING RECEIVABLE (PAYABLE) BALANCE	2019 AMOUNT	2019 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)**
		Container handling revenue (vi)	–	–	–	–	**0.04**	**0.01**

(Forward)

RELATED PARTY	RELATION-SHIP	NATURE OF TRANSACTION	2017 AMOUNT	2017 OUTSTANDING RECEIVABLE (PAYABLE) BALANCE	2018 AMOUNT	2018 OUTSTANDING RECEIVABLE (PAYABLE) BALANCE	2019 AMOUNT	2019 OUTSTANDING RECEIVABLE (PAYABLE) BALANCE
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue (vii)	US$0.37	US$0.01	US$0.13	US$–	**US$0.22**	**US$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**
Prime Metro Infrastructure 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**

(Forward)

	2017	2018	2019
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 six 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, cranage 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 six 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 container 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 six 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 five percent every three years.

24.10 Agreement between OPC, the Republic of Honduras and Banco Financiera Commercial 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 shareacquisition 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 periodicreview. 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 in secure by a sovereign guarantee by the Republic of Sudan. On January 13, 2019, ICTSI paid the initial installment of upfront fee of EUR4 10.0 million (USS470.2 million). 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 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 terminals, 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 Compañia Fluvial del Sud, S.A.

In 2008, Tecplata entered into a lease agreement with Compañia Fluvial del Sud, S.A. for the use of land and real property in relation to Tecplata's contract to operate the port of La Plata in Argentina. The lease agreement is for 20 years, starting in 2010, subject to renewal for another 20 years at the option of Tecplata. On December 20, 2010, Tecplata and Compañia Fluvial del Sud, S.A. executed an amendment to the lease agreement which provided that: (i) in 2010, Tecplata should not have to make any payments in connection with the lease; (ii) from January 2011, Tecplata shall pay a monthly lease of US$17,500 (approximately AR$87,500); and (iii) from the month following the commencement of operations in the terminal, monthly payments shall be US$35,000 (approximately AR$175,000), which was the amount originally agreed upon by both parties. In addition, the accumulated discount as a result of the amendment in 2010 relating to lease payments in 2011, 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 these lease agreement after two major customer, Hanjin Shipping Co. and Hapag-Lloyd, stopped calling the 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 lease the agreement. The estimated amount of probable loss from the pre-termination of the lease agreement US$23.4 million, which includes the cash compensation and the carying value of the container handling equipment and spare parts was charged to the 2016 consolidated statement of income (See Note1).

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 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 committeed 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 Immobiliaria 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 porterage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of hold-over authority on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On 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 Darusalam 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 (CIRA) 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 Conalvías' 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 Conalvías 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 Eurodenominated 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*
Liabilities						*(In Original Currency)*	*(In US Dollar)*	*(In US Dollar)*
Long-term Debt								
Floating Rate:								
US$ Loan	3,920,000	20,580,000	-	-	-	24,500,000	24,500,000	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	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*
Liabilities						*(In Original Currency)*	*(In US Dollar)*	*(In US Dollar)*
Long-term Debt								
Floating Rate:								
US$ Loan	29,500,000	-	-	-	-	29,500,000	US$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	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*
Liabilities						(In Original Currency)	(In US Dollar)	
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):

EFFECT ON PROFIT BEFORE TAX				
	Increase/Decrease in Interest Rates (%)	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						
	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$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

(Forward)

	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
Other noncurrent liabilities*	US$-	US$-	US$-	US$58.6	US$58.3	US$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 potion of derivative liabilities and provisions for claims and losses.*

2018						
	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$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 potion 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 potion 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

(Forward)

	December 31, 2017	Cash flows	Foreign exchange movement	Translation Adjustment	Changes in fair values	Others*	December 31, 2018
Concession rights payable	US$480,181,116	(US$45,106,484)	(US$661,779)	(US$4,403,103)	US$-	US$111,259,662	US$541,269,412
Dividends payable	US$2,459,164	(114,731,592)	-	(281,331)	-	113,634,676	1,080,917
Derivative liability	US$4,374,838	-	-	(118,482)	2,793,953	(4,214,807)	2,835,502
Accrued interest	US$23,497,213	(95,204,244)	44	(468,603)	-	94,942,934	22,767,344
Lease liabilities	US$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**

(Forward)

	2017		2018		2019	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
ARS	-	US$-	-	US$-	**8,745,769**	**US$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**
PGK	-	-	10,995,059	3,263,404	**26,039,316**	**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**

(Forward)

	2017		2018		2019	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
RMB	90,000,000	US$13,831,684	50,000,000	US$7,269,027	**29,999,132**	**US$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	**US$2.9**	**US$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			
	Grade A	Grade B	Grade C	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	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			
	Grade A	Grade B	Grade C	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	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			
	Grade A	Grade B	Grade C	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	**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				
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
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				
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
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				
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
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**

Corporate Information

Corporate Offices

International Container Terminal Services, Inc. (ICTSI)
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MICT South Access Road Port of Manila
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W ictsi.com

For general information and company literature:

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F + 63 2 8247 8035
E mlaud@ictsi.com

Stockholder Inquiries

International Container Terminal Services, Inc.'s (ICTSI) common stock is listed and actively traded in the Philippine Stock Exchange under the symbol "ICT".
For shareholder assistance regarding account status, stock certificates, stockholder information changes, and dividend payments:

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Stock Transfer Services Inc.
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+ 63 2 8403 3433
F + 63 2 8403 2414
E rdregala@stocktransfer.com.ph

Investor Inquiries

ICTSI welcomes inquiries from investors, analysts and the financial community. For more information about ICTSI, please visit ictsi.com/investors.

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Arthur R. Tabuena
Treasury Director and Head of Investor Relations
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Turning ports into turning points

2019 ICTSI Financial Report

International Container Terminal Services, Inc.

Turning ports into turning points

2019 ICTSI Corporate Governance Report

International Container Terminal Services, Inc.

About the cover

Most other port specialists focus on their role in global trade, and in container shipping. ICTSI, while conscious of its role in that context, also brings two unique strengths to the table.

One, it began as a one-port operation in a developing nation that had just undergone a major socio-political transformation, and later grew to become an acclaimed partner of the Philippine government in one of Asia's earliest port privatization success stories.

Two, part of its strategy is to focus on acquisitions in developing markets, parlaying its hard-earned experience and well-honed expertise into developing high-performing ports that offer all-around value.

As such, ICTSI has come to master the art and science of delivering results that optimize trade facilitation as a tool for economic transformation and support nations' aspirations for ever-greater and ever-more-sustainable growth.

ICTSI is turning ports into turning points.

Turning ports into turning points

2019 ICTSI Corporate Governance Report

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Turning ports into turning points

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18 Countries

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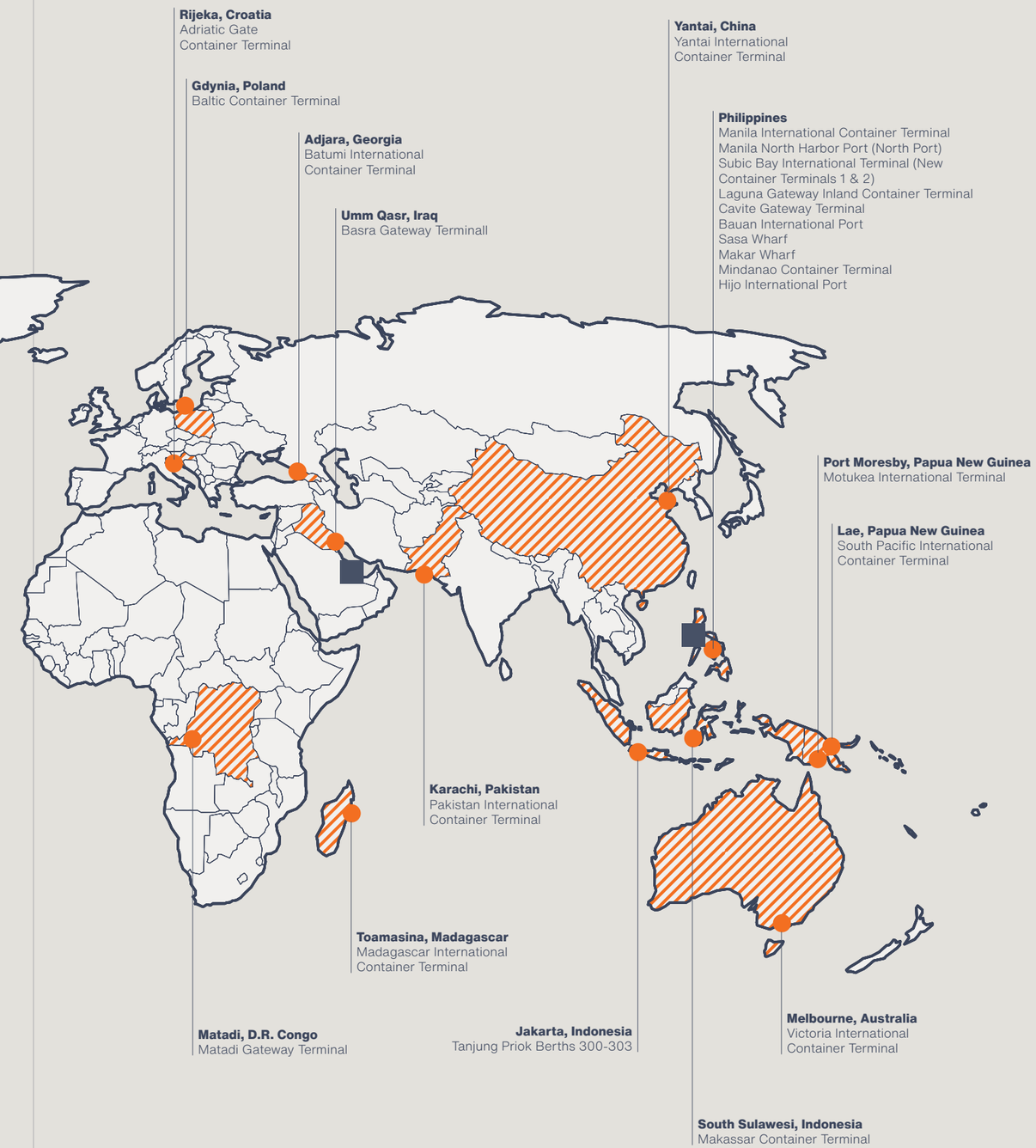
Corporate Offices
Manila, Philippines
ICTSI Asia Pacific
Manila, Philippines

ICTSI Americas
Panama City, Panama

ICTSI Europe, the Middle East & Africa (EMEA)
Dubai, United Arab Emirates



International Container Terminal Services, Inc.

2019 Awards

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*** at 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 28 June 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***.

ICTSI was also 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 stockholders, equitable treatment of stockholders, and role of stakeholders.

November: ICTSI's Global Corporate Legal Affairs Department was recently named by the Asian Legal Business (ALB) as one of the finalists for the Philippines In-House Team of the Year, Transportation and Logistics In-House Team of the Year, and Innovative In-House Team of the Year categories in the 4th Annual Philippine Law Awards last November 22, 2019.

Atty. Lirene C. Mora-Suarez, ICTSI Global Corporate Legal Affairs Director, was named Woman Lawyer of the Year and was among the top five finalists for Young Lawyer of the Year in the same Awards event.

01

The Board's Governance Responsibilities

The Board of Directors of ICTSI is responsible in promoting good corporate governance and ensures accountability, fairness, and transparency in the Company's dealings and relationships with stakeholders.

BOARD OF DIRECTORS 2019-2020

Enrique K. Razon Jr.
Executive Director

Cesar A. Buenaventura
Independent Director*

Jose C. Ibazeta
Non-Executive Director

Octavio Victor R. Espiritu
Independent Director

Stephen A. Paradies
Non-Executive Director

Joseph R. Higdon
Independent Director

Andres Soriano III
Non-Executive Director

*Mr. Cesar A. Buenaventura was elected by the Board on February 13, 2019 to serve the remaining term of Mr. Jon Ramon M. Aboitiz.

The Board oversees the development of and approves the Company's business objectives and strategy, and monitors their implementation in order to sustain the Company's long-term viability and strength. The Board acts on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all its stockholders.

To achieve an appropriate mix of competence and expertise, the composition of the Board is checked against prevailing requirements. The Board is a majority of Non-Executive Directors with a right combination in age, ethnicity, culture, and knowledge to ensure diversity and allow a healthy balance of ideas, wisdom and experience on the management and business of the Company. The competence of the Board is enhanced by the conduct of annual continuing training for all the Directors and orientation program for first-time Directors.

Composition

The Board is composed of seven (7) Directors elected by the stockholders during the Annual Meeting in accordance with prevailing laws as well as the Company's By-Laws. Each member of the Board possesses wide knowledge, experience and expertise in the business industry and undergoes continuous corporate governance trainings.

Qualifications

DIRECTORS' PROFILE

NAME OF DIRECTOR	DIRECTORSHIPS
ENRIQUE K. RAZON JR. *Filipino, 60 years old* **Director of ICTSI* since 1987 and its Chairman since 1995** **Member of the US-Philippine Society and the ASEAN Business Club Philippines, Inc.** *Doctor of Science in Logistics Honoris Causa* **De La Salle University**	• International Container Terminal Services, Inc.* • 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. • Provident Management Group, Inc. • Bloomberry Resorts Corporation* • Sureste Properties, Inc. • Monte Oro Resources and Energy, Inc. • Bloomberry Resorts & Hotels, Inc. • Prime Metroline Holdings Corp. • Pilipinas Golf Tournament Inc. • ICTSI (Hongkong) Ltd. • Australian Container Terminals, Ltd. • Pentland International Holdings Ltd. • CLSA Exchange Capital • Xcell Property Ventures, Inc.
OCTAVIO VICTOR R. ESPIRITU *Filipino, 76 years old* **Director of ICTSI* since 2002** **3-term former President of the Bankers Association of the Philippines | former President and Chief Executive Officer of Far East Bank and Trust Company | Chairman of the Board of Trustees of the Ateneo de Manila for 14 years** *AB Economics* **Ateneo de Manila University** *Master's Degree in Economics* **Georgetown University**	• International Container Terminal Services, Inc.* • Bank of the Philippine Islands* • Philippine Dealing System Holdings Corp. and subsidiaries • Philippine Stratbase Consultancy Incorporated
JOSEPH R. HIGDON *Filipino, 78 years old* **Director of ICTSI* since 2007** **Senior Vice President of Capital Research and Management, Los Angeles (USA)-based international investment firm, until June 2006 | Joined Capital research and Management in 1974 and has covered Philippine stocks from 1989 to 2006 | Vice President of the New World Fund, which focused on companies doing business in emerging countries** *Bachelor of Science Degree Major in Political Science* **University of Tennessee**	• International Container Terminal Services, Inc.* • SM Investments Corporation* • Security Bank Corporation* • Philippine Equity Partners
JOSE C. IBAZETA *Filipino, 77 years old* **Director of ICTSI* since 1987** **Member of the Board of Trustees of Radio Veritas and St. James the Great Parish Foundation** *Bachelor of Science in Economics* **Ateneo de Manila University** *Master's Degree in Business Administration* **University of San Francisco** *MBC in Banking and Finance* **New York University**	• International Container Terminal Services, Inc.* • ICTSI Foundation, Inc. • A. Soriano Corporation* • Anscor Consolidated Corporation • AFC Agribusiness Corporation • Anscor Holdings, Inc. • Minuet Realty Corp. • Phelps Dodge Philippine Energy Products Corp. • Seven Seas Resorts and Leisure, Inc. • Philippine Stratbase Consultancy Incorporated • AGP Group Holdings, PTE, Ltd. • Radio Veritas • St. James the Great Parish Foundation, Inc. • Island Aviation, Inc. • Vicinetum Holdings, Inc. • Pamalican Resort, Inc. • AG&P Estate Management, Inc. • Atlantic, Gulf & Pacific Company of Manila, Inc. • AG&P FieldCOM, Inc. • Gas Entec Co, Ltd. • AGP Philippines Holdings, Inc.
STEPHEN A. PARADIES *Filipino, 66 years old* **Director of ICTSI* since 1987** *Bachelor of Science Degree, Major in Business Management* **The Santa Clara University, California**	• International Container Terminal Services, Inc.* • IWI Container Terminal Holdings, Inc. • Union Investments Corp. • NapaGapa Beverages, Inc. • 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. • The Country Club Inc. • Parraz Development Corp. • Bloomberry Cultural Foundation Inc. • MORE Electric & Power Corp.
ANDRES SORIANO III *Filipino, 68 years old* **Director of ICTSI* since 1992** *Bachelor of Science in Economics Major in Finance and International Business* **Wharton School of Finance and Commerce - University of Pennsylvania**	• International Container Terminal Services, Inc.* • A. Soriano Corporation* • Anscor Consolidated Corp. • The Andres Soriano Foundation, Inc. • Phelps Dodge International Philippines, Inc. • Phelps Dodge Philippines Energy Products Corp. • Seven Seas Resorts and Leisure, Inc. • Pamalican Resort, Inc.
CESAR A. BUENAVENTURA *Filipino, 90 years old* **Director of ICTSI* since 2019** **Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth** *Bachelor of Science in Civil Engineering* **University of the Philippines** *Master's degree in Civil Engineering Major in Structures* **Lehigh University Bethlehem**	• International Container Terminal Services, Inc.* • Mitsubishi Hitachi Power Systems Phils., Inc. • Buenaventura Echauz and Partners, Inc. • DMCI Holdings, Inc.* • Semirara Mining and Power Corp.* • iPeople, Inc.* • Petroenergy Resources Corp.* • Concepcion Industrial Corp.* • Pilipinas Shell Petroleum Corp.* • DM Consunji Inc. • The Country Club • Pilipinas Shell Foundation, Inc. • Bloomberry Cultural Foundation, Inc. • ICTSI Foundation, Inc.

As of April 20, 2020
**Publicly-listed company*

On the Regular Board Meeting held on January 14, 2020, each member of the Board gave notice of their respective intent to accept directorships in other companies.

Executive Director

An Executive Director is an officer of the Company who performs work related to the Company's operations. Mr. Enrique K. Razon Jr. is the only Executive Director in the ICTSI Board. He serves as Director in only one public-ly listed company other than ICTSI: Bloomberry Resorts Corporation, the developer of Solaire Resort and Casino.

Non-Executive Directors

A Non-Executive Director is not an officer or head of a unit in ICTSI and does not perform any work related to the Company's operation. Of the seven (7) Directors in ICTSI, six (6) members are Non-Executive Directors.

With the election of a new Director on February 13, 2019, ICTSI's Global Corporate Legal Affairs held an On-Boarding Orientation Program for Mr. Cesar A. Buenaventura which included, among others, an introduction to the Company's business, its Articles of Incorporation, By-Laws, Vision, Mission and Values, Code of Conduct, the composition of the Board and Management teams, the Company's financial achievements and its operations growth, the Company's social responsibilities and employee engagements.

As provided in ICTSI's Manual on Corporate Governance, the Directors and Key Officers are provided with continuing Corporate Governance training. On August 9 and 13, 2019, they participated in the Advanced Corporate Governance Training Program entitled Digital Governance conducted by the Institute of Corporate Directors.

The appointment of Ms. Carol C. Causon as Vice President, Head of Financial Planning and Budgeting on April 1, 2018 and Ms. Gigi T. Miguel as as Vice President and Treasurer last May 2, 2018 ensures gender diversity in the ICTSI Management.

Orientation and Training

Each ICTSI Director undergoes a minimum of at least four (4) hours of trainings, programs, seminars, and roundtable discussions on Corporate Governance with service providers or private/government institutions accredited by the Philippine Securities and Exchange Commission to ensure that the Company complies with the adopted leading practices on good governance.

2019 TRAININGS ON CORPORATE GOVERNANCE

Name	Hours	Topics	Organizer	Date
Enrique K. Razon Jr.	4	Advanced Corporate Governance Training Program: Digital Governance	Institute of Corporate Directors	Aug. 9, 2019
Jose C. Ibazeta	4	Advanced Corporate Governance Training Program: Digital Governance	Institute of Corporate Directors	Aug. 9, 2019
Stephen A. Paradies	4	Advanced Corporate Governance Training Program: Digital Governance	Institute of Corporate Directors	Aug. 9, 2019
Andres Soriano III	4	Corporate Governance Training	SGV & Co.	Jul. 1, 2019
Octavio Victor R. Espiritu	4	Advanced Corporate Governance Training Program: Digital Governance	Institute of Corporate Directors	Aug. 9, 2019
Joseph R. Higdon	4	Advanced Corporate Governance Training Program	Institute of Corporate Directors	Apr. 3, 2019
Cesar A. Buenaventura	4	GRI and Sustainability: Strategies for Future-Proofing Sustainable Business & Investments	University of Asia and the Pacific	Feb. 13, 2019

Board Diversity

The mix of Non-Executive Directors, Independent Directors and Executive Director in ICTSI ensures that no Director or small group of Directors dominates in the decision-making process. The Board is also diverse in terms of age, ethnicity, culture, and knowledge. In this way, the protection of the interest of the Company is assured to be balanced with the interest of all stakeholders.

Along with the other members of the Board and Key Officers of the Company, the Corporate Secretary and Assistant Corporate Secretaries, Attys. Durian, Tan and Gorospe, participated in the 4-hour seminar on Advanced Corporate Governance Training Program conducted by Institute of Corporate Directors on August 9 and 13, 2019.

Corporate Secretary

The Office of the Corporate Secretary is responsible for assisting the Board in the fulfillment of its responsibilities. Its key roles include preparing the agenda for the Board and Board Committee Meetings; recording and safekeeping of minutes of meetings; overseeing the drafting of amendments to the Articles of Incorporation and By-Laws, if necessary; and ensuring that the Company complies with the regulatory and reportorial requirements issued by the Philippine Securities and Exchange Commission.

Atty. Rafael T. Durian has been the Company's Corporate Secretary since 1987. He earned his Bachelor of Laws from San Beda College and was a Partner at Cruz Durian Alday & Cruz-Matters Law Office.

The Assistant Corporate Secretaries share the same roles and responsibilities of the Corporate Secretary.

Atty. Silverio Benny J. Tan has been the Company's Assistant Corporate Secretary since 2011. He is a partner in and was managing partner from 2013 to 2015 in the law firm of Picazo Buyco Tan Fider & Santos. 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.

Atty. Benjamin M. Gorospe III has been the Company's Assistant Corporate Secretary since September 2013 and the Global Head for Tax. 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 years and with its Audit Department for one 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.

On January 15, 2020, the Compliance Officer submitted to the Philippine Securities and Exchange Commission (SEC) and the Philippines Stock Exchange (PSE) a Certification for the year 2019 that ICTSI fully complied with its Manual on Corporate Governance.

Among its initiatives and routine checks for the Company's Compliance Program, the Office of the Compliance Officer rolled out a 2019 Terminal Health Check for all ICTSI Philippine terminals. The health check included training and monitoring on selected areas: Data Privacy, ICTSI Code of Business Conduct, Standard Trading Conditions, Terminal Services Agreement and Insurance Claims Procedure.

To ensure high standards in leading practices of good governance as the Company's Compliance Officer, Mr. Consing participated in the four-hour seminar on Advanced Corporate Governance Training Program conducted by the Institute of Corporate Directors last August 9, 2019.

Compliance Program

As explicitly stated in the Company's Code of Business Conduct, it is a policy of ICTSI to comply with all applicable laws and regulations in every country it operates in. To the extent that any part of the Code is inconsistent with the local laws or regulations, the latter shall prevail.

As a port/terminal operator, ICTSI complies with all the Philippine Ports Authority regulations, customs issuances, and all other laws related to port management and operations. The Company also faithfully observes the provisions of existing Collective Bargaining Agreements, the Labor Code of the Philippines and other relevant labor and social legislation. An Internal Audit Department is also active in ensuring that there is rigid compliance with all other laws and regulations.

The Company's Code of Conduct states that if a Director, Officer or employee becomes aware of any potential or actual violations of the law or the said Code, he/she is required to immediately disclose any relevant information to the Company's Compliance Officer. Any complaint or disclosure must be filed with the Compliance Officer through appropriate channels such as personal reporting, mail, electronic mail, telephone or website. It may also be filed with any responsible officer of the company who shall in turn indorse it to the Compliance Officer. The complaint shall preferably be in writing and the whistleblower may elect to identify himself in the complaint or maintain his anonymity. The Compliance Officer shall make the initial evaluation of the complaint to determine its sufficiency. A committee shall then be formed as the formal body to conduct extensive investigation on the complaint. The committee shall ensure that reporting of all complaints, investigations and resolutions are conducted in conformity with existing company procedures, laws and regulations. It shall submit to the Compliance Officer comprehensive written report of its findings, together with all the evidence gathered and submitted, its conclusions based on its assessment of facts presented and the recommendation on further actions to take against the respondent within thirty (30) days from the time all the relevant and material evidence and documents necessary for the resolution of the case are submitted. case of any violation, The Compliance Officer shall report the matter to the Board and will recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to avoid a similar infraction.

Mr. Rafael D. Consing, Jr. has been the Company's Compliance Officer since February 2016. As Compliance Officer, he is responsible in ensuring that the Company is in full compliance with its Manual of Corporate Governance and the rules, circulars, and administrative orders of regulatory agencies.

Fiduciary Roles and Accountabilities

It is the Board's responsibility to foster ICTSI's long-term success, and to sustain its competitiveness and profitability in a manner consistent with its business objectives and the best interests of its stockholders and other stakeholders.

Throughout the year, our Directors stood by their duty to make informed decisions and carry out actions in good faith and with reasonable diligence, care and prudence.

Company Principles

Business Objectives and Strategy

Focused and Expansive. We are singularly focused on our core competencies: port development, operations and management.
We are actively exploring new opportunities in strategically located ports, in both developed and developing economies, diversifying geographically across the world's continents. Specifically, we seek to develop, acquire, own and operate common user container terminals in markets.

Our Purpose

To make ports around the world a driver for positive and sustainable growth.
At ICTSI, we work tirelessly to develop and operate efficient and sustainable port facilities and deliver the highest possible benefits to our customers, partners, people, shareholders, and to the communities we serve.

Our Values

ICTSI's commitment to our partners and communities began more than three decades ago in the Philippines. Our projects and terminals now extend across six continents and are anchored around many of the same founding values that have underpinned our sustainable approach to growing our business and our host economies. Our five values guide our behavior and form the foundation of our purpose:

Respect for all. We place the utmost importance on safety, community, and diversity. The well-being and health of all our stakeholders is our number one priority. We strive to have the highest standards in place to ensure our people and stakeholders are safe, respected, and treated fairly.

Trust. We lead with integrity, respect, and compassion for our people, partners, communities, and our environment. We take great pride in working responsibly to earn trust and keep it.

Collaboration. We are a diverse and inclusive company working together and exploring new ways of doing things to deliver the best possible outcome for all stakeholders. As a responsible business, we embrace equality of opportunity and empower all our people to adapt, collaborate, and innovate across borders.

Tenacity. Our people work tirelessly with utmost determination to achieve their goals and deliver on commitments to partners, shareholders, host communities, and the environment.

Passion. We are pioneers in an industry with deep linkages to the host economies and communities in which we operate. Our people relish the challenge of exploring new opportunities, operating terminals, creating sustainable benefits for our host communities, protecting the environment while also delivering returns to our shareholders.

The Board is mandated by the Manual on Corporate Governance to oversee the development of and approve the Company's business objectives and strategy, including its vision, mission and core values, and monitor their implementation in order to sustain the Company's long-term viability and strength. Hence, the Board reviews these Company Principles at least once a year, with the most recent review and revision having been made last October 10, 2019.

Competent Chairman

Mr. Enrique K. Razon Jr. presides during all meetings of the stockholders and of the Board of Directors; has general supervision, administration and management of the business of the Company; and maintains qualitative and timely lines of communication and information between the Board and Management.

The Company finds it practicable and more efficient to unify the positions of the Chairman of the Board and the President considering the nature of its business. Pursuant to ICTSI's Manual on Corporate Governance, given that these positions are unified, the proper checks and balances are put in place and the respective duties and responsibilities of the Chairman and the President are clearly defined to ensure that the Board of Directors gets the benefit of independent views and perspective.

Campden FB has named ICTSI Chairman of the Board and President Enrique K. Razon Jr. as one of the **"Top 50 Family Business Leaders"** based on criteria that included adherence to exceptional corporate governance and succession planning, outstanding entrepreneurial talent, and crucial contribution to the successful running of the business that helped underpin its revenue growth and profitability.

Mr. Enrique K. Razon Jr. is the Chairman of the Board and the President of ICTSI. He belongs to the third generation of a family involved in the business of marine cargo handling. The Razon Group has a long-standing reputation of being pioneers and innovators in the management and development of ports, terminals and related facilities. The Razon Group's proven track record stems from more than 90 years' experience in integrated cargo handling, stevedoring and other port services in the Philippines and abroad.

In 1987, the Razon Group and the Soriano Group incorporated ICTSI, initially to bid for the Manila International Container Terminal (MICT) in the Philippines. After winning the MICT contract in 1988, Mr. Razon spearheaded the MICT's development program. The MICT today is the country's premier international gateway. ICTSI also operates nine (9) other ports and terminals in the Philippines.

After consolidating and strengthening its base and flagship operation at the MICT, ICTSI launched an international and domestic expansion program in 1994. Today, the Company is recognized as a world-leading operator, innovator and pioneer in the field of port management, operating 31 ports and terminals in 18 countries.

Mr. Razon sits on the board of most ICTSI subsidiaries worldwide and of several leading foreign and Philippine corporations. Mr. Razon also chairs the ICTSI Foundation, Inc., which oversees and implements the corporate social responsibility advocacies of ICTSI and its subsidiaries ("ICTSI Group"). He is also chairman of Pilipinas Golf Tournaments, Inc., which stages the Philippine Golf Tour, Southeast Asia's largest professional golfing circuit, and a regional circuit called PGT Asia.

Mr. Razon's other investments are in power, mining, water, oil and gas exploration, and leisure facilities. Mr. Razon is a member of the Management Association of the Philippines, the US Philippines Society, 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.

The aggregate compensation paid to the Chairman of the Board and President and four highest paid Executive Officers named below, as a group, for 2019 amounted to USD 2.5 Million (2018: USD 2.6 Million). The estimated amount of compensation expected to be paid in 2020 to the Chairman of the Board and President and four highest paid Executive Officers as a group, amounts to USD2.6 Million.

Succession Planning and Retirement

In accordance with the Manual on Corporate Governance, the Board ensures that the Company has an effective succession planning program and retirement policy for the Directors and Key Officers to ensure growth and continued increase in stockholders' value.

These programs and policies are regularly reviewed by the Audit Committee and the ICTSI Audit & Compliance Group.

Board and Executive Remuneration

ICTSI has established a formal and transparent procedure for developing a policy on Board and Executive remuneration for purposes of fixing the remuneration packages of the individual Directors and Executive Officers. Named Executive Officers are covered by Letters of Appointment with the Company stating their respective terms of employment.

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS AND OTHERS[2]	TOTAL[3]
Enrique K. Razon Jr. *Chairman of the Board and President*				
Rafael D. Consing, Jr. *Senior Vice-President, Chief Financial Officer and Compliance Officer*				
Jose Joel M. Sebastian *Senior Vice-President, Finance*				
Gigi Iluminada T. Miguel *Vice-President and Treasurer* **Benjamin M. Gorospe III** *Assistant Corporate Secretary*				
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**

As of December 31, 2019

[1]Including four (4) highest paid executive officers

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

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

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 in the Company, except for the automatic vesting of awarded shares under the Company's Stock Incentive Plan.

For 2019, the members of the Board of Directors received 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 2017 and 2018, or even for 2019, for any service provided as a Director.

On December 9, 2019, the Board approved the Board and Executives Remuneration for the Year 2020 as endorsed by the Remuneration Committee.

Nomination and Election Policy

ICTSI's Nomination Sub-Committee reviews and evaluates the qualifications of all individuals nominated to its Board of Directors and other appointments that require Board approval. The Committee has the following functions that focus in determining the qualifications of the Board of Directors being nominated and elected:

- Recommend the appropriate size and composition of the Board, the number of independent directors and the committee structure;
- Undertake the process of identifying the quality of the Directors aligned with ICTSI's strategic direction;
- Assess that Directors have the appropriate mix of competencies to enable the Board to discharge its responsibilities effectively;
- Develop board succession plans so that an appropriate balance of skills, experience, expertise and diversity is maintained;
- Oversee due diligence as to candidates for nomination or re-nomination as Board members;
- Recommend to the Board relating to the appointment, re-election and retirement of Directors;

Sec. 10, Article I of ICTSI By-Laws:

"All nominations for directors to be elected by the stockholders of the corporation shall be submitted in writing to the corporate secretary of the corporation at the principal office of the corporation not earlier than forty (40) days nor later than twenty (20) days prior to the date of the regular or special meeting of the stockholders for the election of directors. Nominations which are not submitted within such nomination period shall be valid. Only stockholder of record entitled to notice of and to vote at the regular or special meeting of stockholders for the election of directors shall be qualified to be nominated and elected a director of the corporation."

In compliance with SEC Memorandum Circular No. 10-2019, the Company submitted its Material Related Party Transaction (MRPT) Policy to the Philippine Securities and Exchange Commission on October 23, 2019. A copy of the MPRT Policy is also made available in the ICTSI website: https://www.ictsi.com/governance/policies.

- Recommend candidates for new directors who have the appropriate range of skills, experience and expertise that will best complement the other members of the Board; and
- Recommend to the Board definitions of "independence" and "conflicts of interest" for Board members, as well as guidance on time commitments and other directorships.

Related Party Transaction Policy

It is the policy of ICTSI that all transactions with Related Parties are done in "fair and at arm's length" basis to the best interest of ICTSI and its stockholders.

In accordance with the revised Philippine Securities and Exchange Commission Code of Corporate Governance, the Board of Directors, together with the Related Party Transaction Committee, exercise the function of formulating and implementing policies and procedures that would ensure the integrity and transparency of related party transactions (RPTs).

A Material Related Party Transaction Policy is also adopted as reference for the Directors, Officers and employees of the Company.

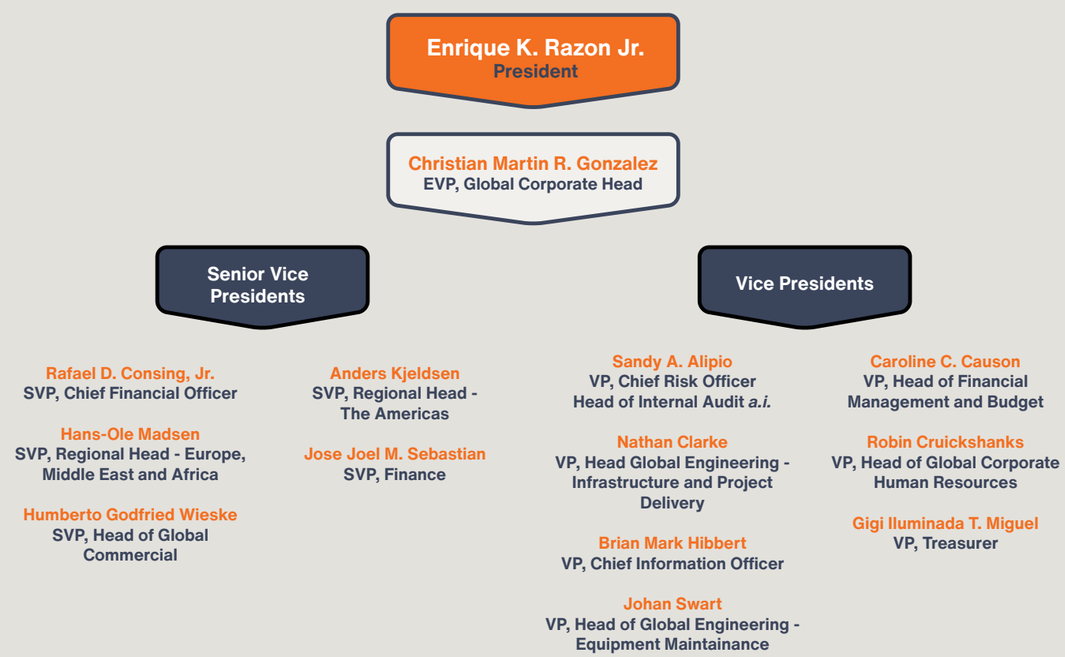
Management Oversight

The Performance Management Framework for Management and Personnel mandates annual assessment by the ICTSI Group's senior Key Officers in which the performance of the Company and the performance of individual employees are utilized to determine the incentives of the personnel.

Performance Management Framework

The Manual on Corporate Governance mandates that the Board shall select and appoint the President, Chief Finance Officer and other senior officers of ICTSI, such as the heads of the other control functions, namely, the Compliance Officer, Chief Risk Officer, and Chief Internal Auditor. The Board further ensures that performances of Management and those of the ICTSI personnel are at par with the standards set by the Board.

The ICTSI Group Management team, including its corporate officers in its Regional Operating Headquarters, is comprised of the following officers:



As of June 9, 2020

For a thorough and effective assessment, the Board has established a Performance Management Framework for assessing the performance of the Management and its personnel.

Oversight Responsibility on Internal Control

The control environment of ICTSI consists of:

a.) The Board, which ensures that ICTSI is properly and effectively managed and supervised;
b.) The Management, which actively manages and operates ICTSI in a sound and prudent manner;
c.) The organizational and procedural controls supported by effective management information and risk management reporting systems; and
d.) An independent audit mechanism to monitor the adequacy and effectiveness of ICTSI's governance, operations and information systems.

The internal control mechanism for the Board's oversight responsibility include:

a.) Defining the duties and responsibilities of the President;
b.) Selecting or approving an individual with appropriate competence, vision, integrity and experience to fill the President's role;
c.) Reviewing proposed senior management appointments;
d.) Ensuring that the selection, appointment and retention of qualified and competent management and officers holding control functions; and
e.) Reviewing ICTSI's personnel and human resource policies and its sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plans.

Oversight Responsibility on Enterprise Risk Management

The Board of Directors is committed to establishing an organization that ensures Enterprise Risk Management (ERM) as an integral part of all its activities and a core capability. The senior management of ICTSI fully supports the implementation of ERM Policy as approved by the Board and is responsible for the development of ERM processes and the implementation of risk reduction strategies.

ICTSI established the ERM Committee consisting of the Chief Risk Officer, who is also the Committee Chairman, and members of the senior management; and provided for the responsibilities of the ERM Committee. In addition, there is the Board Risk Oversight Committee (BROC) primarily overseeing the overall risk management activities of ICTSI.

Board Charter

The ICTSI Board of Directors strictly abides by and adheres to its Board Charter wherein its roles, responsibilities and accountabilities in carrying out its fiduciary roles are clearly set forth.

The Company's Internal Audit Charter, which sets the framework within which the Audit & Compliance Group will function to achieve its objectives, is reviewed and updated at least once every three (3) years or as often as necessary. The latest revision was approved by the Board and the Audit Committee on August 2, 2018. Nonetheless, the Charter was reviewed in 2019 and the Group assessed that provisions outlined remain to be generally adequate and relevant to ICTSI's current business.

Insider Trading Policy

ICTSI complies with laws, rules and regulations on Insider Trading. In particular, ICTSI's policy is to ensure that directors, officers and employees of the Company who are aware of any material, non-public information concerning the Company or a third party with whom the Company does business, shall not engage in any transaction in the Company's or such third party's securities through observance of a Blackout Period, which commences from the date when the material non-public information is obtained or is known and up to two full trading days after the price sensitive information is disclosed.

ICTSI has a formal ERM Policy that was approved and released in May 2016. Further revisions were made in May 2018 and in May 2019 and accordingly approved by the BROC. As of February 2020, the ERM Policy is being considered for another review.

The Manual of Corporate Governance serves as ICTSI's Board Charter and is made publicly available through the ICTSI website: https://www.ictsi.com/governance

Related to ICTSI's continuous effort to uphold the principles of sustainable development in its operations, and its thrusts, the Board of Directors of the Company, at its regular meeting held on March 20, 2020, approved the recommendation of the Corporate Governance Committee to create an **Environment, Social and Governance (ESG) Sub-Committee.** The Sub-Committee shall focus on the Sustainability Report that also works in relation to ICTSI's underpinning principle, a Good Global Citizenship.

Compliance with the Code of Corporate Governance
With the election of Mr. Cesar A. Buenaventura last February 13, 2019 to serve the remaining term of Mr. Jon Ramon M. Aboitiz, the Board reorganized the Board Committee memberships to strengthen its compliance with the recommendations by the Philippine Securities and Exchange Commission in its Memorandum Circular No. 19-2016, i.e. the Code of Corporate Governance for Publicly-Listed Companies.

Board Committees

In accordance with the ICTSI Manual on Corporate Governance and as a Governance Support Structure, the Board of Directors has established Board Committees to respectively focus on certain functions of the Board. This Governance Support Structure ensures effective and optimal performance by the Board, particularly, in the areas of audit, risk management, related party transactions and other key corporate governance concerns.

Each Board Committee has adopted a Committee Charter which lays down the committee purpose, composition, functions, and processes. These Charters are made available in the Company website.

Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities to ICTSI's stakeholders relating to the Company's financial statements and financial reporting process, governance, and internal control systems, the internal and external audit process, and the Company's process for monitoring compliance with contracts, laws and regulations and the ICTSI Code of Business Conduct.

The Audit Committee is composed of majority of Independent Directors who maintains independence from Management and the controlling stockholder. It is required to meet at least four (4) times in a calendar year. Further, the Chairman of the Audit Committee is not a Chairman of the Board or any other Board Committee.

Corporate Governance Committee

The Corporate Governance Committee is responsible in ensuring that ICTSI fully complies with corporate governance principles and practices. The corporate governance framework is periodically reviewed by the Corporate Governance Committee to ensure that the framework remains appropriate in light of material changes in the Company's size, complexity and business strategy, as well as its business and regulatory environments. In measuring compliance with corporate governance, this Committee recommends and plans relevant continuing education and training programs for the members of the Board of Directors.

The Corporate Governance Committee is entirely composed of Independent Directors who meet at least twice a year to oversee the implementation of the corporate governance framework.

Nomination Sub-Committee

The Nomination Sub-Committee is responsible in reviewing and evaluating the qualifications of all persons nominated to the Board. It determines the nomination and election process and has the special duty of defining the general profile of members of the Board which the Company may need. The Nomination Sub-Committee ensures that appropriate knowledge, competencies and expertise of new Directors complement the existing skills of the Board.

This Sub-Committee is composed of two Non-Executive Directors and one Independent Director who meet at least twice a year to assess the Board and its Committees, as well as the Senior Management of the Company.

Remuneration Sub-Committee

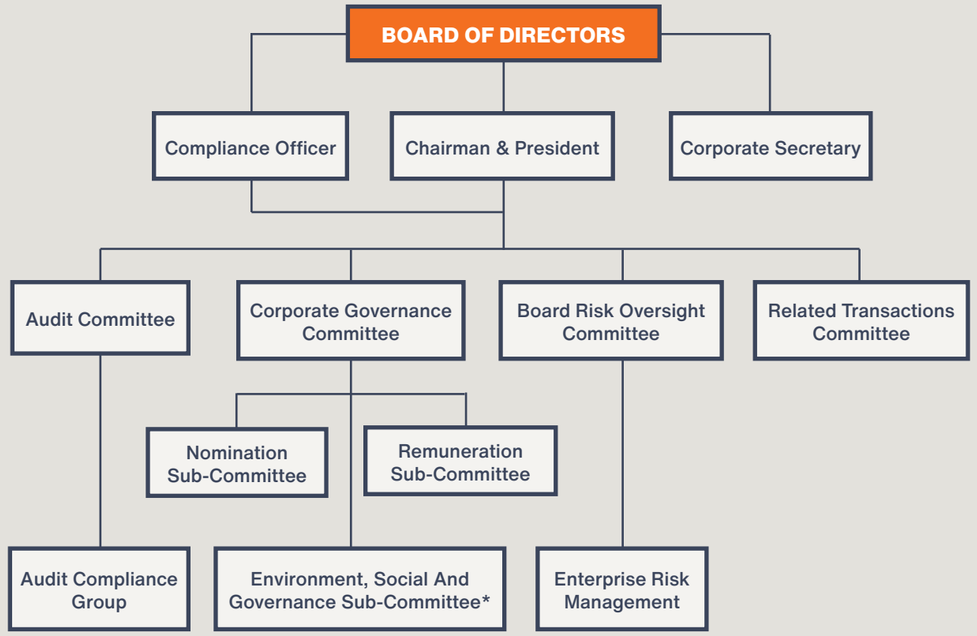
The Remuneration Sub-Committee was organized to establish a formal and transparent procedure for developing a policy on remuneration of the Directors and Key Officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

This Sub-Committee is composed of two Non-Executive Directors and one Independent Director who meet at least twice a year to ensure that the remuneration levels are competitively set to attract and retain the most qualified and experienced executives.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is responsible for the oversight of ICTSI's risk management framework, including key strategic and operational risks, as well as the adequacy and effectiveness of its risk management system. Risk appetite levels and risk tolerance limits are annually reviewed by the Committee based on changes and development in the business, regulatory framework, external economic and business environment and when major events occur that are considered to have significant impact on the Company. The Committee also provides oversight over Management's activities in overseeing credit, market, liquidity, operational, legal and other risk exposures of the Company.

2020 Governance Support Structure



*As of March 20, 2020

2019-2020 BOARD COMMITTEE MEMBERSHIP*

	Audit Committee	Corporate Governance Committee	Nomination Sub-Committee	Remuneration Sub-Committee	Board Risk Oversight Committee	Related Party Transaction Committee
Jose C. Ibazeta	-	-	C	-	-	-
Stephen A. Paradies	M	-	M	M	C	M
Andres Soriano III	-	-	-	C	-	-
Octavio Victor R. Espiritu	C Independent	M Independent	M Independent	M Independent	M Independent	M Independent
Joseph R. Higdon	-	M Independent	-	-	M Independent	-
Cesar A. Buenaventura	M Independent	C Independent	-	-	-	C Independent

*As of March 20, 2020, ESG Sub-Committee is composed of Joseph R. Higdon, Cesar A. Buenaventura and Stephen A. Paradies.

To maximize opportunities for participation, any Director who will not be available to attend a scheduled meeting in person is provided by the Office of the Corporate Secretary a dial-in number for a tele/videoconference in accordance with the Company's Manual on Corporate Governance and the latest rules and regulations by the Philippine Securities and Exchange Commission.

The Regular Board Meetings for 2020 were scheduled and approved by the Board last December 9, 2019.

The Office of the Corporate Secretary provides the agenda and materials for a Board meeting at least five (5) workings days in advance.

The BROC is composed of majority of Independent Directors. In accordance with its Committee Charter, it meets at least once every quarter, or as required by its Chairperson, preferably in conjunction with regular Board meetings, to discuss the Company's prioritized and residual risk exposures based on periodic management reports and to assess how the concerned units or officers are addressing and managing these risks.

Related Party Transaction Committee

The Related Party Transaction Committee (RPTC) is responsible in assisting the Board to ensure the integrity and transparency of related party transactions between and among ICTSI and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors including their spouses, children and dependent siblings and parents, as well as interlocking director relationships by members of the Board to protect ICTSI's interest.

The RPTC ensures that appropriate disclosure is made, and/or information is provided to regulators and government authorities in connection with the Company's related party transactions exposures, and policies on conflicts of interest or potential conflicts of interest. Such transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process.

The RPTC is composed of a majority of Independent Directors, including the Committee Chairman who meet periodically to ensure that related party transactions are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties of the Company, and to determine any potential reputational risk issues which may arise as a result of, or in connection with, the transactions.

2019 BOARD COMMITTEE MEETINGS

BOARD COMMITTEE	DATE OF MEETINGS	
Audit Committee	March 5, 2019 May 9, 2019	August 6, 2019 November 6, 2019
Corporate Governance Committee	February 27, 2019	April 11, 2019
Nomination Sub-Committee	February 27, 2019	April 11, 2019
Remuneration Sub-Committee	April 11, 2019	December 9, 2019
Board Risk Oversight Committee	March 5, 2019 May 9, 2019	August 6, 2019 November 6, 2019
Related Party Transaction Committee	March 4, 2019 April 8, 2019	June 27, 2019

Attendance and Participation

The Board of Directors hold regular meetings on every third week of each month, and special meetings as may be allowed by the Company's By-Laws. The regular meetings are scheduled before the start of the calendar year and the agenda and materials are sent in advance to the members of the Board to ensure that the Board has accurate and complete information which will enable the Directors to make appropriate and sound decisions.

Directors are always enjoined to render active participation in each Board meeting.

Also, the Non-Executive Directors conduct separate periodic meetings without the presence of any Executive to evaluate the performance of the Board and the Management and may call on the external auditor and/or heads of internal audit, compliance and risk as resource persons.

2019 BOARD MEETINGS ATTENDANCE

BOARD COMMITTEE	DAYS PRESENT/ TOTAL NO. OF MEETINGS HELD*	% OF ATTENDANCE
Enrique K. Razon Jr.	22/22	100%
Stephen A. Paradies	20/22	91%
Andres Soriano III	20/22	91%
Jose C. Ibazeta	21/22	95%
Joseph R. Higdon	20/22	91%
Octavio Victor R. Espiritu	21/22	95%
Cesar A. Buenaventura**	18/19	95%

*In 2019 and during the incumbency of the director which include Annual Stockholders' Meeting and Organizational Board Meeting.

**Appointed on February 12, 2019.

Highlight of Transactions Approved by the Board of Directors in 2019

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.) Additional disclosure on share buy-back transactions
10.) Provisions for future stock subscription
11.) Acquisition of port in Rio de Janeiro, Brazil
12.) Approval of ICTSI's Purpose and Values to replace its Mission, Vision and Values
13.) Approval of Intercompany Loans
14.) Setting of 2020 Board Meeting Schedules
15.) Review and approval of the Board and Executives Remuneration for 2020

As a continuing effort to comply not only with the minimum requirements of law but also with the best practices in good corporate governance, the Board, in filling up a recent vacancy, has elected last February 2019 its third Independent Director.

The current Independent Directors are:
Mr. Octavio Victor R. Espiritu;
Mr. Joseph R. Higdon; and
Mr. Cesar A. Buenaventura.

The Assessment System is based on a Criteria and Rating for Board/Committee Appraisal and Individual Assessment as established by the Board in 2018. The Assessment is done annually, subject to external facilitation every three years.

A Stockholders' Feedback mechanism is also included in the Assessment System. Comments and concerns on Board performance are collected during the Annual Stockholders Meeting. For 2019, a Criteria and Rating for Board Appraisal by Stockholders is also included in the Assessment System.

Independence

As provided by law, the Independent Directors of the Company must constitute at least 20% of the membership of the Board, or two of the seven seats in the ICTSI Board.

Pursuant to SEC Memorandum Circular No. 4-2017, Independent Directors serve a maximum cumulative term of nine years and are barred from re-election but may continue to be qualified as a non-Independent Director. This term imposition is reckoned from 2012. In the instance that the Company wants to retain an Independent Director who has served the maximum term, the Board must provide meritorious justifications and seek stockholders' approval during the Annual Stockholders' Meeting.

Each Independent Director is independent of management and free from any business or other relationship which could reasonably be perceived to materially interfere with his/her exercise of independent judgment in carrying out the responsibilities as a Director.

ICTSI has no By-Laws provisions, stockholder agreements, or other arrangements that will constrain the Independent Directors' ability to vote independently.

Assessment Process

To determine and measure compliance by the Board with the Manual on Corporate Governance, 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

In the 2019 Terminal Health Check for all ICTSI Philippine terminals rolled out by the Office of the Compliance Officer, the modules include a presentation on and group activities related to the ICTSI Code of Business Conduct for a refreshed and deeper understanding by the employees of the Company's business values and principles.

Code of Business Conduct

The Code of Business Conduct serves as the framework of all the business values and principles of the Company which sets out what is expected of every employee and business partner working with or on behalf of ICTSI. This Code is implemented and rolled out to all Directors, Senior Management, employees, and all covered personnel, and is monitored by the Compliance Officer. Business partners and other external third parties of ICTSI including agents, consultants, distributors, contractors and certain vendors are required to familiarize themselves with the said Code to be able to conduct business with the Company in accordance with ICTSI's fundamental values and principles.

The Code of Business Conduct discusses numerous topics, including Employee Relations, Honest and Ethical Business Practices, Accuracy of Books and Records, Conflict of Interest, Insider Information and Securities Trading, Fair Business Practices and Anti-Trust, Confidential Information and Data Privacy, and Compliance with Local Laws.

ICTSI takes violations of the Code seriously whether on the part of its employees and other covered personnel or on the part of covered external third parties. Appropriate sanctions for violations is correspondingly imposed in cases of transgressions. Any act which may constitute a violation of local laws and/or regulations is reported to appropriate governmental authorities.

02

Disclosure and Transparency

The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to all stockholders and other stakeholders on ICTSI's financial condition, results and business operations.

ICTSI's disclosures are posted and are made available on the respective websites of the Company, the Philippine Stock Exchange (PSE) and the Philippine Securities and Exchange Commission.

Corporate Disclosure Policies

ICTSI believes that the essence of corporate governance is transparency. The Company ensures that its internal workings are transparent as assurance to all stakeholders that the Management is leading the Company and appropriating its assets properly and effectively.

The Company, through full, fair, timely and accurate disclosures, complies with all disclosure requirements under the law. ICTSI promptly makes available in the Company's website (under Investor Relations/Disclosures section) all information disclosed to the PSE and the SEC.

Further, ICTSI requires all dealings of all Directors, Key Officers and controlling stockholders in the Company's shares to be disclosed to the PSE and the SEC within three (3) trading days from the date of transaction. The transactions include any acquisition, disposal or change in shareholdings.

Annual and Quarterly Reports

ICTSI's Annual and Quarterly Consolidated Reports, cash flow statements, and special audit revisions are made available through the Company's website within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.

REPORT	DISCLOSED AND PUBLISHED DATES	DAYS FROM THE END OF REPORTING PERIOD
2018 Annual Report and Audited FS	07-Mar-19	66
1Q 2019 (For quarter period ended Mar 31, 2019)	09-May-19	39
2Q 2019 (For quarter period ended June 30, 2019)	13-Aug-19	44
3Q 2019 (For quarter period ended Sept 30, 2019)	12-Nov-19	43

The ICTSI Global Corporate Human Resources is responsible for ensuring Conflict of Interest Disclosure Forms and Undertakings are completed by new hires prior to the start of their employment.

The Remuneration Committee, supported by the Global Corporate Human Resources and independent external advice as may be required, adopts an integrated and stakeholder-inclusive approach to reward and corporate governance in the best interest of the Company, taking into account its Purpose and Values.

During the Regular Board Meeting held on December 9, 2019, the Board aligned the remuneration of Directors and Key Officers with the long-term interests of the Company. In determining the proper compensation, the Board ensured that (i) the level of remuneration is commensurate to the responsibilities of the role, (ii) no Director participated in the deliberation involving his own remuneration, and (iii) the remuneration pay-out schedules is sensitive to the overall risk profile of the Company. For those with control functions, their remuneration was based principally on the achievement of their objectives and independent of any business line they oversee.

Section 8, Article III of the ICTSI By-Laws:

"As compensation, the Board of Directors shall receive no more than two percent (2%) of the profits obtained by the Company during the year after deducting therefrom the general expenses, remunerations to officers and employees xxx. Such compensation shall be apportioned among the Directors xxx."

Dealings in Company Shares

Directors, Key Officers, and controlling stockholders 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, Key Officers and controlling stockholders pursuant to the PSE Revised Disclosures and the Securities Regulations Code. ICTSI Directors and Key Officers are likewise prohibited from buying or selling ICTSI securities during the period within which material non-public information is known or 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.

Conflict of Interest

ICTSI has implemented a Conflict of Interest Policy to guide all ICTSI Group personnel to conduct business in a manner where undue personal or financial interests do not influence their business judgment and decision making. The Policy defines a Conflict of Interest situation and requires all personnel to read, understand, and comply with the Policy. The Policy details how to disclose a Conflict of Interest and how to appropriately address such situations.

ICTSI Group personnel are also required to fill out a Conflict of Interest Disclosure Form and an Undertaking prior to their assumption of their roles.

Corporate Disclosures provides transparency to actual, potential, or perceived Conflict of Interest risks to the ICTSI Group. ICTSI discloses all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment (i.e. academic qualifications, share ownership in the Company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended).

Violations and breaches of this Policy shall not be tolerated and may lead to disciplinary and other actions up to, and including, termination of employment.

Policies for Board and Executive Remuneration

The Board and Executive Remuneration Policy aims to ensure that ICTSI can attract, retain, incentivize and motivate key executives across the globe by providing clear and guiding principles that will safeguard fair, competitive and transparent pay for the markets in which ICTSI operates. To achieve its business objectives, ICTSI offers competitive base pay, broad use of equity with a competitive vesting schedule, innovative cash incentive plans and executive benefit plans reviewed and approved by the Remuneration Committee.

Related Party Transactions

For the year 2019, the Related Party Transaction Committee reviewed and approved the following related party transactions (RPT):

1. The MICT Berths 1 to 5 Repair works transaction with Prime Metro BMD Pty Ltd. (Prime BMD), in the amount of PHP482Million (excluding VAT);
2. The MICT Maintenance dredging for Berths 3, 5, and 6 transaction with Prime BMD, in the amount of PHP103Million; and
3. The transaction between ICTSI and Prime BMD, involving the Demolition of Container Freight Station 2 (CFS) at Manila International Container Terminal (MICT), with project cost of PHP65Million.

All these RPTs were done in "fair and at arm's length" basis and to the best interest of ICTSI and its stockholders. These do not also meet the threshold for Material Related Party Transaction (MRPT).

Disposal and Acquisition of Assets

All material information, i.e. anything that could potentially affect share price, and which could adversely affect its viability or the interest of its stockholders and other stakeholders are publicly and timely disclosed in the manner provided by law. Such information would include earnings results, acquisition or disposal of major asset, board changes, related party transactions, shareholdings of directors and changes to ownership. Other information that should be disclosed includes remuneration of all Directors and Key Officers as provided in applicable disclosure rules, corporate strategy, and off-balance sheet transactions.

All disclosed information are released via the approved stock exchange procedure for company announcements or through the annual report and other structured or unstructured reports provided by law.

Manual on Corporate Governance

ICTSI adopted a Manual on Corporate Governance ("Manual") to serve as the framework of rules, systems and processes that governs the performance of the Board of Directors and Management. The Manual outlines the Directors' and Management's duties and responsibilities to the ICTSI stockholders. The most recent updates and revisions on the Manual were made on May 16, 2017 and duly submitted to the Philippine Securities and Exchange Commission and the Philippine Stock Exchange.

The Manual serves as a guide for ICTSI, its Board of Directors, officers and employees to enhance ICTSI's value and optimize, over time, the returns to its stockholders by:

a.) Sound, prudent, and effective management;
b.) Implementing efficient and effective management information systems;
c.) Effective risk management;
d.) Preparing reliable financial and operational information;
e.) Cost effective and profitable business operations; and
f.) Compliance with laws, rules, regulations and contracts.

Under the Rules on Material Related Party Transactions for Publicly Listed Companies (PLCs) as embodied in Memorandum Circular No. 10-2019 of the Philippine Securities and Exchange Commission (SEC), RPTs amounting to ten percent (10%) or higher of a company's total assets are considered as MRPT and must be reported to the SEC through an Advisement Report within three (3) calendar days after the execution date of the transaction.

For the year 2019, ICTSI did not enter into any Material Related Party Transaction.

External Audit

The principal external auditors of ICTSI is the firm **Sycip Gorres Velayo & Co. (SGV)**. ICTSI has engaged **Mr. Arnel F. De Jesus**, partner of SGV, for the audit of the ICTSI's books and accounts in 2019. The reappointment of SGV as the Company's external auditors was approved by the stockholders during their Annual Meeting held on April 11, 2019.

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

In case of acquisition or disposal of assets, the Board appoints an independent party to evaluate the fairness of the transaction price may vary per transaction.

Section 2.8, Manual on Corporate Governance: Internal Control Responsibilities of the Board

The control environment of ICTSI consists of, among others, an independent audit mechanism to monitor the adequacy and effec-tiveness of ICTSI's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

2019 FEES FOR EXTERNAL AUDITORS

Fees	Description	Amount
Audit Fees	These include the audit of the ICTSI Group's annual financial statements.	USD 1,365,200.00
Audit-Related Fees	These include the review of interim financial statements and issuance of comfort letters for the capital market raising transactions of the Group.	-
Tax Fees	These are for tax compliance, tax advisory services and transfer-pricing studies. There is an increase on these fees in 2018 mainly due to increased number of engagements on tax advisory and on tax planning for the restructuring of the subsidiaries.	USD 325,100.00
Other Fees	Other fees mainly include due diligence services related to business development, sustainability reporting and other various onetime engagements.	USD 1,125,300.00

Environmental, Social and Governance (ESG)

ICTSI ended the year on a high note in 2019 - receiving the coveted Award of Excellence for its **2017 Sustainability Report**, during the 17th Philippine Quill Awards by the International Association of Business Communicators-Philippines. ICTSI's inaugural Sustainability Reporting effort featured sustainability initiatives at the Manila International Container Terminal (MICT) and the highlighted ongoing initiatives across the ICTSI Group.

In addition, ***Bloomberg*** ranked ICTSI's Environment, Social, and Governance (ESG) performance as seventh best in the Philippines, based on the Company's inaugural SR.

Beginning with fiscal year 2017, ICTSI began documenting its sustainability journey with the launch of its Annual Sustainability Report. The initial report in 2017 focused on the flagship operations of Manila International Container Terminal and has broadened its scope in 2018 covering the Eight (8) major terminals in the ICTSI Portfolio, as follows:

1. Manila International Container Terminal (MICT), Manila, Philippines;
2. Tecon Suape, S. A. (TSSA), Pernambuco, Brazil;
3. Contecon Guayaquil S. A. (CGSA), Guayaquil, Ecuador;
4. Madagascar International Container Terminal Services Ltd. (MICTSL), Toamasina, Madagascar;
5. Pakistan International Container Terminal, Ltd. (PICT), Karachi, Pakistan;
6. Basra Gateway Terminal (BGT), Umm Qasr, Iraq;
7. Contecon Manzanillo SA de C.V. (CMSA), Manzanillo, Mexico; and
8. Operadora Portuaria Centroamericana S.A. de C.V. (OPC), Puerto Cortes, Honduras.

In its third issue for 2019, the report covers the same major terminals patterned after and comparable to the 2018 edition, particularly to the key sustainability metrics and disclosures in these six (6) areas: Environment, Governance, Economy, Employees, Customers and Society. The expansion had served as a key preparatory step towards eventually getting all ICTSI ports onboard with the undertaking and being able to set baselines as well as targets moving forward.

OUR SUSTAINABILITY REPORTING JOURNEY

			
Edition Covered	**2017**	**2018**	**2019**
Published	**2018**	**2019**	**2020**
Coverage: Operation	▪ Selected metrics: Group wide ▪ For performance in Environment, Governance, Economy, Employees, Customer, Society: MICT, as the first venture for ICTSI, and the flagship operation in the entire ICTSI Group	▪ Selected metrics: Group-wide ▪ For performance in Environment, Gevernance Economy, Employees, Customers, Society: eaight key terminals ▪ MICT, Philippines ▪ TSSA, Brazil ▪ CGSA, Ecuador ▪ MICTSL, Madagascar ▪ PICT, Pakistan ▪ BGT, Iraq ▪ CMSA, Mexico ▪ OPC, Hoduras	▪ Selected metrics: Group-wide ▪ For performance in Environment, Gevernance Economy, Employees, Customers, Society: eaight key terminals ▪ MICT, Philippines ▪ TSSA, Brazil ▪ CGSA, Ecuador ▪ MICTSL, Madagascar ▪ PICT, Pakistan ▪ BGT, Iraq ▪ CMSA, Mexico ▪ OPC, Hoduras
Coverage: Main Performance Areas	▪ Environment, Governance, Economy, Employess, Customer, and Society	▪ Environment, Governance, Economy, Employess, Customer, and Society	▪ Environment, Governance, Economy, Employess, Customer, and Society

ICTSI has also formally stated its support for communities and sectors towards accomplishment of the United Nations Sustainable Development Goals. As such, in the Company's Sustainability Reports, initiatives (featured in the Sustainability Stories) are clearly identified in terms of which UN SDGs they contribute towards. These sustainability stories may feature initiatives launched or implemented on a Group-wide basis, or as led by a specific Corporate Office or subsidiary terminal, or with the ICTSI Foundation as proponent.

ICTSI is committed to a principled Corporate Stewardship of its people, customers, corporate resources, and the environment. ICTSI is also committed to substantive development partnerships, where both communities and sectors are empowered. The long-term and overarching vision remains fixed: ensuring that the broadening impact of genuine Good Global Citizenship is squarely apace with ICTSI's expanding corporate footprint.

This commitment has been further deepened and cascaded to all its stakeholders through ICTSI's reshaped Purpose which moves the Company, particularly the leadership, as it reaches 31 years of operations and embark on the next goal for the years to come: the goal to make ports around the world a driver for positive and sustainable growth.

Channels of Communication

ICTSI communicates to its stockholders through various methods for effective information dissemination and gathering and encourage engagement with the Company beyond the Annual Stockholders' Meeting. The Company utilizes various activities as well as all form of available media to achieve this purpose.

Company announcements

- Emails (such as Investor Relations email distribution list)
- Press and photo releases and/or media advisories
- Magazine publication
- Print materials (such as Annual Reports, company newsletters)
- Corporate disclosures with regulatory agencies

Meetings

- Face-to-face meetings with key investors and analysts
- Investment conferences (roadshow and the non-deal roadshows) arranged by banks/investment houses
- Site visits by stakeholders
- Meetings with the media (group of reporters in a beat or individually)

Website

- ICTSI's official website is www.ictsi.com. The Company website is utilized to provide information on ICTSI's corporate governance and all other important and relevant company matters, such as financial, operational and share information; downloadable annual reports, corporate documents and disclosures; notices, minutes and reference materials of the Company's major events; news and other reports. It also serves as a channel for stakeholders to voice their concerns and suggestions, or to submit complaints for possible violation of their rights and other grievances.

03

Integrity in Management

ICTSI adheres to the principles of integrity, transparency and proper governance in the conduct of our Company affairs. In relation to this, the Compay implements an efficient enterprise risk management framework and internal control system.

For 2018, the Board ratified and approved the actions of the Audit Committee and the Board Risk Oversight Committee regarding the adequacy of the Company's material controls and risk management system.

Internal Control

The Audit & Compliance Group works to improve ICTSI's operations by providing timely feedback and appropriate recommendations for the improvement of risk management, control and governance processes.

As of March 3, 2020, the Board of Directors and the Audit Committee have reviewed ICTSI's internal control, as Management have determined as necessary, to enable the preparation of the Company's consolidated financial statements free from material misstatement, whether due to fraud or error.

Sycip Gorres Velayo & Co., ICTSI's independent auditors, have audited the consolidated financial statements 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.

Chief Internal Auditor

Mr. Sandy A. Alipio served as the Chief Internal Auditor (Chief Audit Executive) in May 2014. He now serves as the Chief Risk Officer and his profile is provided under the Enterprise Risk Management section of this Report.

On March 5, 2019, the Audit Committee approved the replacement of Mr. Alipio and the appointment of **Ms. Tricianne M. Zingapan** as Chief Internal Auditor effective March 6, 2019.

Last June 9, 2020, the Board of Directors, pursuant to the Audit Commitee's recommendation appointed Mr. Alipio as Head of Internal Audit, ad interim, to temporarily replace Ms. Zingapan, concurrent with his role as the Company's Chief Risk Officer.

IT Governance and Cyber Resilience

ICTSI recognizes that it operates in a world where Cyber Risks are considerable and present a clear and present danger in terms of both data security and system resilience to cyber-attack. As such, the Company, through the Office of the VP - Chief Information Officer, takes a leading approach to its information and cyber security on multiple levels.

People

In most organizations, the employees themselves present the highest cyber security risk not through malicious behavior but through targeted phishing and business email compromise attacks. Hence, ICTSI seeks to provide a cyber-safe environment through the following ways:

- Artificial Intelligence (AI) driven real-time end point protection on all company servers and end user computing devices;
- Multi-Factor Authentication required for all employees accessing ICTSI services;
- Quarterly cyber security awareness training mandated for all employees and with completion and success rate tracked;
- Internal phishing campaigns to assess awareness effectiveness; and
- Policies covering all aspects of information technology deployment and use within ICTSI including:
  - Security Awareness Training Policy
  - Workstation Policy
  - Mobile Device Security Policy
  - Acceptable Use Policy
  - Email Protection Policy
  - Password Policy
  - Access Control Policy

Furthermore, recognizing that exposure to an incident despite all measures of protection is likely, the Company has developed a global Incident Response Plan along with Business Continuity and Disaster Recovery Plans.

Processes

Financial governance has been further strengthened in 2019 with the deployment of a digital sourcing and procure-to-pay platform. Using SAP Ariba, the Company is able to trace all stages of sourcing, purchasing, goods receipt and payment and ensure that its processes are also an integral part of its resilience to business email compromise and spear-phishing attacks.

Information Technology Landscape

ICTSI has outsourced data center operations with stringent security services and service level agreements included, thereby, leveraging the scale of operations at a world class data center.

In addition, the Company has also taken best practice measures to manage the threat landscape including:

- Real-time vulnerability scanning across all networks and devices globally driving global, regional and local business unit vulnerability assessments and remediation support; and
- Global log collection across all devices feeding an outsourced 24x7 Security Operations Center and Security Incident and Event Management service, which real-time monitoring provides instant and early threat detection and response.

As a port operator, ICTSI is often identified as a provider of "National Critical Infrastructure". In multiple cases, this has resulted in ICTSI being required to meet certain minimum standards. The Company has been able to meet or even exceed these requirements based on its own proactive and existing cyber security approach.

Enterprise Risk Management

ICTSI and its subsidiaries' geographically diverse operations expose the ICTSI Group to various business risks, particularly competition, commercial, economic, political and foreign exchange risks, which movements may materially impact the financial results of the Group. ICTSI established the Enterprise Risk Management (ERM) System to be readily responsive to the dynamic business environment in which it operates.

The ERM System helps identify and manage the ICTSI Group's key risks in support of ICTSI's Purpose to achieve its overall strategy and business objectives. Effective last August 2018, ICTSI's ERM Methodology follows the Committee of Sponsoring Organizations of the Treadway Commission's 2017 ERM Framework: Enterprise Risk Management – Integrating with Strategy and Performance.

Chief Risk Officer

The Chief Risk Officer is the ultimate champion of ERM in ICTSI and reports directly to the President. The Chief Risk Officer has the following responsibilities:

- Approves the ERM Policy and related guidance.
- Approves ERM priorities, tolerance, measures, strategies and action plans.
- Supervises the entire risk management function and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and tools.
- Ascertains the sufficiency and effectiveness of the components of the risk infrastructure that are in place for managing risk, which includes policies, processes, people, management reports, methodologies, systems and data.
- Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee.
- Collaborates with the President in updating and making recommendations to the BROC.
- Conducts targeted risk analysis outside routine risk management and reporting process as advised.
- Ensures that a sufficient resource of the organization is allocated in pursuing ERM initiatives, strategies and action plans.
- Reports to the BROC on a regular basis about ERM.

Effective March 6, 2019, **Mr. Sandy A. Alipio** was appointed as **Chief Risk Officer**. His past credentials include 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 the University of the Philippines - Diliman.

The ERM Process

ICTSI is performing the ERM Process by following these key steps:

- Establish risk management context, goals and objectives and risk oversight structure
- Assess business risks
- Develop risk treatment strategies
- Develop and implement risk management action plans
- Monitor and report on the ERM Process
- Continuously improve the ERM Process

Semi-annually, the corporate functions, business development/regional offices and business units performs risk assessment based on the Key Business Risks as identified in ICTSI's risk profile applicable to each of the respective business functions and areas.

The ERM system is quarterly reviewed by the ERM Committee and Board Risk Oversight Committee. The importance of managing key business risks has significantly increased considering the heightened volatility in both the Philippine and international financial markets.

Risks Relating to the ICTSI Group's Business

The ICTSI Group's geographically diverse operations expose it to various risks which may materially impact its financial results. 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 ICTSI Group has incorporated a financial risk management function in its organization, particularly in the Treasury operations.

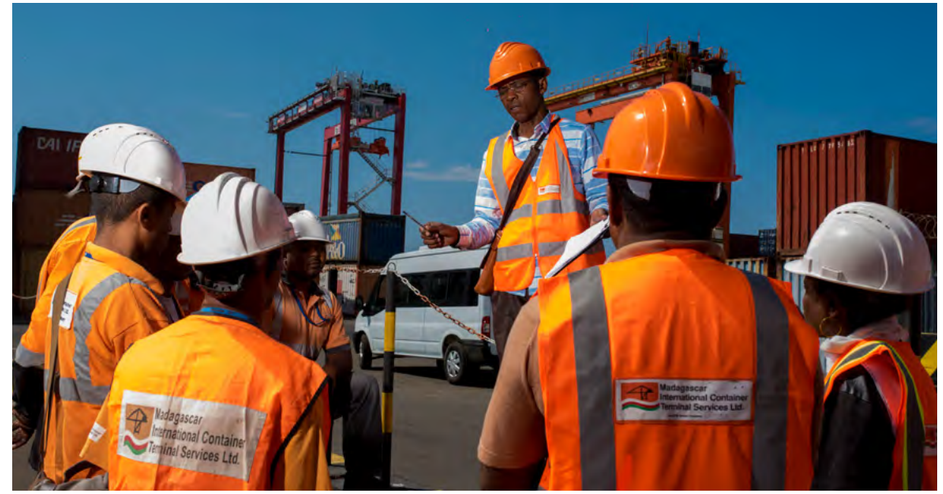
The ICTSI Group's business is highly dependent on regional and global economic trends.

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

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

The conduct of the ICTSI 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 ICTSI 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 ICTSI Group to raise tariffs that it charges to customers.

The ICTSI 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 ICTSI 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 ICTSI Group is still limited in its ability to raise tariffs by market norms, competition and/or local demand.

The ICTSI 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 ICTSI 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 ICTSI 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 ICTSI 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 ICTSI Group's cash flows, operating margins and profitability.

The ICTSI 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 ICTSI Group's business.

The ICTSI Group is rapidly expanding its container terminal operations, particularly those located overseas. This rapid expansion into new markets diminishes the ICTSI 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 ICTSI Group's management, operational and administrative systems and its ability to maintain effective systems of internal controls. The ICTSI Group may not successfully integrate new acquisitions to meets its efficiency and performance standards, nor keep existing facilities up to those same standards. The ICTSI Group needs to constantly develop and adjust management and administrative responsibilities to match market conditions and its growth and expansion strategies. The ICTSI 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 ICTSI 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 ICTSI Group's results of operations and financial condition may be adversely affected by exchange rate fluctuations.

Because of the geographic diversity of the ICTSI 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 ICTSI Group attempts to operationally

hedge its foreign exchange exposure by matching its revenues and expenses whenever possible and, from to time, engages in hedging activities to mitigate residual foreign exchange cash flow exposures. ICTSI is subject to translation risks whereby changes in exchange rates impact its reported revenues in U.S. dollar terms. Because ICTSI 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 ICTSI's revenues to decrease in U.S. dollar terms and distort comparisons of its results of operations and financial condition across periods.

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

In order for the ICTSI Group to maintain its operating and performance standards, it highly leverages on the continued service of key personnel. The ICTSI 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 ICTSI Group's business and results of operations may be adversely affected if any of the existing key personnel leaves their position and the ICTSI Group fails to find a similarly competent replacement.

The ICTSI Group is subject to the risk of system failures.

The ICTSI 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 ICTSI 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 ICTSI 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 ICTSI Group's revenues from port operations, occurrence of a catastrophic event affecting the Philippines could have a material adverse effect on the ICTSI Group's business, results of operations and financial condition.

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

Lastly, the ICTSI 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 ICTSI Group operates. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the ICTSI Group, including revocation or suspension of the Group's concessions or licenses, which may adversely impact results of operations and financial condition.

04

Synergistic Relationship with Stockholders

ICTSI treats all stockholders fairly and equitably, and recognize, protect and facilitate the exercise of their rights. Stockholders are accorded their rights as provided under the Revised Corporation Code of the Philippines and ICTSI's By-Laws, as well as other applicable laws, rules and regulations.

- Stockholders have a right to information in accordance with law. They also have the right to receive dividends, subject to Board approval.
- ICTSI shows that it is without prejudice or bias, as the minority stockholders have the same right of information as other stockholders. All stockholders may propose the holding of a meeting and propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- Appraisal rights may be exercised under any the following circumstances: (i) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders 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; (ii) 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 Corporation Code; and (iii) in case of merger or consolidation.
- Lastly, every stockholder may nominate the Directors to be elected in a regular or special meeting of stockholders. The nomination should be submitted in writing to the Corporate Secretary at ICTSI's principal office not earlier than forty (40) days nor later than twenty (20) days prior to the date of the regular or special meeting of stockholders for the election of Directors.

Voting Mechanism

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

Only Stockholders of record 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.

The Company, through the Board of Directors, may appoint the Stock Transfer Services, Inc. (STSI) to serve as inspectors of election on the annual stockholders' meeting. STSI validates

the votes during the Proxy Validation Date. Validation of proxies is 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.

Minority Stockholders

The minority stockholders have the same right of information as other stockholders. They may propose the holding of a meeting in accordance with the By-Laws, and propose items in the agenda of the meeting, provided the items are for legitimate business purposes, in accordance with law.

Dividend Policy

Dividends may be declared only out of the unrestricted retained earnings of the Company. A board resolution is required for a 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 of Directors. Preferred A stockholders are entitled to dividends at rates to be fixed by the Board.

DECLARATION OF CASH DIVIDENDS			
	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 07, 2019

SEC Memorandum Circular No. 15-2017 on Integrated Annual Corporate Governance Report (i-ACGR) requires that the minutes of the annual stockholders meeting shall be published in the Company website within five (5) business days.

Minutes of the Stockholders' Meeting held on April 11, 2019 and Results of the Voting were made publicly available through the Company's website on the following day, or April 12, 2019

Stockholders' Meeting

The 2019 Annual Stockholders' Meeting (ASM) was held last April 11, 2019 at the Solaire Resort & Casino, 1 Aseana Avenue, Entertainment City, Paranaque City as duly approved by the Philippine Securities and Exchange Commission.

The Notice and Agenda, with rationale of each agenda items, were sent out 55 days before the ASM, or on February 15, 2019, to encourage active stockholder participation.

At the ASM, where a quorum was certified by the Assistant Corporate Secretary, the stockholders passed and approved the following matters:

- Approval of the Minutes of the Annual Stockholders' Meeting held on April 19, 2018;
- Approval of the Chairman's Report for 2018 and the 2018 Audited Financial Statements;
- Approval/ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the 2018 ASM, which are summarized in Item 15 of the Information Statement (SEC Form 20-IS) furnished by ICTSI to its stockholders and available at the Company website;
- Election of Directors; and
- Appointment of Sycip Gorres Velayo & Co. as ICTSI's external auditors.

VOTING RESULTS FOR THE 2019 ANNUAL STOCKHOLDERS MEETING

APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS HELD ON APRIL 19, 2018	
Votes	Number of Votes Cast
Approving	2,180,494,917
Dissenting	-
Abstaining	169,520

APPROVAL OF THE 2018 AUDITED FINANCIAL STATEMENTS	
Votes	Number of Votes Cast
Approving	2,178,342,887
Dissenting	-
Abstaining	2,435,050

APPROVAL/RATIFICATION OF ACTS, CONTRACTS, INVESTMENTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT SINCE THE 2018 ANNUAL STOCKHOLDERS' MEETING	
Votes	Number of Votes Cast
Approving	2,178,312,837
Dissenting	273,450
Abstaining	2,191,650

APPOINTMENT OF EXTERNAL AUDITORS	
Votes	Number of Votes Cast
Approving	2,175,572,447
Dissenting	4,676,610
Abstaining	207,200

ELECTION OF DIRECTORS				
Director	In favor	Against	Abstain	Total Shares Voting
Enrique K. Razon Jr.	2,072,006,056	108,602,361	169,520	2,180,777,937
Cesar A. Buenaventura*	2,085,782,542	94,790,275	205,120	2,180,777,937
Octavio Victor R. Espiritu*	2,086,172,572	94,305,945	299,420	2,180,777,937
Joseph R. Higdon*	2,139,877,207	40,601,310	299,420	2,180,777,937
Jose C. Ibazeta	2,032,620,290	147,988,127	169,520	2,180,777,937
Stephen A. Paradies	2,036,421,117	144,187,300	169,520	2,180,777,937
Andres Soriano III	2,039,273,937	141,334,480	169,520	2,180,777,937

*Independent Directors

Alternative Dispute Mechanism For Stockholders

ICTSI ensures that any dispute between the Company and our stockholders as well as with third parties, including the regulatory authorities, shall be resolved in accordance with Republic Act No. 9285, otherwise known as "Alternative Dispute Resolution Act of 2004", with the approval or consent of such other parties in compliance with law.

Investor Relations Office

ICTSI's award-winning Investor Relations Department has the responsibility of integrating finance, communication, marketing and securities law compliance, and aims to ensure constant engagement and build understanding and relationships of trust with financial media, analysts and stockholders, increase transparency and achieve an appropriate valuation of ICTSI's stock and liabilities in the capital market. It works to provide transparent, continuous, and targeted dialog with all stakeholders, and aims to build understanding and trust with the financial media, analysts, and stockholders.

ICTSI was hailed as *One of the Best Investor Relations Companies in the Philippines* in **Corporate Governance Asia's Asian Excellence Awards** consistently for the period of 2013– 2019; recognized by **Alpha Southeast Asia Awards 2019** as the *Most Organized Investor Relations Company* and second best in having the *Best Senior Management Support* in Southeast Asia and *Best Investor Relations Team* by **The Asset ESG Corporate Awards 2019.**

Quarterly Investor Briefing Teleconferences

ICTSI conducts quarterly analysts/investors' briefing teleconference calls where Management presents and discusses the financial and operational performance of the Company. A Q&A segment commences immediately after the presentation where participants are given the opportunity to raise questions about ICTSI and its interim performance.

An international dial-in facility, with lines in the Philippines, Hong Kong, Singapore, United Kingdom, United States and Australia, are made available for the conference call. A recording of the conference call is also available up to three days after the event.

Notice of analysts'/investors' briefings, including the dial-in numbers to access the briefing calls and the recording, is made available at least five days before the conference. The Notice is uploaded in the Company's website, under the Disclosures tab of Investor Relations section, immediately after filing with the Philippine Stock Exchange and the Securities and Exchange Commission.

Earnings results and presentation materials for the briefing calls are also available at the Company's website, under Investors' Briefing tab of the Investor Relations section. All materials – notices, earnings results, and presentation materials – are also distributed to all investors and analysts through e-mail from the Investor Relations Department. Schedule of the briefing calls for the past years can be viewed under the Investor Relations section of the Company's website.

Investor Relations Officer

ICTSI's Investor Relations Officer is **Mr. Arthur R. Tabuena**, the Director for Treasury and Investor Relations. Formerly, he was the Manager for Corporate & Project Finance of ING Barings. Mr. Tabuena holds an MBA from the Claremont Graduate University – Peter F. Drucker and Masatoshi Ito Graduate School of Management, and a Bachelor's Degree in Industrial Management Engineering, Minor in Mechanical Engineering from the De La Salle University.

The Investor Relations Officer is always present during the stockholders' meeting. He is responsible for the necessary disclosures to the PSE and SEC.

As a testament to his credible and effective performance, Mr. Tabuena was again recognized as one of the *Best Investor Relations Professionals in the Philippines* by **Corporate Governance Asia** during the 9th Asian Excellence Recognition Awards 2019, and *Best Investor Relations Team* by **The Asset ESG Corporate Awards 2019.**

Anti-Takeover Measures

ICTSI avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling stockholder group.

To ensure good governance of ICTSI, the Board establishes ICTSI's Purpose, strategic objectives, policies and procedures that guide and direct the business and corporate activities of ICTSI, the means to attain the same, and the mechanism for monitoring management's performance.

Public Float

The Philippine Securities and Exchange Commission through its Memorandum Circular No. 13-2017 requires that a publicly listed company maintain a public float of 20% and recommends through its Memorandum Circular 15-2017 a 30% benchmark.

ICTSI has more than the prescribed or recommended public float to increase liquidity in the market. As of December 31, 2019, the public ownership level of the Company is at 50.39% based only on common shares. The public ownership level of the Company is at 37.33% if both common and Preferred B voting shares are considered.

05

Duties to Stakeholders

ICTSI believes in giving high value to the relationships it has with its various stakeholders. As a facilitator of global containerized trade, the Company serves several groups such as, among many other, the primary port users (commercial clients such as the shipping lines and landside/hinterland logistics players); public sector partners, especially port authorities; employees and industry organizations; providers of capital; suppliers; and the various communities that serve as port hosts. This is fostering respect for rights as established by law, by contractual relations and through voluntary commitments.

Rights of Stakeholders

Part of the duties and responsibilities of the Board of Directors is bridging a relevant interaction with the Company's stakeholders. As mandated by the Manual on Corporate Governance, the Board must take a lead on the following:

- Identification of the Company's stakeholders in the community in which the Company operates or is directly affected by the operations;
- Formulation of a clear policy of accurate, timely and effective communication with these stakeholders;
- Maintenance of a meaningful corporate social responsibility program; and
- Adoption of a policy on the disclosure of non-financial information, with emphasis on the management of environmental, social and governance (ESG) issues of the Company's business, which underpin sustainability.

The Company's capacity to effectively serve the interests of these stakeholders rests on the capacity to accurately and continually glean insights into their goals, needs and concerns. Continuing engagement takes many forms – and, for ICTSI, has long been an ongoing commitment.

Stakeholders Engagement Map

	APPROACHES	KEY TOPICS & CONCERNS RAISED
PUBLIC SECTOR	• Website • Direct communication • Annual audited financial statements • Annual corporate governance report • Annual, quarterly, and monthly reports • Disclosures and other required reports	• Concession matters • Regulatory and reportorial requirements
PORT USERS	• Website • Client online dashboard • ICTSI mobile app • 24/7 web-based communication systems • Quarterly customer satisfaction survey • Customer care local hotline • Weekly client visits (priority customers) • Monthly association meetings • Quarterly trainings and seminars • Annual customer appreciation/thanksgiving events	• Customer satisfaction • System issues • Billing issues • Operational issues
EMPLOYEES	• Direct meetings • Website • Ad hoc correspondence • Quarterly Ugnayan sa Pantalan • Annual employee relations activities • CBA (every five years) • Volunteering activities in coordination with ICTSI Foundation • Other employment engagement activities	• Performance management • Employee welfare • Labor-management relations
SHAREHOLDERS	• Website • Quarterly Investors' Briefing • Investor (Equity) Conferences • Annual Shareholders Meeting • Annual Audited Financial statements • Annual Corporate Governance Report • Interim Quarterly Unaudited Financial Statements	• Quarterly and year-to-date consolidated financial and operational performance of existing portfolio • Performance of existing/organic terminals • Status of new projects • Prospects and projects in the pipeline
CREDITORS	• Website • Investor (Debt) Conferences • Direct communication/Regular discussions with credit risk officers of relationship banks • Annual Shareholders' Meeting • Annual Audited Financial Statements • Annual Corporate Governance Report • Interim Quarterly Unaudited Financial Statements	• Liquidity management • Quarterly and year-to-date consolidated financial and operational performance of existing portfolio • Performance of existing/organic terminals • Status of new projects • Prospects and projects in the pipeline
SUPPLIERS	• Website • Direct communication • New supplier accreditation and annual supplier reassessment	• Supplier performance • Contract requirements
COMMUNITIES AND PEOPLE GROUPS	• Monthly newsletter • Quarterly consultation with concerned government agencies, communities, and partners • Annual ICTSI Foundation Accomplishment Report • Forum with partners • Direct communication with the communities • Participation in events • Leadership trainings • Government-coordinated projects • Volunteerism through local community projects • Assessment after every project • Annual scoping in all communities • Monthly meeting with EcoPatrols • Quarterly meeting with different clusters • Ad hoc discussion with stakeholders	• Health • Education • Shelter • Livelihood/Job creation • Community development • Volunteering activities • Environmental management
TRADE UNIONS AND INDUSTRY ASSOCIATIONS	• Direct communication • Ad-hoc get-togethers • Monthly Labor-Management Council meeting • Quarterly Ugnayan sa Pantalan	• Employee welfare • New policies or programs about to be implemented • Individual concerns

Whistleblowing Policy for Stakeholders

Pursuant to its policy to conduct its business with the highest ethical standards of honesty and integrity and to maintain its reputation in whichever country it operates, every stakeholder of ICTSI is committed to ensure compliance with all applicable laws, rules and regulations and established company policies. Through the Policy on Fraud Reporting, Handling of Disclosures and Complaints on Violations of Code of Business Conduct, every stakeholder is mandated to immediately report any concern and/or known or suspected violations of the code and other company policies.

The policy establishes a formal mechanism to encourage stakeholders to raise serious concerns or malpractice involving ICTSI. It also serves as an opportunity to disclose potential and possible violations which have come to their knowledge which may adversely affect or may constitute risk against ICTSI. The policy likewise provides full assurance that the informant's identity shall be treated with utmost confidentiality and that he/she shall be protected from any reprisal, retaliation and other forms of harassment.

Alternative Dispute Resolution for Stakeholders

In accordance with its policy on alternative dispute resolutions, ICTSI ensures that any dispute between the Company and its stakeholders shall be resolved in accordance with Republic Act No. 9285, otherwise known as "Alternative Dispute Resolution Act of 2004", so that conflicts and differences with key stakeholders are settled in a fair and expeditious manner.

Intellectual Property

ICTSI complies with all laws, regulations and contract exacting adherence to intellectual property rights. The Company has not violated any intellectual property law as demonstrated by the fact that it has no pending cases against it for any violation of intellectual property laws.

Customer's Welfare

As the business continues to grow, ICTSI aims to develop more products and solutions for its valued customers. Through its Commercial arm, particularly its Philippines Commercial Team, it continues to engage its customers through weekly client calls, 24/7 customer care service, regular conferences, and industry association meetings.

With the launch of the Cavite Gateway Terminal, the success of the Laguna Gateway Inland Container Terminal, and the acquisition of North Port (domestic terminal), solid efforts have been deployed to promote the Intermodal and Inter-Terminal solutions to our import and export customers. These solutions offer to provide a more streamlined and a more efficient way of moving goods to their end destination, whether this be in Luzon, Visayas, or Mindanao.

Online platforms, such as the Transparency Tools in the Company website and mobile app, the ACTS Online Payment System, and the Terminal Appointment Booking System, are continually made available and enhanced. This is to further promote visibility and provide access to the port and terminal services 24 hours a day and without customers having to leave their offices. For the onsite services, the renovation of the Unionbank – ICTSI Branch is ongoing, and this is envisioned to improve the quality and efficiency of payment transactions at the port once completed. Additional modes of payment are also presently being explored for our customers who still prefer paying onsite.

A simple loyalty program for brokers, forwarders, and truckers was also rolled out, and this program is an avenue for ICTSI to reward these customers for their continuous patronage. This loyalty program will soon be translated into an online application platform to make the rewards easier to achieve and distribute.

Part of the Terminal Health Check initiated by the Office of the Compliance Officer is the Code of Business Conduct in which the Whistleblowing Policy was cascaded to the officers and staff of ICTSI ports and terminals in the Philippines.

Suppliers and Contractors

In the selection of suppliers, ICTSI, specifically in its flagship operations in the Manila International Container Terminal (MICT), ensures that suppliers are selected based on their ability to meet contract requirements including quality system and any specific quality assurance requirements. The procedure in supplier accreditation for the MICT is strictly observed through the following:

1. Initial interview of potential suppliers;
2. Submission of the required accreditation documents;
3. Pre-visit activities which include:
   a) Checking the correctness and completeness of the required documents;
   b) Interviewing other customers referred by the supplier; and
   c) Reviewing financial statements submitted by the supplier;
4. Conduct of plant visit if applicable;
5. Preparation of final report; and
6. Issuance of certificate of accreditation and updating of directory.

ICTSI has implemented the use of its e-Sourcing System – Ariba Sourcing – 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. Ariba Sourcing provides a more systematic process of submit-ting quotations for a single requirement and promotes transparency and fairness amongst vendors.

In September 2019, ICTSI also upgraded its previous e-Procurement system, Ariba On-Prem-ise, to an improved and more digitized one, Ariba Network (AN). This system aims to realize three main objectives of Procurement in this implementation:

- Improved Partnership – Ariba Network enables both ICTSI and suppliers to form assured relationship while executing transactions electronically. With the use of the collaboration function of AN, buyers and suppliers can continuously perform their tasks, but with minimized manual interactions and processes.
- Compliance – Ariba Network's standards comply with ICTSI's policies and global best practices of different industries. All transactions are logged in the system.
- Efficiency – Ariba Network provides the venue to connect related procure-to-pay processes and notifies all related parties of essential activities per transaction electronically.

Overall, Ariba Network enhances supplier, buyers and user experience by bringing in a digital transformation to the supply chain process.

Creditors' Rights

ICTSI manages its liquidity profile to be able to finance its working capital and capital expenditure requirements, including the timely servicing of debt, payment to regulators and suppliers, and other corporate payables.

As part of liquidity risk management, ICTSI maintains strict control of its cash and ensures that excess cash held by ICTSI subsidiaries are up streamed timely to ICTSI, the Parent Company. In line with this objective, ICTSI subsidiaries are allowed to maintain cash at a maximum equivalent to its working capital requirement. ICTSI monitors its receivables and payables to ensure positive position and optimize cash conversion cycle. In addition, it regularly updates and evaluates its projected versus actual cash flow information and continually assesses the conditions in the financial market to pursue fund raising initiatives when needed.

To further mitigate liquidity risk, ICTSI ensures that it has sufficient credit lines from a broad list of local and foreign banks and it has diverse funding sources such as the capital market and loan market. The loan agreements are in a form recommended by the Asia Pacific Loan Market Association. The issued bonds are Reg S offering and listed with the Singapore Exchange Securities Trading Limited (SGX-ST). The bonds' terms and conditions, covenants, undertakings, representations and warranties and events of default that safeguards the position of creditor are embodied in the offering circulars that are disclosed to SGX-ST. In compliance with the disclosure of annual and quarterly financial reports, ICTSI discloses information on compliance with loan and bond covenants.

Employee Participation

Employee involvement and participation in a company lead to good outcomes for the organization. ICTSI values its employees and is committed to providing them with tools to accomplish what they set out for themselves. Empowering our employees means that they no longer act as mere implements of production but actual stakeholders of the business. Employee participation provides our employees the opportunity to contribute to the improvement of present processes, development of talent and the advancement of employees' health, safety and welfare. It adds dynamism to the employer-employee relationship by giving workers not only a voice in decision-making on matters that affect their interest and welfare but also an opportunity to contribute creative and innovative ideas to achieve enhanced product or service quality and productivity.

Active Participation

ICTSI employee engagement activities are always well participated not just by our staff but their family members as well. Family members are invited to join celebrations of Easter, Halloween and Family Day. The importance of seeing where the parent, or child, or sibling spend their days provide a sense of pride and belongingness to the family member. ICTSI also showcases its culture and love of Christmas by transforming its workspace into a place where the employees can feel the holiday spirit. ICTSI Employees are celebrated through Employee Appreciation Movie Night Premieres. The Company also hosts physical, social, emotional and financial wellness workshops to address the well-being of the employees, which workshops are an integral part in attracting and retaining employees.

ICTSI believes that a harmonious employee relationship promotes a positive environment at work and also helps the employees to achieve their goals and targets at a much faster rate. Employees are more focused, can concentrate better in their assignments and hence the output increases. The Management and the employees are not engaged in constant conflict, are eager to help each other to build industrial peace.

Communication plays a crucial role at workplace. In industrial relations, the Company ensures and maintains that the channels of communication are provided to employees to enhance open communication between them and the management. Employees are given the right or freedom of association, self-organization and collective bargaining. The right of employees to self-organization is given much reverence. The Management does not interfere with the legal activities of the union and respects its employees' right to associate freely and form organizations of their own choosing. Another essential element of the employees' freedom to associate is their right to collectively bargain. ICTSI fully respects this right wherein employees are given the avenue to express their desires on items affecting their terms and conditions of employment. Good faith is observed from the time of negotiation up to the implementation and carrying out of the agreed provisions.

Labor Management/Workplace Cooperation mechanism is also established in the workplace. Through this mechanism, harmonious relationship between the Management and the union is maintained and this resulted to industrial peace, quality and productivity in the workplace. The union recognizes certain management prerogatives and rights. On the other hand, the Management recognizes the indispensable role of the union in crafting certain policies as well as in implementing the same. Problems affecting workers are jointly solved through the different committees and task forces created under the Workplace Cooperation mechanism.

The quarterly commencement of the *Ugnayan sa Pantalan*, paves venue for employees to voice out their concerns, inquiries or requests that pertain to their welfare. This is an employee feedback mechanism and dialogue wherein birthday celebrators for the quarter are assembled not only to celebrate their birthdays but also to give them avenue to express their grievances and concerns so that the management thru the Human Resources may immediately address them. Through *Ugnayan sa Pantalan*, we have been able to achieve establishment of employee's gym, shuttle service and water refilling station. Aside from our various team building activities that ICTSI provides, we also give attention to value enhancement programs that are currently being finalized.

The Grievance Machinery mechanism under the Collective Bargaining Agreement is likewise religiously observed. Any difference of opinion, controversy or dispute between the company and the union, or between the company and any employee or worker covered by the CBA, arising from the interpretation and/or implementation of any provisions of the CBA and enforcement of company personnel policies are resolved under the procedure set forth under the agreed grievance machinery mechanism.

Outside the Company, employees and their families are given the opportunity to participate in outreach activities in institutions caring for the marginalized and disadvantaged sectors through ICTSI Foundation's Employee Volunteerism Program (IEVP). Among the regular activities organized where the employees participate are tree planting, fun run, Christmas gift giving, cleaning and repairing of classrooms in public schools, and relief operations in times of disasters and calamities.

Rewards Policy

Monthly Incentive programs are established for core Operations employees to support drive for efficient and highly productive terminal operations. This is to incentivize ranks including supervisors and superintendents and improve job performance to meet the target for the year: 25 crane productivity, 48 berth productivity and less than 60 minutes of truck dwell time. Subject for computation, table for payout per position per target and other criteria.

Individual Operator Incentive is to incentivize operators on their contribution to meet the identified individual equipment productivity target based on the average performance every quarter. This incentive is subject to computation per level, table for payout per day and other criteria.

Checker Incentive is to incentivize checkers and other identified positions on their contribution to meet the identified individual equipment produc-tivity target based on the average performance every quarter. It is subject to computation per working day and other criteria.

GPW Incentive is to incentivize GPWs on their contribution to meet the target: Monthly Average Hours from Gang On board to First Move (GOBFM) & Last Move to Signing of Lashing Certificate (LMSLC) is less than or equal to 1hour. It is also subject to computation per working days and other criteria.

Other annual incentive program recognizes employees who kept themselves healthy and fit, and thus, did not avail of any sick leaves, leaves without pay and did not commit any IR and Safety violation. These are the ranks including supervisors to Department managers who can be awarded as Iron Man of the year.

There is an annual incentive program for the management team based on their contribution to the org-wide growth and performance. For now, ESOP is only given to the management committee members of the company.

These incentive programs reward deserving employees for their contribution to the growth and performance of the company.

Health and Safety

The well-being and health of all its stakeholders is ICTSI's number one priority. The ICTSI Group continues to deploy and execute various Health and Safety (H&S) policies and programs as part of its commitment to consistently provide a safe and healthy working environment for its employees, contractors and other port users and to promote a positive safety culture in its business operations.

As a demonstration of this commitment, the ICTSI Group through its various ports and terminals has established programs to address key H&S risks and achieve its overall objective of zero harm to people. The programs are designed to reinforce the following:

Health & Safety Leadership & Accountability

Leadership and Accountability drives the ICTSI Group's overall health & safety management strategy. Management is responsible to ensure that the well-being and safety of all its stakeholders is the leading priority and that terminals plan, execute, verify and validate the effectiveness of controls aimed at eliminating or minimizing risks associated with its operational activities.

Management roles are now being clarified towards developing a culture that promotes injury prevention and health education by influencing employee behavior. Trainings and workshops are conducted to help line managers and supervisors develop / enhance a consistent, positive and visible leadership approach towards health and safety. Line managers are encouraged to lead regular walk-about inspections around the terminal, observe employee and contractor personnel perform work activities and appropriately engage or coach them to help them carry out their tasks in a safer and more efficient manner.

Risk Management

Management of risk is a continual process and is a foundation of ICTSI's Health & Safety Management System. Constant efforts are being done to identify hazards and assess the risk associated with the Group's business activities. Line managers are expected to carry out risk assessments and take appropriate actions to manage the risk and prevent or reduce the impact of potential incidents. A key aspect of the risk management process is to mitigate the risk using the "hierarchy of controls". Hence, where reasonably practicable, Management requires that all risks are controlled at source by an engineered solution and other more effective but pragmatic controls rather than relying on Personal Protective Equipment (PPE).

Workforce Engagement

ICTSI believes that commitment to health and safety is not something that can be just switched on and off. Employees are expected to be committed to health and safety both on and off the job, as well as proud and passionate in sharing it with colleagues, family, and friends. Health & Safety training sessions, accident prevention seminars and other H&S promotional activities (newsletters, safety videos, H&S committee meetings, toolbox meetings, etc.) are regularly carried out not only for ICTSI employees and contractors but for all port users to promote H&S awareness and help instill in them safe working behaviors.

Traffic Safety Management

Most of the hazards in the terminals occur when mobile equipment / vehicles interact with each other or mobile equipment / vehicles with pedestrians. To mitigate the risks associated with these hazards, terminals carry out regular risk assessments to cover all aspects of its operations. The risk assessments consider the location of the gates, vehicle and pedestrian traffic routes, storage areas, handling areas, cranes, and gantries to help ensure that there is an effective and safe flow of traffic around the terminal.

Site rules for pedestrians and drivers, which include among others the use of Personal Protective Equipment (PPE), use of flashing beacons, speed limits, seatbelt use, using the correct route and crossings, no entry, parking, etc. are documented and are shared to all port users during H&S Inductions. Access to operational areas are strictly controlled and only authorized personnel are allowed on site.

Signage and markings are also in place and areas for queuing, loading and unloading, operating twist locks, and securing of loads are properly designated. All drivers of road going vehicles (e.g. 3rd party trucks) undergo H&S inductions to be familiarized with the terminal and traffic lay-out.

Contractor Safety Management

Contractors provide valuable services for ICTSI and their services are either engaged on a regular basis or on an infrequent basis. Oftentimes, work carried out by contracted personnel is non-routine and involves varying degrees of risk. Regardless of the contract, the Group is committed to ensuring that contractors have equal priority as employees in respect of health and safety and perform their tasks safely. Hence, procurement protocols and processes are now being reviewed and enhanced to include assessment of the contractors' capabilities and competencies and monitoring of the contractors' performance to help ensure that local legal requirements and ICTSI H&S standards are fully complied with.

Incident Reporting & Root Cause Investigation

To help prevent recurrence and improve performance, all health and safety related incidents including near misses and hazards, are openly reported, investigated, analyzed and documented. Line management is responsible in ensuring that incident investigations are carried out to identify root and system causes and its corresponding corrective actions and preventive measures are implemented to reduce future injuries and incidents. For major incidents such as those resulting to fatalities multiple serious injuries, a comprehensive investigation is being performed by a cross-functional team with action plans formally reviewed by Senior Leadership.

Key information gathered from incident investigations are carefully analyzed to identify and monitor trends and develop both global and terminal-specific Health & Safety Improvement Action Plans. Key learning points from investigations (especially for major incidents) are shared across ICTSI ports and terminals so that the concerned personnel can take appropriate action as necessary to help prevent a similar occurrence in their site.

Emergency Management

Each port and terminal has developed site-specific emergency response plans, which contains among others, the structure and membership of the emergency response teams, the necessary tools and equipment, the appropriate training and drills for all personnel and the specific procedures / guidelines (based on a risk assessment) to carry out a response to any type of possible incident and protect employees, contractors, visitors and the public.

Management Review & Continual Improvement

Because the company recognizes that there are many opportunities to improve, Management has established key performance indicators (e.g. H&S Training Hours, Number of Near-misses and Hazard Alerts, Health Surveillance, Lost Time Injury Frequency Rate, Total Recordable Injury Rate, Lost Time Injury Severity Rate) and has set goals (e.g. zero fatalities, LTIFR % reduction, etc.) as a demonstration of its commitment to prevent injury and ill-health, comply with applicable legal requirements and to continually raise the health and safety standards across all of its terminal operations. Global and terminal-specific indicators are measured, analyzed and progress is regularly monitored and reviewed by Terminal Management and Senior Leaders.

Implementation of Good Practices

As part of its continual improvement efforts, the Group is fostering collaboration amongst ports and terminals whereby sharing of good practices is highly encouraged. The implementation of these various good practices into its operations aims to eliminate serious injuries and fatalities and reduce risk to its employees, visitors, contractors and others who may be affected by its business activities.

Moreover, several of its ports and terminals have also secured and maintained external certification on international H&S management system standards to help ensure they engage in a continuous cycle of evaluation, correction and improvement of operations and processes.

PORT/TERMINAL	CERTIFICATIONS
MICT	ISO 45001:2018 Occupational Health and Safety Management Systems
MTS	OHSAS 18001:2007 Occupational Health and Safety Management Systems
PICT	ISO 45001:2018 Occupational Health and Safety Management Systems
SCIPSI	OHSAS 18001:2007 Occupational Health and Safety Management Systems
YICT	ISO 45001:2018 Occupational Health and Safety Management Systems
BCT	ISO 22000:2005 Food Safety Management Systems ISO 22301:2014 Business Continuity Management Systems
ICTSI Iraq (BGT)	OHSAS 18001:2007 Occupational Health and Safety Management Systems
CGSA	OHSAS 18001:2007 Occupational Health and Safety Management Systems
CMSA	OHSAS 18001:2007 Occupational Health and Safety Management Systems
OPC	ISO 45001:2018 Occupational Health and Safety Management Systems

Training and Development

ICTSI has formalized its training arm through the MICT Academy. The working Framework of MICT Academy is to develop successful MICT employees which is characterized by the following:

a.) Technical competence
b.) Knowledgeable on Terminal Fundamentals and Management
c.) Leadership capabilities
d.) Safety champion
e.) Customer service mindset

Highlights of trainings conducted in 2019 to cover the Framework are:

a.) Operators Training for Port Equipment – these are trainings for new operators for the following equipment: Prime Movers, Rubber Tired Gantries and Quay Cranes. This is a combination of classroom sessions and practical hands-on training.
b.) Systems Training for Terminal Operating System – a simulator training program for the yard planners to maximize the use of the Terminal Operating System and minimize the accidents and fuel consumption.
c.) Management of Terminal Operations – a simulator training program for the managers covering fundamentals and science of terminal management, safety mindset and stakeholder management.
d.) Driving Performance - for supervisors and superintendents covering leadership and terminal operations fundamentals. The role of supervisors in driving the day-to-day performance is a critical success factor for the efficient operations in the terminal. Technical expertise mixed with people management skills are part of this training program.
e.) New Employee Orientation for onboarding of employees – covering for all new employees before they are deployed. The Human Resources Department, Health, Safety and Environment, and Information Technology Systems and Service give an overview of their policies and guidelines. Operations overview with a port familiarization is also conducted to give new employees better understanding of the company's core business.

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

- Strategic Planning and Leadership trainings
- Customer Service Training
- Labor and Employee Relations Summit
- Team Building Sessions
- Health and Safety Leadership Workshop

Company Orientation Programs

- Operations for Non-Operations;
- Claims for Non-Claims
- Integrated Management System (IMS) Awareness Training
- IMS Internal Audit
- IMS Workshops
- Refresher on Company Policies – Tipping & Bribery
- Executive Terminal Management
- Managing Terminal Operations
- Safety Leadership
- Supervisory Leadership and Communications
- On-Line Personal/ Professional Skills Development

Technical training programs for skills enhancement

- Prime Movers, Reach Stackers, Quay Cranes, Rubber Tired Gantries, Sidelifter
- Hatch Clerk Training
- Management of Terminal Operations
- MS Excel Training program – Basic & Advanced
- PISM Purchasing & Supply Chain Trainings
- Certified Management Accountant Program
- Digital Communication & Branding
- PC Assembly, Hardware & Software Trouble-shooting / Repair & Data Recovery
- IT Programming Courses
- Fire Fighting Seminar & Drill
- Earthquake Drill
- Port Safety & Health Standards
- Training Course for Pollution Officers
- Chemical Spill Training & Drill
- Occupational Safety & Health Seminar
- SAP GT Training
- Commercial Claims 101
- First Aid with Basic Life Support
- Business Communication
- Driving Performance – Program for Supervisors and Superintendents
- Terminal Executive Diploma
- PPA Competency Workshop
- LLDA PCO Seminar
- League of Corporate Foundations CSR Expo 2019
- Programming Training
- IMS Internal Audit Training
- Practical Incident Investigation and Root Cause Analysis
- HSCS Workshop
- Defensive Driving Seminar
- 18th PRDCI Commercial Arbitration Training Seminar
- NAVIS Auto-Stow Training
- Advanced Dashboard Training
- Office 365 SharePoint End User Training
- Weather and Tropical Cyclone 101
- MMDA Traffic Management Training
- Defensive Driving
- Executive Interviewing Skills Training
- Executive Presentation Skills Training
- SAP Ariba Training
- Weather and Tropical Cyclone 101 Training
- Cybersecurity Training

Training programs are targeted to the different levels of employees and alignment is ensured across the different levels.

MICT Academy will continue to focus on training programs specifically for ICTSI terminals to support the company's growth and expansion.

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

Anti-Corruption Policy

Pursuant to the Code of Business Conduct, ICTSI rolled out an Anti-Bribery Compliance Policy and Procedure. This provides 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.

ICTSI holds itself to the highest ethical standards and is committed to acting with integrity in 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.

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 similar acts.

To promote anti-corruption and transparency in dealings with suppliers, ICTSI implemented the use of an 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 Whistleblowing Policy

ICTSI conducts its business with the highest ethical standards of honesty and integrity with the goal to maintain its reputation in whichever country it operates. Every stakeholder, most especially, employees of ICTSI are committed to ensure compliance with all applicable laws, rules and regulations and established company policies. The Policy on Fraud Reporting, Handling of Disclosures and Complaints on Violations of Code of Business Conduct and Discipline was established wherein employees of ICTSI are mandated to immediately report any concern and/or known or suspected violations of the code and other company policies. Employees have direct access to the company's Compliance Officer to report any violations.

The policy establishes a formal mechanism to encourage officers, directors, employees to raise serious concerns or malpractice involving ICTSI. It also serves as an opportunity to disclose potential and possible violations which have come to their knowledge which may adversely affect or may constitute risk against ICTSI. It likewise provides full assurance that the informant's identity shall be treated with utmost confidentiality and that he/she shall be protected from any reprisal, retaliation and other forms of harassment.

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.

Social Responsibility

As personal advocacies of the ICTSI Global Corporate Legal Affairs (GCLA) and with the generous and kind support of its Management and the ICTSI Foundation, the ICTSI group revisited Voice of the Free, a shelter in Rizal, Philippines for girls rescued from human trafficking, last November 10, 2019 to share a program conceptualized by the GCLA to be "This Girl Can: This girl can dream, succeed and give." Mindful of the harrowing experiences of these young girls, the GCLA sought to share meaningful time to hopefully impart happy moments and lasting learnings.

For ICTSI, the long-standing adherence to corporate stewardship on one hand, and the equally long (if only more recently formalized) advocacy of development partnerships on the other hand, are two commitments anchored on the same principle: an eye towards long-term good, across borders and generations.

The matter of community impact has always been a vital concern for ICTSI, dating back to the Company's establishment and its bid for the then-newly privatized MICT.

Environmentally-Friendly Value Chain

The ICTSI Group sustains its commitment to conduct its business activities in a manner that reduces the environmental implications of its activities and protect the environment of sites and communities in which it operates.

The ICTSI Group continues to adopt best practices and relevant international standards like ISO 14001 and World Bank/IFC guidelines for ports, harbors and terminals and ensures that it complies fully with local environmental laws and regulations.

PORT/TERMINAL	CERTIFICATION
Manila International Container Terminal Manila, Philippines	ISO 14001:2015 Environmental Management Systems
Makassar Container Terminal South Sulawesi, Indonesia	ISO 14001:2015 Environmental Management Systems
Pakistan International Container Terminal Karachi, Pakistan	ISO 14001:2015 Environmental Management Systems
Makar Wharf General Santos, Philippines	ISO 14001:2015 Environmental Management Systems
Yantai International Container Terminals Shandong, China	ISO 14001:2015 Environmental Management Systems
Baltic Container Terminal Gdynia, Poland	ISO 14001:2015 Environmental Management Systems ISO 50001:2011 Energy Management Systems
Basra Gateway Terminal Umm Qasr, Iraq	ISO 14001:2015 Environmental Management Systems
Madagascar International Container Terminal Toamasina, Madagascar	ISO 14001:2015 Environmental Management Systems
Contecon Guayaquil Guayas, Ecuador	ISO 14001:2015 Environmental Management Systems ISO 14064:2006 GHG Neutral Programme
Contecon Manzanillo Manzanillo, Mexico	ISO 14001:2015 Environmental Management Systems
Puerto Cortes Cortes, Honduras	ISO 14001:2015 Environmental Management Systems
Tecon Suape Pernambuco, Brazil	ISO 14001:2015 Environmental Management Systems

The table shows some current ICTSI external certifications, a demonstration of the Company's efforts to carry out its operational activities in an environmentally responsible and sustainable manner:

With or without an external certification, each of the ICTSI Group's ports and terminals have progressed implementation of an Environmental Management System (EMS) to help ensure that a systematic and structured approach for dealing with the following environmental aspects of its operations are in place:

- CO2 emissions (i.e. reduction)
- Energy use (i.e. optimal use)
- Hazardous materials
- Wastewater (i.e. reduction, proper storage, treatment and/or disposal)
- Hazardous waste management (e.g. proper handling, storage, disposal and treatment of used oil / grease, used lead acid batteries or ULAB, fluorescent lamps, waste electrical and electronic equipment or WEEE)
- Non-hazardous waste management (reduction, reusing and/or recycling of waste)

The ICTSI Group's global environmental program, driven by strong senior management support, mandates all terminals to measure key metrics such as fuel consumption, electricity consumption, waste and wastewater generation, and CO2 emissions. Based on measurements, annual targets are set for reduction of environmentally harmful factors.

Aside from the regular air and water surface quality monitoring programs, environmental-related campaigns and awareness sessions (on resource management, waste management, etc.), coastal clean-up and tree-planting activities being conducted by the ICTSI Group's port and terminals, other innovative environmental initiatives were also carried out in 2019 boosting its sustainability efforts:

- As part of a group-wide commitment towards carbon-neutral operations, additional hybrid and next generation energy-efficient cargo handling equipment were rolled out in Manila International Container Terminal (MICT), which is ICTSI's flagship terminal. Aside from further lessening the terminal's carbon footprint, which supports the undertaking to attain carbon neutrality at the flagship, the new quay cranes and rubber tyred gantries pushed a notch higher MICT's already efficient turn-around times both for quayside and landside.
- By significantly reducing its fuel consumption (thru electrification of cranes, by switching energy supply from power packs to reefers, reduction of lubrication use by installing automatic shutdown systems) and by sponsoring preservation of close to 15,000 hectares of mangrove and native forests, ICTSI Guayaquil (CGSA) earned a 'Carbon Neutral' certification (issued by Ecuador Ministry of Environment), the first in South America.
- ICTSI Yantai (YICT) completed last April 2019 an on-site wastewater treatment facility designed to recycle wastewater from reefer container pre-trip inspections and facilitate proper disposal of sewage sludge that results from the water treatment process. With the terminal reusing the recycled water for cleaning containers, an annual reduction of tap water use by around 5,000 m3 and sewerage discharge by 8,400 m3 are being projected.
- VICT, on the other hand, recently built an eco-friendly wash bay for the cleaning and maintenance of all portable machines on site. Designed for the safe washing of the terminal's automatic container cranes (ACCs), the facility is fully enclosed to prevent the potential overspray of cleaning materials that could contaminate the surrounding waters and vegetation. An onsite treatment plant then processes wastewater from the wash bay facility. It is equipped with a dosing system that measures and maintains the water's PH and ORP within safe levels. About 97% of the treated wastewater is recycled and stored in a tank for future use.
- ICTSI Honduras (OPC), has likewise stepped up its efforts in implementing resource use and management initiatives by installing a solar-powered water heater for its kitchen and constructing a rain-water collection & purification treatment plant.

- More of ICTSI terminals such as PICT (Pakistan) and MCT (Mindanao, Philippines) have followed suit to the flagship MICT's program on reducing electrical power consumption by replacing its conventional lighting system with energy efficient LED lighting system. Aside from the lower power consumption, the terminals also benefitted from trimmed running maintenance expenditures and higher illumination levels of the new lighting system, making nighttime work safer and more efficient.

- ICTSI Congo (MGT) partnered with a cement factory near the terminal to dispose of their waste and used oil. This initiative does not only help the terminal address its waste disposal requirements but also supports the cement factory's co-processing of industrial waste thereby reduction the dependency on fossil fuels such as coal, fuel oil, and petroleum coke.

- ICTSI Poland (BCT) deployed a "Bicycle to Work Program" for its employees, which encouraged them to choose and use a bike to commute to work. Employees active in this program received bicycle clothes from the company. The unique program did not only promote a healthy lifestyle but also made employees more aware of their capability to reduce their carbon footprint.

On top of these initiatives, a number of projects are currently in place or being put in place across the ICTSI Group to improve productivity and consequently reduce port emissions. These include among others, gate automation and gate system upgrades to reduce queueing times and utilization of machine learning and analytics to improve and automate yard strategy to reduce truck dwell times (estimated to be around 20 minutes per truck visit). Taken collectively with other process flow improvements, these are expected to have an even greater material impact on indirect emissions from ICTSI port operations.

Nurturing the Community

Community interaction is a basic tenet of the operation of ICTSI wherever it operates. In the Manila International Container Terminal (MICT) and in other ICTSI local and foreign subsidiaries, either through the ICTSI Foundation, the Sustainability and Development Unit, or designated Community Relations Officers, ICTSI seeks to contribute in the over-all effort of addressing community concerns within its area of operation. It has always worked closely with barangay leaders and other government entities, as well as with non-government-organizations (NGOs), to converge ideas and efforts in the identification, planning and execution of projects for the marginalized sector. These projects include scholarship programs, volunteerism programs, livelihood and technological education assistance, medical missions, outreach activities, support to sports programs, Christmas-related activities, construction of classrooms, donations, disaster and environment related awareness programs, relief operations and various school-based assistance, among others.

As the most adjacent community to MICT, ICTSI has given emphasis to the Parola Area by implementing several programs and services in the areas of health, education, livelihood, shelter and environment.

Sixteen community-based projects on health, education and livelihood were approved and supported by ICTSI through the Sustainability and Development Unit amounting to Php 1,612,002.00; these projects and activities were implemented in 2019 in partnership with the member organizations of the Parola Inter-Agency Network with ICTSI as the convener directly benefitting 10,179 individuals from Parola.

ICTSI Foundation

Having established its corporate footprint in over 18 countries, ICTSI Group has joined the ranks of truly global business organizations that are helping redefine standards and initiate or promote best practices in corporate social responsibility. For the Company, corporate social responsibility is seen as having positive impact through Good Global Citizenship – within the organization, ICTSI upholds the diligent practice of Corporate Stewardship; working outward, it actively promotes development partnerships.

In the years immediately leading to 2009, the ICTSI Foundation, Inc. was established as part of efforts to more precisely define the Company's vision on how it could live out its corporate philanthropy and social responsibility commitments. Initially focused on the communities where ICTSI operates in the Philippines, the Foundation today has led subsidiaries across the globe in supporting causes that can directly and immediately bring benefits to their host communities under its three pillars: Education, Sports, and Community Welfare. From its inception and until 2019, these development pillars represent vital areas where the Foundation has provided support mechanisms for young persons. It has, in recent years, also done much in the realm of humanitarian assistance, and disaster response.

Under the leadership of its Board of Trustees and Management Team, the ICTSI Foundation has set forth a new direction for its next decade: broadening its social development horizons not only to the port's hinterland communities, but also the society at large. This, by streamlining the Foundation's thrusts in two new program pillars, Environment Protection and Youth Development Assistance.

As sustainable development issues have become increasingly and inescapably intertwined with mitigating climate change and impact, the ICTSI Foundation works alongside with the Group in promoting environmental stewardship – particularly in conservation and sustainable practices. Renewed focus on the youth's potential are likewise emphasized through expanded programs and projects in the areas of education, sports, health, and social assistance.

With corporate social responsibility at the very heart of ICTSI operations and of corporate governance – the ICTSI Foundation, as the Group's social responsibility arm, continues to make a difference in the lives of the people in the ports' surrounding communities, and in the process, making them lifelong partners in sustainable and inclusive development.

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Turning ports into turning points

2019 ICTSI Corporate Governance Report

International Container Terminal Services, Inc.

Turning ports into turning points

2019 ICTSI Sustainability Report

PRIMER

Supporting nations in transformative growth
Broadening the impact of ICTSI's Good Global Citizenship
Supporting the United Nations Sustainable Development Goals

International Container Terminal Services, Inc.

ICTSI seeks to make ports around the world a driver for positive and sustainable growth.

- Anchored on Good Global Citizenship, ICTSI works to develop and operate efficient and sustainable port facilities and deliver the highest possible benefits to its customers, partners, people, shareholders, and communities.
- Leveraging its strengths, ICTSI supports partner-governments and nations, turning ports into turning points: driving transformative growth and helping accomplish the United Nations Sustainable Development Goals (UN SDGs).

Antipoverty initiatives

COLOMBIA | In 2019, the Organization of American States awarded the Puerto Aguadulce Foundation the 2018 Maritime Award of the Americas in Social Responsibility. Their Emprendepaz Program helps the port's hinterland communities (including three Black Community Committees), and, via jobs and start-ups, has integrated over 385 families into the formal economy in less than two years.

Thanksgiving meals

PHILIPPINES | Among other annual Christmas outreaches, the ICTSI Foundation staff and their education program scholars visited 11 day care centers in the Manila port's host community. Their thanksgiving meals, shared with 798 day care students and 11 workers, complement the other Foundation programs in Parola.

First ISO 45001:2018

PAKISTAN | In 2019, PICT became the South Asian country's first terminal certified as ISO 45001:2018, meeting the world's first integrated international standard for occupational health and safety. PICT also won the Employer's Federation of Pakistan (EFP) Best Practices Award on Occupational Safety & Health.

ISO 45001:2018

Training & online learning

ICTSI GLOBAL | Expanding the Company's technical training and skills enhancement opportunities, ICTSI Global IT launched the Udemy-based online learning facility (initially for ROHQ). In Manila, the MICT Academy offers Management of Terminal Operations courses and the Terminal Executive Diploma Program.

Empowering women

PNG | ICTSI South Pacific supports PNG Palais, the national rugby team, in local and international events, and encourages other women via initiatives such as capability-building sports camps. In Lae, ICTSI South Pacific and ICTSI Foundation donated two new police stations with safe separate facilities for women, and a women's desk to encourage female victims to seek help.

Hybrid RTGs

PHILIPPINES | MICT acquired 16 hybrid rubber-tired gantry cranes (RTGs). Running on a combination of 22kVah Li-ion battery and a smaller diesel engine, these hybrids can reduce carbon emissions by up to 40%, raise fuel efficiency by up to 60%, and are quieter to operate.

Wastewater treatment

CHINA | YICT completed its on-site facility for treating and recycling wastewater (from reefer cleaning) and proper disposal of sewage sludge. The system's first four months of operation helped save potentially 5,000 cubic meters of water and reduce sewage discharge by 8,400 cubic meters per year.

Homegrown talents

IRAQ | Basra Gateway Terminal (BGT) completed its phase 2 expansion program that offers importers/exporters substantial economies of scale. BGT also opened doors for homegrown talent via its recruitment drive at the University of Basra—in line with ICTSI's local employment thrusts and BGT 's support for Iraq's redevelopment.

Ramping up trade

DEMOCRATIC REPUBLIC OF CONGO (DRC) | Expansion works geared for Panamax and larger WAFMAX vessels continued at the Matadi Gateway Terminal (MGT), supporting DRC's containerized trade growth projections. The National Agency for Investment Promotion gave the Investor Recognition Award to MGT for its infrastructure contributions to DRC's growth.

Life-changing education

PHILIPPINES | The ICTSI Foundation's International Scholarship Program helps qualified scholars enter the Northeastern University in Boston, USA. The newest scholar, John Lenard Rivera, made it to the Dean's List while pursuing Civil Engineering. Meanwhile, via the ICTSI Employee Volunteerism Program, selected employee-volunteers give educational aid to children of on-call and rank and file staff.

Eco-friendly wash bay

AUSTRALIA | For cleaning and maintaining terminal equipment, Victoria International Container Terminal (VICT) built an eco-friendly wash bay: designed to protect surrounding waters or vegetation from potential overspray of cleaning materials, and using biodegradable detergents to neutralize harmful chemicals used onsite. VICT, which has a Design rating of Leading from Australia's Infrastructure Sustainability Council, was cited by *Lloyd's List* for excellence in port management and infrastructure.

Biodiversity and forestry gains

COLOMBIA | Puerto Aguadulce's environmental protection covers air-water-noise monitoring, landscape monitoring, and a compensation program. Under its Biodiversity Program, the 41 individual creatures protected in 2019 bring the total (2013 to date) to 4,778. Under Phase 1 (2017-2022) of its Forestry Program, 229,157 trees have been planted to date across 465 hectares.

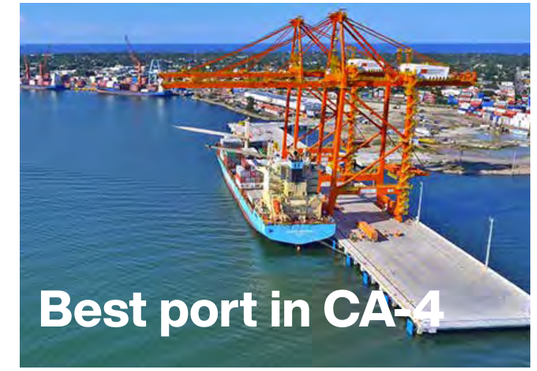
ISO 14064-3:2006

Second Carbon Neutral certification

ECUADOR | First certified for carbon neutrality in 2018 (compliant with ISO 14064-3 standards), Contecon Guayaquil secured the ISO 14064-3:2006 certification in 2019. TÜV Rheinland verified how CGSA—thrice cited by the Ecuadorian Environmental Certification for eco-efficiency—helps conserve vast tracts of Ecuador's natural forests.

A culture of peace

MEXICO | Contecon Manzanillo (CMSA) received the seal of Fair Logistics for its transparency, and support for the environment and small/medium enterprises. CMSA also crafted peace initiatives with the City Council, private sector, educational institutions, and government agencies, launching Convive Manzanillo to address abuse and violence against women. Moreover, CMSA marked the 2nd Cambalache Children's Day for Peace with peace awareness, and donating 100 educational toys and encouraging children to give up "war toys."



HONDURAS | The UN Economic Commission for Latin America and the Caribbean named Puerto Cortes the Central America-4 region's best maritime terminal. A Fair Logistics terminal (certified by the World Organization of Cities and Logistics Platforms), and cited by recruitment firm Tecoloco as Honduras' most attractive employer, OPC drives sustainable growth: hiring 1,300 direct and indirect employees, creating over 4,000 job opportunities via investments and contracting, and pursuing a massive reforestation program (20,000 trees planted to date).

Collaborative cleanups

CROATIA & GEORGIA | Adriatic Gate Container Terminal volunteers linked with Diving Club Rijeka to tackle trash on the seabed fronting the port, while Batumi International Container Terminal joined a coastal cleanup led by the Women's International Shipping and Trading Association.

Equipping people to empower communities

PNG | The ICTSI Foundation and SPICTL held the Sustainable Development Goals awareness seminar. The seminar equipped the locals—60 leaders of host communities (represented by Labu Holdings and AHI Investments)—to integrate sustainability into business operations, and to design more inclusive programs.

For inquiries on ICTSI's sustainability efforts:

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International Container Terminal Services, Inc.

Transforming communities, improving lives

2019 ICTSI Foundation Accomplishment Report

ICTSI Foundation, Inc.

Transforming communities, improving lives

2019 ICTSI Foundation Accomplishment Report

ICTSI Foundation, Inc.

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ICTSI Europe, the Middle East & Africa (EMEA)
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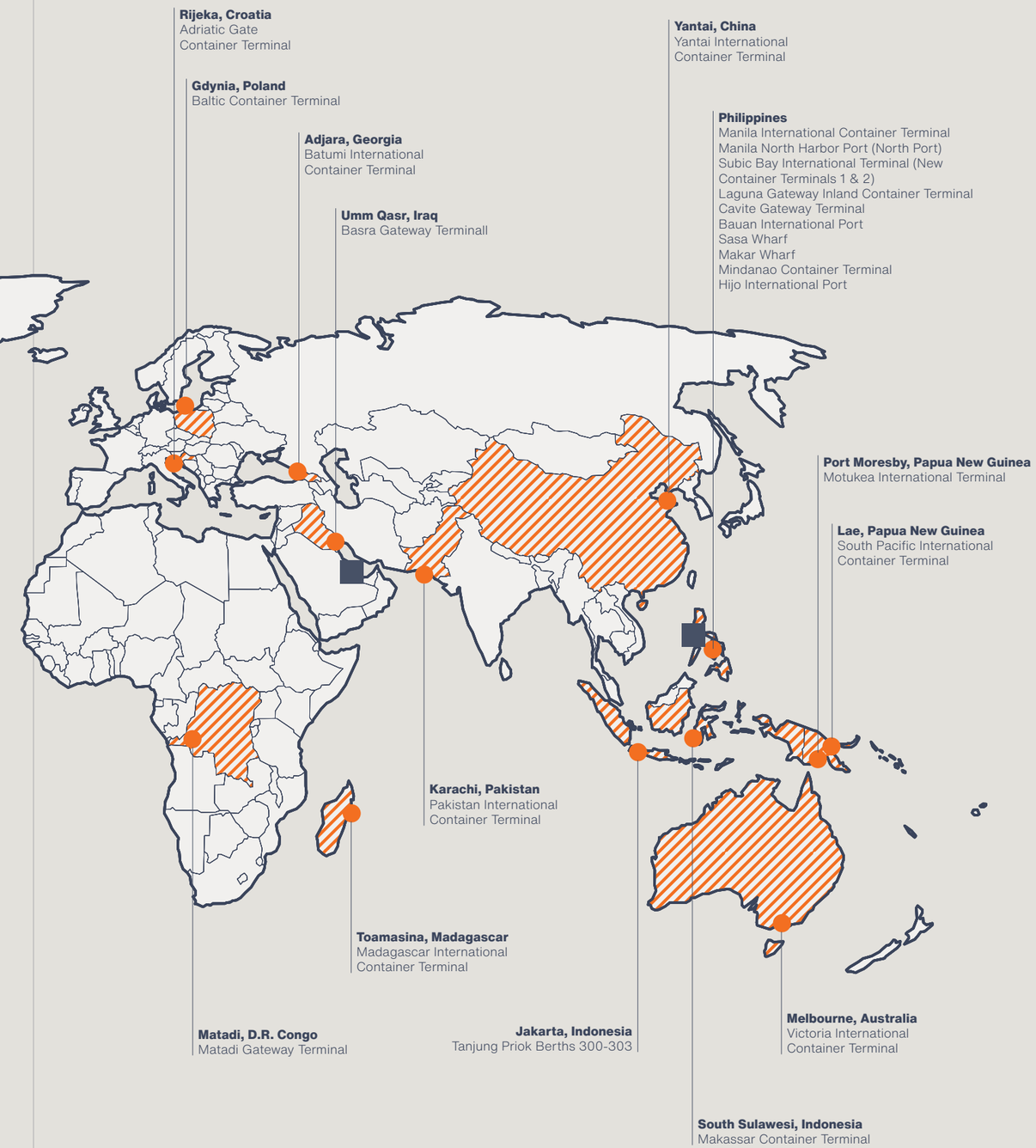

International Container Terminal Services, Inc.

ICTSI Foundation, Inc.

Chairman's Message

The year 2019 was another fulfilling year for the ICTSI Foundation, which marked its 10th anniversary.

Focusing its initiatives on three pillars -- education, sports, and community welfare -- our programs have allowed us to establish progressive relationships with our community beneficiaries and stakeholders, as well as partner institutions with whom we share a common vision.

Our local scholarship programs continued to empower deserving students even as we extended assistance to partner schools.

I am proud of our pioneer international scholars, Marlito Soriano and Charmille Coleen Dizon, for finishing their degrees at Northeastern University (NEU), obtaining degrees in Geology and Accountancy, respectively. I also take pride in our third NEU scholar, John Lenard Rivera, who continues to be part of the Dean's List as a Civil Engineering sophomore.

Meanwhile, our amateur golf program continued to support our young athletes. We also partnered with the Henry V Moran Foundation to support the training of cerebral palsy football athletes who were supposed to represent the Philippines in the 2020 ASEAN Para Games.

Headlining our community welfare program for 2019 is our partnership with Project Liwanag, a nonprofit organization whose mission is to improve the quality of life across indigenous communities through sustainable projects and transformational

grassroots partnerships. Together, we empowered 140 Aeta families in Capas, Tarlac by giving them access to electricity through the installation of solar photovoltaic systems in their communities. Now on its fourth year, the employee volunteerism program continued to gain support as more employees took part in activities throughout the year. I commend our employees for embodying ICTSI's corporate values and stepping up to heed the call for helping and caring.

All these initiatives would not have been possible without our partner institutions from the private and government sectors. The Foundation remains committed to the progressive relationship we have established over the years.
Overseas, the Foundation has set the blueprint for the CSR efforts of our subsidiaries. For the first time, we are incorporating the Corporate Citizenship Review of Operations in the Foundation's Accomplishment Report for an

integrated overview of the ICTSI Group's CSR initiatives and their impact.

But perhaps the more relevant aspect of our accomplishment is our response to the pandemic. Despite the logistics difficulties, the Foundation mobilized its resources and tapped project partners to assist vulnerable and marginalized communities. We joined the business community in collectively raising more than PhP1.7 billion for the Philippine Disaster Relief Foundation's Project Ugnayan– the single largest private sector-led fundraising initiative for households displaced by the community lockdown in Luzon. Project Ugnayan has helped more than 7.6 million Filipinos in the National Capital Region and nearby provinces.

We also provided assistance to more than 1,600 Aeta families through Project Liwanag; the elderly through the Coalition of Services for the Elderly; and our scholars. We also donated food, medical supplies and masks to neighboring communities in Manila and social workers.

When this pandemic is over, we look forward to fine-tuning our programs and broadening our reach to include our ports' hinterland communities. We are embracing the challenge to create a more meaningful, transformative, and inclusive impact by expanding our programs to include environment protection. I am confident that our cumulative experience, nurtured partnerships, institutional values, and renewed vision will allow us to become a more effective catalyst of societal development.

Enrique K. Razon Jr.
Chairman

CSR Statement

GOOD GLOBAL CITIZENSHIP

Corporate social responsibility is at the core of ICTSI operations and corporate governance, encompassing relationships and commitments within the organization and beyond it.

We see CSR as having positive impact through Good Global Citizenship: nurturing harmonious relationships with shareholders and employees, customers and suppliers, host communities, government units and regulatory entities, and other stakeholders.

Within the organization, we uphold the diligent practice of Corporate Stewardship; working outward, we actively promote Development Partnerships.

CORPORATE STEWARDSHIP

We value Good Corporate Governance: principled and effective Corporate Stewardship of people, of corporate resources, and of the environment. We are committed to:

- Promoting a strong culture of excellence, integrity and professionalism among employees;
- Advancing our employees' quality of life; and,
- Protecting our people's health and occupational safety, while protecting the environment, especially in our port operations.

We welcome the continuing evolution of internationally accepted frameworks for setting, implementing and measuring compliance with corporate governance standards and systems.

These frameworks shape and inform our efforts towards:

- Ethical code of conduct in all aspects of the corporate organization;
- Compliance with all government legislation and industry standards; and,
- Accountability to and transparency towards all internal and external stakeholders.

Ours is an ongoing work of transitioning from the simpler embedded-in-practice approach of corporate stewardship, to formal organizational codes of conduct and systems that we can apply across all strata of the organization, and replicate globally across all operations.

DEVELOPMENT PARTNERSHIPS

We embrace the call for the corporate sector to become increasingly active and on-ground partners in development, be it in communities or sectors. We recognize the challenge of the times: the demand for more substantive and more empowering initiatives—Corporate Philanthropy premised, not on the charitable giving model, but on the active promotion of Development Partnerships.

Three distinctives thus mark our Corporate Philanthropy perspective:

- We choose to invest in the youth of today: a critical contribution holding next-generation implications.
- We choose to be context-based: empowering and equipping the youth within the context of their immediate environments, such as the communities they live in, how they learn, and how they play.
- Recognizing the growing impact of environmental issues on social development, we advocate environmental stewardship within the Company and in communities, even as we support disaster response efforts.

In support of government in its social development initiatives, and to contribute to the social development of host communities where ICTSI operates, we maximize multiple avenues for our Corporate Philanthropy commitment:

- Through the long-standing and continuing Group-wide community and sectoral development initiatives of the Head Office and the various local and international subsidiaries;
- Through the official Corporate Philanthropy arm of the ICTSI Group, the ICTSI Foundation, with its Sports Development, Education and Community Welfare program pillars; and,
- Through additional selected advocacies receiving our support.

ICTSI Foundation, Inc.

Vision

A society that supports and advances the growth potentials of the youth

Mission

Provide support mechanisms and stimuli in sports, education, and community welfare/ social services that will enhance youth development

Goals

- To develop young athletes for participation in national and international sports competitions;
- To provide scholarship grants and other forms of educational assistance to deserving youth;
- To provide skills and livelihood trainings to out-of-school-youth and other sectors of selected communities; and,
- To implement community welfare or social services to address needs of identified/selected/preferred communities or individual-beneficiaries.

The Foundation is prepared to take on any of these roles to help ensure the success of developments that are initiated or supported by the ICTSI Head Office, ICTSI subsidiaries, other organizations, or by communities or sectors:

- Proponent
- Partner
- Funding Institution
- Implementer
- Coordinator

Milestones

Before 2009 - In the years leading to 2009, ICTSI lived out its social responsibility commitments to all its host communities serving indigent residents, in partnership with the Philippine Business for Social Progress (PBSP).

2009 - Established in 2009 and starting operations in 2010, ICTSI Foundation, Inc. plans, implements, manages and monitors the Group's social responsibility initiatives.

2011 - Launch of Lusog Dunong Project with PSBP and Synergeia Foundation for the Reading Ready Program.

Children in Parola get their toys from the Foundation's first annual Christmas gift-giving activity, "Handog Salu-Salo Sa Pasko".

2012 - Then Davao City Mayor Rodrigo Duterte graces the opening of a newly renovated day care center in Brgy. Sasa, Davao City.

ICTSI Foundation inks partnership with the Department of Social Welfare and Development.

ICTSI Foundation lays the groundwork for the implementation of CSR projects at Madagascar International Container Terminal in Toamasina and its host communities.

2013 - In solidarity with the survivors of Typhoon Yolanda, ICTSI Foundation organizes its largest Christmas gift-giving activity for some 3000 evacuee-families in Tacloban.

ICTSI Foundation launches the Parola Solid Waste Management Project (PSWMP) with Department of Environment and Natural Resources, Barangay Councils 20 in Tondo and 275 in Binondo.

2014 - ICTSI assigns its Amateur Golf Program to the ICTSI Foundation. The program hones the talents of talented and passionate young golfers with the Foundation providing for their training and participation in tournaments. Amateurs from the marginalized sector -- including indigent youth working informally as ball pickers, caddies and grass cutters, and children of low-income golfers and caddies were given priority.

2015 - ICTSI Foundation launches its International Scholarship Program for deserving college students -- sending Charmille Coleen Dizon and Marlito Soriano, Jr. to Northeastern University in Boston, MA, USA.

ICTSI Foundation lays the groundwork for the implementation of CSR projects at Contecon Manzanillo in Mexico and its host communities.

Milestones

2016 - ICTSI Foundation launches the ICTSI Employee Volunteerism Program, strengthening the ICTSI Group's tradition of employee caring and helping.

ICTSI Foundation extends its educational assistance and scholarship programs to dependents of security personnel at the Manila flagship.

ICTSI Foundation lends a hand to the launching of the Georgia-Philippine Friendship Park in Tbilisi, Georgia.

2017 - ICTSI Foundation extends a hand to the Manila Police - enhancing peace and order in Delpan, Tondo that hosts a large urban poor community.

John Lenard Rivera from Jose Abad Santos High School in Binondo is selected as the 3rd recipient of the ICTSI International Scholarship Program in Boston, MA, USA.

ICTSI Foundation extends assistance to soldiers involved in the Marawi siege.

2018 - ICTSI Foundation lays the ground work for the implementation of CSR projects in Papua New Guinea.

ICTSI Foundation extends assistance to the government's Senior High School program with its donation of a TLE Laboratory in Manamoc National High School in Palawan.

ICTSI Foundation joins the fight against human trafficking across global supply chains, supporting Voice of the Free Foundation, Inc. in protecting vulnerable young women and children and enabaling their road to recovery.

2019 - ICTSI Foundation brings electricity to the indigenous Aetas of Brgy. Sta. Juliana, Capas, Tarlac with the installation of new solar photovoltaic systems.

ICTSI Foundation donates the first of two police stations in Papua New Guinea.

10 YEARS

ICTSI Foundation: A Decade of Service

The year 2019 is a landmark year for the ICTSI Foundation as it celebrates a decade of intensifying partnerships with different communities, institutions, and beneficiaries.

As the ICTSI Group continues to expand its reach, the Foundation has been working as just as hard on its mission to bring inclusive and sustainable development to ICTSI's host communities around the globe through projects that promote education, sports development, and environmental conservation, and social welfare.

The Foundation has done much to learn and adapt to the changing needs of the communities we serve. Each advocacy, project, and community it has been involved with has allowed the Foundation to grow and to develop a better appreciation of its mission. A lot more needs to be done to promote inclusivity and sustainability among our host communities. Nonetheless, the Foundation thrives and acknowledges its partners from the local government units, nongovernment organizations, and ICTSI business units who have been instrumental to the Foundation's accomplishments.

As the Foundation celebrates its first 10 years of service, it looks back on its humble beginnings with a renewed sense of duty to the communities it serves. For the next 10 years, it looks forward to expanding its reach and creating a bigger impact by working together with an expanded shared advocacy partners.

IN 10 YEARS SIFYING | PARTNERSHIPS YOUTH POTENTIAL

Education

Scholarship Program

International Scholarship Program

Quick Facts

- **Beneficiaries: 3 college scholars**

The ICTSI Foundation currently supports the education of three deserving college students at the Northeastern University in Boston, Massachusetts. Taking up degrees in Accountancy and Geology, respectively, Marlito Soriano of General Santos City and Charmille Colleen Dizon of Olongapo City are expected to complete their studies by next academic year. John Lenard Rivera of Manila, taking up Civil Engineering, is now on his second year of studies.

Selected after a rigorous nationwide search, the full scholarship covers their tuition and other miscellaneous fees, books, clothing, dormitory fees, travel expenses, and meals allowance.

IEVP Scholarship Program

Quick Facts

- **Beneficiaries: 4 high school scholars**

ICTSI employees provide support to children of ICTSI's on-call and rank and file employees at the Manila flagship

Local Scholarship Program

Quick Facts

- **Beneficiaries: 80 college and 50 high school scholars**

The Foundation has provided daily allowance (meals and transportation), uniforms, shoes, socks, school supplies, authorized school fees/ tuition fees, books, school projects and other miscellaneous expenses to scholars studying within the hinterlands of ICTSI Philippine ports.

Facilities Improvement

Technology and Livelihood Educational Assistance

Quick Facts

- **Beneficiaries:**
  - 140 students – Bauan, Batangas
  - 1,170 students and 43 teachers – Tagum City
  - 1,463 students and 6 teachers – General Santos City
  - 194 students – Misamis Oriental

Supporting the Department of Education's implementation of the K to 12 program, the Foundation sponsors the upgrading of the public schools nationwide by renovating TLE laboratories, and providing them with adequate equipment and tools.

Project AIDE (Assistance to Improve Day Care Education)

Quick Facts

- **Beneficiaries:**
  - 142 day care pupils and 5 teachers in 5 day care centers – Bauan, Batangas
  - 768 day care pupils and 16 teachers in 16 day care centers – Olongapo City
  - 644 day care pupils and 16 teachers in 16 day care centers – Morong, Bataan
  - 260 day care pupils and 5 teachers in 5 day care centers – Calamba, Laguna

Project AIDE offers strategic contribution to strengthen barangay daycare education: by improving facilities, providing education and instructional materials, and supporting daycare workers' professional development.

My Reading Nook (A School Library Improvement Project)

Quick Facts

- **Beneficiaries:**
  - 1,339 students and 36 teachers – Olongapo City
  - 913 students – Tagoloan, Misamis Oriental

Recognizing the need to boost literacy, the My Reading Nook program supports educational institutions' literacy thrusts in a variety of ways, including building or renovating existing rooms or libraries, providing age-appropriate reading and reference materials, and conducting storytelling sessions with literacy advocates.

Assistance to the DepEd Special Education Program

Quick Facts

- **Beneficiaries:**
  - 53 students – Olongapo City
  - 74 students – Calamba, Laguna
  - 1,166 students and 3 teachers – Davao City
  - 114 students – General Santos City

Supporting the Department of Education's inclusive education policy, the Foundation's SPED Assistance program seeks to help fill-in the educational gaps of children with special needs.

Support to the DepEd Alternative Learning System

Quick Facts

- **Beneficiaries:**
  - 75 ALS learners and 89 mobile learners – Bauan, Batangas
  - 250 ALS learners and 3 teachers – Davao City

Providing better opportunities to school drop-outs who quit schoolling due to poverty and other personal reasons, the Foundation supports the government's ALS program by providing honoraria and stipends for ALS instructors and learners alike.

Training and Capacity Building

Project TEACH (Teacher Enhancement and Capability Honing)

Quick Facts

- **Beneficiaries:**
  - 112 teachers – Manila
  - 151 teachers – Calamba, Laguna
  - 27 teachers – Tanza, Cavite
  - 244 teachers – Misamis Oriental
  - 65 day care teachers – Olongapo City and Morong, Bataan

Supporting their continuing professional development, Project TEACH advocates strong character formation of teachers in schools by providing them with relevant seminars and training.

Sports

Amateur Golf Program

Quick Facts

- **Beneficiaries: 5 lady golfers**

ICTSI continues to take the lead in advancing the development of Philippine golf by supporting the careers of promising lady golfers through the Foundation's amateur golf program.

Full support was given to Yuka Saso, Mafy Singson, Tintin Toralba, Ace Superal and Arnie Taguines in their training needs, including coaching, physical fitness and provision of equipment and uniforms; home schooling/ academic scholarship; and participation in local and international tournaments.

Cerebral Palsy Football

Quick Facts

- **Beneficiaries: 12 athletes with cerebral palsy**

In partnership with the Henry V. Moran Foundation, ICTSI Foundation supports the training of aspiring 7-a-side (cerebral palsy) football players.

Yorme Kois Golf Cup

Quick Facts

- **Beneficiary: PGH Cancer Ward for Children**

In partnership with the City of Manila and the Kaagapay ng Manileno Foundation, ICTSI Foundation supported the Yorme Kois Golf Cup, held at the Manila Golf and Country Club last October, which aims to raise funds for the Cancer Ward for children at the Philippine General Hospital.

Community Welfare

Communal Micro-grid Solar PV Electrification Project

Quick Facts

- **Beneficiaries: 140 families**

In partnership with Project Liwanag, ICTSI Foundation funded the installation of community micro-grid solar electrifications for two Aeta communities in Capas, Tarlac—Sitio Alunan Purok 2 and Sitio Malalabatay—both in Barangay Sta. Juliana

Parola Solid Waste Management Project

Quick Facts

- **Beneficiaries:**
  - 78 volunteer Parola Eco-Patrols
  - 70,000 individuals residing in Parola and Isla Puting Bato

Now on its sixth year, this Project is a community-based solid waste management project in partnership with the Department of Environment and National Resources, Department of Social Welfare and Development, the City Government of Manila, Philippine Business for Social Progress, and the Barangay Councils of 20 and 275, MICT's hinterland communities. PSWMP aims to resolve the indiscriminate littering and dumping of garbage, which endangers the health and safety of residents, and the environment as well.

ICTSI Employee Volunteerism Program

Quick Facts

- **Beneficiaries:**
  - Brigada Eskwela 2019 – 66 employees and their families participated in the repainting of chairs, blackboards and doors in 7 classrooms at Manila High School
  - Marikina Watershed Reforestation Fun Run – 50 participating employees
  - Servathon 2019 – 90 participating employees along with their families joined in making bokashi balls and assembled environment kits
  - Philippine National School for the Blind - 93 students were given a bag containing hygiene kits, groceries, and milk; for the school, a JAWS application software and 12 sacks of rice
  - DSWD Sanctuary Center – 213 women with mental illness. Donated fans, monobloc chairs and tables, sanitary napkins, and adult diapers
  - Reforestation project in Capas, Tarlac - 45 employees participated in planting 1,000 seedlings over two hectares of forest land in Sitio Bunga.

Now on its fourth year, the ICTSI Employee Volunteerism Program (IEVP) serves as an avenue for employees' personal development and fulfillment. Envisioned to help generate social value in the form of increased employee engagement and opportunities for unity and teamwork, the IEVP also provides holistic benefits for employees—mainly in the form of enhanced fulfillment and sense of purpose—through volunteer service to individuals, groups or communities, especially from marginalized sectors.

It also systematizes and strengthens the ICTSI Group's long-running tradition of employee volunteerism; benefits ICTSI ports' host communities, which have always been the primary beneficiaries of the Company's CSR programs and projects; and, benefits other groups, sectors, and communities through IEVP outreaches.

Medical Mission

Quick Facts

- **Beneficiaries:**
  - Manila – 8 health workers and 33 pregnant patients
  - Calamba – 461 indigent residents of Barangay San Cristobal
  - General Santos – 327 indigent patients in Barangay Sinawal
  - Misamis Oriental - 286 indigent residents at Barangay Rosario in Tagoloan availed of free medical consultation and circumcision

This project aims to provide immediate medical services (check-up, referrals and medicines) in communities where ICTSI operates in partnership with Local Health Units / Municipal Health Offices.

Donation of 2D Echo Machines

Quick Facts

- **Beneficiaries:**
  - Manila – indigent patients in Pandacan

The Foundation led the donation of ultrasound machines with 2D Echo capability to Kabaka Foundation for its community clinic, pharmacy, laboratory and diagnostic center, catering to the poorest residents of Manila. Also in partnership with the Ateneo School of Medicine and Public Health, refresher courses were given by the Foundation to barangay health workers of San Nicolas, Binondo, and Parola communities to better serve indigent women during a critical stage of their pregnancy.

Donation to Apalit Christian Community Health Center

Quick Facts

- **Beneficiaries:**
  - Apalit, Pampanga – 35-bed capacity health center

The Foundation donated a 35-bed capacity building for the Apalit Christian Christian Community Health Center Foundation, which caters to indigent residents of Pampanga.

Christmas Outreach Initiatives

Annual Gift Giving

Quick Facts

- **Beneficiaries:**
  - Manila – 870 day care children in Parola Day Care Centers
  - Bauan – 250 indigent senior citizens in Barangay San Andres Uno and San Roque
  - Olongapo – Hygiene kits, diapers, and house clothes were given to 30 abandoned elderly and 8 adults at the Missionaries of Charity in Old Cabalan; disinfectants, cleaning materials and mosquito spray for the center
  - Calamba – 27 abandoned, abused and neglected children at the Calamba Children's Shelter of Hope
  - Misamis Oriental – 54 mentally challenged patients at the House of Hope Foundation; donated washing machine, portable audio systems, pillows, blankets, towels and toiletries for the center
  - Davao City – 75 households from the Matigsalog Tribe in Pangyan received grocery items, basic medicines, and rice
  - Sarangani – 120 T'Boli students of Pedro Cabales Elementary School receiving a bag of school supplies, hygiene kits, and slippers

The Foundation's annual gift-giving project animates the spirit of Christmas and gives ICTSI employees an infinite sense of fulfillment from taking part in the Employee Volunteer Program.

Beneficiaries are institutions and organizations that care for street children, orphans, abandoned children, indigent senior citizens, or children in conflict with law.

Christmas Wish Tree Project

Quick Facts

- **Beneficiaries:**
  - Manila – 490 children in Silungan ng Pag-Asa halfway home, Bukas Palad Foundation, Kanlungan sa Erma, Inc., Missionaries of the Poor, and Sinag Tala Children and Youth Center

Complementing the Foundation's Christmas Outreach is the Christmas Wish Tree Project, aiming to engage the ICTSI community — employees, their families, and other port users — to grant the Christmas wishes of marginalized children in institutions.

Relief Operations

Quick Facts

- **Beneficiaries:**
  - Manila – 591 families in Gates 1 and 2, and 60 families in Gate 10

In coordination with ICTSI employee-volunteers, the Foundation extended immediate assistance to Parola residents affected by large community fires

Training and Capacity Development

Disaster Preparedness Orientation Course

Quick Facts

- **Beneficiaries:**
  - 907 residents of Parola and Isla Puting Bato

In partnership with the Metro Manila Development Authority, the Foundation has conducted trainings on disaster preparedness for immediate communities of MICT and NorthPort

Environmental and Climate Change Mitigation Programs

Quick Facts

- **Beneficiaries:**
  - 907 residents of Parola and Isla Puting Bato

The Foundation continues to educate residents of ICTSI's host communities on RA 9003 and leadership trainings for educators and Sangguniang Kabataan officials

Aligning with the Group

With operations well underway in Papua New Guinea, ICTSI continues to ramp up the implementation of high-impact programs supporting the sustainable development of Motukea International Terminal in Port Moresby and South Pacific International Container Terminal in Lae. With the ICTSI Foundation and PNG subsidiary ICTSI South Pacific at the lead, the Company directly and immediately brings benefits to the ports' surrounding communities, and in the process, making them lifelong partners for inclusive growth.

Responding to the immediate needs of its host communities in terms of peace and order, community development and education -- ICTSI, during the year in review, donated two new police stations for the Malahang and Omili communities in Lae; three new coaster buses for Port Moresby's Baruni and Tatana villages; and more than 5,000 bags for school-age children in Port Moresby and Lae.

Meanwhile through the ICTSI PNG Palais, the women's national rugby team supported by the Company, sports camps were held across the country -- empowering young Papuan women through sports.

An environmental awareness campaign, 'Orange is the new Green' was likewise launched in Lae to support the port's green initiatives.

To further capacitate local leaders in implementing their own sustainability initiatives, a two-day Sustainable Development Goals (SDGs) awareness seminar was organized for 60 leaders of Labu Holdings and AHI Investments, which represents the Labu and Ahi communities, respectively.

Also to serve as benchmark for future projects, scoping activities were continued in Lae's coastal communities of Tale, Miti, Butu, and Pile.

An appreciation party and team building activity was likewise organized by the Foundation to honor the leadership of ICTSI's host communities in Labu and Ahi -- fostering strong ties between Filipinos and Papuans.

Corporate Citizenship

The ICTSI Group remained committed to its role as a corporate citizen of countries where it operates. Through the ICTSI Foundation, the Group continued to serve and positively affect the lives of the youth in marginalized sectors of ICTSI's host communities in the Philippines by implementing projects that are in line with the Foundation's core pillars. With the Foundation's projects as benchmark, ICTSI subsidiaries worldwide support, design and implement their respective corporate social responsibility programs.

Education

Philippines: ICTSI supported the Bukas Loob sa Diyos (BLD) Covenant Community in their various fund raising projects. BLD has for its flagship program, the Scholarship of Hope, where indigent students in the Philippines' public school system receive support regardless of the scholar's academic status, as long as the scholar desires to finish basic education.

Philippines: Through the Public Relations Office, 18 students and two faculty members from different universities across the country with their participation in the 26th National Public Relations Congress.

Honduras: Operadora Portuaria Centroamericana (OPC) distributed school supplies to some 80 students with disability from the Emmanuel Special School belonging to marginalized communities in Puerto Cortes. This part of OPC's We Can All be Useful Campaign, which started in 2016. Aside from the turnover of school supplies which were donated by employees and partners, OPC also supported the Emanuel Special School through charity walks, airconditioning of facilities and collaboration for special events. OPC likewise made a US$18,000 donation to the Federico Ozanam Institute, a technical-vocational institution in Puerto Cortes.

Mexico: Helping students in their professional development, Contecon Manzanillo opened its Contecon Academy internship program for students from Colima, Jalisco, and other Mexican states who wanted to learn how the best port in the region works. CMSA likewise donated new pairs of shoes to 57 children under the care of the Los Angelitos orphanage under its Pies con Zapatitos (Feet with Shoes) campaign.

DR Congo: To encourage more primary school children to continue their education, Matadi Gateway Terminal donated some 300 benches to six schools in Matadi City.

Papua New Guinea: ICTSI's PNG subsidiaries, Motukea International Terminal and South Pacific International Container Terminal donated some 2,000 school bags containing exercise books, colored pencils, and crayons to primary school students in Tatana, Baruni and Hagara villages.

Croatia: Adriatic Gate Container Terminal (AGCT) organized a graphic contest for the students of Rijeka's Academy of Fine Arts, wherein they presented the terminal in their own point of view.

Community Welfare

Philippines: For the third year, ICTSI has given support to the Philippine Center for Entrepreneurship (PCE) and its Go Negosyo program towards its shared goal of inclusive growth, and lifting millions of Filipinos through entrepreneurship. For 2019, ICTSI is Go Negosyo's top corporate sponsor, helping the program to catalyze entrepreneurship in the country and promote the agenda of "Prosperity for All."

A road safety program for children living in the Parola community was organized by ICTSI through the MICT Sustainability and Development Unit. A high-traffic area owing to the number of trucks going to and from the terminal, children were educated to become responsible commuters and vigilant pedestrians, and prevent accidents along MICT's access roads.

MICT likewise led a motorcade to support the Bureau of Fire Protection's (BFP) continuing campaign to spread fire safety awareness among the residents of the terminal's neighboring communities. Joining the motorcade were MICT employees, ICTSI and PMO Riders' Clubs, volunteer Eco Patrols of the Parola Solid Waste Management Project, as well as BFP personnel from Manila, who also distributed leaflets, posters, and flyers on fire prevention.

ICTSI likewise donated to the City Government of Cabuyao in Laguna a 2,185 square meter land for their road infrastructure project. This is on top of a 4,611 square meter land earlier donated by the Company.

Colombia: Sociedad Puerto Industrial de Aguadulce's Emprendepaz Program, implemented by the Puerto Aguadulce – COMPAS Foundation, supports local entrepreneurs and start-ups within the port's hinterland communities in the Aguadulce Peninsula including three Black Community Committees (CCCN, in Spanish): Bajo Calima, Citronela and Córdoba-San Cipriano.

As a result and through SPIA's technical assistance, more than 385 families were integrated into the formal economy, creating 254 new jobs and 17 local startups during its implementation between November 2017 and April 2019. By promoting economic inclusivity, the program supported peace and reconciliation efforts within hinterland communities.

Of the 17 businesses that were created and/or strengthened through the program, five of them ventured into the service sector -- five in agriculture, two in gastronomy, two in arts (music and dance), two in traditional craftsmanship, and one in retail. In

addition, the program achieved another milestone after planting 132 additional acres of Chinese potatoes, banana and cocoa, a 60 percent increase prior to implementation.

Mexico: More than 2,000 runners took part in the 2019 Carrera Contecon run—261 of whom were children, and 55 handicapped persons, including those with dwarfism. Thanks to the high turnout, CMSA was able to donate more than 1,000 eyeglasses to low-income elementary students from Colima and Manzanillo, and provided support to persons of low stature caused by bone dysplasia or other medical conditions.

Also in celebration of the second Cambalache Children's Day for Peace, CMSA donated 100 educational toys – asking children to give up their "war toys" in exchange for toys that would encourage creativity, stimulate their imagination and promote a culture of peace among families in the community.

Brazil: Tecon Suape made donations to four institutions – Orquestra Crianca Cidada, Aria Social, HS Esporte and IMIP, benefitting 2,750 people – children, adolescents, and the vulnerable elderly.

Iraq: Basra Gateway Terminal (BGT) donated packets of meat to residents of Umm Qasr as a means of giving back to the less-fortunate members of the community, and in keeping with the spirit of Edi al-Adha or the Feast of the Sacrifice.

Georgia: Batumi International Container Terminal hosted a dinner for 2,000 of Georgia's homeless, displaced, elderly and vulnerable sectors – serving them with traditional meals on Action Day. BICT likewise continues its support for Georgia's State Maritime Academy, supporting the development of Georgia's maritime sector.

Papua New Guinea: ICTSI South Pacific, in partnership with the ICTSI Foundation, completed the construction of a new police station for Lae's Malahang and Omili communities. Costing PGK505,000 each, the new police stations will have separate cell blocks for men, women, and juveniles, an ablution bloc, and fully-furnished offices. A women's desk was put up to encourage female victims to seek assistance and file complaints. Local contractors were tapped to engage community members and ensure that the money goes back to them, along with the human capital investments that goes with the construction.

In Port Moresby, three coaster buses were purchased for the Noho Mage community, to kickstart the transportation of local workers to and from the Motukea International Terminal.

Also through the ICTSI Foundation, community leaders of impacted communities in PNG were given a capability-building workshop in Manila to align ICTSI's PNG units with the Company's sustainability targets, and integrate these by designing inclusive programs for their respective communities.

Environment

Pakistan: PICT employees teamed up with students from the Institute of Industrial Electronics Engineering (IIEE) for a tree planting in observance of Earth Day 2019. Trees planted around campus include neem, sukchain, cane-air and moringa.

China: In partnership with the Yantai Daily Newspaper, YICT volunteers joined tree planting activities in efforts to protect the forest cover near Yantai port, home to many species of endemic flora and fauna in China.

Croatia: With assistance of Diving Club Rijeka, Adriatic Gate Container Terminal (AGCT)'s HSSE Department organized a cleanup of the port's seabed. Volunteers spent several hours collecting discarded materials for proper disposal.

Mexico: CMSA joined the ecoregatta organized by the Manzanillo Port and maritime community last 19 May. The annual sailing event serves as a platform to promote environmental awareness and recycling.

DR Congo: Some 4,500 acacia seedlings and 250 fruit trees were planted by MGT as part of its reforestation program in partnership with the country's Ministry of Environment and Land.

Philippines: NorthPort initiated a cleanup of the waters surrounding the port along with personnel from the Philippine Ports Authority, and Manila Harbor Center.

Honduras: OPC is making good progress with its environmental conservation efforts. To date, OPC successfully replanted more than 20,000 trees across Puerto Cortes, while environmental education efforts were sustained through visits at the Franklin D. Roosevelt School, H. Hammer Regional Basic Center, and the Republic of Chile school – teaching children with simple initiatives such as planting trees, and encouraging them to avoid products that contain harmful chlorofluorocarbons (CFCs), which could deplete Earth's atmospheric ozone layer.

Apart from regular cleanups, OPC likewise installed markers on beachfronts to educate the public on recycling and taking care of the coastlines.

Health

Pakistan: Pakistan International Container Terminal organized a blood drive and awareness seminar about Thalassemia, a blood disorder that causes the human body to produce less hemoglobin than normal. PICT has been working with the Afzaal Memorial Thalassemia Foundation to provide world-class treatment for free to patients with Thalassemia and other blood disorders.

PICT has likewise set up "relief" centers within the terminal premises to ensure the safety of both employees and visitors during the heatwave that hit Karachi in 2019.

DR Congo: To combat the sickle cell anemia, a rare blood disorder which afflicts up to 30% of the DR Congo population, Matadi Gateway Terminal has partnered with the Foundation Sandra Lengo Djedi to procure screening equipment for the disease, and the production of special television programs to improve communication and information dissemination about the disease.

MGT likewise supported the renovation of delivery and neonatal rooms for Kiamvu Hospital – a level five government hospital in Matadi to improve maternal care for women and their newborns.

Manila and Subic, Philippines: Manila International Container Terminal and Subic Bay International Terminal Corp. supported blood-letting activities for employees, helping the Philippine Red Cross to help provide access to safe blood, and to encourage more people to donate blood and help save lives.

Mexico: Contecon Manzanillo continues to support the healthcare needs of its stakeholders. Using staple wires collected by employees, CMSA, in partnership with Fundacion Ayo Rebecca London A.C., launched its Staples for Wheelchairs program. For every kilogram collected, a wheelchair will be given to differently-abled individuals.

To help generate awareness on breast cancer, CMSA, together with the Ministry of Health, organized a seminar on early detection of the disease through monthly self-examination, the risk factors involved, and healthy lifestyle practices geared towards prevention.

CMSA likewise donated USD25,000 to the local Red Cross chapter's annual fundraiser, and donated prescription glasses for school-age youth as part of the proceeds of the Carrera Contecon.

Honduras: OPC successfully raised 208,000,000 lempiras in a 24-hour telethon, supporting the Integral Rehabilitation Center of Puerto Cortes – providing free physical, occupational, and special language professional services for the municipality of Cortes, Omoa, and surrounding communities. Also as part of International Day of Persons with Disabilities, OPC organized a motivational talk to students, parents of Emanuel Special School – tackling the issues of inclusivity, respect, and non-discrimination against persons with disabilities.

Medical missions were also organized by OPC for the elderly, bringing in clowns, beauty services, snacks, drinks and medicines during International Adult Day; while free breast screenings were given to female employees, as part of efforts to prevent breast cancer.

Iraq: Recognizing the vital role that it plays in caring for children with autism, Basra Gateway Terminal (BGT) donated appliances to the Autistic Children's Rehabilitation Center in Umm Qasr. Founded in 2003 by several female workers with the help of the Umm Qasr City Council to support autistic children through early learning programs, the center is the only institution for children with special needs outside Basra and is primarily funded by parents and the community.

Diversity and Inclusion

Papua New Guinea: ICTSI is raising the stakes high to get women together and help them see themselves as important economic producers for the family and the community. Contributing to improving PNG's gender gap, ICTSI has employed three women to become the first operators of port handling equipment in the country, while a huge part of ICTSI PNG's growing workforce are women – including those from IT, human resources and corporate affairs.

Through its sponsorship of the national women's rugby team, the PNG Palais, women and girls realize the values of teamwork, self-reliance and resilience, and help them understand their bodies and build confidence and the ability to speak up.

Mexico: Contecon Manzanillo launched the "Convive Manzanillo" program, aiming to train 30 women during three months through workshops that will help humanize and dignify their spaces to improve prosperity, healthy living and a better quality of life. During Mother's Day, CMSA honored female employees with a feast on board a catamaran, while touring Manzanillo's coast from Santiago to La Boquita beach.

Pakistan: In celebration of International Women's Day, Pakistan International Container Terminal (PICT) held a mentorship talk for female students of Hamdard University. PICT's female employees shared their corporate experience and how they overcame challenges to prove themselves as capable members of the organization, while encouraging them to transcend gender stereotypes and achieve their potential to become productive and powerful members of society.

China: As part of Women's Day, Yantai International Container Terminal organized an arts and crafts day with the theme "Beautiful Life on the Fingertips," giving female employees and other women stakeholders a chance to express their creativity and craftsmanship.

Honduras: In celebration of the Honduran Women's Day, a manicure-pedicure workshop was held with OPC female employees, wives, sisters and daughters in attendance. Beauty kits and a diploma were given to the participants to enable them to start a living outside of the port.

Philippines: ICTSI Global Corporate Legal Affairs together with the ICTSI Foundation visited the Voice of the Free Foundation, Inc. (VF) shelter in Rizal, where the Company reiterated its support to empower vulnerable women and children rescued from prostitution, cybersex, and migrant forced labor.

Sports

Philippines: ICTSI continues to support the De La Salle University's men's varsity basketball team, the DLSU Green Archers as they competed in the Season 82 of the University Athletic Association of the Philippines (UAAP)'s men's basketball tournament.

ICTSI also reaffirmed its commitment to promote kiteboarding by sponsoring the 7th ICTSI Philippine Kiteboarding Tour. ICTSI has been a staunch supporter since the Tour's inception.

The Group continues to be the Philippines' leading golf benefactor through its sponsorship of the men's and ladies' circuits of the Philippine Golf Tour (PGT), the country's national pro golf league; and its golfer management system for amateurs under the ICTSI Foundation. In 2019, the PGT held a total of TBC tournaments in the country's finest golf courses. Southeast Asia's largest pro golf league, the PGT Asia, continues to attract top talents across the region.

Pitted against the world's best, ICTSI remains committed to the careers of the country's leading golfers. Three Filipino golfers continue to work their rankings with hopes of making the cut for the 2021 Tokyo Olympics: Two-time Asian Tour leg winner and Rio Olympian Miguel Tabuena; Yuka Saso, among the prized talents under the wing of the ICTSI Foundation's amateur golf program, who recently moved up to the pro ranks; and Dottie Ardina, who recently gained her LPGA card status.

The Company likewise continues to support the country's top pros: Miguel Tabuena, Francisco "Frankie" Miñoza, Princess Superal; Pauline del Rosario, Bianca Pagdanganan, Yuka Saso and Dottie Ardina.

Full support is likewise given to lady amateurs Maria Rafaela "Mafy" Singson, Samantha Dizon, Eagle Ace Superal and Arnie Taguines in their training needs, including coaching, physical fitness and provision of equipment and uniforms; home schooling/ academic scholarship; and participation in local and international tournaments.

Honduras: Operadora Portuaria Centroamericana (OPC) supported Puerto Cortes-based Platense Football Club as its official sponsor. The club, founded in 1960, became the first champions of the Honduran National Football League. Supporting the youth, OPC likewise delivered two new hoops for the Puerto Cortes' Municipal Sports Institute and organized soccer events children – aiming to raise funds for the construction of the Emanuel Municipal School.

Papua New Guinea: ICTSI South Pacific continued to support the country's national women's rugby club, the ICTSI PNG Palais as they competed in the blue ribbon Hong Kong Sevens and the prestigious World Cup Sevens in San Francisco. In the spirit of "paying it forward," PNG's national women's rugby team also joined the employees and officers of ICTSI's operating company in Motukea and Lae in distributing 700 school bags to impacted communities. The team also held clinics introducing the sport of rugby to young Papuan women.

Madagascar: Madagascar International Container Terminal organized a free live broadcast of the FIFA World Cup matches for three weeks. Hundreds of residents crowded in Madagascar's Independence Avenue to watch the FIFA World Cup Finals.

Financial Statements

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
ICTSI Foundation, Inc.
2nd Floor, ICTSI Administration Building, South Access Road,
Manila International Container Terminal, Port of Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ICTSI Foundation, Inc. (the Foundation), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 PSAs 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 financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Foundation'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 Foundation'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 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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 15 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of ICTSI Foundation, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 8125308, January 7, 2020, Makati City

June 29, 2020

ICTSI FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 5)	**₱10,447,327**	₱16,773,577
Prepaid expenses and other current assets (Note 6)	**323,967**	137,099
Total Current Assets	**10,771,294**	16,910,676
Noncurrent Assets		
Property and equipment (Note 7)	**458,901**	621,861
Security deposit (Note 13)	**203,290**	197,370
Total Noncurrent Assets	**662,191**	819,231
TOTAL ASSETS	**₱11,433,485**	₱17,729,907
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and other current liabilities (Note 8)	**₱3,561,095**	₱4,499,285
Noncurrent Liabilities		
Retirement benefits liability (Note 12)	**2,618,995**	503,753
Total Liabilities	**6,180,090**	5,003,038
Fund Balance	**5,253,395**	12,726,869
TOTAL LIABILITIES AND FUND BALANCE	**₱11,433,485**	₱17,729,907

See accompanying Notes to Financial Statements.

ICTSI FOUNDATION, INC.
STATEMENTS OF REVENUE AND EXPENSES

	Years Ended December 31	
	2019	2018
REVENUE		
Grants and donations (Note 9)	**₱63,014,489**	₱82,240,715
Interest income (Note 5)	**25,255**	30,230
Unrealized foreign exchange gain - net	**–**	17,173
Gain on reversal of retirement benefits liability (Note 12)	**–**	128,034
	63,039,744	82,416,152
EXPENSES		
Project expenses (Note 10)	**64,657,723**	67,059,425
Administrative expenses (Note 11)	**4,387,021**	4,287,744
Unrealized foreign exchange loss - net	**113,454**	–
	69,158,198	71,347,169
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**(₱6,118,454)**	₱11,068,983

See accompanying Notes to Financial Statements.

ICTSI FOUNDATION, INC.
STATEMENTS OF CHANGES IN FUND BALANCE

	Year Ended December 31, 2019
Fund balance at December 31, 2018	**₱12,726,869**
Effect of adoption of PFRS for Small Entities (Notes 12 and 13)	**(1,355,020)**
Fund balance at January 1, 2019	**11,371,849**
Deficiency of revenue over expenses	**(6,118,454)**
Fund balance at December 31, 2019	**₱5,253,395**
	Year Ended December 31, 2018
Fund balance at December 31, 2017	₱1,657,886
Excess of revenue over expenses	11,068,983
Fund balance at December 31, 2018	₱12,726,869

See accompanying Notes to Financial Statements.

ICTSI FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**(₱6,118,454)**	₱11,068,983
Adjustments for:		
Depreciation (Notes 7)	**239,156**	248,143
Gain on reversal of retirement benefits liability (Note 12)	**-**	(128,034)
Interest income (Note 5)	**(25,255)**	(30,230)
Unrealized foreign exchange loss (gain) - net	**113,454**	(17,173)
Pension cost (Note 12)	**597,187**	57,439
Excess (deficiency) of revenue expenses before changes in working capital	**(5,193,912)**	11,199,128
Increase in prepaid expenses and other current assets	**(186,868)**	(102,421)
Increase (decrease) in accounts payable and other current liabilities	**(781,075)**	1,117,604
Cash generated from (used in) operations	**(6,161,855)**	12,214,311
Interest received	**25,255**	30,230
Net cash flows provided by (used in) operating activities	**(6,136,600)**	12,244,541
CASH FLOWS USED IN INVESTING ACTIVITY		
Acquisition of property and equipment	**(76,196)**	(683,085)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(113,454)**	17,173
NET INCREASE (DECREASE) IN CASH	**(6,326,250)**	11,578,629
CASH AT BEGINNING OF YEAR	**16,773,577**	5,194,948
CASH AT END OF YEAR (Note 5)	**₱10,447,327**	₱16,773,577

See accompanying Notes to Financial Statements.

ICTSI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. Foundation Information and Authorization for the Issuance of the Financial Statements

Foundation Information

The ICTSI Foundation, Inc. (the "Foundation") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 12, 2009 but its operations officially started on January 1, 2010. The Foundation is organized and operated generally in and for the public interest; and specifically for charitable, civic, social, artistic and cultural endeavors; education youth and sports development; community welfare and development efforts and other related purposes beneficial to the national welfare. The objective of the Foundation is to support the search for training, development and competitiveness of athletes who can represent the Philippines in the national, regional and international competitions; to promote the development of sports; to foster the advancement of education; and to conduct seminars, workshops or livelihood projects in urban and rural communities.

As a non-stock, non-profit corporation, the Foundation's income is exempt from the payment of income tax as set forth in Section 30(E) of Republic Act No. 8424 known as "An Act Amending the National Internal Revenue Code, as Amended and for other Purposes". However, the income of whatever kind and character from any of its properties, real or personal, or any of their activities conducted for profit regardless of the disposition made of such income shall be subject to tax imposed under the Code. The Foundation applied for re-accreditation with the Philippine Council for Non-Governmental Organization Certification and was awarded a certificate of accreditation on February 26, 2016 that is valid until February 25, 2021.

The registered office address of the Foundation is Room 204, 2nd Floor, ICTSI Administration Building, South Access Road, Manila International Container Terminal, Port of Manila.

Authorization for the Issuance of the Financial Statements

The financial statements of the Foundation as at December 31, 2019 and 2018 and for the years then ended December 31, 2019 and 2018 were approved and authorized for issuance by the Board of Trustees on June 29, 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The financial statements have been prepared on a historical basis and are presented in Philippine Peso (Peso or ₱), which is the Foundation's functional and presentation currency. All amounts are rounded off to the nearest Peso unit, except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs).

3. Summary of Changes in Significant Accounting and Financial Reporting Policies

PFRS for Small Entities

In March 2018, the Philippine SEC resolved to adopt PFRS for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRS for SMEs is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are generally not relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, the Framework allows small entities to comply with the financial reporting requirements without undue cost or burden.

Some of the key simplifications introduced by the Framework are as follows:

- For defined benefit plans, an entity is required to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or Company policy (if superior than RA 7641). Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.
- Investment properties can be carried either at cost or at fair value, depending on the policy choice made by the entity.
- There is no concept of "finance lease" under the Framework. All lease receipts (payments) are recognized as income (expense) as earned (incurred).
- Inventories are to be subsequently valued at the lower of cost and market value (i.e., the probable selling price to willing buyers as of reporting date).
- Entities are given a policy choice of not recognizing deferred taxes in the financial statements.

The Foundation adopted the Framework when it became mandatory starting January 1, 2019.

The change did not result to significant changes in the Foundation's accounting policies except for its accounting on retirement benefits and lease payments. Under the Framework, retirement benefits are computed based on accrual approach while lease payments are expensed as incurred. However, the Framework does not require restatement of comparative information. The change in accounting policy is recognized only through an adjustment on its opening balances in the date of transition.

4. Summary of Significant Accounting Policies

Cash

Cash includes cash on hand and in bank.

Prepaid expenses and other current assets

Prepaid expenses and other current assets are expenses paid in advance and recorded as asset before they are utilized. This account includes advances given to employees for the implementation of the Foundation's projects which are expected to be liquidated within 12 months.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment loss. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

Depreciation starts on the succeeding month after the property and equipment are available for use and computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Office equipment	3-5
Transportation equipment	5
Office improvements	3-5
Leasehold improvements	5 or term of the lease, whichever is shorter

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of revenue and expenses in the year the asset is derecognized.

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

Impairment of Property and Equipment

At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of revenue and expenses.

Security Deposit

Security deposit is recorded based on the lease contract of the Foundation which is expected to be realized for more than 12 months after the reporting period (see Note 13).

Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities is part of the working capital used in the normal operating cycle of the Foundation. Other current liabilities are not settled as part of the Foundation's normal operating cycle but are due for settlement within 12 months after the reporting date. Accounts payable and other current liabilities are recognized in the period when incurred.

Other current liabilities include accrued expenses, accounts payable, Social Security System (SSS)/Employees' Compensation Commission (ECC), Philippine Health Insurance Corporation (Philhealth), Home Development Mutual Fund (HDMF) premiums payable and others.

Leases

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

The Foundation, as the lessee, does not acquire substantially all the risks and benefits of ownership of the leased asset and thus is classified as operating lease. Operating lease payments are recognized as expense in the statement of revenue and expenses in the period when they are incurred.

Retirement Costs

The Foundation has a defined benefit plan, covering all its current 13 regular employees. Retirement costs are determined based on the provisions of retirement plan of the Foundation. The retirement benefit is computed 100% of the latest basic monthly salary for every year of credit service.

Under the PFRS for SEs, the retirement liability is recorded based on accrual approach. It is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

Fund Balance

The amount included in fund balances represents net accumulated excess of income over expenses.

Income

Income is recognized to the extent that it is probable that the economic benefits will flow to the Foundation and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized.

Grants and Donations. Income from grants and donations are recognized upon receipt of the amount from the donor.

Interest Income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Expenses

Project and Administrative Expenses. Project and administrative expenses are recognized as incurred.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of revenue and expenses. 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.

Provisions

Provisions, if any, are recognized when the Foundation 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessment of the time value of money and, 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 interest expense.

Contingencies

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

Events after the reporting period

Post year-end events that provide additional information about the Foundation's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material (see Note 14).

5. Cash

This account consists of:

	2019	2018
Cash in bank	**₱9,963,179**	₱16,736,722
Cash on hand	**484,148**	36,855
	₱10,447,327	₱16,773,577

Cash in bank earns interest at the respective bank deposit rates. Interest income earned amounted to ₱25,255 in 2019 and ₱30,230 in 2018.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Advances to employees	**₱218,016**	₱137,099
Advances to project coordinators	**87,758**	-
Advances to suppliers	**10,000**	-
Prepaid taxes	**8,193**	-
	₱323,967	₱137,099

Advances to employees and project coordinators pertain to the amount, subject to liquidation, disbursed to project coordinators for the implementation of the Foundation's projects and to employees from the administrative department for payment of office expenses.

Prepaid taxes pertain to over-remittance of expanded withholding taxes.

7. Property and Equipment

This account consists of:

	2019				
	Office Equipment	**Transportation Equipment**	**Office Improvements**	**Leasehold Improvements**	**Total**
Cost					
Balance at beginning of year	**₱2,868,791**	**₱2,092,285**	**₱2,572,452**	**₱5,227,066**	**₱12,760,594**
Additions	**76,196**	**-**	**-**	**-**	**76,196**
Balance at end of year	**2,944,987**	**2,092,285**	**2,572,452**	**5,227,066**	**12,836,790**
Accumulated Depreciation					
Balance at beginning of year	**2,737,057**	**2,092,285**	**2,569,777**	**4,739,614**	**12,138,733**
Depreciation (Notes 10 and 11)	**69,375**	**–**	**2,675**	**167,106**	**239,156**
Balance at end of year	**2,806,432**	**2,092,285**	**2,572,452**	**4,906,720**	**12,377,889**
Net Book Value	**₱138,555**	**₱-**	**₱-**	**₱320,346**	**₱458,901**

	2018				
	Office Equipment	Transportation Equipment	Office Improvements	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱2,687,025	₱2,092,285	₱2,572,452	₱4,725,747	₱12,077,509
Additions	181,766	–	–	501,319	683,085
Balance at end of year	2,868,791	2,092,285	2,572,452	5,227,066	12,760,594
Accumulated Depreciation					
Balance at beginning of year	2,505,231	2,091,975	2,567,637	4,725,747	11,890,590
Depreciation (Notes 10 and 11)	231,826	310	2,140	13,867	248,143
Balance at end of year	2,737,057	2,092,285	2,569,777	4,739,614	12,138,733
Net Book Value	₱131,734	₱-	₱2,675	₱487,452	₱621,861

Fully depreciated property and equipment with cost amounting to ₱12,063,808 and ₱12,037,108 as at December 31, 2019 and 2018, respectively, are still being used in the Foundation's operations.

8. Accounts Payable and Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable	**₱2,896,876**	₱4,043,458
Accrued expenses	**495,992**	358,784
SSS/ECC, Philhealth, HDMF premiums payable	**64,231**	41,190
SSS and HDMF loans payable	**10,008**	25,917
Withholding tax - compensation payable	**93,988**	25,530
Withholding tax - expanded payable	**–**	4,406
	₱3,561,095	₱4,499,285

Accounts payable are noninterest-bearing and are normally settled on a 30 to 90 days' terms.

Accrued expenses pertain to insurance expense, utilities expenses, professional fees and various project expenses.

9. Grants and Donations

International Container Terminal Services, Inc. (ICTSI) and other parties make donations to the Foundation in support of its projects and activities. This account consists of:

	2019	2018
Donations from ICTSI	**₱62,741,378**	₱82,049,423
Donations from other parties	**273,111**	191,292
	₱63,014,489	₱82,240,715

10. Project Expenses

This account consists of:

	2019	2018
Education	**₱17,403,358**	₱15,282,593
Sports development assistance	**17,371,381**	22,610,893
Special projects	**9,749,991**	8,963,180
Salaries and employee benefits	**8,156,937**	5,940,502
Community welfare assistance	**7,649,406**	11,328,704
Rent expense (Note 13)	**1,089,173**	738,116
Transportation and travel	**1,125,627**	725,772
Institutional development	**955,420**	326,744
Utilities	**644,634**	716,518
Depreciation (Note 7)	**192,426**	147,936
Insurance and bonds	**21,236**	41,983
Others	**298,134**	236,484
	₱64,657,723	₱67,059,425

Education includes scholarship grants awarded to students near the host communities of ICTSI ports, improvement of school facilities and payments for training programs initiated by the Foundation.

Sports development assistance pertains to sponsorship provided by the Foundation to promising lady golfers through its amateur golf program and to the Philippine national girls' softball team in their local and national campaigns.

Special projects are all other grants that are initiated by the Foundation other than those under Education, Community Welfare Assistance, Sports Development Assistance and Sponsorship, which are mostly infrastructure in nature.

Employee benefits include medical benefits, rice allowance, 13th month pay, bonus and annual incentive.

Community welfare assistance are expenses related to environmental sustainability, medical missions and Christmas outreach programs.

Institutional development are expenses related to activities conducted by the Foundation to empower its employees and promote a better working environment.

Transportation and travel are expenses incurred in performing the Foundation's projects in the form of fares and reimbursements of fuel, toll fee, and parking fee. This also includes cost of lodging in the travels of employees in carrying out the Foundation's activities.

11. Administrative Expenses

This account consists of:

	2019	2018
Salaries and employee benefits	**₱1,844,719**	₱1,693,047
Office supplies	**1,007,662**	662,622
Professional fees	**454,400**	446,806
Repairs and maintenance	**349,878**	80,120
SSS, HDMF and Philhealth contributions	**312,120**	266,396
Christmas giveaways	**156,693**	416,487
Transportation	**75,088**	60,467
Meals	**50,353**	74,265
Depreciation (Note 7)	**46,730**	100,207
Insurance and bonds	**26,546**	–
Communication	**20,020**	23,860
Taxes and licenses	**15,131**	13,099
Rent expense (Note 13)	**–**	442,870
Others	**27,681**	7,498
	₱4,387,021	₱4,287,744

12. Retirement Benefits

The Foundation has a defined benefit plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest basic monthly salary.

The movement in the present value of defined benefit obligation computed using the simplified approach during the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Defined benefit obligation at beginning of year	**₱503,753**	₱574,348
Adjustment on adoption of PFRS for SEs	**1,518,055**	–
Reversal	**–**	(128,034)
Retirement benefit expense	**597,187**	57,439
Defined benefit obligation at end of year	**₱2,618,995**	₱503,753

13. Lease Commitment

In September 2014, the Foundation entered into a lease agreement for the ICTSI Foundation Multi-Purpose Hall located in Intramuros, Manila where it will serve as training and assembly venue for the Foundation's project partners and beneficiaries. The lease shall be effective for two years commencing on October 1, 2014.

The Foundation paid two months of monthly rental as security deposit amounting to ₱165,527 and is recognized as part of "Security deposit" account in the statements of financial position.

In September 2016, the Foundation extended the lease agreement for a period of five years commencing on October 1, 2016.

The Foundation shall pay a monthly rental of ₱82,764 and a 5% escalation starting on first month of the second year of the lease term.

As of December 31, 2019 and 2018, security deposit amounted to ₱203,290 and ₱197,370, respectively.

The monthly rental of the Foundation starting on October 1 of each year are as follows:

2016	₱91,247
2017	95,809
2018	98,684
2019	101,645
2020	104,693

Upon adoption of PFRS for SEs in January 1, 2019, the accounting policy for lease payments changed from straight-line basis to expense as incurred. At date of transition, the effect of adoption of PFRS for SEs is a decrease in accrued rent and an increase in fund balance amounting to ₱163,034.

Rent expense recognized by the Foundation amounted to ₱1,089,173 and ₱1,180,986 in 2019 and 2018 (see Notes 10 and 11).

14. Events after the Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months. This also imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Afterwards, NCR and high-risk provinces were place under modified enhanced community quarantine from May 16, 2020 to May 31, 2020. Effective June 1, 2020, NCR and other parts of the Philippines transition to general community quarantine. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Foundation considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its statements of financial position and statements of revenue and expenses as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Foundation cannot determine at this time the impact to its statements of financial position, statements of revenue and expenses, and cash flows. The Foundation will continue to monitor the situation.

15. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Foundation reported and/or paid the following types of taxes for the year ended December 31, 2019:

Taxes and Licenses

Details of taxes and licenses consist of the following:

Local business taxes	₱14,050
Community tax certificate	1,081
	₱15,131

Withholding Taxes

Details of withholding taxes paid in 2019 are as follows:

Withholding on compensation and benefits	₱740,548
Expanded withholding	63,975
	₱804,523

The Foundation did not incur and did not have any amount owing for the payment of documentary stamp taxes, custom duties and excise taxes on locally produced excisable items and imported excisable items in 2019.

The Foundation is currently not involved in any tax cases, preliminary investigations, litigation and/or prosecution in courts outside of Bureau of Internal Revenue.

Awards & Citations

Gold Anvil, ICTSI PR Program for Papua New Guinea Host Communities
54th Anvil Awards
Public Relations Society of the Philippines

Special Recognition for Business Responsibility and Ethics
ICTSI fight against human trafficking in global supply chains
2019 Sustainable Business Awards
Global Initiatives

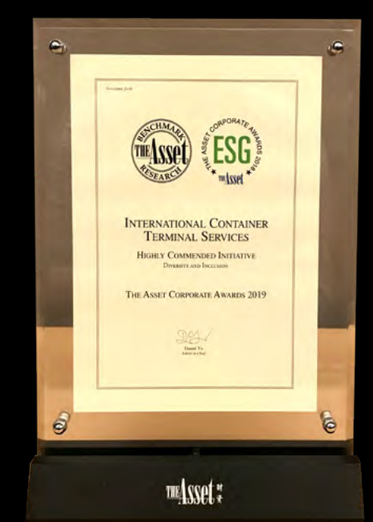
Responsive to the critical call to stop human trafficking, the ICTSI Foundation donated Php 5 million to support the Voice of the Free Foundation, Inc. (formerly the Visayan Forum), protecting vulnerable young women and children and enabaling their road to recovery.

Award of Recognition, ICTSI PR Program for Papua New Guinea Host Communities
2019 Philippine Quill Awards
International Association of Business Communicators – Philippines

Along with ICTSI Public Relations and ICTSI South Pacific, the ICTSI Foundation led the Group's stakeholder engagement efforts in Papua New Guinea, successfully jumpstarting long-term partnerships with impacted communities and establishing the brand, while addressing issues and needs through non-stop communication with stakeholders.

Highly-Commended Initiative for Diversity and Inclusion
Women in Papua New Guinea Program
2019 ESG Corporate Awards
The Asset

Contributing to improving the gender gap in Papua New Guinea, ICTSI's initiatives help empower women to make them realize their self-worth while encouraging even greater participation in society. Along with ICTSI South Pacific, the ICTSI Foundation extended assistance to the Lae police force with its donation of two new police stations in Malahang and Omili - providing a safe environment for all, especially for the female members of impacted communities.



Partners and Beneficiaries

National Capital Region

- Barangay 20 Council
- Barangay 275 Council
- Bukas Palad Foundation of the Philippines, Inc.
- Cerebral Palsy Football Team
- Department of Environment and Natural Resources – Environment Management Bureau-NCR
- Department of Public Services
- DSWD Sanctuary Center
- Edukasyon.ph
- Florentino Torres High School
- Gregorio Perfecto High School
- Hands On Manila
- Henry V. Moran Foundation, Inc.
- Jose Abad Santos High School
- Kabaka Foundation, Inc.
- Kanlungan ni Erma, Inc.
- Lakandula High School
- M. Araullo High School
- Manila Department of Social Welfare District 1
- Manila High School
- Manila Science High School
- Missionaries of the Poor – Manila
- Pamantasan ng Lungsod ng Maynila
- Parola Gate 12A Day Care Center
- Parola Gate 12B Day Care Center
- Parola Gate 17 Day Care Center
- Parola Gate 1A Day Care Center
- Parola Gate 1B Day Care Center
- Parola Gate 20 Day Care Center
- Parola IPB Purok 1 Day Care Center
- Parola IPB Purok 3 Day Care Center
- Philippine Business for Social Progress
- Philippine National School for the Blind
- President Sergio Osmena High School
- Raja Soliman Science and Technology High School
- Raja Soliman Science and Technology High School
- Sangguniang Kabataan of District 1
- Sigla Tala Children and Youth Center
- Silungan ng Pag-asa, Inc.
- Sitio Bunga, Brgy. Bueno, Capas, Tarlac
- Victorino Mapa High School

Olongapo/Bataan/Tarlac/Morong

- Baretto II Day Care Center
- Barretto I Day Care Center
- Bernabe Day Care Center
- Binaritan Day Care Center
- Blk 12A Day Care Center
- Blk 12B Day Care Center
- Cabildo Day Care Center
- Cell I Day Care Center
- Child Minding Day Care Center
- Department of Education - Olongapo City
- East Tapinac Day Care Center
- Gabaya Day Care Center
- Gordon College
- Gordon Heights I Elementary School SPED
- Greenhills Day Care Center
- Hilltop Day Care Center
- Ibayo Day Care Center
- In-House Day Care Center
- Kanawan Day Care Center
- Mabayo I Day Care Center
- Mabayo II Day Care Center
- Mampueng Day Care Center
- Maticu Day Care Center
- Minanga Day Care Center
- Missionaries of Charity
- Morong Municipal Social Welfare and Development Office
- Mountainview Day Care Center
- Nagbalayong Day Care Center
- Olongapo City Social Welfare and Development Office
- Pag-asa Day Care Center
- Pag-asa Day Care Center
- Panibatuhan Day Care Center
- Poblacion Day Care Center
- Project Liwanag Ph
- Purok 11 Day Care Center
- Purok 13 Day Care Center
- Relocation Day Care Center
- Sampaloc Day Care Center
- Sitio Alunan Purok 2, Brgy. Sta. Juliana, Capas, Tarlac
- Sitio Malalabatay, Brgy. Sta. Juliana, Capas, Tarlac
- Tabacuhan Elementary School
- Tapinac Senior High School
- West Tapinac Day Care Center

Cavite

- Capipisa Elementary School, Tanza, Cavite

Bauan, Batangas

- Alagao Day Care Center
- As-is Day Care Center
- Balayong Day Care Center
- Barangay San Andres I
- Barangay San Roque
- Batangas State University
- Bauan Municipal Social Welfare and Development Office
- Bauan Technical High School
- Bauan West Alternative Learning System
- Department of Education - Bauan District
- DepEd Batangas
- Manalupang Child Development Center
- San Vicente Manalupang High School
- Sta. Maria Day Care Center

Calamba

- Barangay I Day Care Center
- Barangay San Cristobal
- Calamba Children Shelter of Hope
- Calamba City Health Office
- Calamba City Social Welfare and Development Office
- Calamba Community SPED Hope Intervention Center
- Calamba National High School-Annex
- Lingga Day Care Center
- Looc Relocation Day Care Center
- Palingon Day Care Center
- Ronggot Day Care Center
- San Cristobal Elementary School

Misamis Oriental

- Barangay Rosario, Tagoloan
- Department of Education - Misamis Oriental
- Gracia Elementary School
- House of Hope Foundation, Inc.
- Municipal Agriculture Office
- Municipal Social Welfare and Development Office - Tagoloan
- Rosario National High School of Tagoloan
- Rural Improvement Club Child Center (RICCC)
- Sta. Cruz Elementary School
- Tagoloan Central School
- University of Science and Technology of Southern Philippines

Davao City/Tagum City

- Alternative Learning System - F. Bangoy Elementary School
- Barangay Sasa
- Davao City National High School
- Department of Education - Davao City
- Department of Education - Tagum City
- Jose Tuason Jr Memorial High School
- Matigsalog Tribe
- Sta. Ana National High School
- University of Mindanao
- University of Southeastern Philippines
- Vicente Hizon Sr. Elementary School

General Santos City

- Barangay Sinawal Community
- Brgy. Sinawal Council
- Department of Education - General Santos City
- Department of Education - Sarangani Province
- Labangal National High School
- Pedro Cabales Elementary School
- Romana C. Acharon Central Elementary School

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Transforming communities, improving lives

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