

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2022
2. SEC Identification Number
147212
3. BIR Tax Identification No.
323228
4. Exact name of issuer as specified in its charter
International Container Terminal Services, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
ICTSI Administration Building, MICT South Access Road, Manila
Postal Code
1012
8. Issuer's telephone number, including area code
(632) 8245-4101
9. Former name or former address, and former fiscal year, if changed since last report
Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	2,035,040,949

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☒ Yes ☐ No

(b) has been subject to such filing requirements for the past ninety (90) days

☒ Yes ☐ No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



International Container Terminal Services, Inc. ICT

PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Sep 30, 2022
Currency (indicate units, if applicable)	US Dollar in Thousands

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2022	Dec 31, 2021
Current Assets	1,002,411	897,547
Total Assets	6,682,543	6,266,460
Current Liabilities	1,188,028	496,118
Total Liabilities	5,170,201	4,754,881
Retained Earnings/(Deficit)	548,631	346,227
Stockholders' Equity	1,512,342	1,511,579
Stockholders' Equity - Parent	1,234,036	1,321,688
Book Value per Share	0.74	0.74

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	576,699	482,391	1,639,607	1,365,014
Gross Expense	277,083	248,563	796,650	718,005
Non-Operating Income	18,299	11,667	54,066	38,644
Non-Operating Expense	90,194	81,404	272,697	237,518
Income/(Loss) Before Tax	227,721	164,091	624,326	448,135
Income Tax Expense	40,598	31,922	117,366	95,408

Net Income/(Loss) After Tax	187,123	132,169	506,960	352,727
Net Income Attributable to Parent Equity Holder	170,657	119,705	465,132	316,367
Earnings/(Loss) Per Share (Basic)	0.08	0.05	0.22	0.13
Earnings/(Loss) Per Share (Diluted)	0.08	0.05	0.21	0.13

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.26	0.08
Earnings/(Loss) Per Share (Diluted)	0.26	0.08

Other Relevant Information
Please see the attached complete SEC 17Q Q3 2022 and Unaudited Interim Condensed Consolidated Financial Statements.

Filed on behalf by:

Name	Arthur Tabuena
Designation	Treasury Director and Head of Investor Relations

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

Sandy A. Alipio

(Contact Person)

8247-8225

(Company Telephone Number)

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Month Day
(Fiscal Year)

S	E	C	17	Q
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(Form Type)

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

N/A

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

1,353
as at September 30, 2022

Total No. of Stockholders

Total Amount of Borrowings	
US\$541.8M	US\$1,880.6M

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2022**
2. Commission identification number: **147212**
3. BIR Tax Identification No. **000-323-228**
1. Exact name of issuer as specified in its charter:
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of issuer's principal office: **ICTSI Administration Building, Manila International
Container Terminal, South Access Road, Manila** Postal Code: **1012**
8. Registrant's telephone number, including area code: **(632) 8245-4101**
9. Former name, former address, and former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA.

Title of Each Class	Number of shares outstanding as at September 30, 2022
Common	2,035,040,949 Shares

11. Are any or all of the Securities listed on a Stock Exchange?
Yes ☒ No ☐

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

Philippine Stock Exchange

Common shares

12. Indicate by check mark whether the issuer:

- a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).

Yes ☒ No ☐

- (b) has been subject to such filing for the past 90 days. Yes ☒ No ☐

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

The audited consolidated balance sheet as at December 31, 2021, and the unaudited interim condensed consolidated financial statements as at September 30, 2022 and for the three and nine months ended September 30, 2021 and 2022 and the related notes to unaudited interim condensed consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries (collectively referred to as “the Group”) are filed as part of this Form 17-Q on pages 2 to 46.

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

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

International Container Terminal Services, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

As at September 30, 2022

(with Comparative Figures as at December 31, 2021)

and for the Three and Nine Months Ended September 30, 2021 and 2022

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As at September 30, 2022

(With Comparative Figures as at December 31, 2021)

(In Thousands)

	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)
ASSETS		
Noncurrent Assets		
Intangibles (Note 5)	US\$2,077,305	US\$2,340,911
Property and equipment (Note 6)	1,510,840	1,578,280
Right-of-use assets (Note 7)	664,266	697,037
Investment properties	6,374	5,563
Investments in and advances to joint ventures and an associate (Notes 9 and 18)	449,202	246,926
Deferred tax assets	337,754	396,977
Derivative assets – net of current portion	–	10,751
Other noncurrent assets (Notes 8 and 21)	323,172	403,687
Total Noncurrent Assets	5,368,913	5,680,132
Current Assets		
Cash and cash equivalents (Note 10)	657,594	589,952
Receivables (Note 11)	135,012	159,992
Spare parts and supplies	42,166	50,469
Current portion of derivative assets	–	4,411
Prepaid expenses and other current assets (Notes 12 and 13)	62,775	197,587
Total Current Assets	897,547	1,002,411
	US\$6,266,460	US\$6,682,543
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Capital stock:		
Preferred stock	US\$236	US\$236
Common stock	67,330	67,330
Additional paid-in capital (Note 16)	572,815	572,169
Cost of preferred shares held by subsidiaries (Note 16)	(72,492)	(72,492)
Treasury shares (Note 16)	(12,481)	(26,749)
Excess of consideration over the carrying value of non-controlling interests acquired or disposed (Note 16)	(171,876)	(171,876)
Retained earnings (Note 16)	346,227	548,631
Perpetual capital securities (Note 16)	795,224	583,163
Other comprehensive loss - net (Notes 16 and 21)	(203,295)	(266,376)
Total equity attributable to equity holders of the parent	1,321,688	1,234,036
Equity Attributable to Non-controlling Interests (Notes 1 and 16)	189,891	278,306
Total Equity	1,511,579	1,512,342
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13 and 21)	2,068,771	1,679,451
Lease liabilities - net of current portion (Notes 7 and 21)	1,253,371	1,264,002
Concession rights payable - net of current portion (Notes 5 and 21)	711,846	735,703
Deferred tax liabilities	182,931	265,111
Derivative liabilities - net of current portion	7,767	–
Other noncurrent liabilities (Note 14)	34,077	37,906
Total Noncurrent Liabilities	4,258,763	3,982,173
Current Liabilities		
Loans payable (Note 13)	5,033	269,710
Accounts payable and other current liabilities (Notes 1, 15 and 18)	321,864	346,877
Current portion of long-term debt (Notes 13 and 21)	76,836	473,262
Current portion of concession rights payable (Notes 5 and 21)	11,189	12,588
Current portion of lease liabilities (Notes 7 and 21)	29,224	26,402
Income tax payable (Note 1)	46,412	58,263
Current portion of derivative liabilities (Note 21)	5,560	926
Total Current Liabilities	496,118	1,188,028
Total Liabilities	4,754,881	5,170,201
	US\$6,266,460	US\$6,682,543

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
INCOME**

(In Thousands, Except Per Share Data)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2022	2021	2022
INCOME				
Gross revenues from port operations	US\$482,391	US\$576,699	US\$1,365,014	US\$1,639,607
Foreign exchange gain (Note 3)	1,647	3,531	6,082	13,461
Interest income (Notes 10 and 18)	6,033	7,257	16,254	21,495
Equity share in net profit (loss) of joint ventures – net (Notes 9 and 18)	(2,424)	1,588	(1,681)	4,614
Other income (Notes 1 and 14)	6,411	5,923	17,989	14,496
	494,058	594,998	1,403,658	1,693,673
EXPENSES				
Port authorities' share in gross revenues (Notes 5, 7 and 18)	50,389	56,579	152,375	163,482
Manpower costs (Notes 16 and 18)	67,999	75,013	195,318	219,418
Equipment and facilities-related expenses (Note 18)	34,283	43,525	94,937	118,863
Depreciation and amortization (Notes 5, 6 and 7)	63,111	66,234	182,391	195,034
Administrative and other operating expenses (Note 18)	32,781	35,732	92,983	99,853
Interest expense and financing charges on borrowings (Notes 5, 6, 13 and 21)	28,308	32,903	85,344	94,441
Interest expense on concession rights payable (Note 5)	16,017	15,139	45,063	46,352
Interest expense on lease liabilities (Note 7)	28,152	29,962	81,154	89,557
Foreign exchange loss (Note 3)	263	3,194	5,769	5,958
Other expenses	8,664	8,996	20,189	36,389
	329,967	367,277	955,523	1,069,347
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	11,683	9,947	37,891	42,959
Construction expense	(11,683)	(9,947)	(37,891)	(42,959)
	–	–	–	–
INCOME BEFORE INCOME TAX	164,091	227,721	448,135	624,326
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)				
Current	39,915	48,621	101,136	130,500
Deferred	(7,993)	(8,023)	(5,728)	(13,134)
	31,922	40,598	95,408	117,366
NET INCOME	US\$132,169	US\$187,123	US\$352,727	US\$506,960
Attributable To				
Equity holders of the parent	US\$119,705	US\$170,657	US\$316,367	US\$465,132
Non-controlling interests	12,464	16,466	36,360	41,828
	US\$132,169	US\$187,123	US\$352,727	US\$506,960
Earnings Per Share (Note 19)				
Basic	US\$0.052	US\$0.080	US\$0.132	US\$0.215
Diluted	0.052	0.080	0.132	0.215

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

(In Thousands)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2022	2021	2022
NET INCOME FOR THE PERIOD	US\$132,169	US\$187,123	US\$352,727	US\$506,960
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations' financial statements (Notes 3 and 16)	(32,828)	(69,529)	(33,306)	(102,620)
Net change in unrealized mark-to-market values of derivatives (Notes 16 and 21)	2,923	9,030	16,204	27,564
Net unrealized mark-to-market gain on financial assets at FVOCI (Note 16)	404	11,245	404	11,246
Share in other comprehensive loss of joint ventures (Note 16)	(6,666)	(8,736)	(9,134)	(19,448)
Income tax relating to components of other comprehensive income (Notes 16 and 21)	(709)	(3,685)	(2,333)	(3,685)
	(36,876)	(61,675)	(28,165)	(86,943)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Share in other comprehensive loss of joint ventures (Note 16)	(8)	(26)	(44)	—
Actuarial losses on defined benefit plans - net of tax (Note 16)	—	(32)	(330)	(49)
	(36,884)	(61,733)	(28,539)	(86,992)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	US\$95,285	US\$125,390	US\$324,188	US\$419,968
Attributable To				
Equity holders of the parent	US\$84,862	US\$123,032	US\$289,033	US\$402,051
Non-controlling interests	10,423	2,358	35,155	17,917
	US\$95,285	US\$125,390	US\$324,188	US\$419,968

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2022**

(In Thousands)

	Attributable to Equity Holders of the Parent												
	Preferred Stock	Common Stock	Additional Paid-in Capital (Note 16)	Preferred Shares Held by a Subsidiary (Note 16)	Common Shares Held by a Subsidiary (Note 16)	Treasury Shares (Note 16)	Excess of Consideration over the Carrying Value of Non- controlling Interests acquired or disposed (Note 16)	Retained Earnings (Note 16)	Perpetual Capital Securities (Note 16)	Other Compre- hensive Loss - net (Notes 16 and 21)	Total	Non-controlling Interests (Notes 1 and 16)	Total Equity
Balance at December 31, 2020	US\$236	US\$67,330	US\$570,439	(US\$72,492)	(US\$11,183)	(US\$4,431)	(US\$147,925)	US\$216,934	US\$1,246,777	(US\$185,069)	US\$1,680,616	US\$181,004	US\$1,861,620
Total comprehensive income for the period	—	—	—	—	—	—	—	316,367	—	(27,334)	289,033	35,155	324,188
Share-based payments (Note 16)	—	—	3,831	—	—	—	—	—	—	—	3,831	—	3,831
Issuance of treasury shares	—	—	(3,337)	—	—	3,337	—	—	—	—	—	—	—
Acquisition of ICTSI shares held by a subsidiary (Note 16)	—	—	—	—	11,183	(11,387)	—	—	—	—	(204)	—	(204)
Cash dividends (Note 16)	—	—	—	—	—	—	—	(205,881)	—	—	(205,881)	(24,713)	(230,594)
Acquisition of NCI in IDRC (Note 16)	—	—	—	—	—	—	(12,009)	—	—	—	(12,009)	(7,991)	(20,000)
Redemption and repurchase of perpetual capital securities (Note 16)	—	—	—	—	—	—	—	(11,730)	(194,257)	—	(205,987)	—	(205,987)
Distributions on perpetual capital securities (Note 16)	—	—	—	—	—	—	—	(32,852)	—	—	(32,852)	—	(32,852)
Balance at September 30, 2021	US\$236	US\$67,330	US\$570,933	(US\$72,492)	US\$—	(US\$12,481)	(US\$159,934)	US\$282,838	US\$1,052,520	(US\$212,403)	US\$1,516,547	US\$183,455	US\$1,700,002

Attributable to Equity Holders of the Parent													
	Preferred Stock	Common Stock	Additional Paid-in Capital (Note 16)	Preferred Shares Held by a Subsidiary (Note 16)	Common Shares Held by a Subsidiary (Note 16)	Treasury Shares (Note 16)	Excess of Consideration over the Carrying Value of Non- controlling Interests acquired or Disposed (Note 16)	Retained Earnings (Note 16)	Perpetual Capital Securities (Note 16)	Other Compre- hensive Loss - net (Notes 16 and 21)	Total	Non- controlling Interests (Notes 1 and 16)	Total Equity
Balance at December 31, 2021	US\$236	US\$67,330	US\$572,815	(US\$72,492)	(US\$—)	(US\$12,481)	(US\$171,876)	US\$346,227	US\$795,224	(US\$203,295)	US\$1,321,688	US\$189,891	US\$1,511,579
Total comprehensive income for the period	—	—	—	—	—	—	—	465,132	—	(63,081)	402,051	17,917	419,968
Share-based payments (Note 16)	—	—	3,654	—	—	—	—	—	—	—	3,654	—	3,654
Issuance of treasury shares	—	—	(4,300)	—	—	4,300	—	—	—	—	—	—	—
Purchase of treasury shares (Note 16)	—	—	—	—	—	(18,568)	—	—	—	—	(18,568)	—	(18,568)
Cash dividends (Note 16)	—	—	—	—	—	—	—	(237,687)	—	—	(237,687)	(39,483)	(277,170)
Consolidation of MNHPI (Note 16)	—	—	—	—	—	—	—	—	—	—	—	110,662	110,662
Disposal of HIPS (Note 1.5)	—	—	—	—	—	—	—	—	—	—	—	(681)	(681)
Redemption and repurchase of perpetual capital securities (Note 16)	—	—	—	—	—	—	—	(10,529)	(212,061)	—	(222,590)	—	(222,590)
Distributions on perpetual capital securities (Note 16)	—	—	—	—	—	—	—	(14,512)	—	—	(14,512)	—	(14,512)
Balance at September 30, 2022	US\$236	US\$67,330	US\$572,169	(US\$72,492)	US\$—	(US\$26,749)	(US\$171,876)	US\$548,631	US\$583,163	(US\$266,376)	US\$1,234,036	US\$278,306	US\$1,512,342

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Nine Months Ended September 30	
	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	US\$448,135	US\$624,326
Adjustments for:		
Depreciation and amortization	182,391	195,034
Interest expense on:		
Borrowings (Notes 5, 6 and 13)	85,344	94,441
Lease liabilities (Note 7)	81,154	89,557
Concession rights payable (Note 5)	45,063	46,352
Interest income (Notes 10 and 18)	(16,254)	(21,495)
Share-based payments (Note 16)	3,739	3,940
Unrealized foreign exchange loss	3,500	(5,032)
Equity share in net loss (profit) of joint ventures (Note 9)	1,681	(4,614)
Gain on sale of:		
A subsidiary	–	(2,238)
Property and equipment	(1,174)	(262)
Operating income before changes in working capital	833,579	1,020,009
Decrease (increase) in:		
Receivables	(17,090)	(16,966)
Spare parts and supplies	(3,131)	(4,855)
Prepaid expenses and other current assets	4,682	4,603
Increase (decrease) in:		
Accounts payable and other current liabilities	21,472	26,928
Pension liabilities	(891)	945
Cash generated from operations	838,621	1,030,664
Income taxes paid	(113,032)	(119,776)
Net cash provided by operating activities	725,589	910,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 6)	(53,528)	(198,801)
Intangible assets (Notes 1 and 5)	(41,915)	(52,484)
Subsidiary, net of cash acquired	(10,328)	–
Increase in:		
Other noncurrent assets	(8,714)	(91,127)
Short-term investments and restricted cash	(6,200)	(136,900)
Advances to contractors and suppliers	(8,961)	(30,050)
Cash acquired from consolidation of MNHPI	–	17,411
Interest received	9,594	12,634
Payments of concession rights (Note 5)	(9,429)	(11,842)
Proceeds from sale of a subsidiary	–	1,855
Net proceeds from sale of property and equipment	2,122	10
Acquisition of non-controlling interest (Note 16)	(20,000)	–
Net cash used in investing activities	(147,359)	(489,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Short-term borrowings (Note 13)	US\$12,722	US\$411,967
Long-term borrowings (Note 13)	4,846	85,389
Payments of:		
Dividends (Note 16)	(230,963)	(292,732)
Interest on lease liabilities and concession rights payable (Notes 5 and 7)	(121,572)	(133,224)
Interest on borrowings (Note 13)	(87,124)	(92,385)
Long-term borrowings (Note 13)	(41,573)	(31,186)
Lease liabilities	(12,055)	(23,504)
Short-term borrowings (Note 13)	(8,487)	(140,115)
Redemption and repurchase of perpetual capital securities (Note 16)	(205,987)	(222,590)
Purchase of treasury shares	–	(18,568)
Distributions on perpetual capital securities (Note 16)	(32,852)	(14,513)
Increase (decrease) in other noncurrent liabilities	4,116	(3,779)
Acquisition of ICTSI shares held by a subsidiary (Note 16)	(204)	–
Net cash used in financing activities	(719,133)	(475,240)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(13,794)	(13,996)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(154,697)	(67,642)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	734,832	657,594
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 10)	US\$580,135	US\$589,952

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

1.1 General

International Container Terminal Services, Inc. (ICTSI or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Parent Company is ICTSI Administration Building, MICT South Access Road, Manila. ICTSI's common shares were listed with the Philippine Stock Exchange on March 23, 1992 at an offer price of ₱6.70. ICTSI has 2,038,609,782 common shares outstanding held by 1,363 shareholders on record as at September 30, 2022.

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as “the Group”) entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. As at November 4, 2022, the Group is involved in 34 terminal operations, including concessions and port development projects, in 20 countries worldwide. There are 9 terminal operations in the Philippines (including an inland container terminal, a barge terminal, and combined terminal operations in Subic), three each in Brazil (including an intermodal rail ramp terminal) and Indonesia, two in Papua New Guinea (PNG), one each in China, Ecuador, Poland, Georgia, Madagascar, Croatia, Pakistan, Mexico, Honduras, Iraq, Argentina, Colombia, Democratic Republic (DR) of Congo, Australia, Cameroon, and Nigeria; and a development project in Tuxpan, Mexico.

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

Manila North Harbour Port, Inc. On September 21, 2017, ICTSI signed a share purchase agreement (SPA) with Petron Corporation for the acquisition of 10,449,000 Manila North Harbour Port, Inc. (MNHPI) shares, representing 34.83 percent of the total issued and outstanding shares of MNHPI. On September 5, 2018, ICTSI signed a SPA with Harbour Centre Port Terminal, Inc. (HCPTI) for the acquisition of 4,550,000 shares in MNHPI. The subject shares represent 15.17% of the total issued and outstanding shares of MNHPI. 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, the increase of ICTSI shareholdings in MNHPI from 34.83% to 50% became effective on April 26, 2019.

On September 8, 2022, ICTSI and San Miguel Holdings Corporation (SMHC), co-shareholders in MNHPI, agreed that MNHPI shall be consolidated under ICTSI in accordance with the Philippine Financial Reporting Standards (PFRS). SMHC recognizes that ICTSI is the shareholder who has the ability to direct the relevant operational activities in view of its technical and port management expertise to affect increased returns to the shareholders. SMHC, directly or through its Affiliates, shall provide financial management expertise and support to the operations of the Company.

Davao, Philippines. Abbotsford Holdings, Inc. (AHI) entered into a share purchase agreement (SPA) with Hijo Resources Corp. (HRC), with the AHI selling all its 162,500 shares or 65% interest in Hijo International Port Services, Inc. (HIPS) for a total consideration of

Php325.0 million (US\$5.8 million) to the latter subject to delivery of a bank guarantee, among other conditions. Effective August 31, 2022, the sale was finalized and concluded by both parties (see Note 1.5).

Tanjung Pakis Lamongan Public Terminal, East Java, Indonesia. On July 27, 2022, ICTSI signed a Conditional Share Subscription and Purchase Agreement with Indo Port Holding Pte Ltd. and Eastlog Holding Pte Ltd. to acquire majority share ownership in PT East Java Development (EJD), subject to fulfillment of certain conditions. EJD holds a concession right to operate a multi-purpose terminal in Lamongan Regency, East Java, Indonesia, with a remaining term of 47 years.

IRB Logistica Ltda. (iTracker Logistica Inteligente), Rio de Janeiro and Barra Mansa, Brazil. In May 2021, ICTSI, through its wholly-owned subsidiary ICTSI Americas B.V., established a new company, IRB Logistica Ltda (IRB Logistica). This company entered into a long-term lease agreement with MMR Administração, Participações E Empreendimentos S.A. until February 2048 covering the Floriano intermodal rail ramp terminal facilities, in Barra Mansa City, and took over the operations of the terminal starting July 1, 2021. Floriano Rail Ramp offers sustainable cargo handling, transport, and storage services to the economic, industrial, and production centers in Rio de Janeiro, Minas Gerais, and São Paulo.

In July 2022, ICTSI, through its wholly-owned subsidiaries, IRB Logistica, ICTSI Rio, ICTSI America B.V and IRB Holding Ltda (IRB Holding), entered into definitive agreements with a local Brazilian logistic operator, Tracker Logistica, which will transform IRB Logistica, into iTracker Logistica Inteligente (iTracker). ICTSI and Tracker Logistica will contribute assets and current businesses into iTracker. Upon execution of the agreements, iTracker will be owned 70% by ICTSI and 30% by Tracker Logistica. iTracker will provide eco-efficient solutions to users of the Port of Rio de Janeiro, Brazil as a full intermodal logistics provider with the following services: (i) empty container depot, (ii) export container freight station (CFS), (iii) general warehousing, (iv) distribution center, and (v) road and railway transportation. iTracker will benefit from the combination of ICTSI's expertise, tradition, and strength as a global port operator, and Tracker Logistica's local knowledge, flexibility, and agility.

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 until the PPA has formally given the port terminal management contract for Port of Sasa to a new operator. In June 2022, ICTSI was informed that a notice was issued by the PPA to the new operator to commence with the work and perform the services under the newly awarded port terminal management contract for Port of Sasa. As at June 30, 2022, DIPSSCOR has ceased its operations at Sasa Wharf. Immediately thereafter, DIPSSCOR has fully transitioned the operations at Sasa Wharf to the new operator in coordination with the PPA.

Port of Makassar, Indonesia. The cooperation agreement between PT Makassar Terminal Services (MTS) and PT Pelabuhan Indonesia IV (Pelindo IV) for the supply and operation of container loading and unloading equipment in the container terminal port of Makassar, Indonesia will expire in January 2023. Management is assessing any impact of the forthcoming contract expiration on the financial statements of MTS.

Port of Gdynia, Poland. The exclusive lease contract of BCT to operate the Gdynia Container Terminal will expire in May 2023. ICTSI is in the process of renewing the concession.

Port of Karachi, Pakistan. The concession agreement between PICT and Karachi Port Trust (KPT) is for a period of 21 years until June 2023. As at November 4, 2022, discussion between PICT and KPT on the possibilities of extending the concession period and amending other commercial terms and conditions is still ongoing.

Port of Toamasina, Madagascar. On December 10, 2021, Madagascar International Container Terminal Services, Ltd. (MICTSL), which operates the port of Toamasina in Madagascar, signed an amendment to its concession agreement with the Société du Port a gestion Autonome de Toamasina extending the term of the concession by 15 years until October 2040, subject to a legislative approval from the government of Madagascar. ICTSI has held the concession since 2005.

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.

Phase 1 of the Terminal and the ECP with capacities of 350,000 twenty-foot equivalent units (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.

On August 3, 2021, POMC committed to carry out berth extension works adding 71 meters to the existing quay together with a designated hard stand area behind the extended quay that will collectively add 6,821.3 square meters to the original leased area. The POMC expansion works commenced in March 2022 and is expected to be completed in July 2023.

On September 15, 2021, VICT received the approval from the POMC for the commencement of the development of the first of two sub-phases of the Phase 3 expansion plan (Phase 3A). Phase 3A development is ongoing and upon completion in the first quarter of 2024, the Phase 3A expansion will increase annual capacity up to an estimated 1,250,000 TEUs.

Manila Harbour Center, Port of Manila, Philippines. On June 1, 2021, ICTSI signed a Share Purchase Agreement with Prime Strategic Holdings, Inc. to acquire 100% of the shares of Manila Harbour Center Port Services, Inc. (MHCPSI), operating a 10-hectare international breakbulk and bulk private port facility located at the northern side of the Manila Harbour Center, Port of Manila. On June 4, 2021, the facilities were transferred to ICTSI management after all conditions precedent have been satisfied and required regulatory approvals have been obtained.

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).

Phase 1 of the facility consists of two berths that can handle 175,000 TEUs and 350,000 metric tons. 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.

Development of Phase 2 of the facility started in the first quarter of 2020 and is expected to be completed in the last quarter of 2023. The expansion project covers both yard and berth, including acquisition of port equipment. Upon completion of Phase 2, berth length will increase

from 350 meters to 500 meters and capacity will increase to 400,000 TEUs and 800,000 metric tons. The empty container yard expansion was completed in the last quarter of 2020. As at November 4, 2022, the development of the full container yard is ongoing and is expected to be completed in the last quarter of 2023. The development of the quay commenced in January 2022 and is expected to be completed in the third quarter of 2023.

Port of Onne, Rivers State, Nigeria. ICTSI, through its Nigerian subsidiary, International Container Terminal Services Nigeria Ltd. (ICTSNL), signed a Lease Agreement with the Nigerian Port Authority in 2020, for the development and operation of a multipurpose terminal in the Port of Onne in Rivers State, Nigeria. ICTSNL started commercial operations in May 2021.

The lease covers Berths 9, 10 and 11 of the Federal Ocean Terminal, Onne Port Complex in Rivers State, Nigeria that ICTSNL will develop and operate. The multipurpose terminal is designed to handle containers as well as general cargo, including project, heavy lift and roll-on/roll-off cargoes.

Located in the Gulf of Guinea in East Nigeria, the Port of Onne has earned its reputation as a modern and efficient gateway at the center of Africa's largest oil production region.

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 Port of the 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 the 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 million (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"). 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 of the Republic of Sudan (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 Ministry sent ICTSI a letter confirming: (1) the remittance of EUR195.2 million (US\$219.1 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 or US\$29.8 million). ICTSI continues to regularly engage the Ministry into productive discussions on the remaining balance of the Upfront Fee under the terms of the Refund Bond, which the Ministry continues to expressly commit its obligations and recently reconfirmed through a letter dated September 22, 2022. ICTSI reserves and continues to reserve its rights under the Concession Agreement following a letter from SPC regarding its cancellation which ICTSI disputes, and to pursue remedies available under the Refund Bond. 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.

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 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 has started operations in the third quarter of 2018 while the rehabilitation works are expected to be completed in the fourth quarter of 2022.

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 the 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 and 3.8 hectares were further completed in January 2020 and December 2021. 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.

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100% of the capital stock of Terminal Maritima de Tuxpan, S.A de C.V (TMT) for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares of land owned by TMT. As at November 4, 2022, management is currently evaluating its options under the concession agreement including the long-term plans for the land.

South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of HOA on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On March 31, 2022, the HOA was issued by the PPA with the validity of twelve months from January 1, 2022 up to

December 31, 2022 or until the award of a new contract by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the HOA.

Port of Kribi, Cameroon. On June 14, 2019, ICTSI was declared as the preferred bidder for the concession of Multi-Purpose Terminal of the Port of Kribi, Cameroon by the port authority, Port Autonome de Kribi (PAK).

On July 27, 2020, the 25-year concession contract was officially signed by Kribi Multipurpose Terminal (KMT), a Cameroonian subsidiary of ICTSI, and PAK. ICTSI, through its subsidiary ICTSI Middle East DMCC, owns 75% of KMT's shares of stock while PAK owns 25%.

Under the concession contract, KMT was given the exclusive right to develop, operate, and maintain the multipurpose facility at Kribi, a newly built deep-water port located 150 kilometers South of Douala. Kribi port is surrounded by the Kribi Industrial Area, a 262 square-kilometer zone intended to accommodate new industrial and logistical developments that support the growing economy of Cameroon and the Cameroon-Chad-CAR (Central African Republic) transit Corridor.

The concession covers Phase 1 of the construction of the Kribi Deep-Sea Port, consisting of 615 meters of berth and corresponding facilities, 33 hectares of yard and 1,355 meters of breakwater. Phase 1 is divided into two sub-phases. Sub-phase 1 consists of a 265-meter berth (Quay 1.1), 10 hectares of yard and port equipment and facilities that was turned over to KMT upon effectivity of the concession. Sub-phase 2 consists of a 350-meter berth (Quay 1.2, an extension of Quay 1.1), and 23 hectares of yard (including facilities to be provided by PAK) that are currently and temporarily utilized by the container terminal operator and will be turned over to KMT upon completion of the Phase 2 of the Kribi Deep-Sea Port where the container terminal operator will transfer to.

KMT has started commercial operations on October 1, 2020.

Sevilla Brokerage Inc. In September 2022, ICTSI through its subsidiary, AHI, signed an agreement with Oscar M. Sevilla to enter into a long-term partnership for the establishment and operation of a company in the Philippines primarily to engage into Customs brokerage business. On October 21, 2022, AHI acquired 80% of the shareholdings in Sevilla Brokerage Incorporated (SBI) from the seller, Oscar M. Sevilla. The purchase of shares was accounted for as an acquisition of a business. Consequently, SBI became a subsidiary of ICTSI.

Catalyst Logistics Incorporated. In September 2022, ICTSI through its subsidiary, AHI, signed a Shareholders' Agreement with Prime Alta Holdings, Inc. (PAH) to enter into a long-term partnership for the establishment of a company in the Philippines primarily to operate, engage in and carry on the business of domestic and international ocean, air, and land freight forwarding and logistics.

The subject company, Catalyst Logistics Incorporated (CLI) was incorporated on October 14, 2022. AHI initially subscribed to 51% of the total shareholdings in CLI.

1.3 Subsidiaries, Joint Ventures, and an Associate

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022
				Direct	Indirect	Direct	Indirect
Subsidiaries:							
Asia							
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	—	100.00	—
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	—	100.00	—	100.00
ICTSI Mauritius Ltd.	Mauritius	Holding Company	US Dollar	—	100.00	—	100.00
Aeolina Investments Limited	British Virgin Islands	Holding Company	US Dollar	—	100.00	—	100.00
ICTSI Far East Pte. Ltd. (IFEL)	Singapore	Holding Company	US Dollar	—	100.00	—	100.00
New Muara Container Terminal Services Sdn Bhd (NMCTS)	Brunei	Port Management	Brunei Dollar	—	100.00	—	100.00
PT ICTSI Jasa Prima Tbk (JJP) and Subsidiaries	Indonesia	Maritime Infrastructure and Logistics	US Dollar	—	80.16	—	80.16
PT PBM Olah Jasa Andal (OJA)	Indonesia	Port Management	US Dollar	—	80.16	—	80.16
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	—	95.00	—	95.00
PT Container Terminal Systems Solutions Indonesia	Indonesia	Software Developer	US Dollar	—	100.00	—	100.00
ICTSI (Hong Kong) Limited (IHKL)	Hong Kong	Holding Company	US Dollar	—	100.00	—	100.00
Yantai International Container Terminals, Limited (YICT)	China	Port Management	Renminbi	—	51.00	—	51.00
Pentland International Holdings, Ltd.	British Virgin Islands	Holding Company	US Dollar	—	100.00	—	100.00
ICTSI Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	—	100.00	—	100.00
Global Procurement Ltd.	Bermuda	Holding Company	US Dollar	—	100.00	—	100.00
ICTSI Honduras Ltd.	Bermuda	Holding Company	US Dollar	—	100.00	—	100.00
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	—	100.00	—	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	—	95.00	—	95.00
Australian International Container Terminals Limited (AICTL)	Australia	Port Management	Australian Dollar	—	70.00	—	70.00
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	—	100.00	—
Abbotsford Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	—	100.00	—
Hijo International Port Services, Inc. (HIPS) ^(p)	Philippines	Port Management	Philippine Peso	—	65.00	—	—
IW Cargo Handlers, Inc.	Philippines	Port Equipment Rental	US Dollar	—	100.00	—	100.00
IWI Container Terminal Holdings, Inc. (IWI CTHI)	Philippines	Warehousing	Philippine Peso	100.00	—	100.00	—
DIPSSCOR ^(j)	Philippines	Port Management	Philippine Peso	—	96.95	—	96.95
Container Terminal Systems Solutions Philippines, Inc.	Philippines	Software Developer	US Dollar	—	100.00	—	100.00
Bauan International Port, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	—	80.00	—	80.00
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	—	90.50	—	90.50
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	90.50	—	90.50	—
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	—	90.50	—	90.50
Cordilla Properties Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	—	100.00	—
SCIPSI	Philippines	Port Management	Philippine Peso	35.82	14.41	35.82	14.41
MHCPSP ^(d)	Philippines	Port Management	Philippine Peso	100.00	—	100.00	—
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	—	100.00	—
ICTSI EMEA B.V. (IEBV) [formerly ICTSI Capital B.V. (ICBV)]	The Netherlands	Holding Company	US Dollar	—	100.00	—	100.00
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	—	75.00	—	75.00
ICTSI Cooperatief U.A. (ICTSI Cooperatief) ^(k)	The Netherlands	Holding Company	US Dollar	1.00	99.00	—	—
ICTSI Treasury B.V. (ITBV)	The Netherlands	Holding Company	US Dollar	—	75.00	—	75.00
ICTSI Americas B.V.	The Netherlands	Holding Company	US Dollar	—	100.00	—	100.00
ICTSI Africa B.V.	The Netherlands	Holding Company	US Dollar	—	100.00	—	100.00
CMSA B.V.	The Netherlands	Holding Company	US Dollar	—	100.00	—	100.00
SPIA Colombia B.V.	The Netherlands	Holding Company	US Dollar	—	100.00	—	100.00
CGSA B.V.	The Netherlands	Holding Company	US Dollar	—	100.00	—	100.00
SPIA Spain S.L.	Spain	Holding Company	US Dollar	—	100.00	—	100.00
CGSA Transportadora S.L.	Spain	Holding Company	US Dollar	—	100.00	—	100.00
Crixus Limited	British Virgin Islands	Holding Company	US Dollar	—	100.00	—	100.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2021	September 30, 2022	Direct	Indirect
VICT	Australia	Port Management	Australian Dollar	–	100.00	–	100.00
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00
ICTSI Oceania B.V. (IOBV)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Asia Pacific Business Services, Inc. (APBS)	Philippines	Business Process Outsourcing	US Dollar	–	100.00	–	100.00
ICTSI Ltd. Regional Operating Headquarters (ROHQ)	Philippines	Regional Operating Headquarters	US Dollar	–	100.00	–	100.00
ICTSI Project Delivery Services Co. Pte. Ltd.	Singapore	Port Equipment Sale and Rental	US Dollar	–	100.00	–	100.00
ICTSI QFC LLC	Qatar	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI South Asia Pte. Ltd.	Singapore	Holding Company	US Dollar	–	100.00	–	100.00
Laguna Gateway Inland Container Terminal, Inc. (LGICT)	Philippines	Port Management	Philippine Peso	–	60.00	–	60.00
ICTSI Middle East DMCC	United Arab Emirates	Holding Company	US Dollar	–	100.00	–	100.00
ICTSI Global Holdings B.V. (formerly ICTSI Global Cooperatief U.A.) ^(k)	The Netherlands	Holding Company	US Dollar	99.00	1.00	99.00	1.00
Consultports S.A. de C.V.	Mexico	BDO	Mexican Peso	–	100.00	–	100.00
Asiastar Consultants Limited	Hong Kong	Management Services	US Dollar	–	100.00	–	100.00
Cavite Gateway Terminal (CGT)	Philippines	Port Management	Philippine Peso	–	100.00	–	100.00
Intermodal Terminal Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–
ICTSI Americas B.V. (Multinational Headquarters)	Panama	BDO	US Dollar	–	100.00	–	100.00
ICTSI South Pacific Limited (ISPL)	Papua New Guinea	Holding Company	Papua New Guinean Kina	–	100.00	–	100.00
Motukea International Terminal Limited (MITL)	Papua New Guinea	Port Management	Papua New Guinean Kina	–	70.00	–	70.00
South Pacific International Container Terminal Limited (SPICTL)	Papua New Guinea	Port Management	Papua New Guinean Kina	–	70.00	–	70.00
Tungsten RE Ltd.	Bermuda	Insurance Company	US Dollar	–	100.00	–	100.00
East Java Multipurpose Terminal ⁽ⁿ⁾	Indonesia	Port Management	Indonesian Rupiah	–	–	65.00	–
Manila North Harbour Port, Inc. (MNHPI) ^(o) (Subsidiary starting September 8, 2022)	Philippines	Port Management	Philippine Peso	50.00	–	50.00	–
Europe, Middle East and Africa (EMEA)							
Tartous International Container Terminal, Inc. (TICT)	Syria	Port Management	US Dollar	100.00	–	100.00	–
MICTSL	Madagascar	Port Management	Euro	–	100.00	–	100.00
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	–	100.00
Adriatic Gate Container Terminal (AGCT)	Croatia	Port Management	Euro	–	51.00	–	51.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	–	100.00
IDRC ^(e)	DR Congo	Port Management	US Dollar	–	62.00	–	62.00
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	–	100.00	–	100.00
Africa Gateway Terminal (AGT) ^(a)	Sudan	Port Management	Euro	–	100.00	–	100.00
KMT ^(c)	Cameroon	Port Management	Central African Franc	–	75.00	–	75.00
ICTSNL ^(b)	Nigeria	Port Management	US Dollar	–	75.00	–	75.00
Pakistan International Container Terminal (PICT) ^(g)	Pakistan	Port Management	Pakistani Rupee	–	80.41	–	80.41
Americas							
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	51.00	49.00	51.00	49.00
Contecon Manzanillo S.A. (CMSA)	Mexico	Port Management	Mexican Peso	1.00	99.00	1.00	99.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	–	100.00
ICTSI Oregon	U.S.A.	Port Management	US Dollar	–	100.00	–	100.00
C. Ultramar, S.A.	Panama	Holding Company	US Dollar	–	100.00	–	100.00
Future Water, S.A.	Panama	Holding Company	US Dollar	–	100.00	–	100.00
Kinston Enterprise, Inc.	Panama	Holding Company	US Dollar	–	100.00	–	100.00
International Ports of South America and Logistics SA	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00
Tecplata S.A. (Tecplata)	Argentina	Port Management	US Dollar	–	100.00	–	100.00
Nuevos Puertos S. A. (NPSA)	Argentina	Holding Company	US Dollar	4.00	96.00	4.00	96.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				December 31, 2021		September 30, 2022	
				Direct	Indirect	Direct	Indirect
Operadora Portuaria Centroamericana, S.A. (OPC)	Honduras	Port Management	US Dollar	30.00	70.00	30.00	70.00
TMT	Mexico	Port Management	Mexican Peso	—	100.00	—	100.00
CMSA Servicios Portuarios SA De CV	Mexico	Manpower Services	Mexican Peso	—	100.00	—	100.00
CMSA Servicios Profesionales Y De Especialistas SA De CV	Mexico	Manpower Services	Mexican Peso	—	100.00	—	100.00
Logipuerto S.A.	Ecuador	Logistics Solutions Provider	US Dollar	—	100.00	—	100.00
ICTSI Rio	Brazil	Port Management	Brazilian Real	—	100.00	—	100.00
IRB Logistica ^(f)	Brazil	Rail Ramp Terminal Management	Brazilian Real	—	100.00	—	100.00
Contecon Manzanillo Logista SA de CV ^(h)	Mexico	Logistics Solutions Provider	Mexican Peso	—	100.00	—	100.00
DF3 Empreendimento S.A (DF3) ⁽ⁱ⁾	Brazil	Real Estate	Brazilian Real	—	—	—	100.00
IRB Holding Ltda ^(m)	Brazil	Holding Company	Brazilian Real	—	—	—	100.00
Joint Ventures:							
Sociedad Puerto Industrial Aguadulce SA (SPIA)	Colombia	Port Management	US Dollar	—	49.79	—	49.79
Falconer Aircraft Management, Inc. (FAMI)	Philippines	Aircraft Management	Philippine Peso	—	49.00	—	49.00
Aviation Concepts Technical Services, Inc.	Philippines	Aircraft Management	Philippine Peso	—	49.00	—	49.00
MNHPI ^(o) (Joint venture until September 8, 2022)	Philippines	Port Management	Philippine Peso	50.00	—	50.00	—
Associate:							
Asiaview Realty and Development Corporation (ARDC)	Philippines	Realty	Philippine Peso	—	49.00	—	49.00

^(a) Established in February 2019 and has not yet started commercial operations as at November 4, 2022

^(b) Established in June 2020 and started commercial operations in May 2021; sold 10% stake to minority effective December 31, 2021

^(c) Established in July 2020 and started commercial operations on October 1, 2020

^(d) Acquired on June 4, 2021

^(e) Acquired an additional 10% stake on May 25, 2021

^(f) Established in May 2021 and started commercial operations on July 1, 2021 (see Note 1.2)

^(g) Acquired an additional 15.88% stake in October 2021

^(h) Established in December 2021 and has not yet started commercial operations as at November 4, 2022

⁽ⁱ⁾ Acquired on March 10, 2022.

^(j) Ceased commercial operations effective June 30, 2022.

^(k) Effective June 18, 2022, ICTSI Global Cooperatief U.A. was merged with ICTSI Cooperatief U.A., with ICTSI Global Cooperatief U.A. as the surviving entity, and was renamed to ICTSI Global Holdings B.V. effective September 22, 2022..

^(l) Organized on May 30, 2022.

^(m) Established on June 21, 2022.

⁽ⁿ⁾ Acquired on August 16, 2022.

^(o) Accounted for as a joint venture until September 8, 2022, and thereafter, as a subsidiary (see Note 1.2)

^(p) Disposed on August 31, 2022.

1.4 Purchase Price Allocation

MNHPI. 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. The completion of the SPA was subject to several conditions, one of which was the approval of the acquisition by the PPA. The SPA was completed on October 30, 2017. On September 5, 2018, ICTSI signed a SPA with HCPTI for the acquisition of 4,550,000 shares in MNHPI. The subject shares represent 15.17% of the total issued and outstanding shares of MNHPI. 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, the increase of ICTSI shareholdings in MNHPI from 34.83% to 50% became effective on April 26, 2019.

On September 8, 2022, ICTSI and San Miguel Holdings Corporation (SMHC), co-shareholders in MNHPI, agreed that MNHPI shall be consolidated under ICTSI in accordance with the Philippine Financial Reporting Standards (PFRS). SMHC recognizes that ICTSI is the shareholder who has the ability to direct the relevant operational activities in view of its technical and port management expertise to affect increased returns to the shareholders. SMHC, directly or through its Affiliates, shall provide financial management expertise and support to the operations of the Company.

With ICTSI acquiring control over MNHPI, this transaction was accounted for using the acquisition method under PFRS 3, *Business Combinations*, beginning September 8, 2022. Prior to the business combination, MNHPI was accounted for as a joint venture.

The following are the unaudited and provisional fair values of the identifiable assets and liabilities of MNHPI as at the date of business combination (amounts in thousands):

Assets	
Concession assets	US\$281,859
Right of use assets	2,600
Property and equipment	407
Other noncurrent assets	7,115
Cash and cash equivalents	17,411
Receivables	3,653
Spare parts and supplies	5,262
Prepaid expenses and other current assets	5,316
	<u>US\$323,623</u>
Liabilities	
Concession payable	US\$48,324
Finance lease payable	3,207
Deferred tax liabilities	30,134
Other noncurrent liabilities	4,160
Accounts payable and other current liabilities	16,474
	<u>US\$102,299</u>
Fair value of identifiable net assets	US\$221,323
Noncontrolling interest	(110,662)
Fair value of previously held interest	(158,403)
Goodwill arising on business combination	<u>US\$47,742</u>

There was no consideration transferred on business combination date. Cash and cash equivalents held by MNHPI at date of consolidation was included in cash flow from business combination under investing activities.

From the date of business combination until September 30, 2022, MNHPI contributed Php445.8 million (US\$8.3 million) of gross revenues. If the business combination had taken place at the beginning of 2022, the Group's gross revenues from operations would have increased by Php3,819.01 million (US\$71.3 million).

MHCPSI. On June 1, 2021, ICTSI signed a Share Purchase Agreement (SPA) with Prime Strategic Holdings, Inc. to acquire 100% of the shares of MHCPSI for a consideration of Php2.4 billion (US\$51.2 million). On June 4, 2021, the facilities were transferred to ICTSI management after all conditions precedent have been satisfied and required regulatory approvals have been obtained.

The adjusted fair values (unaudited) of the identifiable assets and liabilities of MHCPPI at the date of acquisition were (amounts in thousands):

Assets	
Property and equipment	US\$190,652
Cash and cash equivalents	40,912
Receivables	1,917
Spare parts and supplies	192
Prepaid expenses and other current assets	2,400
	<u>US\$236,073</u>
Liabilities	
Long-term debt	US\$144,424
Deferred tax liabilities	33,121
Other noncurrent liabilities	10,623
Accounts payable and other current liabilities	8,055
Income tax payable	774
	<u>US\$196,998</u>
Total identifiable net assets at fair value	US\$39,075
Goodwill arising on acquisition	54,040
Purchase consideration satisfied in cash and additional consideration contingent at date of acquisition	<u>US\$93,116</u>
Cash paid at acquisition date	US\$51,240
Less cash and cash equivalents of MHCPPI	40,912
Net cash outflow	<u>US\$10,328</u>

The adjusted fair values reflect the financial effects of adjustments on property and equipment, prepaid expenses and other current assets, deferred tax liabilities, current liabilities, and goodwill.

1.5 Sale of Interest in HIPS

AHI entered into an SPA with HRC, with AHI selling all its 162,500 shares or 65% interest in HIPS for a total consideration of Php325.0 million (US\$5.8 million) to the latter subject to delivery of a bank guarantee, among other conditions. Effective August 31, 2022, the sale was finalized and concluded by both parties.

Below are the carrying values of assets and liabilities of HIPS at the date of sale (amounts in thousands):

Assets	
Property and equipment	US\$409
Cash and cash equivalents	2,612
Receivables	47
Spare parts and supplies	14
Prepaid expenses and other current assets	44
	<u>US\$3,126</u>

Liabilities

Accounts payable and other current liabilities	US\$178
Income tax payable	62
	US\$240

Net book value of assets	US\$2,886
Cumulative translation adjustment	891
Non-controlling interest	(681)
Total net book value of assets	US\$3,096

Total consideration ^(a)	US\$5,789
Gain on sale of investment in HIPS, net of tax ^(b)	US\$2,238

(a) Php325,000,000 translated using the closing rate at the date of sale

(b) Net of capital gains tax amounting to US\$454.9 thousand.

The net gain on the sale of investment in HIPS was included as part of other income.

2. Basis of Preparation and Statement of Compliance**2.1 Basis of Preparation**

The audited consolidated balance sheet as at December 31, 2021 and the unaudited interim condensed consolidated financial statements as at September 30, 2022 and for the three and nine months ended September 30, 2021 and 2022 have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in United States dollar (US dollar, USD or US\$), the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand US dollar unit, except when otherwise indicated. Any discrepancies in the tables between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

2.2 Statement of Compliance

The unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2022 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the audited annual consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2021.

3. Summary of Significant Accounting Policies**3.1 Basis of Consolidation**

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

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

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

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

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

The Group reassesses 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, IGFBV, IDRC, LGICT, MITL, SPICTL, KMT, ICTSNL and MNHPI not held by the Group and are presented separately in the unaudited interim condensed consolidated statement of income and the unaudited interim condensed consolidated statement of comprehensive income, and unaudited interim consolidated balance sheet separate from equity attributable to equity holders of the parent.

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

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

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

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

At the reporting date, the assets and liabilities of subsidiaries (see Note 1.3) whose functional currency is not US dollar are translated into the presentation currency of ICTSI using the Bloomberg closing rate at balance sheet date and, their unaudited interim statements of income are translated at the Bloomberg weighted average daily exchange rates for the period. The exchange differences arising from the translation are taken directly to the unaudited interim condensed consolidated statement of comprehensive income. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the unaudited interim condensed consolidated statement of comprehensive income relating to that particular foreign operation is recognized in the unaudited interim consolidated statement of income.

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

	2021		2022	
	Closing	Average	Closing	Average
Foreign currency to 1 unit of US dollar:				
Argentine peso (AR\$)	98.74	93.40	147.32	120.52
Australian dollar (AUD)	1.38	1.32	1.56	1.41
Brazilian real (BRL or R\$)	5.44	5.33	5.41	5.14
Central African franc (XAF)	566.63	548.55	669.22	617.76
Chinese renminbi (RMB)	6.44	6.47	7.12	6.61
Colombian peso (COP)	3,809.13	3,702.79	4,606.84	4,075.60
Croatian kuna (HRK)	6.47	6.30	7.67	7.09
Euro (EUR or €)	0.86	0.84	1.02	0.94
Georgian lari (GEL)	3.12	3.25	2.82	2.97
Honduran lempira (HNL)	24.11	24.03	24.71	24.58
Hong Kong dollar (HKD)	7.79	7.77	7.85	7.83
Indian rupee (INR)	74.24	73.60	81.35	77.45
Indonesian rupiah (IDR or Rp)	14,313.00	14,310.00	15,227.00	14,613.00
Iraqi dinar (IQD)	1,460.00	1,460.00	1,460.00	1,460.00
Malagasy ariary (MGA)	3,945.53	3,808.57	4,211.31	4,060.52
Mexican peso (MXN)	20.64	20.13	20.14	20.26
Nigerian naira (NGN)	413.05	405.41	437.57	420.56
Pakistani rupee (PKR or Rs)	170.98	159.14	228.15	198.98
Papua New Guinean kina (PGK)	3.51	3.51	3.52	3.52
Philippine peso (PHP or ₱)	51.00	48.89	58.63	53.58
Polish zloty (PLN)	3.98	3.80	4.95	4.40
Singaporean dollar (SGD)	1.36	1.34	1.44	1.38
United Arab Emirates dirham (AED)	3.67	3.67	3.67	3.67

3.2 Changes in Accounting Policies

3.2.1 New standards, interpretations, and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2021, except for the adoption of new standards effective as at January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have significant impact on the unaudited interim condensed consolidated financial statements of the Group.

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets*

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no significant impact on the unaudited interim condensed consolidated financial statements of the Group.

- *Reference to the Conceptual Framework – Amendments to PFRS 3, Business Combinations*

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine IFRIC 21, *Levies*, if incurred separately. The exception requires entities to apply the criteria in PAS 37 or Philippine IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the unaudited interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to PAS 16, Property, Plant and Equipment*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the unaudited interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

- *PFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

These amendments had no impact on the unaudited interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

- *PFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for PAS 39, *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the unaudited interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

- *PAS 41 Agriculture – Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

The Group does not have assets in scope of PAS 41.

4. Segment Information

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

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

- Asia - includes Manila International Container Terminal (MICT), BIPI, DIPSSCOR (ceased commercial operations on June 30, 2022), SCIPSI, SBITC, ICTSI Subic, HIPS (until August 31, 2022), MICTSI, LGICT, CGT, MNHPI and MHCPSI in the Philippines; YICT in China; OJA, IJP, MTS and EJD in Indonesia; VICT in Australia; 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, PICT* in Pakistan, ICTSNL in Nigeria, IDRC in DR Congo, ICTSI Iraq in Iraq, AGT in Sudan; and KMT in Cameroon; and

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

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

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

The table below presents financial information on geographical segments as of December 31, 2021 (audited) and as of September 30, 2022 (unaudited) and for the three and nine months ended September 30, 2021 (unaudited) and 2022 (unaudited):

	For the Three Months Ended September 30, 2021				For the Nine Months Ended September 30, 2021			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Volume ^(a)	1,285,164	686,494	835,440	2,807,098	3,757,491	1,985,755	2,523,375	8,266,621
Gross revenues	US\$219,088	US\$109,810	US\$153,493	US\$482,391	US\$611,864	US\$313,554	US\$439,596	US\$1,365,014
Capital expenditures ^(b)	39,345	18,575	9,949	67,869	53,613	38,025	12,766	104,404

	As at December 31, 2021				As at December 31, 2021			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Other information:								
Segment assets ^(c)	3,366,794	888,368	1,673,544	5,928,706	3,366,794	888,368	1,673,544	5,928,706
Segment liabilities ^(d)	3,411,247	179,314	934,977	4,525,538	3,411,247	179,314	934,977	4,525,538

	For the Three Months Ended September 30, 2022				For the Nine Months Ended September 30, 2022			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Volume ^(a)	1,590,808	658,801	854,112	3,103,721	4,298,922	2,003,381	2,554,000	8,856,303
Gross revenues	US\$265,834	US\$116,680	US\$194,185	US\$576,699	US\$733,338	US\$345,399	US\$560,870	US\$1,639,607
Capital expenditures ^(b)	522	11,164	14,963	26,649	176,229	40,815	40,899	257,943

	As at September 30, 2022				As at September 30, 2022			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
Other information:								
Segment assets ^(c)	3,639,630	838,813	1,807,123	US\$6,285,566	3,639,630	838,813	1,807,123	US\$6,285,566
Segment liabilities ^(d)	3,653,066	156,114	1,037,647	4,846,827	3,653,066	156,114	1,037,647	4,846,827

^(a) Measured in TEUs.

^(b) Capital expenditures include amount disbursed for the acquisition of port facilities and equipment classified as intangibles under IFRIC 12 amounting to US\$41.9 million and US\$52.5 million in 2021 and 2022, respectively, property and equipment amounting to US\$53.5 million and US\$198.8 million in 2021 and 2022, respectively, as shown in the consolidated statements of cash flows, and current and noncurrent advances to suppliers and contractors amounting to US\$9.0 million and US\$30.1 million in 2021, and 2022, respectively.

^(c) Segment assets do not include deferred tax assets amounting to US\$337.8 million and US\$397.0 million as at December 31, 2021 (audited) and September 30, 2022 (unaudited), respectively.

^(d) Segment liabilities do not include income tax payable amounting to US\$46.4 million and US\$58.3 million and deferred tax liabilities amounting to US\$182.9 million and US\$265.1 million as at December 31, 2021 (audited) and September 30, 2022 (unaudited), respectively.

Moreover, management monitors the Group's earnings before interest, taxes, depreciation, and amortization (EBITDA) on a consolidated basis for decision-making purposes.

The following table shows the computation of EBITDA as derived from the unaudited interim consolidated net income attributable to equity holders of the parent for the three and nine months ended September 30:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2022	2021	2022
Net income attributable to equity holders of the parent	US\$119,705	US\$170,657	US\$316,367	US\$465,132
Non-controlling interests	12,464	16,466	36,360	41,828
Provision for income tax	31,922	40,598	95,408	117,366
Income before income tax	164,091	227,721	448,135	624,326
Add (deduct):				
Depreciation and amortization	63,111	66,234	182,391	195,034
Interest and other expenses ^(a)	81,404	90,194	237,519	272,697
Interest and other income ^(b)	(11,667)	(18,299)	(38,644)	(54,066)
EBITDA ^(c)	US\$296,939	US\$365,850	US\$829,401	US\$1,037,991

^(a) Interest and other expenses include the following as shown in the unaudited interim condensed consolidated statements of income: foreign exchange loss; interest expense on concession rights payable and lease liabilities; interest expense and financing charges on borrowings; and other expenses.

^(b) Interest and other income include the following as shown in the unaudited interim condensed consolidated statements of income: foreign exchange gain; interest income; equity share in net profit (loss) of joint ventures; 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 these may be calculated differently thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect fixed (and in-substance fixed) port fees and lease payments 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 33.6% and 32.8% of the unaudited consolidated gross revenues from port operations for the three months ended September 30, 2021 and 2022, respectively, and 32.4% and 31.9% of the unaudited consolidated gross revenues from port operations for the nine months ended September 30, 2021 and 2022, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 66.4% and 67.2% of the unaudited consolidated gross revenues from port operations for the three months ended September 30, 2021 and 2022, respectively, and 67.6% and 68.1% of the unaudited consolidated gross revenues from port operations for the nine months ended September 30, 2021 and 2022, respectively.

5. Concession Rights and Concession Rights Payable

5.1 Concession Rights

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

Additions to concession rights under port infrastructure for the nine months ended September 30, 2022 mainly pertain to the construction of various civil works and acquisitions of port facilities and equipment in ICTSI, CGSA and ICTSI Iraq and addition through consolidation of MNHPI.

There were no borrowing costs capitalized for the nine months ended September 30, 2021 and 2022 (see Note 13.4).

5.2 Concession Rights Payable

Upon recognition of the fair value of fixed fee on concession contracts, the Group also recognized the corresponding concession rights payable. The undiscounted minimum payments pertaining to concession rights payable as at September 30, 2022 are as follows (amounts in thousands):

	Amount
2022 ⁽ⁱ⁾	US\$18,328
2023	77,013
2024	76,681
2025	76,928
2026 onwards	1,360,800
Total	US\$1,609,750

⁽ⁱ⁾ October 1, 2022 through December 31, 2022

Total fixed fees paid by the Group for the three and nine months ended September 30, 2021 and 2022 amounted to US\$18.8 million and US\$19.1 million and US\$54.3 million and US\$57.8 million, respectively. These port fees are allocated to payments of interest and reduction to or payments of concession rights payable.

Interest expense on concession rights payable amounted to US\$16.0 million and US\$15.1 million, and US\$45.1 million and US\$46.4 million for the three and nine months ended September 30, 2021 and 2022, respectively. The annualized weighted average interest rate was 8.43 percent and 8.76 percent as at September 30, 2021 and 2022, respectively.

Reduction to concession rights payable, shown as payments to concession rights in the unaudited interim condensed consolidated statement of cash flows for the nine months ended September 30, 2021 and 2022 amounted to US\$9.4 million and US\$11.8 million, respectively.

Concession fees that were not included in the measurement of concession rights payable were charged to profit or loss under Port Authorities' share in gross revenues amounting to US\$43.0 million and US\$48.5 million, and US\$132.0 million and US\$140.7 million for the three and nine months ended September 30, 2021 and 2022, respectively.

6. Property and Equipment

Additions to property and equipment pertained to the construction of various civil works and acquisitions of terminal equipment in various ports, mainly in VICT, IDRC, CMSA and MICTSI, acquisition of land at ICTSI Parent and DF3, and acquisition through business combination of MNHPI as at September 30, 2022. There were no major disposals or write-downs of property and equipment for the nine months ended September 30, 2021 and 2022.

Borrowing costs capitalized amounted to US\$0.5 million and US\$0.3 million for the nine months ended September 30, 2021 and 2022, respectively.

7. Right-of-use Assets and Lease Liabilities

The concession agreements of CMSA, TSSA, VICT, BCT, BICTL, MICTSI, ICTSNL, and TMT (until May 2021), lease of terminal facilities in IRB Logistica and lease of a portion of land for use in the operations of Tecplata were accounted for by the Group in accordance with PFRS 16, *Leases*. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are amortized over the term of the concession agreements.

7.1 Right-of-use Assets

For the nine months ended September 30, 2022, additions to right-of-use assets pertain mainly to remeasurement of lease liability at CMSA, TSSA and VICT.

7.2 Lease Liabilities

Upon recognition of the fair value of fixed (including in-substance fixed) fee on concession contracts accounted for in accordance with PFRS 16, the Group also recognized the corresponding lease liabilities. The undiscounted minimum payments pertaining to lease liabilities as at September 30, 2022 are as follows (amounts in thousands):

	Amount
2022 ⁽ⁱ⁾	US\$33,629
2023	137,723
2024	141,632
2025	145,522
2026 onwards	2,188,295
Total	US\$2,646,801

⁽ⁱ⁾ October 1, 2022 through December 31, 2022

Total fixed fees paid by the Group for the three months ended September 30, 2021 and 2022 amounted to US\$32.1 million and US\$33.4 million, respectively, and US\$88.6 million and US\$110.1 million, respectively, for the nine months ended September 30, 2021 and 2022. These fees are allocated to payments of interest and reduction to or payments of lease liabilities in the unaudited interim condensed consolidated statements of cash flows.

Summarized below are the amounts recognized in profit or loss (amounts in thousands):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2022	2021	2022
Depreciation of right-of-use assets	US\$10,928	US\$13,176	US\$29,322	US\$36,918
Interest expense on lease liabilities	28,152	29,962	81,154	89,557
Lease expense not included in the measurement of lease liabilities (under Port Authorities' share in gross revenues)	6,914	7,871	18,881	21,792

8. Other Noncurrent Assets

This account includes upfront fee, the noncurrent portion of input tax, advances to suppliers and contractors, restricted cash, deposits for the acquisition of investments and other projects, and financial assets at FVOCI, among others. This account increased primarily due to higher advances to suppliers and contractors, and deposits made in relation to investments and other projects; partially tapered by unfavorable impact on the translation of certain foreign operations' accounts.

9. Investments in and Advances to Joint Ventures and an Associate

This account mainly pertains to ICTSI's investment in and advances to SPIA and investment in MNHPI (until September 8, 2022) and FAMI.

10. Cash and Cash Equivalents

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

	2021 (Unaudited)	2022 (Unaudited)
Cash on hand and in banks	US\$174,303	US\$228,812
Cash equivalents	405,832	361,140
	US\$580,135	US\$589,952

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.

11. Receivables

This account consists of:

	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)
Trade	US\$112,636	US\$132,805
Advances and nontrade	30,328	40,092
	142,964	172,897
Less allowance for doubtful accounts	7,952	12,905
	US\$135,012	US\$159,992

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

Advances and nontrade receivables mainly include noninterest-bearing advances and nontrade-related receivables collectible within 12 months.

12. Prepaid Expenses and Other Current Assets

This account includes input tax, tax credits, creditable withholding taxes, receivable from port authorities, prepaid port fees, insurance, bonds, and other expenses. This account increased in 2022 mainly due to short-term investments in government securities at CMSA and higher restricted cash at VICT for debt servicing and capital expenditures (see Note 13.2.4).

13. Long-term Debt and Loans Payable

13.1 Outstanding Balances and Maturities of Long-term Debt

A summary of outstanding balance of long-term debt (net of debt issuance costs) is presented below:

	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)
US dollar-denominated medium-term notes	US\$772,966	US\$777,255
US dollar-denominated notes	683,033	684,151
US dollar-denominated term loans	290,131	307,582
Foreign currency-denominated loans and notes	352,735	344,155
Loan facility	43,322	37,441
	2,142,187	2,150,584
Effect of business combination ^(a)	3,420	2,129
Carrying value of debt	2,145,607	2,152,713
Less current portion ^(a)	76,836	473,262
	US\$2,068,771	US\$1,679,451

^(a) Includes the carrying value of the difference between the fair value and the book value of the debt of MHCPSI acquired through business combination

Maturities of long-term debt, gross of unamortized debt issuance costs, premium and discount of US\$37.5 million, as at September 30, 2022 are as follows (amounts in thousands):

	Amount
2022 ⁽ⁱ⁾	US\$45,461
2023	433,615
2024	39,615
2025	434,368
2026 onwards	1,235,042
Total	US\$2,188,101

⁽ⁱ⁾ October 1, 2022 through December 31, 2022

13.2 Details and Description of Long-term Debt

13.2.1 *US Dollar-denominated Medium Term Note Programme (the “MTN Programme”)*

ITBV. 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 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, ITBV 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 ITBV’s US\$400.0 million MTN at US\$5.7 million.

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. Moreover, on April 30, 2014, an additional US\$75.0 million notes were issued to form a single series with the 2025 Notes.

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 costs. 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 September 30, 2022, carrying value of notes under the MTN Programme amounted to US\$777.3 million, of which US\$394.0 million will be due in January 2023.

13.2.2 US Dollar-denominated Notes

ICTSI. On June 10, 2020, ICTSI signed a Subscription Agreement with Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities Plc for the issuance of ten-year senior notes (the “Senior Notes”). The Senior Notes were issued on June 17, 2020 with an aggregate principal amount of US\$400.0 million, maturing on June 17, 2030, at a fixed interest rate of 4.75 percent per annum, payable semi-annually in arrears and at a price of 99.607.

The proceeds of the Senior Notes amounting to US\$391.9 million, net of debt issuance costs of US\$8.1 million, were used to refinance and extend the maturity of the Group’s liabilities and for general corporate purposes. As at September 30, 2022, the carrying value of the Senior Notes amounted to US\$393.3 million, net of debt issuance costs.

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

ITBV. On November 9, 2021, ITBV signed a Subscription Agreement with Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited for the issuance of ten-year Senior guaranteed fixed rate notes (the “New Notes”). The New Notes were issued on November 16, 2021 with an aggregate principal amount of US\$300.0 million, maturing on November 16, 2031, at a fixed interest rate of 3.50 percent per annum, payable semi-annually in arrears and at a price of 100.00.

The proceeds of the New Notes amounting to US\$290.1 million, net of debt issuance costs of US\$9.9 million, were used for refinancing and general corporate purposes including, among others, to fund the tender offer relating to senior guaranteed perpetual capital securities of RCBV in November 2021 (see Note 16). As at September 30, 2022, the carrying value of the New Notes amounted to US\$290.8 million, net of debt issuance costs.

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

13.2.3 US Dollar-denominated Term Loans

CGSA. On March 29, 2016, CGSA (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender” or “MBTC”) and ICTSI (as “Surety”) signed a loan agreement that consisted 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. A 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. In March 2021, CGSA fully paid the remaining balance of US\$1.9 million of the loan under Tranche I.

On September 10, 2020, CGSA (as “Borrower”), Philippine National Bank (as “Lender”) and ICTSI (as “Surety”) signed a loan facility amounting to US\$15.5 million with a fixed interest rate and a tenor of 7 years. On November 27, 2020 and January 28, 2021, CGSA availed of US\$2.5 million and US\$2.0 million loans from the facility, respectively. On August 19, 2022, CGSA availed of US\$4.0 million loan from the facility. The outstanding balance of the loans was US\$7.2 million as at September 30, 2022.

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 2022, IDRC paid US\$5.2 million of the loan, including the full prepayment of US\$0.5 million in August 2022.

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 2022, IDRC paid US\$0.9 million of the loan, including the full prepayment of US\$0.3 million in August 2022.

On July 22, 2020, IDRC availed of a three-year term loan with Rawbank DRC amounting to US\$10.0 million at a fixed interest rate. In 2022, IDRC paid US\$5.6 million of the loan, including the full prepayment of US\$3.0 million in August 2022.

On July 26, 2022, IDRC availed of a three-year term loan with Rawbank DRC amounting to US\$30.0 million at a fixed interest rate, that is used to finance the terminal expansion project and equipment purchases. The loan with Rawbank DRC is secured by certain assets of IDRC. The loan is outstanding as at September 30, 2022.

IGFBV. On March 21, 2019, IGFBV, as borrower, MBTC, 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 of the term loan facility. In April 2022, IGFBV paid US\$4.6 million of the loan. As at September 30, 2022, the outstanding balance of the term loan amounted to US\$270.4 million, net of debt issuance costs.

13.2.4 Foreign Currency-denominated Loans

VICT. On July 15, 2016, VICT signed the syndicated project finance facilities with various international and regional banks for a principal amount of US\$300.0 million (AUD398.0 million), comprising of term facilities totaling US\$284.9 million (AUD378.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus an 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 January 2021, VICT paid a total of US\$23.3 million (AUD30.2 million) of the loan. In December 2021, VICT paid the remaining balance of US\$202.3 million (\$269.3 million) of the loan.

On December 13, 2021, VICT signed a Note Purchase Agreement with various purchasers for the issuance and sale of Senior Secured Notes with an aggregate principal amount of US\$290.5 million (AUD400.0 million), maturing on March 31, 2039, at a fixed interest rate of 4.27 percent per annum, payable semiannually in arrears. The issuance shall occur according to a funding schedule. The first funding occurred on December 13, 2021 for an aggregate amount of US\$203.4 million (AUD280.0 million). The proceeds were used to fund the prepayment of VICT's project finance facilities. The second funding amounting to US\$29.0 million (AUD40.0 million) happened on March 31, 2022. Of the total scheduled drawdown for the third funding amounting to US\$28.3 million (AUD40.0 million), US\$23.3 million (AUD33.0 million) was received by VICT on September 30, 2022. The remainder of the third funding amounting to US\$5.0 million (AUD7.0 million) was received by VICT on October 4, 2022. The Senior Secured Notes is secured by certain assets of VICT and IOBV. Also, VICT is required to maintain reserve accounts for debt servicing and expenditures related to its Phase 3A expansion project (see Notes 1.2 and 12).

As at September 30, 2022, the outstanding balance of the notes amounted to US\$223.9 million (AUD349.9 million), net of debt issuance costs.

SPICTL and MITL. 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 that consisted 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. In 2019, SPICTL and MITL had availed of US\$17.8 million (PGK60.2 million) and US\$13.8 million (PGK46.7 million), respectively, from the term loan facility.

On August 27, 2021, SPICTL and MITL signed an amendment to the loan agreement that consisted of additional term loan facility of US\$13.4 million (PGK47.0 million). On August 31, 2021, MITL availed of additional US\$2.8 million (PGK10.0 million) from the term loan facility. As at September 30, 2022, the outstanding balance of the term loans of SPICTL and MITL amounted to US\$8.5 million (PGK29.9 million) and US\$9.4 million (PGK33.2 million), net of debt issuance costs, respectively.

MHCPST. In December 2016, MHCPST entered into a 7-year loan agreement with a local bank amounting to PhP7.0 billion (US\$140.8 million) for capital expenditures and business expansion. The principal is payable in six annual amortizations of one percent (1%) of the total drawn principal amount commencing on March 14, 2017 and every anniversary thereafter. The balance of the loan, equivalent to 94% of the total drawn principal amount, shall be fully paid together with the accrued interest, on the last repayment date which shall coincide with the maturity date on March 14, 2023. The loan originally bears a fixed interest rate, payable quarterly.

The loan agreement was amended and effective July 9, 2021, interest was based on the higher of the prevailing 3-month BVAL plus agreed spread, and the prevailing Central Bank of the Philippines Overnight Reverse Repurchase Rate plus agreed spread. The security was also amended to be solely secured by the continuing suretyship of ICTSI. Except for the amendments on interest rate and security, the other terms and conditions of the loan agreement remained effective.

The loan was acquired by ICTSI through business combination. In March 2022, MHCPST has paid US\$5.6 million (PhP300.0 million) of the loan. On April 11, 2022, the loan was restructured and refinanced by a US\$122.7 million (PhP6.4 billion) loan with final maturity date on March 14, 2029, payable in 14 semi-annual installments based on the repayment schedule. Interest is payable quarterly based on the higher of the prevailing 3-month BVAL plus agreed spread, or the prevailing Central Bank of the Philippines Overnight Reverse Repurchase Rate plus agreed spread. The loan is solely secured by the continuing suretyship of ICTSI.

In September 2022, MHCPST paid US\$5.6 million (PhP300.0 million) of the loan. As at September 30, 2022, the carrying value of the loan amounted to US\$104.6 million (PhP6.1 billion). Excluding the effect of business combination, the outstanding balance of the loan was US\$102.4 million (PhP6.0 billion).

13.2.5 Loan Facility Programme

On January 9, 2019, ICTSI Middle East DMCC, as the borrower, and ICTSI, as guarantor, signed a term loan facility agreement with Citigroup Global Markets Asia Limited and Standard Chartered Bank, the originally 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 IGFBV 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 of US\$297.6 million (EUR260.0 million) from the facility. As at September 30, 2022, the outstanding balance of the loans was US\$37.4 million (EUR38.2 million), net of debt issuance costs.

13.3 Loans Payable

ICTSI Iraq. On July 15, 2021, ICTSI ME DMCC signed an Overdraft Facility of up to IQD11.0 billion with National Bank of Iraq with interest based on prevailing market rate, renewable on a yearly basis. In 2022, ICTSI ME DMCC availed loans totaling US\$20.1 million (IQD29.3 billion) from the facility and paid a total amount of US\$25.1 million (IQD36.7 billion). The loans were fully paid on August 7, 2022.

ICTSI Ltd. On April 25, 2022, ICTSI Ltd., as borrower, Kairos Access Investments Designated Activity Company (“Kairos”), as lender, and Citigroup Global Markets Limited, as agent, signed a term loan facility of up to US\$200.0 million. The facility is secured by a government-issued debt instrument held by CMSA amounting to MXN2.2 billion (US\$111.3 million). On April 27, 2022, ICTSI Ltd. availed of US\$74.0 million from the facility at a fixed interest rate, with maturity on February 10, 2023. On April 28, 2022, ICTSI Ltd. availed of an additional US\$36.0 million from the facility at a fixed interest rate, with maturity on January 13, 2023. The total amount of loans outstanding as at September 30, 2022 was US\$110.0 million.

ICTSI. On April 25, 2022, ICTSI availed of a PHP-denominated short-term loan from HSBC amounting to US\$28.7 million (Php1.5 billion) with a fixed interest rate and maturity on April 25, 2023.

On the same date, ICTSI availed of a PHP-denominated short-term loan from Philippine National Bank (PNB) amounting to US\$38.2 million (Php2.0 billion), with a fixed interest rate and maturity on April 20, 2023.

On April 29, 2022, ICTSI availed of a short-term loan from MBTC amounting to US\$15.0 million, with a fixed interest rate and maturity on May 30, 2022. The loan was renewed for a 60-day term with a maturity on July 29, 2022. ICTSI fully paid the loan on July 29, 2022.

On May 12, 2022, ICTSI availed of a short-term loan from PNB amounting to US\$30.0 million, with a fixed interest rate and maturity on August 10, 2022. ICTSI fully prepaid the loan on July 22, 2022.

On the same date, ICTSI availed of a short-term loan from HSBC amounting to US\$20.0 million, with a fixed interest rate and maturity on August 10, 2022. ICTSI fully prepaid the loan on July 21, 2022.

On June 13, 2022, ICTSI availed of a short-term loan from PNB amounting to US\$50.0 million, with a fixed interest rate and maturity on September 12, 2022. ICTSI fully prepaid the loan on July 22, 2022.

On July 21, 2022, ICTSI availed of a short-term loan from HSBC amounting to US\$100.0 million, with a fixed interest rate and maturity on July 17, 2023. The proceeds of the loan were used to prepay the PNB loans totaling US\$80.0 million and the HSBC loan amounting to US\$20.0 million.

As at September 30, 2022, the outstanding balances of ICTSI’s PHP- and USD-denominated loans were US\$59.7 million (Php3.5 billion) and US\$100.0 million, respectively.

ICTSI Middle East DMCC. On October 27, 2022, ICTSI Middle East DMCC availed of a short-term loan from Citibank N.A. UAE amounting to US\$30.6 million (EUR30.0 million), with a fixed interest rate and maturity on April 25, 2023.

13.4 Loan Covenants and Capitalized Borrowing Costs

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

There was no material change in the covenants related to the Group's long-term debt. As at September 30, 2022, ICTSI and subsidiaries were in compliance with their loan covenants.

Interest expense on borrowings, net of any amount capitalized as intangible assets and property and equipment, amounted to US\$28.3 million and US\$32.9 million, and US\$85.3 million and US\$94.4 million for the three and nine months ended September 30, 2021 and 2022, respectively (see Notes 5 and 6). Interest expense includes amortization of debt issuance costs amounting to US\$1.9 million and US\$1.9 million, and US\$6.1 million and US\$6.0 million for the three and nine months ended September 30, 2021 and 2022, respectively.

There were no other significant transactions pertaining to the Group's long-term debt as at September 30, 2022, except as discussed above.

14. **Other Noncurrent Liabilities**

This account consists of:

	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)
Pension liabilities	US\$14,256	US\$18,258
Accrued taxes and others	9,939	10,726
Government grant	3,571	1,749
Others (Note 1)	6,311	7,173
	US\$34,077	US\$37,906

Government Grant

On March 29, 2012, BCT and Centrum Unijnnych Projektow Transportowych (CUPT), a Polish grant authority, signed a grant agreement (the "EU Grant") whereby CUPT would grant BCT a subsidy amounting to US\$17.3 million (PLN53.9 million) and on October 21, 2013, BCT and CUPT signed a second EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$4.8 million (PLN14.6 million). The confirmation of the availability of the EU Grant is a condition precedent to any borrowing under the facility agreement of BCT.

As at September 30, 2022, BCT has availed a total of US\$19.7 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\$3.6 million and US\$1.7 million as at December 31, 2021 and September 30, 2022, respectively. Amortization of deferred income included under "Other income" account of the unaudited interim condensed consolidated statements of income amounted to US\$0.6 million and US\$0.6 million, and US\$1.8 million and US\$1.8 million for the three and nine months ended September 30, 2021 and 2022, respectively.

15. Accounts Payable and Other Current Liabilities

This account includes trade payables, output and other taxes payables, accruals for interest, salaries and benefits and other expenses, customers' deposits, provisions for claims and losses and other current liabilities. This account has increased mainly due to the consolidation of MNHPI.

16. Equity

16.1 Stock Incentive Plan (SIP)

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, in lieu of cash incentives and bonuses under the SIP ("equity-settled transactions"). The SIP was approved by the stockholders of ICTSI on March 7, 2007, effective for a period of ten years unless extended by the Board. 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 the 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 the treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee. As at September 30, 2022, there were 51,381,702 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. As at September 30, 2022, there are 10,136,722 ICTSI common shares held under treasury, part of which are allotted for the SIP (see Note 16.4).

Stock awards, including DRIP shares, granted by the Stock Incentive Committee to officers and employees of ICTSI and ICTSI Ltd. for the past two years are shown below:

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
March 1, 2021	1,976,171	US\$2.48 (P120.50)
April 12, 2021	142,832	US\$2.57 (P124.80)
March 1, 2022	1,643,920	US\$4.26 (P218.00)
March 28, 2022	112,810	US\$4.18 (P218.00)

The fair value per share was determined based on the quoted market price of stock at the date of grant.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US\$1.6 million and US\$1.4 million, and US\$3.7 million and US\$3.9 million for the three and nine months ended September 30, 2021 and 2022, respectively.

16.2 Dividends Declared

On March 3, 2022, the Board of ICTSI declared a regular cash dividend of US\$0.11 (P5.56) per share and a special cash dividend in the amount of US\$0.01 (P0.44) per share to stockholders of record as of March 18, 2022 paid on March 28, 2022.

16.3 Cost of Shares Held by Subsidiaries

On September 17, 2021, ICTSI acquired 5,970,990 ICTSI shares held by IWI CTHI. The acquisition of ICTSI shares resulted to a decrease in common shares held by subsidiaries by US\$11.2 million, and an increase in treasury shares by US\$11.4 million, including transaction costs.

As at December 31, 2021 and September 30, 2022, ICTHI held 3,800,000 of ICTSI's preferred A shares.

16.4 Treasury Shares

On September 17, 2021, ICTSI acquired 5,970,990 ICTSI shares held by IWI CTHI. The acquisition of ICTSI shares resulted to a decrease in common shares held by subsidiaries by US\$11.2 million, and an increase in treasury shares by US\$11.4 million, including transaction costs. In 2022, the Company acquired 5,339,250 of its own common shares amounting to US\$18.6 million. As at September 30, 2022, the total number of treasury shares is 10,136,722.

On October 3, 2022, the Company acquired 3,000,000 ICTSI common shares for US\$8.3 million.

16.5 Other Comprehensive Loss

This account consists of:

	Cumulative Translation Adjustments	Mark-to- Market Loss on Derivatives	Revaluation Increment	Unrealized Mark-to- Market Gain Financial Assets at FVOCI	Share in Other Compre- hensive Income of Joint Ventures	Actuarial Losses on Defined Benefit Plans	Total Compre- hensive Income (Loss)
Balance at January 1, 2021	(US\$156,852)	(US\$38,521)	US\$610	US\$1,051	US\$11,164	(US\$2,521)	(US\$185,069)
Translation differences arising from translation of foreign operations' financial statements	(32,101)	—	—	—	—	—	(32,101)
Net change in actuarial loss on defined benefit plans	—	—	—	—	(44)	(330)	(374)
Net change in unrealized mark-to-market values of derivatives	—	16,204	—	—	—	—	16,204
Share in other comprehensive loss of joint ventures	—	—	—	—	(9,134)	—	(9,134)
Net unrealized mark-to-market gain on financial assets at FVOCI	—	—	—	404	—	—	404
Income tax relating to components of other comprehensive income	—	(2,333)	—	—	—	—	(2,333)
Balance at September 30, 2021	(US\$188,953)	(US\$24,650)	US\$610	US\$1,455	US\$1,986	(US\$2,851)	(US\$212,403)

	Cumulative Translation Adjustments	Mark-to- Market Loss on Derivatives	Revaluation Increment	Unrealized Mark-to- Market Gain Financial Assets at FVOCI	Share in Other Compre- hensive Loss of Joint Ventures	Actuarial Losses on Defined Benefit Plans	Total Compre- hensive Income (Loss)
Balance at January 1, 2022	(US\$191,321)	(US\$13,327)	US\$610	US\$1,446	US\$2,238	(US\$2,941)	(US\$203,295)
Translation differences arising from translation of foreign operations' financial statements	(78,709)	—	—	—	—	—	(78,708)
Net change in actuarial loss on defined benefit plans	—	—	—	—	—	(49)	(49)
Net change in unrealized mark-to-market values of derivatives	—	27,564	—	—	—	—	27,564
Share in other comprehensive loss of joint ventures	—	—	—	—	(19,448)	—	(19,448)
Net unrealized mark-to-market gain on financial assets at FVOCI	—	—	—	11,246	—	—	11,246
Income tax relating to components of other comprehensive income	—	(3,685)	—	—	—	—	(3,685)
Balance at September 30, 2022	(US\$270,030)	(US\$10,552)	US\$610	US\$12,692	(US\$17,210)	(US\$2,990)	(US\$266,376)

16.6 Perpetual Capital Securities

On March 8, 2021, 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\$198.3 million of the US\$450 million Senior Guaranteed

Perpetual Capital Securities and payment of accrued distributions on May 5, 2021. The proceeds from the issuance of Securities were initially recognized as part of equity in the consolidated balance sheet. The difference amounting to US\$11.5 million between redemption price of US\$203.8 million and the carrying amount of the Securities of US\$192.3 million recorded under equity was treated as a direct reduction in retained earnings.

On April 5, 2021, RCBV repurchased and surrendered for cancellation US\$2.0 million of the US\$300.0 million Senior Unsecured Perpetual Capital Securities at US\$2.2 million. The difference amounting to US\$0.2 million between the purchase price of US\$2.2 million and the carrying amount of the Securities of US\$2.0 million recorded under equity, was treated as a direct reduction in retained earnings.

On November 19, 2021, RCBV redeemed the US\$85.2 million of the US\$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities. The difference amounting to US\$12.1 million between the redemption price of US\$89.2 million and the carrying amount of the Securities of US\$77.1 million recorded under equity, was treated as a direct reduction in retained earnings. On the same date, RCBV redeemed the US\$183.8 million of the US\$400.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities. The difference amounting to US\$8.4 million between the redemption price of US\$188.6 million and the carrying amount of the Securities of US\$180.2 million recorded under equity, was treated as a direct reduction in retained earnings.

On May 5, 2022, RCBV redeemed US\$216.2 million of the US\$400.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities. The difference amounting to US\$10.5 million between the redemption price of US\$222.6 million and the carrying amount of the Securities of US\$212.1 million recorded under equity was treated as a direct reduction in retained earnings.

Interest expense on Perpetual Capital Securities, which represents cumulative distributions to holders of Perpetual Capital Securities, amounted to US\$46.3 million and US\$26.2 million for the nine months ended September 30, 2021 and 2022, respectively. However, the interest expense has not been recognized in the unaudited interim condensed consolidated statements of income but instead directly charged against retained earnings since the Perpetual Capital Securities are presented as part of 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.

16.7 Non-controlling Interests

On May 25, 2021, ICTSI, through its wholly-owned subsidiary IABV, concluded the acquisition of an additional 10% stake in IDRC from SIP Sprl for US\$20.0 million, increasing ICTSI's effective ownership in IDRC from 52% to 62%. This transaction reduced non-controlling interest by US\$8.0 million. The difference between the purchase price and carrying value of the non-controlling interest of US\$12.0 million was recognized in equity as "Excess of consideration over the carrying value of non-controlling interests acquired or disposed" in the 2021 unaudited interim condensed consolidated balance sheet.

In October 2021, ICTSI, through IML, acquired additional 15.88% equity interest in PICT for PKR2.7 billion (US\$15.6 million) and further increased its ownership to 80.41 percent. The share purchase transaction was accounted for as acquisition of non-controlling interests. The excess of the acquisition costs over the carrying value of the additional interest acquired amounting to US\$11.5 million was recognized at transaction date in equity as "Excess of consideration over the carrying value of non-controlling interests acquired or disposed".

MNHPI was consolidated effective September 8, 2022 resulting in the recognition of Php6.2 billion (US\$110.7 million) non-controlling interest as of the date of business combination.

The dividends distributed to non-controlling shareholders for the nine months ended September 30, 2022 are as follows (amounts in thousands):

	2021	2022
IDRC	US\$16,800	US\$28,500
YICT	2,772	3,308
SPICTL	1,255	3,208
PICT	1,732	2,440
MITL	117	1,018
Others	2,037	1,009
	US\$24,713	US\$39,483

17. Income Taxes

Enactment of CREATE in the Philippines

On March 26, 2021, the President of the Philippines signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. The Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. The bill was published in a newspaper of general circulation on March 27, 2021, and became effective on April 11, 2021, which is 15 days after its publication.

The key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group is that effective July 1, 2020, the regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

The approval of the CREATE Act into law on March 26, 2021 is considered a substantive enactment of the Act into law that requires adjustments for financial reporting purposes. Applying the provisions of the CREATE Act to the Philippine-based entities, the applicable new income tax rates (i.e., 25% RCIT / 1% MCIT) were used to calculate for the current and deferred income taxes effective March 26, 2021.

Likewise, the impact relating to the December 31, 2020 consolidated balances had the CREATE Act been substantively enacted as of then, were adjusted in March 2021, as follows:

Consolidated Balance Sheet

<i>(Amounts in millions)</i>	Increase (Decrease)
Deferred tax asset - net	(US\$10.4)
Income tax payable	(1.8)
Investments in joint ventures	4.0

Consolidated Income Statement

<i>(Amounts in millions)</i>	Increase (Decrease)
Provision for current income tax	(US\$1.8)
Benefit from deferred income tax	(10.4)
Equity share in net profit of joint ventures - net	4.0
Net income attributable to equity holders of the parent	(4.7)
Net income attributable to non-controlling interests	0.1

18. Related Party Transactions

18.1 Transactions with the Shareholders and Affiliates

			2021		2022			
Related Party	Relationship	Nature of Transaction	Transaction Amount for the Three Months Ended September 30	Transaction Amount for the Nine Months Ended September 30 ⁽ⁱ⁾	Outstanding Receivable (Payable) Balance Amount as at Dec 31	Transaction Amount for the Three Months Ended September 30	Transaction Amount for the Nine Months Ended September 30 ⁽ⁱ⁾	Outstanding Receivable (Payable) Balance Amount as at September 30
<i>(In Millions)</i>								
SPIA Spain S.L.								
SPIA	Joint venture	Interest-bearing loans (see Note 9) ⁽ⁱⁱ⁾	(US\$5.29)	(US\$9.79)	US\$150.44	(US\$5.39)	(US\$10.69)	US\$139.75
		Interest income (converted into interest-bearing loan) (see Note 9) ⁽ⁱⁱ⁾	4.20	7.70	61.79	(1.10)	0.70	62.50
		Interest receivable ⁽ⁱⁱ⁾	3.30	9.88	6.53	6.26	9.39	4.97
YICT								
Yantai Port Group	Common shareholder	Port fees ⁽ⁱⁱⁱ⁾	0.83	2.49	1.00	0.94	2.80	1.00
		Trade transactions ^(iv)	(0.60)	(1.60)	(0.14)	(0.73)	(1.91)	(0.08)
Yantai Port Holdings	Non-controlling shareholder	Trade transactions ^(iv)	(0.24)	(0.68)	(0.03)	0.05	(0.25)	0.17
YPHT								
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Outsourced services	1.52	3.86	0.59	1.82	4.60	1.52
		Management fees	0.04	0.13	(0.02)	0.04	0.10	(0.01)
AGCT								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services ^(v)	0.13	0.41	—	0.16	0.49	—
PICT								
Premier Mercantile Services (Private) Limited	Common Shareholder	Stevedoring and storage charges ^(vi)	1.12	3.13	(0.13)	—	—	—
		Container handling revenue ^(vi)	0.01	0.03	—	—	—	—
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue ^(vii)	0.04	0.09	—	—	—	—
Bilal Associates (Pvt) Limited	Common shareholder	Stevedoring and storage charges ^(x)	—	—	(0.03)	0.16	0.28	—
		Container handling revenue ^(x)	—	—	—	0.04	0.06	—
LGICT								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.12	0.37	(0.17)	0.18	0.18	(0.08)
		Maintenance and repairs	0.02	0.07	(0.05)	0.03	0.03	(0.04)
		Trade transaction	—	0.02	(0.01)	(0.02)	(0.02)	—
IDRC								
Ledya SARL	Non-controlling shareholder	Management fees	0.90	2.49	(0.30)	1.04	3.13	—

(Forward)

Related Party	Relationship	Nature of Transaction	2021		2022			
			Transaction Amount for the Three Months Ended September 30	Transaction Amount for the Nine Months Ended September 30 ⁽ⁱ⁾	Outstanding Receivable (Payable) Balance Amount as at Dec 31	Transaction Amount for the Three Months Ended September 30	Transaction Amount for the Nine Months Ended September 30 ⁽ⁱ⁾	Outstanding Receivable (Payable) Balance Amount as at September 30
			<i>(In Millions)</i>					
Parent Company								
Prime Metro BMD Corporation	Common shareholder	Construction services ^(viii)	US\$1.29	US\$13.05	(US\$1.49)	US\$1.75	US\$2.15	(US\$0.51)
		Dredging service Sublease ^(ix)	1.20	2.83	—	0.08	2.31	—
			—	0.26	0.27	—	—	0.09
Prime Metro Power Holdings Corporation	Common shareholder	Reimbursement of operating expenses Sublease ^(ix)	0.02	0.07	0.07	0.01	0.02	0.08
			(0.01)	—	0.01	—	—	(0.01)
Prime Metro Infrastructure Holdings Corporation	Common Shareholder	Reimbursement of operating expenses Sublease ^(ix)	—	—	—	0.03	0.07	0.04
			0.35	0.68	(0.14)	—	—	0.07
FAMI	Joint Venture	Reimbursement of operating expenses	—	0.07	0.34	—	—	0.29
		Management fees	0.22	1.07	(0.25)	1.38	1.99	(0.21)
CGT								
MNHPI (consolidated effective September 8, 2022)	Common shareholder	Rent expense	0.04	0.13	—	—	—	—
ROHQ								
MNHPI (consolidated effective September 8, 2022)	Common shareholder	Professional fees	0.12	0.12	—	0.08	0.33	—

(i) Amount of transactions do not include payments, collections and foreign exchange movements.

(ii) On October 1, 2018, ICBV assigned to SPIA Spain S.L. all its outstanding interest-bearing loans, including interest converted into an 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.

(iii) 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.

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

(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 Metro Infrastructure Holdings Corporation for the sublease of office space.

(x) PICT has entered into an agreement with Bilal Associates (Pvt) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.

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

18.2 Compensation of Key Management Personnel

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

	2021	2022
Short-term employee benefits	US\$1,166	US\$1,097
Share-based payments	1,294	2,214
Post-employment pension	32	24
Total compensation to key management personnel	US\$2,492	US\$3,335

19. Earnings Per Share Computation

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)
Net income attributable to equity holders of the parent, as presented in the unaudited interim condensed consolidated statements of income	US\$119,705	US\$170,657	US\$316,367	US\$465,132
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (see Note 16.6)	(14,170)	(7,257)	(46,325)	(26,181)
Net income attributable to equity holders of the parent, as adjusted (a)	US\$105,535	US\$163,400	US\$270,042	US\$438,951
Common shares outstanding at beginning of year	2,045,177,671	2,045,177,671	2,045,177,671	2,045,177,671
Weighted treasury shares	(2,619,751)	(7,696,954)	(2,619,751)	(7,696,954)
Weighted shares held by subsidiaries	(4,478,243)	—	(4,478,243)	—
Weighted average shares outstanding (b)	2,038,079,677	2,037,480,717	2,038,079,677	2,037,480,717
Effect of dilutive stock awards	4,190,194	4,176,507	4,190,194	4,176,507
Weighted average shares outstanding adjusted for potential common shares (c)	2,042,269,871	2,041,657,224	2,042,269,871	2,041,657,224
Basic earnings per share (a/b)	US\$0.052	US\$0.080	US\$0.132	US\$0.215
Diluted earnings per share (a/c)	US\$0.052	US\$0.080	US\$0.132	US\$0.215

20. Contingencies

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from the existing legal actions and proceedings, if any, will not have a material adverse impact on the Group's interim condensed consolidated financial position and results of operations.

21. Financial Instruments

21.1 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 (amounts in thousands):

	December 31, 2021		September 30, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities:				
Long-term debt	US\$2,145,607	US\$2,291,843	US\$2,152,713	US\$2,088,925
Lease liabilities	1,282,595	1,386,280	1,290,404	1,160,667
Concession rights payable	723,035	898,438	748,291	776,941
	US\$4,151,237	US\$4,576,561	US\$4,191,408	US\$4,026,533

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, lease liabilities and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 0.67 percent to 13.60 percent as at December 31, 2021 and 2.93 percent to 19.38 percent as at September 30, 2022.

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

As at November 4, 2022, the Group has not determined any significant credit losses with respect to its cash and cash equivalents and receivables. The Group continues to assess for expected credit losses on its financial assets in light of the impact of COVID-19.

21.2 Fair Value Hierarchy

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

	December 31, 2021			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
Derivative liabilities	US\$13,327	US\$–	US\$13,327	US\$–
Financial assets at FVOCI	2,618	2,618	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	2,291,843	1,605,764	–	686,079
Lease liabilities	1,386,280	–	–	1,386,280
Concession rights payable	898,438	–	–	898,438
	September 30, 2022			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and Liabilities Measured at Fair Value:				
Derivative liabilities	US\$926	US\$–	US\$926	US\$–
Derivative assets	15,162	–	15,162	–
Financial assets at FVOCI	2,618	2,618	–	–
Liabilities for which Fair Values are Disclosed:				
Other financial liabilities:				
Long-term debt	US\$2,088,925	US\$1,398,965	US\$–	US\$689,960
Lease liabilities	1,160,667	–	–	1,160,667
Concession rights payable	776,941	–	–	776,941

In 2021 and 2022, 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.

21.3 Derivative Instruments

Interest Rate Swaps. 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 a 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 a 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. As at September 30, 2021, the market valuation loss on the outstanding interest rate swaps amounted to AUD12.4 million (US\$8.9 million), before tax. The effective portion of the favorable change in the fair value of the interest rate swap amounting to AUD7.3 million (US\$6.2 million), net of AUD2.2 million (US\$1.9 million) deferred tax, for the nine months ended September 30, 2021, was taken to equity under other comprehensive loss. On December 14, 2021, VICT terminated the outstanding interest rate swap due to the payment of the underlying AUD-denominated floating rate loan. The amount deferred in equity at the time of termination representing the effective portion of the change in fair value of the swap was transferred to profit and loss.

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA's floating rate US\$-denominated floating-rate loan maturing in 2021. A total notional amount of US\$32.5 million floating-rate loan was swapped to a fixed rate. Under the interest rate swap arrangements, ICTSI pays an annual fixed interest of 3.045 percent and receives a floating rate of six-month LIBOR plus 160 basis points on the notional amount. , The interest rate swap matured on March 30, 2021.

In April 2019, the Group 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 a fixed rate. Under the interest rate swap arrangements, annual fixed interest of 3.6981 percent is being paid and floating interest of three-month LIBOR plus 130 basis points on the notional amount is being received. As at September 30, 2022, the market valuation net gain on the outstanding interest rate swaps amounted to US\$15.2 million, before tax. The effective portion of the favorable change in the fair value of the interest rate swap amounting to US\$21.1 million, net of US\$7.4 million deferred tax, for the nine months ended September 30, 2022, was taken to equity under other comprehensive loss.

Foreign Currency Forwards. In March 2022, VICT entered into a sell-AUD buy-US\$ forward contract with an aggregate notional amount of US\$9.0 million. The forward contract was used to hedge the variability of cash flows arising from AUD-denominated payments and was settled on April 27, 2022 resulting to a derivative gain of US\$0.1 million (AUD0.2 million).

In September 2022, ICTSI entered into a sell-PHP buy-US\$ forward contract with an aggregate notional amount of US\$30.0 million. The forward contract is used to hedge the variability of cash flows arising from PHP-denominated liabilities. As at September 30, 2022, the market valuation loss on the outstanding foreign currency forward amounted to US\$0.7 million, net of US\$0.2 million deferred tax.

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

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

Continuing COVID-19 pandemic

On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic.

In the Philippines, 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 (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Thereafter, several extensions of community quarantines at different levels were implemented in Metro Manila and different areas in the Philippines. As at November 4, 2022, community quarantines are no longer in force, however, minimum health protocols and restrictions are required to be observed in order to mitigate the spread of the virus.

Likewise, government authorities in other countries where the Group operates have relaxed restrictions and policies with respect to their responses against the adverse impact of the outbreak.

The outbreak has caused disruptions to businesses, global supply chain, and economic activities, and its impact continues to evolve. The Group observed declines and constrained recoveries in general business, including container throughput and revenues. The Group has incurred and continues to incur costs in order to mitigate the adverse impact of the outbreak on its operations.

Russia-Ukraine Conflict

On February 24, 2022, Russia launched a military attack on Ukraine that escalated an ongoing conflict that began in 2014.

This event sets several uncertainties with the potential to disrupt businesses and institutions and poses threat to world trade and economies, in general. The continuing effect of the situation on business and institutions could result in business continuity interference, trade disruptions, rising prices of basic commodities including oil and power, among others. The Group has no exposure to investments in Ukraine or Russia.

The scale and duration of the developments and event remain uncertain as at November 4, 2022. The conflict may have an impact on the level of trade affecting certain terminals of the Group, however, it is not possible to estimate the overall impact of the outbreak and war's near-term and longer effects, and could have a material impact on the Group's financial results for the rest of 2022 and even periods thereafter. Considering the evolving nature of the pandemic and the war, the Group will continue to closely monitor these situations.

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

The following discussion and analysis relate to the consolidated financial position and results of operations of ICTSI and its wholly and majority-owned subsidiaries (collectively known as "ICTSI Group") and should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and related notes as of and for the quarter ended September 30, 2022. References to "ICTSI", "the Company", and "Parent Company" pertain to ICTSI Parent Company, while references to "the Group" pertain to ICTSI and its subsidiaries.

2.1 Overview

The Group is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughput ranging from 50,000 to 3,500,000 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 34 terminal concessions and port development projects in 20 countries worldwide. There are 9 terminal operations in the Philippines (including an inland container terminal, a barge terminal and combined terminal operations in Subic), three each in Brazil (including an intermodal rail ramp terminal) and Indonesia, two in Papua New Guinea (PNG); and one each in China, Ecuador, Poland, Georgia, Madagascar, Croatia, Pakistan, Honduras, Mexico, Iraq, Argentina, Democratic Republic (DR) Congo, Colombia, Australia, Cameroon and Nigeria; and a development project 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) (*ceased commercial operations on June 30, 2022*) and Hijo International Port, Davao del Norte, Philippines (HIPS) (*until August 31, 2022*)
 - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
 - Misamis Oriental - Phividec Industrial Estate, Tagaloan, Philippines (MICTSI)
 - Manila - Manila North Harbour Port, Inc., North Harbor, Manila, Philippines (MNHPI)
 - Manila - Manila Harbour Center Port Services, Inc, Manila, Philippines (MHCPSP)
 - Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS), Port of Tanjung Priok, Jakarta, Indonesia (OJA) and Tanjung Pakis Lamongan Public Terminal, East Java, Indonesia (EJD)
 - China - Yantai International Container Terminal, Port of Yantai, Shandong Province, China (YICT)
 - Australia - Webb Dock Container Terminal and ECP at Webb Dock East, Port of Melbourne, Australia (VICT)

- Papua New Guinea - Port of Motukea, Papua New Guinea (MITL) and Port of Lae, Papua New Guinea (SPICTL)
- EMEA
 - Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
 - Georgia - Port of Batumi, Batumi, Georgia (BICTL)
 - Croatia - Brajdica Container Terminal, Rijeka, Croatia (AGCT)
 - Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
 - Pakistan - Port of Karachi, Karachi, Pakistan (PICT)
 - DR Congo - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo (IDRC)
 - Iraq - Basra Gateway Terminal at Port of Umm Qasr, Iraq (ICTSI Iraq)
 - Cameroon - Kribi Multipurpose Terminal, Kribi, Cameroon (KMT)
 - Nigeria - Port of Onne, Rivers State, Nigeria (ICTSNL)
- Americas
 - Brazil - Suape Container Terminal, Suape, Brazil (TSSA), Terminal de Contêineres, Port of Rio de Janeiro City, Brazil (ICTSI Rio), and Floriano Intermodal Terminal, Barra Mansa, Rio de Janeiro State, Brazil (IRB Logistica)
 - 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, extended, developed and terminated by ICTSI and subsidiaries for the last two years are summarized below:

Manila North Harbour Port, Inc. On September 21, 2017, ICTSI signed a share purchase agreement (SPA) with Petron Corporation for the acquisition of 10,449,000 Manila North Harbour Port, Inc. (MNHPI) shares, representing 34.83 percent of the total issued and outstanding shares of MNHPI. On September 5, 2018, ICTSI signed a SPA with Harbour Centre Port Terminal, Inc. (HCPTI) for the acquisition of 4,550,000 shares in MNHPI. The subject shares represent 15.17% of the total issued and outstanding shares of MNHPI. 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, the increase of ICTSI shareholdings in MNHPI from 34.83% to 50% became effective on April 26, 2019.

On September 8, 2022, ICTSI and San Miguel Holdings Corporation (SMHC), co-shareholders in MNHPI, agreed that MNHPI shall be consolidated under ICTSI in accordance with the Philippine Financial Reporting Standards (PFRS). SMHC recognizes that ICTSI is the shareholder who has the ability to direct the relevant operational activities in view of its technical and port management expertise to affect increased returns to the shareholders. SMHC, directly or through its Affiliates, shall provide financial management expertise and support to the operations of the Company.

Tanjung Pakis Lamongan Public Terminal, East Java, Indonesia. On July 27, 2022, ICTSI signed a Conditional Share Subscription and Purchase Agreement with Indo Port Holding Pte Ltd. and Eastlog Holding Pte Ltd. to acquire majority share ownership in PT East Java Development (EJD), subject to fulfillment of certain conditions. EJD holds a concession right to operate a multi-purpose terminal in Lamongan Regency, East Java, Indonesia, with a remaining term of 47 years.

IRB Logistica Ltda. (iTracker Logistica Inteligente), Rio de Janeiro and Barra Mansa, Brazil. In May 2021, ICTSI, through its wholly-owned subsidiary ICTSI Americas B.V., established a new company, IRB Logistica Ltda (IRB Logistica). This company entered into a long-term lease agreement with MMR Administração, Participações E Empreendimentos S.A. until February 2048

covering the Floriano intermodal rail ramp terminal facilities, in Barra Mansa City, and took over the operations of the terminal starting July 1, 2021. Floriano Rail Ramp offers sustainable cargo handling, transport, and storage services to the economic, industrial, and production centers in Rio de Janeiro, Minas Gerais, and São Paulo.

In July 2022, ICTSI, through its wholly-owned subsidiaries, IRB Logística, ICTSI Rio, ICTSI America B.V and IRB Holding Ltda (IRB Holding), entered into definitive agreements with a local Brazilian logistic operator, Tracker Logística, which will transform IRB Logística, into iTracker Logística Inteligente (iTracker). ICTSI and Tracker Logística will contribute assets and current businesses into iTracker. Upon execution of the agreements, iTracker will be owned 70% by ICTSI and 30% by Tracker Logística. iTracker will provide eco-efficient solutions to users of the Port of Rio de Janeiro, Brazil as a full intermodal logistics provider with the following services: (i) empty container depot, (ii) export container freight station (CFS), (iii) general warehousing, (iv) distribution center, and (v) road and railway transportation. iTracker will benefit from the combination of ICTSI's expertise, tradition, and strength as a global port operator, and Tracker Logística's local knowledge, flexibility, and agility.

Port of Melbourne, Australia. On August 3, 2021, the Port of Melbourne Corporation (POMC) committed to carry out berth extension works adding 71 meters to the existing quay together with a designated hard stand area behind the extended quay that will collectively add 6,821.3 square meters to the original leased area. The POMC expansion works commenced in March 2022 and is expected to be completed in July 2023.

On September 15, 2021, VICT received the approval from the POMC for the commencement of the development of the first of two sub-phases of the Phase 3 expansion plan (Phase 3A). Phase 3A development is ongoing and upon completion in the first quarter of 2024, the Phase 3A expansion will increase annual capacity up to an estimated 1,250,000 TEUs.

Manila Harbour Center, Port of Manila, Philippines. On June 1, 2021, ICTSI signed a Share Purchase Agreement with Prime Strategic Holdings, Inc. to acquire 100% of the shares of MHCPSI, operating a 10-hectare international breakbulk and bulk private port facility located at the northern side of the Manila Harbour Center, Port of Manila. On June 4, 2021, the facilities were transferred to ICTSI management after all conditions precedent have been satisfied and required regulatory approvals have been obtained.

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).

Phase 1 of the facility consists of two berths that can handle 175,000 TEUs and 350,000 metric tons. 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.

Development of Phase 2 of the facility started in the first quarter of 2020 and is expected to be completed in the last quarter of 2023. The expansion project covers both yard and berth, including acquisition of port equipment. Upon completion of Phase 2, berth length will increase from 350 meters to 500 meters and capacity will increase to 400,000 TEUs and 800,000 metric tons. The empty container yard expansion was completed in the last quarter of 2020. As at November 4, 2022, the development of the full container yard is ongoing and is expected to be completed in the last quarter of 2023. The development of the quay commenced in January 2022 and is expected to be completed in the third quarter of 2023.

Port of Onne, Rivers State, Nigeria. ICTSI, through its Nigerian subsidiary, International Container Terminal Services Nigeria Ltd. (ICTSNL), signed a Lease Agreement with the Nigerian Port Authority in 2020, for the development and operation of a multipurpose terminal in the Port of Onne in Rivers State, Nigeria. ICTSNL started commercial operations in May 2021.

The lease covers Berths 9, 10 and 11 of the Federal Ocean Terminal, Onne Port Complex in Rivers State, Nigeria that ICTSNL will develop and operate. The multipurpose terminal is designed to handle containers as well as general cargo, including project, heavy lift and roll-on/roll-off cargoes. Located in the Gulf of Guinea in East Nigeria, the Port of Onne has earned its reputation as a modern and efficient gateway at the center of Africa's largest oil production region.

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 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 million (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"). 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 of the Republic of the Sudan (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 Ministry sent ICTSI a letter confirming: (1) the remittance of EUR195.2 million (US\$219.1 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 or US\$29.8 million). ICTSI continues to regularly engage the Ministry into productive discussions on the remaining balance of the Upfront Fee under the terms of the Refund Bond, which the Ministry continues to expressly commit its obligations and recently reconfirmed through a letter dated September 22, 2022. ICTSI reserves and continues to reserve its rights under the Concession Agreement following a letter from SPC regarding its cancellation which ICTSI disputes, and to pursue remedies available under the Refund Bond. 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.

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 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 has started operations in the third quarter of 2018 while the rehabilitation works are expected to be completed in the fourth quarter of 2022.

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 the 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 and 3.8 hectares were further completed in January 2020 and December 2021. 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.

Tuxpan, Mexico. On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100% of the capital stock of Terminal Maritima de Tuxpan, S.A de C.V (TMT) for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares of land owned by TMT. As at November 4, 2022, management is currently evaluating its options under the concession agreement including the long-term plans for the land.

Port of Kribi, Cameroon. On June 14, 2019, ICTSI was declared as the preferred bidder for the concession of Multi-Purpose Terminal of the Port of Kribi, Cameroon by the port authority, Port Autonome de Kribi (PAK).

On July 27, 2020, the 25-year concession contract was officially signed by Kribi Multipurpose Terminal (KMT), a Cameroonian subsidiary of ICTSI, and PAK. ICTSI, through its subsidiary ICTSI Middle East DMCC, owns 75% of KMT’s shares of stock while PAK owns 25%.

Under the concession contract, KMT was given the exclusive right to develop, operate, and maintain the multipurpose facility at Kribi, a newly built deep-water port located 150 kilometers South of Douala. Kribi port is surrounded by the Kribi Industrial Area, a 262 square-kilometer zone intended to accommodate new industrial and logistical developments that support the growing economy of Cameroon and the Cameroon-Chad-CAR (Central African Republic) transit Corridor.

The concession covers Phase 1 of the construction of the Kribi Deep-Sea Port, consisting of 615 meters of berth and corresponding facilities, 33 hectares of yard and 1,355 meters of breakwater. Phase 1 is divided into two sub-phases. Sub-phase 1 consists of a 265-meter berth (Quay 1.1), 10 hectares of yard and port equipment and facilities that was turned over to KMT upon effectivity of the concession. Sub-phase 2 consists of a 350-meter berth (Quay 1.2, an extension of Quay 1.1), and 23 hectares of yard (including facilities to be provided by PAK) that are currently and

temporarily utilized by the container terminal operator and will be turned over to KMT upon completion of the Phase 2 of the Kribi Deep-Sea Port where the container terminal operator will transfer to.

KMT has started commercial operations on October 1, 2020.

Extension of Contracts

Port of Gdynia, Poland. The exclusive lease contract of BCT to operate the Gdynia Container Terminal will expire in May 2023. ICTSI is in the process of renewing the concession.

Port of Karachi, Pakistan. The concession agreement between PICT and Karachi Port Trust (KPT) is for a period of 21 years until June 2023. As at November 4, 2022, discussions between PICT and KPT on the possibilities of extending the concession period and amending other commercial terms and conditions are still ongoing.

Port of Toamasina, Madagascar. On December 10, 2021, MICTSL, which operates the port of Toamasina in Madagascar, signed an amendment to its concession agreement with the Société du Port a gestion Autonome de Toamasina extending the term of the concession by 15 years until October 2040, subject to a legislative approval from the government of Madagascar. ICTSI has held the concession since 2005.

South Cotabato, Philippines. On February 20, 2006, the PPA granted South Cotabato Integrated Port Services, Inc. (SCIPSI) a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of HOA on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. On March 31, 2022, the HOA was issued by the PPA with the validity of twelve months from January 1, 2022 up to December 31, 2022 or until the award of a new contract by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the HOA.

Sale of a Subsidiary

Davao, Philippines. Abbotsford Holdings, Inc. (AHI) entered into a share purchase agreement (SPA) with Hijo Resources Corp. (HRC), with the former selling all its 162,500 shares or 65% interest in Hijo International Port Services, Inc. (HIPS) for a total consideration of Php325.0 million (US\$5.8 million) to the latter subject to delivery of a bank guarantee. Effective August 31, 2022, the sale was finalized and concluded by both parties.

Termination and Expiration of Contracts

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 April 13, 2021, the HOA was issued by the PPA with the validity of twelve months from January 1, 2021 up to December 31, 2021 or until the award of a new contract by the PPA, whichever is earlier, unless cancelled or revoked for reason by the PPA during the validity of the HOA. In June 2022, ICTSI was informed that a notice was issued by the PPA to the new operator to commence with the work and perform the services under the newly awarded port terminal management contract for Port of Sasa. As at June 30, 2022, DIPSSCOR has ceased its operations at Sasa Wharf. Immediately thereafter, DIPSSCOR has fully transitioned the operations at Sasa Wharf to the new operator in coordination with the PPA.

Port of Makassar, Indonesia. The cooperation agreement between PT Makassar Terminal Services (MTS) and PT Pelabuhan Indonesia IV (Pelindo IV) for the supply and operation of container loading and unloading equipment in the container terminal port of Makassar, Indonesia will expire in January 2023.

Management continues to assess for losses that the Group may recognize in relation to the termination of the terminal management contract in DIPSSCOR and the forthcoming contract expiration in MTS.

2.2 Results of Operations and Key Performance Indicators

2.2.1 Results of Operations

The following table shows a summary of the results of operations for the third quarter and nine months ended September 30, 2022 as compared with the same period in 2021 as derived from the accompanying unaudited interim condensed consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

(In thousands, except % change data)	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2021	2022	% Change	2021	2022	% Change
Gross revenues from port operations	US\$482,391	US\$576,699	19.6	US\$1,365,014	US\$1,639,607	20.1
Revenues from port operations, net of port authorities' share	432,002	520,120	20.4	1,212,639	1,476,125	21.7
Total income (net revenues, interest and other income)	443,669	538,419	21.4	1,251,283	1,530,191	22.3
Total expenses (operating, financing and other expenses)	279,578	310,698	11.1	803,148	905,865	12.8
EBITDA ¹	296,939	365,850	23.2	829,401	1,037,991	25.1
EBIT ²	233,828	299,616	28.1	647,009	842,957	30.3
Net income attributable to equity holders of the parent	119,705	170,657	42.6	316,367	465,132	47.0
Earnings per share						
Basic	US\$0.052	US\$0.080	54.9	US\$0.132	US\$0.215	62.6
Diluted	0.052	0.080	54.9	0.132	0.215	62.6

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 (and in-substance fixed) port fees and leases that are accounted as concession assets under IFRIC 12, Service Concession Arrangements and right-of-use assets under PFRS 16, 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 unaudited interim condensed consolidated statements of income for the third quarter and nine months ended September 30, 2022 as compared with the same period in 2021:

Table 2.2 EBITDA Computation

(In thousands, except % change data)	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2021	2022	% Change	2021	2022	% Change
Net income attributable to equity holders of the parent	US\$119,705	US\$170,657	42.6	US\$316,367	US\$465,132	47.0
Non-controlling interests	12,464	16,466	32.1	36,360	41,828	15.0
Provision for income tax	31,922	40,598	27.2	95,408	117,366	23.0
Income before income tax	164,091	227,721	38.8	448,135	624,326	39.3
Add (deduct):						
Depreciation and amortization	63,111	66,234	4.9	182,391	195,034	6.9
Interest and other expenses	81,404	90,194	10.8	237,519	272,697	14.8
Interest and other income	(11,667)	(18,299)	56.8	(38,644)	(54,066)	39.9
EBITDA	US\$296,939	US\$365,850	23.2	US\$829,401	US\$1,037,991	25.1

2.2.2 Key Performance Indicators

The five 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 TEU and gross revenue growth, which are both financial in nature. These KPIs are discussed in detail in the succeeding paragraphs.

2022 Compared with 2021

Gross moves per hour per crane ranged to 12.7 to 31.3 moves per hour in 2022 from 15.4 to 33.2 moves per hour in 2021. Crane availability ranged to 69.3 percent to 98.7 percent in 2022 from 81.2 percent to 98.9 percent in 2021. Berth utilization was at 22.1 percent to 82.7 percent in 2022 and 25.9 percent to 69.8 percent in 2021.

2021 Compared with 2020

Gross moves per hour per crane ranged to 15.4 to 33.2 moves per hour in 2021 from 15.7 to 30.5 moves per hour in 2020. Crane availability ranged to 81.2 percent to 98.9 percent in 2021 from 73.2 percent to 97.3 percent in 2020. Berth utilization was at 25.9 percent to 69.8 percent in 2021 and 21.6 percent to 74.4 percent in 2020.

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

2.3 Comparison of Operating Results for the Third Quarters Ended September 30, 2021 and 2022

2.3.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the third quarters ended September 30, 2021 and 2022:

Table 2.3 Volume

	For the Three Months Ended September 30		
	2021	2022	% Change
Asia	1,285,164	1,590,808	23.8
Americas	835,440	854,112	2.2
EMEA	686,494	658,801	(4.0)
	2,807,098	3,103,721	10.6

The Group's consolidated volume increased by 10.6 percent to 3,103,721 TEUs for the third quarter of 2022 from 2,807,098 TEUs for the same period in 2021 mainly due to the contribution of MNHPI that was consolidated starting September 2022; volume growth and improvement in trade activities as economies recover from the impact of the COVID-19 pandemic and lockdown restrictions; and new shipping lines and services at certain terminals. Excluding MNHPI and DIPSSCOR (ceased to operate in June 2022), consolidated volume would have increased by 7.1 percent in 2022.

Volume from the Asia operations, consisting of terminals in the Philippines, China, Indonesia, Australia, and Papua New Guinea increased by 23.8 percent to 1,590,808 TEUs for the third quarter of 2022 from 1,285,164 TEUs for the same period in 2021 mainly due to the contribution of MNHPI; volume growth and recovery at MICT; higher vessel calls at OJA; and new services at VICT; partially tapered by the termination of cargo handling operations at DIPSSCOR. Excluding MNHPI and DIPSSCOR, consolidated volume would have increased by 16.3 percent in 2022. The Asia operations accounted for 45.8 percent and 51.3 percent of the consolidated volume for the quarters ended September 30, 2021 and 2022, respectively.

Volume from the Americas segment, consisting of terminals in Brazil, Ecuador, Honduras, Mexico and Argentina, increased by 2.2 percent to 854,112 TEUs for the third quarter of 2022 from 835,440 TEUs for the same period in 2021 mainly due to increased trade activities in OPC; partially tapered by lower trade volume at TSSA and CGSA. The Americas operations accounted for 29.8 percent and 27.5 percent of the consolidated volume for the quarters ended September 30, 2021 and 2022, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Pakistan, Georgia, Madagascar, Croatia and Nigeria, reported a 4.0 percent decrease to 658,801 TEUs for the third quarter of 2022 from 686,494 TEUs for the same period in 2021 primarily due to the decrease in trade volume at PICT and BCT; partially tapered by market recovery at ICTSI Iraq; increase in trade volume at AGCT and IDRC. The EMEA operations accounted for 24.4 percent and 21.2 percent of the Group's consolidated volume for the quarters ended September 30, 2021 and 2022, respectively.

2.3.2 Total Income

Total income consists of: (1) Revenues from port operations, net of port authorities' share in gross revenues; (2) Interest income; (3) Foreign exchange gain; (4) Equity share in net profit (loss) of joint ventures; and (5) Other income.

The table below illustrates the consolidated total income for the third quarters ended September 30, 2021 and 2022:

Table 2.4 Total Income

	For the Three Months Ended September 30		
<i>(In thousands, except % change data)</i>	2021	2022	% Change
Gross revenues from port operations	US\$482,391	US\$576,699	19.6
Port authorities' share in gross revenues	50,389	56,579	12.3
Net revenues	432,002	520,120	20.4
Interest income	6,033	7,257	20.3
Foreign exchange gain	1,647	3,531	114.4
Equity share in net profit (loss) of joint ventures - net	(2,424)	1,588	165.5
Other income	6,411	5,923	(7.6)
Total income	US\$443,669	US\$538,419	21.4

For the third quarter of 2022, net revenues stood at 96.6 percent of the total consolidated income while interest income, foreign exchange gain, equity share in net profit of joint ventures, and other income accounted for 1.3 percent, 0.7 percent, 0.3 percent and 1.1 percent, respectively. For the same period in 2021, net revenues stood at 97.4 percent of the total consolidated income while interest income, foreign exchange gain, equity share in net loss of joint ventures, and other income accounted for 1.4 percent, 0.4 percent, -0.6 percent and 1.4 percent, respectively.

2.3.2.1 Gross Revenues from Port Operations

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

Table 2.5 Gross Revenues from Port Operations

<i>(In thousands, except % change data)</i>	For the Three Months Ended September 30		
	2021	2022	% Change
Asia	US\$219,088	US\$265,834	21.3
Americas	153,493	194,185	26.5
EMEA	109,810	116,680	6.3
	US\$482,391	US\$576,699	19.6

The Group's consolidated gross revenues from port operations increased by 19.6 percent to US\$576.7 million for the third quarter of 2022 from US\$482.4 million for the same period in 2021 mainly due to volume growth; favorable container mix; tariff adjustments at certain terminals; new contracts with shipping lines and services; higher revenues from ancillary services; and the contribution of MNHPI; partially tapered by decline in trade activities at certain terminals; and unfavorable translation impact mainly of the depreciation of Philippine Peso (PHP)- and Australian Dollars (AUD)-based revenues at Philippine terminals and VICT, respectively, and Euro (EUR)-based revenues at MICTSL and AGCT. Excluding MNHPI, and new (CM Logista) and discontinued (DIPSSCOR and HIPS) businesses, consolidated gross revenues would have increased by 18.2 percent in 2022.

Gross revenues from the Asia segment increased by 21.3 percent to US\$265.8 million for the third quarter of 2022 from US\$219.1 million for the same period in 2021 mainly due to volume growth; contribution of MNHPI; improvement in trade activities and tariff adjustments at certain terminals; higher revenues from ancillary services; and new contracts with shipping lines and services; partially tapered by unfavorable translation impact mainly of the depreciation of PHP- and AUD-based revenues at Philippine terminals and VICT, respectively; and termination of cargo handling operations at DIPSSCOR. Excluding MNHPI, and new and discontinued businesses, gross revenues of Asia segment would have increased by 18.3 percent. The Asia operations captured 45.4 percent and 46.1 percent of the consolidated gross revenues for the third quarters ended September 30, 2021 and 2022, respectively.

Gross revenues from the Americas segment increased by 26.5 percent to US\$194.2 million for the third quarter of 2022 from US\$153.5 million for the same period in 2021 mainly due to increase in revenues from ancillary services; tariff adjustments at certain terminals; new services; and improvement in trade activities; partially tapered by unfavorable translation impact of the depreciation of Mexican Peso (MXN)-based revenues at CMSA. The Americas operations accounted for 31.8 percent and 33.7 percent of the consolidated gross revenues for the third quarters ended September 30, 2021 and 2022.

Gross revenues from the EMEA operations increased by 6.3 percent to US\$116.7 million for the third quarter of 2022 from US\$109.8 million for the same period in 2021 mainly due to volume growth and increase in trade activities at certain terminals; and tariff adjustments at certain terminals; partially tapered by decline in trade volume at PICT and MICTSL, and unfavorable translation impact of the depreciation of EUR-based revenues at MICTSL and AGCT, Pakistani Rupee (PKR)-based revenues at PICT, and Polish Zloty (PLN)-based revenues at BCT. The EMEA operations stood at 22.8 percent and 20.2 percent of the consolidated gross revenues for the third quarters ended September 30, 2021 and 2022, respectively.

2.3.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities at certain terminals, other than minimum guaranteed variable fees that were capitalized as part of concession rights and right-of-use assets that are amortized on a straight-line basis over the term of the concession, increased by 12.3 percent to US\$56.6 million for the third quarter of 2022 from US\$50.4 million for the same period in 2021 as a result of higher revenues at some of these terminals.

2.3.2.3 Equity Share in Net Profit (Loss) of Joint Ventures

Equity share in net profit of joint ventures improved to US\$1.6 million for the third quarter of 2022 from US\$2.4 million equity share in net loss of joint ventures for the same period in 2021 mainly due to higher net earnings of MNHPI prior to acquisition of control and better operating results at SPIA..

2.3.2.4 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by 20.3 percent to US\$7.3 million for the third quarter of 2022 from US\$6.0 million for the same period in 2021 mainly due to interest earned from short-term deposits at certain terminals.

Foreign exchange gain increased to US\$3.5 million for the third quarter of 2022 from US\$1.6 million for the same period in 2021 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 to US\$5.9 million for the third quarter of 2022 from US\$6.4 million for the same period in 2021 mainly due to tax refund granted in the form of tax credits in 2021 and lower gain from disposal of fixed assets at certain terminals; partially tapered by gain on sale of HIPSI recognized in 2022. Other income includes the Group's rental, gain from disposal, dividend income, and sundry income accounts.

2.3.3 Total Expenses

The table below shows the breakdown of total expenses for the third quarters ended September 30, 2021 and 2022.

Table 2.6 Total Expenses

(In thousands, except % change data)	For the Three Months Ended September 30		
	2021	2022	% Change
Manpower costs	US\$67,999	US\$75,013	10.3
Equipment and facilities-related expenses	34,283	43,525	27.0
Administrative and other operating expenses	32,781	35,732	9.0
Total cash operating expenses	135,063	154,270	14.2
Depreciation and amortization	63,111	66,234	4.9
Interest expense and financing charges on borrowings	28,308	32,903	16.2
Interest expense on lease liabilities	28,152	29,962	6.4
Interest expense on concession rights payable	16,017	15,139	(5.5)
Foreign exchange loss and other expenses	8,927	12,190	36.6
Total expenses	US\$279,578	US\$310,698	11.1

Total cash operating expenses of the Group increased by 14.2 percent to US\$154.3 million for the third quarter ended September 30, 2022 from US\$135.1 million for the same period in 2021 driven by increase in equipment and facilities-related expenses, mainly fuel; government-mandated and contracted salary rate adjustments, including benefits; contracted services in relation to volume, including overtime; and costs contribution of MNHPI; partially tapered by continuous cost

optimization measures implemented; favorable foreign exchange effect mainly of PHP-, PKR-, PLN-, AUD- and ARS-based expenses at Philippine terminals, PICT, BCT, VICT and Tecplata, respectively; and termination of cargo handling operations at DIPSSCOR. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated cash operating expenses would have increased by 12.6 percent.

2.3.3.1 Manpower Costs

Manpower costs increased by 10.3 percent to US\$75.0 million for the third quarter of 2022 from US\$68.0 million for the same period in 2021 primarily due to government-mandated and contracted salary rate adjustments, including benefits, at certain terminals; costs contribution of MNHPI; higher overtime and contracted services as a result of volume increase at certain terminals; partially tapered by continuous cost optimization measures implemented; favorable foreign exchange effect mainly of PHP-, PKR-, PLN- and AUD-based manpower costs at Philippine terminals, PICT, BCT and VICT, respectively; and termination of cargo handling operations at DIPSSCOR. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated manpower costs would have increased by 8.9 percent.

Manpower costs accounted for 50.3 percent and 48.6 percent of consolidated cash operating expenses for the third quarters ended September 30, 2021 and 2022, respectively.

2.3.3.2 Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses increased by 27.0 percent to US\$43.5 million for the third quarter of 2022 from US\$34.3 million for the same period in 2021 mainly due to increase in prices of fuel and on higher fuel consumption driven by volume and revenue growth at certain terminals; increase in repairs and maintenance costs, and equipment rental driven by volume and revenue growth; cost contribution of MNHPI; and higher power costs at certain terminals; partially tapered by favorable foreign exchange effect mainly of PHP-, PKR-, PLN- and ARS-based equipment and facilities-related expenses at Philippine terminals, PICT, BCT and Tecplata, respectively; and termination of cargo handling operations at DIPSSCOR. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated equipment and facilities-related expenses would have increased by 24.9 percent.

Equipment and facilities-related expenses represented 25.4 percent and 28.2 percent of consolidated cash operating expenses for the third quarters ended September 30, 2021 and 2022, respectively.

2.3.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 9.0 percent to US\$35.7 million for the third quarter of 2022 from US\$32.8 million for the same period in 2021 driven by increase in professional fees, taxes and licenses, transportation and travel, and donations ; and the costs contribution of MNHPI; partially tapered by decrease in sponsorships, general impact of continuous cost optimization measures implemented, and favorable foreign exchange effect of PHP-based administrative and other operating expenses at Philippine terminals. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated administrative and other operating expenses would have increased by 7.6 percent.

Administrative and other operating expenses stood at 24.3 percent and 23.2 percent of consolidated cash operating expenses for the third quarters ended September 30, 2021 and 2022, respectively.

2.3.3.4 Depreciation and Amortization

Depreciation and amortization expense increased by 4.9 percent to US\$66.2 million for the third quarter of 2022 from US\$63.1 million for the same period in 2021 mainly driven by cost contribution of MNHPI; increase in right-of-use assets at CMSA and TSSA as a result of remeasurement of lease liabilities, and new equipment lease at IRB Logistica; and higher depreciation and amortization charges at certain terminals; partially tapered by favorable translation impact of AUD-based depreciation and amortization charges at VICT. Excluding contribution of MNHPI, and new and discontinued businesses, depreciation and amortization expense would have increased by 2.1 percent.

2.3.3.5 Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 16.2 percent to US\$32.9 million for the third quarter of 2022 from US\$28.3 million for the same period in 2021 primarily due to issuance of senior notes at ITBV in November 2021; short-term loans availed at ICTSI Parent and ICTSI Ltd. in the second and third quarters of 2022; partially tapered by repayment of loans at VICT in December 2021.

2.3.3.6 Interest Expense on Lease Liabilities

Interest expense on lease liabilities increased by 6.4 percent to US\$30.0 million for the third quarter of 2022 from US\$28.2 million for the same period in 2021 mainly due remeasurement of lease liabilities at CMSA and TSSA, and equipment leases starting second quarter of 2022 associated with the new businesses at IRB Logistica; partially tapered by favorable translation impact of AUD-based interest expense at VICT.

2.3.3.7 Interest Expense on Concession Rights Payable

Interest expense on concession rights payable decreased by 5.5 percent to US\$15.1 million for the third quarter of 2022 from US\$16.0 million for the same period in 2021 due to lower interest expense at certain terminals; partially tapered by remeasurement of concession rights payable at CGSA and cost contribution of MNHPI. Excluding contribution of MNHPI, interest expense on concession rights payable would have decreased by 7.3 percent.

2.3.3.8 Foreign Exchange Loss and Other Expenses

Foreign exchange loss and other expenses increased to US\$12.2 million in the third quarter of 2022 from US\$8.9 million for the same period in 2021 mainly due to the increase in foreign exchange loss arising from the unfavorable translation impact of certain currencies against US dollar, mark-to-market loss on currency forward contract and contribution of MNHPI; partially tapered by lower COVID-19-related and restructuring costs.

2.3.4 EBITDA and EBIT

Consolidated EBITDA increased by 23.2 percent to US\$365.9 million for the third quarter of 2022 from US\$296.9 million for the same period in 2021 mainly due to higher revenues, partially tapered by the increase in cash operating expenses. EBITDA margin increased to 63.4 percent in 2022 from 61.6 percent in 2021. Excluding contribution of MNHPI, and new and discontinued businesses, EBITDA would have increased by 21.6 percent.

Meanwhile, consolidated EBIT increased by 28.1 percent to US\$299.6 million for the third quarter of 2022 from US\$233.8 million for the same period in 2021 mainly due to higher EBITDA, partially tapered by increase in depreciation and amortization charges. EBIT margin increased to 52.0 percent in 2022 from 48.5 percent in 2021. Excluding contribution of MNHPI, and new and discontinued businesses, EBIT would have increased by 26.9 percent.

2.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 38.8 percent to US\$227.7 million for the quarter ended September 30, 2022 from US\$164.1 million for the same period in 2021 primarily due to higher operating income, interest income and equity in net profit of joint ventures, and lower interest on concession rights payable; partially tapered by increase in interest on loans and lease liabilities, depreciation and amortization, and net foreign exchange loss. Excluding contribution of MNHPI, and new and discontinued businesses, income before income tax would have increased by 37.4 percent.

The ratio of consolidated income before income tax to consolidated gross revenues stood at 34.0 percent and 39.5 percent in 2021 and 2022, respectively.

Consolidated provision for current and deferred income taxes increased to US\$40.6 million for the third quarter of 2022 from US\$31.9 million for the same period in 2021 higher taxable income principally from operations, including impact of higher income tax rate at certain terminals, partially tapered by the impact of income tax incentive granted at ICTSI Iraq. Effective income tax rate in 2021 and 2022 stood at 19.5 percent and 17.8 percent, respectively.

2.3.6 Net Income

Consolidated net income increased by 41.6 percent to US\$187.1 million for the quarter ended September 30, 2022 from US\$132.2 million for the same period in 2021. The ratio of consolidated net income to gross revenues stood at 27.4 percent and 32.4 percent in 2021 and 2022, respectively.

Consolidated net income attributable to equity holders increased by 42.6 percent to US\$170.7 million for the quarter ended September 30, 2022 from US\$119.7 million for the same period in 2021.

Basic and diluted earnings per share amounted to US\$0.052 and US\$0.080 in 2021 and 2022, respectively.

2.4 Comparison of Operating Results for the Nine Months Ended September 30, 2021 and 2022

2.4.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the nine months ended September 30, 2021 and 2022:

Table 2.7 Volume

	For the Nine Months Ended September 30		
	2021	2022	% Change
Asia	3,757,491	4,298,922	14.4
Americas	2,523,375	2,554,000	1.2
EMEA	1,985,755	2,003,381	0.9
	8,266,621	8,856,303	7.1

Consolidated volume handled by the Group increased by 7.1 percent to 8,856,303 TEUs for the nine months ended September 30, 2022 from 8,266,621 TEUs for the same period in 2021 primarily due to volume growth and improvement in trade activities as economies continue to recover from the impact of the COVID-19 pandemic and lockdown restrictions; new shipping lines and services at certain terminals; and contribution of MNHPI. Excluding MNHPI, ICTSNL (that started commercial operations in July 2022) and DIPSSCOR, consolidated volume would have increased by 5.8 percent.

Volume from the Asia segment increased by 14.4 percent to 4,298,922 TEUs for the nine months ended September 30, 2022 from 3,757,491 TEUs for the same period in 2021 mainly due to strong volume growth and recovery at MICT; contribution of MNHPI; higher vessel calls at OJA; new services at VICT; and increased trade activities at YICT; slightly tapered by termination of cargo handling services at DIPSSCOR and reduced vessel calls at certain Philippine terminals. Excluding MNHPI and DIPSSCOR, consolidated volume would have increased by 12.3 percent in 2022. The Asia operations accounted for 45.5 percent and 48.6 percent of the consolidated volume for the nine months ended September 30, 2021 and 2022.

Volume from the Americas segment increased by 1.2 percent to 2,554,000 TEUs for the nine months ended September 30, 2022 from 2,523,375 TEUs for the same period in 2021 mainly due to increased trade activities at OPC; partially tapered by reduced vessel calls and trade volumes at TSSA. The Americas operations accounted for 30.5 percent and 28.8 percent of the consolidated volume for the nine months ended September 30, 2021 and 2022, respectively.

Volume from the EMEA segment increased by 0.9 percent to 2,003,381 TEUs for the nine months ended September 30, 2022 from 1,985,755 TEUs for the same period in 2021 primarily due to increased trade volume at AGCT; contribution of ICTSNL; and market recovery at ICTSI Iraq; partially tapered by decrease in trade volume at PICT and BCT. Excluding ICTSNL, volume from the EMEA segment would have decreased by 0.8 percent for the nine months ended September 30, 2022. The EMEA segment stood at 24.0 percent and 22.6 percent of the consolidated volume for the nine months ended September 30, 2021 and 2022, respectively.

2.4.2 Total Income

Table 2.8 Total Income

(In thousands, except % change data)	For the Nine Months Ended September 30		
	2021	2022	% Change
Gross revenues from port operations	US\$1,365,014	US\$1,639,607	20.1
Port authorities' share in gross revenues	152,375	163,482	7.3
Net revenues	1,212,639	1,476,125	21.7
Interest income	16,254	21,495	32.2
Foreign exchange gain	6,082	13,461	121.3
Equity share in net profit (loss) of joint ventures - net	(1,681)	4,614	374.5
Other income	17,989	14,496	(19.4)
Total income	US\$1,251,283	US\$1,530,191	22.3

For the nine months ended September 30, 2022, net revenues accounted for 96.5 percent of the total consolidated income while interest income, foreign exchange gain, equity share in net profit of joint ventures, and other income represented 1.4 percent, 0.9 percent, 0.3 percent and 0.9 percent, respectively. For the same period in 2021, net revenues accounted for 96.9 percent of the total consolidated income while interest income, foreign exchange gain, equity share in net loss of joint ventures, and other income represented 1.3 percent, 0.5 percent, -0.1 percent and 1.4 percent, respectively.

2.4.2.1 Gross Revenues from Port Operations

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

Table 2.9 Gross Revenues from Port Operations

(In thousands, except % change data)	For the Nine Months Ended September 30		
	2021	2022	% Change
Asia	US\$611,864	US\$733,338	19.9
Americas	439,596	560,870	27.6
EMEA	313,554	345,399	10.2
	US\$1,365,014	US\$1,639,607	20.1

The Group's consolidated gross revenues from port operations increased by 20.1 percent to US\$1,639.6 million for the nine months ended September 30, 2022 from US\$1,365.0 million for the same period in 2021 mainly due to volume growth and market recovery; favorable container mix; tariff adjustments at certain terminals; new contracts with shipping lines and services; higher revenues from ancillary services; and contribution of MNHPI, and new businesses, mainly MHCPSI (acquired in June 2021) and ICTSNL; partially tapered by decline in trade activities at certain terminals; and unfavorable translation impact mainly of the depreciation of PHP- and AUD-based revenues at Philippine terminals and VICT, respectively, and Euro (EUR)-based revenues at MICTSL and AGCT. Excluding MNHPI, and new (ICTSNL, MHCPSI, IRB Logistica and CM Logista) and discontinued (DIPSSCOR and HIPS) businesses, consolidated gross revenues would have increased by 17.7 percent.

Gross revenues from the Asia segment increased by 19.9 percent to US\$733.3 million for the nine months ended September 30, 2022 from US\$611.9 million for the same period in 2021 mainly due to volume growth; improvement in trade activities and tariff adjustments at certain terminals; higher revenues from ancillary services; and contribution of MNHPI and MHCPSI; partially tapered by unfavorable translation impact of the depreciation of PHP- and AUD-based revenues at Philippine terminals and VICT, respectively. Excluding MNHPI, and new and discontinued businesses, gross revenues of Asia segment would have increased by 16.7 percent. The Asia segment accounted for 44.8 percent and 44.7 percent of the consolidated gross revenues for the nine months ended September 30, 2021 and 2022, respectively.

Gross revenues from the Americas segment increased by 27.6 percent to US\$560.9 million for the nine months ended September 30, 2022 from US\$439.6 million for the same period in 2021 mainly due to increase in revenues from ancillary services; tariff adjustments, new services and increase in trade activities at certain terminals; and favorable translation impact of the appreciation of BRL-based revenues at TSSA and ICTSI Rio; partially tapered by unfavorable translation impact of the depreciation of MXN-based revenues at CMSA. Excluding new businesses, mainly IRB Logistica, gross revenues of Americas segment would have increased by 26.8 percent. The Americas segment stood at 32.2 percent and 34.2 percent of the consolidated gross revenues for the nine months ended September 30, 2021 and 2022, respectively.

Gross revenues from the EMEA segment increased by 10.2 percent to US\$345.4 million for the nine months ended September 30, 2022 from US\$313.6 million for the same period in 2021 primarily due to contribution of ICTSNL; volume growth and tariff adjustments at certain terminals; increase in revenues from ancillary services; partially tapered by decline in trade volume at PICT and MICTSL; and unfavorable translation impact of the depreciation of EUR-based revenues at MICTSL and AGCT, PLN-based revenues at BCT and PKR-based revenues at PICT. Excluding the contribution of ICTSNL, gross revenues of EMEA segment would have increased by 6.5 percent. The EMEA operations accounted for 23.0 percent and 21.1 percent of the consolidated gross revenues for the nine months ended September 30, 2021 and 2022, respectively.

2.4.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, other than minimum guaranteed variable fees that were capitalized as part of concession rights and right-of-use assets that are amortized on a straight-line basis over the term of the concession, increased by 7.3 percent to US\$163.5 million for the nine months ended September 30, 2022 from US\$152.4 million for the same period in 2021 as a result of higher volume and revenues at some of these terminals.

2.4.2.3 Equity Share in Net Profit (Loss) of Joint Ventures

Equity share in net profit of joint ventures improved to US\$4.6 million for the nine months ended September 30, 2022 from US\$1.7 million equity share in net loss of joint ventures for the same period in 2021 mainly due to better operating results at SPIA.

2.4.2.4 Interest Income, Foreign Exchange Gain, and Other Income

Consolidated interest income increased by 32.2 percent to US\$21.5 million for the nine months ended September 30, 2022 from US\$16.3 million for the same period in 2021 mainly due to interest earned from short-term deposits at certain terminals.

Foreign exchange gain increased to US\$13.5 million for the nine months ended September 30, 2022 from US\$6.1 million for the same period in 2021 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 to US\$14.5 million for the nine months ended September 30, 2022 from US\$18.0 million for the same period in 2021 mainly due to the non-recurring gain from insurance proceeds in 2021. Other income includes the Group's rental, dividend income, and sundry income accounts.

2.4.3 Total Expenses

The table below shows the breakdown of total expenses for the nine months ended September 30, 2021 and 2022:

Table 2.10 **Total Expenses**

(In thousands, except % change data)	For the Nine Months Ended September 30		
	2021	2022	% Change
Manpower costs	US\$195,318	US\$219,418	12.3
Equipment and facilities-related expenses	94,937	118,863	25.2
Administrative and other expenses	92,983	99,853	7.4
Total cash operating expenses	383,238	438,134	14.3
Depreciation and amortization	182,391	195,034	6.9
Interest expense and financing charges on borrowings	85,344	94,441	10.7
Interest expense on lease liabilities	81,154	89,557	10.4
Interest expense on concession rights payable	45,063	46,352	2.9
Foreign exchange loss and other expenses	25,958	42,347	63.1
Total expenses	US\$803,148	US\$905,865	12.8

The Group's cash operating expenses increased by 14.3 percent to US\$438.1 million for the nine months ended September 30, 2022 from US\$383.2 million for the same period in 2021 mainly due to costs contribution of MNHPI, and new businesses, mainly MHCPSI, ICTSNL and IRB Logistica; increase in equipment and facilities-related expenses, mainly fuel; government-mandated and contracted salary rate adjustments, including benefits; contracted services in relation to volume; and unfavorable foreign exchange effect of BRL-based expenses at ICTSI Rio and TSSA; partially tapered by continuous cost optimization measures implemented; and favorable foreign exchange effect mainly of PHP-, PKR-, AUD-, PLN- and ARS-based expenses at Philippine terminals, PICT, VICT, BCT and Tecplata, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated cash operating expenses would have increased by 10.9 percent.

2.4.3.1 Manpower Costs

Manpower costs increased by 12.3 percent to US\$219.4 million for the nine months ended September 30, 2022 from US\$195.3 million for the same period in 2021 primarily due to government-mandated and contracted salary rate adjustments, including benefits, at certain terminals; costs contribution of MNHPI, and new businesses, mainly ICTSNL, MHCPPI and IRB Logistica; higher contracted services and overtime as a result of the volume increase at certain terminals; and unfavorable foreign exchange effect of BRL-based manpower costs at ICTSI Rio and TSSA; partially tapered by continuous cost optimization measures implemented; and favorable foreign exchange effect mainly of PHP-, AUD-, PKR- and PLN-based manpower costs at Philippine terminals, PICT, VICT and BCT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated manpower costs would have increased by 9.2 percent.

Manpower costs accounted for 51.0 percent and 50.1 percent of consolidated cash operating expenses for the nine months ended September 30, 2021 and 2022, respectively.

2.4.3.2 Equipment and Facilities-related Expenses

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

Equipment and facilities-related expenses increased by 25.2 percent to US\$118.9 million for the nine months ended September 30, 2022 from US\$94.9 million for the same period in 2021 mainly due to increase in prices and consumption of fuel and power driven by volume and revenue growth; costs contribution of MNHPI and new businesses, mainly IRB Logistica, ICTSNL and MHCPPI; increase in repairs and maintenance, and equipment rental driven by volume and revenue growth; partially tapered by favorable foreign exchange effect mainly of PHP-, PKR-, PLN-, ARS- and AUD-based equipment and facilities-related expenses at Philippine terminals, PICT, BCT, Tecplata and VICT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated equipment and facilities-related expenses would have increased by 20.7 percent.

Equipment and facilities-related expenses stood at 24.8 percent and 27.1 percent of consolidated cash operating expenses for the nine months ended September 30, 2021 and 2022, respectively.

2.4.3.3 Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 7.4 percent to US\$99.9 million for the nine months ended September 30, 2022 from US\$93.0 million for same period in 2021 mainly due to costs contribution of MNHPI and new businesses, mainly MHCPPI and IRB Logistica, higher taxes and licenses, transportation and travel, and donations; partially tapered by decrease in professional fees, general impact of continuous cost optimization measures implemented, and favorable foreign exchange effect mainly of PHP-, AUD-, ARS- and PKR-based administrative and other operating expenses at Philippine terminals, VICT, Tecplata and PICT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated administrative and other operating expenses would have increased by 4.6 percent.

Administrative and other operating expenses accounted for 24.2 percent and 22.8 percent of consolidated cash operating expenses for the nine months ended September 30, 2021 and 2022.

2.4.3.4 Depreciation and Amortization

Depreciation and amortization expense increased by 6.9 percent to US\$195.0 million for the for the nine months ended September 30, 2022 from US\$182.4 million for the same period in 2021 mainly due to increase in right-of-use assets at TSSA and CMSA and concession rights asset at ICTSI Rio and CGSA as a result of remeasurement of lease liabilities and concession rights payable, including the unfavorable translation impact of BRL-based depreciation and amortization charges at TSSA and ICTSI Rio; cost contribution of MNHPI and new businesses, mainly ICTSNL and IRB Logistica; and higher depreciation and amortization charges at certain terminals; partially tapered by favorable translation impact of AUD-based depreciation and amortization charges at VICT. Excluding contribution of MNHPI, and new and discontinued businesses, depreciation and amortization expense would have increased by 3.9 percent.

2.4.3.5 Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 10.7 percent to US\$94.4 million for the nine months ended September 30, 2022 from US\$85.3 million for the same period in 2021 primarily due to issuance of senior notes at ITBV in November 2021; short-term loans availed at ICTSI Parent in the second and third quarter of 2022; and contribution of MHCPSI; partially tapered by repayment of loans at VICT in December 2021. Excluding contribution of MHCPSI, interest and financing charges on borrowings would have increased by 9.5 percent.

2.4.3.6 Interest Expense on Lease Liabilities

Interest expense on lease liabilities increased by 10.4 percent to US\$89.6 million for the nine months ended September 30, 2022 from US\$81.2 million for the same period in 2021 mainly due to remeasurement of lease liabilities at CMSA and TSSA, including unfavorable translation impact of BRL-based interest expense at TSSA, and equipment leases starting second quarter of 2022 associated with the new businesses at IRB Logistica; partially tapered by favorable translation impact of AUD-based interest expense at VICT. Excluding contribution of new businesses, mainly IRB Logistica, interest expense on lease liabilities would have increased by 9.9 percent.

2.4.3.7 Interest Expense on Concession Rights Payable

Interest on concession rights payable increased by 2.9 percent to US\$46.4 million for the nine months ended September 30, 2022 from US\$45.1 million for the same period in 2021 mainly due to the remeasurement of concession rights payable at CGSA, ICTSI Rio, MITL and SPICTL, including the unfavorable translation impact of BRL-based interest expense at ICTSI Rio, and cost contribution of MNHPI. Excluding contribution of MNHPI, interest expense on concession rights payable would have increased by 2.2 percent.

2.4.3.8 Foreign Exchange Loss and Other Expenses

Foreign exchange loss and other expenses increased to US\$42.3 million for the nine months ended September 30, 2022 from US\$26.0 million for the same period in 2021 mainly due to the increase in COVID-19-related and restructuring costs and mark-to-market loss on foreign currency forward contract.

2.4.4 EBITDA and EBIT

Consolidated EBITDA increased by 25.1 percent to US\$1,038.0 million for the nine months ended September 30, 2022 from US\$829.4 million for the same period in 2021 mainly due to higher revenues, partially tapered by the increase in cash operating expenses. EBITDA margin increased to 63.3 percent in 2022 from 60.8 percent in 2021. Excluding contribution of new and discontinued businesses, EBITDA would have increased by 22.9 percent.

Meanwhile, consolidated EBIT increased by 30.3 percent to US\$843.0 million for the nine months ended September 30, 2022 from US\$647.0 million for the same period in 2021 mainly due to higher EBITDA, partially tapered by increase in depreciation and amortization charges. EBIT margin increased to 51.4 percent in 2022 from 47.4 percent in 2021. Excluding contribution of new and discontinued businesses, EBIT would have increased by 28.2 percent.

2.4.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 39.3 percent to US\$624.3 million for the nine months ended September 30, 2022 from US\$448.1 million for the same period in 2021 primarily due to higher operating income, net foreign exchange gain, equity share in net profit of joint ventures, and interest income; partially tapered by increase in interest on loans, lease liabilities and concession rights payable, and depreciation and amortization charges. Excluding contribution of new and discontinued businesses, income before income tax would have increased by 37.1 percent.

The ratio of consolidated income before income tax to consolidated gross revenues stood at 32.8 percent and 38.1 percent in 2021 and 2022, respectively.

Consolidated provision for current and deferred income taxes increased to US\$117.4 million for the nine months ended September 30, 2022 from US\$95.4 million for the same period in 2021 mainly due to higher taxable income at certain terminals, including impact of higher income tax rate at certain terminals; partially tapered by the unfavorable impact on the net deferred tax assets at Philippine terminals in 2021 as a result of enactment of CREATE in the Philippines; and the impact of income tax incentive granted at ICTSI Iraq. Effective income tax rate in 2021 and 2022 stood at 21.3 percent and 18.8 percent, respectively.

2.4.6 Net Income

Consolidated net income increased by 43.7 percent to US\$507.0 million for the nine months ended September 30, 2022 from US\$352.7 million for the same period in 2021. The ratio of consolidated net income to gross revenues stood at 25.8 percent and 30.9 percent for the nine months ended September 30, 2021 and 2022, respectively.

Consolidated net income attributable to equity holders increased by 47.0 percent to US\$465.1 million for nine months ended September 30, 2022 from US\$316.4 million for the same period in 2021.

Basic and diluted earnings per share increased to US\$0.215 in 2022 from US\$0.132 in 2021.

2.5 Trends, Events or Uncertainties Affecting Revenues and Profits

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

Continuing COVID-19 pandemic

On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic.

In the Philippines, 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 (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Thereafter, several extensions of community quarantines at different levels were implemented in Metro Manila and different areas in the Philippines. As at November 4, 2022, community quarantines are no longer in force, however, minimum health protocols and restrictions are required to be observed in order to mitigate the spread of the virus.

Likewise, government authorities in other countries where the Group operates have relaxed restrictions and policies with respect to their responses against the adverse impact of the outbreak.

The outbreak has caused disruptions to businesses, global supply chain, and economic activities, and its impact continues to evolve. The Group observed declines and constrained recoveries in general business, including container throughput and revenues. The Group has incurred and continues to incur costs in order to mitigate the adverse impact of the outbreak on its operations.

Russia-Ukraine Conflict

On February 24, 2022, Russia launched a military attack on Ukraine that escalated an ongoing conflict that began in 2014.

This event sets several uncertainties with the potential to disrupt businesses and institutions and poses threat to world trade and economies, in general. The continuing effect of the situation on business and institutions could result in business continuity interference, trade disruptions, rising prices of basic commodities including oil and power, among others. The Group has no exposure to investments in Ukraine or Russia.

The scale and duration of the developments and event remain uncertain as at November 4, 2022. The conflict may have an impact on the level of trade affecting certain terminals of the Group, however, it is not possible to estimate the overall impact of the outbreak and war's near-term and longer effects, and could have a material impact on the Group's financial results for the rest of 2022 and even periods thereafter. Considering the evolving nature of the pandemic and the war, the Group will continue to closely monitor these situations.

2.6 Financial Position

Table 2.11 Interim Condensed Consolidated Balance Sheets

	December 31, 2021 (Audited, except for ratios)	September 30, 2022 (Unaudited)	% Change
<i>(In thousands, except % change data)</i>			
Total assets	US\$6,266,460	US\$6,682,543	6.6
Current assets	897,547	1,002,411	11.7
Total equity	1,511,579	1,512,342	0.2
Total equity attributable to equity holders of the parent	1,321,688	1,234,036	(6.5)
Total interest-bearing debt	2,150,640	2,422,423	12.6
Current liabilities	496,118	1,188,028	139.1
Total liabilities	4,754,881	5,170,201	8.7
Current assets/total assets	14.3%	15.0%	
Current ratio	1.81	0.84	
Debt-equity ratio ¹	1.42	1.60	

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

Total assets increased by 6.6 percent to US\$6.7 billion as of September 30, 2022 primarily due to the additions through the consolidation of MNHPI, capital expenditures from the ongoing expansions and acquisition of terminal equipment at MICT, VICT, CMSA and IDRC, acquisitions of land in the Philippines and in Brazil for new projects; and higher balance of restricted cash at VICT; tapered by the decrease in cash and cash equivalents mainly due to payment of dividends, redemption of perpetual capital securities, and continuous deployment of cash to fund capital expenditures; and net unfavorable impact on the translation of certain foreign operations' accounts. Non-current assets stood at 85.7 percent and 84.8 percent of the total consolidated assets as of December 31, 2021 and September 30, 2022, respectively.

Current assets increased by 11.7 percent to US\$1,002.4 million as of September 30, 2022 from US\$897.5 million as of December 31, 2021 mainly due to the cash generated from operations; and higher balance of restricted cash at VICT for debt servicing and capital expenditures; and contribution of MNHPI tapered by the decrease in cash and cash equivalents attributable to payment of dividends; redemption of perpetual capital securities; funding of capital expenditures, and payment of interest on borrowings, lease liabilities and concession rights payable. Current assets accounted for 14.3 percent and 15.0 percent of the total consolidated assets of the Group as of December 31, 2021 and September 30, 2022, respectively. Current ratio stood at 1.81 and 0.84 as of December 31, 2021 and September 30, 2022, respectively.

Total equity marginally increased by 0.1 percent to US\$1.5 billion as of September 30, 2022 primarily due to the net income generated for the period; tapered by payment of dividends and redemption of perpetual capital securities.

Total liabilities increased by 8.7 percent to US\$5.2 billion as of September 30, 2022 from US\$4.8 billion as at December 31, 2021 mainly due to the availment of long-term debt at VICT and IDRC, as well as, short-term loans at ICTSI Parent and ICTSI Ltd., partially offset by the net favorable impact on the translation of certain foreign operations' accounts. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 34.3 percent and 36.3 percent as of December 31, 2021 and September 30, 2022, respectively.

Meanwhile, current liabilities increased by 139.5 percent to US\$1.2 billion as of September 30, 2022 from US\$496.1 million as of December 31, 2021 mainly due to availment of short-term loans at ICTSI Parent and ICTSI Ltd., reclassification of long-term debt at ITBV that will be due within the next twelve months, from non-current to current, and higher accounts payable and other current liabilities due to the consolidation of MNHPI.

2.6.1 Material Variances Affecting the Balance Sheet

Balance sheet accounts as of September 30, 2022 with variances of plus or minus 5.0 percent against December 31, 2021 balances are discussed, as follows:

Noncurrent Assets

1. Intangibles increased by 12.7 percent to US\$2.3 billion as at September 30, 2022 mainly due to addition through business combination of MNHPI including additions to concession rights under port infrastructure largely at ICTSI, CGSA and ICTSI Iraq.
2. Investment properties decreased by 12.7 percent to US\$5.6 million as at September 30, 2022 mainly due to the unfavorable impact on the translation of certain foreign operations' accounts.
3. Investments in and advances to joint ventures and an associate decreased by 45.0 percent to US\$246.9 million as at September 30, 2022 mainly due to the change in accounting on investment in MNHPI from an associate to a subsidiary that was consolidated effective September 8, 2022.
4. Deferred tax assets increased by 17.5 percent to US\$397.0 million as at September 30, 2022 mainly due to the higher deferred tax benefit on unrealized foreign exchange loss at the Parent Company; partially tapered by the utilization of income tax benefit from net operating loss carry-over at VICT and unfavorable impact on the translation of certain foreign operations' accounts.
5. Following are the derivative assets and liabilities recognized in the consolidated balance sheets pertaining to the interest rate swap at IGFBV and foreign currency forward at Parent Company:

(In thousands, except % change data)	Derivative Asset (Liability)		
	December 31, 2021	September 30, 2022	% Change
Interest Rate Swap:			
Current	(US\$7,767)	US\$4,411	43.2
Noncurrent	(5,560)	10,751	293.4
Foreign Currency Forward:			
Current	US\$—	(US\$926)	100.0
Noncurrent	—	—	0.0

The changes on derivative assets and liabilities pertain to unrealized mark-to-market gains on interest rate swap arrangements recognized in equity and unrealized mark-to-market loss on foreign currency forward contract charged to profit or loss.

6. Other noncurrent assets increased by 24.9 percent to US\$403.7 million as at September 30, 2022 primarily due to higher advances to suppliers and contractors, and deposits made in relation to investments and other projects; partially tapered by unfavorable impact on the translation of certain foreign operations' accounts.

Current Assets

7. Cash and cash equivalents decreased by 10.3 percent to US\$590.0 million as at September 30, 2022 mainly due to payment of dividends, redemption of perpetual capital securities, and deployment of cash to fund capital expenditures; tapered by cash generated from operations.
8. Receivables increased by 18.5 percent to US\$160.0 million as at September 30, 2022 primarily due to higher revenues from port operations at most of the terminals.
9. Spare parts and supplies increased by 19.7 percent to US\$50.5 million as at September 30, 2022 mainly due to addition from the consolidation of MNHPI and acquisition of spare parts associated with operational requirements and purchase of additional terminal equipment.
10. Prepaid expenses and other current assets increased by 214.8 percent to US\$197.6 million as at September 30, 2022 mainly due to placement of short-term investments at CMSA with maturity within 12 months from balance sheet date; and higher balance of restricted cash at VICT for debt servicing and capital expenditures.

Equity

11. Treasury shares increased by 114.3 percent to US\$26.7 million as at September 30, 2022 mainly due to acquisition of 5,339,250 treasury shares in 2022; partially tapered by share-based employee incentive payments.
12. Retained earnings increased by 58.5 percent to US\$548.6 million as at September 30, 2022 mainly due to the net income generated for the period amounting to US\$465.1 million; partially tapered by dividends declared during the period; and distribution to holders of perpetual capital securities.
13. Perpetual capital securities decreased by 26.7 percent to US\$583.2 million as at September 30, 2022 mainly due to redemption of perpetual capital securities with a carrying value of US\$212.1 million.
14. Other comprehensive loss increased by 31.0 percent to US\$266.4 million as at September 30, 2022 due to net unfavorable exchange differences on translation of foreign operations' accounts.
15. Equity attributable to non-controlling interests increased by 46.6 percent to US\$278.3 million as at September 30, 2022 mainly due to the recognition of non-controlling interests upon consolidation of MNHPI and net income attributable to non-controlling interests for the period; partially tapered by cash dividends declared to non-controlling interests during the period.

Noncurrent Liabilities

16. Noncurrent portion of long-term debt decreased by 18.8 percent to US\$1.7 billion as at September 30, 2022 mainly due to the reclassification of the loans at ITBV that will be due within the next twelve months amounting to US\$393.7 million, net of debt issuance cost, from non-current to current; repayment of loans at certain terminals; and favorable impact on the translation of certain foreign operations' accounts; partially tapered by availment of loans at VICT and IDRC.
17. Deferred tax liabilities increased by 44.9 percent to US\$265.1 million as at September 30, 2022 mainly due to the revaluation of deferred tax liability items and addition through business combination of MNHPI.
18. Other noncurrent liabilities increased by 11.2 percent to US\$37.9 million as at September 30, 2022 mainly due to increase in provision for retirement benefits.

Current Liabilities

19. Loans payable increased to US\$269.7 million as at September 30, 2022 due to the availment of short-term loans at ICTSI Parent and ICTSI Ltd.; partially offset by payment at ICTSI Iraq.
20. Accounts payable and other current liabilities increased by 7.8 percent to US\$346.9 million as at September 30, 2022 mainly due to addition through the consolidation of MNHPI.
21. Current portion of long-term debt, net of debt issuance costs increased to US\$473.3 million as at September 30, 2022 mainly due to the reclassification of the loans at ITBV that will be due within the next twelve months amounting to US\$393.7 million, net of debt issuance cost, from non-current to current.
22. Current portion of concession rights payable increased by 12.5 percent to US\$12.6 million as at September 30, 2022 due to higher fixed and minimum guaranteed variable fees scheduled for payment in the next twelve months.
23. Current portion of lease liabilities decreased by 9.7 percent to US\$26.4 million as at September 30, 2022 due to lower lease fees scheduled for payment in the next twelve months.

2.7 Liquidity and Capital Resources

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

2.7.1 Liquidity

The table below shows the Group's consolidated cash flows as of September 30, 2021 and 2022:

Table 2.12 Consolidated Cash Flows

	For the Nine Months Ended September 30		
<i>(In thousands, except % change data)</i>	2021	2022	% Change
Net cash provided by operating activities	US\$725,589	US\$910,888	25.5
Net cash used in investing activities	(147,359)	(489,294)	(232.0)
Net cash used in financing activities	(719,133)	(475,240)	33.9
Effect of exchange rate changes on cash	(13,794)	(13,996)	(1.5)
Net decrease in cash and cash equivalents	(154,697)	(67,642)	(56.3)
Cash and cash equivalents, beginning	734,832	657,594	(10.5)
Cash and cash equivalents, end	US\$580,135	US\$589,952	1.7

Consolidated cash and cash equivalents marginally increased by 1.7 percent to US\$590.0 million as of September 30, 2022 from US\$580.1 million for the same period in 2021 mainly due to lower net cash used in financing activities and higher cash generated from operations; tapered by higher net cash used in investing activities.

Net cash provided by operating activities increased by 25.5 percent to US\$910.9 million for the nine months ended September 30, 2022 from US\$725.6 million for the same period in 2021 mainly due to better results of operations in 2022.

Net cash used in investing activities for the nine months ended September 30, 2022 amounted to US\$489.3 million which consists mainly of capital expenditures of US\$281.3 million, including advances to contractors and suppliers but excluding capitalized borrowing costs, and various deposits and investments. The capital expenditures for the period ended September 30, 2022 include mainly ongoing expansions and/or acquisition of equipment at MICT, VICT, IDRC and CMSA; and the acquisition of land in the Philippines and in Brazil for new projects. Meanwhile, net cash used in investing activities for the same period in 2021 consists mainly of capital expenditures of US\$104.0 million, excluding capitalized borrowing costs, primarily for the ongoing expansions at MICT, acquisition of port facilities and equipment at ICTSNL, and yard expansion at IDRC; and acquisition of MHCPSI and 10% non-controlling interest in IDRC amounting to US\$20.0 million.

Net cash used in financing activities for the nine months ended September 30, 2022 amounted to US\$475.2 million which consists mainly of payment of dividends amounting to US\$292.7 million and the redemption of perpetual capital securities, including distributions totaling US\$237.1 million; payment of principal and interests on loans, lease liabilities and concession rights payable; partially tapered by the availments of short-term loans mainly at ICTSI Parent and ICTSI Ltd. Meanwhile, the net cash used in financing activities for the same period in 2021 consists mainly of payment for the redemption and repurchase of perpetual capital securities, including accrued distributions totaling US\$238.8 million payment of dividends, loans and interests on loans, lease liabilities and concession rights payable.

2.7.2 Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2021 and September 30, 2022:

Table 2.13 Capital Sources

<i>(In thousands, except % change data)</i>	December 31, 2021 <i>(Audited)</i>	September 30, 2022 <i>(Unaudited)</i>	% Change
Loans payable	US\$5,033	US\$269,710	5,258.8
Current portion of long-term debt	76,836	473,262	515.9
Long-term debt, net of current portion	2,068,771	1,679,451	(18.8)
Total short and long-term debt	2,150,640	2,422,423	12.6
Equity	1,511,579	1,512,342	0.1
	US\$3,662,219	US\$3,934,765	7.4

The Group's total debt and equity capital increased by 7.4 percent as of September 30, 2022 primarily due to net income generated during the period, and availments of short term loans mainly at ICTSI Parent and ICTSI Ltd.; tapered by redemption of perpetual capital securities with an aggregate carrying value of US\$212.2 million; dividends declared during the period; distribution to holders of perpetual capital securities; and repayment of loans.

2.7.2.1 Debt Financing

The table below provides the breakdown of the Group's outstanding loans, net of debt issuance costs, as of September 30, 2022:

Table 2.14 Outstanding Loans

<i>(In thousands)</i>	Company	Final Maturity	Interest Rate	Amount
Long-Term Debt				
<i>Medium-Term Note (MTN) Programme</i>				
Secured US Dollar Bond	ITBV	2023 - 2025	Fixed	US\$777,255
<i>Senior Notes</i>				
Unsecured US Dollar Bond	Parent	2030	Fixed	393,331
Secured US Dollar Bond	ITBV	2031	Fixed	290,820
<i>US dollar and Foreign Currency-denominated Term Loans and Securities</i>				
Secured US Dollar Term Loan	IGFBV	2026	Fixed ^(a)	270,389
Secured AUD Bond	VICT	2039	Fixed	223,911
Secured PHP Term Loan	MHCPSI	2029 ^(d)	Floating ^(b)	102,355
<i>US dollar and Foreign Currency-denominated Term Loans and Securities</i>				
Secured Euro Term Loan	ICTSI Middle East (ME) DMCC	2022	Floating	37,441
Secured US Dollar Term Loans	IDRC	2025	Fixed	30,000
Secured PGK Term Loan	MITL	2024-2026	Floating	9,414
Secured PGK Term Loan	SPICTL	2024	Floating	8,475
Secured US Dollar Term Loans	CGSA	2027	Fixed	7,193
				2,150,584
Short-Term Debt				
PHP Loan	Parent	2023	Fixed	59,710
USD Loan	Parent	2023	Fixed	100,000
USD Loan	ICTSI Ltd.	2023	Fixed	110,000
				269,710
Total Debt				2,420,294
Effect of business combination ^(c)				2,129
Carrying Value of Debt				2,422,423
Less current portion and short-term ^(c)				742,972
Long-term debt, net of current portion				US\$1,679,451

^(a) Under interest rate swap agreements

^(b) Converted from fixed to floating rate on July 9, 2021

^(c) Includes the carrying value of the difference between the fair value and the book value of the debt at business combination

^(d) Restructured and refinanced on April 11, 2022 by a Php6.35 billion loan with a final maturity date of March 14, 2029.

The table below is a summary of long-term debt maturities, gross of unamortized debt issuance costs, of the Group as of September 30, 2022:

Table 2.15 Outstanding Debt Maturities

	Amount
2022 ⁽ⁱ⁾	US\$45,461
2023	433,615
2024	39,615
2025	434,368
2026 onwards	1,235,042
Total	US\$2,188,101

⁽ⁱ⁾ October 1, 2022 through December 31, 2022

The duration of the Group's long-term debt was extended by the liability management exercises (LME) undertaken by the Group including the recent LME, project finance loan refinancing at VICT, and loan restructuring at MHCPSI executed in November 2021, December 2021 and April 2022, respectively. As a result of these transactions, 78% of the Group's long-term debt will mature in 2024 and beyond.

Long-term Debt

MTN Programme

ICTSI Treasury B.V. (ITBV). On January 9, 2013, ITBV, a majority-owned subsidiary through ICTSI Ltd., established the MTN Programme that would allow ITBV 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, ITBV 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 ITBV's US\$400.0 million MTN at US\$5.7 million.

In September 2013, ITBV 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 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.

As at September 30, 2022, carrying value of notes under the MTN Programme amounted to US\$777.3 million, of which US\$394.0 million will be due in January 2023.

Senior Notes

ICTSI. On June 10, 2020, ICTSI signed a Subscription Agreement with Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities Plc for the issuance of ten-year senior notes (the “Senior Notes”). The Senior Notes were issued on June 17, 2020 with an aggregate principal amount of US\$400.0 million, maturing on June 17, 2030, at a fixed interest rate of 4.75 percent per annum, payable semi-annually in arrears and at a price of 99.607. The net proceeds of the Senior Notes amounting to US\$391.9 million were used to refinance and extend the maturity of the Group’s liabilities and for general corporate purposes. As at September 30, 2022, the carrying value of the Senior Notes amounted to US\$393.3 million, net of debt issuance costs.

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

ITBV. On November 9, 2021, ITBV signed a Subscription Agreement with Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited for the issuance of ten-year Senior guaranteed fixed rate notes (the “New Notes”). The New Notes were issued on November 16, 2021 with an aggregate principal amount of US\$300.0 million, maturing on November 16, 2031, at a fixed interest rate of 3.50 percent per annum, payable semi-annually in arrears and at a price of 100.00.

The proceeds of the New Notes amounting to US\$290.1 million, net of debt issuance costs of US\$9.9 million, were used for refinancing and general corporate purposes including, among others, to fund the tender offer relating to senior guaranteed perpetual capital securities of Royal Capital BV (RCBV) in November 2021. As at September 30, 2022, the carrying value of the New Notes amounted to US\$290.8 million, net of debt issuance costs.

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

US dollar and Foreign Currency-denominated Term Loans and Securities

ICTSI Global Finance B.V.(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 a tenor of 7 years. On April 29, 2019, IGFBV has fully availed the term loan facility. In April 2022, IGFBV paid US\$4.6 million of the loan. As at September 30, 2022, the outstanding balance of the term loan amounted to US\$270.4 million, net of debt issuance costs.

In April 2019, the Group entered into interest rate swap agreements to hedge the interest rate exposures of the ICTSI Global Finance B.V.’s floating rate US\$-denominated 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 September 30, 2022, the market valuation gain on the outstanding interest rate swaps amounted to US\$15.2 million, before tax.

VICT. On July 15, 2016, VICT signed the syndicated project finance facilities with various international and regional banks for a principal amount of US\$300.0 million (AUD398.0 million), comprising of term facilities totaling US\$284.9 million (AUD378.0 million) with interest rates based on Australian Bank Bill Swap Reference Rate (bid) (BBSY) plus an 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). The loan was fully paid on December 14, 2021.

On December 13, 2021, VICT signed a Note Purchase Agreement with various purchasers for the issuance and sale of Senior Secured Notes with an aggregate principal amount of US\$290.5 million (AUD400.0 million), maturing on March 31, 2039, at a fixed interest rate of 4.27 percent per annum, payable semiannually in arrears. The issuance shall occur according to a funding schedule. The first funding occurred on December 13, 2021 for an aggregate amount of US\$203.4 million (AUD280.0 million). The proceeds were used to fund the prepayment of VICT's project finance facilities. The Senior Secured Notes is secured by certain assets of VICT and IOBV. The second funding happened on March 31, 2022 amounting to US\$29.0 million (AUD40.0 million). Of the total scheduled drawdown for the third funding amounting to US\$28.3 million (AUD40.0 million), US\$23.3 million (AUD33.0 million) was received by VICT on September 30, 2022. The remainder of the third funding amounting to US\$5.0 million (AUD7.0 million) was received by VICT on October 4, 2022. As at September 30, 2022, the outstanding balance of the notes amounted to US\$223.9 million (AUD349.9 million), net of debt issuance costs.

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. On December 14, 2021, VICT terminated the outstanding interest rate swap arrangements due to the payment of the underlying AUD-denominated floating rate loan. The amount deferred in equity at the time of termination representing the effective portion of the change in fair value of the swap amounting to AUD7.7 million (US\$5.8 million) at the time of prepayment was transferred to profit and loss and recognized under "Other expenses" account in the 2021 consolidated statements of income.

MHCPSI. In December 2016, MHCPSI entered into a 7-year loan agreement with MBTC amounting to Php7.0 billion (US\$140.8 million) for capital expenditures and business expansion. The principal is payable in six annual amortizations of one percent (1%) of the total drawn principal amount commencing on March 14, 2017 and every anniversary thereafter. The balance of the loan, equivalent to 94% of the total drawn principal amount, shall be fully paid together with the accrued interest, on the last repayment date which shall coincide with the maturity date on March 14, 2023. The loan originally bears a fixed interest rate, payable quarterly.

The loan agreement was amended and effective July 9, 2021, interest was based on the higher of the prevailing 3-month BVAL plus agreed spread, or the prevailing Central Bank of the Philippines Overnight Reverse Repurchase Rate plus agreed spread. The security was also amended to be solely secured by the continuing suretyship of ICTSI. Except for the amendments on interest rate and security, the other terms and conditions of the loan agreement remained effective.

The loan was acquired by ICTSI through business combination. In March 2022, MHCPSI has paid US\$5.6 million (Php300.0 million) of the loan. On April 11, 2022, the loan was restructured and refinanced by a US\$122.7 million (Php6.4 billion) loan with final maturity date on March 14, 2029, payable in 14 semi-annual installments based on the repayment schedule. Interest is payable

quarterly based on the higher of the prevailing 3-month BVAL plus agreed spread, or the prevailing Central Bank of the Philippines Overnight Reverse Repurchase Rate plus agreed spread. The loan is solely secured by the continuing suretyship of ICTSI.

In September 2022, MHCPsi has paid US\$5.6 million (Php300.0 million) of the loan. As at September 30, 2022, the carrying value of the loan amounted to US\$104.6 million (Php6.1 billion). Excluding the effect of business combination, the outstanding balance of the loan was US\$102.4 million (Php6.0 billion).

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 originally mandated lead arrangers and bookrunners, for the principal amount of US\$297.6 million (EUR260.0 million) with interest rate based on 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 IGFBV 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-payments of US\$219.1 million (EUR195.0 million) and US\$30.0 million (EUR26.8 million), respectively, were made on the EUR260.0 million term loan facility. As at September 30, 2022, the outstanding balance of the loans was US\$37.4 million (EUR38.2 million), net of debt issuance costs.

SPICTL and MITL. 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 that consisted 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. In 2019, SPICTL and MITL had 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. On August 27, 2021, SPICTL and MITL signed an amendment to the loan agreements that consisted of additional term loan facility of US\$13.4 million (PGK47.0 million). On August 31, 2021, MITL availed of additional US\$2.8 million (PGK10.0 million) from the term loan facility. As at September 30, 2022, the outstanding balance of the term loans of SPICTL and MITL amounted to US\$8.5 million (PGK29.9 million) and US\$9.4 million (PGK33.2 million), net of debt issuance costs, respectively.

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. On July 22, 2020, IDRC availed of a three-year term loan with Rawbank DRC amounting to US\$10.0 million at a fixed interest rate. These loans were fully paid in August 2022.

On July 26, 2022, IDRC availed of a three-year term loan with Rawbank DRC amounting to US\$30.0 million at a fixed interest rate. The loan is outstanding as at September 30, 2022.

CGSA. On March 29, 2016, CGSA (as “Borrower”), Metropolitan Bank and Trust Company (as “Lender” or “MBTC”) and ICTSI (as “Surety”) signed a loan agreement that consisted 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. A 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. In March 2021, CGSA fully paid the remaining balance of US\$1.9 million of the loan under Tranche I.

On September 10, 2020, CGSA (as “Borrower”), Philippine National Bank (as “Lender”) and ICTSI (as “Surety”) signed a loan agreement amounting to US\$15.5 million with a fixed interest rate and a tenor of 7 years. On November 27, 2020 and January 28, 2021, CGSA availed of US\$2.5 million and US\$2.0 million from the facility, respectively. On August 19, 2022, CGSA availed of US\$4.0 million loan from the facility. The outstanding balance of the loans was US\$7.2 million as at September 30, 2022.

In November 2016, ICTSI entered into an interest rate swap agreement 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 arrangement, 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. The interest rate swap matured on March 30, 2021.

Short-term Debt

ICTSI Iraq. On July 15, 2021, ICTSI ME DMCC signed an Overdraft Facility of up to IQD11.0 billion with National Bank of Iraq with interest based on prevailing market rate, renewable on a yearly basis. In 2022, ICTSI ME DMCC availed loans totaling US\$20.1 million (IQD29.3 billion) from the facility and paid a total amount of US\$25.1 million (IQD36.7 billion). The loans were fully paid on August 7, 2022.

ICTSI Ltd. On April 25, 2022, ICTSI Ltd., as borrower, Kairos Access Investments Designated Activity Company (“Kairos”), as lender, and Citigroup Global Markets Limited, as agent, signed a term loan facility of up to US\$200.0 million. The facility is secured by a government-issued debt instrument held by CMSA amounting to MXN2.2 billion (US\$111.3 million). On April 27, 2022, ICTSI Ltd. availed of US\$74.0 million from the facility at a fixed interest rate, with maturity on February 10, 2023. On April 28, 2022, ICTSI Ltd. availed of an additional US\$36.0 million from the facility at a fixed interest rate, with maturity on January 13, 2023. The total amount of loans outstanding as at September 30, 2022 was US\$110.0 million.

ICTSI. On April 25, 2022, ICTSI availed of a PHP-denominated short-term loan from HSBC amounting to US\$28.7 million (Php1.5 billion) with a fixed interest rate and maturity on April 25, 2023.

On the same date, ICTSI availed of a PHP-denominated short-term loan from Philippine National Bank (PNB) amounting to US\$38.2 million (Php2.0 billion), with a fixed interest rate and maturity on April 20, 2023.

On April 29, 2022, ICTSI availed of a short-term loan from MBTC amounting to US\$15.0 million, with a fixed interest rate and maturity on May 30, 2022. The loan was renewed for a 60-day term with a maturity on July 29, 2022. ICTSI fully paid the loan on July 29, 2022.

On May 12, 2022, ICTSI availed of a short-term loan from PNB amounting to US\$30.0 million, with a fixed interest rate and maturity on August 10, 2022. ICTSI fully prepaid the loan on July 22, 2022.

On the same date, ICTSI availed of a short-term loan from HSBC amounting to US\$20.0 million, with a fixed interest rate and maturity on August 10, 2022. ICTSI fully prepaid the loan on July 21, 2022.

On June 13, 2022, ICTSI availed of a short-term loan from PNB amounting to US\$50.0 million, with a fixed interest rate and maturity on September 12, 2022. ICTSI fully prepaid the loan on July 22, 2022.

On July 21, 2022, ICTSI availed of a short-term loan from HSBC amounting to US\$100.0 million, with a fixed interest rate and maturity on July 17, 2023. The proceeds of the loan were used to prepay the PNB loans totaling US\$80.0 million and the HSBC loan amounting to US\$20.0 million.

As at September 30, 2022, the outstanding balances of ICTSI's PHP- and USD-denominated loans were US\$59.7 million (Php3.5 billion) and US\$100.0 million, respectively.

2.7.2.2 Loan Covenants

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

There was no material change in the covenants related to the Group's long-term debts. As at September 30, 2022, ICTSI and subsidiaries were in compliance with their loan covenants.

There were no other significant transactions pertaining to the Group's long-term debt as at September 30, 2022, except as discussed above.

2.7.2.3 Equity Financing

Perpetual Capital Securities

On October 3, 2016, RCBV tendered its US\$300.0 million 6.25 percent (issued in January 2015) and US\$450.0 million 5.50 percent (issued in August 2015) 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 proceeds of the issuance were 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, and were used for the financing of acquisitions and capital expenditures and for general corporate purposes.

On July 6, 2020, RCBV launched a cash tender offer for its US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities (issued in August 2015; of which US\$264.9 million was outstanding) at a tender price of 100.75 percent. On July 16, 2020 and July 31, 2020, RCBV redeemed a total of US\$66.5 million and paid the related premium and accrued distributions of US\$1.2 million. On July 16, 2020, RCBV issued US\$300.0 million 5.00 percent Senior Unsecured Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 98.979 percent. The proceeds from the issuance were used to finance the redemption and payment of accrued distributions of the tendered securities. The proceeds, net of debt issuance costs and face value of the redeemed securities, amounting to US\$228.3 million was recognized as additional perpetual capital securities.

On April 5, 2021, RCBV repurchased and surrendered for cancellation US\$2.0 million of the US\$300.0 million Senior Unsecured Perpetual Capital Securities at US\$2.2 million. The difference amounting to US\$0.2 million between the purchase price of US\$2.2 million and the carrying amount of the repurchased securities of US\$2.0 million accounted for as equity, was treated as a direct reduction in retained earnings.

On November 19, 2021, RCBV redeemed US\$85.2 million of the US\$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities. The difference amounting to US\$12.1 million between the redemption price of US\$89.2 million and the carrying amount of the redeemed securities of US\$77.1 million accounted for as equity, was treated as a direct reduction in retained earnings. On the same date, RCBV redeemed the US\$183.8 million of the US\$400.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities. The difference amounting to US\$8.4 million between the redemption price of US\$188.6 million and the carrying amount of the redeemed securities of US\$180.2 million accounted for as equity, was treated as a direct reduction in retained earnings.

On May 5, 2022, RCBV redeemed US\$216.2 million of the US\$400.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities. The difference amounting to US\$10.5 million between the redemption price of US\$222.6 million and the carrying amount of the redeemed securities of US\$212.1 million accounted for as equity was treated as a direct reduction in retained earnings.

2.8 Risks

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

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

2.8.1 Foreign Exchange Risk

The Group has geographically diverse operations and transacts in currencies other than its functional currency. Consequently, the Group is exposed to the risk of fluctuation of the exchange rates between the US dollar and other local currencies such as PHP, MXN, AUD, BRL and EUR that may adversely affect its results of operations and financial position. Changes in exchange rates affect the US dollar value of the Group's revenues and costs that are denominated in foreign currencies. The Group attempts to match its revenues and expenses whenever possible and for any residual foreign exchange exposure, the Group may opt to use financial derivatives as it deems necessary.

The Group's non-US dollar currency-linked revenues was 52.7 percent and 57.3 percent of gross revenues for the periods ended September 30, 2021 and 2022, 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 and lease fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

The table below provides the currency breakdown of the Group's revenue for the nine months ended September 30, 2022:

Table 2.16 Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	42% USD	58% PHP
SBITC/ICTSI Subic	45% USD	55% PHP
DIPSSCOR		100% PHP
HIPS		100% PHP
SCIPSI		100% PHP
BIPI		100% PHP
MICTSI		100% PHP
LGICT	20% USD	80% PHP
CGT		100% PHP
MHCPSI		100% PHP
MNHPI		100% PHP
BCT	58% USD/14% EUR	28% PLN
TSSA		100% BRL
MICTSL	100% EUR	
PTMTS		100% IDR
YICT		100% RMB
AGCT	87% EUR	13% HRK
CGSA	100% USD	
BICTL	100% USD	
PICT	83% USD	17% PKR
OJA	76% USD	24% IDR
East Java		100% IDR
CMSA	22% USD	78% MXN
OPC	100% USD	
ICTSI Iraq	84% USD	16% IQD
IDRC	97% USD	3% CDF
KMT		100% XAF*
ICTSNL	34% USD	66% NGN
Tecplata	100% USD	
ICTSI Rio	53% USD	47% BRL
VICT		100% AUD
PNG		100% PGK
IRB Logistica		100% BRL

*XAF pegged to the EURO

2.8.2 Interest Rate Risk

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

2.8.3 Liquidity Risk

The Group manages its liquidity profile to be able to finance its working capital and capital expenditure requirements through internally generated cash and proceeds from debt and/or equity. As part of the liquidity risk management, the Group maintains strict control of its cash and makes sure that excess cash held by subsidiaries are upstreamed 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 short-term and long-term bank loan facilities, project finance loans/bonds and the capital markets.

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

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

PART II – OTHER INFORMATION

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

ANNEX 1

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

SCHEDULE OF AGING OF RECEIVABLES

As at September 30, 2022

(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US\$123,127	US\$31,942	US\$155,069
Six months to one year	1,507	22	1,529
Over one year	1,006	2,388	3,394
	US\$125,640	US\$34,352	US\$159,992

ANNEX 2

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

As at and for the Nine Months Ended September 30

	2021	2022
Liquidity ratios		
Current ratio ^(a)	1.56	0.84
Interest rate coverage ratio ^(b)	9.72	10.99
Solvency ratios		
Debt to equity ratio ^(c)	1.09	1.60
Asset to equity ratio ^(d)	3.65	4.42
Profitability ratio		
EBITDA margin ^(e)	60.8%	63.3%

^(a) Current assets over current liabilities

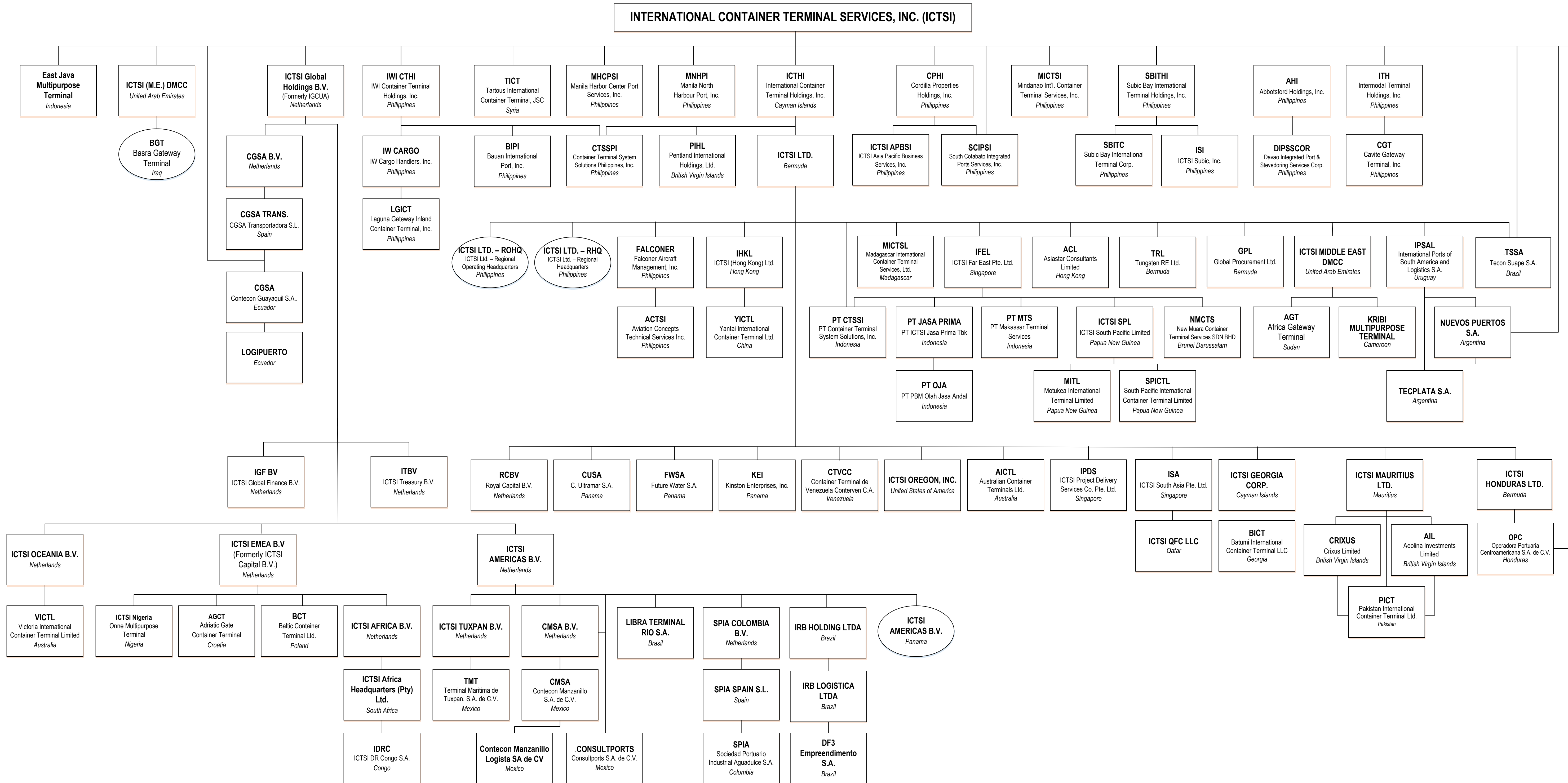
^(b) EBITDA over interest expense and financing charges on borrowings

^(c) Interest-bearing debts over total equity

^(d) Total assets over total equity

^(e) EBITDA over gross revenues from port operations

ICTSI Group – Map of Subsidiaries



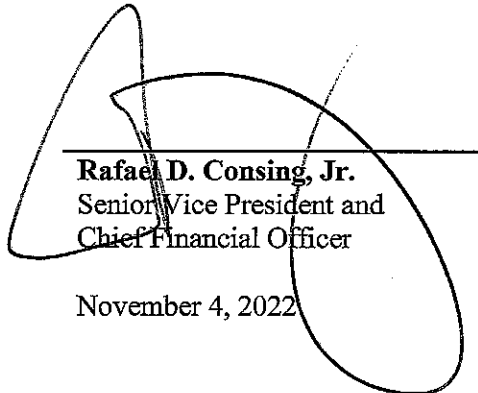
As of September 30, 2022

SIGNATURES

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

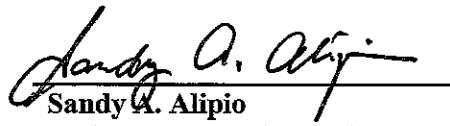
Registrant **INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.**

By



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

November 4, 2022



Sandy A. Alipio
Senior Vice President and
Global Financial Controller

November 4, 2022