

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

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**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

I	C	T	S	I		A	D	M	I	N	I	S	T	R	A	T	I	O	N		B	U	I	L	D	I	N	G	,	
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Form Type

1	7	-	A
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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**COMPANY INFORMATION**

<p>Company's Email Address</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>ictsi.ir@ictsi.com</b></td> </tr> </table>	<b>ictsi.ir@ictsi.com</b>	<p>Company's Telephone Number</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>8245-4101</b></td> </tr> </table>	<b>8245-4101</b>	<p>Mobile Number</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>09285031362</b></td> </tr> </table>	<b>09285031362</b>
<b>ictsi.ir@ictsi.com</b>					
<b>8245-4101</b>					
<b>09285031362</b>					
<p>No. of Stockholders</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>1,350</b></td> </tr> </table>	<b>1,350</b>	<p>Annual Meeting (Month / Day)</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>04/15</b></td> </tr> </table>	<b>04/15</b>	<p>Fiscal Year (Month / Day)</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>12/31</b></td> </tr> </table>	<b>12/31</b>
<b>1,350</b>					
<b>04/15</b>					
<b>12/31</b>					

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

<p>Name of Contact Person</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>Sandy A. Alipio</b></td> </tr> </table>	<b>Sandy A. Alipio</b>	<p>Email Address</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>salipio@ictsi.com</b></td> </tr> </table>	<b>salipio@ictsi.com</b>	<p>Telephone Number/s</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>8247-8225</b></td> </tr> </table>	<b>8247-8225</b>	<p>Mobile Number</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>09175507508</b></td> </tr> </table>	<b>09175507508</b>
<b>Sandy A. Alipio</b>							
<b>salipio@ictsi.com</b>							
<b>8247-8225</b>							
<b>09175507508</b>							

**CONTACT PERSON'S ADDRESS**

<b>3F ICTSI Administration Building, Manila International Container Terminal, South Access Road, Manila</b>
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**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A

### ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **DECEMBER 31, 2022**
2. SEC Identification No: **147212**
3. BIR Tax Identification No.: **000-323-228**
4. Exact name of issuer as specified in its charter:  
**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.**
5. Province, Country or other jurisdiction of incorporation: **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, 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 Sec. 4 and 8 of the Revised Securities Act:

<u>Title of Each Class</u>	Number of Shares of Common Stock Outstanding as at March 3, 2023
<b>Common Stock</b>	<b>2,032,202,018</b>

Amount of consolidated debt outstanding as at December 31, 2022: US\$2,470.9 million

11. Common Stocks are listed in the **Philippine Stock Exchange**.

12. Check whether the Issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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 [  ]

13. The aggregate market value as at March 3, 2023 of the voting stock held by non-affiliates is about ₱406.7 billion (US\$7.4 billion), based on average price of ICTSI common shares as at March 3, 2023.



## SEC FORM 17-A

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# PART I – BUSINESS AND GENERAL INFORMATION

## Item 1. Business

### 1.1 Business Development

International Container Terminal Services, Inc. (“ICTSI” or, “the Company” or, “the Parent Company”) was incorporated on December 24, 1987 in connection with the public bidding to operate, manage and develop the Manila International Container Terminal (MICT), which handles international container cargo at the Port of Manila.

In May 1988, the Philippine Ports Authority (PPA) awarded to ICTSI a concession to be the exclusive operator of MICT for a period of 25 years. ICTSI started operating MICT on June 12, 1988. On March 23, 1992, ICTSI’s common shares were listed with the Philippine Stock Exchange following the initial public offering of its shares at an issue price of ₱6.70 per share.

ICTSI’s concession contract for MICT (MICT Contract) was extended for another 25 years up to May 18, 2038, upon completion of agreed additional investments in port equipment and infrastructures, payment of upfront fees, and turnover and execution of Deed of Transfer of port facilities and equipment used at MICT and part of committed investment under the original concession agreement, among others.

*Manila North Harbour Port, Inc.* On September 21, 2017, ICTSI acquired of 34.83 percent of the total issued and outstanding shares of MNHPI. In September 2018, ICTSI signed an agreement to purchase additional shares in MNHPI. Upon the approval of the acquisition of additional shares by the Philippine Competition Commission and the PPA, ICTSI’s shareholdings in MNHPI increased from 34.83% to 50% 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 AHI selling all its 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.

*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 up to 66.67% in PT East Java Development (EJD), subject to fulfillment of certain conditions. EJD holds a concession right to operate a multi-purpose terminal (East Java Multipurpose Terminal or EJMT) 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 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 extended term of the cooperation agreement between PT Makassar Terminal Services (MTS) and PT Pelabuhan Indonesia IV (Pelindo IV) for the procurement, installation and operation of container loading and unloading equipment at the Makassar Port Container Terminal, South Sulawesi, Indonesia expired on January 31, 2023. The parties mutually agreed not to renew the cooperation agreement. Immediately thereafter, MTS ceased its operations at the Makassar Port Container Terminal.

*Port of Gdynia, Poland.* In December 2022, ICTSI, which operates the multipurpose terminal at the Port of Gdynia in Poland through a subsidiary, Baltic Container Terminal Ltd. (BCT), signed a new 30-year lease for the Baltic Container Terminal with the Port Authority of Gdynia S.A. (PAGSA). The new lease agreement extends the operations of BCT, that started in 2003, until May 2053.

BCT represents an important component in Poland's port infrastructure – it functions as a key maritime gateway for containers and general cargo, connecting the entire Polish hinterland and beyond through efficient rail and road corridors.

*Port of Karachi, Pakistan.* In October 2021, ICTSI, through the wholly-owned subsidiary, IML, completed the further acquisition of 15.88% of the total shares of stock of Pakistan International Container Terminal (PICT) for PKR2.7 billion (US\$15.6 million) that increased ICTSI's ownership to 80.41%

The concession agreement between PICT and Karachi Port Trust (KPT) is for a period of 21 years until June 2023. As at March 3, 2023, 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, 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 further approval from the government of Madagascar that was confirmed in June 2022. ICTSI has held the concession since 2005.

*Port of Melbourne, Australia.* On August 3, 2021, Port of Melbourne (POM) 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 POM expansion works commenced in March 2022 and is expected to be completed in July 2023.

On September 15, 2021, Victoria International Container Terminal Ltd. (VICT) received the approval from the POM 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 SPA with Prime Strategic Holdings, Inc. to acquire 100% shares of Manila Harbour Center Port Services, Inc. (MHCPST), 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.* 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. The development of the quay commenced in January 2022 and is expected to be completed in the third quarter of 2023. As at March 3, 2023, the development of the full container yard is ongoing and is expected to be completed in the last quarter of 2023.

*Port of Onne, Rivers State, Nigeria.* ICTSI, through its Nigerian subsidiary, International Container Terminal Services Nigeria Ltd. (ICTSNL), signed an agreement with the Nigerian Port Authority in 2020, that was superseded in 2022. The agreement covers the development and operation of a multipurpose terminal in the Port of Onne in Rivers State, Nigeria until 2047. 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 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 EUR26.8 million (US\$29.8 million). In November 2022 and February 2023, ICTSI received third and fourth partial repayments of the Upfront Fee in the amount of EUR1.0 million (US\$1.0 million) and EUR0.5 million (US\$0.5 million), respectively.

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. 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.

*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 March 3, 2023, management is currently evaluating its options under the concession agreement including the long-term plans for the land.

*Port of Kribi, Cameroon.* On July 27, 2020, the 25-year concession contract was signed by Kribi Multipurpose Terminal (KMT), a Cameroonian subsidiary of ICTSI, and Port Autonome de Kribi (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.

KMT has started commercial operations on October 1, 2020.

*Sevilla Brokerage Inc.* In September 2022, ICTSI through its subsidiary, AHI, signed a long-term partnership agreement with an individual 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 business partner.

*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.

*Bauan, Batangas.* In December 2022, ICTSI through its wholly-owned subsidiary, IWI CTHI acquired the remaining 20% non-controlling interest in BIPI, from Marubeni Corporation for Php507.4 million (US\$9.2 million). After the transaction, BIPI became a wholly-owned subsidiary of IWI CTHI.

## **1.2 Business of Issuer**

### **Overview**

ICTSI is an international operator of common user container terminals serving the global container shipping industry whose principal business includes the operation, management, development and acquisition of container terminals focusing on facilities with total annual throughputs ranging from 50,000 TEUs to 3,500,000 TEUs. The primary mechanism for the operation of these terminals is long-term concession agreements with local port authorities and governments through ICTSI and its subsidiaries. As at March 3, 2023, the Group is involved in 33 terminal operations, including concessions and port development projects, in 20 countries worldwide. The Group has 9 terminal operations in the Philippines (including an inland container terminal, a barge terminal and combined terminal operations in Subic), three in Brazil (including an intermodal rail ramp terminal), two each in Papua New Guinea (PNG) and Indonesia; 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. In 2020, 2021 and 2022, the Group handled consolidated throughput of 10,193,384 TEUs, 11,163,473 TEUs and 12,216,190 TEUs, respectively.

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

These services fall into three general categories:

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

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

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

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

For the three years ended December 31, 2020, 2021 and 2022, the percentage contribution of foreign operations or operations outside the Republic of the Philippines to revenues from cargo handling services and net income attributable to equity holders of the parent are as follows:

	2020	2021	2022
Gross revenues	67.2%	67.6%	<b>66.7%</b>
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) <sup>1</sup>	71.0%	70.9%	<b>70.7%</b>
Net income attributable to equity holders of the parent <sup>2</sup>	(16.0%)	59.3%	<b>67.0%</b>

<sup>1</sup>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’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 Philippine Financial Reporting Standards (PFRS).

<sup>2</sup>Net income attributable to equity holders of the parent includes impairment losses on concession rights and nonfinancial assets of US\$180.3 million, US\$6.7 million, and US\$16.0 million in 2020, 2021 and 2022, respectively. Excluding the impact of the impairment losses, contribution of foreign operations would have been 58.3%, 59.9% and 67.8% in 2020, 2021 and 2022, respectively.

## Competition

Some of the terminals in the Group’s portfolio are faced with competition as a result of open capacity in the same port community or proximity or duplication in the same supply chain.

ICTSI’s main customer base consists of the (Container) Shipping Lines and the Beneficial Cargo Owners (BCOs) including ‘End Users’. Traditionally, the Shipping Lines have the main buying power in terms of terminal selection. At the same time, we see a growing trend with the BCOs increasing their influence in the supply chain selection of vendors, terminals, and associated land side services. Therefore, the group is engaging selectively with both parties, with both short- and long-term commitments ensuring we optimize our portfolio and mitigate any dependence on a single or cluster of clients.

## Asia

The Manila South Harbor, operated by Asian Terminals Inc. (ATI) is MICT’s main competitor in the international marine container service market in Manila. The PPA’s tariffs are applied uniformly to both MICT and ATI. MICT has an estimated market share of 72% of the container traffic in Manila in 2022. Other Philippine terminals that the Group operates, are either the major service provider in the market they serve or do not have any direct competitor in their immediate area of operations.

After the Company's acquisition of 51% of Yantai International Container Terminals, Limited (YICT) and divestment of its holdings in Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL) in July 2014, higher yielding international container cargo in the Port of Yantai has been handled exclusively by YICT. YICT faces competition for international cargo with other ports in the region. Meanwhile, domestic cargo has been handled exclusively by YRDICTL. In November 2020, Yantai Port Holdings (YPH) moved all of its domestic trade services to YICT through an outsourcing agreement, making YICT as the sole terminal operator at the Zhifu Bay Port Area in Yantai, China.

VICT, has established itself as a major player at the Port of Melbourne and competes with Dubai Ports World (DP World) and Patrick Terminals. The container market is spread rather equally amongst the three terminal operators in Melbourne. In 2022, VICT handled approximately 32% of the container volume in Melbourne, while DP World and Patrick Terminals handled 36% and 32%, respectively.

MITL (Motiveka International Terminal Ltd.) and SPICTL (South Pacific International Container Terminal), the two main container terminals in PNG, operate exclusively within their respective markets in Motukea and Lae, respectively.

### *Americas*

The Group has eight operating terminals and one concession in the Americas: Tecon Suape, S.A. (TSSA); Contecon Guayaquil S.A. (CGSA); Tecplata, S.A. (Tecplata); Sociedad Puerto Industrial Aguadulce, S.A. (SPIA); Contecon Manzanillo S.A. (CMSA); Operadora Portuaria Centroamericana, S.A. (OPC); ICTSI Rio Brasil (ICTSI Rio); IRB Logistica; and TMT. Management continues to negotiate its options on the concession, and evaluate the long-term plans for the land that TMT owns and where the maritime container terminal was planned to be constructed.

TSSA faces limited local competition operating the Port of Suape as the nearest local ports are at least 800 kilometers away following the cessation of regular container handling activities of the port at Recife in 2004. In 2022, TSSA has a market share of 100% and 39% of the container traffic at Pernambuco and Northeast region of Brazil, respectively.

CGSA is located at the port of Guayaquil, which serves as Ecuador's main international trading gateway. The port is connected to the main terrestrial highways of Ecuador and has good access to other principal cities in the country. CGSA's main competitor at the Port of Guayaquil is Terminal Portuario Guayaquil (TPG), operated by the Chilean company SAAM, acquired by Hapag Lloyd in 2022. In addition, DP World opened a greenfield container terminal at the Port of Posorja in October 2019, which is 120 kilometers away from the City of Guayaquil. In 2022, CGSA has an estimated market share of 36% of the traffic at the port while TPG, Banana Puerto and DP World captured 36%, 16% and 12%, respectively.

The Port of Buenaventura in Colombia, where SPIA is located, handles approximately 40% of the country's foreign trade. In 2022, SPIA is estimated to have handled 40% of the volume while the other two terminals at the port, Buenaventura Container Terminal (TCBUEN) and Buenaventura Regional Port Society (SPRBUN) captured 32% and 28%, respectively.

The Manzanillo market, where CMSA operates, is currently dominated by SSA de Mexico, S.A. de C.V with 48% market share. CMSA's entry into the market was designed to address the congestion at the competing terminals and the competitor's inability to further expand their capacity to absorb the growing demand. CMSA has an estimated 35% market share in 2022.

OPC handles the majority of the Honduras market managing 100% of Puerto Cortés' containers and general cargoes, a good portion of Nicaragua cargo, and improving on El Salvador and Guatemala markets. OPC faces limited competition from Puerto Castilla due to the competitor's small capacity. OPC handled an estimated 85% of all container traffic in Honduras in 2022.

ICTSI Rio, a terminal in Rio de Janeiro, Brazil, is estimated to have captured 27% of the market in 2022. Its two main competitors, MultiRio and Sepetiba Tecon handled 58% and 15%, respectively.

### ***Europe, Middle East and Africa (EMEA)***

The Group has nine operating terminals in the EMEA region: Baltic Container Terminal (BCT); Madagascar International Container Terminal Services, Ltd. (MICTSL); Pakistan International Container Terminal (PICT); Batumi International Container Terminal LLC (BICTL); Adriatic Gateway Container Terminal (AGCT); ICTSI Iraq; ICTSI Democratic Republic of Congo (IDRC); Kribi Multipurpose Terminal (KMT); and International Container Terminal Services Nigeria Ltd. (ICTSNL).

The stiff competition faced by BCT comes from Gdynia Container Terminal (GCT) in Gdynia, operated by Hutchison Port, and Deepwater Container Terminal (DCT) in Gdansk, operated by Port of Singapore (PSA). While BCT and GCT are the more established terminals for short-haul trades in the Regional Europe and Atlantic, and for gateway cargo, DCT is the most recently commissioned terminal catering the long-haul trades including Asia as well as handling significant transshipment cargo for the Baltic region. Including the large transshipment volume handled by DCT, BCT's share among the three terminals in 2022 is estimated to be at 18%, while DCT and GCT handled 70% and 12%, respectively.

MICTSL does not have any major competitor in the Madagascar container market.

The Port of Karachi is one of South Asia's largest and busiest deep-water seaports. The port currently has three terminals: PICT, Karachi International Container Terminal (KICT) and South Asia Pakistan Terminals (SAPT). KICT and SAPT are operated by Hutchison Port Holdings. At the other side of the city of Karachi is the Port Qasim, where Qasim International Container Terminal (QICT) is located. QICT is operated by DP World. In 2022, PICT captured approximately 18% of the total container traffic, with QICT, KICT and SAPT handling 37%, 20% and 25%, respectively.

BICTL's main competition comes from nearby located port of Poti in Georgia. In 2022, BICTL captured estimatedly 25% of the market, with Poti Sea Port handling the balance. BICTL expects to see an improved market share in 2023 as it secured a second main shipping line late 2022.

AGCT is the smaller of the three main container terminals in the Adriatic – including the terminals in Koper, Slovenia and Trieste, Italy - catering to the immediate markets in the area as well as Central Europe. In 2022, AGCT captured 18% of the market, while Koper and Trieste handled 47% and 35%, respectively.

Since the Group developed its presence in the market, ICTSI Iraq has established itself as Iraq's leading terminal. Competition consists of Basra Multipurpose Terminal (BMT), Gulftainer and CMA CGM handling 28%, 16% and 9% of the containerized volume, respectively, while ICTSI Iraq captured almost 50% in 2022.

IDRC is one of two terminals in Matadi, DR of Congo. Competition is represented by the government-owned and operated terminal, SCTP, that handled 25% of the container volume at the Port of Matadi in 2022.

KMT is a general cargo terminal. The main competition comes from the old port in Douala. The port of Kribi has 16 meters of deep-water access. KMT is equipped with modern handling equipment, enabling it to service the largest vessels. In 2022, KMT captured approximately 15% of the non-containerized market, while the traditional terminals in Douala captured the rest of the volume.

ICTSNL's main competition comes from neighboring terminal West Africa Container Terminal (WACT), operated by APM Terminals, and to a much lesser extent Ports and Terminal Operators Nigeria Limited (PTOL). In 2022, representing the first full year of ICTSNL's operations, ICTSNL secured 30% of the market, while WACT and PTOL handled 65% and 5%, respectively.

### **Key Competitive Strengths**

The following favorable conditions have allowed ICTSI to remain a strong brand despite the competitive environment:

#### *Global diverse footprint*

As a global port operator, ICTSI owns and/or operates ports in 20 countries across three regions namely Asia, the Americas and EMEA (Europe, Middle East & Africa). In 2022, the contribution by region in terms of consolidated volume and gross revenue from port operations for Asia was 50% and 45%, respectively; 28% and 34%, respectively, for the Americas; and 22% and 21%, respectively for EMEA. Owing to further consolidation in the container shipping segment, the combined market share of the top 10 container shipping lines increased from 68% in 2014 to more than 76% in 2022. Yet, no single customer contributed to more than 10% of the Group's consolidated gross revenues in 2022, 2021 and 2020. The Group's business units are strategically located in mostly emerging markets and serve all the global, as well as most of the major regional container shipping companies. The Group believes that its diversified and global port network mitigates the effect of regional or area-specific economic downturns on its business and results of operations.

#### *Leading market positions in key targeted markets*

The Group's major terminals enjoy leading positions in their respective geographic markets. In addition, most of its major terminals are strategically located in emerging markets with strong growth and profit potentials, including Asia, EMEA and Americas. The Group's terminals mainly serve as end-destination ports for distinct markets and cargo catchment areas. The Company believes that its strong market position in the regions where it operates allows it to enhance operating efficiencies and maximize throughput, which increases profitability. The Group dominates in the Philippines, the Brazilian state of Pernambuco, Madagascar, Yantai in China, Honduras, Iraq, DR Congo and more recently, in Papua New Guinea. At these terminals, there are limited opportunities for competition from other port operators, or ports or terminals within the same port community. This can be amongst other, due to high barriers to entry. Some of these barriers include the limited number of opportunities for suitable port or terminal sites to serve the same market, government controls and regulations, as well as the usually high terminal construction costs. This means that there are limitations on substitutes for the Group's services, which provides confidence in the Group's ability to price in a way that it can ensure strong margins. The Group's concessions are mostly a result from Government initiatives to privatize the port and terminals in order to enhance the efficiency to facilitate the trade of the respective countries. Many of these ports or terminals are in emerging markets, which generally exhibit stronger growth than developed markets; thus, the Group believes that its leading position in these markets will allow it to directly capture organic growth in line with the economic growth of these markets. Furthermore, all of the Group's concession agreements are long-term agreements that ensure continued benefits from long-term GDP growth trends.

*Experienced and dynamic management team*

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

*Established track record of improving operational efficiency and performance*

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

*Strong and stable cash flows and strong capital structure*

The Group believes that its major terminals provide stable cash flows because of its globally diversified operations and long-term concession agreements, which have a capacity-weighted average remaining term of approximately 17 years. In addition, the Group's terminals focus on end-destination cargo, which accounts for substantially all of the Group's consolidated throughput volume. The Group believes that its focus on end-destination cargo limits concentration risk to individual container shipping lines in that if a shipping line that calls at one of its terminals ceases to operate, the cargo intended for that particular destination will simply transfer to another shipping line that is still calling in that terminal. An example of the Group's stable cash flow is that even at the height of the global pandemic, the Group's terminals continued to operate and revenue collections were unhampered as the terminals undertook measures to ensure that the customers are able to settle their invoices. Specifically, ICTSI was able to migrate to 100% online transactions to eliminate face-to-face interactions. As at December 31, 2022, the Group's total indebtedness was US\$2,470.9 million and its total indebtedness to total equity ratio (interest-bearing debt over total equity, as shown in the consolidated balance sheet) was 1.43 times, providing head room for future financial leverage. The Group believes that its cash flows and debt structure will provide it with a solid platform to pursue investment opportunities, supported by its active balance sheet management strategies and liability management initiatives which have helped streamline its debt maturity profile and interest payment schedules significantly.

*Demonstrated ability to control operating costs*

Lastly, the Group has continuously demonstrated its ability to control operating costs effectively, which allows the Group to generate profitable margins in both weak and strong economic environments. Cost containment measures are continuously enforced all throughout the Group. These programs may include process automation, equipment upgrades, migration to online transactions and projects to improve labor efficiencies. An example is the migration to online transactions for its customers eliminating the need to maintain on-site counters. The Group also moved internal activities online whenever possible which

reduced the need for physical meetings and conferences resulting to lower travel-related costs. The Group also leverages on the knowledge and experience sharing across ports to reduce costs and improve processes.

### **Principal Suppliers**

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

### **Customers**

Consistent with the past strategies, ICTSI's portfolio mainly caters to the gateway markets (both import and export). ICTSI successfully managed to grow the volume by 9% over 2021 despite of the challenges and logistics interruptions that came along with the COVID-19 pandemic.

Similarly, the Group's customer engagement remained robust, both locally, serving the local communities, as well as internationally ensuring our terminals continued facilitation of global containerized trade without interruption. This is supported by a more digital and efficient journey for the Group's customers, as the Group invests on a strong information technology infrastructure to keep on delivering enhanced customer experience.

Furthermore, the Group maintains terminal service as well as service level agreements with several shipping lines specifying service and performance standards. The Group continues to maintain high-level relationships with its existing and potential customers, as it believes that this engagement is necessary to continually anticipate changes in a very dynamic shipping industry. This ensures alignment with the Group's strategies.

### **Related Parties**

Related party transactions are discussed in Part IV, Item 12 of this report, and in Note 23, *Related Party Transactions*, to the 2022 Annual Audited Consolidated Financial Statements.

### **Intellectual Property, Licenses, Contracts and Agreements**

The "ICTSI" name and logo are registered trademarks with the Intellectual Property Office in the Philippines, and several other jurisdictions through the Madrid Protocol. The Company also possesses copyrights for certain proprietary software systems. The Group sees to it that its rights for the design, source codes and use of these software systems are secured at all times to ensure continued use and support from vendors.

The Company also entered into global agreements for third party software licenses or services, for the use of the Group. The Company charges royalty fees on an arm's-length basis to certain subsidiaries for the use of the Company's intellectual properties, such as brand and technical know-how, in the subsidiaries' port operations.

Please refer also to Note 25, *Significant Contracts and Agreements*, to the 2022 Annual Audited Consolidated Financial Statements for detailed discussion of the Group's contracts and agreements to operate, manage and develop the terminals.

## Government Regulations and Licenses

The Group's operations are subject to a variety of laws and regulations promulgated by the national and local government of each jurisdiction in which it operates. Rights and obligations under the concession agreements are discussed in Note 25, *Significant Contracts and Agreements*, to the 2022 Annual Audited Consolidated Financial Statements. The Group believes that it is in compliance, in all material aspects, with applicable government regulations in each jurisdiction in which it operates. The Group is not aware of any governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on the Group's properties and operations.

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

In addition, the fee structure for the Group's services varies across the terminals it operates based on local regulations and practices. In some terminals, the operator charges shipping lines fees for on-vessel services and charges cargo owners separately for off-vessel services. The port authority sets different tariffs for on-vessel and off-vessel services. In other jurisdictions, the operator charges only the shipping lines or the cargo owners who have separate arrangements among themselves. ICTSI charges cargo owners mostly on a cash-on-delivery basis. Generally, containers are not allowed to leave the port facility until actual cash payment has been made and confirmed received. Shipping lines may be granted credit lines up to 30 days. Yet in some jurisdictions, the release order of cargoes should come from the port authority.

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

As at December 31, 2022, there are no pending requests for government approval for any of the Group's principal activities, except (1) those arising from new or ongoing bids to operate, manage or develop ports, which the Group's Business Development Offices undertake; and (2) applications for HOA by SCIPSI with the PPA.

## Development Activities Expenses

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

	Amounts	% of Revenues
2020	US\$3.6	0.24%
2021	3.3	0.17%
2022	3.7	0.16%



## **Insurance**

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

## **Safety, Quality, Maintenance and Compliance with Environmental Laws**

### *Equipment Inspection and Maintenance*

To help ensure equipment reliability and support operational efficiency, the Group provides regular inspection and maintenance of its equipment and facilities. It has established formal procedures for periodic maintenance and inspection of equipment in line with international best practices (e.g., reliability-centered maintenance or RCM), manufacturers' recommendations, and ICTSI's Equipment Maintenance Philosophy. Formal corporate policies are issued to address maintenance of the critical components such as the structure, hoisting mechanisms, elevators, twist locks, safety devices interlocks, brakes, and load path crane components. On a regular basis, the Group commissions structural professional consultants to provide testing of equipment, such as crane structures. Purchase of wire ropes is always accompanied by load test certificates. Wire ropes and twist locks installed on different container handling equipment are monitored and tested for defects through visual and Non-destructive Test (NDT) inspections and discarded from usage based on established discard criteria. Periodical load test in cranes is also performed.

On a regular basis, Global Engineering audits the compliance of the corporate policies and best maintenance practices.

All these activities are recorded and maintained as part of the Group's Asset Management System.

The Group continually strives to develop and promote the best maintenance practices for the port industry. Standardization of computerized asset and inventory management systems are being implemented.

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

The well-being and health of all its stakeholders is the Group's number one priority. The Group is continuing with its efforts to have the highest standards in place to ensure that its people and stakeholders are safe, respected and treated fairly. The Group is committed to carry out its business operations in a

safe, efficient and environmentally responsible manner, and to care for the well-being of all those on-site and who may be impacted by its activities.

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

Terminal	Certifications
MICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
BIPI	International Ship and Port Facility Security Code
DIPSSCOR	International Ship and Port Facility Security Code
MHCPSI	International Ship and Port Facility Security Code
MICTSI	International Ship and Port Facility Security Code
MNHPI	Statement of Compliance of a Port Facility to the National Security Programme for Sea Transport and Maritime Infrastructure
MTS	International Ship and Port Facility Security Code
PT OJA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
SBITC	International Ship and Port Facility Security Code
SCIPSI	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems
MITL	International Ship and Port Facility Security Code
SPICTL	International Ship and Port Facility Security Code
VICT	International Ship and Port Facility Security Code
YICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
AGCT	International Ship and Port Facility Security Code
BCT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 22000:2005 Food Safety Management Systems ISO 50001:2011 Energy Management Systems
ICTSI Iraq	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
BICT	International Ship and Port Facility Security Code
IDRC	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems
MICTSL	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 28000:2007 Supply Chain Security Management Systems
ICTSNL	International Ship and Port Facility Security Code

Terminal	Certifications
PICT	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
CGSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems ISO 14064:2006 Declaration of Inventory and Neutrality of Carbon Emissions ISO 27001:2013 Information Security Management ISO 28000:2007 Supply Chain Security Management Systems Business Alliance for Secure Commerce (BASC)
CMSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems ISO 14064 -3:2019 Specification with guidance for the verification and validation of greenhouse gas statements
OPC	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems ISO 45001:2018 Occupational Health and Safety Management Systems
SPIA	International Ship and Port Facility Security Code Business Alliance for Secure Commerce (BASC)
Tecplata	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems
TSSA	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems Brazilian Authorized Economic Operator
ICTSI Rio	International Ship and Port Facility Security Code ISO 9001:2015 Quality Management Systems ISO 14001:2015 Environmental Management Systems

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

The amount invested by the Group to implement its various HSE programs and injury prevention initiatives for the past three years (in addition to costs incurred in response to COVID-19 pandemic situation) are as follows: US\$6.4 million in 2020, US\$6.4 million in 2021 and US\$7.0 million in 2022, out of which US\$1.6 million, US\$1.3 million and US\$1.5 million in 2020, 2021 and 2022, respectively, represent costs of compliance with environmental laws.

## Employees

The Group has a total of 8,493, 9,302 and 10,681 permanent employees as at December 31, 2020, 2021 and 2022, respectively. The Group generally does not hire contractual employees as the Group believes that it can achieve greater efficiency with a dedicated staff of employees who are familiar with the Group's internal systems. The following table shows the number of employees by activity and location:

	As at December 31		
	2020	2021	2022
<b>Employees by Activity</b>			
Operations	5,667	6,333	<b>7,402</b>
Engineering	1,257	1,335	<b>1,479</b>
Finance, administration and others	1,569	1,634	<b>1,800</b>
<b>Total</b>	<b>8,493</b>	<b>9,302</b>	<b>10,681</b>
<b>Employees by Geographic Region</b>			
Asia	3,579	4,216	<b>5,452</b>
Americas	2,916	2,849	<b>2,972</b>
EMEA	1,998	2,237	<b>2,257</b>
<b>Total</b>	<b>8,493</b>	<b>9,302</b>	<b>10,681</b>

The increase in number of employees in 2021 was mainly due to the additions at MHCPSI that was acquired through business combination in 2021 and at ICTSNL that started commercial operations in 2021. The increase in number of employees in 2022 was mainly due to the additions at MNHPI as a result of MNHPI's consolidation to the Group effective September 2022, and i-Tracker business at IRB Logistica that started operations in July 2022. The Group does not anticipate any major change or increase in its labor force in the ensuing 12 months from its existing operating terminals. There are no current or known threats from employees to engage in any work stoppage across all terminals.

A large portion of these employees are union members. As at December 31, 2020, 2021 and 2022, approximately 52.58%, 48.81% and 50.78%, respectively, of the labor force are unionized. The above percentages are based on total permanent employee headcount regardless of whether an employee is entitled and eligible to join a union or not. The Group has collective bargaining agreements (CBA) in many of the ports in which it operates.

### Asia

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

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

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

*MNHPI.* In December 2017, MNHPI and Waterfront Workers' Union – North Harbor (WWU-NH) entered into a CBA valid until November 30, 2022 which covers all the regular rank-and-file port

workers. The CBA contains provisions on employee benefits such as leaves (vacation and sick leaves, union leaves, work-connected illness/injury leaves, paternity and maternity leaves, bereavement leaves, indefinite leaves), wage increase, emergency loans, educational assistance, life and accident insurance, Christmas bonus and gift, rice, welfare fund, hospitalization benefit, and retirement pay.

MNHPI and WWU-NH continue to have industrial peace, good and harmonious Union-Management relations, as manifested by the absence of work stoppages, strikes and preventive mediation cases.

As at March 3, 2023, renewal of the CBA with WWU-NH is currently under negotiation.

*MHCPSI.* In January 2022, MHCPSI officially recognized Manila Harbor Center Port Services Inc. – National Federation of Labor Union (MHCPSI-NAFLU) as the sole and exclusive bargaining agent for all the rank-and-file employees, upon signing of a five year CBA effective from April 6, 2022 until April 5, 2027.

The CBA will serve its purpose in establishing the terms and conditions of work such as: payment of wages, check-off of union dues, hours of work and other benefits, medical, dental and hospitalization benefits, life insurance, burial benefit, rotation system, union leave and other benefits; to foster good management-labor relations; to enforce discipline and exact efficiency in the performance of duties by employees and to ensure peaceful adjustment and settlement of all grievances, disputes and differences which may arise.

*MICTSI.* On March 21, 2020, a CBA was signed between MICTSI and MICTSI Labor Union - Federation of Democratic Labor Organization (MICTSILU-FDLO) with a term of five years ending on March 20, 2025. The parties agree to renegotiate the economic provisions of the agreement, solely on the wage increase for the fourth and fifth year, before end of third year anniversary.

After a progressive series of negotiations, MICTSI and MICTSI Supervisor Union - Federation of Democratic Labor Organization (MICTSISU-FDLO) entered into a new five-year CBA on October 28, 2021, that is effective from September 1, 2021 to August 31, 2026. The parties agree to renegotiate the economic provisions of the agreement, solely on the wage increase for the fourth and fifth year, before end of third year anniversary.

Other salient provisions of the CBA include wage increases, leave applications, hours of work, medical and hospitalization benefits, optional retirement program, education fund contribution, group life insurance, bereavement assistance, company uniform, rice subsidy, production incentive bonus, Christmas package and signing bonus. Other matters relative to the unions are periodically discussed in the Labor Management Council, consisting of representatives from the management of MICTSI, MICTSILU-FDLO and MICTSISU-FDLO.

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

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

A new CBA was signed on August 14, 2019, ratified on August 20, 2019, and was registered with the DOLE on August 28, 2019. The CBA is valid for a period of five years or until August 15, 2024.

*YICT.* The right to unionize is guaranteed for the employees of YICT. All employees are unionized by law.

*VICT.* On July 2, 2021, VICT entered into a new Enterprise Agreement (EA) with the Construction, Forestry, Mining, Maritime and Energy Union (Maritime Union of Australia division) and was endorsed by the Fair Work Commission on July 22, 2021. The new EA primarily covers rates of pay, working hours, and leave entitlements for operational and engineering employees of VICT. Following the signing of EA, all previous Industrial Relations-related legal cases have been discontinued.

*MITL and SPICTL.* MITL and SPICTL renewed a modern and innovative agreement called the ICTSI South Pacific and the National Maritime and Workers Union Award of 2020 as witnessed by Employers Federation and the Department of Labour. The agreement was signed on October 12, 2020 and gazetted by the Industrial Registrar, effective for a period of three years or until replaced by a new agreement.

The Agreement regulates employment contracts, normal and overtime hours, remuneration conditions including timing and rates of increases, employment groups such as guaranteed wage earners, permanent and casual workers, vacation and shift schedules, health and safety requirements, retirement, and conditions for termination of employment contracts.

There are no labor unions in Subic Bay International Terminal Corporation (SBITC), ICTSI Subic, Inc. (ISI), Bauan International Ports, Inc. (BIPI), Cavite Gateway Terminal (CGT), Laguna Gateway Inland Container Terminal, Inc. (LGICT), SBI, CLI, PT PBM Olah Jasa Andal (OJA) and EJD.

### *Americas*

*CGSA.* CGSA has a unionized Works Council since October 2008 and a CBA was signed initially on July 16, 2009. The latest renewal was made in January 2021 and was effective for a period of two (2) years. As at March 3, 2023, renewal of the CBA covering the period January 2023 to December 31, 2025 is currently under review.

Besides the benefits that any worker is entitled to by law, CBA secures for the employees some additional benefits such as in-out transportation, food service and uniform.

There have been no cases of strikes or walkouts since CGSA took over operations in 2007.

*TSSA.* The administrative and maintenance employees of TSSA are represented by the Sindicato dos Auxiliares de Administracao de Aramazens Gerais do Estado de Pernambuco (SINDAGE). The CBA with SINDAGE is renewed every two years and was last signed in June 2021.

For many years, there has not been any major labour disturbances such as strikes, slowdown, boycott or mass absences. The employees receive benefits such as dental, health insurance, food service, support for professional development, leaves and transportation services. Occasional workers at the customs inspections area and all other operations personnel, both represented by occasional labour unions, have entered into a CBA with TSSA. As at March 3, 2023, renewal of CBA relating to customs inspections area workers is currently under negotiation while CBA for all other operations personnel will expire in June 2023.

*CMSA.* CMSA has a Collective Work Contract (CWC) signed in November 2010 with the “Union de Estibadores y Jornaleros del Pacifico, which is part of the Confederacion Regional Obrero Mexicana” (CROM). CROM has not had a strike since it was founded. The CWC is effective until year 2044 and extendible based on any extension on the concession agreement with the “Administracion del Sistema

Portuario Nacional Manzanillo SA de CV” (formerly Administracion Portuaria Integral de Manzanillo, S.A., de C.V.).

Salaries are reviewed annually while a comprehensive review of salaries and benefits is done every two years. CMSA is committed to give benefits in addition to those required by the Mexican Labor Law, such as 5% savings fund, transportation, uniforms, scholarships, contributions in the case of death of workers, sports support and life insurance. There is an additional compensation of 16.23% of salary paid to the union to support the administration expenses and retirement fund of the workers.

*OPC.* In December 2022, OPC signed a new CBA with all employees effective January 2023 to December 2025. The collective agreement stipulates employees’ benefits like pension, medical and life insurance, trainings, employee engagement, vacation bonus, meal subsidy, special leaves, and salary loans, among others.

*TecPlata.* There are two Framework CBA that are in force and are applicable to TecPlata. These are (1) CCT 431/05, that is applicable to each port that conforms to the Commercial Private Ports Chamber and Port Union Federation; and (2) the Agreement between La Plata Port Chamber and La Plata Stevedores Union.

CCT 431/05 was signed on June 1, 2005 and will expire once both parties decide to subscribe to a new CBA that will replace or substitute the agreement. It contains provisions on employee benefits to union members such as working day conditions, salary conditions, productivity incentives, meal allowance, paid leaves and union leave with pay. Salary increase is negotiated and agreed annually between both parties.

The agreement between La Plata Port Chamber and La Plata Stevedores Union is renewed annually and it establishes the annual salary increase and wage conditions for on call workers.

In September 2022, TecPlata and La Plata Stevedores Union signed a CBA establishing specific conditions for TecPlata’s stevedores, such as working day conditions and salary conditions, among others.

*ICTSI Rio.* On June 23, 2021, ICTSI Rio and Longshoremen signed a two-year CBA effective July 2, 2021 to June 23, 2023. The CBA contains provisions on benefits for loose dock workers of the longshoremen category, such as crew, rostering, overtime compensation, vacation allowance, medical and dental benefits, and other economic provisions.

*IRB Logistica.* IRB Logistica's CBA was renewed on May 1, 2022 and is effective until April 30, 2023. The CBA regulates employment contracts, overtime, supplements, vacations, salary increases or reductions, other benefits, health requirements, and security and conditions of termination of employment contracts. There have been no cases of strikes or stoppages since IRB Logistica took over operations in July 2021. As at March 3, 2023, terms and provisions for the new CBA is currently under negotiation.

#### ***EMEA***

*BCT.* In 2008, an agreement on salary regulations was signed between the Labor Union - Strike Committee and BCT Management Board.

Renegotiation on the CBA began in 2009 but was suspended at the insistence of the union. The Remuneration and Work Regulations address the outstanding issues of the CBA. As at March 3, 2023, the CBA remain in place pending completion of the negotiations.

*MICTSL.* MICTSL assumed the CBA concluded by the previous port operator. In 2010, MICTSL adopted its own collective agreement by taking over some of the provisions of the previous CBA and integrating the social specificities of the Company.

In 2015, the CBA has been renegotiated to better consider the socio-economic context and to align the clauses with the legal framework.

The CBA regulates the Company's relationship with its staff in various aspects, including trade unions, the right to strike, staff representatives, the works council, the principles applied to hiring, the execution of contracts. The CBA also defines the obligations of the port operator in terms of medical care, housing allowances and leave, index salary scale on which the calculation of the applicable salaries is based.

Under the collective agreement and applicable employment regulations, union representatives may only be dismissed after the employer has successfully petitioned the labor inspectorate to do so. The collective agreement stipulates that there should be no reduction in acquired benefits.

The renegotiation scheduled in 2020 did not take place due to the challenges linked to the COVID-19 pandemic. The application of the CBA will continue by tacit renewal unless a revision, modification, or amendment is initiated by one of the parties following the procedure and modalities laid down. The party initiating the revision shall notify the other party of the proposals to be renegotiated and the discussions shall begin within two months. Unions may decide to take the initiative to renegotiate during the year when the situation stabilizes.

*PICT.* The PICT-Democratic Employees Union (PICT-DEU) was formed on April 23, 2014 as the bargaining unit for PICT workers. On February 11, 2022, the CBA with PICT-DEU was signed, and is effective from January 1, 2021 to December 31, 2022. As at March 3, 2023, CBA for the period January 1, 2023 to December 31, 2024 is currently under negotiation.

*AGCT.* On December 9, 2021, AGCT's CBA was signed and remains effective until end of 2024. The CBA regulates employment contracts, overtime, add-ons, vacations, salary increases or decreases, other benefits, health and safety requirements, and conditions for termination of employment contracts. There have been no cases of strikes or walkouts in AGCT since 2011.

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

*KMT.* There is no labor union yet in KMT and there is no CBA signed with the limited number of employees of KMT. The employee benefits are based on the minimum requirements of the collective agreement for maritime carriers, freight forwarders and transport auxiliaries as well as the national collective agreement for port handling. These collective agreements regulate employment and working conditions in the port industry and specify the manner of executing the employment contracts, as well as the minimum benefits pertaining to overtime, bonuses, salary grades, salary changes, other benefits, promotions, trainings, union membership, termination and retirement, among others.

*ICTSNL.* There is no CBA yet in ICSTNL. However, majority of ICTSNL workers are union members, who are mostly outsourced. There have been no cases of strikes or walkouts since the Company started its operations in May 2021.

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



## **Risks Relating to the Group's Business**

*The outbreak, or threatened outbreak, of any severe communicable disease, such as the ongoing COVID-19 pandemic, could have a material adverse effect on the Group's business, financial condition and results of operations.*

The continued outbreak of COVID-19, which was declared a global pandemic by organizations such as the World Health Organization in the first quarter of 2020, has severely affected and continues to seriously affect the global economy. Several nations and territories, including areas where the Group operates, have imposed strict quarantine measures, social distancing rules, closure of work sites, restaurants, bars and non-essential services, and even complete lockdowns of certain populations or areas. Although many governments have introduced stimulus packages to mitigate the effect of the outbreak of COVID-19 on their respective economies, there is no assurance that such packages are sufficient or that such measures will successfully improve business sentiments in the affected economies in the short term.

The Group's businesses experienced, as with other businesses particularly reliant on global trade, a general decline in the volume of containers due to disruptions in supply chains across the globe, as well as decreased demand due to the movement restrictions and slowdown of business activities. As the countries from where the Group operates continue to recover from the pandemic, trade volumes have risen. Nevertheless, a new outbreak of COVID-19, its variants, or a similar global health crisis, which may necessitate the re-introduction of movement restrictions, may cause global trade volumes to decrease and have a material adverse effect on the Group's business and results of operations.

*The Group's business is influenced by global and regional economic trends that affect the trades in which it operates.*

Maritime transport remains the backbone of globalized trade and the manufacturing supply chain, as more than four fifths of world merchandise trade by volume is carried by sea and as such facilitated by the ports. In 2021, this fact has been even more palpable as disruption in maritime transport has also disrupted supply chains across the globe. Inevitably, the port sector as one of the main actors is not immune to significant global and regional economic developments. A large share of the globalized containerized trade continues to be consolidated across the major East-West trade arteries, namely Asia-Europe, the Trans-Pacific and Transatlantic. However, 60% of global containerized trade occurring on non-main lane trade routes (other routes), secondary routes involving emerging countries' trade are increasingly important. With a strong footprint in the emerging markets, the Group's risk exposure remains more isolated from global trade shift patterns such as the trade tensions because of overreliance on import demand from China.

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

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

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

The conduct of the Group's business is restricted within the terms of the concession and other key contracts that put a limit to its operational and strategic options. ICTSI and subsidiaries usually only obtain the right, subject to certain conditions, to operate, manage and develop terminals for a set period of time. These contracts contain provisions that allow the relevant port authority to suspend, cancel or terminate the contract on specified grounds, including noncompliance with the terms of the contract and, in certain instances, the occurrence of a "change in control" of ICTSI without the consent of the relevant port authority or if the relevant port authority determines that the public interest may be better served by the cancellation of the contract in accordance with its regulations. Hence, there can be no assurance that further challenges in the Group's operations will not be raised or that its concessions will not be terminated for public policy reasons. Also, these concessions and key contracts may limit the ability of the Group to raise tariffs that it charges to customers. The Group's major contracts and agreements are disclosed in Note 25, *Significant Contracts and Agreements*, to the 2022 Annual Audited Consolidated Financial Statements.

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

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

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

Competition is heightened at domestic and international terminals on factors such as location, facilities, supporting infrastructure, service and price. The Group's competitors may offer lower tariffs than what its own terminal offers in a certain location; or have greater financial resources with which to develop the ports that they operate to provide better access and improved facilities, structure and services. One of the strategies that the Group employs is to acquire terminals in emerging markets, then improve operations and grow volume organically. If trading volume increases, competitors may begin to target these same markets. Increased competition from existing and future competitors may result in a reduction in the Group's market share in locations where it operates, a decrease in volume of containers it handles, or increased price competition which could result in possible declines in the Group's cash flows, operating margins and profitability.

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

The Group is rapidly expanding its container terminal operations, in particular, those located overseas. This rapid expansion into new markets diminishes the Group's management resources to effectively govern its existing container terminal operations and more ambitious growth. It has presented, and will continue to present significant challenges for the Group's management, operational and administrative systems, and its ability to maintain effective systems of internal controls. The Group may not successfully integrate new acquisitions to meet its efficiency and performance standards, nor keep existing facilities up to those same standards. The Group needs to constantly develop and adjust management and administrative responsibilities to match market conditions, and its growth and expansion strategies. The Group's continued development into a global terminal operator requires it to identify new

qualified personnel with widespread knowledge of its industry and the countries in which it operates. Failure to identify suitable personnel for these management and administrative positions may adversely affect the Group's ability to manage its growth and continue to pursue its growth strategy and eventually impact its business, results of operations and financial condition.

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

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

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

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

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

The Group's business is highly reliant on complex information technology and automated systems to handle its terminal operations for high productivity and efficient handling of containers. Any systems failure may result in delayed or hindered terminal operations. These events may adversely affect the achievement of the Group's planned business growth and results of operations.

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

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

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

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

Henceforth, the Group has established an Enterprise Risk Management program to assess and ensure that the potential impact and likelihood of any of these risks are minimized and will not adversely impact the Group's business as a whole through an established risk assessment, communication, mitigation and monitoring process. These business risks, however, might result to financial statement risks for which the Group identifies and includes as part of its financial risk management objectives and policies. These risk factors are further discussed in Part III, Item 6 of this report and in Note 28, *Financial Risk Management Objectives and Policies*, to the 2022 Annual Audited Consolidated Financial Statements.

## **Item 2. Properties**

### **2.1 Principal Facilities**

#### *Asia*

*Philippines - MICT.* MICT provides a full range of container cargo handling services to shipping lines transporting international containerized cargo to and from the Port of Manila with an estimated handling capacity of 3,350,000 TEUs per year after the completion of Berth 7. MICT occupies a total land area of 105.2 hectares, of which 100.6 hectares have been developed and includes seven berths. MICT also has a 1,800-meter long wharf that can accommodate six to seven ships, depending on the ships' sizes. In January 2021, ICTSI completed the development of additional 150 meters of Berth 7 and 5.5 hectares of container yard, which were required under the concession contract with the PPA. This created a 600-meter continuous berth together with the adjacent Berth 6 to accommodate over 8,000-TEU capacity vessels.

Adjacent to the MICT wharf is a container yard, with a total stacking capacity of 63,615 TEUs, 1,883 TEUs of which are refrigeration-ready with reefer plugs. MICT has two gates: inbound has seven lanes and outbound has six lanes. The terminal is fully equipped with security features recommended by the United States Homeland Security Agency, including gamma ray scanning devices and a closed-circuit television surveillance system.

Development of Berth 8 commenced in the third quarter of 2022 while completion and start of operation is estimated to happen in the last quarter of 2024.

As at December 31, 2022, MICT has a total of 18 quay cranes (QCs) complemented by 68 rubber tire gantries (RTGs), 14 empty container handlers (ECHs), four reach stackers (RSs), 28 forklifts, and a huge fleet of transportation equipment.

*Philippines - New Container Terminal 1.* SBITC originally developed, managed and operated the NSD Waterfront Area in Subic, Philippines. However, in April 2008, the NSD Waterfront Area was replaced by the New Container Terminal (NCT-1). NCT-1 is a 14-hectare terminal with a 280-meter berth and controlling depth of 13 meters, making it possible to handle post-Panamax vessels. The estimated handling capacity of NCT-1 is 300,000 TEUs per year. As at December 31, 2022, SBITC has

two post-Panamax cranes, five RTGs, four RSs, two ECHs, three forklifts, 16 prime movers and 30 chassis.

*Philippines - New Container Terminal 2.* On July 27, 2011, SBMA and ICTSI signed the contract for the operation and management of NCT-2 for a period of 25 years. ICTSI subsequently assigned said contract to ISI and SBMA approved the assignment through a resolution dated August 19, 2011. NCT-2 is a 14-hectare terminal, which includes a 280-meter berth with 13 meters depth. As at December 31, 2022, ISI has two post-Panamax cranes, five RTGs, three RSs and two forklifts. The new terminal has an annual throughput capacity of 300,000 TEUs.

*Philippines - Bauan Terminal.* BIPI owns a 20-hectare facility, of which four hectares remain undeveloped, situated along the protected waters of Batangas Bay in Bauan, Batangas. The facility is a multi-purpose, multi-user terminal with a 240-meter berth with two berthing positions. The facility also contains a storage area and a car terminal facility and is supported with various heavy lift cranes and two ten-tonner forklifts. The car terminal facility can handle 185,177 completely built units per year.

*Philippines - Mindanao Container Terminal (MCT).* MICTSI operates the MCT located at Phividec Industrial Estate, Misamis Oriental. MICTSI has a 24-hectare terminal area for infrastructures, equipment and support facilities and handles containerized and non-containerized cargo. The terminal also has a 300-meter berth with a controlling depth of 13 meters that can service two vessels at once. The terminal is also supported by an 11-hectare yard area inclusive of container yard road networks, with a storage capacity of 6,816 TEUs. The terminal is also equipped with 262 reefer plugs at 440 volts. The estimated handling capacity of MCT is 300,000 TEUs per year. As at December 31, 2022, MICTSI has two QCs, one mobile harbor crane (MHC), two RSs, five prime movers, six RTGs, two forklifts and two ECHs.

*Philippines - Makar Wharf.* SCIPSI is a stevedoring and cargo handling service provider at the Makar Wharf, Port of General Santos, General Santos City, Southern Mindanao. The Makar Wharf is a general purpose wharf handling domestic and international containerized, general and roll-on/roll-off cargo as well as domestic passenger traffic. The terminal surface area is 14 hectares that includes nine berths at 851 meters in length with 8-12 meters depth. The terminal is also equipped with 204 reefer plugs and has a total capacity of 250,000 TEUs per year. As at December 31, 2022, SCIPSI has five RSs, 25 chassis, 23 prime movers and 16 forklifts.

*Philippines - Calamba, Laguna.* On March 2, 2015, LGICT commenced operation of its one-stop inland container terminal located in Calamba City, Laguna. LGICT primarily operates as an extension of the seaport operations of MICT and is intended to function as a regional logistics hub, which will service and support the operations of exporters and importers. LGICT is situated on a 21-hectare property that is 58 kilometers from Metro Manila, located near various economic export zones and adjacent to a railroad. As at December 31, 2022, LGICT has two RSs, three side lifters and one forklift.

*Philippines - Tanza, Cavite.* CGT facilitates off-the-roads seaborne transport of containers between Port of Manila and Cavite and service industrial locators in Cavite area. CGT's barge terminal has an annual capacity of 115,000 TEUs, which is equivalent to 140,000 fewer truck trips on city roads each year. The terminal was formally inaugurated on November 22, 2018. As at December 31, 2022, CGT has eight RSs, three ECHs, six chassis, six prime movers and five forklifts.

*Philippines - Manila North Harbor.* MNHPI has a concession contract with the PPA for the development, management, operation and maintenance of Manila North Harbor. MNHPI commenced commercial operations on April 12, 2010. MNHPI is committed to modernize and develop Manila North Harbor to transform it to a premier maritime hub. MNHPI provides cargo handling services for containerized and break-bulk cargoes to shipping lines and tramp vessel operators plying the domestic

routes. Overall, the port facility can accommodate up to 2,200,000 TEUs of containerized cargoes, 2,000,000 metric tons of break-bulk cargoes and 2,500,000 passengers per year.

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

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

As at December 31, 2022, MNHPI also has a fleet of modern cargo handling equipment which include eight QCs, 27 RTGs, 16 RSs, nine ECHs and 18 heavy forklifts, among others. Ancillary facilities were also built such as six weighbridges, the power center equipped with two 2.5 MVA (2MW) generator sets for back-up power, and the reefer facility with 264 plugs.

*Philippines - Port of Manila.* MHCPSI runs the largest international breakbulk and bulk operations at the Port of Manila. Located at the north wharf of the Manila Harbour Centre complex, MHCPSI operates a 10-hectare, 5.5-million metric ton capacity multipurpose terminal – the Manila Harbor Center – that caters to both international and domestic cargo.

On April 16, 2022, MHCPSI started to render stevedoring, arrastre and support services at Incore Port, located in Iloilo City, Philippines operated by La Filipina Uy Gongco (LFUG) Corporation, pursuant to the Stevedoring and Support Services Agreement entered into by both parties, that is valid until April 15, 2027. Incore operations utilize 15 forklifts, three skid/steer loaders, one mini excavator backhoe, two track loaders, one material handler and three hoppers to provide the services to LFUG.

As at December 31, 2022, the terminal has 865 meters of berth, 3.1 hectares of yard, 2.5 hectares of apron, two bulk cargo bays with total area of 0.3-hectare and 0.4-hectare of general cargo area; utilizes 40 forklifts of various capacity; and three bulk cargo bays (total of 0.4 hectare) that were completed in the first quarter of 2022.

*China – Port of Yantai.* YICT's terminal covers an area of 76.7 hectares with four berthing positions of 14 to 17 meters in depth and occupying a total length of 1,300 meters. The estimated handling capacity of YICT is 1,300,000 TEUs per year. As at December 31, 2022, YICT has seven QCs that handle loading and unloading of cargoes with the support from two ECHs, three RTGs, five RSs, 15 prime movers, 23 forklifts, 20 rail mounted gantries (RMGs) and 33 chassis.

*Indonesia – Makassar Container Terminal.* MTS supplies and operates equipment for PT Pelabuhan Indonesia IV (Pelindo IV), the Indonesian government agency which operates the Port of Makassar. MTS covers an area of 12.4 hectares with 850-meter berth length and seven berthing positions with 12 meters of depth. The total port terminal capacity is 650,000 TEUs with the estimated handling capacity of MTS at 250,000 TEUs per year. As at December 31, 2022, MTS has two QCs, three RTGs, nine prime movers and nine chassis. MTS ceased to operate at the Port of Makassar after January 31, 2023.

*Indonesia – Port of Tanjung Priok.* OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and containers at the Port of Tanjung Priok, Jakarta, Indonesia. OJA had existing cooperation agreements with PT Pelabuhan Indonesia II (Pelindo) under a profit-sharing scheme. The scheme covers the terminal operations for berths 300, 301, 302 and 303,

which are operated by Pelindo and located in Terminal III of Tanjung Priok Port. These cooperation agreements have terms of two years that can be extended by the parties. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with Pelindo, Tanjung Priok Branch for international container stevedoring services under a profit-sharing scheme. The terminal has a capacity of 400,000 TEUs per year, berth length of 600 meters with two berthing positions of 12 meters in depth and 5.86 hectares container yard. As at December 31, 2022, the terminal has seven QCs, seven RSs, five RMGs, a forklift, two RTGs, 30 prime movers and 31 chassis.

*Australia – Port of Melbourne.* On May 2, 2014, ICTSI, through its subsidiary in Australia, VICT, signed a contract with POM for the design, construction, commissioning, maintenance, operation and financing of Melbourne's Webb Dock new international container terminal and empty container park. The contract grants a lease concession until 2040. Phase 1 of the terminal comprised of a berth of 330 meters fitted with three neo-Panamax ship-to-shore cranes, 23.8 hectares of yard with fully automated operations from gate to quayside, delivering an estimated capacity of 350,000 TEUs. The terminal can handle vessels with a capacity of 12,700 TEUs or 347 length overall (LOA) vessels and features a 10-hectare empty container park with a working capacity of around 250,000 TEUs. Phase 2 of the terminal comprised of a 330-meter berth fitted with additional two neo-Panamax ship-to-shore cranes and 11.5 hectares of yard increasing the total capacity of the terminal to approximately 1,000,000 TEUs.

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

On August 3, 2021, POM 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 POM 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 includes the addition of two super-post-Panamax ship-to-shore cranes with a 22-container outreach (about 50 meters), six automated container carriers (ACCs), six automated stacking cranes (ASCs), and the construction of three-yard modules (with 325 ground slots). Phase 3A development is ongoing and is expected to be completed in the last quarter of 2023. The Phase 3A expansion will increase annual capacity up to an estimated 1,250,000 TEUs.

Phase 3B of the expansion plan comprises the construction of two additional yard modules and acquisition of one additional super-post-panamax ship-to-shore crane, four ASCs and three ACCs. Depending on market conditions, development of Phase 3B may commence in 2024 and upon completion, estimated in 2026, will increase the terminal's annual capacity to 1,500,000 TEUs.

As at December 31, 2022, VICT operates with five QCs, one RS, 20 ASCs, 17 ACCs, three forklifts and two prime movers.

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

SPICTL and MITL were allowed by PNGPCL to take over the port facilities and begin operations at the Port of Lae in February 2018 and at the Port of Motukea in May 2018, respectively. The terminal

operating agreements and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

The Port of Lae is the largest container handling facility in PNG. Lae is the capital of Morobe Province and is the second largest city in PNG. The estimated annual capacity of the Lae Tidal Basin is 250,000 TEUs. The total developed land area is 11.4 hectares and quay length is 240 meters. As at December 31, 2022, SPICTL has two MHCs, three RTGs, four RSs, two ECHs, six forklifts, 14 prime movers and 11 chassis.

The Port of Motukea is the only terminal in Port Moresby, the largest city in Papua New Guinea, that is permitted to handle international containers. The estimated annual capacity of the Motukea port is 250,000 TEUs. Total developed land area is 8.8 hectares and quay length is 250 meters. As at December 31, 2022, MITL has two MHCs, three RSs, an ECH, three forklifts and six chassis.

### *Americas*

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

In 2008, CGSA completed upgrades to its inventory and maintenance processes and IT services. CGSA had also made physical improvements of the terminal including container and multipurpose yard improvements, construction of a new berth as a reinforcement of an existing one, construction of an electric substation, and acquisitions of cranes and RTGs. New reefer stations and plugs were also added to accommodate the shift from bananas as break bulk cargo to containers. In 2019, two of the quay cranes have been extended (in terms of boom and height), Berths 1 to 1C have been reinforced and such same berths now have a depth of 13.5 mean low water spring (MLWS) that allow the terminal to receive 366 LOA vessels. As at December 31, 2022, CGSA has six QCs and three MHCs that are supported by 23 RTGs, six RSs, six ECHs, 44 forklifts and a huge fleet of transportation equipment that handle the movement of containerized cargoes at the terminal.

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

TSSA has completed the build-out of the infrastructure of the Suape Container Terminal, including the acquisition of equipment and the development of civil works, such as yard expansions. As at December 31, 2022, TSSA has four QCs, 12 RTGs, six RSs, five ECHs, 18 forklifts, 36 prime movers and 48 chassis that complement the servicing of all movements of containerized cargoes inside the terminal.

*Colombia - Port of Buenaventura.* SPIA owns 191 hectares of private land in Buenaventura and 84 hectares of concession land. SPIA was granted a 30-year concession by the Colombian National Institute of Concessions to develop, construct and operate a container handling facility in Aguadulce. The Aguadulce Peninsula is across the channel from the existing Port of Buenaventura. Buenaventura is located on the west coast of Colombia. It is the biggest port in the country and the only Colombian port



on the Pacific coast. SPIA started initial operations in the fourth quarter of 2016. The terminal has a total area of 128 hectares and berth length of 600 meters with a depth of 14.5 meters, 13-hectare container yard and 432 reefer plugs. The estimated annual capacity of SPIA is 600,000 TEUs. The terminal can be accessed through a 20.7-kilometre road that circumvents the urban parts of Buenaventura. It has also 147 hectares along this access road for logistics development. As at December 31, 2022, SPIA has four QCs, 16 RTGs, four ECHs, three RSs, 26 forklifts, 32 prime movers and 45 chassis.

*Argentina - La Plata Port.* In October 2008, Tecplata was granted a 30-year concession to build and operate an all-purpose port terminal in the Port of La Plata, Argentina, by the *Consorcio de Gestion del Puerto La Plata*, which will expire in 2038. The port development project covers 41.2 hectares, 29.6 hectares of which is from the concession agreement and 11.6 hectares is from *Compania Fluvial del Sud S.A.* via a Usufruct Agreement for a term of 20 years renewable at Tecplata's option for another 20 years. The terminal has an estimated handling capacity of 450,000 TEUs with a 600-meter quay having four berthing positions and 11 meters of quay side depth. The terminal is capable of expanding to handle more than 1,000,000 TEUs with a berth length of 800 meters. As at December 31, 2022, Tecplata has four QCs, two RSs, three ECHs, nine RTGs, seven forklifts, 18 prime movers and 20 chassis.

*Mexico - Port of Manzanillo.* In June 2010, ICTSI signed a 34-year concession for the development and operation of the TEC-II at the Port of Manzanillo in Mexico. ICTSI established CMSA to operate the Port of Manzanillo. The port development project covers about 77 hectares with 1,080 meters of seafront. The development of the container terminal will be done in three phases. Construction of Phase 1A development, which started in November 2011, was completed and formally commenced commercial operations in November 2013. Phase 1A has a berth length of 720 meters with two berthing positions with a depth of 16 meters, yard capacity of 710,000 TEUs and a handling capacity of 900,000 TEUs. Phase 1B was completed in May 2017 and started commercial operations thereafter. Phase 1B involved the construction of a yard that increased CMSA's yard capacity to 967,000 TEUs.

Phase 2A development started in December 2017 and consisted of two stages. Stage 1 Phase 2A was completed in the third quarter of 2018. Stage 2 Phase 2A, which involved the construction of 180 meters of additional berth, and acquisition of two QCs and four RTGs, started development in May 2019, completed in the third quarter of 2020 and was operational thereafter. Stages 1 and 2 Phase 2A increased yard capacity to 1,571,000 TEUs.

Phase 3A development started in December 2022 which comprises the construction of 180 meters of additional berth, and acquisition of two QCs and five RTGs. Phase 3A development is expected to be completed in December 2024 and will increase yard capacity to 1,774,000 TEUs.

Development of Phase 3B along with Phase 2B will commence in the last quarter of 2023 which involves the construction of 227 meters additional berth, and acquisition of two QCs and six RTGs. Development of Phase 3B and 2B is targeted to be completed in the last quarter of 2026 and will increase the yard capacity to 2,238,000 TEUs.

As at December 31, 2022, the estimated handling capacity of CMSA is 1,250,000 TEUs with eight QCs supported by eight RSs, nine ECHs, 29 RTGs, 27 forklifts, 65 prime movers and 65 chassis.

*Honduras - Puerto Cortés.* On February 1, 2013, ICTSI won and was awarded the contract for the Design, Financing, Construction, Maintenance, Operation and Exploitation of the Specialized Container and General Cargo Terminal of Puerto Cortés in the Republic of Honduras for a period of 30 years through a public hearing held in Tegucigalpa, Honduras. OPC started its commercial operations in December 2013. The terminal has a 1,150-meter pier with four berthing positions and depth from 12.5 to 14 meters, 21.7-hectare container yard, 1,744 reefer plugs, a 7,600-square meter CFS and has an

estimated annual capacity of 1,000,000 TEUs. As at December 31, 2022, OPC has three QCs, four MHCs, two ECHs, 18 RSs, 24 forklifts, 47 prime movers and 63 chassis.

*Mexico - Port of Tuxpan.* On May 27, 2015, the Group acquired 100.0% of TMT from Grupo TMM, S.A.B. and Inmobiliaria TMM, S.A. de C.V. TMT is a Mexican company that entered into concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of land with an area of 29.1 hectares where the maritime container terminal was planned to be constructed. The concession agreement was valid until May 25, 2021, subject to extension for another 20 years. As at March 3, 2023, management continues to negotiate its options on the concession, and evaluate the long-term plans for the land.

*Brazil - ICTSI Rio Brasil Terminal 1 S.A.* ICTSI Rio is located in a prime location in the state of Rio de Janeiro - Brazil's largest economic region, having the advantage of being near to major oil and gas industrial zones and surrounding import-export hubs. The terminal has a handling capacity of about 530,000 TEUs, with a total area of 99,203 square meters of yard and a quay length of 715 meters, that will be extended to 800 meters beginning 2024, as part of the second phase of the expansion as required under the concession contract. The terminal is equipped with five ship-to-shore cranes, two of which are super post-Panamax, and 16 RTGs, 12 of which are electric, and is connected by an on-dock railway. The terminal delivers services at high productivity and safety standards and is capable of handling 349 meters of LOA vessels, 48.5 meters of beam with a maximum draft of 14.6 meters. To be able to receive the next generation of vessels expected to be deployed at the Brazilian coast, with 366 meters of LOA, 52 meters of beam and maximum draft of 15.2 meters, Rio de Janeiro Port Authority has started the selection process of service provider for the dredging of the maritime access channel. To address the future growth in demand, ICTSI Rio is capable of expanding its area up to 248,000 square meters and its quay length up to 910 meters with a handling capacity of 1,200,000 TEUs. As at December 31, 2022, ICTSI Rio has five QCs, five RSs, 14 forklifts, 19 prime movers, 32 chassis and 16 RTGs.

*Brazil - Florianopolis Intermodal Terminal, Barra Mansa.* In May 2021, the Company, through its wholly-owned subsidiary ICTSI Americas B.V., established IRB Logistica. IRB Logistica entered into a long-term lease agreement with MMR Administração, Participações E Empreendimentos S.A. until February 2048 covering the intermodal rail ramp terminal facilities, and took over the operations of the terminal beginning July 1, 2021. IRB Logistica offers sustainable cargo handling, transport and storage services to the economic, industrial and production centers in Rio de Janeiro, Minas Gerais and São Paulo. Located in an industrial cluster of around 150 kilometers away from the Port of Rio de Janeiro, the intermodal terminal primarily handles containerized cargo and steel products, which are better suited for rail transport, for industries in the South Fluminense region. It can accommodate up to 70 train wagons and features a 5,500 square meter-yard, 3,200 square meters of which is for storage and container stuffing, as well as a total of 3,600 square meter-covered area, of which 1,500 square meters is for storage of finished products.

Following the commencement of i-Tracker business in July 2022, IRB was able to operate a 65,000 square-meter facility as export container freight station, an empty container depot, and a 26,000 square meters land for the construction of a distribution center. As at December 31, 2022, the terminal also has two rail-mounted transtainers and two rail-mounted overhead cranes.

## **EMEA**

*Poland - Port of Gdynia.* BCT has an existing lease contract to operate the Container Terminal in Gdynia, Poland. The terminal covers an area of 57 hectares and its facilities include a 790-meter long wharf with five berths (four of which are for container loading and unloading operations and one of which is equipped with a hydraulic ramp for roll-on roll-off operations), a container stacking yard, a cargo

handling zone, two warehouses and a rail facility with three rail tracks. The estimated handling capacity of BCT is 1,200,000 TEUs per year. As at December 31, 2022, BCT has six QCs, two MHCs, two RMGs, three RSs, 18 RTGs, 13 forklifts, 32 chassis, 33 prime movers and two straddle carriers, that handle loading and unloading of containerized cargo at the terminal.

*Madagascar - Port of Toamasina.* MICTSL manages, operates and develops the Port of Toamasina, Madagascar. The terminal covers an area of 24 hectares and its facilities include two berths with a combined length of 307 meters and a depth in excess of up to 12 meters. Following the extension of the concession agreement, additional area of 18 hectares will be developed. The estimated handling capacity of MICTSL is 400,000 TEUs per year. As at December 31, 2022, MICTSL has four MHCs, three ECHs, four forklifts, two RSs, nine RTGs, 18 prime movers and 18 chassis.

*Pakistan - Karachi Port.* PICT has a contract with Karachi Port Trust for the construction, development, operations and management of a common user container terminal at Karachi Port for a period of 21 years commencing on June 18, 2002. The terminal has a capacity of 750,000 TEUs per year and a berth length of 600 meters with a depth of 13.5 meters. As at December 31, 2022, PICT has six QCs supplemented by three ECHs, 12 RSs, 15 forklifts, 20 RTGs and a large fleet of transportation equipment handling the existing operations at Karachi Port.

*Georgia - Port of Batumi.* BICTL operates a container terminal and a ferry and dry bulk handling facility in the Port of Batumi, in Georgia. BICTL covers an area of 13.6 hectares, has two berths with a combined length of 465 meters and depth between 8 and 11.3 meters. The estimated handling capacity of BICTL is 150,000 TEUs per year. As at December 31, 2022, BICTL has two MHCs, two ECHs, five RSs, 10 forklifts and seven prime movers.

*Croatia - Brajdica Container Terminal.* AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The port includes a 17-hectare yard, with a combined 790-meter quay and depth of 10.5 to 14.8 meters. The current capacity is 600,000 TEUs per year with 252 reefer plugs. As at December 31, 2022, AGCT has four QCs, six RTGs, two RMGs, five RSs, four forklifts, 18 prime movers and 27 chassis.

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

ICTSI commenced trial operations at Berth 20 in September 2014 and full-fledged commercial operations in November 2014. ICTSI commenced commercial operations of Berth 19 in June 2016. Berth 21 started commercial operations in the third quarter of 2018 while the rehabilitation works are expected to be completed in the second quarter of 2023. Phase 1 of the expansion project (Berth 27) under the BOT

scheme has 250 meters of berth with an estimated capacity of 300,000 TEUs. The facility has 600 meters of quay with an estimated capacity of 900,000 TEUs. Berth 27 was completed and fully operational in the first quarter of 2017.

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. Additional yard area of 0.9 hectares and 3.8 hectares were further completed in January 2020 and December 2021, respectively. The expansion increased the Port's container handling capacity to 1,200,000 TEUs or by an additional 600,000 TEUs, and its capability to handle large container vessels of up to 10,000 TEUs. The Port covers an area of 78.2 hectares, 5.5 hectares of which is still undeveloped. The Port has six berths with length of 1,100 meters and depth of up to 14 meters. As at December 31, 2022, the terminal has seven QCs, nine ECHs, 10 RTGs, 21 forklifts, six RSs, 18 chassis and 22 prime movers.

*Congo - River Port in Matadi, Democratic Republic of Congo.* On January 23, 2014, ICTSI, through its subsidiary, ICTSI Cooperatief, forged a business partnership with SIMOBILE for the establishment and formation of a joint venture company, IDRC. IDRC built a new terminal along the riverbank of the Congo River in Matadi, and continues to manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein. SIMOBILE is a concessionaire of a parcel of land along the Congo river in the district of Mbengu, Township of Matadi in the Democratic Republic of Congo, intended for port use. Phase 1 of the facility consists of two berths that can handle 175,000 TEUs and 350,000 metric tons. Phase 1 was completed in the fourth quarter of 2016.

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. As at December 31, 2022, the empty container yard expansion was completed while development of the full container yard is ongoing. As at December 31, 2022, IDRC has three MHCs, two ECHs, two forklifts, seven RSs, 18 prime movers and 19 chassis.

*Port of Kribi, Cameroon.* The 25-year concession contract between KMT and PAK 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) that is the extension of Quay 1.1, and 23 hectares of yard (including facilities to be provided by PAK) that are temporarily and currently 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.

Unlike other traditional ports in the country located in Douala that are limited by the depth of the channel and hampered by road congestion, the Port of Kribi provides 16 meters of deep-water access without road congestions. KMT can accommodate the longest vessels plying the water as of today.

The current terminal capacity is 1.5 million tons and will increase to 5 million tons by 2024 upon turnover of the Phase 2 of the terminal development. As at December 31, 2022, KMT has two QCs, 12 forklifts, three caterpillars, six trailers, two tractors, two eco-hoppers, three conventional hoppers, 4 vessel grabs and one weighbridge.

*Nigeria - Port of Onne, Rivers State.* In 2020, the Company, through ICTSNL, signed a lease agreement with the Nigerian Port Authority for the development and operation of a multipurpose terminal in the Port of Onne in Rivers State, Nigeria. ICTSNL commenced commercial operations in May 2021. Designed to handle containerized and non-containerized cargo, ICTSNL, which operates Berths 9, 10 and 11 of the Federal Ocean Terminal, is the first port of call at the Onne Port Complex. As at December 31, 2022, the terminal features a 750-meter-long deep-water quay and a 22-hectare yard area with estimated handling capacity of 130,000 TEUs and is equipped with two MHCs, seven RSs, three ECHs, six forklifts, 14 prime movers and 18 chassis.

## 2.2 Other Properties Owned by ICTSI and Subsidiaries

<b>Location</b>	<b>Descriptions/Owner</b>	<b>Encumbrance</b>
Cabuyao, Laguna, Philippines	20-hectare property that was original site of the inland container depot project/ IWI Container Terminal Holdings, Inc. (IWI CTHI) <sup>1</sup>	None
Calamba, Laguna, Philippines	25-hectare property which is the site of LGICT's one-stop inland container terminal/ICTSI	None
Bauan, Batangas, Philippines	20-hectare (approximately) property in Batangas acquired from AG&P in December 1997/BIPI <sup>2</sup>	None
Tanza, Cavite, Philippines	6-hectare property located in Tanza, Cavite acquired by Cavite Gateway Terminal, Inc. <sup>1</sup> (CGT) from Capital Resources Corporation and the Heirs of Francisco Joaquin for use in the gateway terminal business of CGT.	None
Tondo, Manila, Philippines	10-hectare lot used for storage within the 79-hectare Manila Harbour Centre complex/MHCPSI	None
Tondo, Manila, Philippines	3.2-hectare property located within Manila Harbor Centre complex leased to MHCPSI to be used for port services, management and operations business/ICTSI	None
Gdynia, Poland	3.5-hectares of lot with a building owned by BCT was acquired from local real estate company. These properties are being leased to third parties.	None
Central Matadi, DR Congo	18.41-hectares of land owned by IDRC, 10.47-hectares of which is where the existing terminal is built, while 7.94-hectares is being developed as part of the Phase 2 terminal expansion.	10.47-hectares was mortgaged to Rawbank DRC

<sup>1</sup> 100% owned by ICTSI

<sup>2</sup> 100% owned by IWI CTHI

## 2.3 Estimated Capital Expenditures and Sources of Financing

The Group's capital expenditures for 2023 are expected to be approximately US\$400.0 million. The estimated capital expenditure budget will be utilized mainly for the ongoing expansion projects at VICT, CMSA, MICT and IDRC; second tranche of concession extension fees at MICTSL; yard expansion at ICTSNL; quay expansion at ICTSI Rio; new project in EJMT; equipment acquisitions and upgrades; and for maintenance requirements. The Group expects to fund these capital expenditures through a combination of available cash, internally-generated funds, third party loans and other fund raising activities, if necessary.

### **Item 3. Legal Proceedings**

Due to the nature of the ICTSI Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Most of the outstanding litigation involves subrogation claims under which insurance companies have brought claims against the operator, shipping lines and/or brokerage firms for reimbursement of their payment of insurance claims for damaged equipment, facilities and cargoes. Except as discussed below, ICTSI is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, and its Board has no knowledge of any proceedings pending or threatened against the ICTSI Group, or any facts likely to give rise to any litigation, claims or proceedings, which might materially affect its financial position or business. Management and its legal counsels believe that the ICTSI Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have material adverse impact on the ICTSI Group's consolidated financial position and results of operations.

#### ***ICTSI***

1.) In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI before the Regional Trial Court of Manila, Branch 55, for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The claim amounted to Php223.8 million (approximately US\$4.0 million) plus legal interest and attorney's fees of Php1.0 million (US\$17.9 thousand).

PLDT initially filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard. The case was dismissed with prejudice due to a Joint Motion by the parties and as confirmed by the Order of the Court dated September 30, 2022.

2.) In 1997, Paramount Company (Private) Limited (PCL) filed a case against ICTSI for the sum of US\$17.4 million as damages as well as a 10% shareholding in Karachi International Container Terminal Limited (KICTL). PCL asserted that it was ousted from the Consortium with ICTSI and American President Lines Limited (APL) even after having obtained the approvals for the establishment of KICTL, to which PCL alleged to be entitled to receive 10% shareholding in KICTL.

ICTSI filed an application for the matter to be referred to arbitration (Arbitration Application) per an Equity Linked Security Agreement entered between ICTSI and PCL in 1995. The Arbitration Application was not contested, and the Court in an Order dated August 21, 1998, recorded PCL's consent to such referral. However, a dispute arose amongst the parties about the venue for arbitration as PCL insisted on Dubai while ICTSI requested for Hong Kong. The Court in an Order dated December 16, 1998, fixed Singapore as the venue. An appeal was made to the Supreme Court by PCL on the Orders dated August 21, 1998 and December 16, 1998 (the Orders) but the Orders were ultimately upheld by the Supreme Court and the appeal was dismissed. In 2016, after dismissal by the Supreme Court, PCL again raised the matter before the civil court, which also dismissed the same through its Order dated March 21, 2019. PCL challenged this Order before the appellate court. On March 17, 2022, the appeal was disposed, and PCL was given the opportunity to file a fresh application of new venue, from Singapore to Karachi, while alleging new circumstances in an Initial Suit. The Initial Suit is currently at the hearing stage.

### ***PICT***

1.) The Trustees of the Port of Karachi (KPT) filed a civil suit against PICT in 2006 before the Honorable High Court of Sindh (HCS) claiming a sum of US\$1.49 million along with the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of ship-to-shore cranes and RTGs in 2004. On April 24, 2017, HCS passed the judgment and decree in favor of PICT and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. In June 2017, KPT filed an appeal before the Divisional Bench of HCS.

2.) PICT is involved in several tax proceedings. However, PICT's management and its legal counsels believe that the said cases will be decided in favor of PICT.

3.) PICT's existing Concession Agreement with KPT is for a period of 21 years until June 17, 2023. As per the Concession Agreement and based on the precedence existing at Karachi Port where KPT provided another container terminal with an early extension in concession term and infrastructure expansion, PICT has taken up the matter for an early extension in concession term and expansion of infrastructure with KPT and with other relevant quarters of the Government of Pakistan. For prudence and to safeguard PICT's interest in obtaining equal and fair treatment based on precedence, PICT instituted a legal suit before the HCS. Through an Order in December 2021, PICT obtained an interim injunction/stay order for status quo whereby KPT is restrained from terminating PICT's Concession Agreement, and from inviting bids and award of contracts relevant to terminal operation, where such injunction remains effective. In January 2023, the interim order was modified and KPT has been allowed to initiate the tender process in accordance with law but has been directed that no award be made until the injunction application filed is decided.

PICT is still in the process of discussing with KPT on the possibilities of renewal/extension of its Concession Agreement, including its period and other commercial terms and conditions.

### ***TSSA***

1.) In 2015, Custom Enclosure Atlântico Terminais SA (CE) and Suata Serviço Unificado de Armazenagem e Terminal Alfandegado SA (SUATA) filed a civil case against TSSA questioning the legality of imposing charges for the Segregation Service (Terminal Handling Charge 2, THC2). CE and SUATA alleged that the THC2 is already included in the amount paid in the Terminal Handling Charge (THC) rate. Pending litigation, the court ordered TSSA to suspend the collection of the THC2. TSSA questioned the court's competence to judge on the matter, in view of the absence of the necessary notification from the Regulatory Agency (ANTAQ) to enter the dispute. The case is currently awaiting the court's decision. TSSA will file a request for annulment of the order suspending the collection of THC2 in light of a new ANTAQ law 34/2019, which allows the collection of THC2. The case is currently suspended due to the COVID-19 pandemic.

2.) TSSA filed an Annulment Action with Urgent Injunction Request to nullify the Brazilian Administrative Council for Economic Defense (the Brazil Competition Authority, CADE) decision in an administrative case wherein CADE ruled that (1) TSSA's collection of the Segregation and Delivery Service of Containers (SSE) or THC2 is illegal, and (2) TSSA should pay a fine in the amount of BRL9.1 million (US\$1.7 million). The CADE decision pointed out that charging the THC2 fee would provide an unjustifiable and illegal competitive advantage in the bonded storage market.

On February 18, 2021, the preliminary injunction requested by TSSA was granted. This suspended the enforceability of the CADE decision guaranteeing TSSA's ability to continue with the retroactive collection of the services provided and not invoiced, as well as future collection of the THC2 until further final judgment of the case.

3.) In 2016, CE and SUATA filed a civil action against TSSA questioning the legality of charging fees connected with the ISPS Code, which according to CE and SUATA, is a service that is integrated in the port activity and, therefore, cannot be charged separately. TSSA's defense consists in affirming that the ISPS Code was established by international demand, after the attacks on September 11, 2001 and that the amount collected is for extraordinary security costs that are continually implemented by TSSA in order to meet international counter-terrorism requirements and are levied on the importer or exporter.

A preliminary injunction was granted which enjoined TSSA from charging fees connected with the ISPS Code. On December 15, 2020, the lawsuit was judged at first instance to prohibit TSSA from charging the ISPS Code, but found it legitimate to charge the entire past period. TSSA appealed and awaiting judgment by the Pernambuco Court of Justice.

4.) TSSA filed an Annulment Action with Urgent Injunction Request to suspend the enforcement of the decision of CADE in an administrative proceeding against TSSA to (i) refrain from charging fees connected with the ISPS Code to CE and other import companies, as well as any other fees whose purpose is to reimburse costs incurred for adaptation and compliance with safety standards, and (ii) pay a fine in the amount of BRL7.2 million (US\$1.4 million).

On September 14, 2021, an award in favor of TSSA was issued. The award ruled that the collection of ISPS Code tariff is (i) legal and legitimate, (ii) there is competence of the private agent for negotiations regarding port tariffs, (iii) there was non-inclusion of the ISPS charges in box rates, (iv) it is a prevision of international regulations, and (v) there was no violation of Competition Law. The CADE appealed which is pending to date.

### ***TICT***

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

### ***ICTSI Oregon***

Due to continuing labor disruptions caused by the International Longshore and Warehouse Union and ILWU Local 8 (collectively ILWU) in Portland, Oregon from June 2012 and continuing over several years, ICTSI Oregon filed a claim in federal court for damages caused by the ILWU's unlawful secondary activity under the National Labor Relations Act. In connection with this claim, the National Labor Relations Board (NLRB) sought and obtained two federal court injunctions against the ILWU prohibiting illegal work stoppages and a finding of contempt of court against the ILWU for injunction violations. The federal district court initially stayed ICTSI Oregon's damage claim for unlawful secondary activity pending completion of administrative proceedings before the NLRB. The NLRB's administrative proceedings were completed favorably to ICTSI Oregon in 2015. ILWU appealed to the United States Court of Appeals for the District of Columbia Circuit in Washington D.C., which upheld the two NLRB decisions declaring that the ILWU engaged in deliberate work stoppages and



slowdowns, made false safety claims, and engaged in other illegal coercive conduct against ICTSI Oregon and its customers.

ICTSI Oregon's damage claim went to trial and a jury verdict awarded damages to ICTSI Oregon in the total sum of US\$93.6 million. The ILWU then filed a motion for judgment as a matter of law and for a new trial. On March 5, 2020, the district court issued its Opinion and Order denying the ILWU's motion for judgment as a matter of law. The district court also denied the ILWU's motion for new trial on all issues except for damages, conditioned upon ICTSI Oregon accepting reduced damages in the amount of US\$19.1 million. The Court stated that, if ICTSI Oregon did not accept this reduced judgment amount, then ILWU's motion for new trial was granted in part, but limited to damages. On March 19, 2020, ICTSI Oregon notified the district court of its decision to decline acceptance of the reduced judgment and to instead proceed to retrial.

On April 1, 2020, the ILWU then filed (1) a motion for an interlocutory appeal of the district court's March 5, 2020 order to the United States Court of Appeals for the Ninth Circuit; and (2) a motion for reconsideration of the district court's decision to limit the retrial to only damages. On May 28, 2020, the district court granted the ILWU's motion to certify the order denying the ILWU's Motion for Judgment as a Matter of Law for interlocutory review to the Ninth Circuit Court of Appeals. However, the district court denied the ILWU's motion to reconsider its previous order that the new trial in this case would be limited to only damages.

On June 5, 2020, the ILWU filed such a Petition to Appeal with the Ninth Circuit. On June 15, 2020, ICTSI Oregon filed its Answer Opposing ILWU's Petition to Appeal, and in the Alternative, Conditional Cross-Petition Requesting Review of Additional Issues.

On September 17, 2020, a panel of three judges of the Ninth Circuit Court of Appeals issued its decision granting the ILWU's petition for permission to appeal. The Ninth Circuit also granted ICTSI Oregon's conditional petition to appeal that portion of the trial court's order reducing the jury's verdict from US\$93.6 million to US\$19.1 million.

On January 18, 2022, the Ninth Circuit issued its decision dismissing the ILWU's appeal as outside of the court's jurisdiction. The district court's decision ordering a retrial of ICTSI Oregon's claims limited to the amount of damages is therefore now in effect and the case is for a new trial on damages. The district court has scheduled the case for a two-week jury trial commencing on December 4, 2023.

In the meantime on November 14, 2022, the District Court issued an Opinion and Order granting the ILWU's Motion for Partial Summary Judgment as a matter of law that ICTSI may not seek as damages the value of equipment it transferred to the Port of Portland when ICTSI terminated its lease with the Port.

### ***ICTSI Rio***

1.) ICTSI Rio filed a case questioning the legality of a portion of its Lease Agreement Contract (Contract) with the Companhia Docas do Rio de Janeiro – CDRJ (Port Authority) which requires ICTSI Rio to pay the Port Authority for not achieving the minimum container handling goals (MMC). ICTSI Rio pointed out that the Port Authority failed to fulfill its obligation to provide adequate infrastructure to the Port of to allow ICTSI Rio to meet its movement goals established in the Contract. In 2016 and 2017, ICTSI Rio was heavily impacted by the delay in the dredging works of the access channel to the Port of Rio de Janeiro, which was the responsibility of the Port Authority. ICTSI Rio requested the cancellation of the collection carried out by the Port Authority related to the invoices of MMC for the years 2016 and 2017 amounting to BRL22.8 million (US\$4.3 million). It was also requested that the Port Authority refund to ICTSI Rio the amount of BRL16.8 million (US\$3.2 million) paid in advance.

In July 2022, in order to favor the consensual solution of the conflict, a virtual conciliation hearing was proposed. The conciliation hearing commenced on November 23, 2022 but was temporarily suspended.

**Item 4. Submission of Matters to a Vote of Security Holders**

None. There are no matters submitted during the fourth quarter of the fiscal year covered by the 17-A to a vote of security holders, through the solicitation of proxies or otherwise.

## PART II – SECURITIES OF THE REGISTRANT

### Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

#### 5.1 Market Information

Principal Market where Company’s common equity is traded: Philippine Stock Exchange

As at the latest practicable trading date on March 3, 2023, the share prices of ICTSI were:

	<i>In US Dollar</i>	<i>In Philippine Peso</i>
Opening	US\$3.65	₱200.0
High	3.70	203.0
Low	3.62	198.5
Closing	3.65	200.0

\* Amounts expressed in Philippine peso have been translated to USD using the closing exchange rate quoted from the Bankers Association of the Philippines as at the end of March 3, 2023.

The high and low share prices for each quarter within the last two years are:

Calendar Period	Price/Common Share*			
	High		Low	
	<i>In US Dollar</i>	<i>In Philippine Peso</i>	<i>In US Dollar</i>	<i>In Philippine Peso</i>
<b>2021</b>				
Quarter 1	US\$2.626	₱127.45	US\$2.420	₱117.44
Quarter 2	3.331	162.53	2.457	119.92
Quarter 3	4.000	204.00	2.995	152.72
Quarter 4	4.020	205.00	3.316	169.10
<b>2022</b>				
Quarter 1	US\$4.494	₱232.50	US\$3.732	₱193.09
Quarter 2	4.202	231.00	3.274	180.00
Quarter 3	3.314	194.30	2.671	156.60
Quarter 4	3.713	207.00	2.915	162.50

\* Amounts expressed in Philippine peso have been translated to USD using the closing exchange rates quoted from the Bankers Association of the Philippines as at end of each quarter in 2021 and 2022.

#### 5.2 Holder

The number of common stockholders of record as at the latest practicable date on December 31, 2022 was 1,350. Common shares issued and outstanding as at the same date were 2,045,177,671 shares (including 14,836,722 treasury shares). While Preferred A and B shares outstanding as at the same date were 3,800,000 shares and 700,000,000 shares, respectively.

As at December 31, 2022, the public ownership level of the Company is at 51.21% based only on common shares. The public ownership level of the Company is at 38.08% if both common and Preferred B voting shares are considered.

The following are the Company's top 20 registered common stockholders as at December 31, 2022:

Name	No. of Shares Held	% of Total*
1. PCD Nominee Corporation (Filipino)	852,874,190	31.03%
2. PCD Nominee Corporation (Non-Filipino)	744,172,838	27.07%
3. Bravo International Port Holdings, Inc.	279,675,000	10.17%
4. Achillion Holdings, Inc.	80,000,000	2.91%
5. Sureste Realty Corporation	23,016,176	0.84%
6. Enrique Razon	18,143,687	0.66%
7. Enrique K. Razon Jr. As Voting Trustee	15,936,201	0.58%
8. A. Soriano Corporation	11,850,637	0.43%
9. Razon Industries, Inc.	3,758,133	0.14%
10. Stephen Paradies	3,087,473	0.11%
11. Felicia S. Razon	868,725	0.03%
12. Cosme Maria De Aboitiz	527,343	0.02%
13. Ma. Consuelo R Medrano &/or Victorino S Medrano Jr	250,000	0.01%
14. Jose Sy Ching	220,000	0.01%
15. Silverio J. Tan	200,000	0.01%
16. Ma. Socorro S. Gatmaitan	196,000	0.01%
17. Alberto Mendoza &.or Lawrence Mendoza	192,457	0.01%
18. Cbna Mla Obo Ac 6011800001	170,870	0.01%
19. Ma. Henrietta R. Santos	155,053	0.01%
20. Alberto Mendoza &/or Jeanie C. Mendoza	149,687	0.01%

As at December 31, 2022, 700,000,000 Preferred B shares (25.46%)\* are held by Achillion Holdings, Inc. and 3,800,000 Preferred A shares (0.14%)\* are held by International Container Terminal Holdings, Inc.

\*Percentage ownerships were computed using total number of issued common shares, preferred B voting shares and preferred A non-voting shares of 2,748,977,671 as at December 31, 2022.

### 5.3 Dividends and Dividend Policy

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

	2020	2021	2022
Date of Board approval	March 20, 2020	March 15, 2021; August 6, 2021	<b>March 3, 2022</b>
Cash dividends (regular) per share	US\$0.065 (P3.31)	US\$0.069 (P3.38)	<b>US\$0.106 (P5.56)</b>
Cash dividends (special) per share	–	US\$0.032 (P1.62)	<b>US\$0.008 (P0.44)</b>
Record date	April 3, 2020	March 30, 2021; August 20, 2021	<b>March 18, 2022</b>
Payment date	April 16, 2020	April 12, 2021; September 1, 2021	<b>March 28, 2022</b>

Dividends may be declared only out of the unrestricted retained earnings. A board resolution is required for declaration of dividends. In addition, approval of stockholders representing at least two-thirds of the outstanding capital stock is required for the payment of stock dividends. Dividends are payable to all common stockholders, on the basis of outstanding shares held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as at the record date fixed by the Board. Preferred A shareholders are entitled to dividends at rates to be fixed by the Board. As at December 31, 2022, the Board has not set the dividend rate for Preferred A shares. On the other hand, Preferred B shareholders shall earn no dividends.

Moreover, retained earnings were reduced by distributions paid out by Royal Capital B.V. (RCBV), a subsidiary of ICTSI, to holders of Securities aggregating US\$55.7 million in 2020,

US\$67.3 million in 2021 and US\$39.6 million in 2022. Please refer also to Note 15, *Equity*, to the 2022 Audited Annual Consolidated Financial Statements.

Of the net consolidated retained earnings of US\$216.9 million, US\$346.2 million and US\$687.4 million, as at December 31, 2020, 2021 and 2022, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$1,579.1 million, US\$1,387.2 million and US\$1,522.2 million as at December 31, 2020, 2021 and 2022, respectively, are not available for dividend distribution. As at December 31, 2022, the retained earnings of the Parent Company is restricted for dividend declaration to the extent of the cost of treasury shares held amounting to US\$49.2 million.

The appropriated retained earnings of the Parent Company amounted to nil in 2020, 2021 and 2022.

As at December 31, 2022, the unappropriated retained earnings of the Parent Company that is available for dividend declaration amounted to US\$555.2 million.

#### **5.4 Recent Sale of Unregistered Securities**

There is no sale of unregistered securities in 2020, 2021 and 2022.

#### **5.5 Description of Registrant's Securities**

ICTSI's capital stock is comprised of common and preferred shares. Common shares are listed and traded in the Philippine Stock Exchange. Preferred shares comprising of Preferred A and B shares are not traded. Details and movement in the shares of stock of ICTSI are disclosed in Note 15, *Equity*, to the 2022 Audited Annual Consolidated Financial Statements.

The stockholders of ICTSI, in a special stockholders meeting held on August 11, 2010, approved the creation of a class of voting low par value preferred shares. The stockholders representing at least 2/3 of the outstanding capital stock of ICTSI approved the amendment of the articles of incorporation of ICTSI to reclassify the existing 1,000,000,000 authorized Preferred Shares with a par value of US\$0.048 (₱1.00) per share into: (a) 993,000,000 Preferred A Shares with a par value of US\$0.048 (₱1.00) per share, inclusive of the outstanding Preferred Shares, and (b) 7,000,000 Preferred shares which were further reclassified into 700,000,000 Preferred B Shares with a par value of US\$0.0002 (₱0.01). The creation of a class of low par value voting preferred shares was authorized by the Board on June 18, 2010.

The Preferred A shares, which were subscribed to by International Container Terminal Holdings, Inc., are non-voting, entitled to dividend at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms to be provided by the Board, redeemable at such price and terms determined by the Board and have preference over common shares in the distribution of the assets of the Parent Company (see Note 15.3 to the 2022 Audited Annual Consolidated Financial Statements). As at March 3, 2023, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). As at March 3, 2023, Preferred B shares have the following features: voting; issued only to Philippine Nationals; not convertible into common shares; earn no dividend and redeemable at the option of the Board.

## PART III – FINANCIAL INFORMATION

### Item 6. Management’s Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the consolidated financial position and results of operations of ICTSI and its wholly and majority-owned subsidiaries (collectively known as “ICTSI Group”) and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as at and for the year ended December 31, 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.

#### 6.1 Overview

The Group is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 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 at March 3, 2023, the Group is involved in 33 terminal operations, including concessions and port development projects in 20 countries worldwide. There are nine (9) terminal operations in the Philippines (including an inland container terminal, a barge terminal and combined terminal operations in Subic), three in Brazil (including an intermodal rail ramp terminal), two each in Papua New Guinea (PNG) and Indonesia; 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 (MHCPST)
  - Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) (*ceased commercial operations on January 31, 2022*); Port of Tanjung Priok, Jakarta, Indonesia (OJA); and Tanjung Pakis Lamongan Public Terminal, East Java, Indonesia (EJMT)
  - 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 (BICT)
    - 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 Florianopolis 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)

## 6.2 Results of Operations and Key Performance Indicators

### 6.2.1 Results of Operations

The following table shows a summary of the results of operations for the year ended December 31, 2022 as compared with the same period in 2021 and 2020 as derived from the accompanying audited consolidated financial statements:

**Table 6.1 Audited Consolidated Statements of Income**

<i>In thousands, except % change data</i>	For the Years Ended December 31			% Change 2020 vs 2021	% Change 2021 vs 2022
	2020	2021	2022		
Gross revenues from port operations	US\$1,505,500	US\$1,865,021	<b>US\$2,242,992</b>	23.9	20.3
Revenues from port operations, net of port authorities' share	1,330,462	1,662,382	<b>2,021,388</b>	24.9	21.6
Total income (net revenues, interest and other income)	1,370,906	1,722,539	<b>2,095,894</b>	25.6	21.7
Total expenses (operating, financing and other expenses)	1,176,133	1,120,580	<b>1,265,770</b>	(4.7)	13.0
EBITDA <sup>1</sup>	876,829	1,139,057	<b>1,409,273</b>	29.9	23.7
EBIT <sup>2</sup>	646,692	892,063	<b>1,142,555</b>	37.9	28.1
Net income attributable to equity holders of the parent	101,764	428,569	<b>618,465</b>	321.1	44.3

<b>Earnings per share</b>					
Basic	US\$0.020	US\$0.181	<b>US\$0.287</b>	813.5	58.3
Diluted	0.020	0.181	<b>0.287</b>	813.4	58.3

<sup>1</sup> 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 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 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.

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

The following table presents the computation of EBITDA as derived from the Group's consolidated net income attributable to equity holders of the parent for the year:

**Table 6.2 EBITDA Computation**

For the Years Ended December 31					
<i>In thousands, except % change data</i>	2020	2021	2022	% Change 2020 vs 2021	% Change 2021 vs 2022
Net income attributable to equity holders of the parent	US\$101,764	US\$428,569	<b>US\$618,465</b>	321.1	44.3
Non-controlling interests	37,879	48,974	<b>59,002</b>	29.3	20.5
Provision for income tax	55,129	124,416	<b>152,658</b>	125.7	22.7
Income before income tax	194,772	601,959	<b>830,125</b>	209.1	37.9
Add (deduct):					
Depreciation and amortization	230,137	246,994	<b>266,718</b>	7.3	8.0
Interest and other expenses	492,364	350,261	<b>386,937</b>	(28.9)	10.5
Interest and other income	(40,444)	(60,157)	<b>(74,507)</b>	48.7	23.9
<b>EBITDA</b>	<b>US\$876,829</b>	<b>US\$1,139,057</b>	<b>US\$1,409,273</b>	29.9	23.7

## 6.2.2 Key Performance Indicators

The five (5) key performance indicators (KPIs) include gross moves per hour per crane, crane availability and berth utilization, which affect the operations of the Group, and 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 12.0 to 31.1 moves per hour in 2022 from 15.4 to 31.6 moves per hour in 2021. Crane availability ranged to 52.9 percent to 98.8 percent in 2022 from 82.2 percent to 99.3 percent in 2021. Berth utilization was at 22.3 percent to 77.9 percent in 2022 and 25.7 percent to 70.8 percent in 2021.



### 2021 Compared with 2020

Gross moves per hour per crane ranged to 15.4 to 31.6 moves per hour in 2021 from 16.0 to 32.5 moves per hour in 2020. Crane availability ranged to 82.2 percent to 99.3 percent in 2021 from 78.0 percent to 97.7 percent in 2020. Berth utilization was at 25.7 percent to 70.8 percent in 2021 and 21.8 percent to 74.5 percent in 2020.

### 2020 Compared with 2019

Gross moves per hour per crane ranged to 16.0 to 32.5 moves per hour in 2020 from 15.5 to 36.8 moves per hour in 2019. Crane availability ranged to 78.0 percent to 97.7 percent in 2020 from 83.8 percent to 98.3 percent in 2019. Berth utilization was at 21.8 percent to 74.5 percent in 2020 and 24.6 percent to 78.7 percent in 2019.

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.

## 6.3 Comparison of Operating Results for the Years Ended December 31, 2021 and 2022

### 6.3.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2021 and 2022:

**Table 6.3 Volume**

	For the Years Ended December 31		
	2021	2022	% Change
Asia	5,128,783	<b>6,129,900</b>	19.5
Americas	3,377,135	<b>3,429,002</b>	1.5
EMEA	2,657,555	<b>2,657,288</b>	(0.0)
	11,163,473	<b>12,216,190</b>	9.4

The Group's consolidated volume increased by 9.4 percent to 12,216,190 TEUs for the year ended December 31, 2022 from 11,163,473 TEUs handled for the same period in 2021 primarily due to consolidation of MNHPI starting September 2022; volume growth and improvement in trade activities as economies continue to recover from the impact of the COVID-19 pandemic and lockdown restrictions; and new shipping lines and services at certain terminals. Excluding MNHPI, ICTSNL (started commercial operations in May 2021) and DIPSSCOR (ceased commercial operations on June 30, 2022), consolidated volume would have increased by 5.3 percent.

Volume from the Asia segment, consisting of terminals in the Philippines, Australia, China, Papua New Guinea and Indonesia, increased by 19.5 percent to 6,129,900 TEUs for the year ended December 31, 2022 from 5,128,783 TEUs for the same period in 2021 mainly due to the contribution of MNHPI; strong volume growth and recovery at MICT; 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. Excluding MNHPI and DIPSSCOR, volume of Asia segment would have increased by 11.1 percent in 2022. The Asia operations accounted for 45.9 percent and 50.2 percent of the consolidated volume for the years ended December 31, 2021 and 2022, respectively.

Volume from the Americas segment, consisting of terminals in Mexico, Ecuador, Brazil, Honduras and Argentina, increased by 1.5 percent to 3,429,002 TEUs for the year ended December 31, 2022 from 3,377,135 TEUs for the same period in 2021 mainly due to increased trade activities at OPC; partially tapered by decrease in trade volume at CGSA; and reduced vessel calls at TSSA. The Americas operations accounted for 30.3 percent and 28.1 percent of the consolidated volume for the years ended December 31, 2021 and 2022, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Pakistan, Georgia, Croatia, Madagascar and Nigeria, reported 2,657,288 TEUs for the year ended December 31, 2022 from 2,657,555 TEUs for the same period in 2021 primarily due to decrease in trade activities at PICT and BCT; tapered by increased trade volume at AGCT; market recovery at ICTSI Iraq; and contribution of ICTSNL. Excluding the contribution of ICTSNL, volume of EMEA segment would have decreased by 1.1 percent. The EMEA operations accounted for 23.8 percent and 21.7 percent of the Group's consolidated volume for the years ended December 31, 2021 and 2022, respectively.

### 6.3.2 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 of joint ventures; and (5) Other income.

The table below illustrates the consolidated total income for the years ended December 31, 2021 and 2022:

**Table 6.4 Total Income**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2021	2022	% Change
Gross revenues from port operations	US\$1,865,021	<b>US\$2,242,992</b>	20.3
Port authorities' share in gross revenues	202,639	<b>221,604</b>	9.4
Net revenues	1,662,382	<b>2,021,388</b>	21.6
Interest income	22,213	<b>39,052</b>	75.8
Foreign exchange gain	8,109	<b>14,471</b>	78.5
Equity share in net profit of joint ventures	–	<b>1,987</b>	100.0
Other income	29,835	<b>18,996</b>	(36.3)
	US\$1,722,539	<b>US\$2,095,894</b>	21.7

For the year ended December 31, 2022, net revenues stood at 96.4 percent of the total consolidated income while interest income, foreign exchange gain, equity share in net profit of joint venture and other income accounted for 1.9 percent, 0.7 percent, 0.1 percent and 0.9 percent, respectively. For the same period in 2021, net revenues stood at 96.5 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.3 percent, 0.5 percent and 1.7 percent, respectively.

#### 6.3.2.1 Gross Revenues from Port Operations

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

The below table illustrates the consolidated gross revenues for the years ended December 31, 2021 and 2022:

**Table 6.5 Gross Revenues from Port Operations**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2021	<b>2022</b>	% Change
Asia	US\$836,614	<b>US\$1,015,533</b>	21.4
Americas	602,509	<b>759,825</b>	26.1
EMEA	425,898	<b>467,634</b>	9.8
	US\$1,865,021	<b>US\$2,242,992</b>	20.3

The Group's consolidated gross revenues from port operations increased by 20.3 percent to US\$2,243.0 million for the year ended December 31, 2022 from US\$1,865.0 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 MHCPST (acquired in June 2021), ICTSNL and IRB Logistica (started commercial operations in July 2021); partially tapered by decline in trade activities at PICT; and unfavorable translation impact mainly of the depreciation of Philippine peso (PHP)- and Australian dollar (AUD)-based revenues at Philippine terminals and VICT, respectively, and Euro (EUR)-based revenues at MICTSL and AGCT. Excluding MNHPI, and new businesses (MHCPST, ICTSNL, IRB Logistica, EJMT, CM Logista and SBI) and discontinued businesses (DIPSSCOR and HIPS), consolidated gross revenues would have increased by 17.3 percent.

Gross revenues from the Asia segment increased by 21.4 percent to US\$1,015.5 million for the year ended December 31, 2022 from US\$836.6 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 MHCPST; 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 16.1 percent. The Asia operations captured 44.9 percent and 45.3 percent of the consolidated gross revenues for the years ended December 31, 2021 and 2022, respectively.

Gross revenues from the Americas segment increased by 26.1 percent to US\$759.8 million for the year ended December 31, 2022 from US\$602.5 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; contribution of IRB Logistica; and favorable translation impact of the appreciation of Brazilian real (BRL)-based revenues at TSSA and ICTSI Rio. Excluding new businesses, mainly IRB Logistica, gross revenues of Americas segment would have increased by 25.1 percent. The Americas operations accounted for 32.3 percent and 33.9 percent of the consolidated gross revenues for the years ended December 31, 2021 and 2022, respectively.

Gross revenues from the EMEA segment increased by 9.8 percent to US\$467.6 million for the year ended December 31, 2022 from US\$425.9 million for the same period in 2021 primarily due to volume growth, tariff adjustments and market recovery at certain terminals; increase in revenues from ancillary services; and contribution of ICTSNL; partially tapered by decline in trade activities at PICT; and unfavorable translation impact of the depreciation of EUR-based revenues at MICTSL and AGCT, Polish zloty (PLN)-based revenues at BCT and Pakistani rupee (PKR)-based revenues at PICT. Excluding the contribution of ICTSNL, gross revenues of EMEA segment would have increased by 7.8 percent. The EMEA operations stood at 22.8 percent and 20.8 percent of the consolidated gross revenues for the years ended December 31, 2021 and 2022, respectively.

### 6.3.2.2 Port Authorities' Share in Gross Revenues

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, other than the minimum guaranteed variable fees or in-substance fixed fees that were capitalized as part of concession rights and right-of-use assets, and amortized on a straight-line basis over the term of the concession, increased by 9.4 percent to US\$221.6 million for the year ended December 31, 2022 from US\$202.6 million for the same period in 2021 as a result of higher volume and revenues at some of these terminals.

### 6.3.2.3 Interest Income, Foreign Exchange Gain, Equity Share in Net Profit of Joint Ventures and Other Income

Consolidated interest income increased by 75.8 percent to US\$39.1 million for the year ended December 31, 2022 from US\$22.2 million for the same period in 2021 mainly due to higher interest earned from short-term deposits and government-issued debt securities at certain terminals.

Foreign exchange gain increased by 78.5 percent to US\$14.5 million for the year ended December 31, 2022 from US\$8.1 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.

Equity share in net profit of joint ventures amounted to US\$2.0 million for the year ended December 31, 2022 mainly due to the Company's share in net earnings of MNHPI (prior to consolidation in September 2022); partially tapered by share in net losses at SPIA and FAMI.

Other income decreased by 36.3 percent to US\$19.0 million for the year ended December 31, 2022 from US\$29.8 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.

### 6.3.3 Total Expense

The table below shows the breakdown of total expenses for the years ended December 31, 2021 and 2022:

**Table 6.6 Total Expenses**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2021	2022	% Change
Manpower costs	US\$268,453	<b>US\$299,779</b>	11.7
Equipment and facilities-related expenses	127,625	<b>166,228</b>	30.2
Administrative and other operating expenses	127,248	<b>146,108</b>	14.8
Total cash operating expenses	523,326	<b>612,115</b>	17.0
Depreciation and amortization	246,994	<b>266,718</b>	8.0
Interest expense and financing charges on borrowings	118,484	<b>126,471</b>	6.7
Interest expense on concession rights payable	58,255	<b>62,699</b>	7.6
Interest expense on lease liabilities	114,298	<b>119,722</b>	4.7
Foreign exchange loss and other expenses	59,223	<b>78,045</b>	31.8
<b>Total expenses</b>	<b>US\$1,120,580</b>	<b>US\$1,265,770</b>	<b>13.0</b>

Total cash operating expenses of the Group increased by 17.0 percent to US\$612.1 million for the year ended December 31, 2022 from US\$523.3 million for the same period in 2021 primarily due to costs contribution of MNHPI and new businesses, mainly MHCPSI, ICTSNL and IRB Logistica; increase in equipment and facilities-related expenses, mainly fuel and power; 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- and PLN-based expenses at Philippine terminals, PICT, VICT and BCT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated cash operating expenses would have increased by 12.4 percent.

#### *6.3.3.1 Manpower Costs*

Manpower costs increased by 11.7 percent to US\$299.8 million for year ended December 31, 2022 from US\$268.5 million for the same period in 2021 primarily due to costs contribution of MNHPI, and new businesses, mainly ICTSNL, MHCPSI and IRB Logistica; government-mandated and contracted salary rate adjustments, including benefits, and increase in headcount relative to volume at certain terminals; and higher contracted services and overtime as a result of the volume increase at certain terminals; 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, VICT, PICT and BCT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated manpower costs would have increased by 7.7 percent.

Manpower costs accounted for 51.3 percent and 49.0 percent of consolidated cash operating expenses for the years ended December 31, 2021 and 2022, respectively.

#### *6.3.3.2 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 30.2 percent to US\$166.2 million for the year ended December 31, 2022 from US\$127.6 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 MHCPSI; 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- and PLN-based equipment and facilities-related expenses at Philippine terminals, PICT and BCT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated equipment and facilities-related expenses would have increased by 23.3 percent.

Equipment and facilities-related expenses represented 24.4 percent and 27.1 percent of consolidated cash operating expenses for the years ended December 31, 2021 and 2022, respectively.

#### *6.3.3.3 Administrative and Other Operating Expenses*

Administrative and other operating expenses increased by 14.8 percent to US\$146.1 million for the year ended December 31, 2022 from US\$127.2 million for the same period in 2021 primarily due to costs contribution of MNHPI and new businesses, mainly MHCPSI; costs of relocating port equipment, higher provisions for claims and losses, taxes and licenses, transportation and travel due to easing up of restrictions, 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-, Argentine peso (ARS)-, AUD- and PKR-based administrative and other operating expenses at Philippine terminals, Tecplata, VICT and PICT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, consolidated administrative and other operating expenses would have increased by 11.4 percent.

Administrative and other operating expenses stood at 24.3 percent and 23.9 percent of consolidated cash operating expenses for the years ended December 31, 2021 and 2022, respectively.

#### *6.3.3.4 Depreciation and Amortization*

Depreciation and amortization expense increased by 8.0 percent to US\$266.7 million for the year ended December 31, 2022 from US\$247.0 million for the same period in 2021 mainly driven by cost contributions of MNHPI and new businesses, mainly MHCPSI, ICTSNL and IRB Logistica; increase in right-of-use assets at CMSA and TSSA, and concession rights asset at ICTSI Rio as a result of remeasurement of lease liabilities and concession rights payable, respectively, including unfavorable translation impact of BRL-based depreciation and amortization charges at TSSA and ICTSI Rio; and higher depreciation and amortization charges at certain terminals; partially tapered by favorable translation impact of AUD-, PKR- and Chinese Renminbi (RMB)-based depreciation and amortization charges at VICT, PICT and YICT, respectively. Excluding contribution of MNHPI, and new and discontinued businesses, depreciation and amortization expense would have increased by 2.6 percent.

#### *6.3.3.5 Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 6.7 percent to US\$126.5 million for the year ended December 31, 2022 from US\$118.5 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 the repayment of loans at VICT in December 2021. Excluding contribution of MHCPSI, interest and financing charges on borrowings would have increased by 5.7 percent.

#### *6.3.3.6 Interest Expense on Lease Liabilities*

Interest expense on lease liabilities increased by 4.7 percent to US\$119.7 million for the year ended December 31, 2022 from US\$114.3 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 third 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 3.9 percent.

#### *6.3.3.7 Interest Expense on Concession Rights Payable*

Interest expense on concession rights payable increased by 7.6 percent to US\$62.7 million for the year ended December 31, 2022 from US\$58.3 million for the same period in 2021 mainly due to the remeasurement of concession rights payable at ICTSI Rio, MITL, SPICTL and CGSA, including 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 5.5 percent.

#### 6.3.3.8 Foreign Exchange Loss and Other Expenses

Foreign exchange loss and other expenses increased by 31.8 percent to US\$78.0 million for the year ended December 31, 2022 from US\$59.2 million for the same period in 2021 mainly due to the increase in COVID-19-related costs, nonrecurring loss on impairment of non-current assets and derecognition of tax assets that are not expected to be utilized at certain terminals.

#### 6.3.4 EBITDA and EBIT

Consolidated EBITDA increased by 23.7 percent to US\$1,409.3 million for the year ended December 31, 2022 from US\$1,139.1 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 62.8 percent in 2022 from 61.1 percent in 2021. Excluding contribution of MNHPI, and new and discontinued businesses, EBITDA would have increased by 20.9 percent.

Meanwhile, consolidated EBIT increased by 28.1 percent to US\$1,142.6 million for the year ended December 31, 2022 from US\$892.1 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 50.9 percent in 2022 from 47.8 percent in 2021. Excluding contribution of MNHPI, and new and discontinued businesses, EBIT would have increased by 25.9 percent.

#### 6.3.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 37.9 percent to US\$830.1 million for the year ended December 31, 2022 from US\$602.0 million for the same period in 2021 primarily due to higher operating income; partially tapered by increase in depreciation and amortization charges, interests on loans, lease liabilities and concession rights payable, and nonrecurring impairment losses. Excluding contribution of MNHPI, and new and discontinued businesses, income before income tax would have increased by 36.9 percent.

The ratio of consolidated income before income tax to consolidated gross revenues stood at 32.3 percent and 37.0 percent in 2021 and 2022, respectively.

Consolidated provision for current and deferred income taxes increased by 22.7 percent to US\$152.7 million for the year ended December 31, 2022 from US\$124.4 million for the same period in 2021 mainly due to higher taxable income 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 20.7 percent and 18.4 percent, respectively.

#### 6.3.6 Net Income

Consolidated net income increased by 41.9 percent to US\$677.5 million for the year ended December 31, 2022 from US\$477.5 million for the same period in 2021. Excluding contribution of MNHPI, new and discontinued businesses, and non-recurring items, consolidated net income would have increased by 39.5 percent in 2022. The ratio of consolidated net income to gross revenues stood at 25.6 percent and 30.2 percent in 2021 and 2022, respectively.

Consolidated net income attributable to equity holders increased by 44.3 percent to US\$618.5 million for the year ended December 31, 2022 from US\$428.6 million for the same period in 2021. Excluding contribution of MNHPI, new and discontinued businesses, and non-recurring items, net income attributable to equity holders would have increased by 43.2 percent.

Basic and diluted earnings per share increased to US\$0.287 in 2022 from US\$0.181 in 2021.

## 6.4 Comparison of Operating Results for the Years Ended December 31, 2020 and 2021

### 6.4.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2020 and 2021:

**Table 6.7 Volume**

	For the Years Ended December 31		
	2020	2021	% Change
Asia	4,701,070	<b>5,128,783</b>	9.1
Americas	3,092,480	<b>3,377,135</b>	9.2
EMEA	2,399,834	<b>2,657,555</b>	10.7
	10,193,384	<b>11,163,473</b>	9.5

The Group's consolidated volume increased by 9.5 percent to 11,163,473 TEUs for the year ended December 31, 2021 from 10,193,384 TEUs handled for the same period in 2020 primarily due to volume growth and improvement in trade activities as economies recover from the impact of the COVID-19 pandemic and lockdown restrictions; and new contracts with shipping lines and services at certain terminals. Excluding the contribution of a new business, ICTSNL, consolidated volume would have increased by 8.9 percent in 2021.

Volume from the Asia segment consisting of terminals in the Philippines, Australia, China, Papua New Guinea and Indonesia increased by 9.1 percent to 5,128,783 TEUs for the year ended December 31, 2021 from 4,701,070 TEUs for the same period in 2020 mainly due to strong volume growth and recovery at MICT and certain Philippine terminals; increased trade activities at YICT; recoveries at SPICTL and MITL; and slightly tapered by reduced vessel calls at OJA and VICT. The Asia operations accounted for 46.1 percent and 45.9 percent of the consolidated volume for the years ended December 31, 2020 and 2021, respectively.

Volume from the Americas segment, consisting of terminals in Mexico, Ecuador, Brazil, Honduras, and Argentina, increased by 9.2 percent to 3,377,135 TEUs for the year ended December 31, 2021 from 3,092,480 TEUs for the same period in 2020 mainly due to new shipping lines and services, and increase in import volume at CMSA; recovery and increased trade activities at OPC and TSSA; partially tapered by reduced vessel calls at CGSA and ICTSI Rio. The Americas operations accounted for 30.3 percent of the consolidated volume for both years ended December 31, 2021 and 2020, respectively.

Volume from the EMEA segment, consisting of terminals in Iraq, DR Congo, Poland, Pakistan (previously part of Asia segment), Georgia, Croatia, Madagascar and Nigeria, reported a 10.7 percent increase to 2,657,555 TEUs for the year ended December 31, 2021 from 2,399,834 TEUs for the same period in 2020 mainly due to recovery and increased trade activities at IDRC; contribution of new business, ICTSNL; new services and increased trading activities at PICT; higher trade volumes at BCT; partially tapered by the impact of the pandemic resulting in decreased vessel calls and trade volumes at ICTSI Iraq. Excluding the contribution of ICTSNL, volume from the EMEA segment would have increased by 7.9 percent in 2021. The EMEA operations accounted for 23.5 percent and 23.8 percent of the Group's consolidated volume for the years ended December 31, 2020 and 2021, respectively.



## 6.4.2 Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2020 and 2021:

**Table 6.8 Total Income**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2020	2021	% Change
Gross revenues from port operations	US\$1,505,500	<b>US\$1,865,021</b>	23.9
Port authorities' share in gross revenues	175,038	<b>202,639</b>	15.8
Net revenues	1,330,462	<b>1,662,382</b>	24.9
Interest income	19,289	<b>22,213</b>	15.2
Foreign exchange gain	4,891	<b>8,109</b>	65.8
Other income	16,264	<b>29,835</b>	83.4
	US\$1,370,906	<b>US\$1,722,539</b>	25.6

For the year ended December 31, 2021, net revenues stood at 96.5 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.3 percent, 0.5 percent and 1.7 percent, respectively. For the same period in 2020, net revenues stood at 97.0 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.4 percent, 0.4 percent and 1.2 percent, respectively.

### 6.4.2.1 Gross Revenues from Port Operations

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

The below table illustrates the consolidated gross revenues for the years ended December 31, 2020 and 2021:

**Table 6.9 Gross Revenues from Port Operations**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2020	2021	% Change
Asia	US\$695,411	<b>US\$836,614</b>	20.3
Americas	448,570	<b>602,509</b>	34.3
EMEA	361,519	<b>425,898</b>	17.8
	US\$1,505,500	<b>US\$1,865,021</b>	23.9

The Group's consolidated gross revenues from port operations increased by 23.9 percent to US\$1,865.0 million for the year ended December 31, 2021 from US\$1,505.5 million for the same period in 2020 mainly due to volume growth and recovery; favorable container mix; tariff adjustments at certain terminals; new contracts with shipping lines and services; higher revenues from ancillary services; contribution of new businesses mainly, ICTSNL and MHCPSI; and net favorable impact of foreign exchange at certain terminals; partially tapered by decline in trade activities at certain terminals primarily due to the impact of COVID-19 pandemic. Excluding contribution of new businesses, ICTSNL, MHCPSI, KMT (started commercial operations in October 2020) and IRB Logistica, consolidated gross revenues would have increased by 20.9 percent in 2021.

Gross revenues from the Asia segment increased by 20.3 percent to US\$836.6 million for the year ended December 31, 2021 from US\$695.4 million for the same period in 2020 mainly due to volume growth; improvement in trade activities and tariff adjustments at certain terminals; favorable translation impact of the appreciation of AUD- and RMB-based revenues at VICT and YICT, respectively, and contribution of new business, MHCPSI; partially tapered by decrease in volume at OJA and decline in trade activities at certain terminals primarily due to the impact of COVID-19 pandemic. The Asia operations captured 46.2 percent and 44.9 percent of the consolidated gross revenues for the years ended December 31, 2020 and 2021, respectively. Excluding contribution of MHCPSI, gross revenues of Asia segment would have increased by 17.8 percent.

Gross revenues from the Americas segment increased by 34.3 percent to US\$602.5 million for the year ended December 31, 2021 from US\$448.6 million for the same period in 2020 mainly due to volume growth; new services and contracts with shipping lines and increase in revenues from ancillary services mainly at CMSA; volume recovery and increase in revenues from ancillary services at OPC; tariff adjustments at certain terminals; and favorable translation impact of the appreciation of Mexican Peso (MXN)-based revenues at CMSA; partially tapered by unfavorable translation impact of the depreciation of BRL-based revenues at TSSA and ICTSI Rio . The Americas operations accounted for 29.8 percent and 32.3 percent of the consolidated gross revenues for the years ended December 31, 2020 and 2021, respectively. Excluding contribution of IRB Logistica, gross revenues from the Americas segment would have increased by 34.2 percent in 2021.

Gross revenues from the EMEA segment increased by 17.8 percent to US\$425.9 million for the year ended December 31, 2021 from US\$361.5 million for the same period in 2020 primarily due to recovery and volume growth, and higher ancillary services at IDRC; contribution of new businesses, ICTSNL and KMT; new services and increased trade activities at PICT; recovery at BCT; favorable container mix, new services and tariff adjustments at certain terminals; combined with favorable translation impact of the appreciation of EUR-based revenues at MICTSL and AGCT; partially tapered by decreased volume together with unfavorable translation impact of the depreciation of Iraqi Dinar (IQD)-based revenues at ICTSI Iraq. The EMEA operations stood at 24.0 percent and 22.8 percent of the consolidated gross revenues for the years ended December 31, 2020 and 2021, respectively. Excluding contributions of ICTSNL and KMT, gross revenues from the EMEA segment would have increased by 10.3 percent in 2021.

#### *6.4.2.2 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 the minimum guaranteed variable fees or in-substance fixed fees that were capitalized as part of concession rights and right-of-use assets, and amortized on a straight-line basis over the term of the concession, increased by 15.8 percent to US\$202.6 million for the year ended December 31, 2021 from US\$175.0 million for the same period in 2020 mainly as a result of volume growth, stronger revenues at these terminals, and contribution of new businesses, ICTSNL and KMT.

#### *6.4.2.3 Interest Income, Foreign Exchange Gain and Other Income*

Consolidated interest income increased by 15.2 percent to US\$22.2 million for the year ended December 31, 2021 from US\$19.3 million for the same period in 2020 mainly due to interest earned from short-term deposits and government-issued debt securities at certain terminals.

Foreign exchange gain increased to US\$8.1 million for the year ended December 31, 2021 from US\$4.9 million for the same period in 2020 mainly due to the favorable translation impact of certain currencies against US dollar.

Other income increased by 83.4 percent to US\$29.8 million for the year ended December 31, 2021 from US\$16.3 million for the same period in 2020 mainly due to non-recurring gain from insurance proceeds in 2021, gain on sale of equipment and tax refund granted in the form of tax credits in 2021. Other income includes the Group's rental, dividend income, and other sundry income accounts.

### 6.4.3 Total Expenses

The table below shows the breakdown of total expenses for the years ended December 31, 2020 and 2021:

**Table 6.10 Total Expenses**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2020	2021	% Change
Manpower costs	US\$239,632	<b>US\$268,453</b>	12.0
Equipment and facilities-related expenses	102,018	<b>127,625</b>	25.1
Administrative and other operating expenses	111,983	<b>127,248</b>	13.6
Total cash operating expenses	453,633	<b>523,326</b>	15.4
Depreciation and amortization	230,137	<b>246,994</b>	7.3
Interest expense and financing charges on borrowings	109,693	<b>118,484</b>	8.0
Interest expense on concession rights payable	52,870	<b>58,255</b>	10.2
Interest expense on lease liabilities	97,402	<b>114,298</b>	17.3
Equity share in net loss of joint ventures and an associate	12,269	–	(100.0)
Foreign exchange loss and other expenses	220,129	<b>59,223</b>	(73.1)
Total expenses	US\$1,176,133	<b>US\$1,120,580</b>	(4.7)

Total cash operating expenses of the Group increased by 15.4 percent to US\$523.3 million for the year ended December 31, 2021 from US\$453.6 million for the same period in 2020 mainly due to reduced costs in 2020 as a result of the pandemic, increase in equipment and facilities-related expenses and contracted services in relation to volume growth; contribution of new businesses; and unfavorable foreign exchange effect of AUD-, MXN- and RMB-based expenses at VICT, CMSA and YICT, respectively; partially tapered by continuous cost optimization measures; and favorable foreign exchange effect of IQD-based expenses at ICTSI Iraq, ARS-based expenses at Tecplata, and BRL-based expenses at ICTSI Rio and TSSA. Excluding contribution of new businesses, consolidated cash operating expenses would have increased by 11.9 percent.

#### 6.4.3.1 Manpower Costs

Manpower costs increased by 12.0 percent to US\$268.5 million for year ended December 31, 2021 from US\$239.6 million for the same period in 2020 primarily due to cost contribution of new businesses; higher contracted services as a result of volume increase; government-mandated and contracted salary rate adjustments at certain terminals; and unfavorable foreign exchange effect of AUD-, MXN- and RMB-based manpower costs at VICT, CMSA and YICT, respectively; partially tapered by favorable foreign exchange effect of IQD- and ARS-based manpower costs at ICTSI Iraq and Tecplata, respectively, and BRL-based manpower costs at ICTSI Rio and TSSA. Excluding contribution of new businesses, consolidated manpower costs would have increased by 8.5 percent.

Manpower costs accounted for 52.8 percent and 51.3 percent of consolidated cash operating expenses for the years ended December 31, 2020 and 2021, respectively.

#### *6.4.3.2 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 25.1 percent to US\$127.6 million for the year ended December 31, 2021 from US\$102.0 million for the same period in 2020 mainly due to increase in prices and consumption of fuel and power driven by volume and revenue growth; increase in repairs and maintenance and equipment rentals driven by increase in volume; cost contribution of new businesses; and unfavorable foreign exchange effect of RMB-, MXN- and AUD-based equipment and facilities-related expenses at YICT, CMSA and VICT, respectively; partially tapered by favorable foreign exchange effect of IQD- and ARS-based equipment and facilities-related expenses at ICTSI Iraq and Tecplata, respectively, and BRL-based equipment and facilities-related expenses at TSSA and ICTSI Rio. Excluding contribution of new businesses, consolidated equipment and facilities-related expenses would have increased by 20.9 percent.

Equipment and facilities-related expenses represented 22.5 percent and 24.4 percent of consolidated cash operating expenses for the years ended December 31, 2020 and 2021, respectively.

#### *6.4.3.3 Administrative and Other Operating Expenses*

Administrative and other operating expenses increased by 13.6 percent to US\$127.2 million for the year ended December 31, 2021 from US\$112.0 million for the same period in 2020 mainly due to cost contribution of new businesses; increases in information technology-related expenses; taxes and licenses, and provisions for claims and losses; and unfavorable foreign exchange effect of AUD-, MXN-, RMB-based administrative and other operating expenses at VICT, CMSA and YICT, respectively; partially tapered by continuous cost optimization measures implemented; and favorable foreign exchange effect of IQD- and ARS-based administrative and other operating expenses at ICTSI Iraq and Tecplata, respectively, and BRL-based administrative and other operating expenses at ICTSI Rio and TSSA. Excluding contribution of new businesses, consolidated administrative and other operating expenses would have increased by 10.9 percent.

Administrative and other operating expenses stood at 24.7 percent and 24.3 percent of consolidated cash operating expenses for the years ended December 31, 2020 and 2021, respectively.

#### *6.4.3.4 Depreciation and Amortization*

Depreciation and amortization expense increased by 7.3 percent to US\$247.0 million for the year ended December 31, 2021 from US\$230.1 million for the same period in 2020 mainly due to cost contribution of new businesses pertaining to amortization of right-of-use assets recognized at ICTSNL and capitalized port fees at KMT, and acquisition of MHCPSI; increase in right-of-use assets at CMSA and TSSA, and concession rights asset at CGSA as a result of remeasurement of lease liabilities and concession rights; unfavorable translation impact of MXN-, AUD- and RMB-based depreciation and amortization charges at CMSA, VICT and YICT, respectively; and higher depreciation and amortization charges due to equipment acquisitions at certain terminals; partially tapered by lower amortization expense at Tecplata arising from the reduced carrying value of its concession right assets following the non-recurring impairment charge in December 2020. Excluding contribution of new businesses, depreciation and amortization expense would have increased by 5.0 percent.

#### *6.4.3.5 Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 8.0 percent to US\$118.5 million for the year ended December 31, 2021 from US\$109.7 million for the same period in 2020 primarily due to the issuance of senior notes at ICTSI Parent and ITBV in June 2020 and November 2021, respectively; and contribution of a new business, MHCPSI; partially offset by various repayment of loans during the year. Excluding contribution of new businesses, mainly MHCPSI, interest and financing charges on borrowings would have increased by 6.4 percent.

#### *6.4.3.6 Interest Expense on Lease Liabilities*

Interest expense on lease liabilities increased by 17.3 percent to US\$114.3 million for the year ended December 31, 2021 from US\$97.4 million for the same period in 2020 mainly due to remeasurement of lease liabilities at CMSA and TSSA; and unfavorable translation impact of MXN- and AUD-based interest expense at CMSA and VICT, respectively. Excluding contribution of new businesses, mainly ICTSNL and IRB Logistica, interest expense on lease liabilities would have increased by 17.1 percent.

#### *6.4.3.7 Interest Expense on Concession Rights Payable*

Interest expense on concession rights payable increased by 10.2 percent to US\$58.3 million for the year ended December 31, 2021 from US\$52.9 million for the same period in 2020 mainly due to remeasurement of concession rights payable at CGSA and ICTSI Rio in January 2021 and March 2021, respectively; and recognition of concession rights payable at a new terminal, KMT in October 2020. Excluding contribution of KMT, interest expense on concession rights payable would have increased by 9.2 percent.

#### *6.4.3.8 Equity Share in Net Loss of Joint Ventures and An Associate*

Equity in net loss of joint ventures and an associate favorably decreased by 100.0 percent to US\$0.4 thousand for the year ended December 31, 2021 from US\$12.3 million for the same period in 2020 mainly due to the Company's share in the higher net earnings of MNHPI, including the impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) enactment in the Philippines on the deferred tax liabilities associated to the acquisition of MNHPI, and lower net loss at SPIA in 2021.

#### *6.4.3.9 Foreign Exchange Loss and Others*

Foreign exchange loss and other expenses decreased by 73.1 percent to US\$59.2 million for the year ended December 31, 2021 from US\$220.1 million for the same period in 2020 mainly due to lower non-recurring impairment charges in 2021 of US\$6.7 million as compared to the impairment losses on concession rights of Tecplata and other nonfinancial assets in 2020 of US\$180.3 million; lower COVID-19-related and restructuring costs; and decrease in foreign exchange losses arising from the favorable translation impact of certain currencies against US dollar; partially offset by the losses on write-off of debt issuance costs associated with the prepayment of loan facilities and termination of interest rate swap arrangements at VICT.

#### *6.4.4 EBITDA and EBIT*

Consolidated EBITDA increased by 29.9 percent to US\$1,139.1 million for the year ended December 31, 2021 from US\$876.8 million for the same period in 2020 mainly due to higher revenues; and contribution of new terminals, mainly ICTSNL and MHCPSI; partially tapered by increase in cash operating expenses. EBITDA margin increased to 61.1 percent in 2021 from 58.2 percent in 2020.

Excluding contribution of new businesses, EBITDA would have increased by 26.8 percent.

Meanwhile, consolidated EBIT increased by 37.9 percent to US\$892.1 million for the year ended December 31, 2021 from US\$646.7 million for the same period in 2020 mainly due to higher EBITDA, partially tapered by increase in depreciation and amortization charges. EBIT margin increased to 47.8 percent in 2021 from 43.0 percent in 2020. Excluding contribution of new businesses, EBIT would have increased by 34.5 percent.

#### 6.4.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 209.1 percent to US\$602.0 million for the year ended December 31, 2021 from US\$194.8 million for the same period in 2020 primarily due to higher operating income; lower non-recurring impairment charges in 2021; and decrease in equity in net loss of joint ventures and an associate; partially tapered by increase in depreciation and amortization; and higher interests on loans, concession rights payable, and lease liabilities and non-recurring losses on write-off of debt issuance costs associated with the prepayment of loan facilities and termination of interest rate swap arrangements at VICT. Excluding contribution of new businesses and non-recurring items, consolidated income before income tax would have increased by 60.1 percent in 2021. The ratio of consolidated income before income tax to consolidated gross revenues stood at 12.9 percent and 32.3 percent in 2020 and 2021, respectively.

Consolidated provision for current and deferred income taxes increased to US\$124.4 million for the year ended December 31, 2021 from US\$55.1 million for the same period in 2020 mainly due to revenue-driven higher taxable income at certain terminals, expiration of income tax holiday at Parent Company in July 2020, and unfavorable impact at effectivity date of the enactment of CREATE at Philippine terminals; tapered by the reduction in income tax rate in line with CREATE at Philippine terminals. Effective income tax rate in 2020 and 2021 stood at 28.3 percent and 20.7 percent, respectively.

#### 6.4.6 Net Income

Consolidated net income increased by 242.0 percent to US\$477.5 million for the year ended December 31, 2021 from US\$139.6 million for the same period in 2020. Excluding contribution of new businesses and non-recurring items, consolidated net income would have increased by 49.0 percent in 2021. The ratio of consolidated net income to gross revenues stood at 9.3 percent and 25.6 percent in 2020 and 2021, respectively.

Consolidated net income attributable to equity holders increased by 321.1 percent to US\$428.6 million for the year ended December 31, 2021 from US\$101.8 million for the same period in 2020. Excluding contribution of new businesses and the non-recurring items, net income attributable to equity holders would have increased by 51.6 percent in 2021.

Basic and diluted earnings per share increased to US\$0.181 in 2021 from US\$0.020 in 2020.

## 6.5 Comparison of Operating Results for the Years Ended December 31, 2019 and 2020

### 6.5.1 TEU Volume

The below table presents the volume (in TEU) handled by the Group for the years ended December 31, 2019 and 2020:

**Table 6.11**            **Volume**

	For the Years Ended December 31		
	2019	2020	% Change
Asia	4,850,812	<b>4,701,070</b>	(3.1)
Americas	2,979,852	<b>3,092,480</b>	3.8
EMEA	2,347,354	<b>2,399,834</b>	2.2
	10,178,018	<b>10,193,384</b>	0.2

The Group's consolidated volume increased marginally by 0.2 percent to 10,193,384 TEUs for the year ended December 31, 2020 from 10,178,018 TEUs handled for the same period in 2019 mainly due to contribution of new terminal, ICTSI Rio (acquired in December 2019); improvement in trade activities in the second half of 2020; and new contracts with shipping lines and services at certain terminals; tapered by decline in global trade activities mainly in the first half of 2020 due to the impact of COVID-19 pandemic and lockdown restrictions. Excluding contribution of ICTSI Rio, consolidated volume would have decreased by 1.6 percent in 2020.

Volume from the Asia segment decreased by 3.1 percent to 4,701,070 TEUs for the year ended December 31, 2020 from 4,850,812 TEUs for the same period in 2019 as trade activities declined at most of the Philippine and rest of Asia terminals, due to the impact of COVID-19 pandemic and lockdown restrictions; partially tapered by new services at VICT. The Asia operations accounted for 47.7 percent and 46.1 percent of the consolidated volume for the years ended December 31, 2019 and 2020, respectively.

Volume from the Americas segment increased by 3.8 percent to 3,092,480 TEUs for the year ended December 31, 2020 from 2,979,852 TEUs for the same period in 2019 mainly due to contribution of ICTSI Rio, increased trade activities in TSSA, CMSA and CGSA; tapered by decline in trade activities at OPC due to the impact of COVID-19 pandemic and lockdown restrictions. The Americas operations accounted for 29.3 percent and 30.3 percent of the consolidated volume for the years ended December 31, 2019 and 2020, respectively. Excluding contribution of ICTSI Rio, volume from the Americas segment would have decreased by 2.1 percent in 2020.

Volume from the EMEA segment increased by 2.2 percent to 2,399,834 TEUs for the year ended December 31, 2020 from 2,347,354 TEUs for the same period in 2019 mainly due to increased trade activities at ICTSI Iraq and AGCT; and new services at PICT, partially tapered by the impact of COVID-19 pandemic resulting to lower trade volumes at MICTSL, BICTL, BCT and IDRC. The EMEA operations accounted for 23.1 percent and 23.5 percent of the Group's consolidated volume for the years ended December 31, 2019 and 2020, respectively.

### 6.5.2 Total Income

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

The table below illustrates the consolidated total income for the years ended December 31, 2019 and 2020:

**Table 6.12 Total Income**

	For the Years Ended December 31		
<i>(In thousands, except % change data)</i>	2019	2020	% Change
Gross revenues from port operations	US\$1,481,412	<b>US\$1,505,500</b>	1.6
Port authorities' share in gross revenues	187,099	<b>175,038</b>	(6.4)
Net revenues	1,294,313	<b>1,330,462</b>	2.8
Interest income	22,764	<b>19,289</b>	(15.3)
Foreign exchange gain	13,126	<b>4,891</b>	(62.7)
Other income	12,954	<b>16,264</b>	25.6
	US\$1,343,157	<b>US\$1,370,906</b>	2.1

For the year ended December 31, 2020, net revenues stood at 97.0 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.4 percent, 0.4 percent and 1.2 percent, respectively. For the same period in 2019, net revenues stood at 96.3 percent of the total consolidated income while interest income, foreign exchange gain and other income accounted for 1.7 percent, 1.0 percent and 1.0 percent, respectively.

#### 6.5.2.1 Gross Revenues from Port Operations

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

The below table illustrates the consolidated gross revenues for the years ended December 31, 2019 and 2020:

**Table 6.13 Gross Revenues from Port Operations**

	For the Years Ended December 31		
<i>(In thousands, except % change data)</i>	2019	2020	% Change
Asia	US\$695,863	<b>US\$695,411</b>	(0.1)
Americas	422,754	<b>448,570</b>	6.1
EMEA	362,795	<b>361,519</b>	(0.4)
	US\$1,481,412	<b>US\$1,505,500</b>	1.6

The Group's consolidated gross revenues from port operations increased by 1.6 percent to US\$1,505.5 million for the year ended December 31, 2020 from US\$1,481.4 million for the same period in 2019 mainly due to the contribution of ICTSI Rio; and higher revenues from ancillary services, tariff adjustments and new services at certain terminals, partially tapered by decline in trade activities due to the impact of COVID-19 pandemic and lockdown restrictions. Excluding contribution of new businesses, ICTSI Rio, KMT and YICT Domestic (started commercial operations in November 2020), consolidated gross revenues would have decreased by 1.2 percent in 2020.

Gross revenues from the Asia segment decreased marginally by 0.1 percent to US\$695.4 million for the year ended December 31, 2020 from US\$695.9 million for the same period in 2019 mainly due to the decline in trade activities at most of the terminals due to the impact of COVID-19 pandemic and lockdown restrictions; and unfavorable translation impact of the depreciation of AUD-based revenues at VICT; tapered by new services and volume growth at VICT; and favorable translation impact of the appreciation of PHP-based revenues at Philippine terminals. The Asia operations captured 47.0 percent and 46.2 percent of the consolidated gross revenues for the years ended December 31, 2019 and 2020, respectively. Excluding contribution of YICT Domestic, gross revenues from the Asia segment would have decreased by 0.2 percent in 2020.



Gross revenues from the Americas segment increased by 6.1 percent to US\$448.6 million for the year ended December 31, 2020 from US\$422.8 million for the same period in 2019 mainly due to the contribution of ICTSI Rio; new services in CMSA; and tariff adjustments at certain terminals; partially tapered by lower trade activities due to the impact of COVID-19 pandemic and lockdown restrictions; unfavorable translation impact of the depreciation of MXN- and BRL-based revenues at CMSA and TSSA, respectively. The Americas operations accounted for 28.5 percent and 29.8 percent of the consolidated gross revenues for the years ended December 31, 2019 and 2020, respectively. Excluding contribution of ICTSI Rio, gross revenues from the Americas segment would have decreased by 3.3 percent in 2020.

Gross revenues from the EMEA segment decreased marginally by 0.4 percent to US\$361.5 million for the year ended December 31, 2020 from US\$362.8 million for the same period in 2019 mainly from lower trade activities due to the impact of COVID-19 pandemic and lockdown restrictions; tapered by revenue growth in ICTSI Iraq and AGCT; new services at PICT; and tariff adjustments at certain terminals. The EMEA operations stood at 24.5 percent and 24.0 percent of the consolidated gross revenues for the years ended December 31, 2019 and 2020, respectively. Excluding contribution of KMT, gross revenues for the EMEA segment would have decreased by 0.5 percent in 2020.

#### *6.5.2.2 Port Authorities' Share in Gross Revenues*

Port authorities' share in gross revenues, which represents the variable fees paid to Port Authorities by certain terminals, declined by 6.4 percent to US\$175.0 million for the year ended December 31, 2020 from US\$187.1 million for the same period in 2019 mainly as a result of lower volume and revenues at certain terminals.

#### *6.5.2.3 Interest Income, Foreign Exchange Gain and Other Income*

Consolidated interest income decreased by 15.3 percent to US\$19.3 million for the year ended December 31, 2020 from US\$22.8 million for the same period in 2019 mainly due to lower interest income earned from advances to SPIA, a joint venture associate.

Foreign exchange gain decreased to US\$4.9 million for the year ended December 31, 2020 from US\$13.1 million for the same period in 2019 mainly due to the impact of the change in functional currency of CMSA from USD to MXN in 2019, and unfavorable translation impact of certain currencies against US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Other income increased by 25.6 percent to US\$16.3 million for the year ended December 31, 2020 from US\$13.0 million for the same period in 2019 mainly due to gain from insurance reimbursement at OPC; higher rental income at VICT and BCT; and reversal of accrued expenses at certain terminals. Other income includes the Group's rental, dividend income and other sundry income accounts.

### 6.5.3 Total Expenses

The below table shows the breakdown of total expenses for 2019 and 2020.

**Table 6.14 Total Expenses**

<i>(In thousands, except % change data)</i>	For the Years Ended December 31		
	2019	2020	% Change
Manpower costs	US\$230,009	<b>US\$239,632</b>	4.2
Equipment and facilities-related expenses	109,445	<b>102,018</b>	(6.8)
Administrative and other operating expenses	124,716	<b>111,983</b>	(10.2)
Total cash operating expenses	464,170	<b>453,633</b>	(2.3)
Depreciation and amortization	234,965	<b>230,137</b>	(2.1)
Interest expense and financing charges on borrowings	108,201	<b>109,693</b>	1.4
Interest expense on lease liabilities	102,439	<b>97,402</b>	(4.9)
Interest expense on concession rights payable	40,537	<b>52,870</b>	30.4
Equity share in net loss of joint ventures and an associate	19,747	<b>12,269</b>	(37.9)
Foreign exchange loss and others	179,670	<b>220,129</b>	22.5
	US\$1,149,729	<b>US\$1,176,133</b>	2.3

Total cash operating expenses of the Group decreased by 2.3 percent to US\$453.6 million for the year ended December 31, 2020 from US\$464.2 million for the same period in 2019 mainly due to the continuing group-wide cost reduction and optimization measures; favorable translation impact of BRL- and MXN-based expenses at TSSA and CMSA, respectively; partially tapered by the costs contribution of ICTSI Rio. Excluding contribution of new businesses, consolidated cash operating expenses would have decreased by 7.1 percent in 2020.

#### 6.5.3.1 Manpower Costs

Manpower costs increased by 4.2 percent to US\$239.6 million for the year ended December 31, 2020 from US\$230.0 million for the same period in 2019 primarily driven by the cost contribution of ICTSI Rio; and government-mandated and contracted salary rate adjustments at certain terminals; partially tapered by the slowdown of operations due to the impact of COVID-19 pandemic and lockdown restrictions; and continuing cost monitoring and cost optimization measures. Excluding contribution of new businesses, consolidated manpower costs would have decreased by 1.2 percent in 2020.

Manpower costs accounted for 49.5 percent and 52.8 percent of consolidated cash operating expenses for the years ended December 31, 2019 and 2020, respectively.

#### 6.5.3.2 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 decreased by 6.8 percent to US\$102.0 million for the year ended December 31, 2020 from US\$109.4 million for the same period in 2019 mainly due to lower fuel costs driven by lower fuel prices; decrease in equipment rental; and decrease in repairs and maintenance as a result of lower volume in some terminals. Excluding contribution of new businesses, consolidated equipment and facilities-related expenses would have decreased by 10.4 percent in 2020.

Equipment and facilities-related expenses represented 23.6 percent and 22.5 percent of consolidated cash operating expenses for the years ended December 31, 2019 and 2020, respectively.

#### *6.5.3.3 Administrative and Other Operating Expenses*

Administrative and other operating expenses decreased by 10.2 percent to US\$112.0 million for the year ended December 31, 2020 from US\$124.7 million for the same period in 2019 due to reduction in transportation and travel costs, professional fees, sponsorships, and other office expenses as a result of continuing group-wide cost reduction and optimization measures implemented, partially tapered by increase in IT-related expenses and donations mainly to ICTSI Foundation, Inc. Excluding contribution of new businesses, consolidated administrative and other operating expenses would have decreased by 15.1 percent in 2020.

Administrative and other operating expenses stood at 26.9 percent and 24.7 percent of consolidated cash operating expenses for the years ended December 31, 2019 and 2020, respectively.

#### *6.5.3.4 Depreciation and Amortization*

Depreciation and amortization expense decreased by 2.1 percent to US\$230.1 million for the year ended December 31, 2020 from US\$235.0 million for the same period in 2019 mainly due to lower amortization expense on the concession rights assets at CGSA as a result of the extension of its concession period in December 2019 by an additional 19 years; and at Tecplata arising from the reduced carrying value of its concession right assets following the non-recurring impairment charge in December 2019; partially tapered by the contribution of ICTSI Rio; and higher depreciation expense on property and equipment at ICTSI Parent.

#### *6.5.3.5 Interest and Financing Charges on Borrowings*

Interest and financing charges on borrowings increased by 1.4 percent to US\$109.7 million for the year ended December 31, 2020 from US\$108.2 million for the same period in 2019 primarily due to availment of senior notes at ICTSI Parent in June 2020; and capitalization of borrowing costs in December 2019, tapered by repayment of loans at VICT and ICTSI Global Finance B.V. (IGFBV).

#### *6.5.3.6 Interest Expense on Lease Liabilities*

Interest expense on lease liabilities decreased by 4.9 percent to US\$97.4 million for the year ended December 31, 2020 from US\$102.4 million for the same period in 2019 mainly due to favorable translation impact of BRL- and MXN-based interest expense at TSSA and CMSA, respectively; partially tapered by the unfavorable translation impact of AUD-based interest expense at VICT.

#### *6.5.3.7 Interest Expense on Concession Rights Payable*

Interest on concession rights payable increased by 30.4 percent to US\$52.9 million for the year ended December 31, 2020 from US\$40.5 million for the same period in 2019 mainly due to concession rights liability recognized at ICTSI Rio and KMT; and higher interest expense on CGSA as a result of the extension of its concession period in December 2019 by an additional 19 years.

#### *6.5.3.8 Equity Share in Net Loss of Joint Ventures and An Associate*

Equity share in net loss of joint ventures and an associate decreased by 37.9 percent to US\$12.3 million for the year ended December 31, 2020 from US\$19.7 million for the same period in 2019 mainly due to the Company's share in lower net loss of SPIA and the higher net income at MNHPI.

#### 6.5.3.9 Foreign Exchange Loss and Others

Foreign exchange loss and others increased to US\$220.1 million for the year ended December 31, 2020 from US\$179.7 million for the same period in 2019 mainly due to the non-recurring impairment charges recognized in 2020 totaling US\$180.3 million, composed primarily of additional impairment charge amounting to US\$100.0 million on the concession rights of Tecplata (US\$156.0 million in 2019) and other nonfinancial assets as a result of the lower projected cash flows arising from the current unfavorable economic conditions; increase in foreign exchange loss arising from unfavorable translation impact of certain currencies against US dollar; and COVID-19 related and restructuring costs. Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

#### 6.5.4 EBITDA and EBIT

Consolidated EBITDA increased by 5.6 percent to US\$876.8 million for the year ended December 31, 2020 from US\$830.1 million for the same period in 2019 primarily due to higher revenues and lower cash operating expenses resulting from continuing group-wide cost reduction and optimization measures; and positive contribution of ICTSI Rio. Excluding the contribution of new businesses, consolidated EBITDA would have increased by 3.3 percent in 2020. EBITDA margin increased to 58.2 percent in 2020 from 56.0 percent in 2019.

Meanwhile, consolidated EBIT increased by 8.7 percent to US\$646.7 million for the year ended December 31, 2020 from US\$595.2 million for the same period in 2019 mainly due to stronger EBITDA and lower depreciation and amortization charges. Excluding contribution of new businesses, consolidated EBIT would have increased by 7.5 percent in 2020. EBIT margin increased to 43.0 percent in 2020 from 40.2 percent in 2019.

#### 6.5.5 Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax marginally increased by 0.7 percent to US\$194.8 million for the year ended December 31, 2020 from US\$193.4 million for the same period in 2019 primarily due to higher revenues, lower cash operating expenses; decrease in equity share in net loss of joint ventures and an associate; partially tapered by increase in interest on concession rights payable and borrowings and foreign exchange loss and others. Excluding contribution of new businesses and the non-recurring items, consolidated income before income tax would have increased by 7.5 percent in 2020. The ratio of income before income tax to consolidated gross revenues stood at 13.1 percent and 12.9 percent in 2019 and 2020, respectively.

Consolidated provision for current and deferred income taxes decreased by 9.3 percent to US\$55.1 million for the year ended December 31, 2020 from US\$60.8 million for the same period in 2019 mainly due to recognition of tax benefit on loss carry-over at ICTSI Rio; and partly due to lower taxable income at certain terminals; tapered by lower income tax benefit on improved net operating results at VICT. Effective income tax rate in 2019 and 2020 stood at 31.4 percent and 28.3 percent, respectively.

#### 6.5.6 Net Income

Consolidated net income increased by 5.3 percent to US\$139.6 million for the year ended December 31, 2020 from US\$132.7 million for the same period in 2019. Excluding contribution of new businesses and the non-recurring items, consolidated net income would have still increased by 5.3 percent in 2020.

The ratio of consolidated net income to gross revenues stood at 9.0 percent and 9.3 percent in 2019 and 2020, respectively.

Consolidated net income attributable to equity holders increased by 1.4 percent to US\$101.8 million for the year ended December 31, 2020 from US\$100.4 million for the same period in 2019. Excluding contribution of new businesses and the non-recurring items, net income attributable to equity holders would have increased by 3.6 percent in 2020.

Basic and diluted earnings per share amounted to US\$0.020 in 2019, likewise US\$0.020 in 2020.

## **6.6 Trends, Events or Uncertainties Affecting Recurring Revenues and Profits**

The Group is exposed to a number of trends, events, and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volume in countries where it operates, as well as certain cost items, such as labor, fuel, and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Appreciation of the US Dollar relative to other major currencies, particularly the Philippine peso, Mexican peso, Australian dollars, Brazilian reais, the Euro, and Pakistani rupee, 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 March 3, 2023, community quarantine restrictions are no longer in effect, however, health and safety protocols are still observed in the country in order to manage the spread of the virus.

Likewise, government authorities in other countries where the Group operates, adopted measures, including lockdowns, to control the spread of the virus and mitigate the impact of the outbreak.

These measures have caused disruptions to businesses, global supply chain, and economic activities, and its impact continues to evolve. The Group observed declines in general business, including container throughput and revenues, and has already incurred and will continue to incur costs as the Group mitigates 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 these developments and event remain uncertain as of March 3, 2023. 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 2023 and even periods thereafter. Considering the evolving nature of the pandemic and the war, the Group will continue to closely monitor these situations.

## 6.7 Financial Position

**Table 6.15 Consolidated Balance Sheets**

<i>(In thousands, except % change data)</i>	As at December 31			% Change 2020 vs 2021	% Change 2021 vs 2022
	2020	2021	2022		
Total assets	US\$6,195,324	US\$6,266,460	<b>US\$7,053,620</b>	1.1	12.6
Current assets	969,217	897,547	<b>1,264,798</b>	(7.4)	40.9
Total equity	1,861,620	1,511,579	<b>1,726,672</b>	(18.8)	14.2
Total equity attributable to equity holders of the parent	1,680,616	1,321,688	<b>1,428,580</b>	(21.4)	8.1
Total interest-bearing debt	1,767,307	2,150,641	<b>2,470,867</b>	21.7	14.9
Current liabilities	490,528	496,117	<b>1,265,830</b>	1.1	155.1
Total liabilities	4,333,704	4,754,881	<b>5,326,948</b>	9.7	12.0
Current assets/total assets	15.6%	14.3%	<b>17.9%</b>		
Current ratio	1.98	1.81	<b>1.00</b>		
Debt-equity ratio <sup>1</sup>	0.95	1.42	<b>1.43</b>		

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

Total assets increased by 12.6 percent to US\$7.1 billion as at December 31, 2022 from US\$6.3 billion as at December 31, 2021 primarily due to the additions through the consolidation of MNHPI; capital expenditures from the ongoing expansions and acquisition of terminal equipment mainly at MICT, VICT, CMSA, and IDRC; acquisitions of land in the Philippines and in Brazil for new projects; higher net cash generated mainly from operations, including cash placed in short-term investments; tapered by the decrease in the carrying value of investment in joint ventures due to the consolidation of MNHPI, and net unfavorable impact on the translation of certain foreign operations' accounts. Noncurrent assets stood at 85.7 percent and 82.1 percent of the total consolidated assets as at December 31, 2021 and 2022, respectively.

Current assets increased by 40.9 percent to US\$1,264.8 million as at December 31, 2022 from US\$897.5 million as at December 31, 2021 mainly due to the cash generated from operations, and higher short-term investments; partially tapered by decrease in cash attributable to payment of dividends, redemption of perpetual capital securities, continuous deployment of funding for capital expenditures, and payment of interest on borrowings, lease liabilities and concession rights payable. Current assets accounted for 14.3 percent and 17.9 percent of the total consolidated assets of the Group as at December 31, 2021 and 2022, respectively. Current ratio stood at 1.81 and 1.00 as at December 31, 2021 and 2022, respectively.

Total equity increased by 14.2 percent to US\$1.7 billion as at December 31, 2022 from US\$1.5 billion as at December 31, 2021 primarily due to the net income generated for the period, and recognition of non-controlling interest on the consolidation of MNHPI; tapered by payment of dividends, redemption of and distributions on perpetual capital securities.

Total liabilities increased by 12.0 percent to US\$5.3 billion as at December 31, 2022 from US\$4.8 billion as at December 31, 2021 mainly due to the availment of short-term loans at ICTSI Parent, ICTSI Ltd., IGFBV and ICTSI Middle East DMCC, as well as long-term debt at VICT and IDRC; additions through the consolidation of MNHPI, partially tapered 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 35.0 percent as at December 31, 2021 and December 31, 2022, respectively.

Meanwhile, current liabilities increased to US\$1,265.8 million as at December 31, 2022 from US\$496.1 million as at December 31, 2021 mainly due to availment of short-term loans at ICTSI Parent, ICTSI Ltd., IGFBV and ICTSI Middle East DMCC; reclassification of long-term debt at ITBV that will be due within the next 12 months, from non-current to current; and higher accounts payable and other current liabilities due to the consolidation of MNHPI.

#### 6.7.1 Material Variances Affecting the Balance Sheet

Balance sheet accounts as at December 31, 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 15.9 percent to US\$2.4 billion as at December 31, 2022 mainly due to additions through business combination of MNHPI including additions of port infrastructure largely at ICTSI, ICTSI Iraq and CGSA, tapered by net unfavorable impact on the translation of certain foreign operations' accounts.
2. Property and equipment increased by 9.6 percent to US\$1.7 billion as at December 31, 2022 mainly due to the capital expenditures arising from expansion works and/or acquisition of terminal equipment at VICT, CMSA, IDRC and ICTSNL; and acquisition of land in the Philippines and in Brazil for new projects; tapered by the depreciation charge for the period and unfavorable impact on the translation of certain foreign operations' accounts.
3. Right-of-use assets increased by 9.0 percent to US\$723.8 million as at December 31, 2022 mainly due to the remeasurement of lease liabilities at CMSA, TSSA, VICT and ICTSNL; tapered by the amortization charge for the period and unfavorable impact on the translation of certain foreign operations' accounts.
4. Investment properties decreased by 8.9 percent to US\$5.8 million as at December 31, 2022 mainly due to the unfavorable impact on the translation of certain foreign operations' accounts.
5. Investments in and advances to joint ventures and an associate decreased by 44.3 percent to US\$250.3 million as at December 31, 2022 mainly due to the consolidation of MNHPI effective September 8, 2022. Prior to consolidation, the investment in MNHPI was accounted for following the equity method as an investment in joint venture.
6. Deferred tax assets increased by 16.3 percent to US\$392.9 million as at December 31, 2022 mainly due to the higher deferred tax benefit on unrealized foreign exchange loss at the Parent Company and addition due to consolidation of MNHPI; tapered by the utilization of income tax benefit from net operating loss carry-over at VICT.
7. 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:

<i>(In thousands, except % change data)</i>	Derivative Asset (Liability)		
	December 31, 2021	<b>December 31, 2022</b>	% Change
Interest Rate Swaps:			
Noncurrent	(US\$7,766,630)	<b>US\$8,457,515</b>	208.9
Current	(5,560,328)	<b>6,471,720</b>	216.4
Foreign Currency Forward:			
Current	US\$-	<b>US\$1,156,578</b>	100.0

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.

8. Other noncurrent assets increased by 9.2 percent to US\$353.0 million as at December 31, 2022 primarily due to higher advances to suppliers and contractors, and deposits made in relation to investments and other projects; tapered by unfavorable impact on the translation of certain foreign operations' accounts, and nonrecurring loss on impairment including tax assets that are not expected to be utilized at certain terminals.

#### *Current Assets*

9. Cash and cash equivalents increased by 27.6 percent to US\$838.9 million as at December 31, 2022 mainly due cash generated from operations; partially tapered by payment of dividends; redemption of perpetual capital securities including distributions; deployment of cash to fund capital expenditures; debt servicing; and placement of funds to short-term investments that are not classified as cash equivalents.
10. Receivables increased by 17.0 percent to US\$157.9 million as at December 31, 2022 primarily due to higher revenues from port operations at most of the terminals.
11. Spare parts and supplies increased by 25.4 percent to US\$52.9 million as at December 31, 2022 mainly due to addition through the consolidation of MNHPI; and acquisition of spare parts associated with operational requirements and purchase of additional terminal equipment.
12. Prepaid expenses and other current assets increased to US\$207.5 million as at December 31, 2022 mainly due to placement of short-term investments at CMSA with maturity ranging from more than three months to 12 months; and higher balance of restricted cash at VICT for debt servicing and capital expenditures.

#### *Equity*

13. Treasury shares increased to US\$40.0 million as at December 31, 2022 mainly due to acquisition of additional shares in 2022; partially tapered by share-based employee incentive payments.
14. Retained earnings increased by 98.6 percent to US\$687.4 million as at December 31, 2022 mainly due to the net income generated for the period amounting to US\$618.5 million; partially tapered by dividends declared during the period and distribution to holders of perpetual capital securities.
15. Perpetual capital securities decreased by 26.7 percent to US\$583.2 million as at December 31, 2022 mainly due to redemption of perpetual capital securities with a carrying value of US\$212.1 million.
16. Equity attributable to non-controlling interests increased by 57.0 percent to US\$298.1 million as at December 31, 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*

17. Noncurrent portion of long-term debt decreased by 18.1 percent to US\$1.7 billion as at December 31, 2022 mainly due to the reclassification of the loans at ITBV that will be due within the next 12 months amounting to US\$394.0 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.
18. Deferred tax liabilities increased by 43.4 percent to US\$262.3 million as at December 31, 2022 mainly due to the addition through the consolidation of MNHPI; recognition of deferred tax on derivative assets and undistributed cumulative earnings of subsidiaries; and revaluation of deferred tax liability items.
19. Noncurrent portion of lease liabilities increased by 6.0 percent to US\$1.3 billion as at December 31, 2022 as a result of remeasurement of lease liabilities at CMSA, TSSA, VICT and ICTSNL; tapered by reclassification of the portion scheduled for payment in the next 12 months to current liabilities, and favorable impact on the translation of certain foreign operations' accounts.
20. Other noncurrent liabilities decreased by 12.7 percent to US\$36.5 million as at December 31, 2022 mainly due to change in mark-to market value position on interest rate swap arrangements at IGFBV



from liability as at December 31, 2021 to asset as at December 31, 2022, tapered by the addition through consolidation of MNHPI.

#### *Current Liabilities*

21. Loans payable increased to US\$337.0 million as at December 31, 2022 due to the availment of short-term loans at ICTSI Parent, ICTSI Ltd., IGFBV and ICTSI Middle East DMCC; partially offset by payments at ICTSI Iraq.
22. Accounts payable and other current liabilities increased by 21.9 percent to US\$392.3 million as at December 31, 2022 mainly due to addition through the consolidation of MNHPI and timing of payment of operating expenses; partially tapered by favorable impact on the translation of certain foreign operations' accounts.
23. Current portion of long-term debt, net of debt issuance costs increased to US\$439.9 million as at December 31, 2022 mainly due to the reclassification of the loans at ITBV that will be due within the next 12 months amounting to US\$394.0 million, net of debt issuance cost, from non-current to current.
24. Current portion of concession rights payable increased by 27.2 percent to US\$14.2 million as at December 31, 2022 due to higher fixed and minimum guaranteed variable fees scheduled for payment in the next 12 months.
25. Current portion of lease liabilities decreased by 12.4 percent to US\$25.6 million as at December 31, 2022 due to lower lease fees scheduled for payment in the next 12 months.
26. Income tax payable increased 22.3 percent to US\$56.8 million as at December 31, 2022 mainly due to revenue-driven higher taxable income at certain terminals.

Balance sheet accounts as at December 31, 2021 with variances of plus or minus 5.0 percent against December 31, 2020 balances are discussed, as follows:

#### *Noncurrent Assets*

1. Property and equipment increased by 6.8 percent to US\$1.5 billion as at December 31, 2021 mainly due to the acquisition of MHCPSI; and capital expenditures arising from acquisition of port facilities and equipment at ICTSNL and expansions at VICT, CMSA and IDRC; tapered by unfavorable impact on the translation of certain foreign operations' accounts.
2. Right-of-use assets increased by 8.5 percent to US\$664.3 million as at December 31, 2021 mainly due to the remeasurement of lease liabilities at TSSA and CMSA; tapered by unfavorable impact on the translation of certain foreign operations' accounts.
3. Investment properties decreased by 9.0 percent to US\$6.4 million as at December 31, 2021 mainly due to depreciation charges.
4. Other noncurrent assets decreased by 10.8 percent to US\$323.2 million mainly due to decrease in restricted cash associated with the prepayment of loans at VICT; lower noncurrent portion of input tax; unfavorable impact on the translation of certain foreign operations' accounts; and non-recurring impairment charge on non-financial assets; tapered by the increase due to acquisition of MHCPSI.

#### *Current Assets*

5. Cash and cash equivalents decreased by 10.5 percent to US\$657.6 million as at December 31, 2021 mainly due to payment for the redemption and repurchase of perpetual capital securities; payment of dividends; and deployment of cash to fund capital expenditures; tapered by cash generated from operations.
6. Spare parts and supplies increased by 10.2 percent to US\$42.2 million as at December 31, 2021 mainly as a result of acquisition of spare parts at certain terminals.
7. Prepaid expenses and other current assets decreased by 6.0 percent to US\$62.8 million as at December 31, 2021 mainly due to utilization of input tax and tax credits at certain terminals; lower receivable for the Group's share in fees collected by the port authority; and unfavorable impact on the

translation of certain foreign operations' accounts; partially offset by the restricted cash recognized in 2021 at ICTSI Iraq as a security to the availment of overdraft facility.

#### *Equity*

8. Treasury shares increased to US\$12.5 million as at December 31, 2021 mainly as a result of the purchase by the Parent Company of 5,970,990 ICTSI common shares held by a subsidiary; partially offset by share-based employee incentive payments. The purchase of ICTSI shares by the Parent Company from a subsidiary decreased the cost of shares held by subsidiaries by 13.4 percent to US\$72.5 million.
9. Retained earnings increased by 59.6 percent to US\$346.2 million as at December 31, 2021 mainly due to the net income generated for the period amounting to US\$428.6 million; partially tapered by dividends declared during the period; distribution to holders of perpetual capital securities; and charges associated with the redemption and repurchase of perpetual capital securities.
10. Excess of consideration over the carrying value of non-controlling interests acquired or disposed increased by 16.2 percent to US\$171.9 million as at December 31, 2021 mainly as a result of the acquisition of 10% and 15.88% non-controlling interest in IDRC and PICT, respectively.
11. Perpetual capital securities decreased by 36.2 percent to US\$795.2 million as at December 31, 2021 mainly due to redemption, including the repurchase, of perpetual capital securities with an aggregate carrying value of US\$451.6 million.
12. Other comprehensive loss increased by 9.8 percent to US\$203.3 million as at December 31, 2021 mainly due to net unfavorable exchange differences on translation of foreign operations' financial statements.

#### *Noncurrent Liabilities*

13. Noncurrent portion of long-term debt increased by 20.7 percent to US\$2.1 billion as at December 31, 2021 mainly due to the additional loan recognized as a result of the acquisition of MHCPSI; and issuance of senior notes at ITBV and VICT; partially tapered by repayment of loans at VICT (including prepayment), IDRC, IGFBV and SPICTL.
14. Deferred tax liabilities increased by 15.0 percent to US\$182.9 million as at December 31, 2021 mainly due to the deferred tax liability recognized as a result of the acquisition of MHPSI.
15. Other noncurrent liabilities decreased by 33.2 percent to US\$41.8 million as at December 31, 2021 due to the settlement of the interest rate swaps at VICT and decrease in the fair value of derivative liabilities relating to interest rate swap arrangement at IGFBV.

#### *Current Liabilities*

16. Loans payable increased by 77.9 percent to US\$5.0 million as at December 31, 2021 mainly due to loan availed of at BGT; partially offset by payment of loans at MITL.
17. Accounts payable and other current liabilities decreased by 9.0 percent to US\$321.9 million as at December 31, 2021 primarily due to the timing of settlement of the liabilities in most of the terminals; and favorable impact on the translation of certain foreign operations' accounts; tapered by the recognition of current liabilities as a result of the acquisition of MHCPSI.
18. Current portion of long-term debt increased by 54.3 percent to US\$76.8 million as at December 31, 2021 primarily due to higher amount of debt scheduled for repayment in the next 12 months and loan recognized as a result of the acquisition of MHCPSI; partially tapered by repayment of loans at VICT, CGSA and IDRC.
19. Current portion of lease liabilities increased by 42.0 percent to US\$29.2 million as at December 31, 2021 as a result of remeasurement of lease liabilities at TSSA and CMSA; and due to higher lease fees scheduled for payment in the next 12 months.
20. Income tax payable increased 7.2 percent to US\$46.4 million as at December 31, 2021 mainly due to revenue-driven higher taxable income at certain terminals.
21. Current portion of derivative liabilities decreased by 42.7 percent to US\$5.6 million as at December 31, 2021 mainly due to settlement of the interest swaps at VICT.

## 6.8 Liquidity and Capital Resources

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

### 6.8.1 Liquidity

The table below shows the Group's consolidated cash flows for the years ended December 31, 2020, 2021 and 2022:

**Table 6.16 Consolidated Cash Flows**

	For the Year Ended December 31				
<i>(In thousands, except % change data)</i>	2020	2021	2022	% Change 2020 vs 2021	% Change 2021 vs 2022
Net cash provided by operating activities	US\$803,669	US\$947,188	<b>US\$1,275,097</b>	17.9	34.6
Net cash used in investing activities	(203,700)	(146,384)	<b>(518,342)</b>	(28.1)	254.1
Net cash used in financing activities	(107,216)	(867,068)	<b>(569,257)</b>	708.7	(34.3)
Effect of exchange rate changes on cash	7,245	(10,974)	<b>(6,152)</b>	(251.5)	(43.9)
Net increase (decrease) in cash and cash equivalents	499,998	(77,238)	<b>181,346</b>	(115.4)	(334.8)
Cash and cash equivalents, beginning	234,834	734,832	<b>657,594</b>	212.9	(10.5)
Cash and cash equivalents, end	US\$734,832	US\$657,594	<b>US\$838,940</b>	(10.5)	27.6

Consolidated cash and cash equivalents amounted to US\$838.9 million, US\$657.6 million and US\$734.8 million as at December 31, 2022, 2021 and 2020, respectively, and consisted mainly of cash generated from operations; partially tapered by net cash used in financing and investing activities.

Net cash generated from operating activities amounted to US\$1,275.1 million, US\$947.2 million and US\$803.7 million for the year ended December 31, 2022, 2021 and 2020, respectively, mainly driven by positive results of operations.

Net cash used in investing activities for the year ended December 31, 2022 amounted to US\$518.3 million and consisted mainly of capital expenditures of US\$386.3 million (excluding capitalized borrowing costs), including advances to contractors and suppliers and concession-related deposit. The capital expenditures for the period ended December 31, 2022 included mainly ongoing expansions and/or acquisition of equipment at VICT, MICT, IDRC, CMSA and ICTSNL; the acquisition of land in the Philippines and in Brazil for new projects; and concession-related deposit at MICTSL. For the year ended December 31, 2021, net cash used in investing activities amounted to US\$146.4 million that consisted mainly of capital expenditures of US\$165.0 million, including advances to contractors and suppliers, mainly for the acquisition of port facilities and equipment at ICTSNL and ongoing expansions at MICT, IDRC, VICT and CMSA, and infrastructure and equipment upgrades at CGSA; and acquisition of MHCPSI. Meanwhile, net cash used in investing activities for the year ended December 31, 2020 amounted to US\$203.7 million that consisted mainly of capital expenditures of US\$198.7 million, including advances to contractors and suppliers, mainly for expansions at MICT, CMSA, ICTSI Iraq, and IDRC, and infrastructure and equipment upgrades at CGSA; and upfront fee payment at KMT.

Net cash used in financing activities for the year ended December 31, 2022 amounted to US\$569.3 million that consisted mainly of payment of dividends amounting to US\$299.0 million; and the redemption of perpetual capital securities, including distributions totaling US\$251.6 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, ICTSI Ltd., IGFBV and ICTSI Middle East DMCC, and long-term loans at VICT and IDRC. For the year ended December 31, 2021, net cash used in financing activities consisted mainly of payment for the redemption and repurchase of perpetual capital securities, including distributions to security holders totaling US\$544.9 million, payment of dividends,

repayment of loans at VICT, IDRC, IGFBV, SPICTL and CGSA, and acquisition of 10.00% non-controlling interest in IDRC amounting to US\$20.0 million and 15.88% non-controlling interest in PICT amounting to US\$15.7 million; tapered by cash received from issuances of new senior notes at ITBV and VICT amounting to \$300.0 million and \$210.4 million, respectively. Meanwhile, net cash used in financing activities for the same period in 2020 included mainly the settlement of senior notes at ICTSI Parent amounting to US\$179.3 million; pre-termination of loan at IGFBV amounting to US\$110.0 million; repayment of loans at VICT, CGSA, IDRC, YICT, SPICTL and MITL; and payment of dividends and distributions to perpetual securities holders, tapered by cash received from issuances of new senior notes at ICTSI Parent amounting to US\$391.9 million and senior unsecured perpetual capital securities amounting to US\$227.0 million, net of debt issuance costs and the amount paid for the redemption of US\$66.5 million outstanding perpetual securities, including premium and related distributions to security holders; and sale of 40,000,000 treasury shares amounting to US\$95.4 million.

### 6.8.2 Capital Resources

The table below illustrates the Group's capital sources as at December 31, 2020, 2021 and 2022:

**Table 6.17 Capital Sources**

	As at December 31			% Change	% Change
<i>(In thousands, except % change data)</i>	2020	2021	2022	2020 vs 2021	2021 vs 2022
Loans payable	US\$2,828	US\$5,033	<b>US\$337,020</b>	77.9	6596.2
Current portion of long-term debt	49,808	76,836	<b>439,894</b>	54.3	472.5
Long-term debt, net of current portion	1,714,671	2,068,771	<b>1,693,954</b>	20.7	(18.1)
Total short and long-term debt	1,767,307	2,150,640	<b>2,470,868</b>	21.7	14.9
Equity	1,861,620	1,511,579	<b>1,726,672</b>	(18.8)	14.2
	US\$3,628,927	US\$3,662,219	<b>US\$4,197,540</b>	0.9	14.6

#### 2022 versus 2021

The Group's total debt and equity capital increased by 14.6 percent as at December 31, 2022 primarily due to net income generated during the period, and availments of short term loans mainly at ICTSI Parent, ICTSI Ltd., IGFBV and ICTSI Middle East DMCC; 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.

#### 2021 versus 2020

The Group's total debt and equity capital marginally increased by 0.9 percent as at December 31, 2021 primarily due to net income generated during the period; recognition of additional loan as a result of the acquisition of new terminal, MHCPSI; and debt and equity financing activities to fund acquisitions, expansion projects, capital expenditures, and other general corporate requirements; tapered by redemption and repurchase of perpetual capital securities, and distributions to holders of perpetual capital securities; dividend declaration; and repayment of loans.

### 6.8.2.1 Debt Financing

The table below provides the breakdown of the Group's outstanding loans as at December 31, 2022:

**Table 6.18 Outstanding Loans**

<i>(In thousands)</i>	Company	Final Maturity	Interest Rate	Amount
<b>Long-Term Debt</b>				
<i>Medium-Term Note (MTN) Programme</i>				
Secured US Dollar Bond	ITBV	2023 - 2025	Fixed	US\$778,746
<i>Senior Notes</i>				
Unsecured US Dollar Bond	Parent	2030	Fixed	393,500
Secured US Dollar Bond	ITBV	2031	Fixed	291,031
<i>US dollar and Foreign Currency-denominated Term Loans and Securities</i>				
Secured US Dollar Term Loan	IGFBV	2026	Fixed <sup>(a)</sup>	265,907
Secured AUD Bond	VICT	2039	Fixed	243,127
Secured PHP Term Loan	MHCPSI	2029 <sup>(d)</sup>	Floating <sup>(b)</sup>	107,661
<i>US dollar and Foreign Currency-denominated Term Loans and Securities</i>				
Secured US Dollar Term Loans	IDRC	2025	Fixed	30,000
Secured PGK Term Loan	MITL	2024-2026	Floating	8,096
Secured PGK Term Loan	SPICTL	2024	Floating	6,777
Secured US Dollar Term Loans	CGSA	2027	Fixed	6,851
				2,131,696
<b>Short-Term Debt</b>				
USD Loan	ICTSI Ltd.	2023	Fixed	110,000
USD Loan	Parent	2023	Fixed	100,000
PHP Loan	Parent	2023	Fixed	62,790
EUR Loan	IGFBV	2023	Fixed	32,115
EUR Loan	ICTSI	2023	Fixed	32,115
	Middle East DMCC			
				337,020
<b>Total Debt</b>				2,468,716
Effect of business combination <sup>(c)</sup>				2,152
<b>Carrying Value of Debt</b>				2,470,868
Less current portion and short-term <sup>(c)</sup>				776,914
<b>Long-term debt, net of current portion</b>				<b>US\$1,693,954</b>

<sup>(a)</sup> Under interest rate swap agreements

<sup>(b)</sup> Converted from fixed to floating rate on July 9, 2021

<sup>(c)</sup> Includes the carrying value of the difference between the fair value and the book value of the debt at business combination

<sup>(d)</sup> 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 debt maturities, gross of unamortized debt issuance cost, of the Group as at December 31, 2022:

**Table 6.19 Outstanding Debt Maturities**

<i>(In thousands)</i>	Amount
2023	US\$434,139
2024	40,139
2025	435,246
2026	271,142
2027 and onwards	986,628
Total	US\$2,167,294

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, 80% 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 December 31, 2022, the carrying value of notes under the MTN Programme amounted to US\$778.7 million, of which US\$394.0 million was paid on January 16, 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 December 31, 2022, the carrying value of the Senior Notes amounted to US\$393.5 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 December 31, 2022, the carrying value of the New Notes amounted to US\$291.0 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 2022, IGFBV paid US\$9.2 million of the loan. As at December 31, 2022, the outstanding balance of the term loan amounted to US\$265.9 million, net of debt issuance costs.

On January 23, 2023, the facility agreement was amended and effective January 29, 2023, interest will be based on three-month cumulative compounded Secured Overnight Financing Rate (SOFR) plus an agreed margin.

In April 2019, the Group entered into interest rate swap transactions 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, an annual fixed interest of 3.6981 percent is being paid and floating interest of three-month LIBOR on the notional amount is being received. As at December 31, 2020, and 2021, the market valuation loss on the outstanding interest rate swaps amounted to US\$28.2 million, and US\$13.3 million, respectively. As at December 31, 2022, the market valuation gain on the outstanding interest rate swap amounted to US\$14.9 million.

The effective portion of the change in the fair value of the interest rate swap amounting US\$11.8 million, net of US\$5.6 million deferred tax, US\$11.2 million, net of US\$3.7 million deferred tax, and US\$21.1 million, net of US\$7.2 million deferred tax, for the years ended December 31, 2020, 2021 and 2022, respectively, were taken to equity under other comprehensive loss. In 2023, the interest rate swap arrangements were amended and effective January 29, 2023, annual fixed interest ranging from 2.165 and 2.1886 percent will be paid, and floating interest based on three-month cumulative compounded SOFR will be received.

*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 December 31, 2022, the outstanding balance of the notes amounted to US\$243.1 million (AUD356.9 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 loan originally bears a fixed interest rate, payable quarterly. The loan was acquired by ICTSI through business combination.

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.

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. 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, MHCPPI paid US\$5.6 million (Php300.0 million) of the loan. As at December 31, 2022, the carrying value of the loan amounted to US\$109.8 million (Php6.1 billion). Excluding the effect of business combination, the outstanding balance of the loan was US\$107.7 million (Php6.0 billion).

*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. 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 December 31, 2022.

*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 December 31, 2022, the outstanding balance of the term loans of SPICTL and MITL amounted to US\$6.8 million (PGK23.9 million) and US\$8.1 million (PGK28.5 million), net of debt issuance costs, respectively.

*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\$6.9 million as at December 31, 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.

### Loan Facility Programme

*ICTSI Middle East DMCC.* On January 9, 2019, ICTSI Middle East DMCC, as borrower, and ICTSI, as guarantor, signed a term loan facility agreement with Citigroup Global Markets Asia Limited and Standard Chartered Bank, the original mandated lead arrangers and bookrunners, for the principal amount of US\$297.6 million (EUR260.0 million) with interest rate based on EURIBOR plus an agreed margin and maturing on December 20, 2022. The term facility agreement was entered into pursuant to the Loan Facility Programme Agreement dated July 24, 2014 between 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 US\$297.6 million (EUR260.0 million) from the facility. On June 12, 2019, ICTSI Middle East DMCC, as borrower, and ICTSI, as guarantor, signed an amendment and syndication agreement with various international and local banks for the term loan facility. In December 2022, ICTSI Middle East DMCC fully paid the remaining balance of the loan amounting to US\$40.9 million (EUR38.2 million), net of debt issuance costs.

### ***Short-term Debt***

*ICTSI Iraq.* On July 15, 2021, ICTSI Iraq 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 Iraq 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. The loan is outstanding as at December 31, 2022.

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. ICTSI Ltd. fully paid the loan on January 13, 2023.

*ICTSI.* On April 25, 2022, ICTSI availed of a PHP-denominated short-term loan from HSBC amounting to US\$27.5 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\$36.7 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 December 31, 2022 the outstanding balances of ICTSI's PHP- and USD-denominated loans were US\$62.8 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\$31.6 million (EUR30.0 million), with a fixed interest rate and maturity on April 25, 2023.

*IGFBV.* On December 16, 2022, IGFBV availed of a short-term loan from MUFG Bank Ltd. (MUFG) amounting to US\$31.8 million (EUR30.0 million), with a fixed interest rate and maturity on June 14, 2023.

#### *6.8.2.2 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 incurring additional debt.

There was no material change in the covenants related to the Group's long-term debts. As at December 31, 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 December 31, 2022, except as discussed above.

#### *6.8.2.3 Equity Financing*

##### Perpetual Capital Securities

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

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 May 5, 2021, RCBV redeemed the remaining US\$198.3 million of the US\$450.0 million Senior Guaranteed Perpetual Capital Securities, including the accrued distributions. 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 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.

## **6.9 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.

### 6.9.1 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. The Group attempts to match its revenues and expenses whenever possible and, from time to time, engages in hedging activities. Changes in exchange rates affect the US dollar value of the Group's revenues and costs that are denominated in foreign currencies. The group also enters into cross currency swap agreements in order to manage its exposure to fluctuations in the net investments in its subsidiaries denominated in foreign currencies.

The Group's non-US dollar currency-linked revenues was 55.3 percent and 57.3 percent of gross revenues for the periods ended December 31, 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 fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

The below table provides the currency breakdown of the Group's revenue for the year ended December 31, 2022:

**Table 6.20 Revenue Currency Profile**

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	42% USD	58% PHP
VICT		100% AUD
PICT	86% USD	14% PKR
PNG		100% PGK
YICT		100% RMB
SBITC/ICTSI Subic	45% USD	55% USD
MICTSI		100% PHP
SCIPSI		100% PHP
DIPSSCOR		100% PHP
LGICT	18% USD	82% PHP
BIPI		100% PHP
OJA	76% USD	24% IDR
PTMTS		100% IDR
HIPS		100% PHP
CGT		100% PHP
MHCPSI		100% PHP
CMSA	22% USD	78% MXN
CGSA	100% USD	
OPC	100% USD	
TSSA		100% BRL
ICTSI Rio	55% USD	45% BRL
Tecplata	100% USD	
ICTSI Iraq	83% USD	17% IQD
IDRC	98% USD	2% CDF
MICTSL	100% EUR	
BCT	60% USD/13% EUR	27% PLN
AGCT	87% EUR	13% HRK
BICTL	100% USD	
KMT		100% XAF
ICTSNL	39% USD	61% NGN
IRB Logistica		100% BRL

\*MGA pegged to the EURO

### 6.9.2 Interest Rate Risk

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

### 6.9.2 Liquidity Risk

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

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

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

## Item 7. Consolidated Financial Statements

The Group's 2022 consolidated financial statements and accompanying notes are incorporated herein by reference.

## Item 8. Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

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

### 8.1 Information on Independent Accountant

The principal external auditor is the firm SGV & Co. The Group has engaged Mr. Roel E. Lucas, partner of SGV & Co., for the audit of the Group's books and accounts in 2022.

### 8.2 External Audit Fees and Services

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

	2020	2021	2022
Audit Fees	US\$1,458.0	US\$1,469.3	<b>US\$1,511.2</b>
Audit-related Fees	572.5	406.2	<b>54.3</b>
Tax Fees	266.0	238.9	<b>239.0</b>
Other Fees	227.8	87.7	<b>167.1</b>

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

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

Tax fees paid to SGV & Co./Ernst & Young are for tax compliance, tax advisory services and transfer-pricing studies.

Other fees include due diligence services related to business development, sustainability reporting, studies and other various one-time engagements. Higher amount in 2020 and 2022 was mainly due to the Group's initiatives to seek for new project opportunities.

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

The reappointment of SGV & Co. as the Company's external auditors was approved by the stockholders in a meeting held on April 21, 2022.

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 9. Directors and Executive Officers

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

The members of the Board of Directors and executive officers of ICTSI are:

Office	Name	Citizenship	Age
Chairman of the Board and President	Enrique K. Razon Jr.	Filipino	63
Independent Director	Cesar A. Buenaventura	Filipino	93
Independent Director	Carlos C. Ejercito	Filipino	77
Independent Director	Chief Justice Diosdado M. Peralta (ret.)	Filipino	69
Director	Jose C. Ibazeta	Filipino	80
Director	Stephen A. Paradies	Filipino	69
Director	Andres Soriano III	American	71
Executive Vice President & Compliance Officer	Christian Martin R. Gonzalez <sup>1</sup>	Filipino	47
Senior Vice President, Chief Financial Officer & Compliance Officer	Rafael D. Consing, Jr. <sup>2</sup>	Filipino	54
Senior Vice President, Global Financial Controller and Chief Risk Officer	Sandy A. Alipio <sup>3</sup>	Filipino	52
Chief Financial Officer	Emilio Manuel V. Pascua <sup>4</sup>	Filipino	45
Vice President, Head of Planning and Budgeting	Caroline C. Causon	Filipino	45
Vice President, Logistics and Supply Chain	Antonio G. Coronel	Filipino	72
Vice President, Regulatory Affairs	Jose Manuel M. De Jesus	Filipino	58
Vice President, Treasurer	Arnie D. Tablante	Filipino	50



<b>Office</b>	<b>Name</b>	<b>Citizenship</b>	<b>Age</b>
Corporate Secretary	Rafael T. Durian	Filipino	89
Asst. Corporate Secretary	Silverio Benny J. Tan	Filipino	66
Asst. Corporate Secretary	Benjamin M. Gorospe III	Filipino	55

<sup>1</sup>Appointed as Compliance Officer effective January 18, 2023

<sup>2</sup>Retired effective January 18, 2023

<sup>3</sup>Appointed as Chief Risk Officer effective January 18, 2023

<sup>4</sup>Elected as Chief Financial Officer effective January 18, 2023

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

<b>Office</b>	<b>Name</b>	<b>Citizenship</b>	<b>Age</b>
Senior Vice President, Regional Head - Latin America	Anders Kjeldsen	Danish	53
Senior Vice President, Regional Head-Europe & Middle East and Africa	Hans-Ole Madsen	Danish	57
Senior Vice President, Head of Global Commercial	Humberto Godfried Wieske	Dutch	59
Vice President, Head of Global Engineering - Infrastructure and Project Delivery	Nathan A. Clarke	Australian	41
Vice President, Head of Global Corporate Human Resources	Michael Robin Cruickshanks	British	65
Vice President, Global Chief Information Officer	Brian Hibbert	British	55
Vice President, Head of Global Procurement	Damien Samuel Huppert	French	46
Vice President, Senior Administration Officer	Vivien F. Miñana	Filipino	58
Vice President, Head of Global Engineering – Equipment Maintenance	Johan Swart	South African	63

The following are the business experiences of ICTSI's directors and officers for the past five (5) years:

Directors

**Enrique K. Razon Jr., Filipino, 63 years old**

Mr. Razon is a Director of ICTSI\* since 1987 and its Chairman since 1995.

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

He is a member of the US-Philippine Society and the ASEAN Business Club Philippines, Inc.

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

*\*Publicly-listed Corporation*

**Cesar A. Buenaventura, O.B.E., Filipino, 93 years old**

Mr. Buenaventura is an Independent Director of ICTSI\* since 2019. He is also the Chairman of Corporate Governance Committee; and a member of Audit Committee, Environment, Social and Governance Sub-Committee, Board Risk Oversight Committee, and Related Party Transactions Committee of ICTSI\*.

Concurrently, he is an Independent Director of Manila Water Company, Inc.\*; a Director of Semirara Mining and Power Corp.\*, iPeople, Inc.\*, Petroenergy Resources Corp.\*, Concepcion Industrial Corp.\*, Pilipinas Shell Petroleum Corp.\*, DM Consunji Inc., and The Country Club; a Chairman of Mitsubishi Hitachi Power Systems Phils., Inc., and Buenaventura Echaz and Partners, Inc.; a Founding Chairman of Pilipinas Shell Foundation, Inc.; a Trustee of Bloomberry Cultural Foundation, and ICTSI Foundation, Inc.; and an Independent Trustee of Manila Water Foundation.

Mr. Buenaventura is a former Director of Philippine American Life Insurance Co., AG&P Co. of Manila, Ayala Corporation\*, First Philippine Holdings Corp.\*, Philippine Airlines\*, Philippine National Bank\*, Benguet Corporation\*, Asian Bank, Ma. Cristina Chemical Industries, Paysetter International Inc., Maibarara Geothermal Inc., Manila International Airport Authority and Shell Group of Companies.

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

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

*\* Publicly-listed Company*

***Carlos C. Ejercito, Filipino, 77 years old***

Mr. Ejercito is an Independent Director of ICTSI\* since 2021. He is also the Chairman of the Audit Committee; and a member of the Corporate Governance Committee, Nomination Sub-Committee, Remuneration Sub-Committee, Board Risk Oversight Committee and Related Party Transactions Committee of ICTSI\*.

Concurrently, he is an Independent Director of Century Properties Group, Inc.\* and Bloomberry Resorts Corporation\*; and a Chairman and Chief Executive Officer of Mount Grace Hospitals, Inc. and its affiliates and subsidiaries.

Mr. Ejercito is a former Independent Director of Aboitiz Power Corporation\* and Monte Oro Resources and Energy Corporation; and a former Director of United Laboratories Inc. and several of its subsidiaries, National Grid Corporation of the Philippines, Ayala Greenfield Development Corporation, Fort Bonifacio Development Corporation, and Bonifacio Land Corporation.

He has a Bachelor's degree in Business Administration, cum laude, from the University of the East, and completed the coursework for the MBA candidate from Ateneo Graduate School of Business. He also attended the Program for Management Development at Harvard Business School.

*\*Publicly Listed Corporation*

***Chief Justice Diosdado M. Peralta (ret.), Filipino, 69 years old***

Chief Justice Peralta is an Independent Director of ICTSI\* since August 2021. He is also the Chairman of the Environmental, Social and Governance Sub-Committee; and a member of the Corporate Governance Committee, Board Risk Oversight Committee and Related Party Transactions Committee of ICTSI\*.

Concurrently, he is an Independent Director of Bloomberry Resorts Corporation\*, San Miguel Corporation\*, Philippine Business Bank and Manila Hotel.

Chief Justice Peralta (ret.) was appointed by President Rodrigo Roa Duterte as the Chief Justice of the Supreme Court from October 23, 2019 until his retirement on March 27, 2021. He served as Associate Justice of the Philippines from 2009 to 2019; Presiding Judge of the Sandiganbayan from 2008 to 2009; Associate Justice of the Sandiganbayan from 2002 to 2008; and Judge in the Regional Trial Court – Branch 95 Quezon City from 1994 to 2000.

Chief Justice Peralta also provided work in the private sector as a General Manager for Ace Agro Development Corp.; a Senior Assistant Personnel Manager and Assistant Personnel Manager for Cosmos Bottling Corp.; and an Operations Supervisor for Wisdom Management, Inc.

Chief Justice Peralta completed his Bachelor of Science degree in San Juan de Letran in 1974 and his Bachelor of Laws degree at the University of Santo Tomas in 1979. He passed the Bar Examination in 1980. On April 9, 2010 he received his Doctor of Laws degree, honoris causa, from Northwestern University, Laoag City, Ilocos Norte.

*\*Publicly Listed Corporation*

***Jose C. Ibazeta, Filipino, 80 years old***

Mr. Ibazeta is a Director of ICTSI\* since 2009. He is also the Chairman of the Nomination Sub-Committee of ICTSI\*.

Concurrently, he is a Director of Prime Metro Power Holdings Corporation, Anscor Consolidated Corporation, AFC Agribusiness Corporation, Anscor Holdings, Inc., Minuet Realty Corporation, Phelps Dodge Philippine Energy Products Corporation and Vicinetum Holdings, Inc. He is also a Consultant to the Chairman of the Board of A. Soriano Corporation\*; a Chairman and President of Island Aviation, Inc., and Pamalican Holdings, Inc.; a Vice President of ICTSI Foundation, Inc.; a Founding Chairman and Director of Philippine Stratbase Consultancy Incorporated; and a Senior Advisor to the Chief Executive Officer and a Member of Compliance Committee of Atlantic Gulf & Pacific Company of Manila.

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

*\*Publicly Listed Corporation*

***Stephen A. Paradies, Filipino, 69 years old***

Mr. Paradies is a Director of ICTSI\* since 1987. He is also the Chairman of the Board Risk Oversight Committee; and a member of the Audit Committee, Nomination Sub-Committee, Remuneration Sub-Committee, and Environmental, Social and Governance Sub-Committee of ICTSI\*.

Concurrently, he is a Director of IWI Container Terminal Holdings, Inc., Sociedad Puerto Industrial Aguadulce S.A., Apex Mining Co. Inc.\*, Union Investments Corp., Sureste Properties, Inc., Prime Metro BMD Corp., Prime Metro Power Holdings, Inc., Prime Metro Infrastructure Capital, Inc., MORE Palawan Power Corp., Amber Electric & Power Corp. and The Country Club Inc; the Chairman of Napagapa Beverages, Inc. and MORE Electric & Power Corp.; and a Trustee of Bloomberry Cultural Foundation, Inc.

Mr. Paradies served as the Group Chief Financial Officer, Senior Vice President and Corporate Information Officer of Aboitiz Equity Ventures, Inc.; and was a Director of UnionBank of the Philippines.

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

*\*Publicly Listed Corporation*

***Andres Soriano III, American, 71 years old***

Mr. Soriano is a Director of ICTSI\* since 1992. He is also the Chairman of the Remuneration Sub-Committee of ICTSI\*.

Concurrently, he is the Chairman and Executive Officer of A. Soriano Corporation\*; the Chairman and President of Anscor Consolidated Corp.; and the Chairman of The Andres Soriano Foundation, Inc., Phelps Dodge International Philippines, Inc., Phelps Dodge Philippines Energy Products Corp., Seven Seas Resorts and Leisure, Inc., and Pamalican Resort, Inc.

Mr. Soriano served as President and Chief Operating Officer of San Miguel Corporation; and was subsequently, the Chairman and Chief Executive Officer of San Miguel Corporation. He was also the Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines).

He received his Bachelor of Science degree in Economics, majoring in Finance and International Business, from Wharton School of Finance and Commerce, University of Pennsylvania, USA in 1972.

*\*Publicly Listed Corporation*

*Executive Officers*

***Christian Martin R. Gonzalez, Filipino, 47 years old***

Mr. Gonzalez is the Executive Vice President, Compliance Officer and Chief Sustainability Officer of ICTSI\*. He is the Global Corporate Head of ICTSI Group and also served as Vice President, Regional Head - Asia Pacific.

Prior to his current role, he served as the Director General and Chief Executive Officer of MICTSL, and thereafter, appointed as the Vice President and Head of Asia Pacific Region and MICT.

When he first joined the ICTSI Group in 1997, he worked in various Operations departments before he was appointed as the Assistant Manager for Special Projects of ICTSI Ltd. He was named MICT Operations Manager in 2003. In 2006, he was designated as the Chief Operating Officer and later CEO of MICTSL in 2009. In 2010, he was designated as a Director of Bloomberry Resorts and Hotels, Inc. and The Country Club. In 2012, Mr. Gonzalez was appointed as the Head of ICTSI's Business Development for Asia Region. He was also appointed as the President of ICTSI Foundation, Inc. on April 15, 2016.

Concurrently, he is the President and a Director of Asia Pacific Business Services, Inc.; a Director of BIPI, DIPSSCOR, SCIPSI, IDRC, MTS, SPIA, ICTSI (Hong Kong) Limited, ICTSI South Pacific Limited, ICTSI Far East Pte. Ltd., ICTSI Project Delivery Services Pte. Ltd. and ICTSI South Asia Pte. Ltd.; the Chairman and President of IW Cargo Handlers, Inc. (IW Cargo), MHCPSI, SBI, Abbotsford Holdings, Inc., Intermodal Terminal Holdings, Inc (ITHI). and Subic Bay International Terminal Holdings, Inc. (SBITHI); the Chairman of CLI, MICTSI, SBITC, ISI, ICTSI Ltd., VICT, YICT, ICTSI Honduras Ltd., ICTSI Georgia Corp., International Container Terminal Holdings, Inc (ICTHI). and Asiastar Consultants Limited; the Vice Chairman and President of MNHPI; the Vice President and a Director of ICTSI Rio; and the President Commissioner of PT ICTSI Jasa Prima Tbk (IJP)\*.

Outside ICTSI Group, Mr. Gonzalez is concurrently a Director of Bloomberry Resorts Corporation, Sureste Properties, Inc. and Prime Infrastructure Capital, Inc.

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

*\*Publicly-listed Corporation*

**Rafael D. Consing, Jr., Filipino, 54 years old**

Mr. Consing was the Senior Vice President and Chief Financial Officer of ICTSI\* until January 18, 2023.

He was appointed to the role in October 5, 2015 and as the Compliance Officer on February 9, 2016. Prior to this, he was the Vice President and Treasurer of ICTSI.

He was a Director and the Treasurer of the following ICTSI local subsidiaries: SBITC, SBITHI, ISI, Cordilla Properties Holdings, Inc. (CPHI), IW Cargo, IWI Container Terminal Holdings, Inc. (IWI), CGT; was a Director of HIPSI, Falconer Aircraft Management, Inc. (FAMI) and MNHPI; was the Chairman of LGICT; and was the Treasurer of ITHI.

For the following ICTSI foreign subsidiaries: he was the Chairman of CGSA and SPIA Spain S.L.; was the Commissioner of IJP\*; was a Director and the Deputy Chairman of ICTSI Ltd. and ICTHI; was an alternate member of SPIA; was a Director of Tecplata S.A., CMSA, TMT, OPC, VICT, ISPL, ICTSI Oregon, Inc., Global Procurement Ltd., ICTSI Honduras Ltd., Aeolina Investments Limited, Crixus Limited, ICTSI Georgia Corp., ICTSI QFC LLC, ICTSI Project Delivery Services Co. Pte. Ltd., ICTSI South Asia Pte. Ltd., ICTSI Hong Kong Ltd., ICTSI Mauritius Ltd., Consultports S.A. de C.V., Asiastar Consultants Limited and ICTSI Far East Pte. Ltd; was a Director A of ICTSI EMEA B.V., Royal Capital B.V., ICTSI Americas B.V., ICTSI Cameroon B.V., Global Container Capital B.V., CGSA B.V., SPIA Colombia B.V., CMSA B.V., ICTSI Treasury B.V., ICTSI Cooperatief U.A., ICTSI Oceania B.V., ICTSI Tuxpan B.V., ICTSI Africa B.V., ICTSI Global Cooperatief U.A. and ICTSI Global Finance B.V.

He was also a Director and the Treasurer of Trident Water Company Holdings, Inc.; and was the Founder and Chairman of Net Global Solutions, Inc., Rhodium Builders, Inc. and The Orange Company, Inc.

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

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

*\*Publicly-listed Corporation*

***Sandy A. Alipio, Filipino, 52 years old***

Mr. Alipio is the Senior Vice President, Global Financial Controller of ICTSI\* effective July 1, 2021 and the Chief Risk Officer of ICTSI\* effective January 18, 2023. Before his current role, he was also the Chief Risk Officer and Vice President for Business Process, Strategy and Controls from March 6, 2019 to September 30, 2020. Prior to this, he was the Vice President for Audit and Compliance from February 2014 to March 2019.

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

Concurrently, he is a Director of LGICT, IWI, FAMI, MNHPI, CGSA, CMSA, IDRC, OPC, MICTSL, TSSA, ICTSI Georgia Corp., IJP, ICTSI Americas B.V., ICTSI Far East PTE., Ltd., ICTSI Project Delivery Services PTE. Ltd., ICTSI South Asia PTE. Ltd., CGSA BV., CMSA B.V., ICTSI Africa B.V., ICTSI Americas B.V., ICTSI EMEA B.V., ICTSI Global Holdings, Inc., ICTSI Global Finance B.V., ICTSI Oceania B.V., ICTSI Treasury B.V., ICTSI Tuxpan BV., Royal Capital B.V., ICTSI Columbia B.V. and ICTSI (M.E.) DMCC; the Chairman and a Director of CGSA Transportadora S.L. and ICTSI Middle East DMCC; the Chairman and a Director of SPIA Spain S.L.; and the President and Director of ICTSI Ltd. and ICTHI.

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

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

*\*Publicly-listed Corporation*

***Emilio Manuel V. Pascua, Filipino, 45 years old***

Mr. Pascua is the Chief Financial Officer of ICTSI\* effective January 18, 2023. He joined the Company in 2013 as Director of Corporate Finance. He was appointed as Director, Global Mergers and Acquisitions in 2020 and was promoted to Vice President, Global Mergers and Acquisitions in 2021. Prior to joining ICTSI, Mr. Pascua held various positions in projects and business development in the container terminal industry as well as infrastructure project financing.

Concurrently, he is the Director and the Treasurer of ISI, SBITC, SBITHI and IWI; and a Director of SPICTL and MITL.

Mr. Pascua received a Masters in Business Administration from the Wharton School, University of Pennsylvania in 2003 and is a graduate of the Ateneo de Manila University with a Bachelor of Arts in Management Economics.

*\*Publicly Listed Corporation*

***Caroline C. Causon, Filipino, 45 years old***

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

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

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

*\*Publicly-listed Corporation*

***Antonio G. Coronel, Filipino, 72 years old***

Mr. Coronel is the Vice President, Logistics and Supply Chain of ICTSI\*.

When he first joined the ICTSI Group in 1988, he worked as Purchasing Manager and was then appointed as the General Manager of ICTSI Asia Pacific Business Services, Inc. (APBSI) from 2015 to 2020. He was also appointed as Senior Director and Global Procurement Head from 2020 to April 2022.

Concurrently, he is a Director and the General Manager of APBSI; and the President and a Director of CLI and SBI.

He is a recipient of the 2008 Gawad Sinop Awardee, Philippine Institute for Supply Management/ Foundation of the Society of Fellows in Supply Management (PISM/SOFSM).

Mr. Coronel is a Certified Purchasing Manager – Institute of Supply Management, a Certified Logistics and Supply Professional – Asia Pacific Logistics Federation; and a Diplomate in Supply Management, SOFSM. He also seats as a Board Director of the Association of Construction Equipment Lessors, Inc.

Mr. Coronel is a graduate of University of the Philippines where he received his degrees in Master of Business Administration and Bachelor of Science in Metallurgical Engineering.

*\*Publicly-listed Corporation*

***Jose Manuel M. De Jesus, Filipino, 58 years old***

Mr. De Jesus is the Vice President, Regulatory Affairs of ICTSI\*. Prior to such role, he served as the Vice President for Business Development – Asia after his role as Director of Business Development for the Americas. In 2005, he headed the Asia Business Development Group. Before that, he was seconded and had held numerous posts such as Director for Strategic Planning of ICTSI's Regional Development Offices in Miami and Dubai; and the General Manager of Thai Laemchabang Terminals, Inc. He joined ICTSI\* in 1995 as Executive Assistant to the Chairman.

Concurrently, he is the Chairman and President of BIPI and SCIPSI; a Director of IW Cargo, MNHPI, CPHI, Australian Container Terminals Ltd., and ICTSI Far east Pte. Ltd.; and the President and a Director of Abbotsford Holdings, Inc.



Mr. De Jesus is an Industrial Management Engineering graduate of the De La Salle University in Manila.

*\*Publicly-listed Corporation*

**Arnie D. Tablante**, Filipino, 50 years old

Mr. Tablante was appointed as the Treasurer of ICTSI\* on September 15, 2021. Prior to such role, he was the Risk and Capital Director of ICTSI.

Concurrently, he is a Director and the Treasurer of CGT, FAMI, IW Cargo, SCIPSI, Abbotsford Holdings, Inc. and CPHI; the Treasurer of ITHI; and a Director of PICT, MITL, SPICTL., Aeolina Investments Limited and Crixus Limited.

Prior to joining ICTSI, he was already a seasoned banker, having been connected with UnionBank of the Philippines.

Mr. Tablante received his Master's Degree in Business Administration from the Asian Institute of Management, and holds a Bachelor of Science degree in Industrial Management Engineering from the De La Salle University.

*\*Publicly Listed Corporation*

**Rafael T. Durian**, Filipino, 89 years old

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

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

*\*Publicly-listed Corporation*

**Silverio Benny J. Tan**, Filipino, 66 years old

Atty. Tan is a retired partner, former managing partner, and now Of Counsel of the law firm of Picazo Buyco Tan Fider & Santos. He is a Director and Corporate Secretary of Razon & Co. Inc., Prime Strategic Holdings, Inc., Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., Trident Water Company Holdings Inc. and Negros Perfect Circles Food Corp. He is a Director of the following corporations: MORE Electric and Power Corporation, Celestial Corporation, Skywide Assets Ltd., and Dress Line Holdings Inc. and its subsidiaries. He is the Corporate Secretary of several corporations including: Apex Mining Company Inc.\* and its subsidiaries, Itogon Suyoc Resources Inc., Monte Oro Resources and Energy Inc., Bloomberry Resorts Corporation\* and its subsidiaries including Sureste Properties, Inc., Bloomberry Resorts and Hotels Inc., Bloomberry Cruise Terminals Inc., Prime Infrastructure Capital Corporation, Manila Water Company, Inc.\*, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Pilipinas Golf Tournaments, Inc., Bloomberry Cultural Foundation Inc., and several subsidiaries of Razon & Co. Inc. and Prime Strategic Holdings Inc. He is a Trustee of the University of the Philippines Visayas Foundation Inc.

Atty. Tan holds a Bachelor of Laws (Cum Laude), from the University of the Philippines – College of Law and a Bachelor of Arts in Political Science (Cum Laude), from the University of the Philippines Iloilo College. Atty. Tan placed third in the 1982 Philippine Bar exams.

*\*Publicly-listed Corporation*

***Benjamin M. Gorospe III, Filipino, 55 years old***

Atty. Gorospe was elected as the Assistant Corporate Secretary of ICTSI\* on September 17, 2013. He is also the Global Head for Tax and Regional Legal Manager for the Americas of ICTSI\*.

Atty. Gorospe is a Director and the Corporate Secretary of DIPSSCOR, MICTSI, CPHI; the Assistant Secretary of ICTHI, Global Procurement Ltd., ICTSI Ltd., ICTSI Honduras Ltd. and ICTSI Georgia Corp.; a Corporate Secretary of FAMI; and a Director of ICTSI Far East Pte. Ltd., ICTSI South Asia Pte. Ltd., Tungsten RE Ltd. and Consultports S.A. de C.V.

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

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

*\*Publicly-listed Corporation*

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

***Anders Kjeldsen, Danish, 53 years old***

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

Mr. Kjeldsen is a Director of CGSA and TSSA; the President of Tecplata S.A., ICTSI Rio; and the Chairman of TMT.

Prior to his role in GPI PLC, Mr. Kjeldsen was CEO of APM Terminals West Med where he was responsible for a total of 5 million TEU capacity, being the business units in Algeciras and Tangier. He joined the A.P. Moller-Maersk Group in 1991. In the last 32 years, he worked in most disciplines of the container terminal industry. He has been involved in the Port industry in most parts of the world, including Denmark, Germany, Netherlands, Spain, Russia and Latin America.

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

***Hans-Ole Madsen, Danish, 57 years old***

Mr. Madsen is the Senior Vice President, Regional Head - Europe and Middle East and Africa of the ICTSI Group.

Concurrently, he is a Director and the Chairman of IDRC and PICT; a Director and the Deputy Chairman of AGCT; a Director of BCT, BICTL, ICTSNL and MICTSL; a Director and Manager of ICTSI (M.E.) DMCC.; and a Director, Manager and Legal Representative of ICTSI Middle East DMCC

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

***Humberto Godfried Wieske, Dutch, 59 years old***

Mr. Wieske is the Senior Vice President and Head of Global Commercial of the ICTSI Group. He is a Director of VICT, YICT and CGSA B.V.

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

Mr. Wieske started his career in shipping in the Netherlands before joining former Container Shipping Company Sea Land Service Inc. and earned his B.A. Economics degree in J. van Zwijndregt in Hague, the Netherlands.

***Nathan J. Clarke, Australian, 41 years old***

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

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

Mr. Clarke holds a Bachelor of Engineering (Project Engineering and Management) with 1<sup>st</sup> Class Honours from the University of Sydney, Australia, and holds a Master of Business Administration (Project Management) degree with Distinction from Charles Sturt University, Australia.

***Michael Robin Cruickshanks, British, 65 years old***

Mr. Cruickshanks is the Vice President, Global Corporate Human Resources of the ICTSI Group.

Mr. Cruickshanks has extensive experience within the field of human resources in the industries of investment banking and logistics. Prior to ICTSI, Mr. Cruickshanks was the HR advisor to National Commercial Bank in Jeddah, Saudi Arabia. He also worked for global Swiss-based logistics company, Panalpina World Transport, in the role of Global Head of Compensation and Benefits, covering 16,000 plus employees in over 90 countries. Mr. Cruickshanks also held the position of Managing Director,

Compensation and Benefits for the Dutch investment bank, Rabobank International. From 1993 to 1999, he was based in Madrid, Spain and New York, USA for Santander Investment to serve as Global Head of Compensation & Benefits as well as parallel HR generalist role supporting front line staff.

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

***Brian Mark Hibbert, British, 55 years old***

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

Concurrently, he is a Director for SBI and VICT.

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

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

***Damien Samuel Huppert, French, 46 years old***

Mr. Huppert is Vice President, Head of Global Procurement of ICTSI Global Corporate. Mr. Huppert has extensive experience within the field of purchasing and supply chain across multiple industries. Prior to his current role, Mr. Huppert served as Group Purchasing Director - Transformation & Excellence Program at Imerys in France. From 2013 to 2017, he was Global Purchasing Director at Doedjins Group International in the Netherlands.

Mr. Huppert holds a Master's Degree in Purchasing and Supply Chain Management from HEC Business School as well as a Master's Degree in Mechanical Engineering from Arts et Métiers Paris Tech.

***Vivien F. Miñana, Filipino, 58 years old***

Ms. Miñana was appointed in 2006 as the Vice President and Senior Administration Officer of the ICTSI Group and ICTSI Ltd. Prior to her appointment in 2006, she was the Vice President and Controller of ICTSI and ICTSI Ltd. from 2000 to 2006.

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

***Johan Swart, South African, 63 years old***

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

Prior to his current role, Mr. Swart served as Vice President for Maintenance at Global Container Terminals in Canada. From 2008 to 2015, he was Head of Engineering at APM Terminals in Ghana and

Nigeria. He also spent 30 years working for Transnet Port Terminals in Cape Town, holding several positions such as Container Crane Commissioning Electrician, Technical Assistant - Electrical Engineering Container Cranes, Senior Technical Supervisor - Electrical Engineering Container Lifting Equipment and Technical Manager - Electrical and Mechanical.

Mr. Swart holds a National Technical Certificate in Electrical Engineering.

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

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

### **9.1 Significant Employees**

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

### **9.2 Family Relationships**

Stephen A. Paradies is the brother-in-law and Christian R. Gonzalez is the nephew of Chairman and President, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed in this report.

### **9.3 Involvement in Certain Legal Proceedings**

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

## **Item 10. Executive Compensation**

The aggregate compensation paid to the Chairman of the Board and President, and four (4) highest paid executive officers named below, as a group, for 2022 amounted to US\$3.7 million (2021: US\$3.0 million). The estimated amount of compensation expected to be paid in 2023 to the Chairman of the Board and President and four (4) highest paid executive officers as a group, amounted to US\$2.8 million.

Name and Principal Position	Year	Salary	Bonus and Others <sup>2</sup>	Total <sup>3</sup>
Enrique K. Razon, Jr. <i>Chairman of the Board and President</i>				
Christian R. Gonzalez <i>Executive Vice President &amp; Compliance Officer</i>				
Emilio Manuel V. Pascua <sup>4</sup> <i>Chief Financial Officer</i>				
Rafael D. Consing, Jr. <sup>5</sup> <i>Senior Vice-President, Chief Financial Officer &amp; Compliance Officer</i>				
Sandy A. Alipio <i>Senior Vice-President, Global Financial Controller &amp; Chief Risk Officer</i>				
Gigi Iluminada T. Miguel <sup>6</sup> <i>Vice-President and Treasurer</i>				
Benjamin M. Gorospe III <i>Assistant Corporate Secretary</i>				
Chairman of the Board and President and four (4) highest paid executive officers, as a group	2023 (Estimate)	US\$0.4M	US\$2.4M	US\$2.8M
	2022 (Actual)	0.4M	3.3M	3.7M
	2021 (Actual)	0.4M	2.5M	2.9M
All officers and Directors, as a group, Unnamed <sup>1</sup>	2023 (Estimate)	1.3M	14.8M	16.1M
	2022 (Actual)	1.4M	12.9M	14.3M
	2021 (Actual)	1.4M	8.9M	10.3M

<sup>1</sup>Including four (4) highest paid executive officers

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

<sup>3</sup>Includes total compensation paid in the Philippines by the registrant and its subsidiaries

<sup>4</sup>Appointed to the new position effective January 18, 2023

<sup>5</sup>Retired effective January 18, 2023

<sup>6</sup>Resigned effective September 15, 2021

The members of the Board of Directors receive directors' fees as compensation in accordance with the Company's By-Laws. There are no material terms of any other arrangements or contracts where any director of ICTSI was compensated or is to be compensated, directly or indirectly, in 2021, 2022 or in the coming year, for any service provided as a director.

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

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

Certain officers were granted awards under the Stock Incentive Plan (SIP) in 2020, 2021 and 2022. Discussion on the SIP is further disclosed in Note 20, *Share-based Payment Plan*, to the 2022 Annual Audited Consolidated Financial Statements.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 11.1 Security Ownership of Certain Record and Beneficial Owners

The following are known to the registrant to be directly or indirectly the record or beneficial owner of more than five (5) percent of registrant's voting securities as at December 31, 2022:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage*
Common	PCD Nominee Corporation (Non-Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	The Hongkong & Shanghai Banking Corp. Ltd. – Clients' Acct. - 5/F HSBC Centre 3058 Fifth Avenue, West Bonifacio Global City, Taguig, Metro Manila Represented by Maris Flores, Senior Vice President and Head, HSBC Securities Services and Kathy Dela Torre, Senior Vice President Client Services, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	264,596,931	9.68%
Common	PCD Nominee Corporation (Non-Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	Standard Chartered Bank Philippines- Clients' Acct. – 7/F Makati SkyPlaza 6788 Ayala Avenue, Makati City, Metro Manila Represented by Irving Del Rosario, Head of Securities Services Operations, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Foreign	265,739,036	9.72%
Common	PCD Nominee Corporation (Filipino) 6764 Ayala Ave, Legazpi Village, Makati, Metro Manila	AB Capital Securities, Inc., Units 1911-1912, 19/F, PSE Tower, 5 <sup>th</sup> Avenue corner 28 <sup>th</sup> St., Bonifacio Global City, Taguig, Metro Manila Represented by Lamberto M. Santos Jr., President; Ericsson C. Wee, First Vice, President;, only hold legal title as custodian in favor of various clients, and is not the beneficial owner of the lodged shares.	Filipino	493,683,789	18.06%
Common	Bravo International Port Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati, Metro Manila	Bravo International Port Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	279,675,000	10.23%
Preferred B	Achillion Holdings, Inc. 104 H.V. dela Costa St., 17-19 Floors Liberty Center Salcedo Village, Makati, Metro Manila	Achillion Holdings, Inc. represented by Enrique K. Razon, Jr., its President	Filipino	700,000,000	25.60%

\* Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,734,140,949 (which excludes treasury shares) as at December 31, 2022).

## 11.2 Security Ownership of Management as at December 31, 2022

Title of Class	Name of Beneficial Owner	Citizenship	Amount and nature of beneficial ownership (D) Direct and (I) Indirect		Percentage <sup>1</sup>
Common & Preferred B	Enrique K. Razon Jr. <sup>2</sup>	Filipino	1,682,230,747	D & I	61.53% <sup>3</sup>
Common	Stephen A. Paradies	Filipino	4,346,603	D & I	0.16%
Common	Jose C. Ibazeta	Filipino	1,713,850	D	0.06%
Common	Andres Soriano III	American	650,481	D & I	0.02%
Common	Jose Manuel M. De Jesus	Filipino	517,792	D & I	0.02%
Common	Christian R. Gonzalez	Filipino	352,781	D	0.01%
Common	Silverio Benny J. Tan	Filipino	273,000	D	0.01%
Common	Sandy A. Alipio	Filipino	199,673	D	0.01%
Common	Antonio G. Coronel	Filipino	185,374	D	0.01%
Common	Rafael D. Consing, Jr	Filipino	54,958	D	0.00%
Common	Arnie D. Tablante	Filipino	38,597	D & I	0.00%
Common	Emilio Manuel V. Pascua	Filipino	31,426	D	0.00%
Common	Diosdado M. Peralta	Filipino	23,450	D	0.00%
Common	Cesar Buenaventura	Filipino	20,001	D	0.00%
Common	Caroline C. Causon	Filipino	16,363	D	0.00%
Common	Benjamin M. Gorospe III	Filipino	8,083	D	0.00%
Common	Rafael T. Durian	Filipino	1,000	D	0.00%
Common	Carlos C. Ejercito	Filipino	10	D	0.00%

<sup>1</sup> Percentage ownerships were computed using total number of issued and outstanding common shares, preferred B voting shares and preferred A non-voting shares of 2,734,140,949 (which excludes treasury shares) as at December 31, 2022.

<sup>2</sup> Shares in the name of Enrique K. Razon, Jr. and Razon Group.

<sup>3</sup> The percentage ownership of Enrique K. Razon, Jr. and the Razon Group is at 61.61% if based on the total number of issued and outstanding common shares and preferred B voting shares of 2,730,340,949 (which excludes treasury shares and preferred A non-voting shares) as at December 31, 2022.

## 11.3 Voting Trust Holders of 5% or More

None

## 11.4 Changes in Control

None



## Item 12. Certain Relationships and Related Transactions

### Transactions with Related Parties

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

Related Party	Relationship	Nature of Transaction	2020	2021	2022	2020	2021	2022
			Amount <sup>(i)</sup>	Amount <sup>(i)</sup>	Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Outstanding Receivable (Payable) Balance	Outstanding Receivable (Payable) Balance
<i>(In Millions)</i>								
<b>SPIA Spain S.L.</b>								
SPIA	Joint venture	Interest-bearing loans <sup>(ii)</sup>	(US\$7.24)	US\$160.54	(US\$10.10)	US\$150.44	<b>(US\$10.69)</b>	<b>US\$139.75</b>
		Interest income (converted into interest-bearing loan) <sup>(ii)</sup>	4.82	55.42	(3.72)	61.79	<b>(4.21)</b>	<b>57.59</b>
		Interest receivable <sup>(ii)</sup>	13.12	6.68	13.18	6.53	<b>12.46</b>	<b>5.96</b>
<b>YICT</b>								
YPH	Non-controlling shareholder	Port fees <sup>(iii)</sup>	0.02	–	–	–	–	–
		Trade transactions <sup>(iv)</sup>	(0.70)	(0.03)	(0.91)	(0.05)	<b>(0.45)</b>	<b>(0.04)</b>
YPHT	Common shareholder	Outsourced services <sup>(v)</sup>	1.10	1.17	5.70	0.59	<b>5.96</b>	<b>0.90</b>
YPG	Common shareholder	Port fees <sup>(iii)</sup>	2.63	1.00	3.62	1.00	<b>3.71</b>	<b>1.00</b>
		Trade transactions <sup>(iv)</sup>	(1.54)	(0.01)	(2.17)	(0.14)	<b>(2.47)</b>	<b>(0.08)</b>
<b>SCIPSI</b>								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.19	(0.04)	0.17	(0.02)	<b>0.13</b>	<b>(0.01)</b>
<b>AGCT</b>								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services <sup>(vi)</sup>	0.44	–	0.54	–	<b>0.78</b>	<b>(0.28)</b>
<b>PICT</b>								
Premier Mercantile Services (Private) Limited	Non-controlling Shareholder	Stevedoring and storage charges <sup>(vii)</sup>	2.74	(0.19)	3.22	(0.13)	–	–
		Container handling revenue <sup>(vii)</sup>	0.11	0.02	0.03	–	–	–
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue <sup>(viii)</sup>	0.06	–	0.10	–	–	–
<b>Bilal Associates (Pvt) Limited</b>	Common shareholder	Stevedoring and storage charges <sup>(ix)</sup>	US\$–	US\$–	US\$0.03	(US\$0.03)	<b>US\$0.36</b>	<b>(US\$0.01)</b>
		Container handling revenue <sup>(ix)</sup>	–	–	0.01	–	<b>0.08</b>	–
<b>LGICT</b>								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.49	(0.22)	0.49	(0.17)	<b>0.45</b>	<b>(0.07)</b>
		Maintenance and repairs	0.05	(0.04)	0.11	(0.05)	<b>0.11</b>	<b>(0.03)</b>
		Trade transactions	0.02	(0.01)	0.02	(0.01)	<b>0.02</b>	<b>(0.01)</b>
<b>IDRC</b>								
Ledy SARL	Non-controlling shareholder	Management fees	2.26	(0.61)	3.39	(0.30)	<b>(3.60)</b>	–
<b>Parent Company</b>								
Prime Metro BMD Corporation	Common shareholder	Construction services <sup>(ix)</sup>	21.85	(1.99)	13.05	(1.49)	<b>3.32</b>	<b>0.13</b>
		Dredging services <sup>(ix)</sup>	5.36	–	–	–	<b>2.31</b>	–
		Sublease <sup>(x)</sup>	0.32	0.08	0.45	0.27	–	<b>0.09</b>
Prime Metro Power Holdings Corporation	Common shareholder	Reimbursement of operating expenses	0.05	0.04	0.07	0.07	<b>0.02</b>	<b>0.08</b>
		Sublease <sup>(x)</sup>	0.08	–	0.16	(0.01)	–	<b>(0.01)</b>
Prime Metro Infrastructure Holdings Corporation	Common shareholder	Reimbursement of operating expenses	–	–	0.02	–	<b>0.09</b>	<b>0.04</b>
		Sublease <sup>(x)</sup>	0.08	(0.01)	0.68	0.14	–	<b>0.07</b>
FAMI	Joint Venture	Reimbursement of operating expenses	0.13	(0.01)	0.03	0.34	<b>0.04</b>	<b>0.42</b>
		Management fees	0.87	(0.19)	1.33	(0.25)	<b>0.28</b>	<b>(0.19)</b>
PSHI	Common shareholder	Acquisition of shares of stock	–	–	51.24	–	–	–

(Forward)

Related Party	Relationship	Nature of Transaction	2020	2021		2022		
			Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance
<i>(In Millions)</i>								
<b>CGT</b>								
Prime Metro BMD Corporation	Common shareholder	Contract administration and site management services <sup>(x)</sup>	0.11	–	–	–	–	–
<b>ROHQ</b>								
MNHPI (consolidated effective September 8, 2022)	Common shareholder	Professional fees	–	–	0.25	–	<b>0.33</b>	–

(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 interest-bearing loan, and interest receivable from SPIA as at 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, rental and other transactions paid by YICT to YPH and YPG.

(v) Starting October 2020 and for a period of two years, YPHT outsources its domestic container terminal business to YICT.

(vi) 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.

(vii) 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.

(viii) Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.

(ix) ICTSI has entered into contracts with Prime Metro BMD Corporation for the construction of port facilities.

(x) ICTSI has entered into contracts with Prime Metro BMD Corporation, Prime Metro Power Holdings Corporation and Prime Metroline Infrastructure Holdings Corporation for the sublease of office space.

(xi) CGT has entered into contract with Prime Metro BMD Corporation for contract administration and site management services.

(xii) 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 payable without the need for demand.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2020, 2021 and 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## **PART V – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

#### **Compliance with Leading Practices on Corporate Governance**

The Company's foundation of corporate governance was established in the Manual of Corporate Governance (CG Manual) which was originally submitted to the Philippine Securities and Exchange Commission on 2011. The CG Manual was further revised and updated in 2014 and 2017. It essentially involves balancing the interests of many stakeholders and provides the framework for attaining strategic objectives through a combination of internal and external mechanisms such as the structure of the Board of Directors, the oversight it exercises over Management, and the formulation of sound policies and controls.

The responsibility in evaluating the compliance by ICTSI with the CG Manual and the applicable rules and regulations of regulatory agencies is vested by the Board of Directors upon the Compliance Officer. From 2016 until January 18, 2023, Mr. Rafael D. Consing, Jr., Senior Vice President, Chief Financial Officer, concurrently served as Compliance Officer. Following the retirement of Mr. Consing, the Board of Directors then appointed Mr. Christian R. Gonzalez, Executive Vice President.

#### *CG Manual Compliance Monitoring*

In line with this, the Company, through its Compliance Officer, measures the Company's compliance with the Manual of Corporate Governance, through, among others, the following:

- a. Annual review by the Board of Directors of ICTSI's Purpose and Values;
- b. Annual Board Self-Assessment;
- c. Evaluation by the Board of Directors of the corporate governance performance of the Chairman of the Board, President, Chief Risk Officer, Compliance Officer and Head of Internal Audit; and
- d. Evaluation by the Board and Senior Management of the compliance with the leading practices on corporate governance through the submission of the Integrated Annual Corporate Governance (IACGR) and accomplishment of the ASEAN Corporate Governance Scorecard (ACGS).

One of the evaluations implemented through the Office of the Compliance Officer is the Annual Corporate Governance Assessment (ACG Assessment). Each members of the Board assesses their individual and group performance based on the CG Manual as well as the IACGR and ACGS. The Board also makes a similar assessment for the Chairman of the Board, President, Chief Risk Officer, Compliance Officer and Head of Internal Audit. The evaluation results are presented to all those concerned for any necessary recommendations to further improve corporate governance in the Company.

#### *Full Compliance*

The Company has not deviated from its CG Manual. To further enhance ICTSI's adherence to principles and practices of good corporate governance, the Company has taken the following measures:

- a. Engagement of services of an independent third-party evaluator for the 2022 qAnnual Corporate Governance Assessment;
- b. Establishment of a Board level of the Environmental, Social, and Governance Committee chaired by the Chief Justice Diosdado M. Peralta (ret.) with Mr. Stephen A. Paradies and Cesar A. Buenaventura as members;
- c. Appointment of the Executive Vice President, Mr. Christian Martin R. Gonzalez as Chief Sustainability Officer;

- d. Engagement of services of the SEC accredited training provider, Center for Global Best Practices, for the 2022 Corporate Governance Training held on December 2, 2022 and attended by the Board of Directors, Compliance Officer, Chief Risk Officer, Corporate Secretary and Assistant Corporate Secretaries and the Senior Management of the Company;
- e. Annual attestation by the Chief Executive Officer or Terminal Manager and the Chief Financial Officer of each ICTSI subsidiary that the subsidiary abides ICTSI's purposes and values, implements the directives of ICTSI's Manual on Corporate Governance and Code of Business Conduct, conforms with all the applicable Information Technology-related standards as provided by relevant laws, government policies and rules and industry regulations, has established corporate disclosure policies and procedures in coordination with ICTSI's Investor Relations Office and in accordance with regulatory requirements, maintains appropriate accounting policies and management actions for internal control over Financial Reporting (ICFR) – Control Evaluation Template, has identified all major risks at the entity level (ERM) for the Company and has developed appropriate management actions that will mitigate the impact of these risks on business operations at the level of risk appetite set by management, treats all shareholders fairly and equitably; recognizes, protects, and facilitates the exercise of their rights; and encourages active shareholder participation; respects the rights of its stakeholders, implements policies, programs and procedures that encourage its employees to actively participate in the realization of the Company's goals and in its governance, and is socially responsible in all its dealings with its immediate communities and ensures that its interactions serve the environment and stakeholders in a positive and progressive manner, follows and implements the directives of the ICTSI CG Manual; and
- f. Webinars across the ICTSI Group to continually ensure the proper adoption of the ICTSI Group Policies, including, but not limited to, the Code of Business Conduct, Anti-Bribery Policy, Principles on Human Capital and Diversity and Equal Opportunity Policy.

## PART VI – EXHIBITS AND SCHEDULES

### Item 14. Reports on SEC Form 17-C

The following is a summary of submissions of SEC Form 17-C filed during the year 2022:

Feb 18, 2022	ICTSI Full Year 2021 Investors' Briefing Notice
Feb 22, 2022	Notice of 2022 Annual Stockholders' Meeting
Feb 24, 2022	Awarding of ICTSI shares under SIP
Feb 24, 2022	Share Buy-Back Transactions
Mar 03, 2022	Declaration of Cash Dividends (Regular)
Mar 03, 2022	Declaration of Cash Dividends (Special)
Mar 03, 2022	ICTSI Full Year 2021 Earnings Release
Apr 21, 2022	Results of Annual or Special Stockholders' Meeting
Apr 21, 2022	Results of Organizational Meeting of Board of Directors
Apr 26, 2022	ICTSI First Quarter 2022 Investors' Briefing Notice
May 05, 2022	ICTSI First Quarter 2022 Earnings Release
Jun 15, 2022	Share Buy-Back Transactions
Jun 16, 2022	Share Buy-Back Transactions
Jun 17, 2022	Share Buy-Back Transactions
Jun 24, 2022	Share Buy-Back Transactions
Jul 01, 2022	DIPSSCOR to unwind its operations at Sasa Wharf, Port of Davao
Jul 14, 2022	IRB Logistica Ltda. partners with Tracker Logistica to form iTracker Logistica Inteligente (“iTracker”)
Jul 20, 2022	Share Buy-Back Transactions
Jul 22, 2022	ICTSI Second Quarter 2022 Investors' Briefing Notice
Jul 27, 2022	ICTSI to acquire majority ownership in a multi-purpose terminal in Lamongan Regency, East Java, Indonesia
Aug 04, 2022	ICTSI Second Quarter 2022 Earnings Release
Sep 05, 2022	Formation of a joint venture company in the Philippines to operate domestic and international ocean, air and land freight forwarding and logistics
Sep 13, 2022	Sale of shares of Hijo International Port Services, Inc. (HIPSI) by ICTSI wholly owned subsidiary
Sep 23, 2022	Appointment of new Data Protection Officer
Oct 03, 2022	Share Buy-Back Transactions
Oct 04, 2022	Share Buy-Back Transactions
Oct 27, 2022	ICTSI Third Quarter 2022 Investors' Briefing Notice
Nov 04, 2022	Share Buy-Back Transactions
Nov 07, 2022	ICTSI Third Quarter 2022 Earnings Release
Dec 01, 2022	Appointment of new Data Protection Officer
Dec 02, 2022	Update on Sudan Project
Dec 20, 2022	ICTSI secures new 30 years Lease (BCT)
Dec 27, 2022	ICTSI acquires Marubeni Corporation's 20% share in BIPI

*Note: Unless otherwise indicated, no financial statements were filed with the above reports.*

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer, thereunto duly authorized, in the City of Manila on March 3, 2023.

### INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.


Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated.

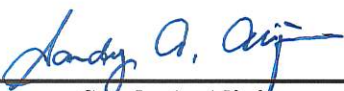
By:

  
\_\_\_\_\_  
**Enrique K. Razon, Jr.**  
Chairman and President

Date: March 3, 2023

  
\_\_\_\_\_  
**Emilio Manuel D. Pascua**  
Chief Financial Officer

Date: March 3, 2023

  
\_\_\_\_\_  
**Sandy A. Alipio**  
Senior Vice President, Global  
Financial Controller and Chief  
Risk Officer

Date: March 3, 2023

  
\_\_\_\_\_  
**Benjamin M. Gorospe III**  
Asst. Corporate Secretary


Date: March 3, 2023

SUBSCRIBED AND SWORN to before me this 3<sup>rd</sup> day of March 2023 affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon, Jr.	P6820100A	19 April 2018	Manila
Emilio Manuel D. Pascua	P5670006A	18 January 2018	Manila
Sandy A. Alipio	P9263478A	23 October 2018	Manila
Benjamin M. Gorospe III	P7122902B	6 July 2021	Manila

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Book No. 1  
Series of 2023.



  
**Atty. Carmeline Q. Viniegra**  
Commission No. 2022-107  
Notary Public of Manila City  
Until December 31, 2023  
ICTSI Admin Building Port of Manila  
PTR No. 0468720 6/15/2022 Manila City  
IBP Lifetime No. 012286; Cavite Roll No. 59708  
MCLE Compliance No. VI-0031547 4/14/2022

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EXCELLENCE UNCONTAINED

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of International Container Terminal Services, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of and for the years ended December 31, 2020, 2021 and 2022, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature of Enrique K. Razon, Jr.
Enrique K. Razon, Jr.
Chairman and President

Signature of Emilio Manuel D. Pascua
Emilio Manuel D. Pascua
Chief Financial Officer

Signature of Sandy A. Alipio
Sandy A. Alipio
Senior Vice President, Global Financial Controller and Chief Risk Officer

Signed this 3rd day of March 2023.

SUBSCRIBED AND SWORN to before me this 3rd day of March 2023 affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

Table with 4 columns: NAMES, PASSPORT NO., DATE OF ISSUE, PLACE OF ISSUE. Rows include Enrique K. Razon, Jr., Emilio Manuel D. Pascua, and Sandy A. Alipio.

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Book No. 1
Series of 2023.



Signature of Atty. Carmeline Q. Viniegra
Atty. Carmeline Q. Viniegra
Commission No. 2022-107
Notary Public of Manila City
Until December 31, 2023
ICTSI Admin Building Port of Manila
PTR No. 0468720 6/15/2022 Manila City
IBP Lifetime No. 012286; Cavite Roll No. 59708
MCLE Compliance No. VI-0031547 4/14/2022



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of International Container Terminal Services, Inc. (ICTSI) and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2020, 2021 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### ***Impairment Testing of Goodwill and Nonfinancial Assets with Impairment Indicators***

Under PFRSs, the Group is required to annually perform an impairment test of the carrying amounts of its goodwill. When indicators of impairment exist, the Group is also required to test for impairment its other nonfinancial assets. The impairment testing is significant to our audit because the balance of goodwill and nonfinancial assets with impairment indicators of certain subsidiaries aggregating to US\$364.8 million as of December 31, 2022 is material to the consolidated financial statements. In addition, management's assessment process involves significant judgment and estimation based on assumptions which are affected by market or economic conditions in the country where the cash-generating unit (CGU) operates. For value-in-use calculation of certain CGUs, the assumptions used in the forecasted free cash flows include forecasted revenue growth, earnings before interest, tax, depreciation and amortization (EBITDA) margins at the CGU level, capital expenditures and weighted average cost of capital.

The Group's disclosures about the impairment testing of goodwill and other nonfinancial assets are included in Notes 3 and 11 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist to assist us in evaluating the assumptions and methodologies used by the Group in determining recoverable amount, which is the higher of value-in-use and fair value less costs of disposal. For the value-in-use calculation of certain CGUs, the assumptions used in the forecasted free cash flows include revenue growth, EBITDA margins at the CGU level, capital expenditures and weighted average cost of capital. We reviewed the bases and assumptions for estimates of free cash flows, particularly those relating to the forecasted revenue growth and EBITDA margins at the CGU level, by comparing against historical performance of the CGU, or comparable country, regional or global market data or against the historical performance of other subsidiaries of the Group in the region. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill and other nonfinancial assets. We also tested the mathematical accuracy of the calculation.

### ***Recognition and Measurement of Deferred Income Taxes***

The Group operates port terminals in twenty (20) countries through several domestic and foreign subsidiaries that are governed by varying and complex income tax laws and regulations. Accordingly, management's assessment process for the recognition and measurement of deferred tax assets and liabilities involves the exercise of significant judgments and estimations using assumptions that are sensitive to future market or economic conditions as well as the forecasted performance of the relevant subsidiaries in the Group. As of December 31, 2022, the Group recognized deferred tax assets amounting to US\$392.9 million and deferred tax liabilities amounting to US\$262.3 million.

The Group's disclosure about deferred tax assets and liabilities are included in Notes 3 and 22 to the consolidated financial statements.



### *Audit Response*

We involved our internal specialists in the countries where the Group's port terminals are located to review management's recognition and calculations of deferred taxes. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecasts and tax planning strategies to support the realizability of the amounts recognized. We evaluated management's forecasts by comparing revenue growth and EBITDA margins. We reviewed the bases and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth and EBITDA margins, which we compared against historical performance and available comparable market data, taking into consideration the impact associated with coronavirus pandemic. We also reviewed the timing of the reversal of future taxable and deductible temporary differences. We also reviewed the bases for recognition of deferred tax liabilities on undistributed cumulative earnings of certain subsidiaries by reviewing the historical and forecasted dividend declaration made by those subsidiaries.

### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

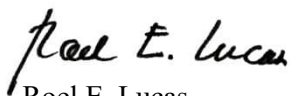


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Roel E. Lucas.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-095-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564645, January 3, 2023, Makati City

March 3, 2023



# INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2021	December 31, 2022
<b>ASSETS</b>			
<b>Noncurrent Assets</b>			
Intangibles (Notes 1, 5, 16, 21 and 25)	US\$2,043,267,378	US\$2,077,304,536	US\$2,407,343,955
Property and equipment (Notes 1, 6, 16, 21 and 25)	1,414,070,941	1,510,840,297	1,655,697,582
Right-of-use assets (Notes 1, 7 and 21)	612,137,861	664,266,147	723,831,838
Investment properties (Notes 8 and 21)	7,004,636	6,374,130	5,809,337
Investments in and advances to joint ventures and associate (Notes 1, 9 and 23)	444,596,909	449,201,522	250,265,699
Deferred tax assets (Notes 1, 3, 4 and 22)	342,762,156	337,753,614	392,885,603
Other noncurrent assets (Notes 1, 10, 11, 16, 21, 24, 25, 26 and 27)	362,266,865	323,172,170	352,988,089
<b>Total Noncurrent Assets</b>	<b>5,226,106,746</b>	<b>5,368,912,416</b>	<b>5,788,822,103</b>
<b>Current Assets</b>			
Cash and cash equivalents (Notes 1, 12, 27 and 28)	734,831,780	657,593,529	838,939,670
Receivables (Notes 1, 3, 13 and 28)	129,332,074	135,012,389	157,911,285
Spare parts and supplies (Notes 1 and 3)	38,257,648	42,166,135	52,868,258
Prepaid expenses and other current assets (Notes 1, 14, and 27)	66,795,804	62,775,308	207,450,090
Derivative assets (Notes 10 and 27)	–	–	7,628,298
<b>Total Current Assets</b>	<b>969,217,306</b>	<b>897,547,361</b>	<b>1,264,797,601</b>
	<b>US\$6,195,324,052</b>	<b>US\$6,266,459,777</b>	<b>US\$7,053,619,704</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>			
Capital stock:			
Preferred stock (Note 15)	US\$236,222	US\$236,222	US\$236,222
Common stock (Note 15)	67,330,188	67,330,188	67,330,188
Additional paid-in capital (Notes 15 and 20)	570,438,593	572,814,879	573,980,749
Cost of shares held by subsidiaries (Note 15)	(83,675,460)	(72,492,481)	(72,492,481)
Treasury shares (Notes 15 and 20)	(4,431,257)	(12,481,187)	(39,991,203)
Excess of consideration over the carrying value of non-controlling interests acquired or disposed (Notes 1 and 15)	(147,925,144)	(171,875,534)	(172,684,906)
Retained earnings (Note 15)	216,934,369	346,227,001	687,449,513
Perpetual capital securities (Note 15)	1,246,777,033	795,224,279	583,162,965
Other comprehensive loss - net (Notes 3, 9, 10, 15, 24 and 27)	(185,068,796)	(203,295,485)	(198,410,686)
<b>Total equity attributable to equity holders of the parent</b>	<b>1,680,615,748</b>	<b>1,321,687,882</b>	<b>1,428,580,361</b>
<b>Equity Attributable to Non-controlling Interests (Note 15)</b>	<b>181,003,826</b>	<b>189,891,121</b>	<b>298,091,602</b>
<b>Total Equity</b>	<b>1,861,619,574</b>	<b>1,511,579,003</b>	<b>1,726,671,963</b>
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion (Notes 5, 6, 16, 21 and 27)	1,714,670,858	2,068,771,450	1,693,953,701
Concession rights payable - net of current portion (Notes 1, 5, 21, 25 and 27)	692,626,709	711,846,090	740,188,980
Lease liabilities - net of current portion (Notes 1, 7, and 27)	1,214,204,198	1,253,371,229	1,328,112,398
Deferred tax liabilities (Notes 4 and 22)	159,014,133	182,930,636	262,345,660
Other noncurrent liabilities (Notes 17, 24 and 27)	62,660,659	41,844,164	36,517,230
<b>Total Noncurrent Liabilities</b>	<b>3,843,176,557</b>	<b>4,258,763,569</b>	<b>4,061,117,969</b>
<b>Current Liabilities</b>			
Loans payable (Notes 18 and 27)	2,828,374	5,032,970	337,020,000
Accounts payable and other current liabilities (Notes 17, 19, 21, 23 and 26)	353,628,475	321,863,798	392,329,036
Current portion of long-term debt (Notes 5, 6, 16, 21 and 27)	49,807,882	76,836,083	439,893,717
Current portion of concession rights payable (Notes 1, 5, 25 and 27)	10,700,998	11,188,766	14,227,765
Current portion of lease liabilities (Notes 1, 7, and 27)	20,573,275	29,223,519	25,585,758
Income tax payable (Notes 4 and 22)	43,289,864	46,411,741	56,773,496
Derivative liabilities (Notes 17 and 27)	9,699,053	5,560,328	–
<b>Total Current Liabilities</b>	<b>490,527,921</b>	<b>496,117,205</b>	<b>1,265,829,772</b>
<b>Total Liabilities</b>	<b>4,333,704,478</b>	<b>4,754,880,774</b>	<b>5,326,947,741</b>
	<b>US\$6,195,324,052</b>	<b>US\$6,266,459,777</b>	<b>US\$7,053,619,704</b>

See accompanying Notes to Consolidated Financial Statements.



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

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Years Ended December 31</b>		
	2020	2021	2022
<b>INCOME</b>			
Gross revenues from port operations (Notes 4 and 25)	US\$1,505,499,942	US\$1,865,020,500	US\$2,242,991,855
Interest income (Notes 12 and 23)	19,288,909	22,213,250	39,052,181
Foreign exchange gain (Note 28)	4,891,016	8,109,442	14,471,422
Equity in net profit of joint ventures and an associate - net (Note 9)	–	–	1,986,758
Other income (Notes 1, 8, 17, 21 and 27)	16,264,054	29,834,168	18,995,870
	<u>1,545,943,921</u>	<u>1,925,177,360</u>	<u>2,317,498,086</u>
<b>EXPENSES</b>			
Port authorities' share in gross revenues (Notes 1, 7, 21, 23 and 25)	175,038,140	202,638,705	221,604,018
Manpower costs (Notes 20, 23 and 24)	239,631,866	268,452,620	299,779,275
Equipment and facilities-related expenses (Notes 7, 23 and 25)	102,018,001	127,624,643	166,227,979
Administrative and other operating expenses (Notes 7 and 23)	111,983,408	127,247,842	146,107,794
Depreciation and amortization (Notes 5, 6, 7 and 8)	230,136,959	246,993,685	266,717,816
Interest expense and financing charges on borrowings (Notes 16, 18, and 27)	109,692,555	118,483,773	126,470,885
Interest expense on concession rights payable (Note 5)	52,870,044	58,255,441	62,698,820
Interest expense on lease liabilities (Note 7)	97,402,306	114,298,044	119,722,451
Equity in net loss of joint ventures and an associate - net (Note 9)	12,269,308	350	–
Foreign exchange loss (Note 28)	9,128,357	7,164,303	6,473,690
Impairment losses on goodwill and nonfinancial assets (Notes 3, 5, 10 and 11)	180,306,901	6,701,426	16,013,234
Other expenses (Notes 1, 16, 21, 22, 23 and 27)	30,693,480	45,357,429	55,557,666
	<u>1,351,171,325</u>	<u>1,323,218,261</u>	<u>1,487,373,628</u>
<b>CONSTRUCTION REVENUE (EXPENSE) (Note 25)</b>			
Construction revenue	99,958,228	61,944,312	61,520,936
Construction expense	(99,958,228)	(61,944,312)	(61,520,936)
	–	–	–
<b>INCOME BEFORE INCOME TAX</b>	<u>194,772,596</u>	<u>601,959,099</u>	<u>830,124,458</u>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 22)			
Current	78,733,601	139,857,135	176,547,020
Deferred	(23,604,229)	(15,440,479)	(23,889,387)
	<u>55,129,372</u>	<u>124,416,656</u>	<u>152,657,633</u>
<b>NET INCOME</b>	<u>US\$139,643,224</u>	<u>US\$477,542,443</u>	<u>US\$677,466,825</u>
<b>Attributable To</b>			
Equity holders of the parent	US\$101,764,236	US\$428,568,591	US\$618,464,708
Non-controlling interests	37,878,988	48,973,852	59,002,117
	<u>US\$139,643,224</u>	<u>US\$477,542,443</u>	<u>US\$677,466,825</u>
<b>Earnings Per Share (Note 29)</b>			
Basic	US\$0.020	US\$0.181	US\$0.287
Diluted	0.020	0.181	0.287

See accompanying Notes to Consolidated Financial Statements.



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

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	2020	2021	2022
<b>NET INCOME FOR THE YEAR</b>	US\$139,643,224	US\$477,542,443	US\$677,466,825
<b>OTHER COMPREHENSIVE GAIN (LOSS)</b>			
<i>Items to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations' financial statements (Note 15)	3,516,392	(34,297,719)	(38,780,547)
Net change in unrealized mark-to-market values of derivatives (Notes 15 and 27)	(21,893,133)	24,289,950	29,412,771
Net unrealized mark-to-market gain (loss) on financial assets at FVOCI (Notes 10 and 15)	(258,230)	394,483	11,408,083
Net unrealized gain removed from equity and transferred to profit or loss	–	5,766,664	–
Share of other comprehensive gain (loss) of joint ventures (Notes 9 and 15)	7,687,495	(8,972,613)	(14,686,719)
Income tax relating to components of other comprehensive loss (Note 27)	(1,206,914)	(4,861,888)	(4,145,874)
	(12,154,390)	(17,681,123)	(16,792,286)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>			
Share of other comprehensive gain (loss) of joint ventures (Notes 9 and 15)	(360,769)	46,764	124,037
Actuarial gains (losses) on defined benefit plans - net of tax (Notes 15 and 24)	(1,372,412)	(420,211)	178,002
	(1,733,181)	(373,447)	302,039
	(13,887,571)	(18,054,570)	(16,490,247)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	US\$125,755,653	US\$459,487,873	US\$660,976,578
<b>Attributable To</b>			
Equity holders of the parent	US\$79,276,887	US\$410,341,902	US\$623,349,507
Non-controlling interests	46,478,766	49,145,971	37,627,071
	US\$125,755,653	US\$459,487,873	US\$660,976,578

See accompanying Notes to Consolidated Financial Statements.





# INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022

Attributable to Equity Holders of the Parent (Note 15)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by a Subsidiary	Treasury Shares	Excess of Consideration over the Carrying Value of Non-controlling Interests acquired or disposed	Retained Earnings	Perpetual Capital Securities	Other Comprehensive Loss - net	Total	Attributable to Non-controlling Interests	Total Equity
Balance at December 31, 2019	US\$236,222	US\$67,330,188	US\$549,379,899	(US\$72,492,481)	(US\$1,769,114)	(US\$83,012,573)	(US\$146,647,844)	US\$300,951,814	US\$1,018,513,566	(US\$162,581,447)	US\$1,469,908,230	US\$164,618,113	US\$1,634,526,343
Net income for the year	–	–	–	–	–	–	–	101,764,236	–	–	101,764,236	37,878,988	139,643,224
Other comprehensive income (Note 15)	–	–	–	–	–	–	–	–	–	(22,487,349)	(22,487,349)	8,599,778	(13,887,571)
Total comprehensive income for the year (Note 15)	–	–	–	–	–	–	–	101,764,236	–	(22,487,349)	79,276,887	46,478,766	125,755,653
Cash dividends (Note 15)	–	–	–	–	–	–	–	(130,039,722)	–	–	(130,039,722)	(38,067,058)	(168,106,780)
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(54,519,221)	–	–	(54,519,221)	–	(54,519,221)
Share-based payments (Note 20)	–	–	4,214,999	–	–	–	–	–	–	–	4,214,999	–	4,214,999
Issuance of treasury shares for share-based payments (Notes 15 and 20)	–	–	(4,120,334)	–	–	4,120,334	–	–	–	–	–	–	–
Sale of treasury shares (Note 15)	–	–	20,964,029	–	–	74,460,982	–	–	–	–	95,425,011	–	95,425,011
Acquisition of ICTSI shares by subsidiary (Note 15.3)	–	–	–	–	(9,413,865)	–	–	–	–	–	(9,413,865)	–	(9,413,865)
Transfer of shares to NCI in SPICTL (Notes 1.2 and 15.4)	–	–	–	–	–	–	(1,277,300)	–	–	–	(1,277,300)	7,541,105	6,263,805
Capital contribution of NCI	–	–	–	–	–	–	–	–	–	–	–	432,900	432,900
Issuance and exchange of perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(1,222,738)	228,263,467	–	227,040,729	–	227,040,729
Balance at December 31, 2020	US\$236,222	US\$67,330,188	US\$570,438,593	(US\$72,492,481)	(US\$11,182,979)	(US\$4,431,257)	(US\$147,925,144)	US\$216,934,369	US\$1,246,777,033	(US\$185,068,796)	US\$1,680,615,748	US\$181,003,826	US\$1,861,619,574
Balance at December 31, 2020	US\$236,222	US\$67,330,188	US\$570,438,593	(US\$72,492,481)	(US\$11,182,979)	(US\$4,431,257)	(US\$147,925,144)	US\$216,934,369	US\$1,246,777,033	(US\$185,068,796)	US\$1,680,615,748	US\$181,003,826	US\$1,861,619,574
Net income for the year	–	–	–	–	–	–	–	428,568,591	–	–	428,568,591	48,973,852	477,542,443
Other comprehensive income (Note 15)	–	–	–	–	–	–	–	–	–	(18,226,689)	(18,226,689)	172,119	(18,054,570)
Total comprehensive income for the year (Note 15)	–	–	–	–	–	–	–	428,568,591	–	(18,226,689)	410,341,902	49,145,971	459,487,873
Cash dividends (Note 15)	–	–	–	–	–	–	–	(205,881,257)	–	–	(205,881,257)	(28,461,788)	(234,343,045)
Share-based payments (Note 20)	–	–	5,713,209	–	–	–	–	–	–	–	5,713,209	–	5,713,209
Issuance of treasury shares for share-based payments (Notes 15 and 20)	–	–	(3,336,923)	–	–	3,336,923	–	–	–	–	–	–	–
Acquisition of ICTSI shares held by a subsidiary (Note 15.3)	–	–	–	–	11,182,979	(11,386,853)	–	–	–	–	(203,874)	–	(203,874)
Acquisition/sale of NCI (Notes 1.2 and 15.4)	–	–	–	–	–	–	(23,950,390)	–	–	–	(23,950,390)	(11,796,888)	(35,747,278)
Redemption and repurchase of perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(32,202,064)	(451,552,754)	–	(483,754,818)	–	(483,754,818)
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(61,192,638)	–	–	(61,192,638)	–	(61,192,638)
Balance at December 31, 2021	US\$236,222	US\$67,330,188	US\$572,814,879	(US\$72,492,481)	US\$–	(US\$12,481,187)	(US\$171,875,534)	US\$346,227,001	US\$795,224,279	(US\$203,295,485)	US\$1,321,687,882	US\$189,891,121	US\$1,511,579,003
Balance at December 31, 2021	US\$236,222	US\$67,330,188	US\$572,814,879	(US\$72,492,481)	US\$–	(US\$12,481,187)	(US\$171,875,534)	US\$346,227,001	US\$795,224,279	(US\$203,295,485)	US\$1,321,687,882	US\$189,891,121	US\$1,511,579,003
Net income for the year	–	–	–	–	–	–	–	618,464,708	–	–	618,464,708	59,002,117	677,466,825
Other comprehensive income (Note 15)	–	–	–	–	–	–	–	–	–	4,884,799	4,884,799	(21,375,046)	(16,490,247)
Total comprehensive income for the year (Note 15)	–	–	–	–	–	–	–	618,464,708	–	4,884,799	623,349,507	37,627,071	660,976,578
Cash dividends (Note 15)	–	–	–	–	–	–	–	(237,686,841)	–	–	(237,686,841)	(62,666,114)	(300,352,955)
Share-based payments (Note 20)	–	–	5,466,020	–	–	–	–	–	–	–	5,466,020	–	5,466,020
Issuance of treasury shares for share-based payments (Notes 15 and 20)	–	–	(4,300,150)	–	–	4,300,150	–	–	–	–	–	–	–
Acquisition of treasury shares (Note 15.1)	–	–	–	–	–	(31,810,166)	–	–	–	–	(31,810,166)	–	(31,810,166)
Acquisition/sale of NCI (Notes 1.2 and 15.4)	–	–	–	–	–	–	(809,372)	–	–	–	(809,372)	(2,206,025)	(3,015,397)
Consolidation of MNHPI	–	–	–	–	–	–	–	–	–	–	–	136,123,613	136,123,613
Disposal of HIPS	–	–	–	–	–	–	–	–	–	–	–	(678,064)	(678,064)
Redemption and repurchase of perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(10,528,677)	(212,061,314)	–	(222,589,991)	–	(222,589,991)
Distributions on perpetual capital securities (Note 15)	–	–	–	–	–	–	–	(29,026,678)	–	–	(29,026,678)	–	(29,026,678)
Balance at December 31, 2022	US\$236,222	US\$67,330,188	US\$573,980,749	(US\$72,492,481)	US\$–	(US\$39,991,203)	(US\$172,684,906)	US\$687,449,513	US\$583,162,965	(US\$198,410,686)	US\$1,428,580,361	US\$298,091,602	US\$1,726,671,963

See accompanying Notes to Consolidated Financial Statements.



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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	2020	2021	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	US\$194,772,596	US\$601,959,099	US\$830,124,458
Adjustments for:			
Depreciation and amortization (Notes 5, 6, 7 and 8)	230,136,959	246,993,685	266,717,816
Interest expense on:			
Borrowings (Notes 16 and 18)	109,692,555	118,483,773	126,470,885
Lease liabilities (Note 7)	97,402,306	114,298,044	119,722,451
Concession rights payable (Note 5)	52,870,044	58,255,441	62,698,820
Loss (gain) on:			
Sale of a subsidiary (Notes 1.5 and 21.1)	–	–	(2,238,020)
Disposal of property and equipment - net (Note 21)	122,041	(1,140,608)	(174,928)
Write-off of debt issuance costs and other non-cash expenses (Notes 16 and 21)	658,333	4,127,604	13,382,990
Interest income (Notes 12 and 23)	(19,288,909)	(22,213,250)	(39,052,181)
Impairment losses on goodwill and nonfinancial assets (Notes 5, 10 and 11)	180,306,901	6,701,426	16,013,234
Share-based payments (Notes 15 and 20)	4,243,851	4,658,910	5,622,324
Unrealized foreign exchange loss (gain)	431,633	4,740,489	(2,551,806)
Equity in net loss (profit) of joint ventures and an associate - net (Note 9)	12,269,308	350	(1,986,758)
Unrealized mark-to-market gain on derivatives - net	–	–	(1,156,578)
Dividend income (Note 21)	(3,062)	(4,619)	(3,774)
Operating income before changes in working capital	863,614,556	1,136,860,344	1,393,588,933
Decrease (increase) in:			
Receivables	(4,108,970)	(18,836,365)	(8,442,106)
Spare parts and supplies	(1,522,713)	(4,669,614)	(6,164,644)
Prepaid expenses and other current assets	2,097,494	6,437,254	4,354,714
Increase (decrease) in:			
Accounts payable and other current liabilities	16,378,625	(23,845,493)	55,201,612
Pension liabilities	210,672	135,221	1,550,747
Cash generated from operations	876,669,664	1,096,081,347	1,440,089,256
Income taxes paid	(73,000,711)	(148,893,744)	(164,992,158)
Net cash flows provided by operating activities	803,668,953	947,187,603	1,275,097,098
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment (Note 6)	(49,765,899)	(88,908,050)	(237,890,068)
Intangible assets, including upfront costs deposit (Notes 5, 10 and 25)	(134,400,586)	(58,679,194)	(100,728,821)
A subsidiary (Note 1)	–	(10,327,920)	–
Additional shares in joint ventures and an associate (Notes 1 and 9)	(67,950)	–	–
Effect of business combination (Note 1.4)	–	–	18,795,894
Proceeds from disposal of:			
Property and equipment (Notes 6 and 21)	216,715	2,304,206	2,515,926
A subsidiary	–	–	2,457,007
Interest received	7,749,662	13,170,151	26,487,794
Payments for concession rights	(12,504,486)	(15,852,803)	(15,242,339)
Dividends received	3,062	4,619	3,774
Decrease (increase) in:			
Other noncurrent assets	(20,221,427)	10,326,439	(85,325,040)
Short-term investments and restricted cash	–	(6,200,000)	(136,742,700)
Advances to a joint venture	5,290,734	7,778,416	7,326,135
Net cash flows used in investing activities	(203,700,175)	(146,384,136)	(518,342,438)

(Forward)



	<b>Years Ended December 31</b>		
	2020	2021	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Long-term borrowings (Note 16)	US\$553,038,769	US\$502,659,083	US\$89,379,573
Short-term borrowings (Note 18)	292,890,675	20,089,437	475,336,862
Sale of treasury shares (Note 15)	95,425,011	-	-
Issuance and exchange of perpetual capital securities (Note 15)	227,040,729	-	-
Payments of:			
Dividends (Note 15)	(170,878,253)	(234,172,713)	(299,039,343)
Redemption and repurchase of perpetual capital securities (Note 15)	-	(483,754,818)	(222,589,991)
Interest on lease liabilities and concession rights payable	(142,206,618)	(165,380,039)	(178,360,627)
Short-term borrowings (Note 18)	(290,000,000)	(17,901,985)	(140,114,944)
Interest on borrowings	(106,154,932)	(112,491,661)	(115,156,889)
Long-term borrowings (Note 16)	(481,129,026)	(253,201,385)	(79,273,544)
Lease liabilities, including contract acquisition costs (Notes 7 and 10)	(19,997,075)	(17,975,380)	(33,661,990)
Distributions on perpetual capital securities (Note 15)	(54,519,221)	(61,192,638)	(29,026,678)
Purchase of treasury shares (Note 15)	-	-	(31,810,166)
Contribution from (acquisition of) non-controlling interests (Note 15)	432,900	(35,747,278)	(3,015,397)
Decrease in other noncurrent liabilities	(1,745,281)	(7,794,813)	(1,923,385)
Cost of acquiring ICTSI shares from a subsidiary (Note 15)	-	(203,874)	-
Acquisition of ICTSI shares by a subsidiary (Note 15)	(9,413,865)	-	-
Net cash flows used in financing activities	(107,216,187)	(867,068,064)	(569,256,519)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	7,245,214	(10,973,654)	(6,152,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	499,997,805	(77,238,251)	181,346,141
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	234,833,975	734,831,780	657,593,529
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 12)</b>			
	US\$734,831,780	US\$657,593,529	US\$838,939,670

See accompanying Notes to Consolidated Financial Statements.



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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

**1.1 General**

International Container Terminal Services, Inc. (ICTSI or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Parent Company is ICTSI Administration Building, Manila International Container Terminal South Access Road, Manila. ICTSI's common shares are publicly traded in the Philippine Stock Exchange (PSE).

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 3, 2023.

**1.2 Port Operations**

ICTSI and subsidiaries (collectively referred to as "the Group") entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. As at March 3, 2023, the Group is involved in 33 terminal operations, including concessions and port development projects, in 20 countries worldwide. There are nine terminal operations in the Philippines (including an inland container terminal, a barge terminal and combined terminal operations in Subic), three in Brazil (including an intermodal rail ramp terminal), two each in Papua New Guinea (PNG) and Indonesia, 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 an existing concession to construct, develop and operate a port in Tuxpan, Mexico.

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

*Manila International Container Terminal (MICT), Philippines.* On December 23, 2020, the Board of Investments (BOI) approved the registration of ICTSI's construction of Berth 8 of the MICT as "Expanding Operator of Seaport" on a Non-Pioneer status under the Omnibus Investment Code of 1987. Development of Berth 8 commenced in the last quarter of 2022 while completion and start of operations is estimated to happen by the last quarter of 2024. The construction of the new berth, which will be done in two phases, will allow MICT to handle increasing volume demand and serve new-generation container ships that can carry up to 18,000 twenty-foot equivalent units (TEUs).

*Port of Gdynia, Poland.* In December 2022, ICTSI which operates the multipurpose terminal at the Port of Gdynia in Poland through its subsidiary, Baltic Container Terminal (BCT), signed a new 30-year lease with the Port Authority of Gdynia S.A. (PAGSA). This new lease extends the operations of BCT, which started in 2003, until 2053.

*River Port, Matadi, Democratic Republic of Congo.* On May 25, 2021, ICTSI, through its wholly-owned subsidiary ICTSI Americas B.V. (IABV), acquired an additional stake in ICTSI DR Congo S.A (IDRC) increasing ICTSI's effective ownership from 52% to 62%. In May 2022, IABV organized a wholly-owned subsidiary, ICTSI Africa Headquarters (Pty) Ltd (IAHQ), to which IABV transferred its total ownership in IDRC. In November 2022, ICTSI, through IAHQ, sold a portion of its stake in IDRC that decreased ICTSI's effective ownership in IDRC to 58% (see Note 15.4).



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 March 3, 2023, 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 the first quarter of 2022 and is expected to be completed in the last quarter of 2023.

*Bauan, Batangas.* In December 2022, ICTSI through its wholly-owned subsidiary, IWI Container Terminal Holdings, Inc. (IWI CTHI), acquired the remaining 20% non-controlling interest in Bauan International Port, Inc. (BIPI), from Marubeni Corporation for Php507.4 million (US\$9.2 million). After the transaction, BIPI became a wholly-owned subsidiary of IWI CTHI (see Note 15.4).

*Sevilla Brokerage Incorporated (SBI), Philippines.* In September 2022, ICTSI through its subsidiary, Abbotsford Holdings, Inc. (AHI), signed a long-term partnership agreement with an individual 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 SBI from the business partner. The purchase of shares was accounted for as an acquisition of a business (see Note 1.4). Consequently, SBI became a subsidiary of ICTSI.

*Catalyst Logistics Incorporated (CLI), Philippines.* 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, CLI was incorporated on October 14, 2022. AHI initially subscribed to 51% of the total shareholdings in CLI. CLI was accounted for as a subsidiary of the Group effective October 14, 2022.

*Manila North Harbour Port, Inc (MNHPI), Philippines.* On September 21, 2017, ICTSI acquired of 34.83 percent of the total issued and outstanding shares of MNHPI. In September 2018, ICTSI signed an agreement to purchase additional shares in MNHPI. Upon approval of the acquisition of additional shares by the Philippine Competition Commission and the Philippine Ports Authority (PPA), ICTSI's shareholdings in MNHPI increased from 34.83% to 50% 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) (see Note 1.4). 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.



*Hijo Port, Davao, Philippines.* AHI entered into a share purchase agreement (SPA) with Hijo Resources Corp. (HRC), with the AHI selling all its 65% interest in Hijo International Port Services, Inc. (HIPS) 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 up to 66.67 percent in PT East Java Development (EJD), subject to fulfillment of certain conditions (see Note 1.4). 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 IABV, 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 Florianópolis intermodal rail ramp terminal facilities, in Barra Mansa City, and took over the operations of the terminal starting July 1, 2021. Florianópolis 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.

*Port of Davao, Davao, Philippines.* On April 21, 2006, the 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 extended term of the cooperation agreement between PT Makassar Terminal Services (MTS) and PT Pelabuhan Indonesia IV (Pelindo IV) for the procurement, installation and operation of container loading and unloading equipment at the Makassar Port Container Terminal, South Sulawesi, Indonesia expired on January 31, 2023. The parties mutually agreed not to renew the cooperation agreement. Immediately thereafter, MTS ceased its operations at the Makassar Port Container Terminal.



*Port of Karachi, Pakistan.* In October 2021, ICTSI, through a wholly-owned subsidiary, ICTSI Mauritius Ltd. (IML), completed the further acquisition of 15.88% of the total shares of stock of Pakistan International Container Terminal (PICT) for PKR2.7 billion (US\$15.6 million) and further increased its ownership to 80.41%.

The concession agreement between PICT and Karachi Port Trust (KPT) is for a period of 21 years until 2023. As at March 3, 2023, discussion 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, 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 further approval from the government of Madagascar that was confirmed in June 2022. ICTSI has held the concession since 2005.

*Port of Melbourne, Australia.* On August 3, 2021, Port of Melbourne (POM) 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 POM expansion works commenced in March 2022 and is expected to be completed in July 2023.

On September 15, 2021, Victoria International Container Terminal Ltd. (VICT) received the approval from the POM for the commencement of the development of the first of two sub-phases of the Phase 3 expansion plan (Phase 3A). Phase 3A includes the addition of two super-post-Panamax ship-to-shore cranes with a 22-container outreach (about 50 meters), six automated container carriers (ACCs), six automated stacking cranes (ASCs), and the construction of three-yard modules (with 325 ground slots). Phase 3A development is ongoing and upon completion in the last quarter of 2023, will increase annual capacity up to an estimated 1,250,000 TEUs.

Phase 3B of the expansion plan comprises the construction of two additional yard modules and acquisition of one additional super-post-panamax ship-to-shore crane, four ASCs and three ACCs. Depending on market conditions, development of Phase 3B may commence towards the end of 2023 and completed in 2025, and will increase the terminal's annual capacity to 1,500,000 TEUs.

*Manila Harbour Centre, Port of Manila, Philippines.* On June 1, 2021, ICTSI signed an SPA with Prime Strategic Holdings, Inc. (PSHI) to acquire 100% of the shares of Manila Harbor Center Port Services, Inc. (MHCPPI), operating a 10-hectare international breakbulk and bulk private port facility located at the northern side of the Manila Harbour Centre, 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 (see Note 1.4).

*Port of Onne, Rivers State, Nigeria.* ICTSI, through its Nigerian subsidiary, International Container Terminal Services Nigeria Ltd. (ICTSNL), signed an agreement with the Nigerian Port Authority in 2020, superseded in 2022. The agreement is for the development and operation of a multipurpose terminal in the Port of Onne in Rivers State, Nigeria until 2047. ICTSNL started commercial operations in May 2021.

ICTSNL will further develop and equip Berths 9, 10 and 11 of the Federal Ocean Terminal, Onne Port Complex in Rivers State, Nigeria. 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, Sudan.* On January 3, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Middle East DMCC, signed a Concession Agreement ('the Agreement') with the Sea Ports Corporation (SPC) of Sudan to operate, manage and develop the South Port Container Terminal (SPCT) at Port of Sudan, Republic of the Sudan for 20 years. The Port of Sudan is the only major modern port in the country and serves as the international gateway for more than 95% of Sudan's cargo flows.

Pursuant to the Agreement, ICTSI is required to pay: (a) an upfront fee of EUR530.0 million in installments of EUR410.0 million (US\$467.2 million) and five other installments each in the amount of EUR24.0 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 EUR26.8 million (US\$29.8 million). In November 2022 and February 2023, ICTSI received from the Sudanese Government the third and fourth partial repayment of the Upfront Fee in the amount of EUR1.0 million (US\$1.0 million) and EUR0.5 million (US\$0.5 million), respectively.

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. ICTSI reserves and continues to reserve its rights under the 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.* On October 22, 2017, ICTSI signed an agreement with General Company for Ports of Iraq (GCPI) for the Phase 2 of expansion development of the Port. The Phase 2 expansion project was substantially completed and fully operational in the fourth quarter of 2019 and involved the development of two new berths, Berths 25 and 26, including a 10.2-hectare yard area and installation of three new quay cranes. Additional yard area of 0.9 hectares and 3.8 hectares were further completed in January 2020 and December 2021, respectively. The 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 was 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 March 3, 2023, management continues to negotiate its options on the concession, and evaluate the long-term plans for the land.

*Port of Kribi, Cameroon.* On July 27, 2020, the 25-year concession contract was signed by Kribi Multipurpose Terminal (KMT), a Cameroonian subsidiary of ICTSI, and Autonomous Port of Kribi (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.

*Lae, Papua New Guinea.* On February 15, 2020, ISPL entered into share acquisition agreements with the local communities, Ahi Terminal Services Limited (Ahi) and Labu Investment Limited (Labu), for the transfer of SPICTL shares from ISPL to Ahi and Labu with each local community acquiring a 15% stake in SPICTL. The transfer of 30% of SPICTL shares from ISPL to the local communities became effective upon the signing of the said agreements. The share transfer increased non-controlling interests by US\$7.5 million (PGK25.6 million), while ISPL retained a 70% ownership stake in SPICTL.

### 1.3 Subsidiaries, Joint Ventures and Associates

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2020		2021		2022	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
<b>Subsidiaries:</b>									
<b>Asia</b>									
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	100.00	-	100.00	-	100.00	-
ICTSI Ltd.	Bermuda	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2020		2021		2022	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
IML	Mauritius	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Aeolina Investments Limited	British Virgin Islands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Far East Pte. Ltd. (IFEL)	Singapore	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
New Muara Container Terminal Services Sdn Bhd (NMCTS)	Brunei	Port Management	Brunei Dollar	-	100.00	-	100.00	-	100.00
PT ICTSI Jasa Prima Tbk (JJP) and Subsidiaries	Indonesia	Maritime infrastructure and logistics	US Dollar	-	80.16	-	80.16	-	80.16
PT PBM Olah Jasa Andal (OJA)	Indonesia	Port Management	US Dollar	-	80.16	-	80.16	-	80.16
MTS	Indonesia	Port Management	Indonesian Rupiah	-	95.00	-	95.00	-	95.00
PT Container Terminal Systems Solutions Indonesia	Indonesia	Software Developer	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI (Hong Kong) Limited (IHKL)	Hong Kong	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Yantai International Container Terminals, Limited (YICT)	China	Port Management	Renminbi	-	51.00	-	51.00	-	51.00
Pentland International Holdings, Ltd.	British Virgin Islands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Global Procurement Ltd.	Bermuda	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Honduras Ltd.	Bermuda	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Ltd. Regional Headquarters	Philippines	Regional Headquarters	Philippine Peso	-	100.00	-	100.00	-	100.00
International Container Terminal Services (India) Private Limited <sup>(b)</sup>	India	Port Management	Indian Rupee	-	100.00	-	-	-	-
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	-	95.00	-	95.00	-	95.00
Australian International Container Terminals Limited (AICTL)	Australia	Port Management	Australian Dollar	-	70.00	-	70.00	-	70.00
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	-	100.00	-	100.00	-
AHI	Philippines	Holding Company	Philippine Peso	100.00	-	100.00	-	100.00	-
HIPS <sup>(s)</sup>	Philippines	Port Management	Philippine Peso	-	65.00	-	65.00	-	-
DIPSSCOR <sup>(m)</sup>	Philippines	Port Management	Philippine Peso	-	96.95	-	96.95	-	96.95
IWI CTHI	Philippines	Warehousing	Philippine Peso	100.00	-	100.00	-	100.00	-
IW Cargo Handlers, Inc.	Philippines	Port Equipment Rental	US Dollar	-	100.00	-	100.00	-	100.00
Container Terminal Systems Solutions Philippines, Inc.	Philippines	Software Developer	US Dollar	-	100.00	-	100.00	-	100.00
BIPI <sup>(t)</sup>	Philippines	Port Management	Philippine Peso	-	80.00	-	80.00	-	100.00
ICTSI Subic, Inc. (ICTSI Subic)	Philippines	Port Management	US Dollar	-	90.50	-	90.50	-	90.50
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	90.50	-	90.50	-	90.50	-
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	-	90.50	-	90.50	-	90.50
Cordilla Properties Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	-	100.00	-	100.00	-
South Cotabato Integrated Port Services, Inc. (SCIPSI)	Philippines	Port Management	Philippine Peso	35.82	14.41	35.82	14.41	35.82	14.41
MHCPSI <sup>(c)</sup>	Philippines	Port Management	Philippine Peso	-	-	100.00	-	100.00	-
ICTSI Dubai	United Arab Emirates	BDO	US Dollar	100.00	-	100.00	-	100.00	-
ICTSI EMEA B.V. (IEBV) [formerly ICTSI Capital B.V.]	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Icon Logistiek B.V. <sup>(j)</sup>	The Netherlands	Holding Company	US Dollar	-	100.00	-	-	-	-
Royal Capital B.V. (RCBV)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00
ICTSI Cooperatief U.A. (ICTSI Cooperatief) <sup>(n)</sup>	The Netherlands	Holding Company	US Dollar	1.00	99.00	1.00	99.00	-	-

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2020		2021		2022	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Global Container Capital, B.V. <sup>(i)</sup>	The Netherlands	Holding Company	US Dollar	-	100.00	-	-	-	-
ICTSI Treasury B.V. (ITBV)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00
ICTSI Americas B.V.(IABV)	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Africa B.V. <sup>(i)</sup>	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Sudan B.V. <sup>(i)</sup>	The Netherlands	Holding Company	US Dollar	-	100.00	-	-	-	-
CMSA B.V.	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Tecplata B.V. <sup>(i)</sup>	The Netherlands	Holding Company	US Dollar	-	100.00	-	-	-	-
SPIA Colombia B.V.	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
TSSA B.V. <sup>(i)</sup>	The Netherlands	Holding Company	US Dollar	-	100.00	-	-	-	-
CGSA B.V.	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
SPIA Spain S.L.	Spain	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
CGSA Transportadora S.L.	Spain	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Crixus Limited	British Virgin Islands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
VICT	Australia	Port Management	Australian Dollar	-	100.00	-	100.00	-	100.00
ICTSI Tuxpan B.V.	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Global Finance B.V. (IGFBV)	The Netherlands	Holding Company	US Dollar	-	75.00	-	75.00	-	75.00
IOBV	The Netherlands	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Asia Pacific Business Services, Inc. (APBS)	Philippines	Business Process Outsourcing	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Ltd. Regional Operating Headquarters (ROHQ)	Philippines	Regional Operating Headquarters	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Project Delivery Services Co. Pte. Ltd.	Singapore	Port Equipment Sale and Rental	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI QFC LLC	Qatar	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI South Asia Pte. Ltd. <sup>(ii)</sup>	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	-	60.00
ICTSI Middle East DMCC	United Arab Emirates	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Global Holdings B.V. (formerly ICTSI Global Cooperatief U.A.) <sup>(ii)</sup>	The Netherlands	Holding Company	US Dollar	99.00	1.00	99.00	1.00	99.00	1.00
Consultports S.A. de C.V.	Mexico	BDO	Mexican Peso	-	100.00	-	100.00	-	100.00
Asiastar Consultants Limited	Hong Kong	Management Services	US Dollar	-	100.00	-	100.00	-	100.00
CGT	Philippines	Port Management	Philippine Peso	-	100.00	-	100.00	-	100.00
Intermodal Terminal Holdings, Inc.	Philippines	Holding Company	Philippine Peso	100.00	-	100.00	-	100.00	-
ICTSI Americas B.V. (Multinational Headquarters)	Panama	BDO	US Dollar	-	100.00	-	100.00	-	100.00
ISPL	Papua New Guinea	Holding Company	Papua New Guinean Kina	-	100.00	-	100.00	-	100.00
MITL	Papua New Guinea	Port Management	Papua New Guinean Kina	-	70.00	-	70.00	-	70.00
SPICTL	Papua New Guinea	Port Management	Papua New Guinean Kina	-	70.00	-	70.00	-	70.00
Tungsten RE Ltd.	Bermuda	Insurance Company	US Dollar	-	100.00	-	100.00	-	100.00
PT East Java Development (EJD) <sup>(ii)</sup>	Indonesia	Port Management	Indonesian Rupiah	-	-	-	-	66.67	-

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2020		2021		2022	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Manila North Harbour Port, Inc. (MNHPI) <sup>(a)</sup> (Subsidiary starting September 8, 2022)	Philippines	Port Management	Philippine Peso	50.00	-	50.00	-	50.00	-
SBI <sup>(a)</sup>	Philippines	Customs Broker	Philippine Peso	-	-	-	-	-	80.00
CLI <sup>(a)</sup>	Philippines	Freight Forwarder	Philippine Peso	-	-	-	-	-	51.00
ICTSI Africa Headquarters (Pty) Ltd <sup>(a)</sup>	South Africa	Holding Company	US Dollar	-	-	-	-	100.00	-
<b>Europe, Middle East and Africa (EMEA)</b>									
Tartous International Container Terminal, Inc. (TICT)	Syria	Port Management	US Dollar	100.00	-	100.00	-	100.00	-
MICTSL	Madagascar	Port Management	Euro	-	100.00	-	100.00	-	100.00
BCT	Poland	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
Adriatic Gate Container Terminal (AGCT)	Croatia	Port Management	Euro	-	51.00	-	51.00	-	51.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) <sup>(a)</sup>	Nigeria	Port Management	US Dollar	-	100.00	-	-	-	-
IDRC <sup>(a)</sup>	DR Congo	Port Management	US Dollar	-	52.00	-	62.00	-	58.00
ICTSI (M.E.) DMCC Iraq Branch (ICTSI Iraq)	Iraq	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
Africa Gateway Terminal (AGT) <sup>(a)</sup>	Sudan	Port Management	Euro	-	100.00	-	100.00	-	100.00
KMT <sup>(a)</sup>	Cameroon	Port Management	XAF	-	75.00	-	75.00	-	75.00
ICTSNL <sup>(b)</sup>	Nigeria	Port Management	US Dollar	-	85.00	-	75.00	-	75.00
PICT <sup>(a)</sup>	Pakistan	Port Management	Pakistani Rupee	-	64.53	-	80.41	-	80.41
<b>Americas</b>									
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	51.00	49.00	51.00	49.00	51.00	49.00
Contecon Manzanillo S.A. (CMSA)	Mexico	Port Management	Mexican Peso	1.00	99.00	1.00	99.00	1.00	99.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	-	100.00	-	100.00	-	100.00
ICTSI Oregon	U.S.A.	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
C. Ultramar, S.A.	Panama	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Future Water, S.A.	Panama	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Kinston Enterprise, Inc.	Panama	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
International Ports of South America and Logistics SA	Uruguay	Holding Company	US Dollar	-	100.00	-	100.00	-	100.00
Tecplata S.A. (Tecplata)	Argentina	Port Management	US Dollar	-	100.00	-	100.00	-	100.00
Nuevos Puertos S. A.	Argentina	Holding Company	US Dollar	4.00	96.00	4.00	96.00	4.00	96.00
Operadora Portuaria Centroamericana, S.A. (OPC)	Honduras	Port Management	US Dollar	30.00	70.00	30.00	70.00	30.00	70.00
TMT	Mexico	Port Management	Mexican Peso	-	100.00	-	100.00	-	100.00
CMSA Servicios Portuarios SA De CV	Mexico	Manpower Services	Mexican Peso	-	100.00	-	100.00	-	100.00
CMSA Servicios Profesionales Y De Especialistas SA De CV	Mexico	Manpower Services	Mexican Peso	-	100.00	-	100.00	-	100.00
Logipuerto S.A.	Ecuador	Logistics Solutions Provider	US Dollar	-	100.00	-	100.00	-	100.00
ICTSI Rio	Brazil	Port Management	Brazilian Real	-	100.00	-	100.00	-	100.00
IRB Logistica <sup>(a)</sup>	Brazil	Rail Ramp Terminal Management	Brazilian Real	-	-	-	100.00	-	100.00

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership						
				2020		2021		2022		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Contecon Manzanillo Logista SA de CV <sup>(k)</sup>	Mexico	Logistics Solutions Provider	Mexican Peso	-	-	-	-	-	100.00	
DF3 Empreendimento S.A (DF3) <sup>(l)</sup>	Brazil	Real Estate	Brazilian Real	-	-	-	-	-	100.00	
IRB Holding Ltda <sup>(m)</sup>	Brazil	Holding Company	Brazilian Real	-	-	-	-	-	100.00	
<b>Joint Ventures:</b>										
Sociedad Puerto Industrial Aguadulce SA (SPIA)	Colombia	Port Management	US Dollar	-	49.79	-	49.79	-	49.79	
Falconer Aircraft Management, Inc.(FAMI)	Philippines	Aircraft Management	Philippine Peso	-	49.00	-	49.00	-	49.00	
Aviation Concepts Technical Services, Inc.	Philippines	Aircraft Management	US Dollar	-	49.00	-	49.00	-	49.00	
MNHPI <sup>(n)</sup> (Joint venture until September 7, 2022)	Philippines	Port Management	Philippine Peso	50.00	-	50.00	-	50.00	-	
<b>Associate:</b>										
Asiaview Realty and Development Corporation (ARDC)	Philippines	Realty	Philippine Peso	-	49.00	-	49.00	-	49.00	

<sup>(k)</sup> Established in February 2019 and has not yet started commercial operations as at March 3, 2023

<sup>(l)</sup> Established in June 2020 and started commercial operations in May 2021; sold 10% stake to minority effective December 31, 2021

<sup>(m)</sup> Established in July 2020 and started commercial operations on October 1, 2020

<sup>(n)</sup> On March 29, 2021, request for winding up and deregistration has been approved by Nigeria Export Processing Zones Authority

<sup>(o)</sup> Acquired on June 4, 2021

<sup>(p)</sup> Acquired additional 10% stake in May 2021; sold 4% stake in November 2022

<sup>(q)</sup> Established in May 2021 and started commercial operations on July 1, 2021

<sup>(r)</sup> Dissolved effective March 19, 2021

<sup>(s)</sup> Acquired additional 15.88% stake in October 2021

<sup>(t)</sup> Effective December 31, 2021, ICTSI Sudan B.V. was merged to ICTSI Africa B.V., Tecplata B.V to Icon Logistiek B.V., and TSSA B.V., GCC B.V and Icon Logistiek B.V. to ICTSI Americas B.V.

<sup>(u)</sup> Established in December 2021 and has started commercial operations in August 2022

<sup>(v)</sup> Acquired on March 10, 2022

<sup>(w)</sup> Ceased commercial operations effective June 30, 2022.

<sup>(x)</sup> 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

<sup>(y)</sup> Organized on May 30, 2022

<sup>(z)</sup> Established on June 21, 2022

<sup>(aa)</sup> Acquired on August 16, 2022

<sup>(ab)</sup> Accounted for as a joint venture until September 7, 2022, and thereafter, as a subsidiary (see Note 1.2)

<sup>(ac)</sup> Disposed on August 31, 2022

<sup>(ad)</sup> Acquired additional 20% stake on December 23, 2022

<sup>(ae)</sup> Incorporated on October 14, 2022 with ICTSI having 51% of the shareholdings

<sup>(af)</sup> Acquired 80% shareholdings last October 21, 2022

<sup>(ag)</sup> Deregistered from Singapore Accounting and Corporate Regulatory Authority (ACRA) on December 5, 2022

#### 1.4 Purchase Price Allocation

**EJD.** On July 27, 2022, ICTSI signed a Conditional Share Subscription and Purchase Agreement (CSSPA) with Indo Port Holding Pte Ltd. (IPH) and Eastlog Holding Pte Ltd. to acquire majority share ownership up to 66.67% in PT East Java Development (EJD), subject to fulfillment of certain conditions.

Upon fulfillment of certain conditions under the CSSPA, ICTSI acquired control over East Java and consolidated starting August 16, 2022. ICTSI initially held 65% stake in EJD. In November 2022, ICTSI purchased additional shares from a noncontrolling shareholder representing 1.67% stake in EJD and was accounted for as an equity transaction (see Note 15.4).



The following are the provisional fair values of the identifiable assets and liabilities of East Java as at the date of acquisition:

<b>Assets</b>	
Concession assets	US\$8,449,779
Property and equipment	2,240,494
Cash and cash equivalents	4,104,682
Receivables	1,576,253
Prepaid expenses and other current assets	515,142
	<u>US\$16,886,350</u>
<b>Liabilities</b>	
Payables	<u>US\$12,816,638</u>
Total identifiable net assets at fair value	US\$4,069,712
Noncontrolling interests	(1,443,758)
Share in identifiable net assets	2,625,954
Goodwill arising on acquisition	2,549,046
Purchase consideration by way of subscription	<u>US\$5,175,000</u>

From the date of acquisition until December 31, 2022, EJD contributed US\$0.3 million (IDR5.2 billion) of gross revenues and US\$0.3 million (IDR5.0 billion) net loss attributable to equity holders of the Group. If the combination had taken place at the beginning of 2022, the Group's gross revenues from port operations would have increased by US\$1.2 million (IDR17.8 billion) and net income attributable to equity holders would have decreased by US\$0.4 million (IDR5.9 billion).

*SBI*. In September 2022, ICTSI through its subsidiary, AHI, signed an agreement with an individual 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 SBI from the business partner. The purchase of shares was accounted for as an acquisition of a business. Consequently, SBI became a subsidiary of ICTSI.

The following are the provisional fair values of the identifiable assets and liabilities of SBI as at the date of business combination:

<b>Assets</b>	
Cash	US\$50,899
Investment property	151,951
	<u>US\$202,850</u>
<b>Liabilities</b>	
Provision for claims	<u>US\$40,719</u>
Fair value of identifiable net assets	US\$162,131
Noncontrolling interests	(32,426)
Share in identifiable net assets	129,705
Goodwill arising on business combination	439,887
Purchase consideration satisfied in cash	<u>US\$569,592</u>



Cash paid at acquisition date	US\$569,592
Less cash and cash equivalents of SBI	50,899
<b>Net cash outflow</b>	<b>US\$518,693</b>

*MNHPI.* On September 21, 2017, ICTSI signed an SPA with Petron Corporation for the acquisition of shares representing 34.83% stake in 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 an SPA with HCPTI for the acquisition of shares representing 15.17% stake in MNHPI. The Philippine Competition Commission and the PPA approved the acquisition of additional 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 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 provisional fair values of the identifiable assets and liabilities of MNHPI as at the date of business combination:

<b>Assets</b>	
Concession assets	US\$348,333,531
Right of use assets	2,600,268
Property and equipment	407,001
Other noncurrent assets	8,409,847
Cash and cash equivalents	19,209,905
Receivables	3,630,973
Spare parts and supplies	5,262,308
Prepaid expenses and other current assets	4,933,539
	<b>US\$392,787,372</b>
<b>Liabilities</b>	
Concession payable	US\$46,739,669
Lease liability	3,470,900
Deferred tax liabilities	48,236,459
Other noncurrent liabilities	3,594,968
Accounts payable and other current liabilities	18,498,150
	<b>US\$120,540,146</b>
Fair value of identifiable net assets	US\$272,247,226
Noncontrolling interest	(136,123,613)
Fair value of previously held interest	(159,148,454)
<b>Goodwill arising on business combination</b>	<b>US\$23,024,841</b>



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 December 31, 2022, MNHPI contributed US\$33.2 million (Php1,809.7 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 US\$61.9 million (Php3,373.3 million).

*MHCPSI.* On June 1, 2021, ICTSI signed an SPA with PSHI 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 Centre, 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.

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

<b>Assets</b>	
Property and equipment	US\$190,652,008
Cash and cash equivalents	40,911,920
Receivables	1,916,784
Spare parts and supplies	192,339
Prepaid expenses and other current assets	2,400,097
	<u>US\$236,073,148</u>
<b>Liabilities</b>	
Long-term debt	US\$144,424,108
Deferred tax liabilities	33,121,263
Other noncurrent liabilities	10,623,363
Accounts payable and other current liabilities	8,054,978
Income tax payable	774,000
	<u>US\$196,997,712</u>
Total identifiable net assets at fair value	US\$39,075,436
Goodwill arising on acquisition	54,040,451
Purchase consideration satisfied in cash and additional consideration contingent at date of acquisition	<u>US\$93,115,887</u>
Cash paid at acquisition date	US\$51,239,840
Less cash and cash equivalents of MHCPSI	40,911,920
Net cash outflow	<u>US\$10,327,920</u>

The finalized fair values reflect the financial effects of adjustments on property and equipment, prepaid expenses and other current assets, deferred tax liabilities, accounts payable and other 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:

<b>Assets</b>	
Property and equipment	US\$408,913
Cash and cash equivalents	2,611,716
Receivables	46,943
Spare parts and supplies	13,932
Prepaid expenses and other current assets	43,621
	<u>US\$3,125,125</u>
<b>Liabilities</b>	
Accounts payable and other current liabilities	US\$177,972
Income tax payable	62,083
	<u>US\$240,055</u>
Net book value of assets	US\$2,885,070
Cumulative translation adjustment	1,343,557
Non-controlling interest	(678,064)
Total book value of net assets	<u>US\$3,550,563</u>
Total consideration <sup>(a)</sup>	US\$5,788,583
Gain on sale of investment in HIPS, net of tax <sup>(b)</sup>	<u>US\$2,238,020</u>

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

(b) Net of capital gains tax amounting to US\$474,346

The net gain on the sale of investment in HIPS was included as part of other income (see Note 21.1).

## 2. **Basis of Preparation and Consolidation and Statement of Compliance**

### 2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and derivative financial instruments, which have been measured at fair value. The consolidated financial statements are presented in United States dollars (US dollar, USD or US\$), the Parent Company's functional and presentation currency. All values are rounded to the nearest US dollar unit, except when otherwise indicated.



## 2.2 Basis of Consolidation

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

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

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

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

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

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

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

*Non-controlling Interests.* Non-controlling interests represent the portion of profit or loss and net assets in PICT, MTS, AICTL, CTVCC, SBITC, SBITHI, ICTSI Subic, BIPI (until December 23, 2022), DIPSSCOR, YICT, SCIPSI, RCBV, AGCT, IJP, OJA, ITBV, HIPS (until August 31, 2022), IGFBV, IDRC, LGICT, SPICTL, MITL, ICTSNL KMT, SBI, CLI, MNHPI and EJD not held by the Group and are presented separately in the consolidated statement of income and the consolidated statement of comprehensive income, and consolidated balance sheet separate from equity attributable to equity holders of the parent.

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

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



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

*Functional and Presentation Currency.* The Group's consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency. When there is a change in those underlying transactions, events and conditions, the entity re-assesses its functional currency. When there is a change in functional currency, the entity accounts for such change in accordance with the Group's accounting policy on Change in Functional Currency.

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

### 2.3 Statement of Compliance

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

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## 3. **Summary of Significant Accounting Policies, Significant Accounting Judgments, Estimates and Assumptions**

### 3.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as at January 1, 2022:

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added 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.



At the same time, the amendments 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 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.

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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 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.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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 consolidated financial statements of the Group.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines 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 consolidated financial statements of the Group as it is not a first-time adopter.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ 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.



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

- Amendments to 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.

### 3.2 Significant Accounting Judgments, Estimates and Assumptions

#### Judgments

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

*Determination of Control over an Investee Company.* Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has determined that it has the ability to direct the relevant operational activities of MNHPI in view of its technical and port management expertise to affect increased returns to the shareholders (see Note 1.4).

*Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3.* Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

*Functional Currency.* Management uses judgment in assessing the functional currency of the Parent Company and its subsidiaries. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (see Note 1.3).

*Service Concession Arrangements.* The Group has determined that the concession contracts of the Parent Company, SBITC, MICTSL, CGSA, Tecplata, AGCT, ICTSI Subic, PICT, OPC, ICTSI Iraq, SPICTL, MITL, ICTSI Rio, KMT, MNHPI and EJD are within the scope of IFRIC 12, *Service Concession Arrangements*, accounted for under the intangible asset model. The intangible assets pertaining to concession rights as at December 31, 2020, 2021 and 2022 are presented in Note 5 to the consolidated financial statements.

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



*Revenue from Contracts with Customers.* The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*  
The Group provides port services, mainly cargo handling, to its customers. The Group has determined that each of the services are capable of being distinct.
- *Determining the transaction price*  
The Group determined that the transaction price is in accordance with the tariff rates published by port authorities in certain jurisdictions or agreed rates with the customers.
- *Determining the timing of satisfaction of port services*  
The Group concluded that the revenue for port operations is to be recognized when the services are rendered.

*Deferred Tax Assets.* Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies, taking into consideration effect of significant events (i.e. COVID-19) on the macroeconomic factors used in developing the assumptions.

Deferred tax assets recognized as at December 31, 2020, 2021 and 2022 are disclosed in Note 22 to the consolidated financial statements. Unrecognized deferred tax assets on net operating loss carry-over (NOLCO) and other losses of certain subsidiaries amounted to US\$5.6 million, US\$8.2 million and US\$9.5 million as at December 31, 2020, 2021 and 2022, respectively. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on these tax losses carried forward.

*Deferred Tax Liabilities.* Deferred tax liabilities are recognized for undistributed cumulative earnings of subsidiaries in retained earnings position from which the Parent Company projects to receive distributions in the foreseeable future and where these distributions are subject to tax. Deferred taxes were not provided for undistributed cumulative earnings of subsidiaries in retained earnings position that are not taxable upon distribution or where the Parent Company has control over the distribution of such earnings in the foreseeable future, as these may be earmarked for reinvestment in foreign port projects (see Note 15.5) or for other reasons. As at December 31, 2022, the Group recognized deferred tax liability relating to the undistributed cumulative earnings of subsidiaries amounting to US\$10.1 million (see Note 22).

*Determination of Uncertainties Over its Income Tax Treatments.* The Group applied significant judgement in identifying any uncertainties over its income tax treatments especially that the Group operates in a complex multinational environment. The Group did not have any significant uncertainties over its income tax treatments.

*Contingencies.* The Group is currently a party in a number of legal cases and negotiations involving cargo, labor, tax, contracts and other issues. The Group's estimate of the probable costs for the resolution of these cases and negotiations has been developed in consultation with outside counsels handling the defense for these matters and is based upon an analysis of probable results.



Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these actions, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. Provision for claims and losses amounted to US\$18.4 million, US\$18.5 million and US\$19.7 million as at December 31, 2020, 2021 and 2022, respectively (see Notes 19 and 26).

#### Estimates and Assumptions

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

*Concession Rights.* The determination of the initial cost of concession rights on service concession arrangements requires management to make estimates and assumptions to determine the extent to which the Group receives a right or license to charge users of the public service. Management is also required to make estimates and assumptions in determining the fair value of concession rights acquired through business combinations. In making those estimates, management is required to determine a suitable discount rate to calculate the present value of these cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The carrying amounts of concession rights as at December 31, 2020, 2021 and 2022 are disclosed in Note 5 to the consolidated financial statements.

*Right-of-use Assets.* The determination of the initial cost of right-of-use assets on lease arrangements requires management to make estimates and assumptions. In making those estimates, management is required to determine a suitable discount rate to calculate the present value of these cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The carrying amounts of right-of-use assets as at December 31, 2020, 2021 and 2022 are disclosed in Note 7 to the consolidated financial statements.

*Determination of Fair Values of Identifiable Assets and Liabilities.* In the process of determining the goodwill in relation to the Group's acquisition of an associate and a subsidiary, management uses estimates and assumptions in determining the fair value of identifiable assets and liabilities of the associate and subsidiary, which includes using discounted cash flow method or determining the value of an asset through a third party independent appraisal using market value approach. In terms of discounted cash flow method, management is required to use a suitable discount rate and determine the present of value of cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The goodwill and the share in the fair values of identifiable assets and liabilities of MHCPSI in 2021 and MNHPI, EJD and SBI in 2022 are disclosed in Note 1 to the consolidated financial statements, respectively.

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

Expenditures to cover the work program for the development of the concession area or committed investments for each port development or project are provided in the concession agreement. When the costs incurred to date exceed the committed investments, an assessment is conducted to determine the cause of the cost overrun. Cost overruns arising from uncontrollable factors such as oil price,



wage increases and changes in technical work programs due to unforeseen economic, political and geological conditions are capitalized while all other cost overruns are treated as period costs.

*Impairment of Nonfinancial Assets and Assets Not Yet Available for Use.* PFRS requires nonfinancial assets to be tested for impairment when certain impairment indicators are present, while it also requires goodwill and intangible asset that has not yet been brought into use to be tested for impairment annually, irrespective of whether there are any indications of impairment. Nonfinancial assets include intangible assets (including goodwill and intangible assets not yet available for use), property and equipment, right-of-use assets, investment properties, investments in a joint venture and associates, and certain other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the recoverable values of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. In addition, the assumptions may be subjected to higher level of estimation uncertainty due to the impact of COVID-19. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying amounts of intangible assets, including goodwill and intangible assets not yet available for use, property and equipment, right-of-use assets, investment properties, investments in and advances to joint ventures and associates, and certain other noncurrent assets are disclosed in Notes 5, 6, 7, 8, 9, and 10 to the consolidated financial statements, respectively. Impairment losses on nonfinancial assets, other than goodwill, recognized in 2020, 2021 and 2022 amounted to US\$180.3 million, US\$6.7 million and US\$16.0 million, respectively (see Notes 5, 10, and 11).

*Impairment of Goodwill.* Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill as at December 31, 2020, 2021 and 2022 are disclosed in Note 5 to the consolidated financial statements. There are no impairment losses on goodwill recognized in 2020, 2021, and 2022 (see Notes 5 and 11).

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





A reduction in the estimated useful lives of intangible assets (including concession rights), property and equipment, and investment properties will increase recorded expenses and decrease noncurrent assets. The carrying values of concession rights, property and equipment, and investment properties are disclosed in Notes 5, 6 and 8 to the consolidated financial statements, respectively.

*Fair Value of Financial Instruments.* When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 27 to the consolidated financial statements.

*Estimating Net Realizable Value of Spare Parts and Supplies.* The Group carries spare parts and supplies at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of spare parts and supplies carried at net realizable value as at December 31, 2020, 2021 and 2022 amounted to US\$38.3 million, US\$42.2 million and US\$52.9 million, respectively.

The cost of these spare parts and supplies amounted to US\$43.3 million, US\$45.8 million and US\$56.9 million as at December 31, 2020, 2021 and 2022, respectively.

Write-downs of spare parts and supplies charged to the consolidated statements of income amounted to US\$1.6 million in 2020, US\$0.1 million in 2021 and US\$4.0 million in 2022.

*Pension Cost.* The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 24 and included among others, discount rate and future salary increases. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at December 31, 2020, 2021 and 2022 are disclosed in Note 24 to the consolidated financial statements.

*Definition of Default and Credit-impaired Financial Assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when a customer is more than 120 days past due on its contractual obligations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate Company's expected loss.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.



*Measurement of Expected Credit Losses (ECL).* ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, or an approximation thereof. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### Inputs, Assumptions and Estimation Techniques

*General approach for debt financial assets measured at amortized cost other than trade receivables.*

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of Default.* The PD represents the likelihood of a debtor or customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on available market data using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss Given Default.* LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).
- *Exposure at Default.* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

*Simplified Approach for Trade Receivables.* The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and geography).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.



Other than the considerations on the impact of COVID-19 on macro-economic factors used as inputs to the ECL calculation, there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

*Incorporation of Forward-looking Information.* The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group considers macro-economic factors such as GDP growth rates and inflation rates of selected countries in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

*Grouping of instruments for losses measured on collective basis.* For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The Group considers in its collective assessment the type of customers and its geographical location.

The appropriateness of groupings is monitored and reviewed on a periodic basis by Group. As at December 31, 2020, 2021, and 2022, the total gross carrying amount of loans and receivables for which lifetime ECLs have been measured on a collective basis amounted to US\$108.9 million, US\$112.6 million and US\$131.9 million respectively.

The carrying values of receivables and the related allowance for credit losses of the Group are disclosed in Note 13.

*COVID-19 Pandemic.* The impact of COVID-19 to the Group's business operations relates to any potential interruptions or disruptions. The operations in the Philippines and other terminals around the world remain fully operational with no disruptions recorded to date.



To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Group's consolidated financial statements, the Group has assessed the impact of COVID-19 on its assets and liabilities:

- The forecast used for impairment testing include the Group's best estimates of the potential future impact from COVID-19 pandemic. Cash flow projections have been adjusted to reflect a range of possible outcomes, weighted by their expected occurrence.
- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of trade receivables has not been identified.
- There were no onerous contracts or additional provisions that have been recognized resulting from the direct impact of COVID-19.
- The Group has also considered the increased uncertainty in determining key assumptions within the assessment of future taxable income of the entities of the Group upon which recognition of deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts from COVID-19 on its business.

### 3.3 Significant Accounting Policies

#### Intangibles

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

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

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

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

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

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

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



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

- a. Upfront fees payments on the concession contracts;
- b. The cost of port infrastructure constructed (concession rights) and under construction (contract assets), including related borrowing costs, and port equipment purchased and committed in accordance with the terms and conditions of the concession arrangements accounted for under IFRIC 12. These are not recognized as property and equipment of the Group but as an intangible asset; and
- c. Future fixed fee considerations in exchange for the license or right for concession arrangements accounted for under IFRIC 12. Fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in the consolidated statement of income.

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

Concession rights are amortized using the straight-line method over the term of the concession arrangements ranging from 1 to 34 years. Upfront fees are amortized upon the effectivity of the concession agreement while port infrastructure and fixed fees are amortized when the terminal is ready for use or upon start of commercial operations, whichever is earlier.

Concession rights liability shall be remeasured by discounting the revised concession payments when there is a change in future payments resulting from a change in an index or a rate used to determine those payments. The amount of the remeasurement of the concession rights liability shall be adjusted against concession rights asset.

*Computer Software Cost.* Computer software cost, excluding those considered as integral part of property and equipment, includes costs incurred in the development and acquisitions of computer software used in operations. Computer software is amortized when it is available for use on a straight-line method over five years.

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



#### Contract Assets

Contract assets, classified as part of concession rights, refer to on-going construction and upgrade services on concession arrangements under the scope of IFRIC 12.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

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

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

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



date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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

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

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

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

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

#### Acquisition of Assets

When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

#### Property and Equipment

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

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statement of income in accordance with the accounting policy on Equipment and Facilities-related Expenses. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. When significant parts of property and equipment are



required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income of such period.

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

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

Land improvements	7-25 years
Leasehold rights and improvements	5-48 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Port facilities and equipment	5-25 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Transportation equipment	3-5 years
Office equipment, furniture and fixtures	3-5 years
Miscellaneous equipment	5 years

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

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

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

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

Port equipment spare parts represent major components or parts of port equipment such as quay cranes, which generally include insurance spares, that are critical for the continuous operations of the terminal equipment and facilities that have significantly different patterns of consumption of economic benefits. Spare parts are classified as property and equipment if the expected time of use is more than twelve months and provided that the capitalization thresholds are met.

#### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including intangibles and property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds, including interest in respect of lease liabilities recognized in accordance with PFRS 16. Capitalization of borrowing cost should





commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

All other borrowing costs are expensed as incurred.

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

### Leases

*Right-of-use Assets.* The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term ranging from 1 to 35 years. Right-of-use assets are subject to impairment.

*Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

*Short-term Leases and Leases of Low-value Assets.* The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



*Remeasurement of Lease Liabilities.* A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

- (a) there is a change in the amounts expected to be payable under a residual value guarantee.
- (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments.

A lessee shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss.

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

#### Investment Properties

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

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

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

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

#### Investments in Joint Ventures and in Associates

Investment in associates in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture of the Group is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the cost of investment in associates and joint ventures is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates and the joint ventures. Goodwill, if any, relating to associates or joint ventures is



included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statement of income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized directly in the equity of the associates and the joint ventures, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

The reporting dates of the associates, the joint ventures and the Parent Company are identical and the accounting policies of the associates and joint ventures conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and its carrying value, and then recognizes the loss as “Equity in net loss of joint ventures and an associate - net” in the consolidated statement of income.

Upon loss of joint control over the joint venture and loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associates upon loss of joint control and significant influence, respectively, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Impairment of Nonfinancial Assets

Intangibles, except intangibles not yet brought into use, property and equipment, right-of-use assets, investment properties, investment in associates and joint ventures, and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal or value-in-use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less costs of disposal while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life.

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

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



Impairment losses, including impairment on spare parts and supplies, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

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

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

The following assets have specific characteristic for impairment testing:

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

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

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

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

#### Fair Value Measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of nonfinancial assets such as investment properties and financial instruments measured at amortized cost are disclosed in Notes 8 and 27.1, respectively.



Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Financial Instruments - Classification and Measurement

*Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss



*Contractual Cash Flows Characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Business Model.* The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

#### Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash in banks (see Note 12), trade receivables (see Note 13), receivable from port authority (Note 14) and receivables from related parties (see Note 23).

#### Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

*Debt Instruments.* A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that



would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As at December 31, 2020, 2021, and 2022, the Group does not have debt instruments at FVOCI.

*Equity Instruments.* The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As at December 31, 2020, 2021, 2022, the Group elected to classify irrevocably all equity investments as financial asset at FVOCI (see Note 10).

#### Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statements of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVTPL consists of derivative instruments not designated under hedge accounting (see Note 27).

*Classification of Financial Liabilities.* Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.



Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities include accounts payable and other current and noncurrent liabilities (excluding statutory liabilities and provision for claims and losses), long-term debt, loans payable, derivative liabilities, concession rights payable, and lease liabilities (see Note 28).

#### Reclassifications of Financial Instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

#### Impairment of Financial Assets

IFRS 9 introduces a single, forward-looking "expected loss" impairment model.

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

*Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

*Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.





### Loss Allowance

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

*Determining the Stage for Impairment.* At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

### Write-off Policy

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

### Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired; or



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

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

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

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

#### Day 1 Difference

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

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group has currently enforceable right when if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.



### Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

### Cash and Cash Equivalents

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

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

### Spare Parts and Supplies

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

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

### Prepaid Expenses and Other Current Assets

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

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

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

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

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



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

#### Advances to Suppliers and Contractors

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

#### Capital Stock and Additional Paid-in Capital

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

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

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

#### Cost of Shares Held by Subsidiaries

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

#### Treasury Shares

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

#### Retained Earnings

Retained earnings are the result of Group's accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by each entity at its functional currency ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the entity's functional currency rate of exchange at the balance sheet date. All foreign currency differences are taken to the consolidated statement of income except exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These foreign currency borrowings include long-term receivables or loans to a foreign operation denominated in either the functional currency of the parent or of the foreign operations. Related exchange differences arising from net investment in foreign



operations are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

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

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

#### Year-end Exchange Rates

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

	2020		2021		2022	
	Closing	Average	Closing	Average	Closing	Average
Foreign currency to 1 unit of						
US dollar (USD or US\$):						
Argentine peso (AR\$)	84.146	70.569	102.736	95.133	<b>177.132</b>	<b>130.845</b>
Australian dollar (AUD)	1.300	1.447	1.377	1.331	<b>1.468</b>	<b>1.439</b>
Brazilian real (BRL or R\$)	5.194	5.161	5.571	5.397	<b>5.286</b>	<b>5.168</b>
Brunei dollar (BND)	1.323	1.380	1.351	1.345	<b>1.340</b>	<b>1.379</b>
Central African franc (XAF)	534.538	575.811	576.501	554.947	<b>612.760</b>	<b>623.925</b>
Chinese renminbi (RMB)	6.527	6.898	6.356	6.450	<b>6.899</b>	<b>6.737</b>
Colombian peso (COP)	3,428.260	3,695.480	4,064.920	3,749.723	<b>4,850.830</b>	<b>4,256.870</b>
Croatian kuna (HRK)	6.180	6.612	6.610	6.368	<b>7.038</b>	<b>7.167</b>
Euro (EUR or €)	0.819	0.876	0.880	0.845	<b>0.934</b>	<b>0.949</b>
Georgian lari (GEL)	3.291	3.115	3.089	3.217	<b>2.699</b>	<b>2.911</b>
Honduran lempira (HNL)	24.124	24.645	24.490	24.077	<b>24.675</b>	<b>24.611</b>
Hong Kong dollar (HKD)	7.753	7.756	7.797	7.773	<b>7.802</b>	<b>7.831</b>
Indian rupee (INR)	73.070	74.103	74.338	73.936	<b>82.735</b>	<b>78.623</b>
Indonesian rupiah (IDR or Rp)	14,050.000	14,529.000	14,263.000	14,297.000	<b>15,573.000</b>	<b>14,853.000</b>
Iraqi dinar (IQD)	1,460.000	1,215.773	1,460.000	1,460.000	<b>1,460.000</b>	<b>1,460.000</b>
Malagasy ariary (MGA)	3,868.820	3,803.500	3,971.610	3,848.260	<b>4,465.690</b>	<b>4,125.060</b>
Mexican peso (MXN)	19.914	21.482	20.529	20.286	<b>19.5</b>	<b>20.110</b>
Nigerian naira (NGN)	–	–	424.83000	407.6000	<b>460.820</b>	<b>426.390</b>
Pakistani rupee (PKR or Rs)	160.189	161.857	176.500	163.048	<b>226.655</b>	<b>205.049</b>
Papua New Guinean kina (PGK)	3.536	3.459	3.510	3.514	<b>3.524</b>	<b>3.519</b>
Philippine peso (PHP or ₱)	48.023	49.629	50.999	49.280	<b>55.755</b>	<b>54.488</b>
Polish zloty (PLN)	3.733	3.897	4.035	3.863	<b>4.375</b>	<b>4.458</b>
Singaporean dollar (SGD)	1.322	1.379	1.349	1.344	<b>1.340</b>	<b>1.379</b>
United Arab Emirates dirham (AED)	3.673	3.673	3.673	3.673	<b>3.673</b>	<b>3.673</b>

Starting 2018, Argentina's economy has been considered as hyperinflationary. Accordingly, companies in Argentina whose functional currency is AR\$ are required to apply PAS 29, *Financial Reporting in Hyperinflationary Economies*. As at December 31, 2022, the functional currency of Tecplata remains to be US\$.



#### Determination of and Change in Functional Currency

Functional currency is the currency of the primary economic environment in which the entity operates, which is normally the one in which it primarily generates and expends cash. The Group considers the following factors in determining its functional currency:

- a) the currency:
  - a. that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and
  - b. of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.
- b) the currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

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

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

- a. all assets and liabilities at the exchange rates prevailing at the balance sheet date;
- b. equity items at historical exchange rates;
- c. revenue and expense items at the approximate exchange rates prevailing at the time of transactions; and
- d. all resulting exchange differences are recognized in cumulative translation adjustments account, presented as part of the consolidated statement of comprehensive income.

#### Concession Rights Payable

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

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



#### Accounts Payable and Other Current Liabilities

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

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

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

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

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

#### Pension Benefits

*Defined Benefit Plans.* The Parent Company, BCT, BIPI, DIPSSCOR (settled in 2022), LGICT, SBITC, ICTSI Subic, ROHQ, MHCPSI, MNHPI, MTS (settled in 2022), IJP, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA, OPC, ICTSI Iraq, APBS and EJD have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The pension plans of the Parent Company, BIPI, DIPSSCOR (prior to payout in 2022), SBITC, SCIPSI and MNHPI are funded.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between the return on plan assets and interest income and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

#### Share-based Payment Transactions

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

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

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

#### Revenue Recognition

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

#### Revenue Contract with Customer

*Gross Revenues from Port Operations.* Revenue, net of any incentives, is generally recognized when the services are rendered. The performance obligations are satisfied and payment is generally due upon completion and billing of the services. In circumstances wherein the collection is not certain, the Group makes an assessment of the probability of collecting the consideration to which it will be entitled in exchange for the services that it performed. In evaluating whether collectibility of an amount of consideration is probable, the Group considers the customer's ability and intention to pay the amount of consideration when it becomes due.

*Construction Revenue and Cost.* When the Group provides construction or upgrade services on concession arrangements accounted for within the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided.





### Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is initially recognized as a liability in the consolidated balance sheet and recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to the acquisition or construction of a fixed asset, it is initially recognized as a liability in the consolidated balance sheet and recognized as income in equal amounts over the period of depreciation of the related asset.

### Expenses

Expenses are recognized as incurred. Expenses constitute the following:

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

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

*Equipment and Facilities-related Expenses.* Equipment and facilities-related expenses include expenses incurred for general repairs and maintenance of the Group's port facilities and other equipment such as consumption of fuel, oil and lubricants, contracted services, power, light and water, and technology and systems development expenses.

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

### Taxes

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and



- in respect of taxable temporary differences associated with investments in subsidiaries, associates and in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

#### Project Development Costs

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

#### Preoperating Expenses

Preoperating expenses are expensed as incurred.



### Earnings Per Share

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

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

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

### Geographical Segments

The Group operates principally in one industry segment which is cargo handling and related services. The Group's operating business is organized and managed separately according to location, namely Asia, Europe, the Middle East and Africa (EMEA), and Americas. Financial information on geographical segments is presented in Note 4 to the consolidated financial statements.

### Provisions

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

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

### Contingencies

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

### Events after the Balance Sheet Date

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



### 3.4 Future Changes in Accounting Policies

Pronouncements issued but not yet effective as at December 31, 2022 are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the consolidated financial statements of the Group.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.



The Group is currently assessing the impact of the amendments.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. Earlier adoption is permitted, and that fact must be disclosed.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts



On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. This standard is not applicable to the Group.

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact the amendments.

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#### **4. Segment Information**

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

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

- Asia - includes Manila International Container Terminal (MICT), BIPI, DIPSSCOR (ceased commercial operations on June 30, 2022), SCIPSI, SBITC, ICTSI Subic, HIPS (until August 31, 2022), MICTSI, LGICT, CGT, MHCPSI, MNHPI, SBI and CLI in the Philippines; YICT in China; OJA, IJP, MTS (ceased commercial operations on January 31, 2023) 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 each operating unit separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to gross revenues, which is measured consistently with gross revenues from port operations in the consolidated statement of income.

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

The tables below present financial information on geographical segments as at and for the years ended December 31:

	2020			
	Asia	EMEA	Americas	Consolidated
Volume <sup>(a)</sup>	4,701,070	2,399,834	3,092,480	10,193,384
Gross revenues	US\$695,410,746	US\$361,519,011	US\$448,570,185	US\$1,505,499,942
Capital expenditures <sup>(b)</sup>	89,357,577	62,964,410	46,391,690	198,713,677
Other information:				
Segment assets <sup>(c)</sup>	3,433,842,633	887,693,706	1,531,025,557	5,852,561,896
Segment liabilities <sup>(d)</sup>	3,105,121,745	208,455,654	817,823,082	4,131,400,481

	2021			
	Asia	EMEA	Americas	Consolidated
Volume <sup>(a)</sup>	5,128,783	2,657,555	3,377,135	11,163,473
Gross revenues	US\$836,614,273	US\$425,897,273	US\$602,508,954	US\$1,865,020,500
Capital expenditures <sup>(b)</sup>	80,663,259	55,553,786	28,766,221	164,983,266
Other information:				
Segment assets <sup>(c)</sup>	3,366,794,654	888,367,997	1,673,543,512	5,928,706,163
Segment liabilities <sup>(d)</sup>	3,411,248,115	179,313,581	934,976,701	4,525,538,397

	2022			
	Asia	EMEA	Americas	Consolidated
Volume <sup>(a)</sup>	6,129,900	2,657,288	3,429,002	12,216,190
Gross revenues	US\$1,015,533,199	US\$467,634,016	US\$759,824,640	US\$2,242,991,855
Capital expenditures <sup>(b)</sup>	229,986,141	92,433,772	63,929,170	386,349,083
Other information:				
Segment assets <sup>(c)</sup>	3,890,617,420	906,610,853	1,863,505,828	6,660,734,101
Segment liabilities <sup>(d)</sup>	3,775,232,252	180,682,362	1,051,913,971	5,007,828,585

<sup>(a)</sup> Measured in TEUs.

<sup>(b)</sup> Capital expenditures consist of amount disbursed for the acquisition of port facilities and equipment classified as intangibles under IFRIC 12 amounting to US\$134.4 million, US\$58.7 million, and US\$100.7 million in 2020, 2021, and 2022, respectively, property and equipment amounting to US\$49.8 million, US\$88.9 million, and US\$237.9 million in 2020, 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\$14.5 million, US\$17.4 million, and US\$47.7 million in 2020, 2021, and 2022, respectively.

<sup>(c)</sup> Segment assets do not include deferred tax assets amounting to US\$342.8 million, US\$337.8 million and US\$392.9 million as at December 31, 2020, 2021 and 2022, respectively.

<sup>(d)</sup> Segment liabilities do not include income tax payable amounting to US\$43.3 million, US\$46.4 million and US\$56.8 million, and deferred tax liabilities amounting to US\$159.0 million, US\$182.9 million and US\$262.3 million as at December 31, 2020, 2021 and 2022, respectively.



Moreover, management monitors the Group's earnings before interest, taxes, depreciation and amortization (EBITDA) on a consolidated basis for decision-making purposes. The following table shows the computation of EBITDA as derived from the consolidated net income attributable to equity holders of the parent for the years ended December 31:

	2020	2021	2022
Net income attributable to equity holders of the parent	US\$101,764,236	US\$428,568,591	US\$618,464,708
Non-controlling interests	37,878,988	48,973,852	59,002,117
Provision for income tax	55,129,372	124,416,656	152,657,633
Income before income tax	194,772,596	601,959,099	830,124,458
Add (deduct):			
Depreciation and amortization	230,136,959	246,993,685	266,717,816
Interest and other expenses <sup>(a)</sup>	492,362,951	350,260,766	386,936,746
Interest and other income <sup>(b)</sup>	(40,443,979)	(60,156,860)	(74,506,231)
<b>EBITDA <sup>(c)</sup></b>	<b>US\$876,828,527</b>	<b>US\$1,139,056,690</b>	<b>US\$1,409,272,789</b>

<sup>(a)</sup> Interest and other expenses include the following as shown in the consolidated statements of income: foreign exchange loss; interest expense on concession rights payable and lease liabilities; interest expense and financing charges on borrowings; impairment losses on goodwill and nonfinancial assets; equity in net loss of joint ventures and an associate; and other expenses.

<sup>(b)</sup> Interest and other income include the following as shown in the consolidated statements of income: foreign exchange gain; interest income; and other income.

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

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

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect fixed port fees and leases that are capitalized as concession assets under IFRIC 12 and right-of-use assets under PFRS 16;
- EBITDA does not reflect the interest expense, or cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

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

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 32.8 percent, 32.4 percent and 33.3 percent of the consolidated gross revenues from port operations for the years ended December 31, 2020, 2021 and 2022, respectively. Gross revenues from port operations outside the Republic of the Philippines comprised 67.2 percent, 67.6 percent and 66.7 percent of the consolidated gross revenues from port operations for the years ended December 31, 2020, 2021 and 2022, respectively.





## 5. Intangibles

This account consists of:

2020							
Concession Rights (Note 25)							
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill	Total
<b>Cost</b>							
Balance at beginning of year	US\$301,838,213	US\$812,668,809	US\$1,889,897,645	US\$3,004,404,667	US\$76,065,049	US\$179,805,423	US\$3,260,275,139
Acquisitions or additions	23,726,566	70,850,779	111,069,053	205,646,398	1,526,773	-	207,173,171
Disposals	-	-	-	-	(673,848)	-	(673,848)
Transfers from (to) other accounts (Notes 6 and 10)	-	-	(20,761,227)	(20,761,227)	2,057,613	-	(18,703,614)
Adjustments to provisional values in a business combination (Note 1.4)	438,376	-	-	438,376	-	402,631	841,007
Translation adjustments	6,710,932	(25,497,381)	(29,979,447)	(48,765,896)	(4,418,799)	(12,423,222)	(65,607,917)
<b>Balance at end of year</b>	<b>332,714,087</b>	<b>858,022,207</b>	<b>1,950,226,024</b>	<b>3,140,962,318</b>	<b>74,556,788</b>	<b>167,784,832</b>	<b>3,383,303,938</b>
<b>Accumulated Amortization and Impairment Losses</b>							
Balance at beginning of year	118,323,832	206,040,150	711,776,091	1,036,140,073	51,151,144	71,005,252	1,158,296,469
Amortization for the year	8,989,489	29,531,141	57,304,267	95,824,897	9,268,256	-	105,093,153
Disposals	-	-	-	-	(669,578)	-	(669,578)
Impairment loss for the year (Note 11)	-	-	100,000,000	100,000,000	-	-	100,000,000
Transfers from other accounts (Notes 6 and 10)	-	-	(13,022,411)	(13,022,411)	-	-	(13,022,411)
Translation adjustments	2,061,278	(2,159,885)	(7,762,141)	(7,860,748)	(2,127,726)	327,401	(9,661,073)
<b>Balance at end of year</b>	<b>129,374,599</b>	<b>233,411,406</b>	<b>848,295,806</b>	<b>1,211,081,811</b>	<b>57,622,096</b>	<b>71,332,653</b>	<b>1,340,036,560</b>
<b>Net Book Value</b>	<b>US\$203,339,488</b>	<b>US\$624,610,801</b>	<b>US\$1,101,930,218</b>	<b>US\$1,929,880,507</b>	<b>US\$16,934,692</b>	<b>US\$96,452,179</b>	<b>US\$2,043,267,378</b>
2021							
Concession Rights (Note 25)							
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill	Total
<b>Cost</b>							
Balance at beginning of year	US\$332,714,087	US\$858,022,207	US\$1,950,226,024	US\$3,140,962,318	US\$74,556,788	US\$167,784,832	US\$3,383,303,938
Acquisitions or additions	-	18,737,593	57,693,367	76,430,960	1,041,885	-	77,472,845
Disposals	-	-	-	-	(38,126)	-	(38,126)
Transfers from other accounts (Notes 6 and 10)	-	-	4,961,490	4,961,490	3,529,921	-	8,491,411
Effect of business combination (Note 1.4)	-	-	-	-	1,290	54,617,233	54,618,523
Remeasurement	-	27,023,445	-	27,023,445	-	-	27,023,445
Translation adjustments	(1,999,397)	(14,390,528)	(12,626,600)	(29,016,525)	(1,289,108)	(9,791,891)	(40,097,524)
<b>Balance at end of year</b>	<b>330,714,690</b>	<b>889,392,717</b>	<b>2,000,254,281</b>	<b>3,220,361,688</b>	<b>77,802,650</b>	<b>212,610,174</b>	<b>3,510,774,512</b>
<b>Accumulated Amortization and Impairment Losses</b>							
Balance at beginning of year	129,374,599	233,411,406	848,295,806	1,211,081,811	57,622,096	71,332,653	1,340,036,560
Amortization for the year	10,101,228	31,640,834	53,460,544	95,202,606	9,697,510	-	104,900,116
Translation adjustments	(921,478)	(3,115,117)	(5,915,765)	(9,952,360)	(1,143,965)	(370,375)	(11,466,700)
<b>Balance at end of year</b>	<b>138,554,349</b>	<b>261,937,123</b>	<b>895,840,585</b>	<b>1,296,332,057</b>	<b>66,175,641</b>	<b>70,962,278</b>	<b>1,433,469,976</b>
<b>Net Book Value</b>	<b>US\$192,160,341</b>	<b>US\$627,455,594</b>	<b>US\$1,104,413,696</b>	<b>US\$1,924,029,631</b>	<b>US\$11,627,009</b>	<b>US\$141,647,896</b>	<b>US\$2,077,304,536</b>
2022							
Concession Rights (Note 25)							
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill	Total
<b>Cost</b>							
Balance at beginning of year	US\$330,714,690	US\$889,392,717	US\$2,000,254,281	US\$3,220,361,688	US\$77,802,650	US\$212,610,174	US\$3,510,774,512
Acquisitions or additions	-	-	67,452,758	67,452,758	9,538,601	-	76,991,359
Disposals	-	-	-	-	(118,256)	-	(118,256)
Transfers from (to) other accounts (Notes 6 and 10)	-	-	(2,939,015)	(2,939,015)	4,689,497	-	1,750,482
Effect of business combination (Note 1.4)	220,033,453	48,266,651	215,914,637	484,214,741	-	25,436,993	509,651,734
Remeasurement	-	(2,960,184)	-	(2,960,184)	-	-	(2,960,184)
Translation adjustments	(10,272,111)	(1,289,942)	(9,035,229)	(20,597,282)	278,228	(8,834,064)	(29,153,118)
<b>Balance at end of year</b>	<b>540,476,032</b>	<b>933,409,242</b>	<b>2,271,647,432</b>	<b>3,745,532,706</b>	<b>92,190,720</b>	<b>229,213,103</b>	<b>4,066,936,529</b>
<b>Accumulated Amortization and Impairment Losses</b>							
Balance at beginning of year	138,554,349	261,937,123	895,840,585	1,296,332,057	66,175,641	70,962,278	1,433,469,976
Amortization for the year	14,815,298	33,626,532	59,835,079	108,276,909	6,720,976	-	114,997,885
Disposals	-	-	-	-	(115,875)	-	(115,875)
Effect of business combination	36,698,024	18,751,664	71,981,743	127,431,431	-	-	127,431,431
Translation adjustments	(5,836,504)	(4,949,998)	(4,228,069)	(15,014,571)	(666,488)	(509,784)	(16,190,843)
<b>Balance at end of year</b>	<b>184,231,167</b>	<b>309,365,321</b>	<b>1,023,429,338</b>	<b>1,517,025,826</b>	<b>72,114,254</b>	<b>70,452,494</b>	<b>1,659,592,574</b>
<b>Net Book Value</b>	<b>US\$356,244,865</b>	<b>US\$624,043,921</b>	<b>US\$1,248,218,094</b>	<b>US\$2,228,506,880</b>	<b>US\$20,076,466</b>	<b>US\$158,760,609</b>	<b>US\$2,407,343,955</b>



### Concession Rights

Additions to concession rights in 2020 mainly pertain to the upfront fee payment and capitalization of fixed fees in the new terminal, KMT, and construction of various civil works and acquisitions of port facilities and equipment in existing terminals in ICTSI, CGSA, and ICTSI Iraq. In 2021, additions to concession rights mainly pertain to the capitalized fixed fees due to extension of concession contract at MICTSL and construction of various civil works and acquisitions of port facilities and equipment in existing terminals in ICTSI, CGSA, ICTSI Iraq, and SPICTL. In 2022, additions to concession rights mainly pertain to the construction of various civil works and acquisitions of port facilities and equipment in ICTSI, CGSA and ICTSI Iraq and additions through consolidation of MNHPI. Additions to concession rights under port infrastructure which are not yet available for use are not amortized but tested for impairment at December 31 in accordance with the Group's accounting policy on Impairment Testing on Nonfinancial Assets (see Note 11).

Concession rights have remaining amortization periods ranging from 1 to 47 years.

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 December 31, 2022 are as follows:

	<u>Amount</u>
2023	US\$75,224,647
2024	74,889,360
2025	75,136,597
2026	75,435,266
2027 onwards	1,241,419,380
<u>Total</u>	<u>US\$1,542,105,250</u>

Interest expense on concession rights payable amounted to US\$52.9 million in 2020, US\$58.3 million in 2021 and US\$62.7 million in 2022.

Capitalized borrowing costs amounted to nil in 2020, 2021 and 2022. Unamortized borrowing costs amounted to US\$25.4 million, US\$24.2 million and US\$23.0 million as at December 31, 2020, 2021 and 2022, respectively.

*Nonfinancial Assets of Tecplata.* In 2020, an impairment charge of US\$100.0 million was recorded in respect of the Group's concession right assets consisting of port infrastructure in Tecplata based on value-in-use calculation using discounted cash flows throughout the estimated period of concession. The remaining carrying value of Tecplata's concession right assets as at December 31, 2020 after the impairment charge is US\$25.5 million. There is no impairment charge in 2021 and 2022. The reportable segment of Tecplata is Americas. The impairment charge in Tecplata was a result of lower projected cash flows arising from the current unfavorable economic conditions in Argentina.

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates that is also based on the industry's WACC. Management assumed a discount rate of 16.34%, 13.20% and 17.80% for Tecplata as at December 31, 2020, 2021, and 2022 respectively. Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use.

### Computer Software

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



Goodwill

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

	2020	2021	2022
ICTSI Rio	US\$48,180,242	US\$44,912,241	<b>US\$47,337,137</b>
MHCPSI (Note 1.4)	–	51,148,363	<b>46,291,281</b>
MNHPI (Note 1.4)	–	–	<b>23,185,916</b>
AGCT	17,763,106	16,607,827	<b>15,597,202</b>
PICT	18,978,192	17,224,354	<b>13,412,967</b>
YICT	10,101,156	10,373,074	<b>9,557,340</b>
EJD	–	–	<b>2,426,583</b>
Others	1,429,483	1,382,037	<b>952,183</b>
	<b>US\$96,452,179</b>	<b>US\$141,647,896</b>	<b>US\$158,760,609</b>

Goodwill is not amortized but subject to an annual impairment testing as at December 31 (see Note 11).



## 6. Property and Equipment

This account consists of:

2020									
	Land and Land Improvements	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
<b>Cost</b>									
Balance at beginning of year	US\$138,595,401	US\$686,966,134	US\$908,967,580	US\$74,477,957	US\$59,499,337	US\$48,243,056	US\$4,755,050	US\$45,620,236	US\$1,967,124,751
Additions	3,827,272	8,487,759	11,380,741	1,776,465	1,892,421	1,550,898	(5,961)	19,043,726	47,953,321
Disposals	–	(13,454,065)	(4,303,156)	(780,829)	(3,166,705)	(98,011)	(8,242)	–	(21,811,008)
Translation adjustments	1,032,524	30,894,111	8,663,909	(1,129,676)	(1,119,900)	1,334,397	(52,515)	(6,538,971)	33,083,879
Transfers from (to) other accounts (Notes 5 and 10)	–	11,902,150	29,764,850	(944,242)	4,876,568	(3,382,624)	(319,330)	(19,745,283)	22,152,089
<b>Balance at end of year</b>	<b>143,455,197</b>	<b>724,796,089</b>	<b>954,473,924</b>	<b>73,399,675</b>	<b>61,981,721</b>	<b>47,647,716</b>	<b>4,369,002</b>	<b>38,379,708</b>	<b>2,048,503,032</b>
<b>Accumulated Depreciation and Amortization</b>									
Balance at beginning of year	5,597,971	160,620,230	268,221,019	41,164,498	50,763,747	19,753,586	1,644,493	–	547,765,544
Depreciation and amortization for the year	2,407,716	30,095,179	44,743,427	6,107,435	5,103,019	3,739,215	135,468	–	92,331,459
Disposals	–	(13,326,424)	(4,266,083)	(676,999)	(3,111,238)	(97,917)	–	–	(21,478,661)
Translation adjustments	214,316	4,315,637	1,144,801	(902,843)	(895,541)	58,266	(5,412)	–	3,929,224
Transfers from (to) other accounts (Notes 5 and 10)	–	12,781,617	385,399	(821,805)	2,659,549	(3,120,235)	–	–	11,884,525
<b>Balance at end of year</b>	<b>8,220,003</b>	<b>194,486,239</b>	<b>310,228,563</b>	<b>44,870,286</b>	<b>54,519,536</b>	<b>20,332,915</b>	<b>1,774,549</b>	<b>–</b>	<b>634,432,091</b>
<b>Net Book Value</b>	<b>US\$135,235,194</b>	<b>US\$530,309,850</b>	<b>US\$644,245,361</b>	<b>US\$28,529,389</b>	<b>US\$7,462,185</b>	<b>US\$27,314,801</b>	<b>US\$2,594,453</b>	<b>US\$38,379,708</b>	<b>US\$1,414,070,941</b>
2021									
	Land and Land Improvements	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
<b>Cost</b>									
Balance at beginning of year	US\$143,455,197	US\$724,796,089	US\$954,473,924	US\$73,399,675	US\$61,981,721	US\$47,647,716	US\$4,369,002	US\$38,379,708	US\$2,048,503,032
Additions	6,315,126	7,524,617	22,826,493	2,183,887	2,545,309	1,262,057	27,386	56,975,810	99,660,685
Disposals	–	(531,066)	(2,932,768)	(10,141,988)	(522,146)	(728,396)	(212,135)	–	(15,068,499)
Effect of business combination	158,291,457	–	–	–	64,964	1,095	–	157,035	158,514,551
Translation adjustments	(14,950,243)	(21,052,479)	(28,929,956)	(405,450)	(1,174,885)	(510,791)	(30,443)	(1,714,963)	(68,769,210)
Transfers from (to) other accounts (Notes 5 and 10)	–	48,066,983	2,568,234	621,822	692,086	(122,493)	(1,172)	(58,992,959)	(7,167,499)
<b>Balance at end of year</b>	<b>293,111,537</b>	<b>758,804,144</b>	<b>948,005,927</b>	<b>65,657,946</b>	<b>63,587,049</b>	<b>47,549,188</b>	<b>4,152,638</b>	<b>34,804,631</b>	<b>2,215,673,060</b>
<b>Accumulated Depreciation and Amortization</b>									
Balance at beginning of year	8,220,003	194,486,239	310,228,563	44,870,286	54,519,536	20,332,915	1,774,549	–	634,432,091
Depreciation and amortization for the year	2,920,849	33,136,386	48,137,910	5,879,277	4,854,829	3,620,779	100,953	–	98,650,983
Disposals	–	(181,824)	(2,414,993)	(10,105,217)	(512,681)	(690,186)	–	–	(13,904,901)
Effect of business combination	–	–	–	–	3,260	–	–	–	3,331
Translation adjustments	(339,331)	(3,625,136)	(9,134,437)	(229,879)	(1,171,718)	260,862	(8,749)	–	(14,248,388)
Transfers from (to) other accounts (Notes 5 and 10)	–	550,255	(321,645)	–	155,579	(484,542)	–	–	(100,353)
<b>Balance at end of year</b>	<b>10,801,521</b>	<b>224,365,920</b>	<b>346,495,398</b>	<b>40,414,467</b>	<b>57,848,805</b>	<b>23,039,899</b>	<b>1,866,753</b>	<b>–</b>	<b>704,832,763</b>
<b>Net Book Value</b>	<b>US\$282,310,016</b>	<b>US\$534,438,224</b>	<b>US\$601,510,529</b>	<b>US\$25,243,479</b>	<b>US\$5,738,244</b>	<b>US\$24,509,289</b>	<b>US\$2,285,885</b>	<b>US\$34,804,631</b>	<b>US\$1,510,840,297</b>



2022									
	Land and Land Improvements	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
<b>Cost</b>									
Balance at beginning of year	US\$293,111,537	US\$758,804,144	US\$948,005,927	US\$65,657,946	US\$63,587,049	US\$47,549,188	US\$4,152,638	US\$34,804,631	US\$2,215,673,060
Additions	123,048,319	5,183,483	12,552,839	3,287,329	2,242,751	1,709,310	24,649	115,145,774	263,194,454
Disposals	(36,707)	(480,845)	(9,493,500)	(1,727,002)	(1,981,622)	(394,166)	(175,776)	-	(14,289,618)
Effect of business combination	-	-	-	879,487	2,082,378	-	-	2,229,542	5,191,407
Disposal of a subsidiary	-	(51,759)	(2,684,955)	-	(8,317)	(35,900)	-	(256,024)	(3,036,955)
Translation adjustments	(16,537,138)	(28,477,993)	(15,865,413)	(126,508)	(642,429)	(769,698)	(45,199)	(3,201,072)	(65,665,450)
Transfers from (to) other accounts (Notes 5 and 10)	22,063,635	5,716,753	36,987,597	327,536	1,927,479	(174,253)	(38,681)	(38,282,398)	28,527,668
<b>Balance at end of year</b>	<b>421,649,646</b>	<b>740,693,783</b>	<b>969,502,495</b>	<b>68,298,788</b>	<b>67,207,289</b>	<b>47,884,481</b>	<b>3,917,631</b>	<b>110,440,453</b>	<b>2,429,594,566</b>
<b>Accumulated Depreciation and Amortization</b>									
Balance at beginning of year	10,801,521	224,365,920	346,495,398	40,414,467	57,848,805	23,039,899	1,866,753	-	704,832,763
Depreciation and amortization for the year	4,196,729	34,644,127	48,542,254	6,155,000	4,700,134	3,172,175	130,202	-	101,540,621
Disposals	(2,128)	(480,845)	(7,909,459)	(1,652,576)	(1,673,870)	(229,742)	-	-	(11,948,620)
Effect of business combination	-	-	-	720,748	1,823,163	-	-	-	2,543,911
Disposal of a subsidiary	-	(24,001)	(2,584,239)	-	(8,317)	(11,485)	-	-	(2,628,042)
Translation adjustments	(625,474)	(8,535,925)	(10,854,283)	(99,224)	(564,800)	(73,293)	(48,532)	-	(20,801,531)
Transfers from (to) other accounts (Notes 5 and 10)	858,785	153,316	176,205	(335,777)	12,532	(507,179)	-	-	357,882
<b>Balance at end of year</b>	<b>15,229,433</b>	<b>250,122,592</b>	<b>373,865,876</b>	<b>45,202,638</b>	<b>62,137,647</b>	<b>25,390,375</b>	<b>1,948,423</b>	<b>-</b>	<b>773,896,984</b>
<b>Net Book Value</b>	<b>US\$406,420,213</b>	<b>US\$490,571,191</b>	<b>US\$595,636,619</b>	<b>US\$23,096,150</b>	<b>US\$5,069,642</b>	<b>US\$22,494,106</b>	<b>US\$1,969,208</b>	<b>US\$110,440,453</b>	<b>US\$1,655,697,582</b>



Capitalized borrowing costs amounted to US\$0.4 million at a capitalization rate of 8.00 percent in 2020, US\$0.6 million at a capitalization rate of 8.00 percent in 2021, and US\$0.3 million at a capitalization rate of 8.00 percent in 2022. Unamortized borrowing costs amounted to US\$52.2 million, US\$50.5 million, and US\$48.8 million as at December 31, 2020, 2021 and 2022, respectively.

Additions to land and land improvements in 2022 pertain mainly to acquisition of land in the Philippines and in Brazil for new projects.

Construction in progress is mainly composed of ongoing port development and expansion projects in CMSA as at December 31, 2020, CMSA and IDRC as at December 31, 2021, and IDRC, VICT and CMSA as at December 31, 2022. (see Note 1.2).

Fully depreciated property and equipment with cost amounting to US\$148.6 million, US\$189.8 million and US\$189.6 million as at December 31, 2020, 2021 and 2022, respectively, are still being used in the Group's operations.

Certain assets of VICT with a total carrying value of AUD334.3 million (US\$257.2 million) as at December 31, 2020 were pledged as securities for its project finance facilities, while assets with a total carrying value of AUD279.2 million (US\$202.8 million) and AUD360.8 million (US\$246.1 million) as at December 31, 2021 and 2022, respectively, were pledged as securities for its Senior Secured Notes (see Note 16.2.3); parcels of land of IDRC with a total carrying value of US\$10.2 million as at December 31, 2020, 2021, and 2022, was pledged as collateral for its outstanding loan (see Note 16.2.4).

## 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 and have remaining amortization periods ranging from 7 to 33 years.

### Amounts Recognized in the Consolidated Balance Sheets

Set-out below are the reconciliation of the Group's right-of-use assets and lease liabilities during the period:

<u>Right-of-use Assets</u>	2020	2021	2022
Balance at beginning of year	US\$575,598,262	US\$612,137,861	US\$664,266,147
Additions	56,347,075	4,455,424	11,288
Remeasurement	-	119,476,968	106,404,486
Amortization	(32,330,445)	(43,062,616)	(49,798,358)
Effect of business combination (Note 1.4)	-	-	2,600,268
Cumulative translation adjustments	12,522,969	(28,741,490)	348,007
Balance at end of year	US\$612,137,861	US\$664,266,147	US\$723,831,838



Lease Liabilities

	2020	2021	2022
Balance at beginning of year	US\$1,189,175,168	US\$1,234,777,473	US\$1,282,594,748
Interest expense	97,402,306	114,298,044	119,722,451
Payments	(109,333,648)	(125,099,978)	(145,320,011)
Additions	56,347,075	4,455,424	11,288
Remeasurement	–	119,476,968	106,404,486
Foreign exchange differences	1,186,572	(65,313,183)	(13,185,706)
Effect of business combination (Note 1.4)	–	–	3,470,900
<b>Balance at end of year</b>	<b>US\$1,234,777,473</b>	<b>US\$1,282,594,748</b>	<b>US\$1,353,698,156</b>
Current portion of lease liabilities	US\$20,573,275	US\$29,223,519	US\$25,585,758
Lease liabilities - net of current portion	1,214,204,198	1,253,371,229	1,328,112,398
<b>Balance at end of year</b>	<b>US\$1,234,777,473</b>	<b>US\$1,282,594,748</b>	<b>US\$1,353,698,156</b>

Summarized below are the amounts recognized in the consolidated profit or loss:

	2020	2021	2022
Amortization of right-of-use assets	US\$32,330,445	US\$43,062,616	US\$49,798,358
Interest expense on lease liabilities	97,402,306	114,298,044	119,722,451
Lease expense not included in the measurement of lease liabilities (under Port Authorities' share in gross revenues)	16,378,358	25,570,400	29,094,552
Lease expense on short-term leases exempted from PFRS 16 classified under:			
Equipment and facilities-related expenses	1,516,372	1,112,666	1,738,021
Administrative and other operating expenses	206,123	122,633	55,314
Lease expense on low value assets exempted from PFRS 16 classified under:			
Equipment and facilities-related expenses	2,623	–	2,535
Administrative and other operating expenses	5,308	–	12,277

Maturity Profile

The undiscounted minimum payments pertaining to lease liabilities as at December 31, 2022 are as follows:

	Amount
2023	US\$145,042,235
2024	149,417,485
2025	153,562,812
2026	154,972,648
2027 onwards	2,171,589,967
<b>Total</b>	<b>US\$2,774,585,147</b>

Lease Commitments of the Group that are Not Reflected in the Measurement of Lease Liabilities

The Group is exposed to future cash outflows that are not yet reflected in the measurement of the lease liabilities since the leases have not yet commenced:

	Amount
2023	US\$ 16,384,454
2024	16,808,341
2025	17,236,466
2026	17,668,847
2027 onwards	84,920,515
<b>Total</b>	<b>US\$153,018,623</b>



## 8. Investment Properties

The details of investment properties are as follows:

	2020		
	Land and Improvements	Building and Others	Total
<b>Cost</b>			
Balance at beginning of year	US\$12,689,028	US\$995,247	US\$13,684,275
Translation adjustments	219,811	6,822	226,633
Balance at end of year	12,908,839	1,002,069	13,910,908
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	6,073,736	445,787	6,519,523
Amortization during the year	375,504	6,398	381,902
Translation adjustments	–	4,847	4,847
Balance at end of year	6,449,240	457,032	6,906,272
<b>Net Book Value</b>	<b>US\$6,459,599</b>	<b>US\$545,037</b>	<b>US\$7,004,636</b>
	2021		
	Land and Improvements	Building and Others	Total
<b>Cost</b>			
Balance at beginning of year	US\$12,908,839	US\$1,002,069	US\$13,910,908
Translation adjustments	(248,664)	(7,717)	(256,381)
Balance at end of year	12,660,175	994,352	13,654,527
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	6,449,240	457,032	6,906,272
Amortization during the year	373,526	6,444	379,970
Translation adjustments	–	(5,845)	(5,845)
Balance at end of year	6,822,766	457,631	7,280,397
<b>Net Book Value</b>	<b>US\$5,837,409</b>	<b>US\$536,721</b>	<b>US\$6,374,130</b>
	2022		
	Land and Improvements	Building and Others	Total
<b>Cost</b>			
Balance at beginning of year	US\$12,660,175	US\$994,352	US\$13,654,527
Effect of business combination	–	151,951	151,951
Translation adjustments	(342,259)	(1,941)	(344,200)
Balance at end of year	12,317,916	1,144,362	13,462,278
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	6,822,766	457,631	7,280,397
Amortization during the year	375,124	5,828	380,952
Translation adjustments	(8,408)	–	(8,408)
Balance at end of year	7,189,482	463,459	7,652,941
<b>Net Book Value</b>	<b>US\$5,128,434</b>	<b>US\$680,903</b>	<b>US\$5,809,337</b>

Land and improvements mainly include land held for capital appreciation and land improvements subject to operating leases.

Investment properties of MICT and IWI CTHI located in Laguna, Philippines have a fair value of ₱1.9 billion (US\$38.7 million) as at February 17, 2021 based on a valuation performed by a qualified independent appraiser whose report was dated March 1, 2021.

Fair value of the investment properties was determined using the sales comparison approach. This means that valuations performed by qualified independent appraisers are based on sales of similar or substitute properties, significantly adjusted for differences in the nature, location or condition of the specific property. This valuation approach is categorized as *Level 3* in the fair value hierarchy as at





December 31, 2020, 2021 and 2022. The significant unobservable input to the valuation is the price per square meter which ranges from ₱3,600 (US\$64.7) to ₱3,900 (US\$70.0).

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

Rental income derived from rental-earning investment properties presented as part of “Other income” account in the consolidated statements of income amounted to US\$1.4 million in 2020 and US\$1.5 million in 2021 and 2022 (see Note 21.1). There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Group’s investment properties in 2020, 2021 and 2022. The rent agreement covering rental-earning investment properties is renewable at the option of the transacting parties yearly.

Operating expenses related to the investment property amounted to US\$0.2 million in 2020, 2021 and 2022, which pertains mainly to real property taxes.

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

This account consists of:

	2020	2021	2022
Investments in and advances to joint ventures:			
SPIA	US\$273,225,731	US\$259,264,388	US\$240,208,234
MNHPI	171,525,252	176,813,651	–
Others	(154,074)	13,123,483	10,057,465
Investment in an associate:			
ARDC	7,474,994	7,474,994	7,474,994
	452,071,903	456,676,516	257,740,693
Less allowance for probable losses	7,474,994	7,474,994	7,474,994
	US\$444,596,909	US\$449,201,522	US\$250,265,699

### Investment in and Advances to Joint Ventures

As at December 31, 2022, investments in joint ventures pertain to the Group’s 49.8 percent ownership interest in SPIA and 49.0 percent investment in FAMI. FAMI was established in March 2018. The advances to joint ventures mainly represent interest-bearing loans used by SPIA to finance the construction of its terminal and its start-up operations in Colombia (see Note 23.1). SPIA started commercial operations in the fourth quarter of 2016.

The movements and details of this account are as follows:

	2020	2021	2022
Investment in Joint Ventures:			
Balance at beginning of year	US\$224,107,949	US\$219,296,063	US\$200,565,942
Consolidation of MNHPI	–	–	(158,441,495)
Share in other comprehensive income	7,326,726	(8,925,849)	(14,562,682)
Acquisition of shares in a joint venture	130,696	–	–
Equity in net (losses) gains during the year	(12,269,308)	(350)	1,986,758
Dividends declared by MNHPI	–	(9,803,922)	–
Balance at end of year	219,296,063	200,565,942	29,548,523
Advances to a joint venture (Note 23.1)	225,300,846	248,635,580	220,717,176
	US\$444,596,909	US\$449,201,522	US\$250,265,699



The summarized financial information of SPIA as at and for the years ended December 31 follows:

	2020	2021	2022
Current assets <sup>(a)</sup>	US\$29,304,885	US\$29,893,111	<b>US\$23,721,184</b>
Noncurrent assets	543,736,238	512,309,969	<b>478,921,922</b>
Current liabilities	236,210,773	231,914,825	<b>216,023,433</b>
Noncurrent liabilities <sup>(b)</sup>	246,527,810	241,209,994	<b>223,181,532</b>

(a) Current assets include cash and cash equivalents amounting to US\$13.0 million, US\$9.5 million and US\$6.3 million as at December 31, 2020, 2021 and 2022, respectively.

(b) Noncurrent liabilities include deferred tax liabilities amounting to US\$6.0 million, US\$5.6 million and US\$5.2 million as at December 31, 2020, 2021 and 2022, respectively.

	2020	2021	2022
Gross revenues from port operations	US\$53,102,557	US\$76,341,098	<b>US\$91,979,473</b>
Operating expenses	(22,253,613)	(27,535,812)	<b>(30,546,133)</b>
Depreciation and amortization	(35,608,629)	(35,572,900)	<b>(32,383,878)</b>
Other income	7,743,279	8,490,187	<b>9,803,236</b>
Other expenses <sup>(c)</sup>	(35,542,306)	(39,059,852)	<b>(37,157,907)</b>
Benefit from (provision for) income tax	1,474,824	(3,886,999)	<b>(7,334,912)</b>
Net loss	<b>(US\$31,083,888)</b>	<b>(US\$21,224,278)</b>	<b>(US\$5,640,121)</b>

(c) Other expenses include interest expense on concession rights payable amounting to US\$1.2 million in 2020, US\$1.2 million in 2021 and US\$1.2 million in 2022 and interest expense on advances from IEBV and PSA amounting to US\$26.2 million in 2020, US\$26.3 million in 2021 and US\$12.5 million in 2022.

The difference between the carrying value of investment in SPIA against the share in net assets of SPIA represents the excess of fair value over the carrying value of the concession rights of SPIA.

On September 21, 2017, ICTSI signed an SPA with Petron Corporation for the acquisition of shares representing 34.83% stake in 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 an SPA with HCPTI for the acquisition of shares representing 15.17% stake in MNHPI. The Philippine Competition Commission and the PPA approved the acquisition of additional 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, MNHPI was consolidated beginning September 8, 2022. Prior to the business combination, MNHPI was accounted for as a joint venture.

#### Investment in an Associate

The Group has 49% stake in ARDC that had already ceased commercial operations. The investment in ARDC was covered with a full allowance for probable losses amounting to US\$7.5 million.



## 10. Other Noncurrent Assets

This account consists of:

	2020	2021	2022
Advances to suppliers, contractors and others - net	US\$265,726,152	US\$249,136,440	US\$285,340,649
Derivative assets (Note 27)	-	-	8,457,515
Input tax - net (Note 14)	45,307,826	15,990,544	6,625,610
Financial assets at FVOCI (Notes 3, 15, and 27)	2,950,372	3,298,382	3,601,546
Restricted cash (Note 16)	31,861,364	12,524,678	243,271
Receivable from port authority - noncurrent portion	3,095,354	2,873,191	-
Prepayments and others	13,325,797	39,348,935	48,719,498
	<b>US\$362,266,865</b>	<b>US\$323,172,170</b>	<b>US\$352,988,089</b>

### Advances to Suppliers, Contractors and Others

Advances to suppliers, contractors and others mainly pertain to advance payments for the acquisition of transportation equipment and construction of port facilities, advance payments for future rentals and deposits for acquisitions of investments. As at December 31, 2020, 2021 and 2022, this account includes advances and deposits to suppliers and contractors and for the acquisition of investments amounting to US\$61.8 million, US\$64.7 million and US\$127.7 million, respectively (see Note 1.2).

This also includes the upfront fee that ICTSI was required to pay pursuant to the Concession Agreement signed with SPC of Sudan. On January 13, 2019, ICTSI paid the initial installment of Upfront Fee of EUR410.0 million (US\$470.2 million). On July 3, 2019, December 14, 2019, and November 30, 2022, ICTSI received partial repayments of the Upfront Fee in the amount of EUR195.2 million (US\$219.1 million) and AED110.2 million (EUR26.8 million or US\$29.8 million), EUR1.0 million (US\$1.0 million), respectively, based on terms of the refund bond (see Note 1). The balance of Upfront Fee includes the foreign currency translation hedging loss amounting to US\$10.6 million that was reclassified from equity in January 2019 (see Note 27.4). As at December 31, 2022, remaining deposit amounted to EUR187.0 million (US\$200.2 million).

### Input Tax

This account includes prepaid input tax and is expected to be applied against output tax after 12 months from the balance sheet date.

### Restricted Cash

Restricted cash pertains mainly to cash deposits placed by the Group as required by concession agreements and special purpose debt service reserves. This account also included the cash of VICT placed in a special purpose debt service reserve account in accordance with the project finance loan amounting to US\$21.0 million (AUD27.3 million) in 2020.

### Receivable from Port Authority

This account pertains to ICTSI Rio's receivable from port authority representing the amount recoverable from Companhia Docas do Rio de Janeiro (CDRJ or the port authority) for the reimbursement of costs disbursed for the expansion works on Terminal 1 of the port of Rio de Janeiro, through offsetting against the monthly fixed and variable fees and/or payments by CDRJ.



Financial Assets at FVOCI

The net movement in unrealized mark-to-market gain on financial assets at FVOCI is as follows:

	2020	2021	2022
Balance at beginning of year	US\$1,309,553	US\$1,051,323	US\$1,445,806
Change in fair value of financial assets at FVOCI	(258,230)	394,483	11,408,083
Balance at end of year (Note 15.7)	US\$1,051,323	US\$1,445,806	US\$12,853,889

Prepayments and Others

As at December 31, 2022, this account increased mainly due to payment of deposits and/or fees in relation to the concession and lease agreements of MICTSL and BCT, respectively, and will be appropriately reclassified as part of Intangibles and right-of-use asset upon the effectivity of renewal of contracts (see Notes 4 and 5).

Impairment of Nonfinancial Assets

Loss in respect of the impairment in value of the Group's other noncurrent assets amounting to US\$80.3 million, US\$6.7 million, and US\$16.0 million, were recognized in December 31, 2020, 2021, and 2022, respectively. The impairment charge was a result of lower projected cash inflows arising from the current unfavorable economic conditions (see Note 11).

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**11. Impairment Testing on Nonfinancial Assets**

The Group reviews all assets annually or more frequently to look for any indication that an asset may be impaired. These assets include property and equipment, intangible assets, right-of-use assets, investments in joint ventures and associates, intangible assets not yet available for use and goodwill and certain other noncurrent assets. If any such indication exists, or when the annual impairment testing for an asset is required, the Group calculates the asset's recoverable amount. Irrespective of whether there is any indication of impairment, intangible assets not yet available for use and goodwill acquired in a business combination are tested for impairment annually. ICTSI and its subsidiaries used a discounted cash flow analysis to determine value-in-use.

Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors such as illiquidity that market participants would reflect in pricing the future cash flows the Group expects to derive from the cash-generating unit. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts and extrapolation for periods beyond budgeted projections. These represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset.

The recoverable amount of nonfinancial assets of the Group subject to impairment testing has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period or remaining concession period, taking into consideration effect of significant events (i.e. COVID-19) on the macroeconomic factors used in developing the assumptions. Projections beyond five years were used for the newly established terminals and/or greenfield projects.

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



### Discount Rates

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's WACC. The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. Management assumed discount rates of 4.23 percent to 16.34 in 2020, 5.22 percent to 23.92 percent in 2021 and 8.60 to 25.50 percent in 2022.

### Growth Rates

Average growth rates in revenues are based on ICTSI's expectation of market developments and the changes in the environment in which it operates. ICTSI uses revenue growth rates ranging from 1.40 percent to 5.50 percent in 2022, based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates.

### EBITDA Margin

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

### Capital Expenditure

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

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## 12. Cash and Cash Equivalents

This account consists of:

	2020	2021	2022
Cash on hand and in banks	US\$248,365,439	US\$211,046,884	US\$315,035,798
Cash equivalents	486,466,341	446,546,645	523,903,872
	US\$734,831,780	US\$657,593,529	US\$838,939,670

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates. The carrying value of cash and cash equivalents approximates their fair value as at the balance sheet date.

Interest income derived from interest-earning bank deposits and short-term investments amounted to US\$6.2 million, US\$9.0 million, and US\$17.4 million for the years ended December 31, 2020, 2021, and 2022, respectively.



### 13. Receivables

This account consists of:

	2020	2021	2022
Trade	US\$108,900,019	US\$112,635,882	US\$131,865,507
Advances and nontrade (Note 10)	29,027,975	30,328,862	37,488,005
	137,927,994	142,964,744	169,353,512
Less allowance for ECL	8,595,920	7,952,355	11,442,227
	US\$129,332,074	US\$135,012,389	US\$157,911,285

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

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

Movements in the allowance for doubtful accounts are summarized below:

	2020		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$8,003,549	US\$52,758	US\$8,056,307
Provision during the year	669,013	290,266	959,279
Write-off	(2,178)	–	(2,178)
Translation adjustments	(355,086)	(62,402)	(417,488)
Balance at end of year	US\$8,315,298	US\$280,622	US\$8,595,920

	2021		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$8,315,298	US\$280,622	US\$8,595,920
Provision during the year	241,376	21,865	263,241
Write-off	(215,095)	–	(215,095)
Translation adjustments	(691,711)	–	(691,711)
Balance at end of year	US\$7,649,868	US\$302,487	US\$7,952,355

	2022		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US\$7,649,868	US\$302,487	US\$7,952,355
Provision during the year	51,066	3,365,000	3,416,066
Write-off	(1,501,014)	–	(1,501,014)
Translation adjustments	(239,434)	(210,433)	(449,867)
Effect of business combination	40,214	1,984,473	2,024,687
Balance at end of year	US\$6,000,700	US\$5,441,527	US\$11,442,227



## 14. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2021	2022
Restricted cash and short-term deposits	US\$–	US\$6,610,418	US\$147,043,675
Input tax (Note 10)	27,042,728	21,910,622	24,958,611
Prepaid port fees, insurance, bonds and other expenses and deposits	18,092,083	18,589,978	19,571,679
Creditable withholding taxes	6,378,700	6,031,937	6,212,162
Tax credits	5,825,128	5,330,272	2,928,323
Receivable from port authorities	7,318,157	1,804,893	2,207,647
Others	2,139,008	2,497,188	4,527,993
	US\$66,795,804	US\$62,775,308	US\$207,450,090

### Restricted Cash and Short-term Deposits

Restricted cash pertains mainly to cash deposits placed by ICTSI Iraq as a security to the availment of overdraft facility. Short-term deposits pertain to deposits with maturity ranging from more than three months to 12 months.

### Input Tax

This account includes input tax recognized mainly by ICTSI, BICTL, IDRC, and CGSA from the acquisition of terminal equipment and payments of civil works in relation to the construction activities at these terminals (see Notes 6 and 10) and expected to be applied against output tax within 12 months from the balance sheet date.

### Tax Credits

This account consists of credits granted by the tax authorities, and creditable tax withheld mainly in CGSA, ICTSI, and TSSA which can be applied against tax liabilities in the future.

### Receivable from Port Authorities

This account represents amount receivable for the Group's share in fees collected by the port authorities.

## 15. Equity

The Group was listed with the PSE on March 23, 1992. In its initial public offering, the Parent Company offered its common shares at a price of ₱6.70. As at December 31, 2020, 2021 and 2022, the Parent Company had 1,365, 1,359 and 1,350 shareholders on record, respectively.

### 15.1 Capital Stock and Treasury Shares

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



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

	Number of Shares					
	Authorized			Issued and Subscribed		
	2020	2021	2022	2020	2021	2022
<b>Preferred A Shares</b> - nonvoting, non-cumulative, ₱1.00 (US\$0.048) par value	993,000,000	993,000,000	<b>993,000,000</b>	3,800,000	3,800,000	<b>3,800,000</b>
<b>Preferred B Shares</b> - voting, non-cumulative, ₱0.01 (US\$0.0002) par value	700,000,000	700,000,000	<b>700,000,000</b>	700,000,000	700,000,000	<b>700,000,000</b>
<b>Common Stock</b> - ₱1.00 (US\$0.048) par value	4,227,397,381	4,227,397,381	<b>4,227,397,381</b>	2,045,177,671	2,045,177,671	<b>2,045,177,671</b>

	Number of Shares		
	Issued and Subscribed		
	2020	2021	2022
<b>Treasury Shares</b>			
Balance at beginning of year	(44,579,063)	(2,406,962)	<b>(6,567,889)</b>
Acquisitions during the year	-	(5,970,990)	<b>(10,039,250)</b>
Sale during the year	40,000,000	-	-
Issuance for share-based payments (Note 20)	2,172,101	1,810,063	<b>1,770,417</b>
Balance at end of year	(2,406,962)	(6,567,889)	<b>(14,836,722)</b>

	Amount Issued and Subscribed		
	2020	2021	2022
	<b>Preferred Stock</b>	US\$236,222	US\$236,222
<b>Common Stock</b>	US\$67,781,529	US\$67,781,529	<b>US\$67,781,529</b>
Subscription Receivable	(451,341)	(451,341)	<b>(451,341)</b>
	US\$67,330,188	US\$67,330,188	<b>US\$67,330,188</b>
<b>Treasury Shares</b>			
Balance at beginning of year	(US\$83,012,573)	(US\$4,431,257)	<b>(US\$12,481,187)</b>
Issuance of treasury shares for share-based payments (Note 20)	4,120,334	3,336,923	<b>4,300,150</b>
Sale during the year	74,460,982	-	-
Acquisitions during the year	-	(11,386,853)	<b>(31,810,166)</b>
Balance at end of year	(US\$4,431,257)	(US\$12,481,187)	<b>(US\$39,991,203)</b>

### Preferred Shares

The Preferred A shares, which were subscribed by ICTHI, are nonvoting, entitled to dividend at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms to be provided by the Board, redeemable at such price and terms determined by the Board and have preference over common shares in the distribution of the assets of the Parent Company (see Note 15.3). As at March 3, 2023, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). Preferred B shares have the following features: voting; issued only to Philippine Nationals; not convertible into common shares; earn no dividend and redeemable at the option of the Board.

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





### Treasury Shares

Treasury shares came from the acquisition of ICTSI common shares or transfer of ICTSI common shares held by subsidiaries. Part of the treasury shares are subsequently reissued upon vesting of stock awards under the Stock Incentive Plan (SIP) (see Note 20).

On November 26, 2018, the Board of ICTSI approved and authorized the re-purchase from the open market of up to 30 million ICTSI shares, in addition to the number of shares approved and ratified by the BOD on September 16, 2015 initially at 10 million shares and on November 17, 2016 for an additional 20 million shares. The purpose of the said authorizations is to provide management the flexibility to acquire shares from the open market either for the SIP or as and when management deems the price of the shares to be undervalued.

On November 25, 2020, the Board of ICTSI approved the offer and sale of 40,000,000 treasury shares. The sale is in response to the recommendation of management to raise funds for general corporate purposes, including funding of committed capital expenditures. On November 26, 2020, ICTSI's 40,000,000 shares were sold at Php117.00 (US\$2.43) per share with net proceeds amounting to Php4.6 billion (US\$95.4 million). The transaction resulted in the increase of Php783.3 million (US\$21.0 million) in additional paid-in capital and the reduction in treasury shares of Php3.8 billion (US\$74.5 million).

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 additional 10,039,250 treasury shares totaling US\$31.8 million. As at December 31, 2022, the total number of treasury shares is 14,836,722.

### 15.2 Additional Paid-in Capital

Additional paid-in capital is increased when ICTSI grants stock awards and these stock awards vest under the SIP. Aggregate increase in additional paid-in capital amounted to US\$0.1 million, US\$2.4 million, and nil in 2020, 2021, and 2022, respectively, as a result of granting and vesting of stock awards (see Note 20).

The sale of treasury shares in November 2020 increased additional paid-in capital by US\$21.0 million (Php783.3 million).

### 15.3 Cost of Shares Held by Subsidiaries

Details and movements in preferred and common shares held by subsidiaries as at December 31 are as follows:

	2020		2021		2022	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Preferred Shares</b>	3,800,000	US\$72,492,481	3,800,000	US\$72,492,481	<b>3,800,000</b>	<b>US\$72,492,481</b>
<b>Common Shares</b>						
Balance at beginning of year	734,970	1,769,114	5,970,990	11,182,979	–	–
Acquisitions during the year	5,236,020	9,413,865	–	–	–	–
Sale of shares held by a subsidiary	–	–	(5,970,990)	(11,182,979)	–	–
Balance at end of year	5,970,990	11,182,979	–	–	–	–
	9,770,990	US\$83,675,460	3,800,000	US\$72,492,481	<b>3,800,000</b>	<b>US\$72,492,481</b>



As at December 31, 2020, 2021 and 2022, cost of preferred shares held by a subsidiary pertains to preference A shares held by ICTHI.

In March and July 2020, IWI CTHI acquired a total of 3,271,190 ICTSI common shares for US\$5.6 million and 1,964,830 ICTSI common shares for US\$3.8 million, respectively.

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.

#### 15.4 Non-controlling Interests

On February 15, 2020, ISPL entered into share acquisition agreements with the local communities, Ahi Terminal Services Limited (Ahi) and Labu Investment Limited (Labu), for the transfer of SPICTL shares from ISPL to Ahi and Labu with each local community acquiring a 15% stake in SPICTL. The transfer of 30% of SPICTL shares from ISPL to the local communities became effective upon the signing of the said agreements. The share transfer increased non-controlling interests by US\$7.5 million (PGK25.6 million), while ISPL retained a 70% ownership stake in SPICTL.

On May 25, 2021, ICTSI, through its wholly-owned subsidiary IABV, acquired an additional stake in IDRC increasing ICTSI's effective ownership from 52% to 62%. 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 consolidated balance sheet.

In October 2021, ICTSI, through IML, acquired additional 15.88% equity interest in PICT for PKR2.7 billion (US\$15.8 million) and further increased its ownership to 80.41%. 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" in the 2021 consolidated balance sheet.

In November 2022, ICTSI, through its wholly-owned subsidiary IAHQ, sold a portion of its stake in IDRC decreasing ICTSI's effective ownership from 62% to 58%. The difference between the purchase price and carrying value of the non-controlling interest of US\$2.9 million was recognized in equity as "Excess of consideration over the carrying value of non-controlling interests acquired or disposed" in the 2022 consolidated balance sheet.

In November 2022, ICTSI acquired 25,000 common shares of EJD, representing 1.67% non-controlling interest, from IPH. This transaction increased ICTSI's ownership in EJD from 65% to 66.67% (see Note 1.3). The difference between the purchase price and carrying value of the non-controlling interest of US\$1.7 million (IDR27.3 billion) was recognized in equity as "Excess of consideration over the carrying value of non-controlling interests acquired or disposed" in the 2022 consolidated balance sheet.

In December 2022, ICTSI through its wholly-owned subsidiary, IWI CTHI, acquired the remaining 20% non-controlling interest in BIPI, from Marubeni Corporation for US\$9.2 million (Php507.4 million). After the transaction, BIPI became a wholly-owned subsidiary of IWI CTHI. The difference amounting to US\$2.0 million (Php227.9 million), between the purchase price and carrying value of the non-controlling interest, was recognized in equity as "Excess of consideration over the carrying value of non-controlling interests acquired or disposed" in the 2022 consolidated balance sheet.



The significant portion of non-controlling interests pertains to YICT and IDRC representing 84%, 85% and 94% of the total as at December 31, 2020, 2021 and 2022, respectively.

The dividends distributed to non-controlling shareholders are as follows:

	2020	2021	2022
IDRC	US\$14,400,000	US\$16,800,000	<b>US\$28,500,000</b>
MNHPI	–	–	<b>10,761,360</b>
AGCT	2,776,427	–	<b>7,882,658</b>
SPICTL	2,702,406	1,254,586	<b>3,730,119</b>
YICT	5,632,622	2,775,354	<b>3,307,599</b>
PICT	6,706,297	4,592,572	<b>3,169,108</b>
SBITHI	1,515,250	1,577,000	<b>1,643,500</b>
MITL	1,841,862	116,580	<b>1,559,203</b>
SCIPSI	1,543,946	858,683	<b>858,758</b>
LGICT	165,349	–	<b>538,800</b>
BIPI	725,363	487,013	<b>464,950</b>
Others	57,536	–	<b>250,059</b>
	<b>US\$38,067,058</b>	<b>US\$28,461,788</b>	<b>US\$62,666,114</b>

### 15.5 Retained Earnings

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

	2020	2021	2022
Date of Board approval	March 20, 2020	March 15, 2021; August 6, 2021	<b>March 3, 2022</b>
Cash dividends (regular) per share	US\$0.07 (₱3.31)	US\$0.069 (₱3.38)	<b>US\$0.106 (₱5.56)</b>
Cash dividends (special) per share	–	US\$0.032 (₱1.62)	<b>US\$0.008 (₱0.44)</b>
Record date	April 3, 2020	March 30, 2021; August 20, 2021	<b>March 18, 2022</b>
Payment date	April 16, 2020	April 12, 2021; September 1, 2021	<b>March 28, 2022</b>

Retained earnings were reduced by distributions paid out by RCBV to holders of Perpetual Capital Securities discussed in Note 15.6 below aggregating US\$55.7 million in 2020, US\$67.3 million in 2021 and US\$35.4 million in 2022.

Of the net consolidated retained earnings of US\$216.9 million, US\$346.2 million and US\$687.4 million as at December 31, 2020, 2021, 2022, respectively, undistributed cumulative earnings of subsidiaries in retained earnings position amounting to US\$1,579.1 million, US\$1,387.3 million and US\$1,522.2 million as at December 31, 2020, 2021 and 2022, respectively, were not available for dividend distribution. As at December 31, 2022, the retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares held amounting to US\$49.2 million.

Total appropriated retained earnings of the Parent Company amounted to nil in 2020, 2021 and 2022. As at December 31, 2022, the unappropriated retained earnings of the Parent Company that is available for dividend declaration amounted to US\$555.2 million.



## 15.6 Perpetual Capital Securities

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

On October 3, 2016, RCBV tendered its US\$300.0 million 6.25 percent and US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities for redemption at a price of 106.75 and 105.75, respectively. On October 20, 2016, RCBV redeemed a total of US\$345.5 million of the tendered securities and paid the associated accrued distributions of US\$9.3 million. Together with the redemption, RCBV issued US\$375.0 million 4.875 percent Senior Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed by ICTSI at a price of 99.225. The new issue was used to finance the redemption and payment of accrued distributions of the tendered securities. The difference amounting to US\$41.2 million between the redemption price of US\$376.2 million, including accrued distributions of US\$9.3 million, and the carrying value of the redeemed perpetual capital securities amounting to US\$335.0 million was directly charged to retained earnings. The amount equivalent to the proceeds from the new issue, net of debt issuance costs, was recognized as additional perpetual capital securities.

On January 10, 2018, the Board approved the principal terms and conditions and issuance of the US\$350.0 million 5.875 percent fixed-for-life Senior Guaranteed Perpetual Capital Securities (the “New Securities”). The New Securities were unconditionally and irrevocably guaranteed by ICTSI.

On January 11, 2018, the Board approved the issuance of additional Senior Guaranteed Perpetual Capital Securities amounting to US\$50.0 million (“Additional Securities”) which was consolidated and formed a single series with the New Securities initially offered on January 10, 2018. The Additional Securities were also unconditionally and irrevocably guaranteed by ICTSI.

The cash proceeds received by RCBV from the issuance of the New and Additional Securities amounted to US\$392.3 million, net of debt issuance costs, which shall be used for the financing of acquisitions and capital expenditures and for general corporate purposes.

On July 6, 2020, RCBV launched a cash tender offer for its US\$450.0 million 5.50 percent Senior Guaranteed Perpetual Capital Securities (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 new issue was used to finance the redemption and payment of accrued distributions of the tendered securities. The proceeds from the new issue, 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 May 5, 2021, RCBV redeemed the remaining US\$198.3 million of the US\$450 million Senior Guaranteed Perpetual Capital Securities, including the accrued distributions. 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.

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

The Securities are treated as a liability in the financial statements of the Issuer or RCBV since it has the obligation to pay the accumulated distributions should the Guarantor declare dividends to its common stockholders. On the other hand, the Securities are treated as part of equity attributable to equity holders of the parent in the consolidated financial statements of the Group because nothing in the terms and conditions of the Securities gives rise to an obligation of the Group to deliver cash or another financial asset in the future as defined by PAS 32. However, should the Issuer decide to exercise its option to redeem the Securities, the Securities shall be treated as a financial liability from the date the redemption option is exercised. Should the Issuer also opt to not defer payment of distributions on a Distribution Payment Date, all distributions in arrears as at that date will be recognized as a financial liability until payment is made.

RCBV paid distributions totaling US\$55.7 million, US\$67.3 million and US\$35.4 million to the holders of the Securities in 2020, 2021 and 2022, respectively (see Note 15.5). Interest expense on Perpetual Capital Securities, which represents cumulative distributions to holders of Perpetual Capital Securities, amounted US\$62.0 million, US\$58.8 million and US\$33.4 million for the years ended December 31, 2020, 2021 and 2022. However, the interest expense has not been recognized in the consolidated statements of income but instead directly charged against retained earnings since the Perpetual Capital Securities are presented as equity attributable to equity holders of the parent. For purposes of computing for earnings per share, the cumulative distributions to holders of Perpetual Capital Securities are deducted from net income attributable to equity holders of the parent (see Note 29).



## 15.7 Other Comprehensive Loss - net

The details of other comprehensive net loss, net of applicable tax, as at December 31 are as follows:

	2020	2021	2022
Cumulative translation adjustments* (Note 3.3)	(US\$156,851,091)	(US\$191,320,929)	(US\$208,726,430)
Unrealized mark-to-market gain (loss) on derivatives (Notes 27.4 and 27.6)	(38,521,684)	(13,326,958)	11,939,939
Unrealized mark-to-market gain on financial assets at FVOCI (Note 10)	1,051,323	1,445,806	12,853,889
Business combination revaluation reserve	609,969	609,969	609,969
Share of other comprehensive gain (loss) of joint ventures and associates (Note 9)	11,163,961	2,238,112	(12,324,570)
Actuarial loss on defined benefit plans (Note 24)	(2,521,274)	(2,941,485)	(2,763,483)
	(US\$185,068,796)	(US\$203,295,485)	(US\$198,410,686)

\*Cumulative translation adjustments arise from the change in functional currency of the Parent Company and some of its subsidiaries' translation of foreign operations.

## 16. Long-term Debt

### 16.1 Outstanding Balances and Maturities

A summary of outstanding balance of long-term debt (net of debt issuance costs) as at December 31 is presented below:

	2020	2021	2022
US dollar-denominated medium-term notes (Note 16.2.1)	US\$767,582,889	US\$772,965,534	US\$778,746,319
US dollar-denominated notes (Note 16.2.2)	392,206,914	683,033,961	684,531,305
Foreign currency-denominated loans and notes (Note 16.2.3)	248,564,594	352,735,047	365,659,651
US dollar-denominated term loans (Note 16.2.4)	309,731,252	290,130,603	302,757,951
Loan facility programme (Note 16.2.5)	46,393,091	43,322,239	–
	1,764,478,740	2,142,187,384	2,131,695,226
Effect of business combination <sup>(a)</sup>	–	3,420,149	2,152,192
Carrying value of debt	1,764,478,740	2,145,607,533	2,133,847,418
Less current portion <sup>(a)</sup>	49,807,882	76,836,083	439,893,717
<b>Long-term debt - net of current portion</b>	<b>US\$1,714,670,858</b>	<b>US\$2,068,771,450</b>	<b>US\$1,693,953,701</b>

(a) Includes the difference between the fair value and the book value of the debt of MHCPSI's acquired through business combination.

The balances of and movements in unamortized debt issuance costs, premium and discounts, net of the recognized fair value of prepayment option as at and for the years ended December 31 are shown below:

	2020	2021	2022
Balance at beginning of year	US\$41,883,006	US\$43,394,114	US\$42,607,374
Debt issuance costs during the year	9,674,778	11,953,205	1,636,834
Amortization during the year	(8,064,539)	(8,399,939)	(8,256,415)
Write-off due to prepayment of long-term debt (Notes 16.2.2 and 21.3)	(658,333)	(4,127,604)	–
Translation adjustments	559,202	(212,402)	(388,293)
<b>Balance at end of year</b>	<b>US\$43,394,114</b>	<b>US\$42,607,374</b>	<b>US\$35,599,500</b>

Amortization of debt issuance costs is presented as part of “Interest expense and financing charges on borrowings” in the consolidated statements of income.



Principal maturities of long-term debt (gross of unamortized debt issuance cost) as at December 31, 2022 were as follows:

	Amount
2023	US\$434,139,425
2024	40,139,425
2025	435,246,012
2026	271,141,513
2027 onwards	986,628,351
	US\$2,167,294,726

## 16.2 Details and Description

### 16.2.1 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 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 December 31, 2022, the carrying value of notes under the MTN Programme amounted to US\$778.7 million, of which US\$394.0 million was paid in January 2023.



## 16.2.2 US Dollar-denominated Notes

*ICTSI*. On March 10, 2010, *ICTSI* signed a Subscription Agreement with Hong Kong and Shanghai Banking Corporation Ltd. (HSBC) and JP Morgan Securities, Ltd. for the issuance of ten-year senior notes (the “Original Notes”). The Original Notes were issued on March 17, 2010 with an aggregate principal amount of US\$250.0 million, maturing on March 17, 2020. The Original Notes bear interest at a fixed rate of 7.375 percent, net of applicable taxes, payable semi-annually in arrears.

On April 29, 2010, *ICTSI* tapped a further US\$200.0 million (the “Further Notes”) of the Original Notes discussed in the preceding paragraph, increasing the size to US\$450.0 million. The Further Notes were issued on May 6, 2010. The Original and Further Notes are collectively referred to as the “Notes”. The Further Notes bear interest at the fixed rate of 7.375 percent, net of applicable taxes, and was set at a price of 102.627 for an effective yield of 7.0 percent.

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

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

On September 17, 2013, *ITBV* exchanged newly issued US\$207.5 million 5.875 percent Notes due 2025 for *ICTSI*’s US\$178.9 million 7.375 percent Notes due 2020. The Notes due in 2020 were then reduced from US\$450.0 million to US\$271.1 million. The Notes due 2025 were issued by *ITBV* under its US\$1.0 billion Medium Term Note Programme (the “MTN Programme”) and are unconditionally and irrevocably guaranteed by *ICTSI* (see Note 16.2.1).

On January 29, 2015, a total of US\$117.5 million 5.875 percent Notes due 2025 from the MTN Programme were issued at a price of 102.625 and US\$102.6 million of which was used to exchange with holders of US\$91.8 million 7.375 percent Notes due 2020. The cash proceeds received by *ITBV* amounted to US\$11.6 million, net of debt issuance cost. These new Notes were consolidated and formed a single series with the US\$282.5 million 5.875 percent guaranteed Notes due 2025 issued on September 17, 2013 and April 30, 2014 (see Note 16.2.1). *ICTSI* fully redeemed the outstanding balance of Notes amounting to US\$179.3 million on March 17, 2020.

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 December 31, 2022, the carrying value of the Senior Notes amounted to US\$393.5 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 securities of RCBV (see Note 15.6). As at December 31, 2022, the carrying value of the New Notes amounted to US\$291.0 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.

### 16.2.3 Foreign Currency-denominated Loans and Notes

*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, 10 and 14).

As at December 31, 2022, the outstanding balance of the notes amounted to US\$243.1 million (AUD356.9 million), net of debt issuance costs.



*YICT.* On April 26, 2017, YICT obtained a US\$21.8 million (RMB150.0 million) loan from Agricultural Bank of China (ABC) payable in installments with a final maturity on November 21, 2023. The loan was used to refinance YICT's maturing loan with Yantai Port Holdings (YPH). Interest is based on the interest rate published by People's Bank of China minus an agreed margin. The rate is subject to adjustment every 12 months. In 2020, YICT fully paid the remaining balance of US\$4.3 million (RMB30.0 million) of the loan.

*SPICTL and MITL.* On November 27, 2019, SPICTL and MITL, as borrowers, and ANZ Banking Group (PNG) Limited, as lender, signed a loan agreement which consists of a PGK five-year term loan facility of US\$31.6 million (PGK106.9 million) and a PGK revolving loan facility of US\$5.9 million (PGK20.0 million), with interest based on ANZ's published Indicator Lending Rate minus an agreed margin. In 2019, SPICTL and MITL has 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 December 31, 2022, the outstanding balance of the term loans of SPICTL and MITL amounted to US\$6.8 million (PGK23.9 million) and US\$8.1 million (PGK28.5 million), net of debt issuance costs, respectively.

*ICTSI.* On April 14, 2020, ICTSI availed of 18-month loans from Metropolitan Bank & Trust Company ("MBTC") totaling to US\$29.6 million (Php1.5 billion) with interest based on the prevailing market rate. ICTSI fully prepaid the loans on October 6, 2020.

*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 loan originally bears a fixed interest rate, payable quarterly. The loan was acquired by ICTSI through business combination.

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.

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. 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 paid US\$5.6 million (Php300.0 million) of the loan. As at December 31, 2022, the carrying value of the loan amounted to US\$109.8 million (Php6.1 billion). Excluding the effect of business combination, the outstanding balance of the loan was US\$107.7 million (Php6.0 billion).

#### 16.2.4 US Dollar-denominated Term Loans

*CGSA.* On March 29, 2016, CGSA (as "Borrower"), MBTC (as "Lender") and ICTSI (as "Surety") signed a loan agreement which consists of two tranches of US\$32.5 million (Tranche I) and US\$7.5 million (Tranche II) with interest based on three-month London Inter-bank Offered Rate



(LIBOR) plus an agreed margin. Tranche I has a final maturity in March 2021 and Tranche II in May 2017. In 2016, CGSA availed of loans with a total amount of US\$40.0 million. 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 has 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” or “PNB”) and ICTSI (as “Surety”) signed a loan facility amounting to US\$15.5 million at a fixed interest rate and with 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\$6.9 million as at December 31, 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\$1.0 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\$3.3 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 December 31, 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 with a tenor of 7 years. On April 29, 2019, IGFBV has fully availed the term loan facility. In 2022, IGFBV paid US\$9.2 million of the loan. As at December 31, 2022, the outstanding balance of the term loan amounted to US\$265.9 million, net of debt issuance costs.

On January 23, 2023, the facility agreement was amended and effective January 29, 2023, interest will be based on three-month cumulative compounded Secured Overnight Financing Rate (SOFR) plus an agreed margin.

On November 26, 2019, December 5, 2019 and January 6, 2020, IGFBV availed of an 18-month loan from MUFG Bank Ltd. (MUFG) with interest based on three-month LIBOR plus an agreed margin, amounting to US\$45.0 million, US\$45.0 million and US\$20.0 million, respectively. IGFBV fully paid the loans on June 18, 2020 totaling US\$110.0 million.

*ICTSI.* On March 24, 2020, ICTSI availed of an 18-month loan from MBTC amounting to US\$100.0 million with interest based on the prevailing market rate. ICTSI fully prepaid the loan on June 18, 2020.



### 16.2.5 Loan Facility Programme

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

On January 10, 2019, ICTSI Middle East DMCC has fully availed of the US\$297.6 million (EUR260.0 million) from the facility. In December 2022, ICTSI Middle East DMCC fully paid the remaining balance of the loan amounting to US\$40.3 million (EUR38.2 million).

### 16.3 Loan Covenants and Capitalized Borrowing Costs

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

There was no material change in the covenants related to the Group’s long-term debt. As at December 31, 2022, ICTSI and subsidiaries were in compliance with their loan covenants.

Interest expense, net of amount capitalized as intangible assets and property and equipment, presented as part of “Interest expense and financing charges on borrowings” account in the consolidated statements of income, amounted to US\$100.4 million in 2020, US\$109.8 million in 2021, and US\$115.2 million in 2022 (see Notes 5 and 6).

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## 17. Other Noncurrent Liabilities

This account consists of:

	2020	2021	2022
Pension liabilities (Note 24)	US\$14,874,966	US\$14,256,427	US\$17,609,972
Accrued taxes and others (Note 19)	6,360,501	9,938,953	10,147,289
Government grant	5,908,920	3,570,577	1,116,649
Derivative liability (Note 27)	33,684,519	7,766,630	–
Others	1,831,753	6,311,577	7,643,320
	US\$62,660,659	US\$41,844,164	US\$36,517,230

### Government Grant

On March 29, 2012, BCT and Center for EU Transport Projects (CUPT), a Polish grant authority, signed the EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$17.3 million (PLN53.9 million) and on October 21, 2013, BCT and CUPT signed a second EU Grant whereby CUPT would grant BCT a subsidy amounting to US\$4.8 million (PLN14.6 million). The confirmation of the availability of the EU Grant was a condition precedent to any borrowing under the facility agreement of BCT. In December 2015, BCT finalized capital expenditure projects supported by the EU Grant with an estimated total of US\$19.5 million. As at December 31, 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\$5.9 million, US\$3.6 million and US\$1.1 million as at December 31, 2020, 2021 and 2022, respectively. Amortization of deferred income included under “Other income” account in the consolidated statements of income amounted to US\$2.5 million in 2020, US\$2.4 million in 2021 and US\$2.5 million in 2022, (see Note 21).

#### Accrued Taxes and Others

Accrued taxes and others as at December 31, 2022 include the noncurrent portion of customs duties payable in relation to the importation of port equipment in CGSA amounting to US\$7.4 million. The current portion amounting to US\$1.0 million as at December 31, 2022 is included in “Accounts payable and other current liabilities” account under accrued output and other taxes (see Note 19).

#### Others

Others mainly pertain to the additions in other noncurrent liabilities arising from acquisition of MHCPSI (see Note 1.4).

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## 18. Loans Payable

Loans payable are unsecured loans obtained by ICTSI and several subsidiaries.

*SPICTL and MITL.* On September 17, 2020, MITL availed of US\$2.8 million (PGK10.0 million) from the revolving loan facility with a maturity date of March 16, 2021. The loan was renewed on March 16, 2021 and matured on August 31, 2021.

*ICTSI.* On March 13, 2020, ICTSI availed of short-term loans from Citibank N.A, PNB, and Standard Chartered Bank (SCB) totaling to US\$200.0 million at prevailing market rates with maturity dates of June 11, 2020 and September 9, 2020. ICTSI fully paid the loans with Citibank, PNB, and SCB on June 11, 2020, June 15, 2020 and June 18, 2020, respectively.

On March 20, 2020, ICTSI availed of additional short-term loans from MUFG and HSBC totaling to US\$90.0 million at prevailing market rates with maturity dates of September 18, 2020 and March 22, 2021. ICTSI fully prepaid the loans on June 18, 2020.

*ICTSI Iraq.* On July 15, 2021, ICTSI Iraq 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 2021, ICTSI Iraq availed loans totaling \$20.1 million (IQD29.3 billion) from the facility and paid a total amount of US\$15.1 million (IQD22.0 billion). In 2022, ICTSI Iraq 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, which matured on February 10, 2023. The loan is outstanding as at December 31, 2022 and was paid 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, which matured on January 13, 2023. The loan is outstanding as at December 31, 2022 and was paid on January 13, 2023.

On January 17, 2023, ICTSI Ltd. availed of US\$41.4 million from the facility at a fixed interest rate, with maturity on November 17, 2023. On February 13, 2023, ICTSI Ltd. availed of US\$85.0 million from the facility at a fixed interest rate, with maturity on January 12, 2024.

*ICTSI.* On April 25, 2022, ICTSI availed of a PHP-denominated short-term loan from HSBC amounting to US\$27.5 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\$36.7 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 December 31, 2022, the outstanding balances of ICTSI's PHP- and USD-denominated loans were US\$62.8 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\$31.6 million (EUR30.0 million), with a fixed interest rate and maturity on April 25, 2023. As at December 31, 2022, the outstanding balance of the loan amounted to US\$32.1 million (EUR30.0 million).

*IGFBV.* On December 16, 2022, IGFBV availed of a short-term loan from MUFG Bank Ltd. (MUFG) amounting to US\$31.8 million (EUR30.0 million), with a fixed interest rate and maturity on June 14, 2023. As at December 31, 2022, the outstanding balance of the loan amounted to US\$32.1 million (EUR30.0 million).

Interest expense incurred related to these loans payable amounted to US\$1.2 million in 2020, US\$0.3 million in 2021, and US\$2.7 million in 2022.



## 19. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2021	2022
Trade (Notes 21.2 and 23.1)	US\$198,931,067	US\$171,581,124	<b>US\$197,323,205</b>
Accrued expenses:			
Salaries and benefits	35,023,759	35,683,787	<b>44,414,595</b>
Output and other taxes (Note 17)	39,708,440	28,399,222	<b>34,742,447</b>
Interest (Notes 16 and 18)	19,848,482	19,059,676	<b>24,082,009</b>
Operating expenses and others	19,826,375	19,253,171	<b>27,727,688</b>
Customers' deposits	14,467,120	19,510,180	<b>23,339,221</b>
Provisions for claims and losses (Notes 21 and 26)	18,381,473	18,480,698	<b>19,673,523</b>
Dividends payable	3,353,538	3,804,111	<b>4,691,812</b>
Others	4,088,221	6,091,829	<b>16,334,536</b>
	<b>US\$353,628,475</b>	<b>US\$321,863,798</b>	<b>US\$392,329,036</b>

Trade payables are noninterest-bearing and are generally settled on 30 to 60-day terms.

Provisions for claims and losses pertain to estimated probable losses in connection with legal cases and negotiations involving cargo, labor, contracts and other issues. The movements in this account follow:

	2020	2021	2022
Balance at beginning of year	US\$16,197,873	US\$18,381,473	<b>US\$18,480,698</b>
Provision during the year	4,231,637	5,039,807	<b>7,917,220</b>
Settlement and reversal during the year (Note 21.1)	(621,713)	(6,155,471)	<b>(6,018,611)</b>
Translation adjustment	(1,426,324)	1,214,889	<b>(705,784)</b>
Balance at end of year	<b>US\$18,381,473</b>	<b>US\$18,480,698</b>	<b>US\$19,673,523</b>

## 20. Share-based Payment Plan

Certain officers and employees of the Group receive remuneration through share-based payment transactions, whereby officers and employees are given awards, in the form of ICTSI common shares as equity-settled transactions, in lieu of cash incentives and bonuses under the SIP. The SIP was approved by the stockholders of ICTSI on March 7, 2007, effective for a period of ten years unless extended by the Board. On March 7, 2016, the Board approved for the extension of the SIP for a further 10 years until March 2027 and the amendment of vesting period of the SIP. The vesting period of the SIP was amended from two years where 50% is to vest on the first anniversary date of the award and the other 50% to vest on the second anniversary date of the award, to three years where 25% is to vest on the first anniversary date of the award, 25% to vest on the second anniversary date of the award, and 50% to vest on the third anniversary date of the award. Unless the Stock Incentive Committee determines otherwise, when dividends are declared by the Company, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (DRIP).

The shares covered by the SIP are held under treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee. As at December 31, 2022, there were 51,381,702 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as at December 31, 2022, there are 14,836,722 ICTSI common shares held under treasury, part of which are allotted for the SIP (see Note 15.1).

The grant of shares under the SIP does not require an exercise price to be paid by the awardee.



Awardees who resign or are terminated will lose any right to unvested shares. In the event of retirement of an awardee, the unvested shares shall automatically vest in full. In the event of death or total disability of an awardee, the outstanding unvested shares shall vest in full and the shares will be released to the designated heirs of the awardee. A change in control in ICTSI will trigger the automatic vesting of unvested awarded shares. There are no cash settlement alternatives.

The SIP covers permanent and regular employees of ICTSI with at least one-year tenure; officers and directors of ICTSI, its subsidiaries or affiliates; or other persons who have contributed to the success and profitability of ICTSI or its subsidiaries or affiliates.

Stock awards, including DRIP shares, granted by the Stock Incentive Committee to officers and employees of ICTSI and ICTSI Ltd. for the past three years and subsequent to December 31, 2022 are shown below:

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
March 1, 2019	1,662,309	US\$2.19 (₱113.00)
May 7, 2019	145,876	US\$2.63 (₱136.40)
March 10, 2020	2,122,621	US\$1.82 (₱92.00)
April 16, 2020	181,883	US\$1.48 (₱75.20)
March 1, 2021	1,976,171	US\$2.48 (₱120.50)
April 12, 2021	142,832	US\$2.57 (₱124.80)
March 1, 2022	1,643,920	US\$4.26 (₱218.00)
March 28, 2022	112,810	US\$4.18 (₱218.00)
March 1, 2023	2,228,822	US\$3.62 (₱198.80)

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

Movements in the stock awards (number of shares) in 2020, 2021 and 2022 follow:

	2020	2021	2022
Balance at beginning of year	3,807,507	3,888,072	<b>4,190,194</b>
Stock awards granted	2,304,504	2,119,003	<b>1,756,730</b>
Stock awards vested, issued and cancelled	(2,223,939)	(1,816,881)	<b>(1,770,417)</b>
Balance at end of year	3,888,072	4,190,194	<b>4,176,507</b>

Total compensation expense recognized on the vesting of the fair value of stock awards and presented as part of manpower costs in the consolidated statements of income amounted to US\$4.2 million in 2020, US\$4.7 million in 2021 and US\$5.6 million in 2022, respectively. A corresponding increase in additional paid-in capital, net of applicable tax, was also recognized in the consolidated statements of changes in equity (see Note 15.2).





## 21. Income and Expenses

### 21.1 Other Income

This account consists of:

	2020	2021	2022
Rental income (Note 8)	US\$3,680,497	US\$4,554,708	US\$4,614,328
Income from amortization of government grant (Note 17)	2,455,555	2,440,295	2,481,775
Gain on disposal of a subsidiary (Note 1.5)	–	–	2,238,020
Mark-to-market gain on derivatives – net (Note 27)	591	–	1,156,578
<i>(Forward)</i>			
Reversal of accrued taxes and other accruals (Note 19)	US\$4,885,697	US\$5,928,416	US\$826,147
Gain on disposal of property and equipment (Note 6)	173,881	1,376,093	581,085
Gain on settlement of insurance and other claims	1,338,586	5,522,303	569,790
Tax refund	781,955	1,315,771	292,340
Dividend income	3,062	4,619	3,774
Income from auction of overstaying cargoes and miscellaneous income	2,944,230	8,691,963	6,232,033
	US\$16,264,054	US\$29,834,168	US\$18,995,870

### 21.2 Port Authorities' Share in Gross Revenues

This account represents variable port fees of the Group in accordance with the agreements with the port authorities where the Group operates, excluding variable port fees considered as “in-substance fixed payments” that formed part of concession rights and right-of-use assets that are amortized on a straight-line basis over the term of the concession (see Note 25). Port authorities' share in gross revenues includes variable fees aggregating US\$175.0 million in 2020, US\$202.6 million in 2021 and US\$221.6 million in 2022 (see Note 25).

### 21.3 Other Expenses

	2020	2021	2022
Covid-19 related and restructuring and separation costs (Note 19)	US\$13,598,480	US\$11,434,859	US\$14,126,267
Management fees (Note 23.1)	2,982,465	4,103,845	4,455,196
Write-off of debt issuance costs and other financing charges (Note 16.2.3)	4,169,554	12,137,142	3,292,384
Loss on disposal of property and equipment (Note 6)	295,922	235,485	406,157
Unrecognized taxes and other expenses	9,647,060	17,446,098	33,277,662
	US\$30,693,480	US\$45,357,429	US\$55,557,666

#### Restructuring and Separation Costs

Restructuring and separation costs pertain to costs incurred with respect to cost optimization and rationalization in response to market developments in certain terminals.

#### Unrecognized Taxes and Other Expenses

This includes tax assets that can not be utilized by certain terminals.



## 22. Income Tax

The components of recognized deferred tax assets and liabilities are as follows:

	2020	2021	2022
Deferred tax assets on:			
Right-of-use asset and lease liability under PFRS 16	US\$122,846,616	US\$147,587,527	US\$160,196,755
Unrealized foreign exchange losses	58,496,484	47,110,680	111,427,956
NOLCO	69,666,736	63,034,571	54,312,358
Intangible assets and concession rights payable under IFRIC 12	35,148,785	34,584,786	43,882,916
Accrued retirement cost and other expenses	5,523,642	3,839,934	3,959,625
Share-based payments	476,527	1,376,933	1,430,651
Allowance for doubtful accounts and other provisions	1,418,894	1,355,445	2,136,037
Allowance for obsolescence	US\$1,339,137	US\$897,963	US\$753,642
Difference in tax and accounting depreciation and amortization	-	-	1,175,890
Unrealized mark-to-market loss on derivatives	32,927,718	23,475,899	-
Others	14,917,617	14,489,876	13,609,773
	<b>US\$342,762,156</b>	<b>US\$337,753,614</b>	<b>US\$392,885,603</b>
Deferred tax liabilities on:			
Accelerated depreciation and translation difference between functional and local currency	US\$68,208,739	US\$66,861,496	US\$80,831,850
Excess of fair value over book value of net assets of AGCT, BCT, Tecplata, YICT, PICT, OJA, TMT and ICTSI Rio	34,056,996	60,848,163	96,919,367
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	31,738,440	30,349,293	34,069,554
Unrealized mark-to-market gain on derivatives	171,757	782	11,654,263
Undistributed cumulative earnings of subsidiaries	-	-	10,143,648
Capitalized borrowing costs	16,331,402	13,905,526	8,774,347
Unrealized foreign exchange gains	2,386,788	2,537,892	3,174,378
Nonmonetary assets	3,158,198	1,402,564	9,168,524
Others	2,961,813	7,024,920	7,609,729
	<b>US\$159,014,133</b>	<b>US\$182,930,636</b>	<b>US\$262,345,660</b>

Other deferred taxes mainly pertain to difference in tax and accounting bases for lease and depreciation.

The Parent Company is subject to income tax based on its Philippine peso books even as its functional currency is US dollars. As a result, the Parent Company's US dollar-denominated net monetary liabilities were translated to Philippine peso giving rise to the recognition of deferred tax asset on net unrealized foreign exchange losses. The deferred tax asset on net unrealized foreign exchange losses amounting to US\$56.1 million, US\$44.6 million, and US\$108.3 million as at December 31, 2020, 2021 and 2022, respectively, mainly pertains to Parent Company.

Deferred tax assets on NOLCO of certain subsidiaries amounting to US\$5.6 million, US\$8.2 million and US\$9.5 million as at December 31, 2020, 2021 and 2022, respectively, were not recognized, as management believes that these subsidiaries may not have sufficient future taxable profits against which the deferred tax assets can be utilized. Deferred tax assets are recognized for subsidiaries when there is expectation of sufficient future taxable profits from which these deferred tax assets can be utilized.



Deferred taxes were not provided for undistributed cumulative earnings of subsidiaries in retained earnings position that are not taxable upon distribution or where the Parent Company has control over the distribution of such earnings in the foreseeable future, as these may be earmarked for reinvestment in foreign port projects (see Note 15.5) or for other reasons. As at December 31, 2022, deferred tax liability amounting to US\$10.1 million was recognized relating to the undistributed cumulative earnings of subsidiaries in retained earnings position from which the Parent Company projects to receive distributions in the foreseeable future and where these distributions are subject to tax.

ICTSI recognized deferred tax asset amounting to US\$0.5 million in 2020, US\$1.4 million in 2021 and US\$1.4 million in 2022, on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Notes 15.2 and 20). The Group recognized deferred tax asset on actuarial loss amounting to US\$0.3 million in 2020, US\$0.1 million in 2021 and US\$0.2 million in 2022. The related deferred tax assets were taken to equity.

A reconciliation of income tax expense on income before income tax at the statutory tax rates to provision for income tax for the years presented is as follows:

	2020	2021	2022
Income tax expense computed at statutory tax rates	US\$64,613,824	US\$129,982,060	US\$171,852,820
Add (deduct):			
Income tax incentive	(13,821,951)	(12,441,407)	(20,875,976)
Nondeductible tax losses of subsidiaries - net	2,816,122	3,126,340	3,433,549
Interest income already subjected to final tax	(627,824)	(190,918)	(781,684)
Unallowable interest expense	2,874,428	2,177,859	2,050,475
Others - net	(725,227)	1,762,722	(3,021,551)
<b>Provision for income tax</b>	<b>US\$55,129,372</b>	<b>US\$124,416,656</b>	<b>US\$152,657,633</b>

The statutory income tax rates applicable to each subsidiary are as follows:

Name of Company	Regular Corporate Income Tax Rate	Applicable Tax Rules/Entitlements
ICTSI Rio and IRB Logistica	34.0%	ICTSI Rio and IRB Logistica is subject to statutory corporate income tax rate of 34 percent, including 9 percent as social contribution. Tax losses can be carried forward indefinitely but amount of tax loss that can be utilized is limited to 30 percent of taxable income for a tax year.
KMT	30.8%	The total corporate income tax in Cameroon is 33% Corporate Tax and an additional Council Tax calculated as 10% of Corporate Tax. Law No. 2020/018, enacted on December 17, 2020, allowed a lower statutory Corporate Tax of 28.0% (plus 10% for Council Tax or for a total Corporate tax of 30.8%) for taxpayers with turnover equal to or less than XAF3.0 billion effective starting taxable year ended December 31, 2020. Currently, the applicable tax rate for KMT is for a total of 33% as the 2022 revenue surpassed the XAF3.0 billion threshold.  KMT is subject to a minimum income tax of 2% (plus 10% for Council Tax or for a total of 2.2%) on its total revenue. The minimum income tax is paid in advance and on a monthly basis, and is creditable against corporate tax due. Annual corporate income tax due is the higher of the minimum income tax and the regular income tax rate.



Name of Company	Regular Corporate Income Tax Rate	Applicable Tax Rules/Entitlements
IDRC	30.0%	The regular corporate income tax rate in DR Congo is 30 percent effective in 2019 (previously 35%). The minimum tax payable is the higher of 1 percent of revenue and CDF2.5 million for large corporations. IDRC is entitled to an income tax holiday for three years starting from June 2016 and renewed for another four years until June 2023.
ICTSI and other Philippine subsidiaries (excluding SBITC and ICTSI Subic)	25.0%	<p>The corporate income tax rate of Philippine entities is 25 percent effective July 1, 2020 (see details below).</p> <p>On July 2, 2015, the Board of Investments (BOI) approved the registration of ICTSI's construction of Berth 7 of the MICT as "Expanding Operator of Container Yard" on a Non-Pioneer status under the Omnibus Investment Code of 1987. Starting July 2017, Berth 7 is entitled, among others, to an income tax holiday for a period of three years with a base revenue of ₱7.0 billion (US\$139.7 million) applicable for each anniversary year. In 2020, 2021 and 2022, ICTSI availed of tax incentive arising from the income tax holiday of US\$5.3 million, nil and nil, respectively.</p> <p>On December 23, 2020, the BOI approved the registration of ICTSI's construction of Berth 8 of the MICT as "Expanding Operator of Seaport" on a Non-Pioneer status under the Omnibus Investment Code of 1987. Berth 8 is entitled to an income tax holiday of three years from July 2027 or actual start of commercial operations, whichever comes first. Development of Berth 8 commenced in the last quarter of 2022 while completion and start of operations is estimated to happen by the last quarter of 2024.</p> <p>On December 18, 2008, the Bureau of Internal Revenue issued Revenue Regulations No. 16-2008, which implemented the provisions of Republic Act 9504 on Optional Standard Deductions (OSD). This regulation allows both individuals and corporate taxpayers to use OSD in computing for taxable income. Corporations may elect a standard deduction equivalent to 40 percent of gross income, as provided by law, in lieu of the itemized allowed deductions. For the years ended December 31, 2019, 2020 and 2021, BIPI and SCIPSI have elected to use OSD in computing for their taxable income. DIPSSCOR and MICTSI opted to use itemized deductions method for the years ended December 31, 2020, 2021 and 2022 in computing for its taxable income.</p> <p>In March 28, 2016, LGICT was registered with the BOI as a new export services provider on a non-pioneer status under the Omnibus Investment Code of 1987. LGICT is entitled, among others, to an income tax holiday for four years from March 2016 which expired in 2020. After expiration, LGICT uses the 25% regular income tax rate.</p> <p>On December 13, 2019, CGT was registered with the BOI as a new operator of seaport on a non-pioneer status under Book 1 of E.O. No. 226. CGT is entitled, among others, to an income tax holiday for four years from December 2019.</p>
VICT, AICTL, CMSA and TMT	30.0%	<p>VICT and AICTL are subject to corporate income tax rate of 30 percent. Tax losses can be carried forward indefinitely, subject to same business and continuity of ownership tests.</p> <p>Effective January 1, 2014, CMSA and TMT are subject to corporate income tax rate of 30 percent.</p>
Tecplata	35.0%	Tecplata's nominal tax rate is 35 percent. In accordance with the tax reform in 2017, the tax rate was reduced to 30 percent in 2018 and further reduced to 25 percent starting 2021. In addition to income tax, Tecplata was subjected to annual minimum presumed income



Name of Company	Regular Corporate Income Tax Rate	Applicable Tax Rules/Entitlements
SPICTL and MITL	30.0%	<p>tax (MPIT) calculated as 1 percent of the fixed and current assets until second half of 2019 (see Note 9). Unutilized MPIT can be used to offset against income tax payable for the next ten fiscal years from the year MPIT was paid. Tax losses can be carried forward for five years.</p> <p>On June 16, 2021, Law 27,630, which introduced amendments to the corporate income tax law, entered into force. Corporate income will be subject to tax at progressive rates ranging from 25 percent to 35 percent.</p> <p>The following tax rates apply to the resident companies in Argentina based on the accumulated net profit: (a) up to ARS 7.6 million – 25 percent; (b) more than ARS7.6 million and up to ARS76.0 million – ARS1.9 million plus 30 percent on the amount exceeding ARS7.6 million; (c) more than ARS76.0 million – ARS22.4 million plus 35 percent on the amount exceeding ARS76.0 million.</p> <p>Starting in January 2022, these brackets will be annually adjusted to account for inflation, as per the consumer price index “IPC”, published by the relevant governmental agency (INDEC).</p>
PICT	29.0%	<p>The corporate tax rate for resident PNG companies is 30 percent. Tax losses can be carried forward for a period of 7 years. Corporate income tax is collected under a provisional tax system. Provisional tax is imposed by assessment issued by the Internal Revenue Commission based on the last year assessed with an 8 percent increase. Provisional tax is payable over three equal instalments in April, July and October. In the event that no prior assessment exists, the Commissioner General has the right to estimate the amount of tax that he believes should be paid. Applications can be made to adjust (reduce or increase) the amount of provisional tax payable.</p> <p>Corporate tax rate in Pakistan that applies to PICT is 29 percent. In 2014, a new provision [Section 113(c) of Income Tax Ordinance, 2001 (Ordinance)] was added by which companies are required to pay Alternative Corporate Tax (ACT) at 17 percent of accounting profits if the actual tax liability is less than ACT. The differential excess can be carried forward for ten years.</p> <p>In Pakistan, deductible depreciation is computed by applying the applicable rates, as provided in the Third Schedule to the Ordinance, to the particular category of assets on a diminishing balance method. The rate of tax depreciation ranges from 10 to 100 percent depending on the category of the assets. An initial depreciation allowance at the rate of 25 percent, depending on the category of assets, is also available for eligible depreciable assets, in accordance with section 23 of the Ordinance.</p>
RCBV, ITBV and other subsidiaries in The Netherlands	25.8%	<p>The corporate income tax rate in the Netherlands is 16.5 percent on taxable income of up to €200,000 and 25.0 percent on taxable income exceeding €200,000. Tax losses in Netherlands can be carried back one year and carried forward for six years starting 2019 (previously nine years).</p> <p>Effective January 1, 2021, corporate income tax rate in the Netherlands is 15 percent on taxable income up to €245,000 and 25.0 percent on taxable income exceeding €245,000.</p> <p>Effective January 1, 2022, corporate income tax rate in the Netherlands is 15 percent on taxable income up to €395,000 and €59,250 plus 25.8 percent on taxable income exceeding €395,000.</p> <p>From January 1, 2022, losses may be carried back one year and carried forward indefinitely. However, the offset of losses against taxable income is limited to the first €1 million of taxable income and, for taxable income in excess of €1 million, losses may only be offset up to 50% of this excess. Tax losses, including tax losses incurred</p>



Name of Company	Regular Corporate Income Tax Rate	Applicable Tax Rules/Entitlements
OPC	25.0%	<p>through December 31, 2021 and still available for carry forward as of December 31, 2021, can be carried forward indefinitely.</p> <p>On January 31, 2017, the Secretariat of Finance (SEFIN) issued a resolution through which it grants the Company an exemption of Net Asset Tax, Temporary Solidarity Contribution, Advance of 1 percent in respect of Income Tax provided for in Decree No. 96-2012, (Law on Anti-Evasion Measures on Income Tax) of the Income Tax modality corresponding to 1.5 percent of Gross Income Declared set forth in Article 22-A of the Income Tax Act, as well as from all those taxes related to income, for the lifetime of the project called “Design, Financing, Construction, Maintenance, Operation and Exploitation of Puerto Cortes’ Container and General Cargo Terminal”, as of the date of commencement of operations, and it must be renewed annually until the end of the concession by SEFIN. It is stated in the official document that SEFIN will verify that OPC complies with the commitments and objectives stipulated in the concession contract, otherwise, the benefit of the tax exemption will be suspended. The tax authorities will verify that OPC is in compliance with its obligations and, otherwise, the benefit will be suspended. Likewise, OPC shall update the registration of exempted payers annually.</p>
YICT	25.0%	<p>Registered as a Sino-foreign joint venture in China, Berths 61 and 62 of YICT are entitled to a full tax holiday in the first five years and 50 percent exemption in the subsequent five years starting 2006 and 2011, respectively. YICT’s tax exemption is until December 2015 and starting year 2016, YICT is subjected to the 25 percent regular income tax rate. Tax losses can be carried forward for five years.</p> <p>In January 2015, Berths 51 and 52 of YICT were granted a full tax holiday in the first three years and 50 percent exemption in the subsequent three years.</p>
CGSA	25.0%	<p>CGSA’s corporate income tax rate applicable starting 2018 is 25 percent. This tax is calculated after deducting 15 percent of social contribution on profits for workers. CGSA is subject to the payment of an annual temporary contribution equivalent to 0.20 percent of taxable income in 2018, starting 2020 until 2022. In 2020, CGSA entered into an investment contract with the government of Ecuador, wherein the contract entitled CGSA to a reduction of a maximum of 10% in the income tax rate for the years 2021 to 2028, provided certain amount of investment is reached and other requirements are complied with.</p>
MTS, IJP, OJA, PT CTSSI and EJD	22.0%	<p>MTS, IJP, OJA and EJD are subject to corporate income tax rate in Indonesia of 25 percent until 2021. For calendar year 2022 onwards, an income tax rate of 20 percent applies to net taxable income. On March 31, 2020, the Indonesia issued a Government Regulation in lieu of the Law of the Republic of Indonesia Number 1 Year 2020 which stipulates, among others, reduction of the tax rates for corporate income tax and permanent establishments entities from previously 25% to 22% starting the fiscal year 2020 and onwards.</p>
MICTSL and SPIA	20.0%	<p>MICTSL is subject to statutory corporate income tax rate of 20 percent. A minimum tax of MGA0.32 million plus 0.5 percent of the annual turnover is levied if the company incurs a loss or if the corporate tax rate calculated using the 20 percent rate is less than the minimum tax.</p> <p>SPIA is incorporated in Colombia and on June 26, 2012, the Colombian Government issued the formal resolution granting SPIA a Free Trade Zone status. Effective 2012, the income tax applicable to SPIA is 15 percent instead of 33 percent general corporate income tax rate in force in 2012. General corporate income tax rate</p>



Name of Company	Regular Corporate Income Tax Rate	Applicable Tax Rules/Entitlements
		decreases to 32 percent in 2020, 31 percent in 2021, and 30 percent in 2022. Subsequently, a structural tax reform passed in December 2016 increased the income tax rate for Free Trade Zone users by 5 percent, from 15 percent to 20 percent effective starting 2017. Net tax losses until 2016 can be carried indefinitely. Net tax losses starting 2017 can be carried forward for the next twelve years. Starting 2022, net tax losses can be carried forward for the next five years
BCT	19.0%	BCT is subject to statutory corporate income tax rate of 19 percent.
AGCT	18.0%	The statutory corporate income tax rate in Croatia for entities which operate in the free-trade zone is 18 percent from 2017 onwards.
TSSA	15.25%	TSSA's statutory income tax rate is 34.0 percent, including 9 percent as social contribution, and was granted a tax incentive reducing tax rate to 15.25 percent. The tax incentive is applicable for the years 2005 to 2022 on profits from port operating services in Suape, Pernambuco. Tax losses can be carried forward indefinitely but amount of tax loss that can be utilized is limited to 30 percent of taxable income for a tax year.
BICTL and ICTSI Iraq	15.0%	BICTL is subject to statutory corporate income tax rate of 15 percent. Starting January 1, 2017, income tax is calculated based on distributed profit.  ICTSI Iraq is subject to statutory corporate income tax rate of 15 percent. Tax losses can be carried forward up to five years provided that losses may not offset more than half of the taxable income of each of the five years and the loss may offset only income from the same source from which the loss arose. Any carry-over losses are subject to discretion of the tax authorities. In December 2022, ICTSI Iraq has acquired an Iraqi investor license which entitles ICTSI Iraq to 10-year tax holiday.
SBITC and ICTSI Subic, Inc.	5.0%	SBITC and ICTSI Subic are registered with the Subic Bay Metropolitan Authority as Subic Bay Free Port Zone Enterprises that are entitled to certain tax incentives including a preferential income tax rate of 5.0 percent based on gross revenues less allowable deductions (see details below).
ICTSNL	30.0%	The corporate income tax rate is dependent on the company's turnover. Large companies with turnover greater than NGN100 million are taxed at a rate of 30%. Medium companies with turnover between NGN25 million and NGN100 million are taxed at a rate of 20%. Small companies are exempt from corporate income tax.  ICTSNL has existing and valid Freezone Developer License with the Oil & Gas Free Zones Authority of Nigeria under the name, "International Container Terminal Services FZE (ICTS FZE)". The license confers ICTS FZE as a Free Zone entity authorized to operate its registered activities within the Onne Oil & Gas Free Trade Zone (FTZ) under the Nigeria Export Processing Zone Authority (NEPZA) Act (the Act) and Free Zone Regulations and enjoy certain rights and privileges that include exemption from all Federal, State, and Local Government taxes, levies, and rates, among others.



### 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 on the December 31, 2020 consolidated balances had the CREATE Act been substantively enacted as of then, that were adjusted in 2021, are 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 in net gain of joint ventures and an associate - net	4.0
Net income attributable to equity holders of the parent	(4.7)
Net income attributable to non-controlling interests	0.1





## 23. Related Party Transactions

### 23.1 Transactions with the Shareholders and Affiliates

Related Party	Relationship	Nature of Transaction	2020		2021		2022	
			Transaction Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Transaction Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Transaction Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance
<i>(In Millions)</i>								
<b>SPIA Spain S.L.</b>								
SPIA	Joint venture	Interest-bearing loans (Note 9) <sup>(ii)</sup>	(US\$7.24)	US\$160.54	(US\$10.10)	US\$150.44	<b>(US\$10.69)</b>	<b>US\$139.75</b>
		Interest income (converted into interest-bearing loan) (Note 9) <sup>(ii)</sup>	4.82	55.42	(3.72)	61.79	<b>(4.21)</b>	<b>57.59</b>
		Interest receivable <sup>(ii)</sup>	13.12	6.68	13.18	6.53	<b>12.46</b>	<b>5.96</b>
<b>YICT</b>								
YPH	Non-controlling shareholder	Port fees <sup>(iii)</sup>	0.02	–	–	–	–	–
		Trade transactions <sup>(iii)</sup>	(0.70)	(0.03)	(0.91)	(0.05)	<b>(0.45)</b>	<b>(0.04)</b>
YPHT	Common shareholder	Outsourced services <sup>(iv)</sup>	1.10	1.17	5.70	0.59	<b>5.96</b>	<b>0.90</b>
YPG	Common shareholder	Port fees <sup>(iii)</sup>	2.63	1.00	3.62	1.00	<b>3.71</b>	<b>1.00</b>
		Trade transactions <sup>(iv)</sup>	(1.54)	(0.01)	(2.17)	(0.14)	<b>(2.47)</b>	<b>(0.08)</b>
<b>SCIPSI</b>								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.19	(0.04)	0.17	(0.02)	<b>0.13</b>	<b>(0.01)</b>
<b>AGCT</b>								
Luka Rijeka D.D. (Luka Rijeka)	Non-controlling shareholder	Provision of services <sup>(vii)</sup>	0.44	–	0.54	–	<b>0.78</b>	<b>(0.28)</b>
<b>PICT</b>								
Premier Mercantile Services (Private) Limited	Non-controlling Shareholder	Stevedoring and storage charges <sup>(viii)</sup>	2.74	(0.19)	3.22	(0.13)	–	–
		Container handling revenue <sup>(vii)</sup>	0.11	0.02	0.03	–	–	–
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue <sup>(viii)</sup>	0.06	–	0.10	–	–	–
Bilal Associates (Pvt) Limited	Common shareholder	Stevedoring and storage charges <sup>(ix)</sup>	–	–	0.03	(0.03)	<b>\$0.36</b>	<b>(0.01)</b>
		Container handling revenue <sup>(ix)</sup>	–	–	0.01	–	<b>0.08</b>	–
<b>LGICT</b>								
NCT Transnational Corp.	Non-controlling shareholder	Management fees	0.49	(0.22)	0.49	(0.17)	<b>0.45</b>	<b>(0.07)</b>
		Maintenance and repairs	0.05	(0.04)	0.11	(0.05)	<b>0.11</b>	<b>(0.03)</b>
		Trade transactions	0.02	(0.01)	0.02	(0.01)	<b>0.02</b>	<b>(0.01)</b>
<b>IDRC</b>								
Ledya SARL	Non-controlling shareholder	Management fees	2.26	(0.61)	3.39	(0.30)	<b>(3.60)</b>	–
<b>Parent Company</b>								
Prime Metro BMD Corporation	Common shareholder	Construction services <sup>(ix)</sup>	21.85	(1.99)	13.05	(1.49)	<b>3.32</b>	<b>0.13</b>
		Dredging services <sup>(ix)</sup>	5.36	–	–	–	<b>2.31</b>	–
		Sublease <sup>(x)</sup>	0.32	0.08	0.45	0.27	–	<b>0.09</b>
Prime Metro Power Holdings Corporation	Common shareholder	Reimbursement of operating expenses	0.05	0.04	0.07	0.07	<b>0.02</b>	<b>0.08</b>
		Sublease <sup>(x)</sup>	0.08	–	0.16	(0.01)	–	<b>(0.01)</b>
Prime Metro Infrastructure Holdings Corporation	Common shareholder	Reimbursement of operating expenses	–	–	0.02	–	<b>0.09</b>	<b>0.04</b>
		Sublease <sup>(x)</sup>	0.08	(0.01)	0.68	0.14	–	<b>0.07</b>
FAMI	Joint Venture	Reimbursement of operating expenses	0.13	(0.01)	0.03	0.34	<b>0.04</b>	<b>0.42</b>
		Management fees	0.87	(0.19)	1.33	(0.25)	<b>0.28</b>	<b>(0.19)</b>
PSHI	Common shareholder	Acquisition of shares of stock	–	–	51.24	–	–	–
<b>CGT</b>								
Prime Metro BMD Corporation	Common shareholder	Contract administration and site management services <sup>(xi)</sup>	0.11	–	–	–	–	–



Related Party	Relationship	Nature of Transaction	2020		2021		2022	
			Transaction Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Transaction Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance	Transaction Amount <sup>(i)</sup>	Outstanding Receivable (Payable) Balance

<b>ROHQ</b>								
MNHPI	Common shareholder	Professional fees	US\$–	US\$	US\$0.25	US\$–	US\$0.33	US\$–
	(consolidated effective September 8, 2022)							

(In Millions)

- (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 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, rental and other transactions paid by YICT to YPH and YPG.
- (v) Starting October 2020 and for a period of two years, YPHT outsources its domestic container terminal business to YICT.
- (vi) 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.
- (vii) 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.
- (viii) Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited are customers of PICT.
- (ix) ICTSI has entered into contracts with Prime Metro BMD Corporation for the construction of port facilities.
- (x) ICTSI has entered into contracts with Prime Metro BMD Corporation, Prime Metro Power Holdings Corporation and Prime Metroline Infrastructure Holdings Corporation for the sublease of office space.
- (xi) CGT has entered into contract with Prime Metro BMD Corporation for contract administration and site management services.
- (xii) 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 payable without the need for demand.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2020, 2021 and 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 23.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2020	2021	2022
Short-term employee benefits	US\$1,476,190	US\$1,548,255	US\$1,479,571
Post-employment pension	22,191	47,960	32,013
Share-based payments	1,094,203	1,303,187	2,214,296
<b>Total compensation to key management personnel</b>	<b>US\$2,592,584</b>	<b>US\$2,899,402</b>	<b>US\$3,725,880</b>



## 24. Pension Plans

### Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR (settled in 2022), SBITC, ROHQ, MTS, IJP, OJA, SCIPSI, MICTSL, MICTSI, AGCT, CGSA, CMSA, CMSA Servicios Portuarios SA De CV, CMSA Servicios Profesionales Y De Especialistas SA De CV, ICTSI Iraq and APBS have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service. Net pension expense charged to operations included as manpower costs amounted to US\$4.0 million in 2020, US\$3.5 million in 2021 and US\$3.5 million in 2022.

Pension plans consist of:

	2020	2021	2022
Pension assets (presented as "Other noncurrent assets")			
Asia	US\$-	US\$-	US\$-
Pension liabilities (presented as "Other noncurrent liabilities")			
Asia	US\$6,799,208	US\$5,168,982	US\$7,733,855
EMEA	2,954,122	3,494,953	3,698,340
Americas	5,121,636	5,592,492	6,177,777
	US\$14,874,966	US\$14,256,427	US\$17,609,972

*Pension Liabilities.* The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2020	2021	2022
Net pension expense:			
Current service cost	US\$3,100,683	US\$2,964,206	US\$2,719,241
Net interest cost	436,933	147,136	601,255
Past service cost	453,035	355,205	134,269
	US\$3,990,651	US\$3,466,547	US\$3,454,765
Pension liabilities:			
Present value of defined benefit obligation	US\$24,625,657	US\$24,467,525	US\$27,211,148
Fair value of plan assets	(9,750,691)	(10,211,098)	(9,601,176)
	US\$14,874,966	US\$14,256,427	US\$17,609,972
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US\$22,307,102	US\$24,625,657	US\$24,467,525
Effect of business combination (Note 3)	-	-	3,621,259
Current service cost	3,100,683	2,964,206	2,719,241
Interest cost	889,418	761,398	1,054,936
Actuarial loss (gain) on obligations - net	1,332,370	521,966	(1,628,313)
Past service cost	453,035	355,205	134,269
Benefits paid	(4,564,047)	(2,714,661)	(1,415,913)
Translation adjustment	1,107,096	(1,505,266)	(1,643,954)
Change in plan position	-	(540,980)	(97,902)
Balance at end of year	24,625,657	24,467,525	27,211,148
Changes in fair value of plan assets:			
Balance at beginning of year	10,001,051	9,750,691	10,211,098
Effect of business combination (Note 3)	-	-	884,690
Interest income	452,485	614,262	453,681
Actuarial gain (loss) on plan assets	(40,042)	101,755	(1,090,844)
Benefits paid	(3,474,005)	(1,702,052)	(172,707)
Actual contributions	2,292,942	2,171,934	235,829
Translation adjustment	518,260	(725,492)	(920,571)
Balance at end of year	9,750,691	10,211,098	9,601,176
Actual return (loss) on plan assets	US\$412,443	US\$716,017	(US\$637,163)



The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2022.

The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, ISI, ROHQ, APBS, DIPSSCOR, MTS, OJA, IJP, SCIPSI, MICTSI, MNHPI, MHC, AGCT, BCT, MICTSL, ICTSI Iraq, CMSA, CMSA Servicios Portuarios SA De CV, CMSA Servicios Profesionales Y De Especialistas SA De CV and CGSA are shown below (in percentage):

	2020	2021	2022
Discount rate			
Asia	3.61% - 7.65%	3.60% - 6.15%	<b>6.80% - 7.45%</b>
EMEA	1.50% - 7.93%	3.40% - 6.08%	<b>3.40% - 5.98%</b>
Americas	3.13% - 9.60%	2.96% - 7.61%	<b>5.15% - 9.01%</b>
Future salary increases			
Asia	2.00% - 8.00%	2.00% - 6.00%	<b>3.00% - 8.00%</b>
EMEA	3.00% - 5.00%	3.00% - 5.00%	<b>5.00% - 7.00%</b>
Americas	1.31% - 5.00%	1.05% - 6.00%	<b>2.00% - 5.50%</b>

A quantitative sensitivity analysis for significant assumptions as at December 31, 2022 is shown below (amounts in millions):

Sensitivity level	Discount rate		Future salary increases	
	-1%	+1%	-1%	+1%
Impact on the net defined benefit obligation	0.7	(0.6)	(0.7)	0.8

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected to be made in the future out of the defined benefit plan obligation:

	2020	2021	2022
Within the next 12 months	US\$2,343,855	US\$3,515,584	<b>US\$5,577,336</b>
Between 2 and 5 years	2,343,855	3,515,584	<b>6,264,347</b>
Between 5 and 10 years	8,670,388	6,694,861	<b>9,072,611</b>
Beyond 10 years	38,001,702	35,610,235	<b>36,172,501</b>
Total expected payments	US\$51,359,800	US\$49,336,264	<b>US\$57,086,795</b>

The average duration of the defined benefit plan obligation as at December 31, 2022 is 17.99 years.

The amount of experience adjustments on pension obligations amounted to US\$0.8 million in 2020, US\$0.5 million in 2021 and US\$0.7 million in 2022. The amount of experience adjustments on plan assets amounted to nil in 2020, 2021 and 2022.

The plan assets of Group are being held by various trustee banks. The investing decisions of these plans are made by the respective trustees.



The following table presents the carrying amounts and fair values of the combined assets of the plans less liabilities:

	2020	2021	2022
Cash and cash equivalents	US\$3,119,660	US\$3,312,562	<b>US\$1,403,678</b>
Investments in debt securities	1,018,937	926,301	<b>5,608,546</b>
Investments in government securities	4,977,350	4,136,578	<b>1,690,787</b>
Investments in equity securities	1,498,519	1,862,098	<b>843,163</b>
Others	66,850	69,216	<b>62,474</b>
	10,681,316	10,306,755	<b>9,608,648</b>
Liabilities	(930,625)	(95,656)	<b>(7,472)</b>
	US\$9,750,691	US\$10,211,099	<b>US\$9,601,176</b>

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or stated at fair market values.

The plans' assets and investments consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bear interest ranging from 1.78 percent to 7.11 percent and have maturities from 2022 to 2034;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.37 percent to 5.68 percent and have maturities from 2021 to 2040; and
- Investments in equity securities include investment in shares of stock of ICTSI amounting to US\$1.0 million, US\$1.5 million and US\$1.5 million as at December 31, 2020, 2021 and 2022, respectively. For years ended December 31, 2020, 2021 and 2022, mark-to-market gain arising from investment in ICTSI shares amounted to US\$0.6 million, US\$1.2 million and US\$1.0 million, respectively.
- The carrying amounts of investments in equity securities also approximate their fair values given that they are stated at fair market values. The voting rights over these equity securities are exercised by the authorized officers of the respective subsidiary.
- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

#### Defined Contribution Pension Plan

The employees of YICT are members of a state-managed retirement benefit scheme operated by the local government. YICT is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of YICT with respect to the retirement benefit scheme is to make the specified contributions.

PICT operates a recognized provident fund scheme for all its eligible employees. Equal monthly contributions are made by PICT and the employees to the fund at a rate of 8.33 percent of the basic salary.



In addition, ICTSI Oregon maintains a Safe Harbor 401k plan (401k plan), covering all of its employees, which became effective January 1, 2011. Participants who are eligible can contribute up to 100 percent of their eligible compensation and those who have reached the age of 21 years old are eligible to make contributions following six months of continuous service. All participants in the 401k plan are eligible for matching contributions of 100 percent of each dollar contributed up to 6 percent of a participant's earnings. Participant's voluntary contributions and actual earnings thereon are immediately vested. ICTSI Oregon's matching contributions to the 401k plan are immediately vested and cannot be forfeited.

Contributions made by YICT, ICTSI Oregon and PICT to the plans and recognized as expense under manpower costs totaled US\$0.5 million in 2020, US\$0.8 million in 2021 and US\$0.8 million in 2022.

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## 25. Significant Contracts and Agreements

The Group has entered into a number of contracts and agreements mainly related to the operation, development and management of ports and container terminals. As at December 31, 2022, ICTSI and its subsidiaries, joint venture and associate are in compliance with their concession agreements.

### 25.1 Contract for the Management, Operation and Development of the MICT

The Parent Company has a contract with the PPA for the exclusive management, operation, and development of the MICT for a period of 25 years starting May 18, 1988, which was extended for another 25 years until May 18, 2038. Under the contract, the Parent Company agreed to pay the PPA fixed fees payable in advanced quarterly installments and a variable fee based on a percentage of the Parent Company's gross revenues. The contract contains commitments and restrictions which include, among others, prohibition on the change of Parent Company's controlling ownership without prior consent of the PPA and adherence to a container terminal equipment acquisition program and deployment schedule. Moreover, upon expiration of the term of the contract or in the event of pre-termination, all the structures, buildings, facilities and equipment of the Parent Company being used at the MICT shall automatically become the property of the PPA. The PPA has no obligation to reimburse the Parent Company for the equipment, except for those acquired during the last five years prior to the termination of the contract for which the PPA shall have the option to purchase at book value or to pay rentals. Upon expiration of the original contract of MICT in May 2013, the Parent Company executed a deed of absolute transfer to effect the transfer of ownership of the said structures, improvements, buildings, facilities and equipment, except equipment purchased during the last five years of the original contract. However, ICTSI shall continue to have possession, control and use of the transferred assets for another 25 years in accordance with the terms of the renewal contract in consideration for the upfront fee payment made by the Parent Company.

In 1997, the Parent Company signed a contract for leasehold rights over the storage facilities at the MICT. Under the contract, the Parent Company is committed to pay the PPA annual fixed fees and a variable fee based on a percentage of revenues generated from the operation of the storage facilities. This contract was renewed on June 11, 2008 and has been made co-terminus with the MICT Management Contract, or up to May 18, 2038.

In 1998, the Parent Company also acquired a contract to handle non-containerized cargoes and the anchorage operations for a period of ten years starting January 1998. Such contract was renewed on June 11, 2008 and has been made co-terminus with the 1988 MICT Management Contract, or up to May 18, 2038. Under this contract, the Parent Company is required to pay a variable fee based on a percentage of its gross revenues from anchorage operations and berthside operations for the first three years of the contract. Thereafter, the consideration to be paid by the Parent Company shall be a fixed fee plus a variable fee of 7.5 percent of its gross revenues from berthside operations or 20 percent of



its gross revenues, whichever is higher. The fixed fee shall be determined based on the highest annual government share by the Parent Company for the handling of non-containerized cargoes at berthside for the first three years, plus 10 percent thereof.

25.2 Contract with Subic Bay Metropolitan Authority (SBMA) and Royal Port Services, Inc. (RPSI)

On February 20, 2007, SBITC was awarded by the SBMA the contract to operate the New Container Terminal 1 (NCT-1) at Cubi Point in Subic for a period of 25 years. The NCT-1 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, SBITC shall pay: base rent per month with escalation on the 5th year and every three years thereafter; fixed fee and variable fee based on the volume of containers handled at the terminal.

25.3 Agreement for Public Concession with Societe de Gestion du Port Autonome de Toamasina (SPAT)

On June 16, 2005, the Parent Company and SPAT signed a 20-year concession agreement for a Public Service Concession for the operation of a container terminal in the Port of Toamasina. Under the agreement, the Parent Company, through MICTSL (a wholly owned subsidiary), will undertake container handling and related services in the Port of Toamasina. The Parent Company agreed to pay SPAT an entry fee including fixed and variable fees converted to MGA using the Euro/MGA weighted exchange rate published by the Central Bank of Madagascar on the day payment is made. Fixed and variable fees will be updated annually based on inflation rate of the Euro zone of the previous year. Annual fixed fee is payable in advance in semi-annual installments.

On December 10, 2021, the Concession Agreement was amended to extend the term for a period of 15 years from its original expiration, on October 16, 2025, and to end on October 15, 2040, subject to further approval from the government of Madagascar that was confirmed in June 2022. MICTSL will continue as the Concessionaire with the same rights and obligations under the terms of the Concession Agreement.

25.4 Concession Agreement with Autoridad Portuaria de Guayaquil (APG)

In May 2007, ICTSI, through CGSA, entered into a concession agreement with the Port Authority of Guayaquil for the exclusive rendering of port services that includes the exploitation, construction, financing, operation, management and maintenance of container and multipurpose terminals in the Port of Guayaquil, Ecuador for a period of 20 years ending in 2027. CGSA took over the terminal operations on August 1, 2007.

Under the concession agreement, CGSA undertook to pay APG the following: (i) an upfront fee payable over five years; (ii) fixed fees payable quarterly; and (iii) variable fees payable monthly based on TEUs handled for containers, and tonnage for noncontainerized general cargo. Fixed fees and variable fees are subject to annual increase according to index of adjustment factor calculated for the sum of 0.50 consumer price index (CPI) of Ecuador and 0.50 CPI of United States of America. In October 2014, the Concession Agreement was amended to modify the formula of calculation of variable fee from November 2014 at a percentage of total gross revenues.

On December 3, 2019, CGSA and APG signed the addendum to the concession agreement extending the term of the concession until December 2046, from the original term until July 2027. The addendum sets out the revised investment commitments of CGSA and modified the manner of determining the variable fee. Henceforth, the variable fee shall be computed based on gross revenues less credit notes (net revenue), using a rate applied up to a certain base level of volume that changes



yearly until 2046. An additional variable fee shall be paid if the actual volume exceeds the base volume agreed, based on a rate applicable to an agreed range of volume in excess of the base volume.

#### 25.5 Concession Agreement with La Plata

ICTSI, through Tecplata, entered into a concession agreement with La Plata on October 16, 2008. The concession is for 30 years starting from taking bare possession of the terminal or until 2038 and renewable for another 30 years with the following considerations: (i) fixed rent fee - payable on a monthly basis and in advance (ii) variable royalty - payable monthly and based on annual traffic volume at the start of commercial operations; and (iii) assured royalty - payable annually once the terminal becomes operative to cover fixed rent fee, variable royalty, tariff for the use of waterways and port and service of containerized cargoes. The port of La Plata shall be operated by ICTSI through Tecplata. Tecplata took over bare possession of the terminal on November 10, 2008. On July 17, 2014, an addendum to the concession agreement was signed which indicated that the terminal is considered in commercial operations for purposes of payment of US\$4.0 million assured royalty once the terminal accepts calls from post-panamax vessels. Tecplata started commercial operations in April 2019 but has not yet started to serve post-panamax vessels.

The contract contains commitments and restrictions which include works and investments to be completed at different stages of the concession, to wit., among others: (i) First Stage - construction of a dock with a length of 500 meters, a yard for handling and storage with an area of 227,600 square meters, access pavements and parking lots for trucks, service facilities and internal parking lots, margins protection to avoid erosion, and a 600-meter secondary road for access to the terminal; (ii) Second Stage - extension of the main dock by 300 meters and expansion of the yard by 31,000 square meters; (iii) Third Stage - expansion of the yard for handling and storage by 44,000 square meters and construction of Container Freight Station (CFS) facilities with an area of 10,000 square meters; and (iv) work completion and performance bonds amounting to US\$1.0 million and US\$2.5 million, respectively. The First Stage was completed with a berth of 600 meters which is 100 meters more than the required. The Second Stage and Third Stage become mandatory in 2028.

#### 25.6 Deed of Usufruct between Tecplata and Compañía Fluvial del Sud, S.A.

In 2008, Tecplata entered into a lease agreement with Compañía Fluvial del Sud, S.A. for the use of land and real property in relation to Tecplata's contract to operate the port of La Plata in Argentina. The lease agreement is for 20 years, starting in 2010, subject to renewal for another 20 years at the option of Tecplata. On December 20, 2010, Tecplata and Compañía Fluvial del Sud, S.A. executed an amendment to the lease agreement in relation to the changes in the monthly fixed payments. In addition, the accumulated discount as a result of the amendment in 2010 relating to lease payments in 2011, 2012 and 2013 with respect to the original values of the lease amounting to approximately US\$0.5 million (as at December 31, 2013) shall be paid in 36 installments once Tecplata starts operations (the aforementioned discount was paid in 2014).

#### 25.7 Agreement on Concession of Container and Ro-Ro Terminal Brajdica

In March 2011, ICTSI, through its wholly-owned subsidiary, ICBV, entered into a Share Purchase Agreement (SPA) with Luka Rijeka, a Croatian company, to purchase a 51.0 percent interest in AGCT. AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The concession agreement calls for a payment of fixed port fees in the amount of US\$0.60 per sqm of the occupied concession area until second quarter of 2013 and variable port fees equivalent to 1.0 percent of annual gross revenues. After the delivery or handover of the new area, AGCT shall pay the fixed port fees and variable fees based on annual volume handled. Variable fees shall be calculated at different rates on bracket ranges based on annual throughput.





25.8 Contract for the Operation and Management  
on the New Container Terminal 2 (NCT-2 Contract)

On July 27, 2011, SBMA and ICTSI signed the concession agreement for the operation and management of NCT-2 at Cubi Point in Subic, Philippines for 25 years. On August 19, 2011, SBMA approved the assignment of ICTSI's rights, interests and obligations in the NCT-2 contract to ICTSI Subic, which was incorporated on May 31, 2011.

The NCT-2 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, ICTSI Subic shall pay: base rent per month with escalation on the fifth year and every three years thereafter; fixed fee; and variable fee depending on the volume of containers handled at the terminal. Under the NCT-2 Contract, ICTSI Subic shall manage and provide container handling and ancillary services to shipping lines and cargo owners at NCT-2. While SBMA shall provide the equipment at NCT-2, ICTSI Subic shall also provide additional equipment and facilities it may deem necessary to efficiently manage NCT-2. Furthermore, ICTSI Subic is committed to invest a total of ₱658.0 million (approximately US\$16.0 million) for the entire duration of the concession agreement.

On August 2, 2012, SBMA issued the Notice to Proceed with the operation and management of the NCT-2 to ICTSI Subic.

25.9 Implementation Agreement between Karachi Port Trust (KPT) and  
Premier Mercantile Services (PVT) Ltd. (PMS)

On June 18, 2002, KPT and PMS signed the Implementation Agreement for the exclusive construction, development, operations and management of a common user container terminal at the Karachi Port for a period of 21 years until 2023. PMS established PICT as the terminal operating company to develop, operate and maintain the site and the terminal in accordance with the Implementation Agreement. The Implementation Agreement sets forth the specific equipment and construction works to be performed based on the terminal's productivity level; calls for the payment of fixed and variable fees; and requires the turnover of specific terminal assets at the end of the term of the Implementation Agreement. Fixed fees are in the form of Lease Payments or Handling, Marshalling and Storage charges ("HMS Charges") at a unit rate per sqm per annum in respect of the site occupied by PICT and subject to an escalation of a certain percentage every three years in accordance with the Lease Agreement between KPT and PICT, which is an integral part of the Implementation Agreement. On the other hand, variable fees are in the form of Royalty payments at a specific rate per Cross Berth revenue move, subject to an escalation of 5 percent every three years.

25.10 Agreement between OPC, the Republic of Honduras and  
Banco Financiera Commercial Hondurena, S.A

On February 1, 2013, ICTSI was awarded with a 29-year agreement (the "Agreement") by the Republic of Honduras, acting on behalf of the Commission for the Public-Private Alliance Promotion (COALIANZA), and Banco Financiera Comercial Hondurena, S.A. (FICOHSA Bank) for the design, financing, construction, maintenance, operation and development of the Container and General Cargo Terminal of Puerto Cortés (the "Terminal"). The Agreement was signed on March 21, 2013 and is valid until August 30, 2042.

Pursuant to the Agreement, OPC is obliged to pay certain contributions to the following:  
(a) Municipality of Puerto Cortés - a percentage of gross income without considering the tax over sales, payable monthly; (b) National Port Company – an amount based on hectares occupied payable annually; a certain amount for each movement of full/empty container of importation/exportation, with a right to reimbursement in an amount equivalent to a percentage of the imposed amount; an



amount based on each ton of fraction load, unit of rolling load, and terminal passenger; and Upfront payment of US\$25.0 million; (c) COALIANZA - a percentage of the total of the Reference Investment of the Project, paid on execution date of the Agreement; and (d) Trustee (FICOHSA Bank) - a percentage of the annual gross income, payable monthly; and US\$1.6 million paid on execution date of the Agreement.

On October 29, 2015, the Agreement was amended to incorporate the following, among others:

(a) OPC shall carry out the Works of the National Port Company relating to the construction and development of Berth 6 with a length of 550 meters out of the 1,100 meters of quay for containers under the Agreement. OPC shall complete the second phase on June 30, 2023 at the latest; (b) 10% reduction from the original variable and fixed rates related to the annual contribution paid to the National Port Company as well as contributions per movement of container of importation/exportation, ton of load not packed in containers, unit of rolling load and terminal passenger. The reduction in variable and fixed rates were effective upon the commencement of the first phase of berth construction subject to annual escalation based on inflation calculated as prescribed in the amended agreement; (c) reduction in the number of port equipment investment commitment; and (d) modification in the timing of committed investment in infrastructure and equipment.

#### 25.11 Contract for the Construction and Operation of Three New Quays and Management and Operation of Quay No. 20 in the Port of Umm Qasr in Iraq

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

#### 25.12 Terminal Operating Agreement and Subscription and Shareholders Agreement - Lae

*Terminal Operating Agreement (TOA)*. In September 2017, ICTSI received a notification from PNG Ports Corporation Limited (PNGPCL), a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the 25-year agreement signed by ICTSI's PNG subsidiary, SPICTL, with PNGPCL for the operation, management and development of the international port in Lae in PNG. SPICTL was allowed by PNGPCL to take over the port facilities and begin operations at the Port of Lae in February 2018. The TOA and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

SPICTL is required to pay annual fixed rent which is subject to periodic review. The TOA also required the payment of advance rent amounting to PGK57.0 million (US\$17.3 million) to be applied equally over the first 10 years of the term of the TOA.



*Subscription and Shareholders Agreement (SSA).* ICTSI, through its subsidiaries, ISPL and SPICTL entered into an SSA with the local communities for the management and governance of and the further transfers and/or issues of shares of SPICTL. The SSA became effective upon the effectivity of the TOA for Lae on June 1, 2018. Under the SSA, the local communities have the right to subscribe up to 30% of the total initial shares of SPICTL. Pre-emptive rights on additional subscriptions are available to all shareholders. On February 15, 2020, ISPL entered into share acquisition agreements with the local communities, Ahi Terminal Services Limited (Ahi) and Labu Investment Limited (Labu), for the transfer of SPICTL shares from ISPL to Ahi and Labu with each local community acquiring a 15% stake in SPICTL. The transfer of 30% of SPICTL shares from ISPL to the local communities became effective upon signing of the said agreements.

#### 25.13 Terminal Operating Agreement and Subscription and Shareholders Agreement - Motukea

*Terminal Operating Agreement (TOA).* In September 2017, ICTSI received a notification from PNGPCL, a PNG state-owned enterprise, of the confirmation by the Independent Consumer and Competition Commission in PNG with respect to the 25-year agreement signed by ICTSI's PNG subsidiary, MITL, with PNGPCL for the operation, management and development of the international port in Motukea in PNG. MITL was allowed by PNGPCL to take over the port facilities and begin operations at the Port of Motukea in May 2018. The TOA and other related contracts took effect on June 1, 2018 after all the parties have complied with the agreed conditions precedent.

SPICTL is required to pay annual fixed rent which is subject to periodic review. The TOA also required the payment of advance rent amounting to PGK43.0 million (US\$13.1 million) to be applied equally over the first 10 years of the term of the TOA.

*Subscription and Shareholders Agreement (SSA).* ICTSI, through its subsidiaries, ISPL and MITL entered into a SSA with the impacted communities (IC) for the management and governance of and the further transfers and/or issues of shares of MITL. The SSA became effective upon the effectivity of the TOA for MITL on June 1, 2018. Under the SSA, the local communities have the right to subscribe up to 30% of the total initial shares of MITL. Pre-emptive rights on additional subscriptions are available to all shareholders. On August 8, 2019, ISPL entered into agreements with the local Tatana and Baruni communities, represented by Noho-Mage Holdings Limited (Noho-Mage), for the latter to acquire a 30% stake in MITL. In accordance with the agreements, the shares, representing 30% stake in MITL, together with all the benefits and rights attached to those shares, will be transferred to Noho-Mage, following entry of its name in the share register of MITL. On December 20, 2019, 30% of the shares held by ISPL were transferred to Noho-Mage after these shares were entered in MITL's share register under the name of Noho-Mage.

#### 25.14 Concession Agreement between Sea Ports Corporation of Sudan and ICTSI Middle East DMCC

On January 3, 2019, ICTSI, through its wholly-owned subsidiary ICTSI Middle East DMCC, signed a Concession Agreement with the SPC to operate, manage and develop the SPCT at the port of Port Sudan, Republic of the Sudan for 20 years. Pursuant to the concession agreement, ICTSI is required to pay: (a) an upfront fee of €530.0 million in installments of €410.0 million (US\$467.2 million) and five other installments each in the amount of €24.0 million (US\$27.3 million) from the third to the seventh operation year; (b) fixed monthly fee of €1.0 million in the first 72 months of the concession term and €1.5 million, subject to adjustments, for the remainder of the term; and (c) royalty fee of 14% of gross revenue during the first six operating years of the concession and 16% of gross revenue starting the seventh operating year.



The Agreement is secured by a sovereign guarantee by the Republic of the Sudan. On January 13, 2019, ICTSI paid the initial installment of upfront fee of EUR410.0 million (US\$470.2 million, the “Upfront Fee”). In February 2019, ICTSI established AGT, a Sudanese entity, to operate the container terminal.

On January 8, 2019, the Ministry of Finance and Economic Planning 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 Sudanese Ministry sent ICTSI a letter confirming: (1) the remittance of EUR195.2 million as partial repayment of the Upfront Fee under the terms of the Refund Bond and (2) that the balance will be repaid as soon as possible. ICTSI, through ICTSI Middle East DMCC, received from the Sudanese Government partial repayments of the Upfront Fee in December 2019, November 2022 and February 2023. 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. 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.

#### 25.15 Lease Agreement Between Companhia Docas Do Rio De Janeiro (CDRJ) and Libra Terminal Rio S.A. (ICTSI Rio)

ICTSI Rio was declared the winning bidder for the exclusive management, operation, and development of the facilities in Terminal 1 of the Port of Rio de Janeiro to carry out container handling and storage services by virtue of the lease agreement signed with CDRJ in March 1998. The lease agreement sets out the investment commitments of ICTSI Rio, minimum operational requirements, remuneration to be paid by ICTSI Rio for the use of the port facilities including waterway access and CDRJ’s share of container handling charges, as well as the committed minimum annual volume to be handled including the penalty for not meeting the required minimum annual volume. The original term of the lease was 25 five years until May 2023 extendable for up to another 25 years.

Pursuant to the twelfth amendment of the Lease Agreement signed on September 16, 2011, in order to adopt the terminal to the requirements of integrated logistics in international trade, ICTSI Rio committed to invest BRL543.1 million in construction works and equipment. The port modernization requirement is in accordance with the Modernization of Ports Act in Brazil. To allow for the recovery of the committed investments, the term of the agreement was early renewed for another 25 years until May 2048. CDRJ and ICTSI Rio also agreed to adjust the minimum annual volume to be handled and set the new base fixed fee considering additional areas as each of the three phases of expansion is completed, and base variable fee from BRL18.0 to BRL22.5 per container handled. The base fixed and variable fees are readjusted based on the general price index in Brazil.

#### 25.16 Shareholders’ Agreement (Agreement) of the Kribi Multipurpose Terminal (KMT)

In June 2020, the Group, through its subsidiary, ICTSI Middle East DMCC, entered into an Agreement with the PAK forming KMT, a Cameroonian company. KMT, which is 75%-owned by the Group, will be responsible for the development, operation, and maintenance of the multi-purpose terminal under the Concession Agreement. Pursuant to the Agreement, KMT will be headed by a President, who shall be nominated by the Group and appointed by the Executive Committee (EC). The EC shall be comprised of four members, three of which shall be proposed by the Group.



25.17 Concession Agreement for the Development, Operation and Maintenance of the Multipurpose Terminal of the Port of Kribi

On July 27, 2020, the 25-year concession agreement was officially signed by Kribi Multipurpose Terminal (KMT), a Cameroonian subsidiary of ICTSI, and Port Authority of Kribi (PAK). 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. The concession can be extended based on terms and conditions to be mutually agreed by the parties.

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.

Under the contract, KMT shall be responsible for the planning, design, and implementation of the development, operation, and maintenance of the terminal. In consideration for the rights granted under the contract, KMT shall pay PAK the following: (a) an entry fee; (b) annual fixed fees; and (c) variable fees based on percentage of KMT's annual turnover, excluding tax, pertaining to conceded services specified in the agreement. KMT is required to pay an annual minimum variable fee as committed during the bid as defined in the agreement. Also, KMT shall be required to pay other fees like PAK's share of storage revenue and exceptional fees based on a threshold as defined in the agreement.

25.18 Conditional Share Subscription and Purchase Agreement – East Java Development (EJD)

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 up to 66.67 percent 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.

25.19 Sub-Authorization Agreement for the Development and Operation of Eastport of Tanjung Pakis International Public Port

On December 8, 2015, PT East Java Development (EJD) and PT Eastern Logistics (EL) entered into a Sub-Authorization Agreement (SAA) for the development and operation of Eastport (Phase 2) of Tanjung Pakis International Public Port (the Project) with the consent from PT Lamongan Integrated Shorebase (LIS), the primary license holder of the Project, valid until December 31, 2065.

Pursuant to SAA, EJD is authorized to, among others: (i) carry out the public port business (i.e. handling and storage of general cargo) and provide the seaport services (i.e. cargodoring, stevedoring, pilotage, navigation, tug boat or any other supporting services); (ii) handle and store dry bulk cargoes, including to upgrade existing facilities and construct additional facilities; (iii) carry out all dredging and reclamation services required to provide the seaport services; (iv) carry out the Eastport construction in accordance with the Eastport Masterplan; (v) charge and collect the tariffs for the seaport services; and (vi) any other Eastport-related businesses or services.



25.20 Contract for the Development, Management, Operation, and Maintenance of the Manila North Harbor (MNH)

MNPI has an existing Contract with the PPA for the Development, Management, Operation and Maintenance of the MNH. Under the Contract, the PPA grants MNHPI the sole and exclusive right to manage, operate, develop and maintain the MNH for 25 years, reckoning on the first day of commencement of operations, and renewable for another 25 years under such terms and conditions as the parties may agree. MNHPI shall provide services and development based on the operation and volume requirements of the port and shall be allowed to collect fees and charges, as approved by the PPA.

In consideration thereof, MNHPI shall remit a fixed fee every quarter and performance security every year to the PPA from the date of takeover of operations of the MNH until the end of the concession period.

25.21 Lease Agreement for the Installation and Exploitation of a Container Terminal for Mixed Private Use of the Port of Suape-Complexo Industrial Portuario (Suape)

On July 2, 2001, TSSA entered into a lease agreement with Suape for the operation and development of a container terminal in a port in Suape, Brazil for a period of 30 years starting from the date of agreement. In consideration for the lease, TSSA shall pay Suape fixed and variable fees in Brazilian Reais (R\$). The lease fee is subject to readjustment annually, unless there is a change in legislation, which allows a reduction in the frequency of readjustment, based on a certain formula contained in the agreement.

Under the lease agreement, TSSA undertakes to make the investment in works, equipment, systems and others necessary to develop and operate the Suape port within the agreed time frame.

Upon the expiration of the term of the contract or in the event of pre-termination, the building and other structures constructed in the port by TSSA shall become the property of Suape in addition to assets originally leased by Suape to TSSA. TSSA may remove movable goods from the container terminal, unless the parties agree otherwise.

25.22 Contracts with Port Authority of Gdynia (PAGSA)

On May 30, 2003, the Parent Company and the PAGSA signed three agreements, namely Agreement on Commercial Cooperation, Lease Contract and Contract for Sale of Shares, which marked the completion of the privatization of BCT. BCT owns the terminal handling assets and an exclusive lease contract to operate the Gdynia container terminal for 20 years until 2023, with options to extend.

In December 2022, ICTSI signed a new Commercial Cooperation Agreement (CCA) and a 30-year Lease Agreement for BCT, with the PAGSA. The CCA outlines the rights and obligations of the parties, including the level of required investments by the operator, minimum guaranteed volume, among others. These new agreements extend the operations of BCT, which started in 2003, until 2053. In consideration for the lease, BCT shall pay monthly fixed and variable fees on transshipments subject to a minimum volume and annual adjustment based on price index, and an adjusting event as defined in the lease agreement.



#### 25.23 Concession Agreement with Batumi Port Holdings Limited (BPHL)

In September 2007, IGC obtained the concession from BPHL to develop and operate a container terminal and a ferry and dry bulk handling facility in the Port of Batumi in Georgia. BPHL has the exclusive management right over the State-owned shares in Batumi Sea Port Limited (BSP). IGC established BICTL to operate the concession.

In relation to the concession, BICTL, through IGC, entered into a lease and operating agreement with BSP for a 48-year lease over a total area of 13.6 hectares of land in Batumi Port, consisting of Berths 4 and 5 for a container terminal, and Berth 6 as ferry terminal and for dry bulk general cargo. The lease and operating agreement will expire on June 30, 2055. IGC paid BPHL US\$31.0 million, shown as “Intangible assets” account in the consolidated balance sheets and amortized up to year 2055, in consideration of the procurement for the lease between BICTL and BSP. Under the lease and operating agreement, BICTL shall pay BSP an annual rent from November 2, 2007 to expiration date of the contract as stipulated in the agreement.

#### 25.24 Concession Contract for the Management and Operation of the MCT

On April 25, 2008, Phividec Industrial Authority (PIA) awarded the management and operation of MCT in Misamis Oriental, in the Philippines to ICTSI. The concession contract is for a period of 25 years starting from the date of the agreement. ICTSI established MICTSI to operate the concession. Under the contract, MICTSI shall be responsible for planning, supervising and providing full terminal operations for ships, container yards and cargo handling. MICTSI shall also be responsible for the maintenance of the port infrastructure, facilities and equipment set forth in the contract and shall procure any additional equipment that it may deem necessary for the improvement of MCT’s operations. In consideration for the contract, MICTSI shall pay PIA fixed fee payable in quarterly installments and variable fees based on percentages of MICTSI’s gross revenue during the term of the contract. In September 2020, PIA and MICTSI entered into a Memorandum of Agreement on the Renegotiation of Concession Fees of the Mindanao Container Terminal (MOA) in order to renegotiate the fixed and variable fees, set out the investment requirements subject to market performance and viability and for MICTSI to pay the PIA an upfront fee as a result of the renegotiation of concession fees.

#### 25.25 Contract Granting Partial Rights and Obligations to Contecon Manzanillo, S.A. de C.V.

In November 2009, ICTSI was declared by the Administracion Portuaria Integral de Manzanillo, S.A., de C.V. (API) the winner of a 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established CMSA on January 6, 2010 to operate the Port of Manzanillo. The concession agreement was signed on June 3, 2010. CMSA paid upfront fees to API in two installments.

Under the terms of the contract granting partial rights and obligations, CMSA will build, equip, operate and develop the terminal that will specialize in the handling and servicing of containerized cargo. Investments in the Port of Manzanillo include maritime works, dredging, quay (including crossbeams and fenders), maneuver yards, storage installations, land access and signals, as well as all those works necessary to fulfill the productivity indexes contained in the contract.

The port facilities will be turned over by API to CMSA in three phases: (a) Phase I, North Area, Position 18: 379,534.217 sqm of the federal land area and 18,000 sqm of the maritime area; (b) Phase II, Centre Area Position 19: 158,329.294 sqm of the federal land area and 18,000 sqm of the maritime area; and (c) Phase III, South Area (Position 20): 186,355.22 sqm of the federal land area and 18,000 sqm of the maritime area. On November 30, 2010, the first phase of the ceded area was



formally delivered to CMSA while a portion of the second phase of the ceded area equivalent to 42,000 sqm of the federal land area and 18,000 sqm of the maritime area were delivered in advance to CMSA. The remaining portion of the second phase of the ceded area equivalent to 116,329.294 sqm was delivered to CMSA on June 30, 2017. On June 30, 2020, the third phase of the ceded area was formally delivered to CMSA.

CMSA shall pay annual fixed fees and shall be paid and adjusted based on CPI on a monthly basis. Further, CMSA shall pay monthly variable fees based on specific amount per TEU, up to a maximum volume of 1,500,000 TEUs per year. The contract requires the payment of a minimum variable fee calculated based on a certain minimum guaranteed volume per year starting on the sixth year of the contract until the end of the concession.

CMSA started commercial operations in November 2013.

#### 25.26 Development Agreement between VICT and POM

On May 2, 2014, ICTSI, through its subsidiary in Australia, VICT, signed a contract in Melbourne with POM for the design, construction, commissioning, operation, maintaining and financing of the Webb Dock Container Terminal (Terminal) and Empty Container Park (ECP) at Webb Dock East (WDE) in the Port of Melbourne. The Contract grants VICT the rights to: (a) design, build and commission the new Terminal at berths WDE 4 and WDE 5; (b) design, build and commission the new ECP at WDE; and (c) operate the Terminal and ECP until June 30, 2040. In consideration for the contract, VICT is committed to pay fixed fees subject to escalation over the lease term. Phase 1 of the Terminal and the ECP commenced commercial operations in the second quarter of 2017. Phase 2 of the Terminal commenced commercial operations in the first quarter of 2018.

On August 3, 2021, VICT and POM entered into a Deed of Variation of Lease. The variation covers additional premises on conditions that are materially similar to the terms of the existing lease. The parties also entered into a Side Deed covering intentions on the part of POM to submit a Tariff Rebalancing Application to the Essential Services Commission (ESC), while a corresponding commitment exists from VICT to pay a management fee from the commencement date as defined in the Deed of Variation of Lease and a berth usage payment contingent upon a second unsuccessful tariff rebalancing application by POM to the ESC.

#### 25.27 Concession to Construct and Operate a Maritime Container Terminal in the Port of Tuxpan

On May 27, 2015, ICTSI, through its subsidiary, ICTSI Tuxpan B.V., acquired from Grupo TMM S.A.B and Inmobiliaria TMM S.A. de C.V 100 percent of the capital stock of TMT for US\$54.5 million. TMT is a company duly incorporated in accordance with the laws of Mexico with a concession to construct and operate a maritime container terminal in the Port of Tuxpan, Mexico and is the owner of the real estate where the maritime container terminal will be constructed. The concession agreement is valid until May 25, 2021, subject to extension for another 20 years. The concession covers an area of 29,109.68 square meters, which is adjacent to the 43 hectares land owned by TMT. Under the concession agreement, TMT is liable and committed to: (1) pay fixed fee; and (2) pay minimum guaranteed fee starting January 2018 based on a specific amount per TEU for containerized cargo and per ton for general cargo, based on agreed minimum volume. As at March 3, 2023, management is continuing to assess the long-term plans for the concession and the land.





25.28 Agreement between the Nigerian Ports Authority (NPA) and ICTSNL

ICTSNL signed an agreement with the Nigerian Port Authority in 2020, and was superseded in 2022. The agreement was for the development and operation of a multipurpose terminal in the Port of Onne in Rivers State, Nigeria until 2047. The terminal operates Berths 9, 10 and 11 of the Federal Ocean Terminal. In consideration for the use of and operation at the terminal, ICTSNL pays fixed rent in advance on an annual basis.

25.29 Shareholders' Agreement (Agreement) with AG&P

On September 30, 1997, IWI CTHI entered into an Agreement with AG&P forming BIPI. BIPI developed the property acquired from AG&P at Bauan, Batangas into an international commercial port duly licensed as a private commercial port by the PPA.

Simultaneous with the execution of the Agreement, AG&P executed a Deed of Conditional Sale in favor of IWI CTHI conveying to the latter a parcel of land for a total purchase price of ₱632.0 million (equivalent to US\$11.3 million as at December 31, 2022). The said land was transferred by IWI CTHI to BIPI under a tax-free exchange of asset for shares of stock.

Notwithstanding the sale and purchase on April 10, 2019 of the 20% stake in BIPI held by AG&P, the unfulfilled obligations under the Agreement shall remain in force.

25.30 Long-term Contract for the Operations of Cargo Handling Services at Makar Wharf

On February 20, 2006, the PPA granted SCIPSI a ten-year contract for the exclusive management and operation of arrastre, stevedoring, and other cargo handling services, except portage, at Makar Wharf, Port of General Santos, General Santos City in the Philippines that expired on February 19, 2016. Thereafter, the PPA granted SCIPSI a series of hold-over authority on a temporary basis over the cargo handling services at Makar Wharf, Port of General Santos. Pursuant to the PPA Memorandum Circular No. 37-2020, "Further Extension of Validity of PPA Approvals/Permits During the Enhanced Community Quarantine (ECQ), Modified ECQ (MECQ), and General CQ (GCQ) Due to COVID-19 Pandemic" dated September 29, 2020, and in view of the restrictions affecting processing of HOAs, among others, all HOAs to operate cargo handling services that expired/are expiring during the ECQ/MECQ/GCQ periods are deemed extended until December 31, 2020. 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. As at March 3, 2023, SCIPSI continued to operate and has submitted the letter of intent including the requirements for the issuance of a new HOA.

25.31 Long-term Contract for the Operations of Cargo Handling Services at Sasa Wharf

On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for cargo handling services at Sasa Wharf, Port of Davao in the Philippines that expired on April 20, 2016. Thereafter, the PPA granted DIPSSCOR a series of hold-over authority on a temporary basis over the cargo handling services at Sasa Wharf, Port of Davao. 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. In June 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.



25.32 Joint Venture Contract on Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL) and YICT

In January 2007, the Group (through IHKL) entered into a joint venture contract with YPG and SDIC Communications, Co. on YRDICTL to operate and manage the Yantai port in Shandong Province, China. The joint venture became effective on February 28, 2007 with a term of 30 years, and may be extended upon agreement of all parties. In 2010, YPG and SDIC invested its 40 percent stock holdings in YRDICTL into Yantai Port Holdings (YPH). As such, the non-controlling shareholder of the Company was changed from YPG and SDIC to YPH. Pursuant to a joint venture agreement, the Board of YRDICTL shall be comprised of five members, three of which the Group has the right to elect. The land operated by YRDICTL was contributed as an in-kind capital contribution by YPG for a period of 30 years.

On July 1, 2014, the Group, through its subsidiary IHKL, acquired 51 percent of the total equity interest of YICT and the Group sold its 60 percent ownership interest in YRDICTL to YPH. The Group entered into a joint venture agreement on YICT with DP World and YPH for a period of 29 years until September 29, 2043 and may be extended upon agreement of all parties. The objective of these transactions is to consolidate and optimize the overall port operations within the Zhifu Bay Port Area in Yantai, China. YICT became the only foreign container terminal within the Zhifu Bay Port Area. DP World China (Yantai) and YPH owns 12.5 percent and 36.5 percent ownership interest in YICT, respectively, with ICTSI as the majority shareholder. Pursuant to the said joint venture agreement, the Board of YICT shall be comprised of six members, three of which the Group has the right to elect. The Chairman of the Board shall be appointed by the Group and the said Chairman shall be entitled to a casting vote in the event of equality of votes. The Group is also entitled to appoint the General Manager and Financial Controller. The land operated by YICT was contributed by YPH and is valid until August 28, 2043.

YICT is authorized by YPH to collect, on its behalf, the port charges (including port charges levied on cargoes and facilities security fees) in accordance with the state regulations and shall, after retaining 50% of the port charges levied on cargoes (as the fees for maintaining the facilities within the port owned by YICT) and 80% of the facilities security fees (as the fees for maintaining and improving the security facilities within the terminal owned by YICT) collected, pay to YPH the remaining parts no later than the fifteenth (15<sup>th</sup>) day of the following month.

25.33 Domestic Trade Container Terminal Service Outsourcing Agreement with YPHT

Effective October 15, 2020, YICT agreed with YPH and Yantai Port Container Terminal Ltd. (YPHT, a subsidiary of YPH) to promote the integration of container terminal business in Port of Yantai by moving the domestic container business of YPHT to YICT. YPHT, as principal, subcontracts all of its container business to YICT, with YICT, as subcontractor, provides terminal services such as ship berthing, loading and discharging, container receiving and dispatching, storage, and transshipment. YPHT pays an agreed amount per TEU with respect to the agreed standard services. The outsourcing agreement is valid for a period of two years and was extended up to June 30, 2023.

25.34 Cooperation Agreement for Operation of Terminal Area III of the Tanjung Priok Port at Jakarta, Indonesia between PT Pelabuhan Indonesia II (Pelindo) and OJA

OJA has existing cooperation agreements with Pelindo under a revenue sharing scheme covering the terminal operations of berths 300, 301, 302 and 303 located in Terminal Area III (referred to as "Cooperation Area") of the Tanjung Priok Port, Jakarta, Indonesia. OJA and Pelindo share a fixed percentage based on various activities or services with container handling equipment and other facilities provided and operated by OJA in the Cooperation Area including stevedoring, lift-on/lift off, reefer container plugging and monitoring, trucking, and container customs inspection. The



cooperation agreement was signed on March 7, 2011 and expired on March 7, 2013. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with Pelindo for international container stevedoring services wherein the parties will share a fixed percentage of revenues. Pending the fulfillment of certain conditions, the 15-year term of the Cooperation Agreement has not yet commenced as at March 3, 2023. The refrigerated container plugging and monitoring, and inspection of container customs are being renewed yearly.

25.35 Cooperation Agreement for the Procurement, Installation and Operation of Container Handling Equipment under a Revenue Sharing Scheme at the Makassar Container Terminal Port of Makassar, South Sulawesi, Indonesia

MTS has an existing agreement with PT Pelabuhan Indonesia IV (Pelindo IV), the Indonesian government-owned corporation that owns and operates the Makassar Container Terminal, for the procurement, installation and operation of Container Handling Equipment (CHE) at the Makassar Container Terminal under a revenue sharing scheme for ten years until 2013, renewable for another 10 years by mutual agreement. In December 2012, MTS extended the joint operation contract, which will originally expire on September 30, 2013, until January 31, 2023. Under the agreement, MTS provides and operates CHE at the Port of Makassar. For the services provided, MTS is paid by Pelindo 60 percent of the gross revenue based on the published tariff for the operation of CHE owned by MTS. On January 31, 2023, Pelindo IV and MTS have mutually agreed not to renew the joint operation contract, and MTS ceased operations at the Makassar Container Terminal.

25.36 Shareholders' Agreement on IDRC

On January 23, 2014, the Group, through its subsidiary, ICTSI Cooperatief, forged a business partnership with SIMOBILE for the establishment and formation of a joint venture company, IDRC. IDRC, which is then 60 percent-owned by ICTSI Cooperatief, will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein.

At incorporation, the share capital of IDRC amounted to US\$12.5 million represented by 12,500 ordinary voting shares. IDRC was incorporated for an initial term of 99 years, subject to early dissolution or prorogation. ICTSI contributed US\$2.0 million cash upon incorporation and the US\$5.5 million cash in tranches while SIMOBILE contributed land valued at US\$5.0 million. On May 19, 2015, ICTSI, through its subsidiary, ICTSI Cooperatief, and its joint venture partner, SIMOBILE, transferred their respective 8% and 2% ownership interest in IDRC to SCTP SA in exchange for the latter's contribution of technical knowledge, skills and substantial experience in the port and port system in DRC and operation of railroad system and undertaking to facilitate the activities of IDRC and to assist in its relations with the public authorities. SIMOBILE transferred to its subsidiary, SIP Sprl, its 10% ownership in IDRC. After the restructuring, IDRC was owned 52% by ICTSI, 28% by SIMOBILE, 10% by SIP Sprl and 10% by SCTP SA.

Pursuant to the shareholders' agreement, the Board of IDRC shall be comprised of nine members, five of which will be appointed by the Group.

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## 26. 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. The majority of outstanding litigation involves subrogation claims under which insurance companies have brought claims against the operator, shipping lines and/or brokerage firms for reimbursement of their payment of insurance claims for damaged equipment, facilities and cargoes. Except as discussed below, ICTSI is not engaged in any legal or arbitration



proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations.

#### MICT

In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI before the Regional Trial Court of Manila, Branch 55, for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The amount of claim is ₱223.8 million (approximately US\$4.0 million) plus legal interest and attorney's fees of ₱1.0 million (US\$19.6 thousand). PLDT initially filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard. The case is now dismissed with prejudice due to a Joint Motion by the parties and as confirmed by the Order of the Court dated September 30, 2022.

In 1997, Paramount Company (Private) Limited (PCL) filed a case against ICTSI. PCL claimed for damages in the sum of US\$17.4 million as well as a 10% shareholding in Karachi International Container Terminal Limited (KICTL). PCL asserted that it was ousted from the Consortium with ICTSI and American President Lines Limited (APL) even if PCL has obtained the approvals for the establishment of KICTL which allegedly entitled PCL to receive a 10% shareholding in the said company.

ICTSI filed an application for the matter to be referred to arbitration (Arbitration Application). This was as per an Equity Linked Security Agreement entered between ICTSI and PCL in 1995. The Arbitration Application was not contested and via Order dated August 21, 1998, the Court recorded PCL's consent to such referral. However, a dispute arose amongst the parties about the venue for arbitration. PCL insisted on Dubai, whereas ICTSI requested for Hong Kong. The Court via Order dated December 16, 1998, fixed the venue to Singapore. The Orders dated August 21, 1998 and December 16, 1998 (the Orders) were appealed by PCL but were ultimately upheld by the Supreme Court. In 2016, after dismissal by the Supreme Court, PCL again raised the matter yet again before the civil court, which was also dismissed via Order dated March 21, 2019. PCL challenged this Order before the appellate court. The appeal was disposed on March 17, 2022, and PCL was given the opportunity to file a fresh application of new venue, from Singapore to Karachi, while alleging new circumstances in an Initial Suit. The Initial Suit is currently at the hearing stage.

#### PICT

The Trustees of the Port of Karachi (KPT) filed a civil suit 1201/2006 against PICT on September 13, 2006 in the Honourable High Court of Sindh (HCS) claiming a sum of US\$1.34 million along with the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship-to-Shore Cranes and Rubber Tyre Gantry Cranes in 2004. On April 24, 2017, HCS passed the judgment and decree in favor of PICT and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. KPT filed an appeal which is currently pending.

PICT is involved in several tax proceedings. However, PICT's management and its legal counsels believe that the said cases will be decided in favor of PICT.



PICT's existing Concession Agreement with KPT is for a period of twenty-one years until June 17, 2023. As per the Concession Agreement and based on the precedence existing at Karachi Port where KPT provided another container terminal with an early extension in Concession term and infrastructure expansion, PICT has taken up the matter for an early extension in Concession term and expansion of infrastructure with KPT and with other relevant quarters of the Government of Pakistan. For prudence and to safeguard PICT's interest in obtaining equal and fair treatment based on precedence, PICT instituted a legal suit before the HCS. Through an Order in December 2021, PICT obtained an interim injunction/stay order for status quo whereby KPT is restrained from terminating PICT's Concession Agreement, and from inviting bids and award of contracts relevant to terminal operation, where such injunction remains effective. In January 2023, the interim order was modified and KPT has been allowed to initiate the tender process in accordance with law but has been directed that no award be made until the injunction application filed is decided. PICT is still in the process of discussing with KPT on the possibilities of renewal/extension of its Concession Agreement, including its period and other commercial terms and conditions.

#### TSSA

In 2008, a civil suit was filed by former customer Interfood Comercio (Interfood) against TSSA for damages to perishable cargo amounting to BRL7.0 million (approximately US\$3.0 million). Interfood's cargo (garlic and birdseed) was declared improper for human and animal consumption due to long storage period at TSSA before it was claimed and such cargo was destroyed by Brazilian customs authorities. TSSA has fully settled its obligations to Interfood in 2021.

In 2015, Custom Enclosure Atlântico Terminais SA (CE) and Suata Serviço Unificado de Armazenagem e Terminal Alfandegado SA (SUATA) filed a civil case against TSSA questioning the legality of charging for the Segregation Service (Terminal Handling Charge 2, THC2). CE and SUATA alleged that the THC2 would be included in the amount paid in the Terminal Handling Charge (THC) rate. Pending litigation, the court ordered the TSSA to suspend the collection of the THC2. TSSA questioned the court's competence to judge the matter discussed in the action, in view of the absence of the necessary notification from the Regulatory Agency (ANTAQ) to enter the dispute. The case is currently awaiting the court's decision. TSSA will file a request for annulment of the order suspending the collection of THC2 in light with a new ANTAQ law 34/2019, which allows the collection of THC2. The case is currently suspended due to the COVID-19 pandemic.

TSSA filed an Annulment Action with Urgent Injunction Request to nullify the Brazilian Administrative Council for Economic Defense (the Brazil Competition Authority, CADE) decision in an administrative case wherein CADE ruled that (1) TSSA's collection of the THC2 is illegal, and (2) TSSA should pay a fine in the amount of BRL9.1 million (\$1.6 million). The CADE decision pointed out that charging the THC2 fee would provide an unjustifiable and illegal competitive advantage in the bonded storage market.

Last February 18, 2021, the preliminary injunction requested by TSSA was granted. This suspended the enforceability of the CADE decision upon providing a valid and full guarantee, as well as to guarantee TSSA's ability to continue with the retroactive collection of the services provided and not invoiced, as well as future collection of the THC2 by TSSA, until further final judgment of the case.

In 2016, CE and SUATA filed a civil action against TSSA questioning the legality of charging fees connected with the ISPS Code, which according to CE and SUATA, is a service that is integrated in the port activity and, therefore, cannot be provided or charged separately. TSSA's defense consists in affirming that the ISPS Code was established by international demand, after the attacks of September 11, 2001.



The amount collected is for extraordinary security costs that are continually implemented by TSSA in order to meet international counter-terrorism requirements and are levied on the importer or exporter. The preliminary injunction was granted and enjoined TSSA from charging fees connected with the ISPS Code. TSSA's appeal on this injunction is still pending.

TSSA filed an Annulment Action with Urgent Injunction Request to suspend the CADE's decision for TSSA to (i) refrain from charging fees connected with the ISPS Code to CE and import companies, as well as any other fees whose purpose is to reimburse costs incurred for adaptation and compliance with safety standards, and (ii) pay a fine in the amount of BRL7.2 million.

On September 14, 2021, an award in favor of TSSA was issued. The award ruled that the collection of ISPS Code tariff is legitimate and there was no violation of Competition Law.

#### TICT

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

#### BICTL

In 2015, BICTL filed a case against Revenue Service with the Tbilisi City Court for the cancellation of the tax assessment in the amount of US\$860.7 thousand (GEL2.3 million). The case went up to the Supreme Court, that decided in favor of BITCL in 2021. The entire assessment was cancelled.

#### ICTSI Oregon

Due to continuing labor disruptions caused by the International Longshore and Warehouse Union and ILWU Local 8 (collectively "ILWU") in Portland, Oregon from June 2012 and continuing over several years, ICTSI Oregon filed a claim in federal court for damages caused by the ILWU's unlawful secondary activity under the National Labor Relations Act. In connection with this claim, the National Labor Relations Board (NLRB) sought and obtained two federal court injunctions against the ILWU prohibiting illegal work stoppages and a finding of contempt of court against the ILWU for injunction violations. The federal district court initially stayed ICTSI Oregon's damage claim for unlawful secondary activity pending completion of administrative proceedings before the NLRB. The NLRB's administrative proceedings were completed favorably to ICTSI Oregon in 2015. ILWU appealed to the United States Court of Appeals for the District of Columbia Circuit in Washington D.C., which upheld the two NLRB decisions declaring that the ILWU engaged in deliberate work stoppages and slowdowns, made false safety claims, and engaged in other illegal coercive conduct against ICTSI Oregon and its customers.

ICTSI Oregon's damage claim went to trial and a jury verdict awarded damages to ICTSI Oregon in the total sum of US\$93.6 million. The ILWU then filed a motion for judgment as a matter of law and for a new trial. On March 5, 2020, the district court issued its Opinion and Order denying the ILWU's motion for judgment as a matter of law. The district court also denied the ILWU's motion for new trial on all issues except for damages, which it denied conditioned upon ICTSI Oregon accepting reduced damages in the amount of US\$19.1 million. The Court stated that, if ICTSI Oregon did not accept this reduced judgment amount, then ILWU's motion for new trial was granted in part, limited to damages. On March 19, 2020, ICTSI Oregon notified the district court of its decision to decline acceptance of the reduced judgment and to instead proceed to retrial.



On April 1, 2020, the ILWU then filed (1) a motion for an interlocutory appeal of the district court's March 5, 2020 order to the United States Court of Appeals for the Ninth Circuit; and (2) a motion for reconsideration of the district court's decision to limit the retrial to only damages. On May 28, 2020, the District Court granted the ILWU's motion to certify the order denying the ILWU's Motion for Judgment as a Matter of Law for interlocutory review to the Ninth Circuit Court of Appeals. However, the District Court denied the ILWU's motion to reconsider its previous order that the new trial in this case would be limited to only damages.

On June 5, 2020, the ILWU filed such a Petition to Appeal with the Ninth Circuit. On June 15, 2020, ICTSI Oregon filed its Answer Opposing ILWU's Petition to Appeal, and in the Alternative, Conditional Cross-Petition Requesting Review of Additional Issues. By this pleading, ICTSI Oregon opposed ILWU's request for an appeal to the Ninth Circuit and instead sought a prompt retrial of its claim before the district court, limited to damages. However, in the event that the Ninth Circuit decided to accept the ILWU's appeal for consideration, ICTSI Oregon requested that the Ninth Circuit also review and reverse the district court's decision to set aside the jury's verdict of US\$93.6 million and reduce it to US\$19.1 million.

On September 17, 2020, a panel of three judges of the Ninth Circuit Court of Appeals issued its decision granting the ILWU's petition for permission to appeal. The Ninth Circuit also granted ICTSI Oregon's conditional petition to appeal that portion of the trial court's order reducing the jury's verdict from US\$93.6 million to US\$19.1 million. Parties filed their respective pleadings and presented oral arguments.

On January 18, 2022, the Ninth Circuit issued its decision dismissing the ILWU's appeal as outside of the court's jurisdiction. The district court's decision ordering a retrial of ICTSI Oregon's claims limited to the amount of damages is therefore now in effect and the case is for a new trial on damages. On November 14, 2022, the district court issued an opinion and order granting the ILWU's Motion for Partial Summary Judgment as a matter of law that ICTSI may not seek as damages the value of equipment it transferred to the Port of Portland when ICTSI terminated its lease with the Port. The district court has scheduled the case for a two-week jury trial commencing on December 4, 2023.

#### ICTSI Rio

ICTSI Rio filed a case questioning the legality of a portion of the Lease Agreement Contract (Contract) with the Companhia Docas do Rio de Janeiro – CDRJ (Port Authority) which requires ICTSI Rio to pay the Port Authority for not achieving the minimum container handling goals (MMC). ICTSI Rio pointed out that the Port Authority failed to fulfill its obligation to provide adequate infrastructure to the Port of Rio and that the Port of Rio has adequate and sufficient infrastructure to allow ICTSI Rio to meet its movement goals established in the Contract. In 2016 and 2017, ICTSI Rio was heavily impacted by the delay in the dredging works of the access channel to the Port of Rio de Janeiro, which was the responsibility of the Port Authority. ICTSI Rio requested the cancellation of the collection carried out by the Port Authority related to the invoices of MMC for the years 2016 and 2017 amounting to BRL22.8 million (US\$ 4.1 million). It was also requested that the Port Authority refund to ICTSI Rio the amount of BRL16.8 million (US\$3.0 million) paid in advance. In July 2022, a virtual conciliation hearing was proposed in order to favor the consensual solution of the conflict. The conciliation hearing commenced on November 23, 2022 but was temporarily suspended.



## 27. Financial Instruments

### 27.1 Fair Values

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments by category whose fair value is different from its carrying amount as at December 31:

	2020		2021		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>						
Other financial liabilities:						
Long-term debt	US\$1,764,478,740	US\$1,913,246,945	US\$2,145,607,533	US\$2,291,843,465	US\$2,133,847,418	US\$2,038,570,875
Lease liabilities	1,234,777,473	1,493,843,178	1,282,594,748	1,386,279,974	1,353,698,156	1,229,527,998
Concession rights payable	703,327,707	881,522,245	723,034,856	898,437,749	754,416,745	757,152,346
	US\$3,702,583,920	US\$4,288,612,368	US\$4,151,237,137	US\$4,576,561,188	US\$4,241,962,319	US\$4,025,251,219

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

The fair values of the US dollar-denominated notes and US dollar-denominated medium-term notes are based on quoted prices. The fair value of other fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 0.32 to 11.87 percent in 2020, 0.67 to 13.60 percent in 2021 and 3.42 to 20.77 percent in 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.

The fair values of derivative assets and liabilities, specifically forward contracts and prepayment options, are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions. For cross-currency swap, interest rate swaps, currency forwards and other structured derivatives, fair values are based on counterparty bank valuation.

### 27.2 Fair Value Hierarchy

The following tables below present the fair value hierarchy of the Group's financial instruments as at December 31:

	2020			
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>				
Derivative assets	US\$-	US\$-	US\$-	US\$-
Derivative liabilities	43,383,572	-	43,383,572	-
Financial assets at FVOCI	2,224,093	2,224,093	-	-
<b>Liabilities for which fair values are disclosed:</b>				
<b>Other financial liabilities:</b>				
Long-term debt	1,913,246,945	1,307,283,020	-	605,963,925
Concession rights payable	881,522,245	-	-	881,522,245
Lease Liabilities	1,493,843,178	-	-	1,493,843,178





2021				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>				
Derivative assets	US\$–	US\$–	US\$–	US\$–
Derivative liabilities	13,326,958	–	13,326,958	–
Financial assets at FVOCI	2,618,336	2,618,336	–	–
<b>Liabilities for which fair values are disclosed:</b>				
<b>Other financial liabilities:</b>				
Long-term debt	2,291,843,465	1,605,763,580	–	686,079,885
Concession rights payable	898,437,749	–	–	898,437,749
Lease liabilities	1,386,279,974	–	–	1,386,279,974
2022				
	Amount	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>				
Derivative assets	US\$16,085,813	US\$–	US\$16,085,813	US\$–
Derivative liabilities	–	–	–	–
Financial assets at FVOCI	2,930,600	2,930,600	–	–
<b>Liabilities for which fair values are disclosed:</b>				
<b>Other financial liabilities:</b>				
Long-term debt	2,038,570,875	1,369,632,420	–	668,938,455
Concession rights payable	757,152,346	–	–	757,152,346
Lease liabilities	1,229,527,998	–	–	1,229,527,998

In 2020, 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.

### 27.3 Derivative Financial Instruments

ICTSI enters into derivative transactions as economic hedges of certain underlying exposures arising from its foreign currency-denominated loans, revenues and expenses. Such derivatives, which include interest rate swaps and currency forwards, are accounted for either as cash flow hedges or transactions not designated as hedges.

### 27.4 Derivative Instruments Accounted for as Cash Flow Hedges

*Interest Rate Swap.* In August 2016, VICT entered into interest rate swap transactions to hedge the interest rate exposures on its floating rate AUD-denominated loans maturing in 2023, 2026 and 2031. A total notional amount of AUD320.4 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, VICT pays annual fixed interest of a range of 2.10 to 2.5875 percent and receives floating rate of six-month Bank Bill Swap Bid Rate (BBSY) basis points on the notional amount. In March 2017, VICT entered into additional interest rate swap transactions to hedge an additional AUD5.5 million and AUD12.4 million of its AUD-denominated loans maturing in 2026 and 2031, respectively. VICT pays an annual fixed interest of 2.885 to 2.9730 percent for the loans maturing in 2026 and 2031, respectively. The market valuation loss on the outstanding interest rate swaps amounted to AUD19.7 million (US\$15.2 million) as at December 31, 2020. The effective portion of the change in the fair value of the interest rate swap amounting to AUD3.7 million (US\$3.5 million), net of AUD1.6 million (US\$1.5 million) deferred tax, for the year ended December 31, 2020, was taken to equity under other comprehensive loss (see Note 15.7). 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 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 statement of income.

In November 2016, ICTSI entered into an interest rate swap transaction to hedge the interest rate exposures of the CGSA’s floating rate US\$-denominated floating rate loan maturing in 2021. A total notional amount of US\$32.5 million floating rate loan was swapped to fixed rate. Under the interest rate swap arrangements, ICTSI pays annual fixed interest of 3.045 percent and receives floating rate of six-month LIBOR plus 160 basis points on the notional amount. As at December 31, 2020, the market valuation gain on the outstanding interest rate swaps amounted to US\$5.8 thousand. The effective portion of the change in the fair value of the interest rate swap amounting to US\$20.2 thousand, net of US\$8.7 thousand deferred tax, for the year ended December 31 2020, was taken to equity under other comprehensive loss (see Note 15.7). On March 30, 2021, the interest rate swap matured and the amount deferred in equity representing the effective portion of the change in fair value of the swap amounting to US\$17.5 thousand at the time of payment was transferred to profit and loss and recognized under “Interest expense and financing charges on borrowings” account in the 2021 consolidated statement of income.

In April 2019, the Group entered into interest rate swap transactions 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, an annual fixed interest of 2.3981 percent is being paid and floating interest of three-month LIBOR on the notional amount is being received. As at December 31, 2020, and 2021, the market valuation loss on the outstanding interest rate swaps amounted to US\$28.2 million, and US\$13.3 million, respectively. As at December 31, 2022, the market valuation gain on the outstanding interest rate swap amounted to US\$14.9 million. The effective portion of the change in the fair value of the interest rate swap amounting US\$11.8 million, net of US\$5.6 million deferred tax, US\$11.2 million, net of US\$3.7 million deferred tax, and US\$21.1 million, net of US\$7.2 million deferred tax, for the years ended December 31, 2020, 2021 and 2022, respectively, were taken to equity under other comprehensive loss. In 2023, the interest rate swap arrangements were amended and effective January 29, 2023, annual fixed interest ranging from 2.165 and 2.1886 percent will be paid, and floating interest based on three-month cumulative compounded SOFR will be received.

*Net Investment Hedging.* In March 2017, ICTSI entered into a cross-currency swap with a swap rate of 5.05 percent maturing on March 17, 2020 to mitigate the foreign currency risk arising from the translation of the Group’s Euro net investment in MICTSL. The EUR15.0 million cross currency swap was designated as a net investment hedge to partially offset the gains/losses from the translation of its net investment in MICTSL into US Dollar. On March 17, 2020, the cross-currency swap matured and the net settlement of US\$0.3 million, net of US\$0.1 million deferred tax was taken to equity attributable to MICTSL’s investment carrying value (see Note 15.7).

## 27.5 Other Derivative Instruments Not Designated as Hedges

*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 March 2020, ICTSI entered into a sell-US\$ buy-PHP non-deliverable forward contracts with an aggregate notional amount of US\$20.0 million. The forward contracts were used to economically hedge the variability of cash flows arising from the Philippine peso-denominated payments and were settled on April 14, 2020 resulting to a total derivative gain of US\$0.5 million.

In September and December 2022, ICTSI entered into sell-US\$ buy-PHP forward contracts with aggregate notional amounts of US\$30.0 million and US\$15.0 million, respectively. The forward contracts are used to hedge the variability of cash flows arising from PHP-denominated liabilities. As at December 31, 2022, the market valuation gain on the outstanding foreign currency forwards amounted to US\$0.9 million, net of US\$0.3 million deferred tax.

## 27.6 Fair Value Changes on Derivatives

The net movements in fair value changes of ICTSI's derivative instruments are as follows:

	2020	2021	2022
Balance at beginning of year	(US\$21,490,440)	(US\$43,383,572)	(US\$13,326,958)
Net changes in fair value of derivatives:			
Designated as accounting hedges	(21,893,132)	24,289,950	29,412,771
	(43,383,572)	(19,093,622)	16,085,813
Less fair value of settled instruments	-	(5,766,664)	-
Balance at end of year	(US\$43,383,572)	(US\$13,326,958)	US\$16,085,813

The net movement in fair value changes of freestanding derivative instruments designated as cash flow hedges are presented in the consolidated statements of comprehensive income as follows:

	2020	2021	2022
Balance at beginning of year	(US\$15,421,637)	(US\$38,521,684)	(US\$13,326,958)
Changes in fair value of cash flow hedges of designated derivatives	(21,893,133)	24,289,950	29,412,771
Transferred to consolidated statements of income	-	5,766,664	-
Tax effects	(1,206,914)	(4,861,888)	(4,145,874)
Balance at end of year (Note 15.7)	(US\$38,521,684)	(US\$13,326,958)	US\$11,939,939

Fair value changes on freestanding derivatives as at December 31 are presented as follows:

	2020	2021	2022
Derivative assets (Notes 10 and 14)	US\$-	US\$-	US\$16,085,813
Derivative liabilities (Note 17)	(43,383,572)	(13,326,958)	-
Total	(US\$43,383,572)	(US\$13,326,958)	US\$16,085,813

## 28. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise mainly of bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's port operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.



ICTSI has port operations and development projects in 20 countries as at December 31, 2022. Short-term treasury activities are carried out at the subsidiary level, however, overall policy decisions concerning the Group's financial risks are centralized at the Parent Company in Manila. The Board reviews and approves the Group's policies for managing each of these risks, as summarized below, as well as authority limits. Treasury operations are regularly reviewed annually by Internal Audit to ensure compliance with the Group's policies.

ICTSI finances its business activities through a mix of cash flows from operations and long-term loans from banks. It is the Group's policy to minimize the use of short-term loans. The Group's borrowings are in US Dollar, Philippine Peso, Euro, Iraqi Dinar, Papua New Guinean Kina and Australian Dollar at fixed and floating rates of interest. The Group minimizes its currency exposure by matching its currency of borrowing to the currency of operations and functional currency at the relevant business unit whenever possible. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

In the context of PFRS 7, the main risks arising from the normal course of the Group's business are interest rate risk, liquidity risk, foreign currency risk and credit risk.

#### Working Capital Management

The Parent Company has minimal working capital requirements due to the short cash collection cycle of its business. Working capital requirements are well within the credit facilities established which are adequate and available to the Parent Company to meet day-to-day liquidity and working capital requirements. The credit facilities are regularly reviewed by the Treasury Group to ensure that they meet the objectives of the Group. Most of the foreign operating subsidiaries currently do not access short-term credit facilities as their respective cash flows are sufficient to meet working capital needs.

#### Interest Rate Risk

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



The following tables set out the carrying amount, by maturity, of the Group's liabilities that are exposed to interest rate risk as at December 31:

		2020								
		Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*	
							(In Original Currency)	(In US Dollar)		
<b>Liabilities</b>										
Long-term Debt										
Floating Rate:										
Eur Loan	38,225,000	–	–	–	–	EUR38,225,000	US\$46,695,660	US\$46,393,091		
Interest rate	EURIBOR + 1.00% spread									
PGK Loan	42,760,000	21,380,000	21,380,000	–	–	PGK85,520,000	US\$24,188,257	US\$23,821,653		
Interest rate	ANZ ILR* less 6.45%									
		2021								
		Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*	
							(In Original Currency)	(In US Dollar)		
<b>Liabilities</b>										
Long-term Debt										
Floating Rate:										
Eur Loan	38,225,000	–	–	–	–	EUR38,225,000	US\$43,461,700	US\$43,322,239		
Interest rate	EURIBOR + 1.00% spread									
PGK Loan	45,260,000	23,880,000	2,500,000	2,500,000	–	PGK74,140,000	US\$21,103,109	US\$20,909,311		
Interest rate	ANZ ILR* less 6.45%									
PHP Loan	6,650,000,000	–	–	–	–	PHP6,650,000,000	US\$130,394,714	US\$133,669,166		
Interest rate	3-month BVAL tenor + 2.40% spread									
		2022								
		Less than 1 Year to 2 years	>2 Years to 3 years	>3 Years to 4 years	>4 Years to 5 years	Over 5 Years		Total	Net Debt*	
							(In Original Currency)	(In US Dollar)		
<b>Liabilities</b>										
Long-term Debt										
Floating Rate:										
PGK Loan	47,760,000	2,500,000	2,500,000	–	–	PGK52,760,000	US\$14,793,323	US\$14,872,997		
Interest rate	ANZ ILR* less 6.45%									
PHP Loan	1,200,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,850,000,000	PHP6,050,000,000	US\$108,510,447	US\$109,812,331		
Interest rate	3-month BVAL tenor + 1.55% spread + GRT									

\*Net of Debt Issuance Costs



Re-pricing of floating rate financial instruments is mostly done monthly, quarterly or semi-annually. Interest on fixed rate financial instruments is fixed until maturity of the instrument. Financial instruments not included in the above tables are either noninterest-bearing, therefore not subject to interest rate risk or has minimal interest rate exposure due to the short-term nature of the account (i.e., cash equivalents).

The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ICTSI's income before income tax (through the impact on unhedged floating rate borrowings), at December 31 are as follows (amounts in millions unless otherwise indicated):

	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax		
		2020	2021	2022
Loans	+1.0	(US\$0.7)	(US\$1.9)	(US\$1.3)
	-1.0	0.7	1.9	1.3

### Liquidity Risk

The Group monitors and maintains a certain level of cash and cash equivalents and bank credit facilities deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows. The Group's policy is that not more than 25 percent of borrowings should mature in any 12-month period. Four percent, 14 percent and 20 percent of the Group's total borrowings, gross of debt issuance costs as at December 31, 2020, 2021 and 2022 respectively, will mature in the ensuing 12 months. The Group is re-assessing its policy in mitigating liquidity risk in line with the current developments and demands of its rapidly growing business.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31 based on contractual undiscounted payments (amounts in millions unless otherwise indicated).

	2020					Total
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
Long-term debt	US\$17.0	US\$10.3	US\$24.7	US\$1,038.3	US\$717.6	US\$1,807.9
Accounts payable and other current liabilities*	199.8	11.2	70.1	–	–	281.1
Other noncurrent liabilities*	–	–	–	7.7	–	7.7
Loans payable	2.8	–	–	–	–	2.8
Derivative liabilities	–	1.1	8.6	1.6	32.0	43.3
Concession rights payable	15.9	15.9	31.9	286.0	1,298.2	1,647.9
Lease liabilities	29.9	28.5	59.3	503.0	2,106.5	2,727.2
<b>Total</b>	<b>US\$265.4</b>	<b>US\$67.0</b>	<b>US\$194.6</b>	<b>US\$1,836.6</b>	<b>US\$4,154.3</b>	<b>US\$6,517.9</b>

\*Excludes statutory liabilities, noncurrent portion of derivative liabilities and provisions for claims and losses.

	2021					Total
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	
Long-term debt	US\$5.0	US\$10.4	US\$55.1	US\$1,210.3	US\$904.0	US\$2,184.8
Accounts payable and other current liabilities*	186.3	8.4	60.8	–	–	255.5
Other noncurrent liabilities*	–	–	–	9.9	–	9.9
Loans payable	5.0	–	–	–	–	5.0
Derivative liabilities	1.6	1.5	2.5	7.8	–	13.4
Concession rights payable	17.8	18.7	35.5	300.2	1,240.8	1,613.0
Lease liabilities	32.2	33.4	65.3	551.3	2,037.2	2,719.4
<b>Total</b>	<b>US\$247.9</b>	<b>US\$72.4</b>	<b>US\$219.2</b>	<b>US\$2,079.5</b>	<b>US\$4,182.0</b>	<b>US\$6,801.0</b>

\*Excludes statutory liabilities, derivative liabilities and provisions for claims and losses.



	2022					
	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
Long-term debt	US\$402.7	US\$11.3	US\$20.1	US\$782.1	US\$951.1	US\$2,167.3
Accounts payable and other current liabilities*	209.2	26.9	78.5	–	–	314.6
Other noncurrent liabilities*	–	–	–	8.8	–	8.8
Loans payable	110.0	127.0	100.0	–	–	337.0
Derivative liabilities	–	–	–	–	–	–
Concession rights payable	18.8	19.6	36.9	300.9	1,165.9	1,542.1
Lease liabilities	36.5	37.7	70.8	614.7	2,014.9	2,774.6
<b>Total</b>	<b>US\$777.2</b>	<b>US\$222.5</b>	<b>US\$306.3</b>	<b>US\$1,706.5</b>	<b>US\$4,131.9</b>	<b>US\$7,144.4</b>

\*Excludes statutory liabilities, derivative liabilities and provisions for claims and losses.

The financial liabilities in the above tables are gross undiscounted cash flows. However, those amounts may be settled using cash on hand and in banks, aggregating US\$248.4 million, US\$211.0 million and US\$315.0 million as at December 31, 2020, 2021 and 2022, respectively. Furthermore, cash equivalents, amounting to US\$486.5 million, US\$446.5 million, and US\$523.9 million as at December 31, 2020, 2021 and 2022, respectively, may also be used to manage liquidity.

### Changes in Liabilities Arising from Financing Activities

	December 31, 2020	Cash flows	Foreign exchange movement	Translation Adjustment	Changes in fair values	Others*	December 31, 2021
Long-term debt	US\$1,807,872,855	US\$260,299,429	US\$–	(US\$20,148,854)	US\$–	US\$140,191,477	US\$2,188,214,907
Lease liabilities	1,234,777,473	(125,099,978)	(142,692)	(63,443,554)	–	236,503,499	1,282,594,748
Concession rights payable	703,327,707	(74,108,244)	(747,912)	(12,298,688)	–	106,861,993	723,034,856
Accrued interest	19,848,482	(112,491,661)	–	(89,683)	–	111,792,538	19,059,676
Derivative liability	43,383,572	–	–	(356,913)	(29,699,701)	–	13,326,958
Loans payable	2,828,374	2,187,452	–	17,144	–	–	5,032,970
Dividends payable	3,353,538	(234,172,713)	327,033	(46,792)	–	234,343,045	3,804,111
<b>Total liabilities from financing activities</b>	<b>US\$3,815,392,001</b>	<b>(283,385,715)</b>	<b>(US\$563,571)</b>	<b>(US\$96,367,340)</b>	<b>(US\$29,699,701)</b>	<b>US\$829,692,552</b>	<b>US\$4,235,068,226</b>

\* Others includes capitalization of fixed fees under IFRIC 12, remeasurement of present value of fixed fees under IFRS 16 and IFRIC 12, effect of business combination, reclassifications, accrual of dividends, accrual of interest from interest-bearing loans, and accretion of interest on lease and concession rights payable.

	December 31, 2021	Cash flows	Foreign exchange movement	Translation Adjustment	Changes in fair values	Others*	December 31, 2022
Long-term debt	US\$2,188,214,907	US\$9,319,516	US\$–	(US\$28,087,507)	US\$–	US\$–	US\$2,169,446,918
Lease liabilities	1,282,594,748	(145,320,011)	(807,076)	(9,248,883)	–	226,479,378	1,353,698,156
Concession rights payable	723,034,856	(78,728,517)	(875,891)	(4,503,136)	–	115,489,433	754,416,745
Accrued interest	19,059,676	(115,156,889)	–	(72,259)	–	120,251,481	24,082,009
Derivative liability	13,326,958	–	–	–	(63,524,546)	50,197,588	–
Loans payable	5,032,970	335,221,918	(3,738,888)	504,000	–	–	337,020,000
Dividends payable	3,804,111	(299,039,343)	(336,989)	(1,344,421)	–	301,608,454	4,691,812
<b>Total liabilities from financing activities</b>	<b>US\$4,235,068,226</b>	<b>(US\$293,703,326)</b>	<b>(US\$5,758,844)</b>	<b>(US\$42,752,206)</b>	<b>(US\$63,524,546)</b>	<b>US\$814,026,334</b>	<b>US\$4,643,355,640</b>

\* Others includes capitalization of fixed fees under IFRIC 12, remeasurement of present value of fixed fees under IFRS 16 and IFRIC 12, effect of business combination, reclassifications, accrual of dividends, accrual of interest from interest-bearing loans, and accretion of interest on lease and concession rights payable.

### Foreign Currency Risk

As a result of operations in subsidiaries whose functional currency is not the US dollar, the Group's consolidated balance sheets can be affected significantly by movements in the subsidiaries' functional currency and US dollar exchange rates (see Note 1.3).



In respect of financial assets and liabilities held in currencies other than the functional currencies of the Parent Company and the operating subsidiaries, the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot/forward rates where necessary to address short-term imbalances.

The Group recognized in the consolidated statements of income net foreign exchange loss amounting US\$4.3 million, net foreign exchange gain amounting to US\$0.9 million, and net foreign exchange gain amounting to US\$8.0 million arising from net foreign currency-denominated financial assets and liabilities as at December 31, 2020, 2021 and 2022, respectively, which resulted mainly from the movements of Philippine peso, Brazilian real, Mexican peso and Australian dollar against the US dollar and Malagasy ariary against Euro.

The following table shows the Group's significant foreign currency-denominated financial assets and liabilities and their US Dollar equivalents at December 31:

	2020		2021		2022	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
<b>Current Financial Assets</b>						
Cash and cash equivalents:						
EUR	4,970,806	US\$6,072,336	17,842,246	US\$20,286,633	<b>10,341,820</b>	<b>US\$11,072,612</b>
Philippine peso	8,736,061,156	181,914,107	3,836,219,816	75,221,471	<b>3,097,897,313</b>	<b>55,562,682</b>
AUD	66,572,254	51,220,692	29,687,514	21,562,042	<b>56,134,056</b>	<b>38,238,458</b>
RMB	41,271,777	6,323,045	106,687,379	16,785,038	<b>164,551,485</b>	<b>23,851,498</b>
MXN	1,080,336,367	54,249,277	3,337,875,553	162,590,020	<b>1,911,191,086</b>	<b>98,009,799</b>
PGK	20,685,181	5,850,543	32,780,139	9,339,337	<b>34,094,428</b>	<b>9,674,923</b>
MGA	17,840,522,727	4,611,360	29,063,474,366	7,317,807	<b>32,828,197,273</b>	<b>7,351,204</b>
PKR	1,875,077,619	11,705,408	4,132,408,080	23,413,077	<b>6,061,987,729</b>	<b>26,745,440</b>
IDR	45,102,273,996	3,210,126	47,080,294,604	3,300,869	<b>32,133,533,218</b>	<b>2,063,413</b>
BRL	144,267,371	27,778,448	238,950,254	42,888,727	<b>310,480,815</b>	<b>58,736,439</b>
HRK	14,744,274	2,385,766	4,239,062	641,310	<b>1,322,678</b>	<b>187,934</b>
PLN	311,241	83,369	2,705,935	670,583	<b>5,578,419</b>	<b>1,275,067</b>
ARS	13,528,325	160,772	32,219,899	313,618	<b>137,709,481</b>	<b>777,440</b>
BND	105,117	79,472	105,117	77,801	<b>105,157</b>	<b>78,475</b>
SGD	217	164	-	-	-	-
HKD	520	67	-	-	-	-
GEL	531,594	161,554	1,194,763	386,780	<b>1,317,019</b>	<b>487,966</b>
INR	6,333,433	86,676	-	-	-	-
ZAR	2,880	196	-	-	-	-
HNL	43,618,436	1,808,086	99,189,685	4,050,228	<b>57,305,042</b>	<b>2,322,393</b>
CDF	17,600	9	1,247,545	628	<b>17,590</b>	<b>9</b>
AED	6,793,812	1,849,663	4,536,435	1,235,076	<b>866,533</b>	<b>235,920</b>
IQD	1,808,474,596	1,238,681	131,763,496	90,249	<b>2,174,172,140</b>	<b>1,489,159</b>
JPY	8,206	79	-	-	-	-
XAF	1,589,821,738	2,974,200	462,910,052	802,965	<b>571,406,415</b>	<b>932,513</b>
NGN	-	-	3,056,561,000	7,194,786	<b>577,838,589</b>	<b>1,253,936</b>
Receivables:						
EUR	2,550,940	3,116,228	3,357,716	3,817,723	<b>2,884,921</b>	<b>3,088,780</b>
Philippine peso	632,348,707	13,167,622	999,302,305	19,594,547	<b>1,389,132,277</b>	<b>24,914,936</b>
AUD	20,715,892	15,938,807	22,144,415	16,083,489	<b>21,481,222</b>	<b>14,632,985</b>
RMB	39,864,558	6,107,452	40,873,067	6,430,526	<b>42,214,466</b>	<b>6,118,925</b>
MXN	81,720,002	4,103,584	51,629,741	2,514,917	<b>53,684,960</b>	<b>2,753,075</b>
PGK	9,524,201	2,693,800	7,589,078	2,162,192	<b>8,686,411</b>	<b>2,464,929</b>
MGA	5,589,386,346	1,444,726	5,916,710,820	1,489,751	<b>4,872,608,802</b>	<b>1,091,121</b>
PKR	1,781,897,960	11,123,722	1,896,718,443	10,746,280	<b>2,233,470,833</b>	<b>9,854,055</b>
IDR	30,659,186,661	2,182,149	20,628,736,899	1,446,311	<b>36,700,144,442</b>	<b>2,356,652</b>
BRL	79,701,382	15,346,372	68,781,315	12,345,428	<b>138,332,022</b>	<b>26,169,508</b>
HRK	1,325,908	214,545	1,595,101	241,316	<b>2,012,816</b>	<b>285,993</b>
PLN	2,234,245	598,464	7,505,260	1,859,948	<b>8,398,508</b>	<b>1,919,659</b>
ARS	10,192,815	121,132	11,989,601	116,703	<b>52,410,282</b>	<b>295,883</b>
HKD	83,474	10,767	-	-	<b>84,504</b>	<b>10,831</b>
HNL	2,234,998	92,646	878,390	35,867	<b>1,087,079</b>	<b>44,056</b>
AED	35,496	9,664	140,477	38,246	<b>44,493</b>	<b>12,114</b>
IQD	232,453,637	159,215	1,000,515,487	685,285	<b>682,047,161</b>	<b>467,156</b>
XAF	162,098,084	303,249	87,240,745	151,328	<b>252,733,507</b>	<b>412,451</b>
CDF	-	-	394,864,219	198,646	-	-
NGN	-	-	12,362,409	29,100	-	-
SGD	-	-	-	-	-	-
		440,498,240		478,156,648		437,240,388

(Forward)





	2020		2021		2022	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
<b>Current Financial Liabilities</b>						
Accounts payable and other current liabilities:						
EUR	13,840,740	16,907,848	1,198,755	1,362,984	1,273,313	US\$1,363,290
Philippine peso	5,776,477,050	US\$120,285,635	6,163,127,866	US\$120,848,014	5,444,253,343	97,646,011
AUD	34,756,314	26,741,508	32,339,904	23,488,472	42,033,162	28,632,944
RMB	15,339,645	2,350,111	18,826,495	2,961,957	15,858,400	2,298,652
MXN	500,954,652	25,155,524	410,437,684	19,992,678	763,896,666	39,174,188
PGK	25,017,025	7,075,751	24,836,323	7,076,077	42,082,079	11,941,566
MGA	29,200,859,073	7,547,743	24,127,705,501	6,075,044	16,904,592,622	3,785,438
PKR	2,718,053,953	16,967,794	2,967,103,376	16,810,784	3,802,878,334	16,778,268
IDR	10,415,489,800	741,316	15,418,160,370	1,080,990	136,062,204,234	8,737,058
BRL	122,376,632	23,563,422	144,023,208	25,850,452	177,754,246	33,627,364
HRK	10,181,412	1,647,451	13,504,673	2,043,067	14,624,887	2,077,989
PLN	9,102,028	2,438,065	27,612,079	6,842,803	20,460,353	4,676,652
ARS	1,893,044,993	22,497,121	340,722,917	3,316,490	468,969,546	2,647,571
GEL	14,919,025	4,533,969	8,142,545	2,635,981	5,819,883	2,156,311
ZAR	–	–	113,999	7,153	45,609	2,677
HNL	93,936,592	3,893,890	126,189,916	5,152,733	131,195,149	5,316,926
AED	1,512,887	411,894	1,917,218	521,976	288,173	78,457
IQD	3,744,190,440	2,564,514	7,135,547,060	4,887,361	5,564,944,760	3,811,606
XAF	614,816,595	1,150,184	1,967,278,661	3,412,448	3,037,645,420	4,957,320
NGN	–	–	1,225,045,736	2,883,614	1,055,153,839	2,289,731
HKD	89,316	11,520	–	–	–	–
SGD	53,332	40,339	–	–	–	–
JPY	7,947,256	76,971	–	–	–	–
CDF	–	–	1,081,150,110	543,898	–	–
<b>Noncurrent Financial Liabilities</b>						
Other noncurrent liabilities:						
Philippine peso	164,824,973	3,432,209	484,664,020	9,503,402	705,855,775	12,659,955
AUD	15,740,439	12,110,694	864,790	628,097	1,383,018	942,111
MXN	18,683,991	938,220	20,102,330	979,197	22,066,577	1,131,619
MGA	506,649,621	130,957	1,370,527,876	345,081	1,736,371,712	388,825
IDR	9,945,846,249	707,889	–	–	382,914,223	24,588
HRK	594,531	96,201	242,894	36,746	242,884	34,510
PLN	27,293,835	7,310,914	20,427,828	5,062,408	10,730,185	2,452,614
AED	–	–	–	–	315,972	86,026
IQD	–	–	787,103,637	539,112	956,633,464	655,228
XAF	–	–	–	–	12,965,124	21,159
NGN	–	–	734,578	1,729	43,653,575	94,730
EUR	118,779	145,100	1,752	1,992	–	–
BRL	399,410	76,906	147,151	26,412	–	–
ARS	–	–	1,470,760	400,425	–	–
Long-term debt:						
AUD	292,105,136	224,745,692	277,539,199	201,576,720	356,909,818	243,126,579
EUR	37,977,317	46,393,091	38,102,232	43,322,238	–	–
PGK	84,223,829	23,821,651	73,389,587	20,909,310	52,412,452	14,873,000
Philippine peso	–	–	6,816,993,797	133,669,166	6,122,582,724	109,812,263
Concession rights payable:						
EUR	9,157,446	11,186,736	30,337,233	34,493,434	36,307,270	38,872,880
HRK	80,977,078	13,102,875	78,855,026	11,929,656	–	–
PKR	418,793,316	2,614,370	267,207,057	1,513,921	92,961,415	410,145
PGK	281,774,808	79,696,461	311,417,910	88,725,579	341,167,028	96,812,437
Philippine peso	–	–	–	–	2,601,624,031	46,661,717
BRL	422,964,571	81,441,142	539,179,600	96,776,322	501,014,021	94,781,313
XAF	–	–	–	–	18,316,908,990	29,892,488
Lease liabilities:						
Philippine peso	715,682,447	14,902,910	1,153,770,267	22,623,390	1,253,537,602	22,482,963
AUD	894,025,816	687,863,463	895,368,662	650,306,259	922,335,008	628,293,602
BRL	30,074,634	5,790,822	1,204,691,459	216,227,781	1,299,733,542	245,882,244
MXN	6,450,775,493	323,926,801	7,503,913,720	365,520,362	8,440,812,647	432,862,187
AED	519,755	141,507	346,503	94,338	173,252	47,169
IDR	185,698,850	13,217	124,558,779	8,733	–	–
NGN	–	–	1,296,913,802	3,052,783	2,464,477,802	5,348,027
		1,827,192,398		2,166,069,569		2,300,650,398
Net foreign currency-denominated financial liabilities						
		(US\$1,386,694,158)		(US\$1,687,912,921)		(US\$1,863,410,010)

In translating the foreign currency-denominated monetary assets and liabilities into US dollar amounts, the Group used the exchange rates as shown in the table of exchange rates (see Note 3.3).



The following tables present the impact on the Group's income before income tax (due to change in the fair value of foreign currency-denominated financial assets and liabilities) and equity (due to translation hedging), of changes in the exchange rate between the foreign currencies and the US dollar (holding all other variables held constant) as at December 31 (amounts in millions unless otherwise indicated):

	2020	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$6.7	US\$4.7
5% depreciation	(6.1)	(4.2)
	2021	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$10.7	US\$7.8
5% depreciation	(9.7)	(7.0)
	2022	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rates:		
5% appreciation	US\$7.7	US\$5.8
5% depreciation	(7.0)	(5.2)

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to float interest rates of the debt and derivatives and the proportion of the financial instruments in foreign currencies are all constant and on the basis of hedge designation in place at each balance sheet date.

#### Credit Risk

The Group trades only with recognized, creditworthy third parties and the exposure to credit risk is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with recognized third parties, collateral is not required in respect of financial assets. Moreover, counterparty credit limits are reviewed by management on an annual basis. The limits are set to minimize the concentration of risks and mitigate financial losses through potential counterparty failure.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, 2020, 2021 and 2022, about 66 percent, 41 percent and 51 percent, respectively, of cash and cash equivalents of the Group is with Philippine local banks. Investments of funds are made only with counterparties approved by the Board. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.



At December 31, the following tables provide credit information and maximum exposure of ICTSI's financial assets (amounts in millions unless otherwise indicated):

2020				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
<b>Loans and receivables</b>				
Cash and cash equivalents:				
Cash in banks	US\$247.9	US\$–	US\$–	US\$247.9
Cash equivalents	486.5	–	–	486.5
Receivables				
Trade	78.2	21.8	8.9	108.9
Advances and nontrade	22.3	6.0	0.7	29.0
Financial assets at FVOCI	2.9	–	–	2.9
	<b>US\$837.8</b>	<b>US\$27.8</b>	<b>US\$9.6</b>	<b>US\$875.2</b>

2021				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
<b>Loans and receivables</b>				
Cash and cash equivalents:				
Cash in banks	US\$209.4	US\$–	US\$–	US\$209.4
Cash equivalents	446.5	–	–	446.5
Receivables				
Trade	83.4	22.0	7.2	112.6
Advances and nontrade	18.6	11.0	0.7	30.3
Financial assets at FVOCI	3.3	–	–	3.3
	<b>US\$761.2</b>	<b>US\$33.0</b>	<b>US\$7.9</b>	<b>US\$802.1</b>

2022				
	Neither Past Due nor Impaired	Past Due but Not Impaired	Impaired	Total
<b>Loans and receivables</b>				
Cash and cash equivalents:				
Cash in banks	US\$313.4	US\$–	US\$–	US\$313.4
Cash equivalents	523.9	–	–	523.9
Receivables				
Trade	91.6	34.7	5.6	131.9
Advances and nontrade	20.3	11.4	5.8	37.5
Financial assets at FVOCI	3.6	–	–	3.6
Derivative assets	16.1	–	–	16.1
	<b>US\$968.9</b>	<b>US\$46.1</b>	<b>US\$11.4</b>	<b>US\$1,026.4</b>



At December 31, the credit quality per class of financial assets that were neither past due nor impaired follow (amounts in millions unless otherwise indicated):

	2020			
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and receivables				
Cash and cash equivalents:				
Cash in banks	US\$247.9	US\$–	US\$–	US\$247.9
Cash equivalents	486.5	–	–	486.5
Receivables:				
Trade	57.2	17.7	3.3	78.2
Advances and nontrade	20.6	1.7	–	22.3
Financial assets at FVOCI	2.9	–	–	2.9
	US\$815.1	US\$19.4	US\$3.3	US\$837.8

	2021			
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
Loans and receivables				
Cash and cash equivalents:				
Cash in banks	US\$209.4	US\$–	US\$–	US\$209.4
Cash equivalents	446.5	–	–	446.5
Receivables:				
Trade	55.6	24.3	3.5	83.4
Advances and nontrade	12.9	5.7	–	18.6
Financial Assets at FVOCI	3.3	–	–	3.3
	US\$727.7	US\$30.0	US\$3.5	US\$761.2

	2022			
	Neither Past Due nor Impaired			Total
	Grade A	Grade B	Grade C	
<b>Loans and receivables</b>				
Cash and cash equivalents:				
Cash in banks	US\$313.4	US\$–	US\$–	US\$313.4
Cash equivalents	523.9	–	–	523.9
Receivables:				
Trade	65.7	23.5	2.4	91.6
Advances and nontrade	13.5	3.8	3.0	20.3
<b>Financial assets at FVOCI</b>	3.6	–	–	3.6
<b>Derivative assets</b>	16.1	–	–	16.1
	US\$936.2	US\$27.3	US\$5.4	US\$968.9

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, derivative financial assets and financial assets at FVOCI - based on the credit standing of the counterparty.

Receivables - Grade A receivables pertain to those receivables from clients or customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Group are included under Grade C.



At December 31, the aging analyses of the receivables that were past due but not impaired follow (amounts in millions unless otherwise indicated):

2020					
Past Due but Not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
Trade	US\$19.6	US\$0.4	US\$1.6	US\$0.2	US\$21.8
Advances and nontrade	1.2	0.1	–	4.7	6.0
	<b>US\$20.8</b>	<b>US\$0.5</b>	<b>US\$1.6</b>	<b>US\$4.9</b>	<b>US\$27.8</b>

2021					
Past Due but Not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
Trade	US\$16.2	US\$2.7	US\$0.1	US\$3.0	US\$22.0
Advances and nontrade	–	2.0	2.5	6.5	11.0
	<b>US\$16.2</b>	<b>US\$4.7</b>	<b>US\$2.6</b>	<b>US\$9.5</b>	<b>US\$33.0</b>

2022					
Past Due but Not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total
Trade	US\$19.3	US\$5.3	US\$4.0	US\$6.1	US\$34.7
Advances and nontrade	0.4	0.2	–	10.8	11.4
	<b>US\$19.7</b>	<b>US\$5.5</b>	<b>US\$4.0</b>	<b>US\$16.9</b>	<b>US\$46.1</b>

### Capital Management

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers total equity and debt as its capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and raise additional debt through either the bond or loan markets or prepay existing debt. No changes were made in the objectives, policies or processes during the years ended December 31, 2020, 2021 and 2022.

The Group monitors capital using gearing ratio. Gearing ratio is total debt over net worth (total equity) where total debt includes long-term debt and loans payable. Some creditor banks compute gearing ratio as total debt less cash and cash equivalents over net worth for the computation of the Group's financial covenants.

The Group's policy is to keep the gearing ratio within two times.

	2020	2021	2022
Long-term debt	US\$1,764,478,740	US\$2,145,607,533	US\$2,133,847,418
Loans payable	2,828,374	5,032,970	337,020,000
Total debt (a)	<b>1,767,307,114</b>	<b>2,150,640,503</b>	<b>2,470,867,418</b>
Net worth or total equity (b)	1,861,619,574	1,511,579,003	1,726,671,963
Gearing ratio (a/b)	0.95 times	1.42 times	1.43 times



## 29. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2020	2021	2022
Net income attributable to equity holders of the parent	US\$101,764,236	US\$428,568,591	<b>US\$618,464,708</b>
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (Note 15.6)	(62,016,315)	(58,792,638)	<b>(33,437,783)</b>
Net income attributable to equity holders of the parent, as adjusted (a)	US\$39,747,921	US\$369,775,953	<b>US\$585,026,925</b>
Common shares outstanding at beginning of year	2,045,177,671	2,045,177,671	<b>2,045,177,671</b>
Weighted shares held by subsidiaries	(4,007,042)	(4,478,243)	-
Weighted treasury shares	(39,829,665)	(2,619,751)	<b>(8,338,621)</b>
Weighted average shares outstanding (b)	2,001,340,964	2,038,079,677	<b>2,036,839,050</b>
Effect of dilutive stock grants	3,888,072	4,190,194	<b>4,176,507</b>
Weighted average shares outstanding adjusted for potential common shares (c)	2,005,229,036	2,042,269,871	<b>2,041,015,557</b>
Basic earnings per share (a/b)	US\$0.020	US\$0.181	<b>US\$0.287</b>
Diluted earnings per share (a/c)	US\$0.020	US\$0.181	<b>US\$0.287</b>

## 30. Other Matters

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. Appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, Mexican peso, Australian dollar, Brazilian reais, the Euro, and Pakistani rupee, 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 March 3, 2023, community quarantine restrictions are no longer in effect, however, health and safety protocols are still observed in the country in order to manage the spread of the virus.

Likewise, government authorities in other countries where the Group operates, adopted measures, including lockdowns, to control the spread of the virus and mitigate the impact of the outbreak.



These measures have caused disruptions to businesses, global supply chain, and economic activities, and its impact continues to evolve. The Group observed declines in general business, including container throughput and revenues, and has already incurred and will continue to incur costs as the Group mitigates 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 these developments and event remain uncertain as of March 3, 2023. 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 2023 and even periods thereafter. Considering the evolving nature of the pandemic and the war, the Group will continue to closely monitor these situations.

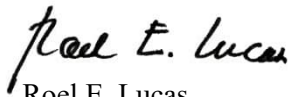


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. and its subsidiaries (the Group) as at and for the years ended December 31, 2020 , 2021 and 2022, and for each of the three years in the period then ended, included in this Form 17-A and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-095-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564645, January 3, 2023, Makati City

March 3, 2023



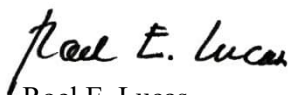


**INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF RECONCILIATION  
OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries (the Group) as at December 31, 2020, 2021 and 2022, and for each of the three years in the period then ended, and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-095-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564645, January 3, 2023, Makati City

March 3, 2023

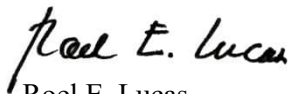


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of International Container Terminal Services, Inc. and its subsidiaries (the Group) as at and for the years ended December 31, 2020, 2021 and 2022, and for each of the three years in the period then ended and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at and for the years ended December 31, 2020, 2021 and 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-095-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564645, January 3, 2023, Makati City

March 3, 2023



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

**Schedule A. Financial Assets**

**December 31, 2022**

Financial Assets	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at FVTPL					
Freestanding Derivatives	N/A	N/A	US\$16,085,813	N/A	US\$–
Amortized Cost					
Cash and Cash Equivalents	N/A	N/A	838,939,670	N/A	16,431,097
Receivables	N/A	N/A	157,911,285	N/A	–
Financial Assets at FVOCI					
Quoted Equity Shares	N/A	N/A	2,930,600	US\$2,930,600	–
Unquoted Equity Shares	N/A	N/A	670,946	N/A	–
			US\$1,016,538,314	US\$2,930,600	US\$16,431,097

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

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

**December 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written Off			

**NOT APPLICABLE**

**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**  
**December 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
Abbotsford Holdings, Inc. (AHI)	US\$5,844,696	US\$ 203,396	(US\$2,395,228)	US\$-	(US\$104,616)	US\$-	US\$3,548,247	US\$3,548,247
Africa Gateway Terminal Co. Ltd. (AGT)	683	-	-	-	-	-	683	683
Aviation Concepts Technical Services, Inc. (ACTSI)	24,260	78,050	(90,090)	-	78	-	12,297	12,297
Basra Gateway Terminal (BGT)	-	-	-	-	-	-	-	-
Batumi International Container Terminal LLC (BICTL)	438,782	641,591	(911,929)	-	(112)	-	168,333	168,333
Bauan International Port, Inc. (BIPI)	48,257	379,030	(366,780)	-	(23)	-	60,485	60,485
Cavite Gateway Terminal, Inc. (CGT)	74,314	88,763	(13,429)	-	(4,226)	-	145,425	145,425
Cebu International Container Terminal, Inc. (CICTI)	-	-	-	-	-	-	-	-
CMSA BV	1,036	2,033	(2,541)	-	(2)	-	526	526
Contecon Guayaquil, S.A. (CGSA)	18,709	12,061,675	(11,964,313)	-	(14)	-	116,058	116,058
Contecon Manzanillo S.A. (CMSA)	1,973,422	16,474,213	(16,702,367)	-	(20,621)	-	1,724,646	1,724,646
Cordilla Properties Holdings, Inc. (CPHI)	-	-	-	-	-	-	-	-
Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR)	31,747	191,567	(215,435)	-	204	-	8,083	8,083
Falconer Aircraft Management, Inc. (FAMI)	552,500	127,242	(107,339)	-	(77,494)	-	494,908	494,908
Global Container Capital, B.V.	14,660	339	(17,287)	-	2,288	-	-	-
Hijo International Port Services, Inc. (HIPS)	6,368	61,144	(51,380)	-	(914)	-	15,218	15,218
Icon Logistiek B.V.	2,033	339	(2,371)	-	-	-	-	-
ICTSI (M.E) DMCC Iraq Branch	24	44,000,068	(42,000,092)	-	0	-	2,000,000	2,000,000
ICTSI Africa B.V.	2,033	5,352	(5,082)	-	7	-	2,310	2,310
ICTSI Africa (Pty) Ltd.	22,891	1,900	-	-	(1,201)	-	23,591	23,591
ICTSI Americas B.V.	3,820	12,546	2,301	-	(3,097)	-	15,570	15,570
ICTSI Asia Pacific Business Services, Inc. (APBS)	413,337	37,397	(736)	-	(110,289)	-	339,711	339,711

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
ICTSI Capital B.V. (ICBV)	US\$1,094	US\$3,198	(US\$2,541)	US\$–	(US\$43)	US\$–	US\$1,708	US\$1,708
ICTSI Cooperatief U.A.	52,531	372	(55,810)	–	2,907	–	–	–
ICTSI DR Congo S.A. (IDRC)	–	–	–	–	–	–	–	–
ICTSI Far East Pte. Ltd. (IFEL)	1,932,142	62	(1,930,344)	–	(1,801)	–	59	59
ICTSI Global Cooperatief U.A.	827,073	45,259,957	38,269	–	(13,877)	–	46,111,422	46,111,422
ICTSI Hongkong Ltd.	30	–	–	–	–	–	–	30
ICTSI Ltd. Regional Headquarters (RHQ)	427,048	–	–	–	(86,496)	–	325,193	325,193
ICTSI Ltd. Regional Operating Headquarters (ROHQ)	–	–	–	–	–	–	–	–
ICTSI Oceania B.V.	1,016	2,033	(2,541)	–	–	–	508	508
ICTSI Oregon	–	–	–	–	–	–	–	–
ICTSI Rio Brasil	490,934	3,457,315	(3,366,428)	–	95	–	581,917	581,917
ICTSI South Pacific Limited (ISPL)	–	46,766	(38,268)	–	80	–	911	911
ICTSI Sudan B.V. (formerly ICTSI Cameroon B.V.)	120,477	–	–	–	(1,631)	–	118,846	118,846
Intermodal Terminal Holdings, Inc. (ITHI)	15	2,966	–	–	–	–	2,982	2,982
International Container Terminal Services Nigeria Ltd. (ICTSNL)	94,094	–	(94,094)	–	–	–	–	–
IW Cargo Handlers, Inc. (IW Cargo)	857,767	(106,318)	(13,588)	–	44,608	–	782,469	782,469
IWI Container Terminal Holdings, Inc. (IWICTHI) (formerly ICTSI Warehousing, Inc. (IWI))	993,237	2,532,972	(2,415,634)	–	(86,770)	–	1,023,804	1,023,804
Kribi Multipurpose Terminal (KMT)	293,469	61,155	–	–	(791)	–	353,832	353,832
Laguna Gateway Inland Container Terminal, Inc. (LGICT)	201,428	406,148	(461,447)	–	(315)	–	145,815	145,815
Madagascar International Container Terminal Services, Ltd. (MICTSL)	298,354	2,673,956	(2,607,910)	–	(223)	–	364,177	364,177
Manila North Harbour Port, Inc. (MNHPI)	11,252,211	1,113,012	(11,702,015)	–	88,223	–	751,430	751,430
Mindanao International Container Terminal Services, Inc. (MICTSI)	1,070,823	1,126,088	(1,722,701)	–	14,384	–	488,593	488,593
Motukea International Terminal Limited (MITL)	67,898	1,115,919	(640,229)	–	(87)	–	543,501	543,501

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
Operadora Portuaria Centroamericana, S.A. (OPC)	US\$884,375	US\$681,558	(US\$1,325,439)	US\$–	(US\$735)	US\$–	US\$239,759	US\$239,759
Pakistan International Container Terminal (PICT)	819,044	381,815	(257,124)	–	(6,382)	–	937,352	937,352
Prime Staffers and Selection Bureau, Inc. (PSSBI)	568	22	–	–	(49)	–	542	542
PT ICTSI Jasa Prima Tbk (IJP) and Subsidiaries	221	25	–	–	(20)	–	226	226
PT Makassar Terminal Services, Inc. (MTS)	49,431	51,832	(14,875)	–	(627)	–	85,762	85,762
PT Perusahaan Bongkar Muat Olah Jasa Andal (OJA)	141,164	166,806	(165,237)	–	(2,623)	–	140,110	140,110
Sociedad Puerto Industrial Aguadulce SA (SPIA)	529,999	388,414	(874,068)	–	(145)	–	44,200	44,200
South Cotabato Integrated Port Services, Inc. (SCIPSI)	26,613	215,136	(226,438)	–	156	–	15,468	15,468
South Pacific International Container Terminal Limited (SPICTL)	121,806	1,810,186	(1,381,572)	–	612	–	551,032	551,032
SPIA Colombia B.V.	2,033	4,065	(5,082)	–	-	–	1,016	1,016
SPIA Spain S.L.	18	–	–	–	-	–	18	18
Subic Bay International Terminal Holdings, Inc. (SBITHI)	11,928	6,606,500	(6,618,971)	–	428	–	9	9
Tartous Int'l Container Terminal	6,896	–	–	–	(587)	–	6,309	6,309
Tecplata S.A. (Tecplata)	606,417	109,746	–	–	(8,167)	–	707,996	707,996
Victoria International Container Terminal Ltd. (VICT)	670,572	6,744,346	(6,947,893)	–	473	–	467,498	467,498
Yantai International Container Terminals, Limited (YICT)	6,980	71,387	(41,772)	–	(180)	–	36,416	36,416
Catalyst Logistics Incorporated (CLI)	–	10,017	–	–	1	–	10,017	10,017
East Java Multipurpose Terminal (EJD)	–	184,618	651	–	132	–	185,401	185,401
ICTSI Africa (Pty) Ltd.	–	8,050	–	–	428	–	8,479	8,479
ICTSI Mauritius Ltd.	–	54	–	–	(5)	–	50	50
ICTSI South Asia Pte. Ltd.	–	8	–	–	–	–	7	7
Sevilla Brokerage Inc. (SBI)	–	336,037	–	–	3,964	–	340,000	340,000

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts collected	Amounts Written Off	Others			
International Container Terminal - Lagos State	US\$-	US\$231,353	(US\$278,667)	US\$-	US\$-	US\$-	US\$46,780	US\$46,780
ICTSI (Hong Kong) Ltd.	-	84	-	-	(5)	-	109	109
Baltic Container Terminal Ltd. (BCT)	(35,347)	51,643	-	-	3	-	16,298	16,298
Basra Gateway Terminal (BGT)	(6,516)	25,506	-	-	-	-	18,990	18,990
CGSA B.V.	(2,997,967)	(891)	-	-	2,999,999	-	1,140	1,140
ICTSI DR Congo S.A (IDRC)	(553,116)	-	-	-	799,815	-	246,698	246,698
IRB LOGÍSTICA LTDA	-	2,710	-	-	-	-	2,710	2,710
SPIA Spain S.L.	-	-	-	-	2	-	2	2
SPIA Spain S.L._USD	-	-	-	-	18	-	18	18
	US\$28,740,332	US\$150,143,273	(US\$117,995,866)	US\$ -	US\$3,424,736	US\$-	US\$64,383,670	US\$64,383,700



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Schedule D. Intangible Assets – Other Assets**  
**December 31, 2022**

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
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See Notes 5 and 9 to the Audited Consolidated Financial Statements
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**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**

**Schedule E. Long-term Debt  
December 31, 2022**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Noncurrent Portion of Long-term Debt" in Related Balance Sheet	Remarks
ICTSI - US dollar-denominated notes		US\$-	US\$393,500,389	
ITBV - US dollar-denominated notes		-	291,030,916	
VICT - AUD-denominated notes		-	243,126,579	
ITBV - US dollar-denominated medium-term loan		393,958,873	384,787,446	See Notes 16 to the Audited Consolidated Financial Statements
IGFBV - US dollar-denominated term loan		8,695,267	257,212,034	
IDRC - US dollar-denominated term loan		12,000,000	18,000,000	
CGSA - US dollar-denominated term loan		1,370,130	5,480,520	
MHCPSI - PHP-denominated term loan		17,162,690	92,649,575	
MITL - PGK-denominated term loan		3,329,444	4,766,132	
SPICTL - PGK-denominated term loan		3,377,313	3,400,110	
		US\$439,893,717	US\$1,693,953,701	

**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)**  
**December 31, 2022**

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
NONE		

**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**December 31, 2022**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
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**NONE**

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

**Schedule H. Capital Stock**

**December 31, 2022**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding As Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion, and Other Rights	Number of Shares Held By		
				Subsidiaries	Directors, Officers and Employees	Others
<b>Preferred Shares</b>						
Preferred A Shares	993,000,000	3,800,000	–	3,800,000	–	–
Preferred B Shares	700,000,000	700,000,000	–	–	700,000,000	–
<b>Common Shares</b>	4,227,397,381	2,030,340,949	14,836,722	–	990,664,189	1,039,676,760

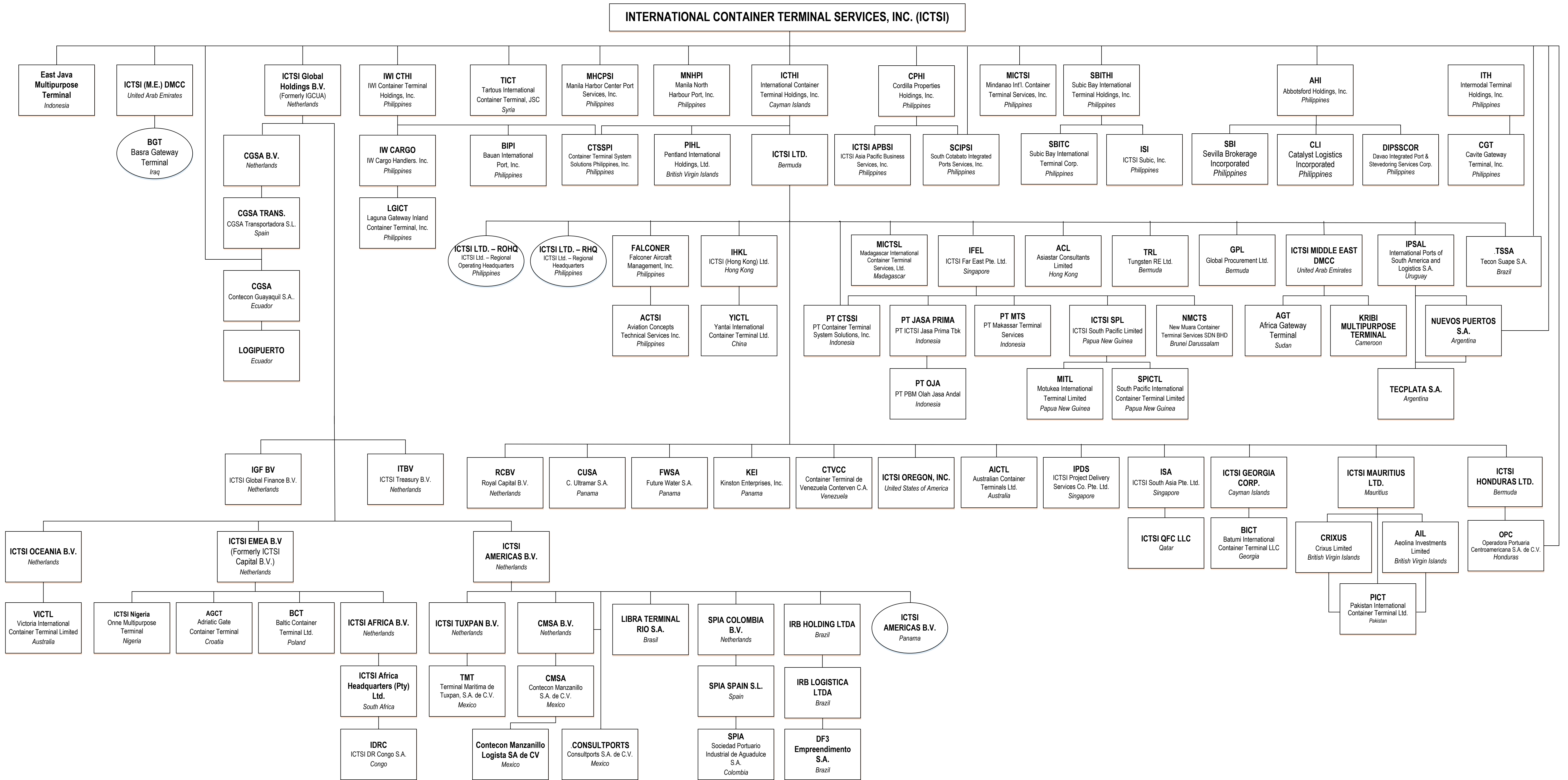
**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements**  
**December 31, 2022**

Name and Designation of Creditor	Balance at Beginning of Period	Additions	Deductions		Current	Not current	Balance at End of Period
			Amounts paid	Others			
Adriatic Gateway Container Terminal (AGCT)	(US\$157,221)	(US\$113,817)	US\$ –	(US\$2,738)	US\$–	(US\$273,777)	(US\$273,777)
Cebu International Container Terminal, Inc. (CICTI)	(773)	–	773	–	–	–	–
Container Terminal Systems Solutions Philippines, Inc. (CTSSPI)	(69)	–	–	6	–	(62)	(62)
Cordilla Properties Holdings, Inc. (CPHI)	(282,856)	–	224,919	24,363	–	(33,574)	(33,574)
ICTSI Global Finance B.V. (IGFBV)	(145,909,697)	(6,570,275)	6,231,455	(87,591)	(4,349,453)	(141,986,653)	(146,336,106)
ICTSI Middle East DMCC	(36,305)	–	277,153	(4,420)	–	236,428	236,428
ICTSI Project Delivery Services Co. Pte. Ltd.	–	(198)	–	–	–	(198)	(198)
ICTSI Ltd.	(670,615)	(5,850,322)	(5,627)	(1,620,171)	–	(8,146,735)	(8,146,735)
ICTSI Ltd. Regional Operating Headquarters (ROHQ)	(3,805,407)	(4,893,440)	–	(247,168)	–	(8,946,015)	(8,946,015)
ICTSI Subic, Inc. (ICTSI Subic)	(2,342,381)	–	543,702	(229,735)	–	(2,028,413)	(2,028,413)
ICTSI Treasury B.V. (ITBV)	(1,098,412,094)	(58,945,537)	53,375,900	(43,212)	(19,591,463)	(1,084,433,481)	(1,104,024,943)
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	(34,252,609)	(33,492,843)	3,492,843	302,139	–	(63,950,470)	(63,950,470)
Manila Harbor Center Port Services, Inc. (MHCPSI)	(23,527,070)	(365,831)	20,913,800	112,593	–	(2,866,508)	(2,866,508)
Royal Capital B.V. (RCBV)	(427,662,149)	(30,648,417)	95,300,240	4,439	(4,205,836)	(358,800,051)	(363,005,887)
Subic Bay International Terminal Corporation (SBITC)	(2,475,189)	586,368	–	(227,094)	–	(2,116,041)	(2,116,041)
Tecon Suape, S.A. (TSSA)	(136,286)	245,313	(181,497)	(4,010)	–	(76,479)	(76,479)
	(US\$1,739,670,721)	(US\$140,048,999)	US\$180,173,661	US\$2,022,598	(US\$28,146,752)	(US\$1,673,422,029)	(US\$1,701,568,780)

**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Schedule J. Parent Company Retained Earnings Available for Dividend Declaration**  
**December 31, 2022**

	<b>Amount</b>
<u>Unappropriated parent company retained earnings, beginning</u>	<u>US\$450,000,516</u>
Reconciliation:	
Less:	
Unrealized foreign exchange gain	(3,893,637)
Deferred tax assets (excluding those recognized in OCI)	(61,432,997)
Treasury shares	(23,826,198)
Effect to retained earnings of adoption of PAS 19R	(156,918)
<u>Unappropriated parent company retained earnings, as restated and adjusted, beginning</u>	<u>360,690,766</u>
Parent company net income actually earned/realized during the period	511,899,529
Less: Non-actual/unrealized income net of tax:	
Mark to market gain on derivatives	(33,518,160)
Increase in unrealized foreign exchange gain	(5,227,858)
Parent company net income actually earned/realized during the period	473,153,511
Less:	
Dividend declaration during the period	(237,655,946)
Decrease in deferred tax assets (excluding those recognized in OCI)	(15,603,162)
Purchase and issuance of treasury shares	(25,387,624)
<u>Unappropriated parent company retained earnings, as adjusted, ending</u>	<u>US\$555,197,545</u>

# ICTSI Group – Map of Subsidiaries



As of December 31, 2022



**INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES**  
**Financial Soundness Indicators**

	As at and for the Years Ended December 31	
	2021	2022
<b>Liquidity ratios</b>		
Current ratio <sup>(a)</sup>	1.81	<b>1.00</b>
Interest rate coverage ratio <sup>(b)</sup>	9.61	<b>11.14</b>
<b>Solvency ratios</b>		
Debt to equity ratio <sup>(c)</sup>	1.42	<b>1.43</b>
Asset to equity ratio <sup>(d)</sup>	4.15	<b>4.09</b>
<b>Profitability ratio</b>		
EBITDA margin <sup>(e)</sup>	61.1%	<b>62.8%</b>

*(a) Current assets over current liabilities*

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

*(c) Interest-bearing debt over total equity*

*(d) Total assets over total equity*

*(e) EBITDA over gross revenues from port operations*

# Annex A: Reporting Template

(in Compliance with SEC Memorandum Circular No. 4 -2019)

International Container Terminal Services, Inc. (PSE Ticker: ICT, hereinafter “ICTSI” or the “Company”) first published its Sustainability Report (SR) in 2017 even before the issuance of the same was required by the Securities and Exchange Commission (SEC) Memorandum Circular No. 04-2019 (the “MC”). The Company issued its SR in 2017, 2018, 2019, 2020, 2021 and 2022 using the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards. A copy of the Company’s SR can be accessed on its official website: <https://www.ictsi.com/sustainability>.

The MC clearly states, on page 2 thereof, that: “For other companies already reporting in accordance with internationally recognized sustainability frameworks or standards, their sustainability reports shall be considered as their compliance.” Since the Company’s SR is based on GRI, which is an internationally recognized standard, its SR is considered as the Company’s compliance with the MC.

The Company indicated below the portions of its SR which complies with this Reporting Template for the SEC’s and its stockholders’ easy reference. This Reporting Template, with references to our SR, is attached to the Company’s 2022 Annual Report as required by the MC.

## Contextual Information

\*Please refer to the Sustainability Context section of the Company’s 2022 SR: <https://www.ictsi.com/sustainability>

Company Details	
Name of Organization	
Location of Headquarters	
Location of Operations	
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	
Business Model, including Primary Activities, Brands, Products, and Services	
Reporting Period	
Highest Ranking Person responsible for this report	

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

\*Please refer to the About this Report section of the Company’s 2022 SR: <https://www.ictsi.com/sustainability>

Explain how you applied the material topics. <sup>1</sup>		on identifying your
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<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.



## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

\*Please refer to the Economy and Governance sections of the Company's 2022 SR: <https://www.ictsi.com/sustainability>

Disclosure	Amount	Units
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		
a. Operating costs		PhP
b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		PhP
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>

<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
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Climate-related risks and opportunities<sup>2</sup>

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts <sup>3</sup> of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
<b>Recommended Disclosures</b>			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

<sup>3</sup> For this disclosure, impact refers to the impact of climate-related issues on the company.

	c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	
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**Procurement Practices**

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

<b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%
Percentage of employees that have received anti-corruption training		%

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### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption		#

Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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## ENVIRONMENT

### Resource Management

\*Please refer to the Environment section of the Company's 2022 SR:

<https://www.ictsi.com/sustainability>

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

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<i>Identify the opportunity/ies related to material topic of the organization</i>		
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Water consumption within the organization

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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Materials used by the organization

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Materials used by weight or volume		
<ul style="list-style-type: none"> <li>renewable</li> </ul>		kg/liters

• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

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Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN <sup>4</sup> Red List species and national conservation list species with habitats in areas affected by operations	(list)	

<b>What is the impact and where does it occur? What is the</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<sup>4</sup> International Union for Conservation of Nature

<b>organization's involvement in the impact?</b>		
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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## Environmental impact management

### Air Emissions

#### GHG

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Direct (Scope 1) GHG Emissions		Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)		Tonnes

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<i>linked to impacts through its business relationship)</i>		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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Air pollutants

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
NO <sub>x</sub>		kg
SO <sub>x</sub>		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<i>Identify the opportunity/ies related to material topic of the organization</i>		

## Solid and Hazardous Wastes

### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<i>Identify the opportunity/ies related to material topic of the organization</i>		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		



## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

\*Please refer to the Society and Governance sections of the Company's 2022 SR:  
<https://www.ictsi.com/sustainability>

Disclosure	Quantity	Units
Total number of employees <sup>5</sup>		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate <sup>6</sup>		rate
Ratio of lowest paid employee against minimum wage		ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			
Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			
Further education support			
Company stock options			
Telecommuting			
Flexible-working Hours			
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<sup>5</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>6</sup> Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

<i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Employee Training and Development

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Labor-Management Relations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
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% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>

<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Safe Man-Hours		Man-hours
No. of work-related injuries		#
No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>  <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Labor Laws and Human Rights

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

\_\_\_\_\_

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms,</i>

<i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## Relationship with Community

### Significant Impacts on Local Communities

<b>Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)</b>	<b>Location</b>	<b>Vulnerable groups (if applicable)*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Collective or individual rights that have been identified that or particular concern for the community</b>	<b>Mitigating measures (if negative) or enhancement measures (if positive)</b>

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

<b>Certificates</b>	<b>Quantity</b>	<b>Units</b>
FPIC process is still undergoing		#
CP secured		#

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>  <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Marketing and labelling

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	



Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable

\*Please refer to the About this Report section of the Company's 2022 SR: <https://www.ictsi.com/sustainability>, and the sustainability initiatives featured throughout the SR which target specific UN SDGs

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*