111122012001311

# SECURITIES AND EXCHANGE COMMISSION

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Company Information

| | |
|---|---|
| SEC Registration No. | 0000133653 |
| Company Name | ASIAN TERMINALS INC. 2 |
| Industry Classification | |
| Company Type | Stock Corporation |

**Document Information**

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|---|---|
| Document ID | 111122012001311 |
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# COVER SHEET

133653

S.E.C Registration Number

ASIAN TERMINALS INC

(Company's Full Name)

A BONIFACIO DRIVE PORT AREA
MANILA PHILIPPINES

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

TRISTAN CARPIO

Contact Person

5286000

Company Telephone Number

Month Day

Fiscal Year

17-Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SEC Number: 133653
File Number: ______

**ASIAN TERMINALS, INC.**
(Company's Full Name)

**A. Bonifacio Drive, Port Area Manila, Philippines**
(Company's Address)

**(632) 528-6000**
(Telephone Number)

**December 31**
Calendar Year Ending
(Month & Day)

**SEC Form 17-Q**
Form Type

______________________________
Amendment Designation (if applicable)

**September 30, 2012**
Period Ended Date

______________________________
(Secondary License Type and File Number)

cc: Philippine Stock Exchange

**ASIAN TERMINALS, INCORPORATED**

**Securities and Exchange Commission**

**SEC FORM 17-Q**

*Quarterly Report Pursuant to Section 17 of the Securities Regulation Code and SRC Rule 17-2(b) thereunder*

1. For the quarter ended : **September 30, 2012**

2. Commission identification Number : **133653**

3. BIR Tax Identification No. : **330-000-132-413-V**

4. Exact name of issuer as specified in its charter : **ASIAN TERMINALS, INC**.

5. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**

6. Industry Classification Code : _______________ (SEC Use Only)

7. Address of issuer's principal office : **A. Bonifacio Drive South Harbor, Port Area, Manila**

8. Issuer's telephone number, including area code : **528-6000 (telephone number), 1018 (area code)**

9. Former name, former address and former fiscal year, if changed since last report: **A. Bonifacio Drive, South Harbor Port Area, Manila**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of Each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| Capital stock – common | 2,000,000,000 shares |

11. Are any or all of the securities listed on the Stock Exchange?

    Yes [ X ] No [ ]

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

    Philippine Stock Exchange Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [ X ] No [ ]

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

    Yes [ X ] No [ ]

## *PART I - FINANCIAL INFORMATION*

### Item 1. Financial Statements

With reference to the attached interim financial statements:

- There were no common stock equivalents issued during the period. As such, basic and diluted earnings per share were the same. Earnings per share for the period is shown in the accompanying Consolidated Statements of Comprehensive Income.
- The Company applied Philippine Financial Reporting Standards (PFRS) in preparing the consolidated financial statements.
- The same accounting policies and methods of computations were followed in the interim financial statements as compared with the most recent annual financial statements.
- Information regarding the business segment is reported under item 1 of the attached Selected Explanatory Notes.
- There was no material event subsequent to the end of this interim that had not been reflected in the financial statements of this interim period.
- There had been no uncertainties known to management that would cause the financial information not to be indicative of future operating results and financial condition.

**New Standards, Amendments to Standards and Interpretations**

**Effective January 1, 2012**

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7),* require additional disclosures about transfers of financial assets that enable users of the consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12, Income Taxes)* introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, Investment Property. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3, Business Combination provided that the acquirer subsequently measures these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation Standards Interpretation Committee (SIC) - 21, Income Taxes - Recovery of Revalued Non-Depreciable Assets into PAS 12, and as a result Philippine Interpretation SIC - 21 has been withdrawn.

The adoption of the above new or revised standards and amendments to standards did not have a significant effect on the Company's consolidated financial statements.

**Effective January 1, 2015**

- *PFRS 9, Financial Instruments.* PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39, Financial Instruments – Recognition and Measurement. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1,

2012. PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of PAS 39 dealing how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation – IFRIC 9, Reassessment of Embedded Derivatives.

After consideration of the result of its impact evaluation, the Company has decided not to early adopt PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting.

**Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition**

**Consolidated Results of Operations for the nine months ended September 30, 2012**

Revenues in the first nine months of 2012 of P3,540.0 million were higher by 7.5% compared to P3,292.4 million generated for the same period last year. Revenues in South Harbor international containers were up by 10.0% or P262.0 million due to higher volumes and tariff increase on vessel-related charges and cargo-related charges. Pursuant to PPA Memorandum Circular No. 13-2011, tariffs on vessel-related services for foreign containerized cargoes at South Harbor were increased by 17.0%, 6.0% effective on November 18, 2011 and 11.0% effective on May 18, 2012. Further, pursuant to PPA Memorandum Circular No. 7-2012, cargo-related tariff for foreign containerized and non-containerized cargoes at South Harbor were increased by 15%, 8% effective on July 15, 2012 and 7% on January 15, 2013. Revenues from international non-containerized cargoes increased by 12.2% or P16.9 million due higher bagged cargoes. Revenues from Port of Batangas Phase 1 also went up by 29.2% or P69.0 million due to higher volumes. On the other hand, revenues from South Harbor domestic terminal operations went down by 15.7% or P43.0 million due to lower volumes.

Cost and expenses in the first nine months of 2012 increased by 7.0% to P1,908.3 million from P1,784.1 million in the same period last year. Labor costs rose by 2.8% to P612.5 million in 2012 from P595.6 million last year due to higher volumes handled. Equipment running costs of P390.3 million in 2012 was 8.9% higher compared to P358.5 million last year due to higher electricity, higher cost of replacement parts of equipment and higher fuel price and consumption. Depreciation and amortization this year of P341.5 million was higher by 10.2% to vs. P309.8 million last year on account of additions to intangible assets. Facilities-related expenses of P42.3 million in 2012 were 39.4% higher than P30.4 million in 2011 due to higher maintenance costs for piers and lightings. Insurance costs went up by 22.7% to P63.0 million this year from P51.4 million last year due to higher insurance premiums and additional insurance coverage. Taxes and licenses increased by 10.1% to P111.4 million this year from P101.2 million in 2011 due to higher documentary stamps and increase in realty tax rate from 2% to 3%. Rental of P46.1 million in 2012 went up by 13.8% from P40.5 million last year due to additional space and equipment rentals. Management fees this year of P74.2 million increased by 4.5% from P71.1 million last year on account of higher net income. Security, health, environment and safety of P58.6 million in 2012 were 4.2% higher than P56.2 million in 2011 due to higher waste water treatment costs. Professional fees of P17.8 million in 2012 increased by 10.4% compared to P16.2 million 2011 due to higher survey and legal costs. Other expenses of P112.1 million this year increased by 8.8% from P103.0 million last year due to higher claims. On the other hand, General transport costs in 2012 of P34.8 million were 26.1% lower than P47.0 million last year on account of lower trucking costs.

Finance costs in 2012 decreased by 94.7% to P1.9 million from P36.0 million in 2011, as last year included interest costs from loans of P300 million. Finance income went down by 17.9% to P50.2 million this year from P61.2 million last year on account of lower average balance of cash and cash equivalents and lower interest income rate. Others-net decreased by 71.5% to P24.0 million in 2012 from P84.1 million in 2011 as last year included income from property insurance claims as well as a higher forex rate.

Income before income tax in 2012 amounted to P1,704.0 million, up by 5.3% from P1,617.5 million in the same period last year. Provision for income tax of P486.7 million in 2012 was higher by 4.4% compared to P466.0 million in the same period last year.

Net income for the nine months ended September 30, 2012 amounted to P1,217.4 million, higher by 5.7% than P1,151.5 million for the same period last year. Earnings per share this year was P0.61, last year was P0.58.

The Company is affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:

- material adverse change in the Philippine and the global economic and industry conditions;
- natural events (earthquake and other major calamities); and
- material changes in foreign exchange rates.

In the nine months of 2012:

- There had been no known trend, demand, commitment, event or uncertainty that had or are reasonably expected to have a material favorable or unfavorable impact on the Company's liquidity or revenues from continuing operations, other than those discussed in this report.
- There had been no significant element of income that did not arise from the Company's continuing operations.
- There had been no seasonal factor that had a material effect on the financial condition and results of operations.
- There had been no event known to management that could trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There had been no material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Company with unconsolidated entity or other person created during the period that would address the past and would have a material impact on future operations.

**Consolidated Financial Condition**

Total assets as of September 30, 2012 grew by 2.2% to P9,457.3 million from P9,252.5 million as of December 31, 2011. Current assets decreased by 0.3% to P3,335.4 million as of end September 30, 2012 from P3,345.2 million as of end 2011. Cash and cash equivalents went up by 9.1% to P2,741.4 million as of Sepember 30, 2012 from P2,513.0 million as of December 31. Trade and other receivables-net went down by 16.1% to P302.7 million as of end September 30, 2012 from P361.0 million as of end 2011 due to collections of insurance claims. Spare parts and supplies-net amounting to P173.3 million as of September 30, 2012 were 0.8% higher compared to P171.8 million as of December 31, 2011 in support of operational requirements and equipment maintenance program. Prepaid expenses as of September 30, 2012 amounted to P118.0 million, 60.6% lower than P299.5 million as of December 31, 2011 due to amortization of prepaid insurance and reduction in advances to suppliers account.

Total noncurrent assets rose by 3.6% to P6,121.9 million as of September 30, 2012 from P5,907.3 million as of December 31, 2011. Investment in an associate of P58.8 million as of September 30, 2012 went down by 2.6% from P60.3 million as of December 31, 2011 on account of cash dividend received. Property and equipment-net of P395.1 million as of September 30, 2012 were lower by 0.7% compared with P397.9 million as of December 31, 2011 mainly due to depreciation for the period. Additions to property and equipment which were not subject of the service concession arrangement totaled P34.7 million. Intangible assets-net went up by 4.4% to P5,503.3 million as of September 30, 2012 from P5,270.0 million as of December 31, 2011. Additions to intangible assets which consisted of cargo handling equipment and civil works that were subject of the service concession arrangement totaled to P566.5 million. Other noncurrent assets decreased by 19.7% to P75.5 million as of end September 30, 2012 from P94.0 million as of December 31, 2012 due to amortization of input taxes from additions to property and equipment and intangible assets.

Total liabilities declined by 23.2% to P1,362.2 million as of September 30, 2012 from P1,773.9 million as of December 31, 2011. Trade and other payables were down by 27.7% to P1,120.1 million as of end September 30, 2012 from P1,550.4 million as of end 2011 arising from payments on equipment acquisitions. Trade and other payables are covered by agreed payment schedules. Provisions for claims were up by 7.4% to P94.5 million as of September 30, 2012 from P88.0 million as of December 31, 2011 on account of additional cargo claims. Income and other taxes payable of P83.0 million as of September 30, 2012 was lower by 9.1% compared with P91.3 million as of December 31, 2011 due to various tax payments. Pension liability went up by 45.5% as of September 30, 2012 amounted to P64.3 million from P44.2 million as of December 31, 2011 representing provisions for the period.

**Consolidated Cash Flows**

Net cash provided by operating activities in the first nine months of 2012 were down by 21.7% to P1,348.4 million in the nine months of 2012 from P1,723.1 million in the same period last year due to decrease in trade and other payables as a result of payment on equipment acquisitions and payments to government agencies.

Net cash used in investing activities in the first nine months of 2012 totaled P516.5 million, 1.4% lower compared to P523.7 million in the same period last year due to higher acquisition of property and equipment and intangible assets.

Net cash used in financing activities in the first nine months of 2012 was P600.8 million, pertaining to payment of cash dividends, which is same as last year.

**Key Performance Indicators (KPI)**

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary ATI Batangas, Inc. (ATIB) were not material. As of end September 2012:

- ATIB's total assets were only 4.6% of the consolidated total assets
- Income before other income and expense for ATIB was only 10.0% of consolidated income before other income and expenses.

| Consolidated KPI | Manner of Calculation | As of September 30 | | Discussion |
|---|---|---|---|---|
| | | 2012 | 2011 | |
| Return on Capital Employed | Percentage of annualized income before other income and expenses over capital employed | 28.2% | 26.8% | Increase resulted from higher annualized income before other income (expense) during the period. |
| Return on Equity attributable to equity holders of the parent | Percentage of annualized net income over equity attributable to equity holders of the parent | 31.2% | 20.9% | Increase resulted from higher annualized net income |
| Current ratio | Ratio of current assets over current liabilities | 2.57 : 1.00 | 2.20 : 1.00 | Increased due to lower current liabilities |
| Asset to equity ratio | Ratio of total assets over equity attributable to equity holders of the parent | 1.17 : 1.00 | 1.24 : 1.00 | Decreased due to higher equity |
| Debt to equity ratio | Ratio of total liabilities over equity attributable to equity holders of the parent | 0.17 : 1.00 | 0.24 : 1.00 | Improved due to payment of interest-bearing loans and increase in stockholders' equity |
| Days Sales in Receivables (DSR) | Gross trade receivables over revenues multiplied by number of days | 13 days | 11 days | Increase due to higher revenues and slower collection rate. |
| Lost Time Injury | No. of lost time from injuries per standard man-hours | 0.57 | 0.86 | Improved as a result of extensive safety campaign and strict implementation of policy on health, safety and environment. |

Note: Income before other income and expenses is defined as Revenues less Costs and expenses. Capital employed is defined as Total assets less Current liabilities.

## PART II. OTHER INFORMATION

On April 26, 2012, the Board of Directors of ATI approved a cash dividend of P0.30 per share to stockholders on record as of May 14, 2012 paid on June 7, 2012. As of date of this report, the Company has ordinary shares only.

**Submissions of SEC Form 17-C:**

| Date Filed | Reference | Particulars |
|---|---|---|
| January 11, 2012 | SEC 17-C | Resignation of EVP Technical and election of replacement |
| January 13, 2012 | SEC 17-C | Certification of Compliance with the Manual on Corporate Governance |
| January 25, 2012 | SEC 17-C | Certification of Attendance of Directors during Board Meetings for the year 2011 |
| February 17, 2012 | SEC 17-C | Notice of Guidelines for Nomination for Election to the Board |
| February 27, 2012 | SEC 17-C | 2012 Annual Stockholders' Meeting, Agenda and Record Date |
| April 30, 2012 | SEC 17-C | Declaration of cash dividends, appointment of independent auditors, approval of the audited financial statements, results of the 2012 annual stockholders' meeting and organizational meeting |
| June 25, 2012 | SEC 17-C | Receipt of PPA Memorandum approving the adjustment of cargo-related tariff on international containerized and non-containerized cargo |
| July 19, 2012 | SEC 17-C | Resignation of Ms. Gloriann V. Magto as Corporate Treasurer, VP for Finance and Chief Financial Officer and the election of Mr. Jose Tristan P. Carpio |
| September 17, 2012 | SEC 17-C | Internal Organizational Changes: Mr. Vasudevan assumed the position of VP for ATIB, BCT and ICD vice Mr. Hokke who assumed the position of VP for South Harbor Operations |
| October 4, 2012 | SEC 17-C | Compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2012, reporting approval of the Audit Committee Charter of Asian Terminals, Inc. |

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## SIGNATURES

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

**ASIAN TERMINALS, INCORPORATED**
**by:**

Tristan P. Carpio

**JOSE TRISTAN P. CARPIO**
Vice President and Chief Financial Officer

Date : November 12, 2012

Principal Financial/Accounting Officer:

MBPleno

**MARICAR B. PLENO**
Assistant Vice President for Accounting and Financial Planning

Date : November 12, 2012

## ASIAN TERMINALS, INC. AND A SUBSIDIARY
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | September 30, 2012 (Unaudited) | | December 31, 2011 (Audited) |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | **P** | **2,741,383** | P | 2,512,975 |
| Trade and other receivables - net | | **302,719** | | 360,953 |
| Spare parts and supplies - at net realizable value | | **173,257** | | 171,803 |
| Prepaid expenses | | **118,035** | | 299,467 |
| **Total Current Assets** | | **3,335,394** | | 3,345,198 |
| **Noncurrent Assets** | | | | |
| Investment in an associate - at equity | | **58,780** | | 60,337 |
| Property and equipment - net | | **395,083** | | 397,918 |
| Intangible assets - net | | **5,503,275** | | 5,269,696 |
| Other financial assets | | **27,930** | | 24,930 |
| Deferred tax assets - net | | **61,356** | | 60,404 |
| Other noncurrent assets | | **75,505** | | 93,991 |
| **Total Noncurrent Assets** | | **6,121,929** | | 5,907,276 |
| **TOTAL ASSETS** | **P** | **9,457,323** | P | 9,252,474 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | **P** | **1,120,437** | P | 1,550,382 |
| Provisions for claims | | **94,518** | | 88,029 |
| Income and other taxes payable | | **83,006** | | 91,305 |
| **Total Current Liabilities** | | **1,297,961** | | 1,729,716 |
| **Noncurrent Liabilities** | | | | |
| Pension liability | | **64,261** | | 44,180 |
| **Total Noncurrent Liabilities** | | **64,261** | | 44,180 |
| **Equity Attributable to Equity Holders of the Parent** | | | | |
| Capital stock | | **2,000,000** | | 2,000,000 |
| Additional paid in capital | | **264,300** | | 264,300 |
| Retained earnings | | **5,835,118** | | 5,218,963 |
| Other reserves | | **(5,820)** | | (5,820) |
| | | **8,093,598** | | 7,477,443 |
| **Non-controlling Interest** | | **1,503** | | 1,135 |
| **Total Equity** | | **8,095,101** | | 7,478,578 |
| **TOTAL LIABILITIES AND EQUITY** | **P** | **9,457,323** | P | 9,252,474 |

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(Unaudited, In Thousands, Except Per Share Data)*

| | | For the third quarter Ended September 30 | | | | For the nine months Ended September 30 | | |
|---|---|---|---|---|---|---|---|---|
| | | **2012** | | 2011 | | **2012** | | 2011 |
| **REVENUES** | **P** | **1,252,319** | P | 1,078,900 | **P** | **3,540,030** | P | 3,292,369 |
| **COSTS AND EXPENSES** | | **(664,915)** | | (581,383) | | **(1,908,304)** | | (1,784,123) |
| **OTHER INCOME AND EXPENSES** | | | | | | | | |
| Finance cost | | **(584)** | | (12,222) | | **(1,899)** | | (35,998) |
| Finance income | | **15,917** | | 27,815 | | **50,224** | | 61,162 |
| Others - net | | **12,848** | | 3,832 | | **23,954** | | 84,097 |
| **INCOME BEFORE INCOME TAX** | | **615,585** | | 516,943 | | **1,704,005** | | 1,617,507 |
| **INCOME TAX EXPENSE** | | | | | | | | |
| Current | | **178,370** | | 144,323 | | **487,604** | | 464,287 |
| Deferred | | **(1,150)** | | 3,294 | | **(952)** | | 1,685 |
| | | **177,220** | | 147,617 | | **486,652** | | 465,972 |
| **NET INCOME** | | **438,365** | | 369,326 | | **1,217,353** | | 1,151,535 |
| **OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER, NET OF TAX** | | **-** | | - | | **-** | | - |
| **TOTAL COMPREHENSIVE INCOME** | **P** | **438,365** | P | 369,326 | **P** | **1,217,353** | P | 1,151,535 |
| **Attributable To:** | | | | | | | | |
| Owners of the Parent Company | **P** | **438,030** | P | 369,105 | **P** | **1,216,155** | P | 1,150,763 |
| Non-controlling interest | | **335** | | 221 | | **1,198** | | 771 |
| | **P** | **438,365** | P | 369,326 | **P** | **1,217,353** | P | 1,151,535 |
| **Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Company** | **P** | **0.22** | P | 0.18 | **P** | **0.61** | P | 0.58 |

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In Thousands)*

| | Common Stock | Additional Paid-in Capital | Retained Earnings: Appropriated for Port Development | Retained Earnings: Unappropriated | Other Reserves | Total | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2012** | **P 2,000,000** | **P 264,300** | **P 1,000,000** | **P 4,218,963** | **(P 5,820)** | **P 7,477,443** | **P 1,135** | **P 7,478,578** |
| **Cash dividends - ₱0.30 a share for ATI** | | | | **(600,000)** | | **(600,000)** | **(830)** | **(600,830)** |
| **Net income for the period** | | | | **1,216,155** | | **1,216,155** | **1,198** | **1,217,353** |
| **Balance at September 30, 2012** | **P 2,000,000** | **P 264,300** | **P 1,000,000** | **P 4,835,118** | **(P 5,820)** | **P 8,093,598** | **P 1,503** | **P 8,095,101** |
| Balance at January 1, 2011 | P 2,000,000 | P 264,300 | P 1,000,000 | P 3,824,091 | (P 20,001) | P 7,068,390 | P 902 | P 7,069,292 |
| Cash dividends - P0.30 a share for ATI | | | | (600,000) | | (600,000) | (830) | (600,830) |
| Net income for the period | | | | 1,150,763 | | 1,150,763 | 771 | 1,151,535 |
| Adjustment of other reserves | | | | | P 14,181 | 14,181 | - | 14,181 |
| Balance at September 30, 2011 | P 2,000,000 | P 264,300 | P 1,000,000 | P 4,374,854 | (P 5,820) | P 7,633,335 | P 843 | P 7,634,178 |

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the third quarter ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | *(in thousands)* | | *(in thousands)* | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | **P 615,585** | P 516,943 | **P 1,704,005** | P 1,617,507 |
| Adjustments for: | | | | |
| Depreciation and amortization | **115,898** | 108,543 | **341,517** | 309,801 |
| Finance cost | **584** | 12,222 | **1,899** | 35,998 |
| Finance income | **(15,917)** | (27,815) | **(50,224)** | (61,162) |
| Contribution to retirement fund | **-** | (10,551) | **(2,597)** | (10,551) |
| Net unrealized foreign exchange (gains) losses | **(353)** | 49,697 | **5,355** | 77,901 |
| Equity in net earnings of an associate | **(5,781)** | (5,200) | **(16,355)** | (14,748) |
| Loss (Gain) on disposals of: | | | | |
| Property and equipment | **(31)** | (87) | **(508)** | (110) |
| Intangible Assets | **(226)** | (65) | **51** | (7,918) |
| Amortization of noncurrent prepaid rental | **246** | 492 | **738** | 738 |
| Operating income before working capital changes | **710,005** | 644,166 | **1,983,881** | 1,947,444 |
| Provisions for: | | | | |
| Inventory obsolescence | **-** | - | **-** | 2,216 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | **131,633** | 79,826 | **55,211** | 517,309 |
| Spare parts and supplies | **(7,287)** | (834) | **(2,578)** | (22,734) |
| Prepaid expenses | **117,542** | 20,966 | **181,432** | 11,843 |
| Increase (decrease) in: | | | | |
| Trade and other payables | **117,855** | 384,918 | **(376,071)** | (107,021) |
| Provisions for claims | **3,471** | (3,352) | **6,490** | (4,802) |
| Income and other taxes payable | **(36,327)** | (59,312) | **(21,143)** | (61,163) |
| Net cash generated from operations | **1,036,892** | 1,066,378 | **1,827,222** | 2,283,093 |
| Finance cost paid | **(1,115)** | (250) | **(4,057)** | (31,158) |
| Income tax paid | **(168,580)** | (168,190) | **(474,761)** | (528,842) |
| Net cash provided by operating activities | **867,197** | 897,937 | **1,348,404** | 1,723,094 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisitions of: | | | | |
| Property and Equipment | **(12,646)** | (15,930) | **(34,684)** | (36,956) |
| Intangible assets | **(249,707)** | (296,724) | **(566,537)** | (506,683) |
| Finance income received | **15,537** | 27,964 | **49,737** | 60,930 |
| Increase (decrease) in other noncurrent assets | **5,835** | (27,684) | **17,747** | (79,393) |
| Proceeds from disposals of: | | | | |
| Property and Equipment | **31** | 146 | **508** | 169 |
| Intangible assets | **895** | 67 | **1,162** | 11,272 |
| Increase (decrease) in deposits | **(21)** | 169 | **(2,386)** | 101 |
| Dividends received | **-** | 21,494 | **17,911** | 26,851 |
| Net cash used in investing activities | **(240,076)** | (290,498) | **(516,542)** | (523,710) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Payments of: | | | | |
| Cash dividends | **-** | - | **(600,000)** | (600,000) |
| Cash dividend to non-controlling interest | **-** | (830) | **(830)** | (830) |
| Cash used in financing activities | **-** | (830) | **(600,830)** | (600,830) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **627,121** | 606,609 | **231,032** | 598,554 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **418** | (49,697) | **(2,624)** | (77,902) |
| **CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR** | **2,113,844** | 2,277,093 | **2,512,975** | 2,313,353 |
| **CASH & CASH EQUIVALENTS AT END OF YEAR** | **P 2,741,383** | P 2,834,004 | **P 2,741,383** | P 2,834,004 |

**SELECTED**
**EXPLANATORY NOTES**
**September 30, 2012**
***(Amounts in Thousands)***

## 1. Segment Information

The Company's segment information became solely Ports in 2010, following the discontinued non-port operations in August 2010. Information with regard to the Company's Port business segment is presented below:

| | For the nine months ended 2012 | 2011 |
|---|---|---|
| Revenue | **3,540,030** | 3,292,369 |
| Intangible Assets (excluding goodwill) | **5,461,215** | 5,378,029 |
| Property and equipment - net | **395,083** | 407,670 |
| Total assets | **9,457,323** | 9,499,658 |
| Total liabilities | **1,362,223** | 1,865,481 |
| Capital expenditures | | |
| Intangible Assets | **566,537** | 506,683 |
| Property and equipment | **34,684** | 36,956 |
| Depreciation and amortization | **341,517** | 309,801 |
| Noncash expenses (income) other than depreciation and amortization | **-** | 2,204 |

## 2. Trade Receivables - net

Presented below is the aging of the Company's trade receivables - net.

| | | As of September 30, 2012 | | As of December 31, 2011 |
|---|---|---|---|---|
| Up to 6 months | **P** | **252,421** | P | 232,309 |
| Over 6 months to 1 year | | **-** | | - |
| Over 1 year | | **-** | | - |
| Total | **P** | **252,421** | P | 232,309 |

## 3. Property and Equipment

A summary of property and equipment follows:

| | Port facilities and equipment | Leasehold improvements | Furnitures, fixtures and equipment | Transportation and other equipment | Construction In-progress | | **September 30, 2012** | | December 31, 2011 (Audited) |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at beginning of year | 165,938 | 520,176 | 497,767 | 107,889 | 14,079 | **P** | **1,305,849** | P | 1,335,380 |
| Additions | 1,459 | 80 | 7,521 | 15,887 | 9,736 | | **34,684** | | 48,245 |
| Disposals | - | - | (12,656) | (8,339) | | | **(20,995)** | | (7,155) |
| Reclassifications | 3,180 | (133) | 1,335 | 338 | (4,720) | | **-** | | - |
| Retirements | - | - | 5,254 | (1,376) | - | | **3,877** | | (70,623) |
| Balance at end of year | 170,577 | 520,123 | 499,221 | 114,399 | 19,095 | | **1,323,416** | | 1,305,847 |
| Accumulated depreciation and amortization: | | | | | | | | | |
| Balance at beginning of year | 123,551 | 291,238 | 419,006 | 74,136 | - | | **907,930** | | 922,917 |
| Additions | 8,934 | 8,440 | 17,724 | 8,751 | - | | **43,849** | | 55,955 |
| Disposals | - | - | (12,656) | (8,339) | - | | **(20,995)** | | (6,692) |
| Reclassification | - | - | - | - | - | | **-** | | - |
| Retirements | - | - | (1,076) | (1,376) | | | **(2,452)** | | (64,250) |
| Balance at end of year | 132,484 | 299,677 | 422,998 | 73,173 | - | | **928,332** | | 907,929 |
| Net book value | 38,093 | 220,446 | 76,223 | 41,226 | 19,095 | **P** | **395,083** | P | 397,918 |

## 4. Intangible Assets

| | | September 30, 2012 | | December 31, 2011 (Audited) |
|---|---|---|---|---|
| Service concession | **P** | **5,461,215** | P | 5,227,636 |
| Goodwill | | **42,060** | | 42,060 |
| Total | **P** | **5,503,274** | P | 5,269,696 |

The movements of service concession are as follows:

| | | September 30, 2012 | | December 31, 2011 (Audited) |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at beginning of year | **P** | **8,540,744** | P | 8,154,734 |
| Additions | | **566,537** | | 455,646 |
| Derecognition | | **(83,983)** | | (69,636) |
| Balance at end of year | | **9,023,299** | | 8,540,744 |
| **Accumulated amortization** | | | | |
| Balance at beginning of year | | **3,313,108** | | 3,011,924 |
| Amortization for the year | | **297,668** | | 364,044 |
| Derecognition | | **(48,692)** | | (62,860) |
| Balance at end of year | | **3,562,084** | | 3,313,108 |
| **Carrying amount** | **P** | **5,461,215** | P | 5,227,636 |

Service concession represents property and equipment which is the subject of the concession arrangement that will be transferred to the Philippine Ports Authority (PPA) at the end of the operating contracts.

## 5. Trade and Other Payables

| | | Sept 30, 2012 | | December 31, 2011 (Audited) |
|---|---|---|---|---|
| Trade | **P** | **80,798** | P | 77,795 |
| Accrued expenses: | | | | |
| Personnel costs | | **142,280** | | 132,451 |
| Rental | | **59,735** | | 61,763 |
| Repairs and maintenance | | **33,820** | | 57,689 |
| Finance costs | | **13,936** | | 16,358 |
| Security expenses | | **8,385** | | 10,009 |
| Professional fees | | **9,182** | | 9,177 |
| Safety and environment | | **789** | | 2,175 |
| Others | | **275,702** | | 193,407 |
| Dividends payable | | **8,057** | | 500,000 |
| Due to government agencies | | **373,966** | | 308,536 |
| Equipment acquistions | | **6,944** | | 79,858 |
| Shippers' and brokers' deposits | | **42,193** | | 34,927 |
| Due to related parties | | **9,512** | | 6,853 |
| Others | | **55,139** | | 59,384 |
| Total | **P** | **1,120,437** | P | 1,550,382 |

## 6. Financial Risk Management Objectives and Policies

The Company’s principal financial instruments comprise of cash and cash equivalents, trade and other receivables and deposits, which arise directly from its operations. Other financial instruments include available-for sale investments.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks.

Interest Rate Risk
The Company's interest rate risk management policy centers on reducing the Company's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Company's cash and cash equivalents.

As of September 30, 2012, the Company's interest bearing financial instruments are its cash and cash equivalents.

*Fair Value Sensitivity Analysis for Fixed Rate Instruments*
The Company has no derivative instruments, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Liquidity Risk
The Company monitors its risk to a shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Company's financial investments and financial assets and projected cash flows from operations, among others. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| **As of September 30, 2012** | **Carrying Amount** | **Contractual Cash Flows** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **>5 years** | **Total** |
| **Trade and other payables** | P 1,120,437 | P 433,189 | P 104,731 | P 582,517 | P - | P - | P 1,120,437 |

| As of December 31, 2011 | Carrying Amount | Contractual Cash Flows | | | | | |
|---|---|---|---|---|---|---|---|
| | | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | >5 years | Total |
| Trade and other payables | P 1,550,382 | P 283,796 | P 765,467 | P 501,119 | P - | P - | P 1,550,382 |

Credit Risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. A regular review and evaluation of accounts is being executed to assess the credit standing of customers. In addition, a portion of revenues is on cash basis.

With respect to credit risk arising from the other financial assets of the Company, which comprise of cash and cash equivalents, nontrade receivables, deposits, and available-for-sale investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Company trades only with recognized third parties, there is no requirement for collateral.

There are no significant concentrations of credit risk within the Company.

As of September 30, 2012, 100% of the total trade and other receivables which are neither past due nor impaired are of high grade quality.

Foreign Currency Risk

The Company has foreign currency financial assets and liabilities arising from US dollar (USD)-denominated revenues, lease payments, PPA fees, and other foreign currency-denominated purchases by operating units.

The Company's policy is to manage its foreign currency risk by using a combination of natural hedges and selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Company's foreign currency-denominated accounts are as follows:

| | **As of September 30, 2012** | As of December 31, 2011 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | **USD 7,398** | USD 1,027 |
| Trade and other receivables | **560** | 2,290 |
| | **7,958** | 3,317 |
| Liabilities: | | |
| Trade and other payables | **708** | 1,172 |
| Net foreign currency-denominated assets | **7,250** | USD 2,145 |
| Peso equivalent | **P 302,325** | P 94,030 |

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before income tax and equity.

| | Increase/Decrease in U.S. dollar Exchange Rate | Effect on Income Before Income Tax | Effect on Equity |
|---|---|---|---|
| **September 30, 2012** | | | |
| | **+5%** | **P 15,116** | **P 10,581** |
| | **-5%** | **(15,116)** | **(10,581)** |
| December 31, 2011 | | | |
| | +5% | P 4,701 | P 3,291 |
| | -5% | (4,701) | (3,291) |

Capital Management

The primary objective of the Company's capital 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 Company considers capital to include paid-up capital, retained earnings, and other reserves. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return to capital shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended September 30, 2012.

The Company is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Company.

| | | As of September 30, 2012 | | As of December 31, 2011 |
|---|---|---|---|---|
| Capital Stock | **P** | **2,000,000** | P | 2,000,000 |
| Additional paid-in capital | | **264,300** | | 264,300 |
| Retained Earnings | | **5,835,119** | | 5,218,963 |
| Other reserves | | **(5,820)** | | (5,820) |
| Total | **P** | **8,093,598** | P | 7,477,443 |

**7. Financial Instruments**

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments.

| | As of September 30, 2012 | | | | As of December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Carrying Values** | | **Fair Values** | | Carrying Values | | Fair Values |
| Financial assets: | | | | | | | | |
| Loans and receivables: | | | | | | | | |
| Cash and cash equivalents | P | 2,741,383 | P | 2,741,383 | P | 2,512,975 | P | 2,512,975 |
| Trade and other receivables | | 302,719 | | 302,719 | | 360,953 | | 360,953 |
| Deposits | | 25,278 | | 33,622 | | 22,278 | | 30,156 |
| | | 3,069,379 | | 3,077,724 | | 2,896,206 | | 2,904,084 |
| Available-for-sale financial assets | | 2,652 | | 2,652 | | 2,652 | | 2,652 |
| | | **3,072,031** | | **3,080,376** | | 2,898,858 | | 2,906,736 |
| Financial liabilities: | | | | | | | | |
| Trade and other payables | | 1,120,437 | | 1,120,437 | | 1,550,382 | | 1,550,382 |
| | **P** | **1,120,437** | **P** | **1,120,437** | P | 1,550,382 | P | 1,550,382 |

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

a. Nonderivative financial instruments

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables are approximately equal to their carrying amounts due to the short-term nature of these transactions.

The fair value of fixed rate interest bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The discounts rates used range from 2.01% to 4.21% in 2011.

Quoted market prices have been used to determine the fair values of listed available-for-sale investments. The fair values of unlisted AFS financial assets are based on cost since the fair values are not readily determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash discounted using the prevailing market rate of interest for a similar instrument. The discount rates used were 4.88% and 6.19% in 2012 and 2011, respectively.

b. Derivative instruments

As of September 30, 2012 and December 31, 2011, respectively, the Company has no derivative financial instruments.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **As of September 30, 2012** | | | |
| **AFS financial assets** | **P 933** | **P -** | **P 1,719** |
| As of December 31, 2011 | | | |
| AFS financial assets | P 933 | P - | P 1,719 |

There have been no transfers from one level to another in 2012 and 2011.