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## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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

### Document Information

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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)

**June 30, 2015**  
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 : **June 30, 2015**
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 [ ]

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**PART I - FINANCIAL INFORMATION**

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**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 are 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**

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2015 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- *Annual Improvements to PFRSs: 2010 – 2012 and 2011 - 2013 Cycles* – Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40.

**To be adopted on January 1, 2018**

- *PFRS 9 Financial Instruments.* PFRS 9, published in July 2014, replaces the existing guidance in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from PAS 39.

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

### **Consolidated Results of Operations for the six months ended June 30, 2015**

Revenues for the six months ended June 30, 2015 totaled P4,286.1 million, posting a 9.3% increase from P3,922.7 million in the same period last year. Revenues were higher than last year due to the following: 1) higher international containerized volume in Batangas, which grew by 344.8% compared to last year; 2) higher general cargo volume in South Harbor by 9.9% vs. last year; and 3) higher domestic containerized volume, RORO units, and number of passengers in Batangas port by 159.5%, 14.2% and 8.0%, respectively.

Cost and expenses in the first six months of 2015 increased by 6.1% to P2,639.0 million from P2,486.8 million in the same period last year. Labor costs went up by 15.5% to P562.4 million in 2015 from P487.0 million last year due to increase in headcount to support higher volumes handled and salary rate increases. Depreciation and amortization of P450.4 million in 2015 grew by 8.7% from P414.3 million last year on account of additions to intangible assets. Taxes and licenses in 2015 of P151.8 million were higher by 38.4% compared to P109.7 in 2014 due to higher realty tax on account of additional areas and equipment, and higher business tax on account of higher revenues. Rental of P103.2 million in 2015 increased by 64.5% from P62.7 million in the same period last year due to forklift and crane rentals relative to higher volumes, and additional space rentals. Security, health, environment and safety amounted to P91.6 million in 2015, 52.0% up from P60.3 million in 2014 due to wage increase, additional deployment of security guards to ease traffic congestion in South Harbor and additional guards during operations in Batangas, and higher safety costs. Management fees in 2015 increased by 7.4% to P60.7 million from P56.5 million last year as a result of higher net income. Professional fees of P25.1 million in 2015 were 73.1% higher than P14.5 million last year due to higher consultancy fees and survey costs. Other expenses in 2015 of P96.3 million increased by 38.7% to P69.4 million last year due to higher expenses related to hauling and shifting, brokerage, travel, advertising, and corporate social responsibility.

Port authorities' share in gross revenues in 2015 dropped by 5.7% to P751.9 million from P797.1 million last year on account of lower stevedoring and storage revenues subject to PPA fees. Equipment running costs declined by 14.0% to P230.2 million this year from P267.6 million last year due to lower fuel price and lower expenses for replacement parts. Insurance in 2015 of P30.9 million went down by 19.1% from P38.2 million in 2014 due to lower property insurance premiums. Facilities-related expenses amounted to P69.6 million in 2015, 16.1% lower than P82.9 million in 2014 due to lower repair costs for building, pavements, wharves and various repairs. General transport decreased by 48.9% to P12.6 million in 2015 from P24.6 million in 2014 on account of lower trucking costs.

Finance costs in 2015 of P268.3 million were lower by 1.1% vs. P271.3 million in 2014 due to lower interest expense on concession rights payable. Finance income in 2015 of P26.5 million were higher by 77.5% against P14.9 million last year due to higher interest rates for Money Market Placement and higher cash balance. Others-net amounted to negative P11.8 million in 2015 while in 2014 Others-net amounted to P123.5 million. This year included realized forex loss on dollar-denominated concession rights payable of P13.3 million and unrealized forex loss on cash flow hedge of P22.5 million while last year included unrealized forex gain on revaluation of dollar-denominated concession rights payable amounting to P121.8 million.

Income before income tax in the second quarter of 2015 of P1,393.6 million was up by 7.0% from P1,303.0 million in the same period last year. Provision for income tax increased by 4.9% to P388.3 million in 2015 from P370.0 million in the same period last year.

Net income amounted to P1,005.3 million for the six months ended June 30, 2015, 7.8% higher than P933.0 million for the same period last year. Excluding the foreign exchange gain (losses) attributable to concession rights payable, net income would have been P1,030.4 million for the six months ended June 30, 2015, 20.3% higher than P856.8 million for the same period last year. Earnings per share this year was P0.50, last year was P0.47.

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 six months of 2015:

- 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 June 30, 2015 totaled P19,633.1 million, 1.2% lower than P19,870.7 million as of December 31, 2014. Current assets declined by 2.2% to P4,618.2 million as of June 30, 2015 from P4,723.2 million as of December 31, 2014. Cash and cash equivalents of P3,407.0 million as of June 30, 2015 decreased by 5.5% compared to P3,606.9 million as of December 31, 2014. Trade and other receivables-net went down by 13.2% to P415.5 million as of June 30, 2015 from P478.8 million as of end 2014 on account of collections for the second quarter. Spare parts and supplies-net of P210.2 million as of June 30, 2014 increased by 8.2% compared to P194.3 million as of December 31, 2014. Prepaid expenses as of June 30, 2015 amounted to P585.5 million, 32.1% higher than P443.3 million as of December 31, 2014 on account of the unamortized portion of prepaid real property and business taxes for the year.

Total noncurrent assets decreased by 0.9% to P15,014.9 million as of June 30, 2015 from P15,147.5 million as of December 31, 2014. Investment in an associate went down by 16.5% to P49.6 million as of June 30, 2015 from P59.4 million as of December 31, 2014 on account of cash dividend received from an associate. Property and equipment-net of 476.3 million as of June 30, 2015 increased by 4.5% from P455.6 million as of December 31, 2014. Additions to property and equipment which were not subject of the service concession arrangement totaled P54.1 million. Intangible assets-net were lower by 1.3% to P13,991.2 million as of June 30, 2014 from P14,175.4 million as of December 31, 2014 on account of depreciation for the period. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P236.3 million in 2015. Deferred tax assets – net of P433.1 million as of June 30, 2015 were 12.0% higher than P386.9 million as of December 31, 2014 due to additional deferred tax on concession rights payable. Other noncurrent assets dropped by 7.7% to P64.8 million as of June 30, 2015 from P70.2 million as of December 31, 2014 due to amortization of input taxes on additions to property and equipment and intangible assets.

Total liabilities declined by 4.0% to P9,475.0 million as of June 30, 2015 from P9,873.3 million as of December 31, 2014. Trade and other payables decreased by 20.3% to P1,484.2 million as of June 30, 2015 from P1,861.7 million as of December 31, 2014. Trade and other payables are covered by agreed payment schedules. Provisions for claims of P44.9 million as of June 30, 2015 were lower by 11.4% compared to P50.8 million as of December 31, 2014 following settlement of claims related to cargo, labor, and civil cases. Concession rights payable (current and noncurrent) slightly decreased by 0.1% to P7,624.0 million as of June 30, 2015 from P7,629.4 million as of December 31, 2014 due to payments of PPA fixed fees. Income and other taxes payable of P176.5 million as of June 30, 2015 was lower by 15.8% compared to P209.6 million as of December 31, 2014 due to income tax for the second quarter of 2015. Pension liability of P145.4 million went up by 19.3% as of June 30, 2015 from P121.8 million as of December 31, 2014.

## Consolidated Cash Flows

Net cash provided by operating activities in the second quarter of 2015 was P1,180.8 million, 10.0% lower than P1,311.4 million in the same period last year due to payment of trade payables and increase in prepaid expenses.

Net cash used in investing activities in the second quarter of 2015 was P255.8 million, 24.5% higher than P205.5 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 second quarter of 2015 was P1,124.9 million, 10.7% higher than P1,016.6 million in the same period 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 June 2015:

- ATIB's total assets were only 5.0% 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<sup>1</sup>.

Consolidated KPI	Manner of Calculation	As of June 30		Discussion
		2015	2014	
Return on Capital Employed	Percentage of annualized income before other income and expenses over capital employed	16.7%	17.1%	Decreased due to higher capital employed.
Return on Equity attributable to equity holders of the parent	Percentage of annualized net income over equity attributable to equity holders of the parent	19.9%	20.6%	Decrease due to higher equity.
Current ratio	Ratio of current assets over current liabilities	2.50 : 1.00	1.99 : 1.00	Increase due to lower current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.93 : 1.00	2.03 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.93 : 1.00	1.03 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	9 days	9 days	Same as last year.
Reportable Injury Frequency Rate (RIFR) <sup>2</sup>	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.63	1.47	Due to higher number of injuries.

<sup>1</sup> Income before other income and expenses is defined as income before net financing costs, forex gains or losses and others.

<sup>2</sup> RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medical Treatment Injuries (MTIs) and Fatalities incidents.



## PART II. OTHER INFORMATION

On April 23, 2015, the Board of Directors of ATI approved a cash dividend of P0.41 per share to stockholders on record as of May 15, 2015 payable on June 10, 2015. As of date of this report, the Company has ordinary shares only.

### Submissions of SEC Form 17-C:

<b>Date Filed</b>	<b>Reference</b>	<b>Particulars</b>
February 12, 2015	SEC 17-C	Notice of Guidelines for Nominations for Election to the Board of Directors
February 25, 2015	SEC 17-C	Setting the date, venue, agenda and record date of the 2015 Annual Stockholders' Meeting and closing of stock and transfer book
March 11, 2015	SEC 17-C	Approval of the 2014 Audited Financial Statements and appointment of the independent auditors for 2015
April 27, 2015	SEC 17-C	Declaration of cash dividends record and payment dates, results of the Annual Stockholders' Meeting
May 8, 2015	SEC 17-C	Certification of Independent Directors
May 8, 2015	SEC 17-C	Audit Committee Annual Self-Assessment Report

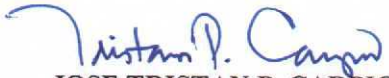
**ASIAN TERMINALS, INCORPORATED**  
**Securities and Exchange Commission Form 17-Q**

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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:



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

Date : August 14, 2015

Principal Financial/Accounting Officer:



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

Date : August 14, 2015

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Thousands)

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P3,406,954	P3,606,926
Trade and other receivables - net	415,528	478,795
Spare parts and supplies	210,194	194,263
Prepaid expenses	585,492	443,250
<b>Total Current Assets</b>	<b>4,618,168</b>	<b>4,723,234</b>
<b>Noncurrent Assets</b>		
Investment in an associate	49,565	59,374
Property and equipment - net	476,304	455,625
Intangible assets - net	13,991,174	14,175,435
Deferred tax assets - net	433,116	386,883
Other noncurrent assets	64,759	70,179
<b>Total Noncurrent Assets</b>	<b>15,014,918</b>	<b>15,147,496</b>
<b>TOTAL ASSETS</b>	<b>P19,633,086</b>	<b>P19,870,730</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	P1,484,242	P1,861,686
Provisions for claims	44,946	50,750
Port concession rights payable - current portion	139,494	134,029
Income and other taxes payable	176,473	209,567
<b>Total Current Liabilities</b>	<b>1,845,155</b>	<b>2,256,032</b>
<b>Noncurrent Liabilities</b>		
Port concession rights payable - net of current portion	7,484,512	7,495,409
Pension liability	145,357	121,829
<b>Total Noncurrent Liabilities</b>	<b>7,629,869</b>	<b>7,617,238</b>
	<b>9,475,024</b>	<b>9,873,270</b>
<b>Equity</b>		
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	2,000,000	2,000,000
Additional paid-in capital	264,300	264,300
Retained earnings	8,025,146	7,841,267
Hedging reserve	(130,700)	(106,838)
Fair value reserve	(5,820)	(5,820)
	<b>10,152,926</b>	<b>9,992,909</b>
<b>Non-controlling Interest</b>	<b>5,136</b>	<b>4,551</b>
<b>Total Equity</b>	<b>10,158,062</b>	<b>9,997,460</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P19,633,086</b>	<b>P19,870,730</b>

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

(In Thousands, Except Per Share Data)

	For the second quarter ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
<b>REVENUES FROM OPERATIONS</b>	<b>P1,927,091</b>	<b>P2,014,960</b>	<b>P4,286,123</b>	<b>P3,922,690</b>
<b>COSTS AND EXPENSES</b>	<b>(1,316,214)</b>	<b>(1,266,787)</b>	<b>(2,638,974)</b>	<b>(2,486,812)</b>
<b>OTHER INCOME AND EXPENSES</b>				
Finance cost	(133,878)	(135,430)	(268,276)	(271,349)
Finance income	14,169	6,861	26,476	14,913
Others - net	(5,466)	183,034	(11,752)	123,515
	(125,175)	54,465	(253,552)	(132,921)
<b>CONSTRUCTION REVENUES</b>	<b>144,495</b>	<b>141,339</b>	<b>236,298</b>	<b>208,375</b>
<b>CONSTRUCTION COSTS</b>	<b>(144,495)</b>	<b>(141,339)</b>	<b>(236,298)</b>	<b>(208,375)</b>
	-	-	-	-
<b>INCOME BEFORE INCOME TAX</b>	<b>485,702</b>	<b>802,638</b>	<b>1,393,597</b>	<b>1,302,957</b>
<b>INCOME TAX EXPENSE</b>				
Current	149,496	188,838	424,310	363,560
Deferred	(19,478)	40,791	(36,007)	6,430
	130,018	229,628	388,303	369,990
<b>NET INCOME</b>	<b>P355,684</b>	<b>P573,010</b>	<b>P1,005,294</b>	<b>P932,967</b>
<b>Income Attributable to</b>				
Equity Holders of the Parent Company	P354,943	P572,271	P1,003,879	P931,647
Non - controlling interest	741	739	1,415	1,320
	P355,684	P573,010	P1,005,294	P932,967
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company</b>	<b>P0.18</b>	<b>P0.29</b>	<b>P0.50</b>	<b>P0.47</b>

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands)

	For the second quarter		For the six months	
	Ended June 30		Ended June 30	
	2015	2014	2015	2014
<b>NET INCOME FOR THE PERIOD</b>	<b>P355,684</b>	<b>P573,010</b>	<b>P1,005,294</b>	<b>P932,967</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that are or may be reclassified to profit or loss</b>				
Cash flow hedge - effective portion	(58,024)	-	(55,035)	-
Cash flow hedge - reclassified to profit or loss	12,379	-	20,947	-
Tax on items taken directly to equity	13,694	-	10,226	-
	(31,951)	-	(23,862)	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax</b>	<b>(31,951)</b>	<b>-</b>	<b>(23,862)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P323,733</b>	<b>P573,010</b>	<b>P981,432</b>	<b>P932,967</b>
<b>Total Comprehensive Income Attributable to</b>				
Equity Holders of the Parent Company	P322,992	P572,271	P980,017	P931,649
Non - controlling interest	741	739	1,415	1,320
	<b>P323,733</b>	<b>P573,010</b>	<b>P981,432</b>	<b>P932,967</b>

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands, Except Per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Common Stock	Additional Paid-in Capital	Retained Earnings		Hedging Reserve	Fair Value Reserves	Non-controlling Total	Non-controlling Interest	Total Equity
			Appropriated for Port Development	Unappropriated					
Balance at January 1, 2015	P2,000,000	P264,300	P4,700,000	P3,141,267	(P 106,838)	(P 5,820)	P9,992,909	P4,551	P9,997,460
Cash dividends - P0.41 a share for ATI	-	-	-	(820,000)	-	-	(820,000)	(830)	(820,830)
Net income for the period	-	-	-	1,003,879	-	-	1,003,879	1,415	1,005,294
Other comprehensive income									
Cash flow hedge - effective portion - net of tax	-	-	-	-	(38,525)	-	(38,525)	-	(38,525)
Cash flow hedge - reclassified to profit or loss - net of tax	-	-	-	-	14,663	-	14,663	-	14,663
<b>Balance at June 30, 2015</b>	<b>P2,000,000</b>	<b>P264,300</b>	<b>P4,700,000</b>	<b>P3,325,146</b>	<b>(P 130,700)</b>	<b>(P 5,820)</b>	<b>P10,152,926</b>	<b>P5,136</b>	<b>P10,158,062</b>
Balance at January 1, 2014	P2,000,000	P264,300	P4,700,000	P1,953,749	P -	(P 5,820)	P8,912,230	P3,104	P8,915,333
Cash dividends - P0.35 a share for ATI	-	-	-	(700,000)	-	-	(700,000)	(830)	(700,830)
Net income for the period	-	-	-	931,647	-	-	931,647	1,320	932,967
Balance at June 30, 2014	P2,000,000	P264,300	P4,700,000	P2,185,396	P -	(P 5,820)	P9,143,875	P3,593	P9,147,470

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	For the second quarter ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	485,702	802,639	1,393,597	1,302,957
Adjustments for:				
Depreciation and amortization	226,714	211,844	450,427	414,292
Finance cost	133,877	135,430	268,275	271,349
Finance income	(14,169)	(6,861)	(26,476)	(14,913)
Net unrealized foreign exchange losses	13,882	(182,414)	22,504	(117,476)
Equity in net earnings of an associate	(8,506)	(7,475)	(17,058)	(14,721)
Loss (gain) on disposals of:				
Property and equipment	(314)	150	(470)	635
Intangible assets	381	-	2,386	-
Amortization of noncurrent prepaid rental	-	246	-	492
Provisions for inventory obsolescence	-	2,608	-	5,217
Operating income before working capital changes	837,567	956,167	2,093,186	1,847,831
Decrease (increase) in:				
Trade and other receivables	11,552	(8,030)	64,376	36,905
Spare parts and supplies	(16,031)	(12,183)	(15,930)	(10,971)
Prepaid expenses	(1,163)	54,207	(142,243)	(22,662)
Decrease in:				
Trade and other payables	(48,057)	98,636	(356,325)	(211,667)
Provisions for claims	(4,284)	(2,336)	(5,805)	(3,939)
Income and other taxes payable	93,167	63,436	43,479	32,863
Cash generated from operations	872,751	1,149,898	1,680,738	1,668,360
Finance cost paid	486	568	963	(312)
Income tax paid	(500,885)	(356,640)	(500,884)	(356,640)
Net cash provided by operating activities	372,352	793,825	1,180,817	1,311,408
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Property and Equipment	(29,074)	(19,251)	(54,085)	(27,284)
Intangible assets	(144,495)	(141,339)	(236,298)	(208,375)
Decrease in other noncurrent assets	832	1,931	6,397	6,594
Proceeds from disposals of:				
Property and Equipment	315	(150)	470	(581)
Intangible assets	1,006	-	1,153	-
Decrease (Increase) in deposits	(327)	(98)	(336)	874
Dividends received	8,956	7,165	26,867	23,285
Net cash used in investing activities	(162,787)	(151,742)	(255,832)	(205,487)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Long-term debt	-	-	-	-
Cash dividends	(820,000)	(700,000)	(820,000)	(700,000)
Cash dividend to non-controlling interest	(830)	(830)	(830)	(830)
Port concession rights payable	(164,415)	(164,415)	(328,829)	(328,829)
Finance income received	13,564	5,267	24,726	13,095
Net cash used in financing activities	(971,681)	(859,978)	(1,124,933)	(1,016,565)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(762,116)	(217,894)	(199,948)	89,357
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	116	(4,828)	(24)	(4,368)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	4,168,952	3,057,827	3,606,926	2,750,116
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	P3,406,952	P2,835,105	P3,406,954	P2,835,105

**SELECTED  
EXPLANATORY NOTES  
June 30, 2015  
(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 six months ended June 30			
	2015		2014	
Revenue	P	4,286,123	P	3,922,690
Intangible Assets (excluding goodwill)		13,949,114		13,928,381
Property and equipment - net		476,304		345,825
Total assets		19,633,086		18,525,977
Total liabilities		9,475,024		9,378,506
Capital expenditures				
Intangible Assets		236,298		208,375
Property and equipment		54,085		27,284
Depreciation and amortization		450,427		414,292
Noncash expenses (income) other than depreciation and amortization		-		5,217

**2. Trade Receivables - net**

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

	As of June 30, 2015		As of December 31, 2014	
Up to 6 months	P	281,339	P	346,681
Over 6 months to 1 year		-		-
Over 1 year		-		-
Total	P	281,339	P	346,681

**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		June 30, 2015	December 31, 2014 (Audited)
<b>Cost</b>												
Balance at beginning of year	P	58,529	P	534,888	P	344,783	P	145,305	P	65,053	1,148,558	993,834
Additions		8,384		6,788		17,069		14,911		6,955	54,107	163,471
Disposals		-		-		(12,749)		(3,774)		-	(16,523)	(8,748)
Reclassifications		-		-		13,859		1,400		(15,282)	(23)	-
Retirements		-		-		(21,215)		-		-	(21,215)	-
<b>Balance at end of year</b>		<b>66,913</b>		<b>541,676</b>		<b>341,747</b>		<b>157,842</b>		<b>56,726</b>	<b>1,164,904</b>	<b>1,148,556</b>
<b>Accumulated depreciation and amortization:</b>												
Balance at beginning of year		47,656		326,426		231,639		87,212		-	692,933	652,116
Additions		2,303		6,998		15,469		8,635		-	33,405	49,511
Disposals		-		-		(12,749)		(3,774)		-	(16,523)	(8,695)
Retirements		-		-		(21,215)		-		-	(21,215)	-
<b>Balance at end of year</b>		<b>49,959</b>		<b>333,424</b>		<b>213,144</b>		<b>92,073</b>		<b>-</b>	<b>688,600</b>	<b>692,932</b>
<b>Net book value</b>	<b>P</b>	<b>16,954</b>	<b>P</b>	<b>208,252</b>	<b>P</b>	<b>128,603</b>	<b>P</b>	<b>65,769</b>	<b>P</b>	<b>56,726</b>	<b>476,304</b>	<b>455,625</b>



#### 4. Intangible Assets

As of June 30, 2015

	Port Concession Rights						Goodwill	Total
	Upfront Fees	Fixed Fees	Infrastructure	SubTotal				
<b>Cost:</b>								
Balance at beginning of year, as previously reported	P 282,000	P 8,342,270	P 11,833,032	P 20,457,302	P 42,060	P 20,499,362		
Additions	-	-	236,298	236,298	-	236,298		
Disposals	-	-	(75,521)	(75,521)	-	(75,521)		
<b>Balance at end of year</b>	<b>282,000</b>	<b>8,342,270</b>	<b>11,993,809</b>	<b>20,618,079</b>	<b>42,060</b>	<b>20,660,140</b>		
<b>Accumulated depreciation and amortization:</b>								
Balance at beginning of year	18,254	1,696,699	4,608,975	6,323,928	-	6,323,928		
Additions	5,640	70,393	340,988	417,021	-	417,021		
Disposals	-	-	(71,984)	(71,984)	-	(71,984)		
<b>Balance at end of year</b>	<b>23,894</b>	<b>1,767,092</b>	<b>4,877,979</b>	<b>6,668,965</b>	<b>-</b>	<b>6,668,965</b>		
<b>Net book value</b>	<b>P 258,106</b>	<b>P 6,575,178</b>	<b>P 7,115,830</b>	<b>P 13,949,114</b>	<b>P 42,060</b>	<b>P 13,991,174</b>		

As of December 31, 2014 (Audited)

	Port Concession Rights						Goodwill	Total
	Upfront Fees	Fixed Fees	Infrastructure	SubTotal				
<b>Cost:</b>								
Balance at beginning of year	282,000	8,342,270	11,091,944	19,716,214	42,060	19,758,275		
Additions	-	-	853,046	853,046	-	853,046		
Disposals	-	-	(62,268)	(62,268)	-	(62,268)		
Retirements	-	-	(49,690)	(49,690)	-	(49,690)		
<b>Balance at end of year</b>	<b>282,000</b>	<b>8,342,270</b>	<b>11,833,032</b>	<b>20,457,302</b>	<b>42,060</b>	<b>20,499,361</b>		
<b>Accumulated depreciation and amortization:</b>								
Balance at beginning of year	6,974	1,403,844	4,194,223	5,605,041	-	5,605,041		
Additions	11,280	292,853	508,332	812,465	-	812,465		
Disposals	-	-	(61,162)	(61,162)	-	(61,162)		
Retirements	-	-	(32,417)	(32,417)	-	(32,417)		
<b>Balance at end of year</b>	<b>18,254</b>	<b>1,696,699</b>	<b>4,608,975</b>	<b>6,323,928</b>	<b>-</b>	<b>6,323,928</b>		
<b>Net book value</b>	<b>P 263,746</b>	<b>P 6,645,571</b>	<b>P 7,224,056</b>	<b>P 14,133,374</b>	<b>P 42,060</b>	<b>P 14,175,434</b>		

#### 5. Trade and Other Payables

	June 30, 2015	December 31, 2014 (Audited)
Trade	P 77,595	P 115,591
Accrued expenses:		
Finance costs	134,781	135,806
Personnel costs	133,844	90,912
Rental	75,226	68,566
Security expenses	29,960	24,931
Repairs and maintenance	23,789	27,101
Professional fees	15,650	13,043
Safety and environment	4,282	4,677
Others	251,483	285,918
Equipment acquisitions	175,536	458,555
Due to government agencies	421,604	503,370
Shippers' and brokers' deposits	57,783	75,189
Due to related parties	5,656	8,943
Others	77,053	49,084
	<b>P 1,484,242</b>	<b>P 1,861,686</b>

## 6. Other Income and Expenses

Finance cost is broken down as follows:

	For the six months ended June 30			
	2015		2014	
Interest on port concession rights payable	P	265,804	P	269,801
Interest component of pension expense		2,409		1,236
Interest on bank loans/credit facilities		62		312
	P	268,276	P	271,349

Finance income is broken down as follows:

	For the six months ended June 30			
	2015		2014	
Interest on cash in banks and short-term investments	P	25,836	P	14,366
Accretion of rental deposits		640		547
	P	26,476	P	14,913

Others consisted of the following:

	For the six months ended June 30			
	2015		2014	
Equity in net earnings of an associate	P	17,058	P	14,721
Management income		3,406		3,201
Foreign exchange gains (losses) - others		3,813		(4,701)
Lease and other income - net		(219)		1,522
Foreign exchange gains (losses) - port concession rights payable		(13,330)		108,772
Foreign exchange losses - Hedging reserve		(22,480)		-
	P	(11,752)	P	123,515

Foreign exchange gains (losses) – port concession rights payable resulted from revaluation of foreign currency denominated port concession rights payable.

## 7. Financial Risk Management Objectives and Policies

The Company has various financial assets and liabilities such as cash and cash equivalents, trade and other receivables, deposits and trade and other payables, which arise directly from its operations. The main purpose of these financial instruments is to raise financing for the Group's capital expenditures and operations. Other financial instruments include AFS financial assets.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, credit risk, and foreign currency risk. The BOD 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.

The interest rate profile of the Company's interest bearing financial instrument is as follows:

	As of June 30, 2015	As of December 31, 2014 (Audited)
<b>Fixed Rate Instruments</b>		
Cash and cash equivalents	P3,401,289	P3,600,303

### *Fair Value Sensitivity Analysis for Fixed Rate Instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through consolidated statements of income, therefore, a change in interest rates at the reporting date would not affect consolidated statements of income.

### 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 June 30, 2015	Carrying Amount	Contractual Cash Flows					Total
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	
Trade and other payables	P 1,484,242	P 751,029	P 264,855	P 468,358	P -	P -	P 1,484,242
Port concession rights payable	7,624,006		164,415	493,244	3,345,455	10,364,136	14,367,250
<b>Total</b>	<b>P 9,108,248</b>	<b>P 751,029</b>	<b>P 429,271</b>	<b>P 961,602</b>	<b>P 3,345,455</b>	<b>P 10,364,136</b>	<b>P 15,851,492</b>

As of December 31, 2014 (Audited)	Carrying Amount	Contractual Cash Flows					Total
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	
Trade and other payables	P 1,861,686	P 1,129,022	P 269,713	P 462,951	P -	P -	P 1,861,686
Port concession rights payable	7,629,438	-	164,415	493,244	3,339,738	10,379,669	14,377,066
<b>Total</b>	<b>P 9,491,124</b>	<b>P 1,129,022</b>	<b>P 434,128</b>	<b>P 956,195</b>	<b>P 3,339,738</b>	<b>P 10,379,669</b>	<b>P 16,238,752</b>

### 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.

Financial information on the Company's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	June 30, 2015	December 31, 2014 (Audited)
Cash and cash equivalent	P 3,401,289	P 3,600,303
Trade and other receivables - net	415,528	478,795
Deposits	33,851	32,875
AFS financial assets	2,652	2,652
<b>Total</b>	<b>P 3,853,321</b>	<b>P 4,114,624</b>

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

As of June 30, 2015, 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.

As part of its foreign currency risk strategy, commencing July 1, 2014, the Company hedges the spot exchange risk on the highly probable forecast US dollar revenue transactions using a non-derivative financial instrument, port concession rights payable, which is denominated in US dollar. The financial liability creates an exposure to the functional currency which offsets the foreign currency exposure on the highly probable US dollar revenue stream. This type of hedging relationship is designated as cash flow hedge.

The Company has assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Company has designated 67% of the monthly US dollar revenue as the hedged item for the next three years from the date of designation i.e. July 1, 2014.

The Company uses the port concession rights payable as a hedging instrument to hedge the spot exchange risk in the highly probable forecast transactions.

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

	As of June 30, 2015	As of December 31, 2014 (Audited)
<b>Assets</b>		
Cash and cash equivalents	US\$676	US\$2,347
Trade and other receivables	469	416
	<b>1,145</b>	<b>2,763</b>
<b>Liabilities</b>		
Trade and other payables	5,132	4,775
Port concession rights payable	153,564	154,882
	<b>158,696</b>	<b>159,657</b>
Net foreign currency-denominated liabilities	<b>(US\$157,551)</b>	<b>(US\$156,894)</b>
Peso equivalent	<b>(P7,103,975)</b>	<b>(P7,016,300)</b>

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		Effect on Equity
	Before Income Tax		
<b>June 30, 2015</b>			
+5%	P	(355,199) P	(248,639)
-5%		355,199	248,639
<b>December 31, 2014 (Audited)</b>			
+5%	P	(350,815) P	(245,570)
-5%		350,815	245,570

### 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 June 30, 2015.

The Company is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Company.

	June 30, 2015		December 31, 2014	
			(Audited)	
Capital Stock	P	2,000,000	P	2,000,000
Additional paid-in capital		264,300		264,300
Retained Earnings		8,025,146		7,841,267
Hedging reserve		(130,700)		(106,838)
Fair value reserve		(5,820)		(5,820)
<b>Total</b>	<b>P</b>	<b>10,152,926</b>	<b>P</b>	<b>9,992,909</b>

## 8. 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 June 30, 2015		As of December 31, 2014	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial assets:</b>				
<b>Loans and receivables:</b>				
Cash and cash equivalents	P 3,406,954	P 3,406,954	P 3,606,926	P 3,606,926
Trade and other receivables - net	415,528	415,528	478,795	478,795
Deposits	33,851	42,049	32,875	41,368
	3,856,333	3,864,531	4,118,596	4,127,089
AFS financial assets	2,652	2,652	2,652	2,652
	P 3,858,985	P 3,867,183	P 4,121,248	P 4,129,741
<b>Financial liabilities:</b>				
<b>Other Financial liabilities:</b>				
Trade and other payables	P 1,484,242	P 1,484,242	P 1,861,686	P 1,861,686
Port concession rights payable	7,624,006	7,624,006	7,629,438	7,629,438
	P 9,108,248	P 9,108,248	P 9,491,124	P 9,491,124

### Fair Value of 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.

### *Nonderivative Financial Instruments*

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 3.47% and 4.0% in 2015 and 2014, respectively.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using 5.92% and 11.48% for South Harbor and Batangas Container Terminal, respectively.

### 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).

As of June 30, 2015		Level 1		Level 2		Level 3
<b>AFS financial assets</b>	<b>P</b>	<b>933</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>1,719</b>
As of December 31, 2014 (Audited)		Level 1		Level 2		Level 3
AFS financial assets	P	933	P	-	P	1,719

There have been no transfers from one level to another in 2015 and 2014.