ASIAN TERMINALS INCORPORATED
ISO 28000:2007, OHSAS 18001:2007, ISO 14001:2004 certified
ISPS Code compliant

Asian Terminals Inc. Head Office
A. Bonifacio Drive, Port Area,
Manila, 1018 Philippines
PO Box 3021, Manila, Philippines
Tel No. (+632) 5286000
Fax No.(+632) 5272467

August 14, 2012

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue,
Makati City

Attention : **MS. JANET ENCARNACION**
Head-Disclosure Department

RE : SEC Form 17-Q (June 30, 2012)

Gentlemen,

We submit our SEC Form 17-Q for the second quarter of 2012.

Thank you.

Truly yours,

Atty. Rodolfo G. Corvite, Jr.
Corporate Secretary / CIO

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, 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 : **June 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 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 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 are 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 measure 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 six months ended June 30, 2012

Revenues in the first six months of 2012 grew by 3.4% to P2,287.7 million from P2,213.5 million in the same period last year. Revenues in South Harbor international containers were up by 4.3% or P74.6 million due to higher volumes and tariff increase on vessel-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. Revenues from Port of Batangas Phase 1 also went up by 31.4% or P52.4 million due to higher volumes. On the other hand, revenues from South Harbor domestic terminal operations went down by 15.1% or P 27.8 million due to decrease in cargo volumes and number of passengers. Revenues from South Harbor international non-containerized cargoes likewise decreased by 6.6% or P6.4 million due to decrease in steel cargoes.

Cost and expenses in the first six months of 2012 went up by 3.4% to P1,243.4 million to P1,202.7 million in the same period last year. Labor costs were up by 3.8% to P414.2 million in 2012 from P399.0 million last year due to higher contract labor. Equipment running costs amounted to P242.6 million in 2012, 3.1% higher compared to P235.3 million last year due to higher electricity. Depreciation and amortization this year increased by 12.1% to P225.6 million from P201.3 million last year on account of additions to intangible assets. Taxes and licenses went up by 14.6% to P73.6 million this year from P64.2 million in 2011 due to higher documentary stamps and increase in realty tax rate from 2% to 3%. Insurance costs increased by 11.9% to P41.9 million this year from P37.5 million last year due to higher insurance premiums and additional insurance coverage. Rental of P31.9 million in 2012 rose by 12.9% from P28.3 million last year due to additional space and equipment rentals. Facilities-related expenses of P28.5 million in 2012 were 24.6% higher than P22.9 million in 2011 due to higher maintenance costs for piers and lightings. Professional fees of P12.2 million in 2012 increased by 18.4% compared to P10.3 million 2011 due to higher survey and legal costs.

Management fees this year of P47.3 million decreased by 2.2% from P48.3 million last year on account of lower net income. General transport costs were down by 30.7% to P24.3 million in 2012 from P35.0 million on account of lower trucking costs. Other expenses of P60.9 million this year declined by 24.7% from P80.9 million last year due to lower communication costs, travel and office supplies.

Finance costs in 2012 declined by 94.5% to P1.3 million from P23.8 million in 2011, as last year included interest costs from loans of P300 million. Finance income grew by 2.9% to P34.3 million this year from P33.3 million last year on account of higher average balance of cash and cash equivalents. Others-net decreased by 86.2% to P11.1 million in 2012 from P80.3 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 P1,088.4 million, down by 1.1% from P1,100.6 million in the same period last year. Provision for income tax of P309.4 million in 2012 were lower by 2.8% compared to P318.4 million in the same period last year.

Net income for the six months ended June 30, 2012 amounted to P779.0 million, slightly lower by 0.4% than P782.2 million for the same period last year. Earnings per share this year was P0.39, the same level as last year's.

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 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 June 30, 2012 of P8,924.7 million was 3.5% lower than P9,252.5 million as of December 31, 2011. Current assets declined by 11.8% to P2,949.7 million as of end June 30, 2012 from P3,345.2 million as of end 2011. Cash and cash equivalents decreased by 15.9% to P2,113.8 million as of June 30, 2012 from P2,513.0 million as of December 31, 2011 due to acquisition of intangible assets and payment of cash dividends. Trade and other receivables-net increased by 20.3% to P434.3 million as of end June 30, 2012 from P361.0 million as of end 2011 due to revenues during the period. Spare parts and supplies-net amounting to P166.0 million as of June 30, 2012 were 3.4% lower than P171.8 million as of December 31, 2011 due to disposal of obsolete parts. Prepaid expenses as of June 30, 2012 amounted to P235.6 million, 21.3% down from P299.5 million as of December 31, 2011 due to amortization of prepaid insurance and reduction in advances to suppliers account.

Total noncurrent assets grew by 1.1% to P5,975.1 million as of June 30, 2012 from P5,907.3 million as of December 31, 2011. Investment in an associate of P53.0 million as of June 30, 2012 went down by 12.2% from P60.3 million as of December 31, 2011 on account of cash dividend received. Property and equipment-net of P397.7 million as of June 30, 2012 were slightly lower by 0.1% 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 P22.0 million. Intangible assets-net increased by 1.6% to P5,354.9 million as of June 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 P316.8 million. Other noncurrent assets decreased to P81.6 million as of end June 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 decreased by 28.5% to P1,268.0 million as of June 30, 2012 from P1,773.9 million as of December 31, 2011. Trade and other payables were down by 34.8% to P1,010.7 million as of end June 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 went up by 3.4% to P91.0 million as of June 30, 2012 from P88.0 million as of December 31, 2011 on account of additional cargo claims. Income and other taxes payable of P109.5 million as of June 30, 2012 was higher by 20.0% compared with P91.3 million as of December 31, 2011 due to withholding tax for cash dividends.

Pension liability went up by 28.4% as of June 30, 2012 amounted to P56.7 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 six months of 2012 were down by 41.7% to P481.2 million in the six months of 2012 from P825.2 million in the same period last year due to lower income before income tax and increase in trade and other receivables.

Net cash used in investing activities in the first six months of 2012 totaled P276.5 million, 18.5% higher compared to P233.2 million in the same period last year on account of higher acquisitions of property and equipment and intangible assets.

Net cash used in financing activities in the first six 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 June 2012:

- ATIB's total assets were only 4.9% of the consolidated total assets
- Income before other income and expense for ATIB was only 10.5% of consolidated income before other income and expenses.

Consolidated KPI	Manner of Calculation	As of June 30		Discussion
		2012	2011	
Return on Capital Employed	Percentage of annualized income before other income and expenses over capital employed	30.8%	28.6%	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	20.6%	21.8%	Decrease resulted from higher equity
Current ratio	Ratio of current assets over current liabilities	2.44 : 1.00	2.37 : 1.00	Increased due to decrease in current liabilities
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.17 : 1.00	1.22 : 1.00	Decreased due to increase in equity
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.17 : 1.00	0.21 : 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	17 days	13 days	Increase was due to higher revenues and slower collection rate.
Lost Time Injury	No. of lost time from injuries per standard man-hours	0.44	0.85	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 payable 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

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, 2012

Principal Financial/Accounting Officer:

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

Date : August 14, 2012

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		June 30, 2012 (Unaudited)		December 31, 2011 (Audited)
		(In Thousands)		
ASSETS				
Current Assets				
Cash and cash equivalents	**P**	**2,113,844**	P	2,512,975
Trade and other receivables - net		**434,281**		360,953
Spare parts and supplies - at net realizable value		**165,971**		171,803
Prepaid expenses		**235,577**		299,467
Total Current Assets		**2,949,673**		3,345,198
Noncurrent Assets				
Investment in an associate - at equity		**52,999**		60,337
Property and equipment - net		**397,708**		397,918
Intangible assets - net		**5,354,862**		5,269,696
Other financial assets		**27,697**		24,930
Deferred tax assets - net		**60,206**		60,404
Other noncurrent assets		**81,587**		93,991
Total Noncurrent Assets		**5,975,059**		5,907,276
TOTAL ASSETS	**P**	**8,924,732**	P	9,252,474
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**P**	**1,010,687**	P	1,550,382
Provisions for claims		**91,048**		88,029
Income and other taxes payable		**109,542**		91,305
Total Current Liabilities		**1,211,277**		1,729,716
Noncurrent Liabilities				
Pension liability		**56,719**		44,180
Total Noncurrent Liabilities		**56,719**		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		**5,397,088**		5,218,963
Other reserves		**(5,820)**		(5,820)
		7,655,568		7,477,443
Non-controlling Interest		**1,168**		1,135
Total Equity		**7,656,736**		7,478,578
TOTAL LIABILITIES AND EQUITY	**P**	**8,924,732**	P	9,252,474

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, In Thousands, Except Per Share Data)

		For the second quarter Ended June 30				For the six months Ended June 30		
		2012		2011		**2012**		2011
REVENUES	**P**	**1,206,084**	P	1,094,845	**P**	**2,287,711**	P	2,213,469
COSTS AND EXPENSES		**(634,443)**		(597,460)		**(1,243,389)**		(1,202,740)
OTHER INCOME AND EXPENSES								
Finance cost		**(570)**		(12,045)		**(1,315)**		(23,777)
Finance income		**16,353**		17,823		**34,307**		33,346
Others - net		**7,993**		73,377		**11,106**		80,265
INCOME BEFORE INCOME TA		**595,418**		576,540		**1,088,420**		1,100,564
INCOME TAX EXPENSE								
Current		**167,700**		164,039		**309,234**		319,964
Deferred		**(1,131)**		(1,706)		**198**		(1,608)
		166,569		162,332		**309,432**		318,355
NET INCOME	**P**	**428,848**	P	414,208	**P**	**778,988**	P	782,209
Attributable To:								
Owners of the Parent Company	**P**	**428,352**	P	413,932	**P**	**778,125**	P	781,658
Non-controlling interest		**497**		275		**863**		550
	P	**428,849**	P	414,207	**P**	**778,988**	P	782,209
Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Compa	**P**	**0.21**	P	0.21	**P**	**0.39**	P	0.39

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				**778,125**		**778,125**	**863**	**778,988**
Balance at June 30, 2012	**P 2,000,000**	**P 264,300**	**P 1,000,000**	**P 4,397,088**	**(P 5,820)**	**P 7,655,568**	**P 1,168**	**P 7,656,736**
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)	-	(600,000)
Net income for the period				781,658		781,658	550	782,209
Adjustment of other reserves					P 14,181	14,181	-	14,181
Balance at June 30, 2011	P 2,000,000	P 264,300	P 1,000,000	P 4,005,749	(P 5,820)	P 7,264,230	P 1,453	P 7,265,682

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the second quarter ended June 30		For the six months ended June 30	
	2012	2011	**2012**	2011
	(in thousands)		*(in thousands)*	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**P 595,418**	P 576,538	**P 1,088,420**	P 1,100,563
Adjustments for:				
Depreciation and amortization	**112,540**	100,015	**225,619**	201,259
Finance cost	**570**	12,043	**1,315**	23,776
Finance income	**(16,353)**	(17,825)	**(34,307)**	(33,347)
Contribution to retirement fund	**-**	-	**(2,598)**	-
Net unrealized foreign exchange losses	**2,561**	32,388	**5,708**	28,203
Equity in net earnings of an associate	**(5,355)**	(5,186)	**(10,573)**	(9,548)
Loss (Gain) on disposals of:				
Property and equipment	**(240)**	(12)	**(476)**	(23)
Intangible Assets	**-**	(6,528)	**277**	(7,853)
Amortization of noncurrent prepaid rental	**246**	-	**492**	246
Operating income before working capital changes	**689,386**	691,436	**1,273,877**	1,303,277
Provisions for:				
Inventory obsolescence	**-**	1,108	**-**	2,216
Decrease (increase) in:				
Trade and other receivables	**(55,022)**	401,717	**(76,422)**	437,483
Spare parts and supplies	**(2,101)**	(12,055)	**4,708**	(21,899)
Prepaid expenses	**101,195**	61,188	**63,891**	(9,121)
Increase (decrease) in:				
Trade and other payables	**34,650**	(182,395)	**(493,926)**	(491,939)
Provisions for claims	**944**	(224)	**3,019**	(1,450)
Income and other taxes payable	**46,330**	35,365	**15,184**	(1,851)
Net cash generated from operations	**815,383**	996,140	**790,331**	1,216,714
Finance cost paid	**(2,699)**	(30,107)	**(2,942)**	(30,907)
Income tax paid	**(306,181)**	(360,651)	**(306,181)**	(360,651)
Net cash provided by operating activities	**506,502**	605,382	**481,208**	825,157
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and Equipment	**(13,067)**	(15,701)	**(22,038)**	(21,027)
Intangible assets	**(212,111)**	(109,971)	**(316,830)**	(209,959)
Finance income received	**16,468**	17,732	**34,200**	32,968
Increase (decrease) in other noncurrent assets	**6,172**	4,221	**11,912**	(51,709)
Proceeds from disposals of:				
Property and Equipment	**240**	12	**476**	23
Intangible assets	**-**	9,821	**267**	11,205
Decrease in deposits	**(1,054)**	38	**(2,365)**	(68)
Dividends received	**-**	-	**17,911**	5,357
Net cash used in investing activities	**(203,351)**	(93,848)	**(276,467)**	(233,212)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	**(600,000)**	(600,000)	**(600,000)**	(600,000)
Cash dividend to non-controlling interest	**(830)**	-	**(830)**	-
Cash used in financing activities	**(600,830)**	(600,000)	**(600,830)**	(600,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(297,679)**	(88,465)	**(396,089)**	(8,055)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,315)**	(32,388)	**(3,042)**	(28,205)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,412,838**	2,397,946	**2,512,975**	2,313,353
CASH & CASH EQUIVALENTS AT END OF YEAR	**P 2,113,844**	P 2,277,093	**P 2,113,844**	P 2,277,093

SELECTED
EXPLANATORY NOTES
June 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 six months ended June 30 **2012**	2011
	(In Thousands)	
Revenue	**2,287,711**	2,213,469
Intangible Assets (excluding goodwill)	**5,312,802**	5,175,469
Property and equipment - net	**397,708**	406,179
Total assets	**8,924,732**	8,826,560
Total liabilities	**1,267,996**	1,560,878
Capital expenditures		
Intangible Assets	**316,830**	209,959
Property and equipment	**22,038**	21,026
Depreciation and amortization	**225,619**	201,259
Noncash expenses (income) other than depreciation and amortization	**-**	2,216

2. Trade Receivables - net

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

	As of June 30, 2012	As of December 31, 2011
Up to 6 months	**P 310,580**	P 232,309
Over 6 months to 1 year	**-**	-
Over 1 year	**-**	-
Total	**P 310,580**	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	**June 30, 2012**	December 31, 2011 (Audited)
Cost							
Balance at beginning of year	P 165,937	P 520,176	P 497,766	P 107,889	P 14,079	**P 1,305,847**	P 1,335,380
Additions	900	80	4,465	9,425	7,168	**22,038**	48,245
Disposals	-	-	(204)	(7,219)	-	**(7,423)**	(7,155)
Reclassifications	133	(133)	-	338	(338)	**-**	-
Retirements	-	-	5,460	(693)	-	**4,767**	(70,623)
Balance at end of year	166,970	520,123	507,487	109,740	20,909	**1,325,229**	1,305,847
Accumulated depreciation and amortization:							
Balance at beginning of year	123,550	291,237	419,006	74,136	-	**907,929**	922,917
Additions	5,873	5,615	11,777	5,312	-	**28,577**	55,954
Disposals	-	-	(204)	(7,219)	-	**(7,423)**	(6,692)
Reclassification	-	-	-	-	-	**-**	-
Retirements	-	-	(869)	(693)	-	**(1,562)**	(64,250)
Balance at end of year	129,423	296,852	429,710	71,536	-	**927,521**	907,929
Net book value	P 37,547	P 223,271	P 77,777	P 38,204	P 20,909	**P 397,708**	P 397,918

4. Intangible Assets

		June 30, 2012		December 31, 2011 (Audited)
Service concession	**P**	**5,312,802**	P	5,227,636
Goodwill		**42,060**		42,060
Total	**P**	**5,354,862**	P	5,269,696

The movements of service concession are as follows:

		June 30, 2012		December 31, 2011 (Audited)
Cost				
Balance at beginning of year	**P**	**8,540,744**	P	8,154,734
Additions		**316,830**		455,646
Derecognition		**(45,471)**		(69,636)
Balance at end of year		**8,812,103**		8,540,744
Accumulated amortization				
Balance at beginning of year		**3,313,108**		3,011,924
Amortization for the year		**197,042**		364,044
Derecognition		**(10,849)**		(62,860)
Balance at end of year		**3,499,301**		3,313,108
Carrying amount	**P**	**5,312,802**	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

		June 30, 2012		December 31, 2011 (Audited)
Trade	**P**	**47,962**	P	77,795
Accrued expenses:				
Personal costs		**135,006**		132,451
Rental		**61,091**		61,763
Repairs and maintenance		**22,851**		57,689
Finance costs		**14,551**		16,358
Security expenses		**7,567**		10,009
Professional fees		**8,936**		9,177
Safety and environment		**1,392**		2,175
Others		**248,274**		193,407
Dividends payable		**9,009**		500,000
Due to government agencies		**320,100**		308,536
Equipment acquistions		**43,875**		79,858
Shippers' and brokers' deposits		**40,367**		34,927
Due to related parties		**8,914**		6,853
Others		**40,792**		59,384
Total	**P**	**1,010,687**	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 June 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 June 30, 2012	**Carrying Amount**	**Contractual Cash Flows**					
		On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
				(In Thousands)			
Trade and other payables	P 1,010,687	P 395,243	P 63,902	P 551,542	P -	P -	P 1,010,687

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
				(In Thousands)			
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 June 30, 2012, 95% of the total trade and other receivables which are neither past due nor impaired are of high grade quality and the remaining 5% are of standard 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 June 30, 2012	As of December 31, 2011
Assets:		
Cash and cash equivalents	**USD 3,661**	USD 1,027
Trade and other receivables	**2,004**	2,290
	5,665	3,317
Liabilities:		
Trade and other payables	**941**	1,172
Net foreign currency-denominated assets	**4,724**	USD 2,145
Peso equivalent	**P 198,978**	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
June 30, 2012		
+5%	**P 9,949**	**P 6,964**
-5%	**(9,949)**	**(6,964)**
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 June 30, 2012.

The Company is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Company.

		As of June 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		**5,397,089**		5,218,963
Other reserves		**(5,820)**		(5,820)
Total	**P**	**7,655,569**	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 June 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	2,113,844	P	2,113,844	P	2,512,975	P	2,512,975
Trade and other receivables		434,281		434,281		360,953		360,953
Deposits		25,045		32,519		22,278		30,156
		2,573,170		2,580,644		2,896,206		2,904,084
Available-for-sale financial assets		2,652		2,652		2,652		2,652
		2,575,821		**2,583,296**		2,898,858		2,906,736
Financial liabilities:								
Trade and other payables		1,010,687		1,010,687		1,550,382		1,550,382
	P	**1,010,687**	**P**	**1,010,687**	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 5.66% and 5.35% in 2012 and 2011, respectively.

b. Derivative instruments

As of June 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
		(In Thousands)	
As of June 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.