108132018001314

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

Document ID	108132018001314
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Remarks	

COVER SHEET

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S.E.C. Registration Number

ASIAN TERMINALS INC.

(Company's Full Name)

ATI HEAD OFFICE A. BONIFACIO
DRIVE, PORT AREA, MANILA 1018

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

ATTY. RODOLFO G. CORVITE,JR.

Contact Person

5286000

Company Telephone Number

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Month	*Day*	FORM TYPE	*Month*	*Day*

2018 Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 2 9

As of July 31, 2018

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

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, 2018
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, 2018**
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

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2018 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

Effective January 1, 2018

- PFRS 9 *Financial Instruments* (2014). PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  Based on the management's initial assessment, the new standards will not have a significant impact on the measurement of its financial instruments.

- PFRS 15 *Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Based on the Group's assessment, the new standard will not have a material impact on the financial statements.

- *Applying* PFRS 9 *Financial Instruments with* PFRS 4 *Insurance Contracts (Amendments to* PFRS 4*).* The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 *Financial Instruments: Recognition and* Measurement if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

  The amendments permitting the temporary exemption are for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

- Philippine Interpretation IFRIC - 22 *Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- PFRS 16 *Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

The Group is still in the process of assessing the potential impact on its consolidated financial statements.

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, 2018

Revenues for the first half of 2018 of P5,696.9 million went up by 12.4% from P5,069.5 million in the same period last year. Revenues from South Harbor international containerized cargo operations and Batangas Container Terminal increased from last year on account of higher container volumes, which grew by 4.5% and 23.3%, respectively. Likewise, revenues in Port of Batangas were higher compared to last year due to higher volumes of containers, RoRo and passengers.

Government share in revenues for the first six months of 2018 amounted to P1,034.5 million increased by 15.4% from P896.7 million last year resulting from higher revenues subject to port authorities' share.

Cost and expenses rose by 12.3% to P2,363.6 million in the first six months of 2018 from P2,105.4 million in the same period last year. Labor costs of P686.8 million this year were up by 9.9% compared to P624.7 million last year due to salary rate increases and additional headcount related to higher volumes. Equipment running costs went up by 36.0% to P383.6 million this year from P282.1 million last year due to higher usage of equipment spare parts and higher fuel costs resulting from higher prices and higher consumption. Taxes and licenses in 2018 of P141.8 million were higher by 11.3% compared to P127.4 million in 2017 due to higher real property taxes. Facilities-related expenses in 2018 was P104.9 million, 45.4% up from P72.1 million in 2017 due to higher repairs and maintenance costs on buildings, surface and pavement, lightings and various repairs and IT costs. Security, health, environment and safety increased by 17.9 % to P99.9 million in 2018 from P84.7 million in 2017. Management fees of P85.3 million in 2018 were higher by 19.6% than P71.3 million in 2017 following higher earnings before tax. Rentals of P72.3 million in 2018 increased by 17.7% to P61.4 million in the same period last year due to higher space rentals for RoRo cargoes. Insurance of P42.8 million in 2018 increased by 36.0% compared to P31.5 million last year due to higher insurance premiums. Professional fees in 2018 of P26.4 million went up by 254.3% from P7.5 million last year due to higher legal expenses and consultancy fees. General transport of P22.2 million in 2018 were higher by 7.2% than P20.7 million in 2017 on account of higher trucking costs. Other expenses in 2018 amounted to P132.3 million, 30.0% higher compared to P101.7 million last year due to higher travel and accommodation, training and development, office supplies and provision for cargo claims.

Depreciation and amortization in 2018 decreased by 9.1% to P561.5 million from P617.9 million in 2017 due to full amortization of QC6 and QC9 last June 2017.

Finance income in 2018 of P41.4 million were lower by 2.8% against P42.6 million last year due to lower cash balance. Finance costs in 2018 of P266.4 million were lower by 6.8% vs. P285.7 million in 2017 due to declining interest expense on concession rights payable. Others-net decreased to negative P126.4 million in 2018 from negative P190.2 million in 2017 mainly due to unrealized foreign exchange gain on USD dollar Money Market Placements following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in the first half of 2018 of P1,947.4 million grew by 19.2% from P1.634.1 million in the same period last year. Provision for income tax increased by 21.8% to P545.8 million in 2018 from P448.2 million in the same period last year.

Net income of P1,401.6 million for the first half of 2018 was 18.2% higher than P1,185.9 million for the same period last year. Excluding the foreign exchange gain (losses) attributable to port concession rights payable, net income would have been P1,563.1 million for the first six months of 2018, 16.0% higher compared to P1,348.0 million for the same period last year. Earnings per share this year was P0.70, last year was P0.59.

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 first six months of 2018:

- 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, 2018 increased by 2.7% to P26,455.5 million from P25,765.2 million as of December 31, 2017. Current assets decreased by 1.3% to P8,362.2 million as of June 30, 2018 from P8,469.2 million as of December 31, 2017. Cash and cash equivalents of P6,517.1 million as of June 30, 2018 was lower by 6.2% compared to P6,945.2 million as of December 31, 2017. Trade and other receivables-net of P550.4 million as of June 30, 2018 increased by 12.2% from P490.5 million as of December 31, 2017. Spare parts and supplies-net as of June 30, 2018 rose by 21.4% to P490.0 million from P403.7 million as of December 31, 2017. Prepaid expenses as of June 30, 2018 of P804.7 million were higher by 27.8% than P629.9 million as of December 31, 2017 on account of the unamortized portion of prepaid real property and business taxes for the year and prepaid land rental for Cavite Project.

Total noncurrent assets of P18,093.4 million as of June 30, 2018 was higher by 4.6% compared to P17,296.0 million as of December 31, 2017. Investment in an associate decreased by 42.4% to P50.1 million as of June 30, 2018 from P87.0 million as of December 31, 2017 on account of cash dividends received from an associate. Property and equipment – net amounted to P602.9 million, up from P565.6 million as of December 31, 2017. Intangible assets – net of P16,277.5 million was higher than P15,753.2 million as of December 31, 2017. The acquisitions of property and equipment and intangible assets, which amounted to P92.6 million and P1,030.5 million, respectively, was partially offset by the increase in depreciation and amortization. Deferred tax assets – net amounted to P976.2 million as of June 30, 2018, 17.5% above the P831.0 million as of December 31, 2017. Other noncurrent assets increased by 215.4% to P186.7 million as of June 30, 2018 from P59.2 million as of December 31, 2017 due to higher input taxes on additions to property and equipment and intangible assets.

Total liabilities increased by 3.4% to P12,541.8 million as of June 30, 2018 from P12,129.7 million as of December 31, 2017. Trade and other payables increased by 1.5% to P2,729.3 million as of June 30, 2018 from P2,690.2 million as of December 31, 2017. Trade and other payables are covered by agreed payment schedules. Provisions for claims of P222.2 million as of June 30, 2018 increased by 8.6% from P204.5 million as of December 31, 2017. Concession rights payable (current and noncurrent) as of June 30, 2018 totaled P9,183.3 million increased by 4.2% from P8,806.6 million as of December 31, 2017. Income and other taxes payable of P333.3 million as of June 30, 2018 was higher by 5.7% compared to P315.3 million as of December 31, 2017 due to income tax for the second quarter of 2018. Pension liability of P73.7 million were down by 34.8% as of June 30, 2018 from P113.1 million as of December 31, 2017 due to contributions made to the retirement funds.

Consolidated Cash Flows

Net cash provided by operating activities in the first six months of 2018 was P1,977.0 million, 14.2% lower than P2,303.6 million in the same period last year due to increase in trade and other payables and increase in withholding tax for cash dividends paid in June 2018.

Net cash used in investing activities in the first six months of 2018 of P1,186.5 million was higher by 120.0% versus the P539.2 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 six months of of 2018 was P1,291.5 million, 3.7% higher than P1,245.8 million in the same period last year due to higher payments of port concession rights payable and cash dividends.

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 2018:

- ATIB's total assets were only 9.8% of the consolidated total assets
- Income before other income and expense for ATIB was only 8.4% of consolidated income before other income and expenses[1].

Consolidated KPI	Manner of Calculation	As of June 30		Discussion
		2018	2017	
Return on Capital Employed	Percentage of annualized net income before other income and expenses over capital employed	19.8%	19.3%	Increase due to higher annualized net income.
Return on Equity attributable to equity holders of the parent	Percentage of annualized net income over equity attributable to equity holders of the parent	20.3%	19.8%	Increase due to higher annualized net income.
Current ratio	Ratio of current assets over current liabilities	2.34 : 1.00	2.78 : 1.00	Decrease due to lower current assets and higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.90 : 1.00	1.97 : 1.00	Decreased due to increase in retained earnings.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.90 : 1.00	0.97 : 1.00	Improved due to increase in stockholders' equity
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	11 days	11 days	Same as last year.
Net Income Margin	Net income over revenues less government share in revenues	30.1%	28.4%	Increase due to higher revenues.
Reportable Injury Frequency Rate (RIFR)[2]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.79	0.56	Due to higher number of injuries.

[1] Income before other income and expenses is defined as income before net financing costs, forex gains or losses and others.

[2] RFIR 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 26, 2018, the Board of Directors of ATI approved a cash dividend of P0.45 per share to stockholders on record as of May 22, 2018 payable on June 18, 2018. As of date of this report, the Company has ordinary shares only.

Submissions of SEC Form 17-C:

Date Filed	Reference	Particulars
January 22, 2018	SEC 17-C	Resignation of director (Mohammad Ali Mohammad Ahmad)
January 30, 2018	SEC 17-C	Election of Mr. Matthew W. Leech as director, replacing Mr. Mohammad Ali Mohammad Ahmad.
February 5, 2018	SEC 17-C	Resignation of Mr. Rashed Ali Hassan Abdulla as director and Chairman effective April 1, 2018; Resignation of Mr. Andrew Hoad as Executive Vice President effective March 17, 2018; Appointment of Mr. William Wassaf Khoury Abreu as Executive Vice President effective March 17, 2018, replacing Mr. Hoad.
February 20, 2018	SEC 17-C	Notice of Guidelines for Nominations for Election to the Board of Directors
February 21, 2018	SEC 17-C	Resignation of Mr. Kwok Leung Law as director.
February 23, 2018	SEC 17-C	Setting the date, venue, agenda and record date of the 2018 Annual Stockholders' Meeting and closing of stock and transfer book; Approval of the 2017 Audited Financial Statements; Appointment of the independent auditors for 2018; Election of Mr. Andrew R. Hoad as director effective immediately replacing Mr. Kwok Leung Law and as Chairman effective April 1, 2018 replacing Mr. Rashed Ali Hassan Abdulla; Election of Mr. Ahmad Yousef Ahmad Alhassan Al Simreen as director effective April 1, 2018, replacing Mr. Rashed Ali Hassan Abdulla.
April 27, 2018	SEC 17-C	Results of the 2018 Annual Stockholders' Meeting, Declaration of Cash Dividends, Record and Payment Dates and Results of the Organizational Meeting

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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 : August 13, 2018

Principal Financial/Accounting Officer:

mrpinca
MARISSA R. PINCA
Senior Manager for Accounting and Financial Planning

Date : August 13, 2018

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**P6,517,101**	P6,945,189
Trade and other receivables - net	**550,373**	490,466
Spare parts and supplies	**489,968**	403,701
Prepaid expenses	**804,708**	629,872
Total Current Assets	**8,362,150**	8,469,228
Noncurrent Assets		
Investment in an associate	**50,106**	87,027
Property and equipment - net	**602,916**	565,618
Intangible assets - net	**16,277,450**	15,753,157
Deferred tax assets - net	**976,216**	831,026
Other noncurrent assets	**186,666**	59,181
Total Noncurrent Assets	**18,093,354**	17,296,009
TOTAL ASSETS	**P26,455,504**	P25,765,237
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**P2,729,300**	P2,690,212
Provisions for claims	**222,227**	204,544
Port concession rights payable - current portion	**286,703**	258,060
Income and other taxes payable	**333,312**	315,287
Total Current Liabilities	**3,571,542**	3,468,103
Noncurrent Liabilities		
Port concession rights payable - net of current portion	**8,896,579**	8,548,520
Pension liability	**73,674**	113,073
Total Noncurrent Liabilities	**8,970,253**	8,661,593
	12,541,795	12,129,696
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**2,000,000**	2,000,000
Additional paid-in capital	**264,300**	264,300
Retained earnings	**12,076,095**	11,575,652
Hedging reserve	**(430,451)**	(207,620)
Fair value reserve	**(5,820)**	(5,820)
	13,904,124	13,626,512
Non-controlling Interest	**9,585**	9,029
Total Equity	**13,913,709**	13,635,541
TOTAL LIABILITIES AND EQUITY	**P26,455,504**	P25,765,237

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	
	2018	2017	**2018**	2017
REVENUES FROM OPERATIONS	**P3,049,564**	P2,759,552	**P5,696,920**	P5,069,469
GOVERNMENT SHARE IN REVENUES	**(566,851)**	(509,435)	**(1,034,536)**	(896,725)
	2,482,713	2,250,117	**4,662,384**	4,172,744
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	**(1,203,477)**	(1,073,646)	**(2,363,568)**	(2,105,358)
OTHER INCOME AND EXPENSES				
Finance income	**25,501**	23,922	**41,404**	42,596
Finance cost	**(127,003)**	(142,392)	**(266,443)**	(285,746)
Others - net	**(35,089)**	(98,255)	**(126,424)**	(190,157)
	(136,591)	(216,725)	**(351,463)**	(433,307)
CONSTRUCTION REVENUES	**763,563**	312,962	**1,030,527**	514,190
CONSTRUCTION COSTS	**(763,563)**	(312,962)	**(1,030,527)**	(514,190)
	-	-	**-**	-
INCOME BEFORE INCOME TAX	**1,142,645**	959,746	**1,947,353**	1,634,079
INCOME TAX EXPENSE				
Current	**328,539**	308,856	**595,465**	538,061
Deferred	**(5,566)**	(44,459)	**(49,692)**	(89,838)
	322,973	264,397	**545,773**	448,223
NET INCOME	**P819,672**	P695,349	**P1,401,580**	P1,185,856
Income Attributable to				
Equity Holders of the Parent Company	**819,078**	694,633	**P1,400,443**	1,184,596
Non - controlling interest	**594**	716	**1,137**	1,260
	P819,672	P695,349	**P1,401,580**	P1,185,856
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**P0.41**	P0.35	**P0.70**	P0.59

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the Second quarter ended June 30		For the six months ended June 30	
	2018	2017	**2018**	2017
NET INCOME FOR THE PERIOD	**P819,672**	P 695,349	**P1,401,580**	P1,185,856
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion	**(168,797)**	(37,566)	**(490,943)**	(98,997)
Cash flow hedge - reclassified to profit or loss	**87,914**	89,596	**172,613**	178,369
Tax on items taken directly to equity	**24,265**	(15,609)	**95,499**	(23,812)
	(56,618)	36,421	**(222,831)**	55,560
OTHER COMPREHENSIVE INCOME FOR THE PERIOD -				
Net of tax	**(56,618)**	36,421	**(222,831)**	55,560
TOTAL COMPREHENSIVE INCOME	**P763,054**	P731,770	**P1,178,749**	P1,241,416
Total Comprehensive Income Attributable to				
Equity Holders of the Parent Company	**P762,460**	P 731,054	**P1,177,612**	P1,240,156
Non - controlling interest	**594**	716	**1,137**	1,260
	P763,054	P 731,770	**P1,178,749**	P1,241,416

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								
			Retained Earnings						
	Common Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserves	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2018	**P2,000,000**	**P264,300**	**P9,700,000**	**P1,875,652**	**P (207,620)**	**P (5,820)**	**P13,626,512**	**P9,029**	**P13,635,541**
Cash dividends - P0.45 a share for ATI	-	-	-	**(900,000)**	-	-	**(900,000)**	**(580)**	**(900,580)**
Net income for the period	-	-	-	**1,400,443**	-	-	**1,400,443**	**1,137**	**1,401,580**
Other comprehensive income									
Cash flow hedge - effective portion - net of tax	-	-	-	-	**(343,660)**	-	**(343,660)**	-	**(343,660)**
Cash flow hedge - reclassified to profit or loss - net of tax	-	-	-	-	**120,829**	-	**120,829**	-	**120,829**
Balance at June 30, 2018	**P2,000,000**	**P264,300**	**P9,700,000**	**P2,376,095**	**(P430,451)**	**(P 5,820)**	**P13,904,124**	**P9,585**	**P13,913,709**
Balance at January 1, 2017	P2,000,000	P264,300	P7,900,000	P2,010,095	P (415,403)	P (5,820)	P11,753,172	P6,890	P11,760,062
Cash dividends - P0.43 a share for ATI	-	-	-	(860,000)	-	-	(860,000)	(580)	(860,580)
Net income for the period	-	-	-	1,184,596	-	-	1,184,596	1,260	1,185,856
Other comprehensive income									
Cash flow hedge - effective portion - net of tax	-	-	-	-	(69,298)	-	(69,298)	-	(69,298)
Cash flow hedge - reclassified to profit or loss - net of tax	-	-	-	-	124,859	-	124,859	-	124,859
Balance at June 30, 2017	P2,000,000	P264,300	P7,900,000	P2,334,691	(P 359,842)	(P 5,820)	P12,133,329	P7,570	P12,140,899

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	
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P 1,142,645	P 959,744	P1,947,353	P1,634,079
Adjustments for:				
Depreciation and amortization	274,540	309,150	561,519	617,930
Finance cost	127,003	142,392	266,443	285,746
Finance income	(25,501)	(23,922)	(41,404)	(42,596)
Contribution to retirement funds	(60,469)	-	(60,469)	-
Net unrealized foreign exchange losses	15,519	90,171	99,776	180,965
Equity in net earnings of an associate	(12,172)	(12,642)	(25,769)	(21,726)
Gain on disposals of:				
Property and equipment	(13)	(44)	(409)	(248)
Operating income before working capital changes	1,461,552	1,464,849	2,747,040	2,654,150
Decrease (increase) in:				
Trade and other receivables	(68,000)	(35,209)	(52,023)	5,299
Spare parts and supplies	(27,742)	(17,419)	(86,266)	(40,448)
Prepaid expenses	149,504	54,782	(174,836)	(140,335)
Increase (decrease) in:				-
Trade and other payables	416,114	312,068	70,614	192,352
Provisions for claims	9,438	319	17,683	(579)
Income and other taxes payable	74,195	86,058	12,381	34,273
Cash generated from operations	2,015,061	1,865,448	2,534,593	2,704,712
Finance income received	19,947	23,477	32,501	35,708
Finance cost paid	(46)	1,142	(245)	954
Income tax paid	(589,820)	(437,759)	(589,820)	(437,759)
Net cash provided by operating activities	1,445,142	1,452,309	1,977,029	2,303,615
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and Equipment	(56,932)	(17,946)	(92,583)	(47,124)
Intangible assets	(763,563)	(312,962)	(1,030,527)	(514,190)
Decrease (increase) in other noncurrent assets	(43,673)	3,400	(121,480)	4,435
Proceeds from disposals of:				
Property and Equipment	13	44	409	248
Decrease (increase) in deposits	(4,819)	309	(4,985)	3,059
Dividends received	23,285	14,329	62,690	14,329
Net cash used in investing activities	(845,689)	(312,826)	(1,186,476)	(539,243)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	(900,000)	(860,000)	(900,000)	(860,000)
Cash dividend to non-controlling interest	(580)	(580)	(580)	(580)
Port concession rights payable	(195,447)	(192,590)	(390,895)	(385,179)
Net cash used in financing activities	(1,096,027)	(1,053,170)	(1,291,475)	(1,245,759)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(496,574)	86,316	(500,922)	518,613
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	72,392	294	72,834	342
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	6,941,283	6,313,552	6,945,189	5,881,207
CASH & CASH EQUIVALENTS AT END OF YEAR	P 6,517,101	P 6,400,162	P6,517,101	P6,400,162

SELECTED
EXPLANATORY NOTES
June 30, 2018
(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	
	2018	2017
Revenue	**P5,696,920**	P5,069,469
Intangible Assets (excluding goodwill)	**16,235,390**	14,620,336
Property and equipment - net	**602,916**	480,657
Total assets	**26,455,504**	23,849,621
Total liabilities	**12,541,795**	11,708,722
Capital expenditures		
Intangible Assets	**1,030,527**	514,190
Property and equipment	**92,583**	47,124
Depreciation and amortization	**561,519**	617,930

2. Trade Receivables - net

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

	As of June 30, 2018	As of December 31, 2017 (Audited)
Up to 6 months	**P459,445**	P418,239
Over 6 months to 1 year	**-**	-
Over 1 year	**-**	-
Total	**P459,445**	P418,239

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, 2018	December 31, 2017 (Audited)
Cost							
Balance at beginning of year	P 152,084	P 560,495	P 513,661	P 190,963	P 84,497	P 1,501,700	P 1,311,306
Additions	3,061	8,025	21,772	17,742	41,984	92,584	197,628
Disposals	-	-	(16,444)	(5,307)	-	(21,751)	(6,315)
Reclassifications	(2,481)	5,402	2,239	136	(5,296)	0	-
Retirements	-	-	-	-	-	-	(919)
Balance at end of year	152,664	573,922	521,228	203,534	121,186	1,572,534	1,501,700
Accumulated depreciation							
Balance at beginning of year	124,575	372,489	316,694	122,324	-	936,082	828,134
Depreciation	3,972	9,035	30,693	11,587	-	55,286	114,905
Disposals	-	-	(16,444)	(5,307)	-	(21,751)	(6,235)
Retirements	-	-	-	-	-	-	(722)
Balance at end of year	128,547	381,524	330,943	128,604	-	969,618	936,082
Carrying Amount	P 24,117	P 192,398	P 190,285	P 74,930	P 121,186	P 602,916	P 565,618

4. Intangible Assets

As of June 30, 2018

	Port Concession Rights					
	Upfront Fees	Fixed Fees	Port Infrastructure	SubTotal	Goodwill	Total
Cost						
Balance at beginning of year	P282,000	P9,279,694	P15,084,610	P24,646,304	P42,060	P24,688,364
Additions	-	-	1,030,527	1,030,527	-	1,030,527
Disposals	-	-	(3,037)	(3,037)	-	(3,037)
Balance at end of year	282,000	9,279,694	16,112,100	25,673,794	42,060	25,715,854
Accumulated amortization						
Balance at beginning of year	52,094	2,786,178	6,096,935	8,935,207	-	8,935,207
Amortization	5,640	193,298	307,296	506,234	-	506,234
Disposals	-	-	(3,037)	(3,037)	-	(3,037)
Balance at end of year	57,734	2,979,476	6,401,194	9,438,404	-	9,438,404
Carrying Amount	P224,266	P6,300,218	P9,710,906	P16,235,390	P42,060	P16,277,450

As of December 31, 2017 (Audited)

	Port Concession Rights					
	Upfront Fees	Fixed Fees	Port Infrastructure	SubTotal	Goodwill	Total
Cost						
Balance at beginning of year	P282,000	P9,279,694	P12,982,273	P22,543,967	P42,060	P22,586,027
Additions	-	-	2,102,478	2,102,478	-	2,102,478
Disposals	-	-	(141)	(141)	-	(141)
Balance at end of year	282,000	9,279,694	15,084,610	24,646,304	42,060	24,688,364
Accumulated amortization						
Balance at beginning of year	40,814	2,399,582	5,429,133	7,869,529	-	7,869,529
Additions	11,280	386,596	667,943	1,065,819	-	1,065,819
Disposals	-	-	(141)	(141)	-	(141)
Balance at end of year	52,094	2,786,178	6,096,935	8,935,207	-	8,935,207
Carrying Amount	P229,906	P6,493,516	P8,987,676	P15,711,098	P42,060	P15,753,157

5. Trade and Other Payables

	June 30, 2018	December 31, 2017 (Audited)
Trade	**P189,315**	P379,642
Accrued expenses:		
Marketing, commercial and promotion	**371,828**	446,945
Personnel costs	**205,523**	165,279
Professional fees	**161,024**	153,683
Finance costs	**139,009**	152,744
Repairs and maintenance	**86,341**	92,788
Security expenses	**33,665**	44,037
Rental	**45,343**	70,693
Trucking Expenses	**27,707**	28,774
Corporate social responsibility	**14,841**	14,712
Utilities	**12,570**	12,104
Safety and environment	**2,984**	4,314
Miscellaneous accrued expenses	**52,836**	69,518
Due to government agencies	**677,145**	610,006
Equipment acquisitions	**410,130**	214,012
Shippers' and brokers' deposits	**101,838**	84,433
Due to related parties	**18,385**	7,881
Other Payables	**178,816**	138,647
	P2,729,300	P2,690,212

6. Other Income and Expenses

Finance cost is broken down as follows:

	For the six months ended June 30	
	2018	2017
Interest on port concession rights payable	**P262,920**	P281,705
Interest component of pension expense	**3,278**	P3,794
Interest on bank loans/credit facilities	**245**	P247
	P266,443	P285,746

Finance income is broken down as follows:

	For the six months ended June 30	
	2018	2017
Interest on cash in banks and short-term investments	**P40,384**	P41,690
Accretion of rental deposits	**1,020**	P906
	P41,404	P42,596

Others consisted of the following:

	For the six months ended June 30	
	2018	2017
Equity in net earnings of an associate	**P25,769**	P21,726
Development fund	-	7,720
Management income	**4,618**	4,096
Penalty charges for late delivery	-	3,893
Lease and other income - net	**1,052**	3,507
Income from insurance claims	-	264
Foreign exchange gains - others	**72,912**	231
Foreign exchange losses - port concession rights payable	**(58,162)**	(50,286)
Foreign exchange losses -cash flow hedge	**(172,613)**	(181,308)
	(P126,424)	(P 190,157)

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

7. Financial Risk and Capital 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, and port concession rights payable 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 in banks and cash equivalents.

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

	As of June 30, 2018	As of December 31, 2017 (Audited)
Fixed Rate Instruments		
Cash and cash equivalents	**P6,516,442**	P6,944,580

Excluding cash on hand amounting to P0.7 million and P0.6 million as at June 30, 2018 and 2017, respectively.

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 profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Liquidity Risk
The Company monitors its risk of 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:

		Contractual Cash Flows					
As of June 30, 2018	**Carrying Amount**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
Trade and other payables*	**P2,052,155**	**P292,443**	**P778,690**	**P981,022**	**P -**	**P -**	**P2,052,155**
Port concession rights payable	**9,183,282**	**-**	**196,476**	**589,428**	**3,993,724**	**8,671,046**	**13,450,674**
Total	**P11,235,437**	**P292,443**	**P975,166**	**P1,570,450**	**P3,993,724**	**P8,671,046**	**P15,502,829**

excluding due to government agencies amounting to P677.1 million

		Contractual Cash Flows					
As of December 31, 2017 (Audited)	Carrying Amount	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Trade and other payables*	P2,080,206	P269,094	P764,116	P1,046,996	P -	P -	P2,080,206
Port concession rights payable	8,806,580	-	195,800	587,400	3,983,707	9,181,705	13,948,612
Total	P10,886,786	P269,094	P959,916	P1,634,396	P3,983,707	P9,181,705	P16,028,818

excluding due to government agencies amounting to P610.0 million

Credit Risk
The Company trades only with recognized and 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/annual 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 in banks and cash equivalents, trade receivables, deposits, and available-for-sale financial assets, 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.

	As of June 30, 2018	As of December 31, 2017 (Audited)
Cash and cash equivalents*	**P6,516,442**	P6,944,580
Trade and other receivables - net	**550,373**	490,466
Deposits	**39,851**	33,845
AFS financial assets	**2,652**	2,652
	P7,109,318	P7,471,543

**excluding cash on hand amounting to P0.7 million and P0.6 million as at June 30, 2018 and 2017, respectively.*

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

As of June 30, 2018, of the total trade and other receivables which are neither past due nor impaired, 100% are of high grade quality instruments because there was no history of default on the agreed terms of the contract.

Foreign Currency Risk

The Company has foreign currency financial assets and liabilities arising from US dollar denominated revenues, lease payments, government share, 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.

In 2017, the designated hedged term reached its 3rd year and ceased accordingly. The Company re-designated 50% of the monthly US dollar revenue as the hedged item for the next forty two months.

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, 2018	As of December 31, 2017
Assets		
Cash and cash equivalents	**US$609**	US$386
Trade and other receivables	**-**	190
	609	576
Liabilities		
Trade and other payables	**7,641**	2,860
Port concession rights payable	**144,415**	146,156
	152,056	149,016
Net foreign currency-denominated liabilities	**(US$151,447)**	(US$148,440
Peso equivalent	**(P8,078,183)**	(P7,411,609)

The exchange rates applicable for US dollar as at June 30, 2018 and December 31, 2017 are P53.34 and P49.93, respectively.

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, 2018		
5%	**(P403,909)**	**(P282,736)**
-5%	**403,909**	**282,736**
December 31, 2017		
5%	(P370,580)	(P259,406)
-5%	370,580	259,406

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 capital stock, additional paid-in capital, retained earnings, fair value reserve and hedging 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, 2018.

The Company is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Company.

	June 30, 2018	December 31, 2017 (Audited)
Capital Stock	**P2,000,000**	P2,000,000
Additional paid-in capital	**264,300**	264,300
Retained Earnings	**12,076,095**	11,575,652
Hedging reserve	**(430,451)**	(207,620)
Fair value reserve	**(5,820)**	(5,820)
Total	**P13,904,124**	P13,626,512

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, 2018		As of December 31, 2017 (Audited)	
	Carrying Amount	**Fair Values**	Carrying Amount	Fair Values
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**P6,517,101**	**P6,517,101**	P6,945,189	P6,945,189
Trade and other receivables - net	**550,373**	**550,373**	490,466	490,466
Deposits	**39,851**	**43,091**	33,845	39,589
	7,107,325	**7,110,565**	7,469,500	7,475,244
AFS financial assets	**2,652**	**2,652**	2,652	2,652
	P7,109,977	**P7,113,217**	P7,472,152	P7,477,896
Financial Liabilities				
Other Financial liabilities:				
Trade and other payables*	**P2,052,155**	**P2,052,155**	P2,080,206	P2,080,206
Port concession rights payable	**9,183,282**	**9,260,399**	8,806,580	9,895,597
	P11,235,437	**P11,312,554**	P10,886,786	P11,975,803

** excluding due to government agencies amounting to P677.1 million and P610.0 million in 2018 and 2017, respectively.*

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 their relatively short-term nature.

Nonderivative Financial Instruments
Quoted market prices have been used to determine the fair values of listed available-for-sale investments. The fair values of unquoted AFS financial assets are not reliably determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 5.6% in 2018 and 4.3% in 2017.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 6.25% to 7.36% in 2018 and 5.42% to 5.78% in 2017.

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).

Fair Value Hierarchy

As of June 30, 2018	**Level 1**	**Level 2**	**Level 3**
AFS financial assets	**P933**	**P -**	**P1,719**
Port concession rights payable	**-**	**9,260,399**	**-**
	P933	**P9,260,399**	**P1,719**

As of December 31, 2017 (Audited)	Level 1	Level 2	Level 3
AFS financial assets	P933	P -	P1,719
Port concession rights payable	-	9,895,597	-
	P933	P9,895,597	P1,719

There have been no transfers from one level to another in 2018 and 2017.