COVER SHEET

1 4 7 2 1 2

SEC Registration Number

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

(Company's Full Name)

ICTSI Administration Building, MICT South Access Road, Manila

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

Jose Joel M. Sebastian

(Contact Person)

245-4101

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Fiscal Year)

S E C 17 Q

(Form Type)

0 4 **Every 3rd Thursday**

Month *Day*

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

1,825
as of June 30, 2009

Total No. of Stockholders

Total Amount of Borrowings

US$357.0M	**US$72.6M**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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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 quarterly period ended **June 30, 2009**

2. Commission identification number: **147212**

3. BIR Tax Identification No. **000-323-228**

1. Exact name of issuer as specified in its charter:
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.

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

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

7. Address of issuer's principal office: **ICTSI Administration Building, MICT South Access Road, Manila** Postal Code: **1012**

8. Registrant's telephone number, including area code: **(632) 245-4101**

9. Former name, former address, and former fiscal year: **Not applicable**

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 outstanding as of June 30, 2009
Common	**1,923,935,360** Shares

11. Are any or all of the Securities listed on a 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 issuer:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).
Yes [x] No [ ]

(b) has been subject to such filing for the past 90 days. Yes [**x**] No [ ]

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements as of June 30, 2009 and for the three and six months ended June 30, 2009 and 2008 and the audited consolidated balance sheet as of December 31, 2008 and the related notes to unaudited consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries (collectively referred to as "the Group") are filed as part of this Form 17-Q on pages 2 to 22.

Operating segments are also reported in the notes to unaudited consolidated financial statements.

There are no other material events subsequent to the end of this interim period that had not been reflected in the unaudited consolidated financial statements filed as part of this report.

International Container Terminal Services, Inc. and Subsidiaries

Consolidated Financial Statements

June 30, 2009 (unaudited) and December 31, 2008 (audited)
and Three and Six Months Ended June 30, 2009 and 2008 (unaudited)

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands)

	June 30, 2009 *(Unaudited)*	December 31, 2008* *(Audited)*	
	In US Dollar		*In Philippine Peso*
ASSETS			
Noncurrent Assets			
Intangibles - net (Notes 6 and 18)	**US$585,556**	US$562,547	₱26,732,230
Property and equipment - net (Notes 7 and 18)	**300,571**	274,146	13,027,414
Investment properties - net	**29,069**	29,514	1,402,502
Deferred tax assets - net	**33,286**	34,017	1,616,487
Other noncurrent assets	**46,717**	51,508	2,447,683
Total Noncurrent Assets	**995,199**	951,732	45,226,316
Current Assets			
Cash and cash equivalents	**136,570**	222,825	10,588,660
Receivables - net	**27,565**	25,279	1,201,277
Spare parts and supplies	**11,695**	10,016	475,971
Prepaid expenses and other current assets	**30,423**	28,559	1,357,066
Derivative assets	**201**	3,766	178,946
Total Current Assets	**206,454**	290,445	13,801,920
	US$1,201,653	US$1,242,177	₱59,028,236
STOCKHOLDERS' EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock	**US$72**	US$72	₱3,800
Common stock	**66,401**	66,401	1,991,665
Additional paid-in capital (Note 10)	**288,703**	289,577	12,277,157
Excess of acquisition cost over the carrying value of minority interests	**(1,299)**	(1,299)	(561,039)
Cost of shares held by subsidiaries (Note 10)	**(119,007)**	(115,193)	(4,336,656)
Treasury shares (Note 10)	**(3,878)**	(5,536)	(270,374)
Retained earnings (Note 10)	**234,398**	229,293	11,084,897
Other comprehensive loss (Note 10)	**(61,372)**	(66,386)	(1,258,784)
Total equity attributable to equity holders of the parent	**404,018**	396,929	18,930,666
Equity Attributable to Minority Interests	**48,441**	51,195	2,364,166
Total Stockholders' Equity	**452,459**	448,124	21,294,832
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 8)	**389,124**	421,100	20,010,668
Concession rights payable - net of current portion (Note 6)	**198,154**	204,667	9,725,778
Deferred tax liabilities (Note 2)	**35,569**	33,123	1,573,988
Pension liabilities	**938**	1,007	47,834
Total Noncurrent Liabilities	**623,785**	659,897	31,358,268
Current Liabilities			
Loans payable (Note 8)	**31,653**	27,314	1,297,963
Accounts payable and other current liabilities	**54,485**	58,050	2,758,590
Current portion of long-term debt (Note 8)	**8,860**	9,630	457,603
Current portion of concession rights payable (Note 6)	**17,067**	19,585	930,662
Income tax payable	**9,099**	11,258	534,993
Derivative liabilities	**4,245**	8,319	395,325
Total Current Liabilities	**125,409**	134,156	6,375,136
	US$1,201,653	US$1,242,177	₱59,028,236

* *Amounts in Philippine peso were translated into US dollar presentation currency (see Note 2.3).*

See accompanying Notes to Unaudited Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2009	2008*		**2009**	2008	
	In US Dollar		*In Philippine Peso*	*In US Dollar*		*In Philippine Peso*
INCOME						
Gross revenues from port operations (Note 5)	**US$95,988**	US$117,136	₱5,035,027	**US$188,785**	US$227,173	₱9,541,493
Foreign exchange gain	**10,335**	11,986	515,478	**17,182**	23,524	988,012
Interest income	**611**	805	34,380	**2,151**	1,361	57,157
Other income	**407**	537	22,827	**751**	810	34,005
	107,341	130,464	5,607,712	**208,869**	252,868	10,620,667
EXPENSES						
Port authorities' share in gross revenues	**13,617**	15,399	662,289	**26,115**	30,210	1,268,854
Manpower costs	**19,544**	25,625	1,094,938	**39,881**	43,452	1,825,016
Depreciation and amortization	**14,326**	14,703	630,983	**27,231**	27,524	1,156,056
Administrative and other operating expenses	**11,049**	12,486	538,041	**21,846**	25,482	1,070,265
Equipment and facilities-related expenses	**10,286**	12,579	545,439	**21,070**	28,941	1,215,547
Interest expense and financing charges on borrowings (Note 8)	**6,838**	3,823	163,395	**11,818**	6,522	273,940
Interest expense on concession rights payable	**5,696**	5,442	233,387	**11,364**	10,058	422,443
Foreign exchange loss	**5,542**	17,529	748,118	**11,313**	28,916	1,214,471
Other expenses (Note 9)	**2,459**	279	11,976	**2,772**	548	23,004
	89,357	107,865	4,628,566	**173,410**	201,653	8,469,596
CONSTRUCTION REVENUE (EXPENSE)						
Construction revenue	**20,085**	26,544	1,125,578	**40,997**	36,764	1,544,108
Construction expense	**(20,085)**	(26,544)	(1,125,578)	**(40,997)**	(36,764)	(1,544,108)
	–	–	–	**–**	–	–
INCOME BEFORE INCOME TAX	**17,984**	22,599	979,147	**35,459**	51,215	2,151,071
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	**5,478**	10,152	437,958	**10,588**	21,225	891,460
Deferred	**863**	(4,196)	(177,709)	**3,114**	(5,619)	(236,002)
	6,341	5,956	260,249	**13,702**	15,606	655,458
NET INCOME	**US$11,643**	US$16,643	₱718,898	**US$21,757**	US$35,609	₱1,495,613
ATTRIBUTABLE TO:						
Equity holders of the parent	**US$12,157**	US$18,185	₱784,203	**US$23,162**	US$37,691	₱1,583,041
Minority interests	**(514)**	(1,542)	(65,305)	**(1,405)**	(2,082)	(87,428)
	US$11,643	US$16,643	₱718,898	**US$21,757**	US$35,609	₱1,495,613
Earnings Per Share (Note 13)						
Basic	**US$0.006**	US$0.010	₱0.413	**US$0.012**	US$0.020	₱0.833
Diluted	**0.006**	0.009	0.397	**0.012**	0.019	0.802

* *Amounts in Philippine peso were translated into US dollar presentation currency (see Note 2.3).*

See accompanying Notes to Unaudited Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2009	2008*		**2009**	2008*	
	In US Dollar		*In Philippine Peso*	*In US Dollar*		*In Philippine Peso*
NET INCOME FOR THE PERIOD	**US$11,643**	US$16,643	₱718,898	**US$21,757**	US$35,609	₱1,495,613
OTHER COMPREHENSIVE INCOME (LOSS)						
Exchange differences on translation of foreign operations	**16,939**	27,993	1,183,241	**2,206**	35,176	1,477,413
Net change in unrealized mark-to-market values of derivatives	**3,441**	(5,138)	(218,946)	**1,961**	(8,144)	(342,087)
Net unrealized mark-to-market gain on available-for-sale investments	**86**	29	1,295	**86**	110	4,617
Income tax relating to components of other comprehensive income	**(1,032)**	1,541	65,684	**(588)**	2,443	102,626
	19,434	24,425	1,031,274	**3,665**	29,585	1,242,569
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**US$31,077**	US$41,068	₱1,750,172	**US$25,422**	US$65,194	₱2,738,182
ATTRIBUTABLE TO:						
Equity holders of the parent	**US$27,276**	US$40,542	₱1,728,632	**US$28,176**	US$65,208	₱2,738,765
Minority interests	**3,801**	526	21,540	**(2,754)**	(14)	(583)
	US$31,077	US$41,068	₱1,750,172	**US$25,422**	US$65,194	₱2,738,182

* *Amounts in Philippine peso were translated into US dollar presentation currency (see Note 2.3).*

See accompanying Notes to Unaudited Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousands)

	Attributable to Equity Holders of the Parent										Minority Interests	Total Stockholders' Equity
	Preferred Stock	Common Stock	Additional Paid-in Capital	Excess of Acquisition Cost over the Carrying Value of Minority Interests	Preferred Shares Held by a Subsidiary	Common Shares Held by Subsidiaries	Treasury Shares	Retained Earnings	Other Compre-hensive Income	Total		
	In US Dollar											
Balance at January 1, 2009	**US$72**	**US$66,401**	**US$289,577**	**(US$1,299)**	**(US$72,492)**	**(US$42,701)**	**(US$5,536)**	**US$229,293**	**(US$66,386)**	**US$396,929**	**US$51,195**	**US$448,124**
Share-based payments	–	–	**784**	–	–	–	–	–	–	**784**	–	**784**
Additional shares held by subsidiaries	–	–	–	–	–	**(3,814)**	–	–	–	**(3,814)**	–	**(3,814)**
Issuance of treasury shares	–	–	**(1,658)**	–	–	–	**1,658**	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	**(18,057)**	–	**(18,057)**	–	**(18,057)**
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	**23,162**	**5,014**	**28,176**	**(2,754)**	**25,422**
Balance at June 30, 2009	**US$72**	**US$66,401**	**US$288,703**	**(US$1,299)**	**(US$72,492)**	**(US$46,515)**	**(US$3,878)**	**US$234,398**	**(US$61,372)**	**US$404,018**	**US$48,441**	**US$452,459**
Balance at January 1, 2008, as previously reported	US$72	US$65,538	US$293,127	(US$8,314)	(US$72,492)	(US$164,565)	(US$7,126)	US$184,014	(US$38,944)	US$251,310	US$82,174	US$333,484
Translation difference arising from change in functional currency of the parent (Note 2)	–	–	–	–	–	–	–	–	(72,788)	(72,788)	–	(72,788)
Balance at January 1, 2008, as adjusted	72	65,538	293,127	(8,314)	(72,492)	(164,565)	(7,126)	184,014	(111,732)	178,522	82,174	260,696
Share-based payments	–	–	1,633	–	–	–	–	–	–	1,633	–	1,633
Additional shares held by subsidiaries	–	–	–	–	–	(11,475)	–	–	–	(11,475)	–	(11,475)
Issuance of treasury shares	–	–	(1,565)	–	–	–	1,565	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	(15,865)	–	(15,865)	(476)	(16,341)
Increase in share of minority interests	–	–	–	–	–	–	–	–	(196)	(196)	(683)	(879)
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	37,691	27,517	65,208	(14)	65,194
Balance at June 30, 2008	US$72	US$65,538	US$293,195	(US$8,314)	(US$72,492)	(US$176,040)	(US$5,561)	US$205,840	(US$84,411)	US$217,827	US$81,001	US$298,828
	In Philippine Peso											
Balance at January 1, 2008	₱3,800	₱1,969,815	₱12,147,034	(₱403,504)	(₱3,800,000)	(₱19,439)	(₱336,096)	₱8,936,241	(₱1,900,067)	₱16,597,784	₱2,662,859	₱19,260,643
Share-based payments	–	–	68,589	–	–	–	–	–	–	68,589	–	68,589
Additional shares held by subsidiaries	–	–	–	–	–	(481,948)	–	–	–	(481,948)	–	(481,948)
Issuance of treasury shares	–	–	(65,722)	–	–	–	65,722	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	(666,360)	–	(666,360)	(20,000)	(686,360)
Increase in share of minority interests	–	–	–	–	–	–	–	–	(8,230)	(8,230)	(28,668)	(36,898)
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	1,583,041	1,155,724	2,738,765	(583)	2,738,182
Balance at June 30, 2008	₱3,800	₱1,969,815	₱12,149,901	(₱403,504)	(₱3,800,000)	(₱501,387)	(₱270,374)	₱9,852,922	(₱752,573)	₱18,248,600	₱2,613,608	₱20,862,208

[*] Amounts for the six months ended June 30, 2008, in Philippine peso, were translated into US dollar presentation currency (see Note 2.3).

See accompanying Notes to Unaudited Consolidated Financial Statements.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Six Months Ended June 30		
	2009	2008[*]	
	In US Dollar		*In Philippine Peso*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**US$35,459**	US$51,215	₱2,151,071
Adjustments for:			
Depreciation and amortization	**27,231**	27,524	1,156,056
Interest expense on concession rights payable and borrowings (Note 8)	**23,182**	6,522	273,940
Unrealized foreign exchange gain	**(5,477)**	(338)	(14,214)
Interest income	**(2,151)**	(1,361)	(57,157)
Unrealized mark-to-market loss on derivatives (Note 9)	**1,494**	10,801	453,637
Share-based payments	**784**	–	–
Dividend income	**(202)**	(50)	(2,105)
Gain on sale of property and equipment	**(67)**	(158)	(6,616)
Provisions for:			
Doubtful accounts	**57**	–	–
Inventory obsolescence	**38**	–	–
Equity in net earnings of an associate	**–**	(124)	(5,200)
Operating income before changes in working capital	**80,348**	94,031	3,949,412
Decrease (increase) in:			
Receivables	**(1,249)**	(2,550)	(107,098)
Spare parts and supplies	**(1,391)**	(1,405)	(59,011)
Prepaid expenses and other current assets	**1,449**	(4,725)	(198,448)
Decrease in:			
Accounts payable and other current liabilities	**(8,494)**	(7,066)	(296,798)
Pension liabilities	**(56)**	(39)	(1,644)
Cash generated from operations	**70,607**	78,246	3,286,413
Income taxes paid	**(12,767)**	(14,983)	(629,320)
Net cash provided by operating activities	**57,840**	63,263	2,657,093
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets and property and equipment	**(61,318)**	(61,306)	(2,574,938)
Interest received	**2,268**	1,379	57,922
Increase in other noncurrent assets	**(13,643)**	(15,152)	(636,395)
Proceeds from sale of property and equipment	**621**	252	10,569
Dividends received	**202**	50	2,105
Change in minority interests	–	880	36,944
Net cash used in investing activities	**(71,870)**	(73,897)	(3,103,793)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings	**234,524**	–	–
Short-term borrowings	**8,285**	68,748	2,887,495
Subscriptions and issuance of capital stock	**–**	577	24,240
Payments of:			
Long-term borrowings	**(263,959)**	(2,320)	(97,430)
Interest on borrowings and concession rights payable	**(25,668)**	(7,657)	(321,601)
Short-term borrowings	**(3,642)**	(23,457)	(985,197)
Dividends	**(17,358)**	(15,865)	(666,360)
Acquisition of common shares held by a subsidiary	**(3,814)**	(11,475)	(481,948)
Net cash provided by (used in) financing activities	**(71,632)**	8,551	359,199
TRANSLATION ADJUSTMENT ARISING FROM CHANGE IN FUNCTIONAL CURRENCY OF THE PARENT (Note 2)	**–**	(6,857)	–
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(593)**	437	18,339
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(86,255)**	(8,503)	(69,161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**222,825**	86,358	3,564,863
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**US$136,570**	US$77,855	₱3,495,702

[*] *Amounts in Philippine peso were translated into US dollar presentation currency (see Note 2.3).*

See accompanying Notes to Unaudited Consolidated Financial Statements.

1. Corporate Information

1.1 General

International Container Terminal Services, Inc. (ICTSI, the Company or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Company is ICTSI Administration Building, MICT South Access Road, Manila. ICTSI's shares are publicly traded in the Philippine Stock Exchange (PSE).

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as "the Group"), entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. Currently, the Group's operations are situated in 13 countries: the Philippines, Brazil, Poland, Madagascar, Japan, Indonesia, Syria, China, Ecuador, Colombia, Georgia, Brunei and Argentina. ICTSI's concession for the Manila International Container Terminal (MICT) was extended up to 2038 subject to the completion of agreed additional investments in port equipment and infrastructure prior to 2013.

Concessions for port operations entered into by ICTSI and subsidiaries in 2009 and 2008 are summarized below:

Muara Container Terminal, Brunei. In May 2009, ICTSI, through ICTSI Far East Pte. Ltd. (IFEPL), signed a Service Agreement and a Hand-Over Agreement for the operation and maintenance of Muara Container Terminal (Muara Terminal) in Brunei Darussalam. Under these agreements, ICTSI shall operate and maintain Muara Terminal for four years, which may be extended for one year at a time, for a maximum of two years. Muara Terminal is located at Muara Port, which is the main trade gateway for Brunei Darussalam, situated at the estuary of the Brunei River about 15 kilometers from the capital, Bandar Seri Begawan. ICTSI established New Muara Container Terminal Services Sdn Bhd (NMCTS) to develop, manage and operate Muara Terminal. NMCTS took over terminal operations on May 22, 2009. The accounts and results of operations of NMCTS from May 22 to June 30, 2009 have no significant impact to the Group's financial position and results of operations as at and for the three and six months ended June 30, 2009.

Pulau Muara Besar Container Terminal, Brunei. In October 2008, ICTSI signed a Memorandum of Understanding with Brunei Economic Development Board (BEDB) for the design, construction and development of the new Pulau Muara Besar (PMB) Container Terminal in Brunei Darussalam. BEDB will award a Concession Agreement to ICTSI or its subsidiary to operate the PMB Container Terminal once it is completed and ready for commercial operations. Commercial operations in PMB have not yet started as of June 30, 2009.

Port of La Plata, Argentina. In November 2008, ICTSI, through ICTSI Ltd., acquired the concession to develop and manage the container terminal in the Port of La Plata, Argentina, through the acquisition of Edanfer S.A., a major stockholder of Tecplata, S.A. (Tecplata). Tecplata was granted the concession to build and operate an all-purpose port terminal at the port of La Plata by the Consorcio de Gestion del Puerto La Plata. Development and construction in Argentina have not yet started as of June 30, 2009.

Makar Wharf, Port of General Santos City. In July 2008, ICTSI acquired additional shares of South Cotabato Integrated Port Services, Inc. (SCIPSI) to increase its ownership to 50.08% from 35.70% and obtain control. SCIPSI has a ten-year contract with Philippine Ports Authority (PPA) up to 2016 for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos in General Santos City.

Mindanao Container Terminal, Phividec Industrial Estate, Misamis Oriental. On April 25, 2008, ICTSI was awarded by the Phividec Industrial Authority the concession to operate and manage the Mindanao Container Terminal (MCT) for a period of 25 years until 2033.
On May 14, 2008, ICTSI established Mindanao International Container Terminal Services, Inc. (MICTSI) to manage and operate MCT. MICTSI took over the terminal operations on June 26, 2008.

1.3 Subsidiaries

The subsidiaries include:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2009		2008		2007	
				Direct	**Indirect**	Direct	Indirect	Direct	Indirect
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	**100.00**	–	100.00	–	100.00	–
Container Terminal Systems Solutions, Inc. (CTSSI)	Mauritius	Software Developer	US Dollar	–	**100.00**	–	100.00	–	100.00
ICTSI Ltd. and Subsidiaries	Bermuda	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	**100.00**	–	100.00	–	100.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Reais	–	**100.00**	–	100.00	–	100.00
ICTSI Georgia Corporation (IGC)	Cayman Islands	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	**100.00**	–	100.00	–	100.00
IFEPL	Singapore	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
NMCTS [a]	Brunei	Port Management	Brunei Dollar	–	**100.00**	–	–	–	–
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	**95.00**	–	95.00	–	95.00
C. Ultramar, S.A. (CUSA)	Panama	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
Future Water, S.A. (FWSA)	Panama	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
Kinston Enterprise Corporation (KEC)	Panama	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
Sociedad Puerto Industrial de Aguadulce S.A. (SPIA)	Colombia	Port Management	Colombian Peso	–	**91.17**	–	91.17	–	79.11
International Ports of South America and Logistics SA (IPSAL) [b, c, d]	Uruguay	Holding Company	US Dollar	–	**100.00**	–	100.00	–	–
Tecplata [b, c]	Argentina	Port Management	Argentine Peso		**75.00**		75.00	–	–
ICTSI (Hongkong) Limited	Hongkong	Holding Company	US Dollar	–	**100.00**	–	100.00	–	100.00
Yantai Rising Dragon International Container Terminal Ltd. (YRDICTL)	China	Port Management	Renminbi	–	**60.00**	–	60.00	–	60.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	2007 Direct	2007 Indirect
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	**–**	**100.00**	–	100.00	–	100.00
Australian International Container Terminals Limited (AICTL) [(c)]	Australia	Port Management	Australian Dollar	**–**	**70.00**	–	70.00	–	70.00
Pentland International Holdings, Ltd. (PIHL) [(c)]	British Virgin Island	Holding Company	US Dollar	**–**	**100.00**	–	100.00	–	99.90
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Malagasy Ariary	**100.00**	**–**	100.00	–	100.00	–
ICTSI Capital BV	Netherlands	Holding Company	US Dollar	**100.00**	**–**	100.00	–	100.00	–
Tartous International Container Terminal (TICT)	Syria	Port Management	Syrian Pound	**100.00**	**–**	100.00	–	100.00	–
Contecon Guayaquil, S.A. (CGSA)	Ecuador	Port Management	US Dollar	**99.90**	**0.01**	99.90	0.01	51.00	49.90
ICTSI Brazil	Bermuda	Holding Company	US Dollar	**–**	**100.00**	–	100.00	–	100.00
ICTSI Poland	Bermuda	Holding Company	US Dollar	**–**	**100.00**	–	100.00	–	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	**–**	**95.00**	–	95.00	–	95.00
Naha International Container Terminal, Inc. (NICTI)	Japan	Port Management	Japanese Yen	**60.00**	**–**	60.00	–	60.00	–
MICTSI [(e)]	Philippines	Port Management	Philippine Peso	**100.00**	**–**	100.00	–	–	–
Abbostford Holdings, Inc. Abbotsford (AHI)	Philippines	Holding Company	Philippine Peso	**100.00**	**–**	100.00	–	100.00	–
Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR)	Philippines	Port Management	Philippine Peso	**–**	**96.95**	–	96.95	–	96.95
ICTSI Warehousing, Inc. (IWI) and Subsidiaries	Philippines	Warehousing	Philippine Peso	**100.00**	**–**	100.00	–	100.00	–
IW Cargo Handlers, Inc. (IW Cargo)	Philippines	Port Equipment Rental	US Dollar	**–**	**100.00**	–	100.00	–	100.00
Container Terminal Systems Solutions Philippines, Inc. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	**–**	**100.00**	–	100.00	–	100.00
Bauan International Ports, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	**–**	**60.00**	–	60.00	–	60.00
Prime Staffing and Selection Bureau, Inc. [(c)]	Philippines	Manpower Recruitment	Philippine Peso	**100.00**	**–**	100.00	–	100.00	–
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	**83.33**	**–**	83.33	–	83.33	–
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	**–**	**70.83**	–	70.83	–	70.83
Cebu International Container Terminal, Inc. (CICTI) [(c)]	Philippines	Port Management	Philippine Peso	**51.00**	**–**	51.00	–	51.00	–
Cordilla Properties Holdings Inc. (Cordilla) [(b)]	Philippines	Holding Company	Philippine Peso	**100.00**	**–**	100.00	–	–	–
SCIPSI [(f)]	Philippines	Port Management	Philippine Peso	**35.70**	**14.38**	35.70	14.38	35.70	–

[(a)] *Established in 2009.*
[(b)] *Acquired in 2008.*
[(c)] *Not yet started commercial operations.*
[(d)] *Formerly, Edanfer S.A (see Note 1.2).*
[(e)] *Established in 2008.*
[(f)] *Formerly an associate.*

2. Basis of Preparation

2.1 Basis of Preparation

The unaudited condensed consolidated financial statements for the three and six months ended June 30, 2009 have been prepared in accordance with PAS 34, *Interim Financial Reporting*. The unaudited condensed consolidated financial statements are presented in United States dollar (US dollar, USD or US$) (see Notes 2.2 and 2.3 below) and all values are rounded to the nearest thousands except when otherwise indicated.

The unaudited condensed consolidated financial statements do not include all information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2008.

2.2 Change in Functional Currency

The Parent Company reassessed its functional currency and found that there were mixed indications of its functional currency. Following PAS 21, *The Effects of Changes in Foreign Exchange Rates*, when the indicators to determine an entity's functional currency are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

ICTSI believes that the combined factors of ICTSI, having (i) a significant portion of its revenue from port operations and costs and expenses in Manila denominated in US dollar; (ii) predominantly US dollar-denominated investing and financing activities towards the end of 2008; and (iii) significant US dollar-denominated concession fee commitments and forecasted US dollar investments and expansion projects, should make the US dollar as its functional currency effective January 1, 2009.

The change in functional currency of the Parent Company from Philippine peso (₱) to US dollar was adopted prospectively and the unaudited consolidated financial statements as at and for the three and six months ended June 30, 2009 are presented in US dollar. Consequently, the comparative audited consolidated financial statements as at December 31, 2008 and the unaudited consolidated financial statements for the three and six months ended June 30, 2008, expressed in Philippine peso, have been translated into US dollar in accordance with the translation procedures enumerated in Note 2.3 below.

The change in functional currency of the Parent Company resulted in: (i) translation of the unaudited consolidated financial statements for the three and six months ended June 30, 2008 and the audited consolidated balance sheet as at December 31, 2008 into the US dollar presentation currency in accordance with the translation procedures enumerated in Note 2.3 below; (ii) recognition of translation difference arising from the change in functional currency of the Parent Company in the unaudited consolidated statement of changes in stockholders' equity for the six months ended June 30, 2008 amounting to US$72.8 million; and (iii) recognition of net unrealized foreign exchange gain of US$1.2 million; and (iv) recognition of the related net deferred income tax amounting to US$0.4 million for the six months ended June 30, 2009.

Had the Parent Company reassessed its functional currency to still be the Philippine peso, the unaudited consolidated net income for the three and six months ended June 30, 2009 would have been ₱494.5 million (US$10.3 million) and ₱992.3 million (US$20.7 million), lower by ₱62.7 million (US$1.3 million) or 11 percent and ₱48.2 million (US$1.0 million) or 5 percent, respectively, of the reported unaudited net income in US dollar for the same period in 2008, primarily because of the effect of unrealized foreign exchange gains and losses arising from the restatement of the Parent Company's net US dollar-denominated monetary assets and US dollar-denominated concession rights payable, respectively.

The impact on the unaudited consolidated statements of income in 2009 would be as follows (amounts in thousands):

	For the Three Months Ended June 30			
	₱ as the Functional Currency	In US$*	Impact of Change in Functional Currency	US$ as the Functional Currency
INCOME				
Gross revenues from port operations	₱4,592,208	US$95,944	US$44	US$95,988
Foreign exchange gain	348,864	7,286	3,047	10,333
Interest income and other income	48,742	1,018	–	1,018
	4,989,814	104,248	3,091	107,339
EXPENSES				
Port authorities' share in gross revenues	651,757	13,617	–	13,617
Manpower costs	935,508	19,544	–	19,544
Depreciation and amortization	685,657	14,326	–	14,326
Administrative and other operating expenses	528,818	11,049	–	11,049
Equipment and facilities-related expenses	492,343	10,286	–	10,286
Foreign exchange loss	205,681	4,294	1,248	5,542
Interest and other expenses	717,399	14,991	–	14,991
	4,217,163	88,107	1,248	89,355
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	961,422	20,085	–	20,085
Construction expense	(961,422)	(20,085)	–	(20,085)
	–	–	–	–
INCOME BEFORE INCOME TAX	772,651	16,141	1,843	17,984
PROVISION FOR INCOME TAX				
Current	262,193	5,478	–	5,478
Deferred	15,918	331	532	863
	278,111	5,809	532	6,341
NET INCOME	₱494,540	US$10,332	US$1,311	US$11,643
ATTRIBUTABLE TO:				
Equity holders of the parent	₱519,140	US$10,846	US$1,311	US$12,157
Minority interests	(24,600)	(514)	–	(514)
	₱494,540	US$10,332	US$1,311	US$11,643
Earnings Per Share				
Basic	₱0.275	US$0.006	US$–	US$0.006
Diluted	0.267	0.006	–	0.006

* *Converted using the average rate of ₱47.8 to US$1, which approximates the average rate of exchange for the three months ended June 30, 2009*

	For the Six Months Ended June 30			
	₱ as the Functional Currency	In US$*	Impact of Change in Functional Currency	US$ as the Functional Currency
INCOME				
Gross revenues from port operations	₱9,025,367	US$188,717	US$68	US$188,785
Foreign exchange gain	760,538	15,903	1,279	17,182
Interest and other income	138,771	2,902	–	2,902
	9,924,676	207,522	1,347	208,869
EXPENSES				
Port authorities' share in gross revenues	1,248,956	26,115	–	26,115
Manpower costs	1,907,295	39,881	–	39,881
Depreciation and amortization	1,302,331	27,231	–	27,231
Administrative and other operating expenses	1,044,762	21,846	–	21,846
Equipment and facilities-related expenses	1,007,649	21,070	–	21,070
Foreign exchange loss	544,073	11,376	(63)	11,313
Interest and other expenses	1,241,249	25,954	–	25,954
	8,296,315	173,473	(63)	173,410
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	1,960,696	40,997	–	40,997
Construction expense	(1,960,696)	(40,997)	–	(40,997)
	–	–	–	–
INCOME BEFORE INCOME TAX	1,628,361	34,049	1,410	35,459
PROVISION FOR INCOME TAX				
Current	506,360	10,588	–	10,588
Deferred	129,681	2,712	402	3,114
	636,041	13,300	402	13,702
NET INCOME	₱992,320	US$20,749	US$1,008	US$21,757
ATTRIBUTABLE TO:				
Equity holders of the parent	₱1,059,504	US$22,154	US$1,008	US$23,162
Minority interests	(67,184)	(1,405)	–	(1,405)
	₱992,320	US$20,749	US$1,008	US$21,757
Earnings Per Share				
Basic	₱0.561	US$0.012	US$–	US$0.012
Diluted	0.542	0.011	–	0.012

* *Converted using the average rate of ₱47.8 to US$1, which approximates the average rate of exchange for the six months ended June 30, 2009.*

2.3 Translation of 2008 Condensed Consolidated Financial Statements to US Dollar Presentation Currency

The audited consolidated balance sheet as at December 31, 2008 and the unaudited consolidated financial statements for the three and six months ended June 30, 2008, expressed in Philippine peso, have been translated into US dollar presentation currency following the translation procedures in PAS 21 to show comparative US dollar information as follows:

a. all assets and liabilities at the exchange rate prevailing at the balance sheet date;

b. stockholders' equity items at historical exchange rates;

c. revenue and expense items at the average rate during the period, which approximates the exchange rate prevailing at the time of transactions; and

d. all resulting exchange differences are recognized as translation difference arising from change in functional currency of the parent as a separate component of other comprehensive income (loss).

3. Summary of Significant Accounting Policies

3.1 Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. The unaudited consolidated financial statements include the accounts of ICTSI and its subsidiaries where the Parent Company has effective control. In assessing effective control, the existence and effect of potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Minority Interests. Minority interests represent the portion of profit or loss and net assets in MTS, AICTL, SBITC, SBITHI, BIPI, NICTI, CICTI, DIPSSCOR, YRDICTL, SPIA, SCIPSI and Tecplata, not held by the Group and are presented separately in the unaudited consolidated statement of income and within the equity section in the unaudited consolidated balance sheet, separate from parent shareholders' equity.

Acquisition, transfer and sale of minority interest are accounted for using the Entity Concept Method. Under the Entity Concept Method, the Group considers the acquisition of a minority interest as an equity transaction. No gain or loss is recognized in an acquisition of a minority interest. The difference between the fair value of the consideration and book value of the share in the net assets acquired is presented under "Excess of acquisition cost over the carrying value of minority interests" account within the equity section of the unaudited consolidated balance sheet.

Transactions Eliminated on Consolidation. All significant intragroup balances, transactions, income and expenses, and profits and losses resulting from intragroup transactions are eliminated.

Accounting Policies of Subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

Functional and Presentation Currency. As discussed in Note 2.1 above, the unaudited consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency effective January 1, 2009. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency (see Note 1.3).

At the reporting date, the assets and liabilities of subsidiaries whose functional currency is not the US dollar are translated into the presentation currency of ICTSI using the Philippine Dealing System (PDS) closing rate or Bangko Sentral ng Pilipinas (BSP) rate or Bloomberg closing rate at balance sheet date and, their statement of income are translated at the PDS, BSP or Bloomberg weighted average daily exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of other comprehensive income, under "Cumulative translation adjustments" account. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the unaudited consolidated statement of income.

The following rates of exchange have been adopted by the Group in translating foreign currency income statement and balance sheet items as of and for the six months ended June 30:

	2009		2008	
	Closing	**Average**	Closing	Average
Foreign currency to 1 unit of US Dollar (USD or US$):				
Philippine Peso (PHP or ₱)	**48.13**	**47.83**	44.90	42.00
Australian Dollar (AUD)	**1.24**	**1.40**	1.04	1.08
Brazilian Reais (BRL or R$)	**1.95**	**2.19**	1.60	1.70
Japanese Yen (JPY)	**96.36**	**95.54**	106.21	104.97
Malagasy Ariary (MGA)	**1,955.00**	**1,985.99**	1,610.00	1,707.16
Indonesian Rupiah (IRP)	**10,208.00**	**11,079.00**	9,226.00	9,259.00
Chinese Renminbi (RMB)	**6.83**	**6.83**	6.85	7.06
Syrian Pound (SYP)	**46.05**	**46.78**	51.01	51.09
Colombian Peso (COP)	**2,143.15**	**2,321.78**	1,913.50	1,837.72
Georgian Lari (GEL)	**1.66**	**1.66**	1.42	1.50
Argentine Peso (ARS)	**3.80**	**3.64**		

3.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new Philippine Financial Reporting Standard (PFRS) and amended Philippine Accounting Standards (PAS) mandatory for financial years beginning on or after January 1, 2009.

- Amendment to PAS 1, *Amendment on Statement of Comprehensive Income*, requires that the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity. In addition, the amendment to PAS 1 provides for the introduction of new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with other "comprehensive income." The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income.

  Adoption of the amendments to PAS 1 resulted in the inclusion of unaudited consolidated statement of comprehensive income that is linked to the unaudited consolidated statement of income. The unaudited consolidated statement of comprehensive income includes line items that present the amounts of each component of other comprehensive income

classified by nature, gross of related income tax and an allocation of total comprehensive income attributable to equity holders of the parent and minority interests.

- PAS 23, *Amendment - Borrowing Costs*, which has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

  The Group capitalizes borrowing costs if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization for each part ceases.

  For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

  Port facilities and equipment under construction or development presented under “Intangibles” account in the consolidated balance sheet are considered as qualifying assets. Adoption of this standard did not result in the restatement of the consolidated financial statements in prior years as it has been the Group’s policy to capitalize borrowing costs relating to qualifying assets (see Note 6).

- PAS 27, *Consolidated and Separate Financial Statements*, which has been amended to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. Adoption of this revised standard did not impact the consolidated financial statements of the Group.

- PFRS 8, *Operating Segments*, which requires an entity to report financial and descriptive information about its reportable segments. The Group reports geographical segments since management believes that this information is relevant to the nature of the Group’s business. Adoption of this new standard resulted in the regrouping of geographical operating segments into: (i) Asia; (ii) Europe, Middle East and Africa (EMEA); and (ii) Americas. Previously, operating segments were reported as domestic and foreign. The 2008 presentation was revised to conform to the new presentation of geographical segments.

4. Business Combinations and Acquisitions

Acquisition Recognized at Provisional Values

Edanfer and Tecplata. In August 2008, ICTSI, through ICTSI Ltd., acquired Edanfer S.A., a major stockholder of Tecplata. Tecplata was awarded the concession to build and operate an all-purpose port terminal at the port of La Plata by the Consorcio de Gestion del Puerto La Plata on November 10, 2008. The cost of acquisition is comprised of cash consideration amounting to US$45.0 million and directly attributable costs amounting to US$0.2 million. The entire consideration amounting to US$45.2 million was treated as goodwill as the Group had sought independent valuation for the identifiable assets and liabilities and contingent liabilities of Tecplata at the date of acquisition.

As of June 30, 2009, Tecplata has not yet started development of the container terminal and commercial operations.

SCIPSI. In July 2008, ICTSI acquired additional interest in SCIPSI, a former associate, through the acquisition of 100% ownership in Cordilla, which owns 14.38% interest in SCIPSI. Thereafter, ICTSI obtained control over SCIPSI. The acquisitions of shares in stages are accounted for separately using the cost of the transaction and fair value information at the date of each exchange transaction.

The total consideration paid for by ICTSI amounted to US$0.5 million (₱18.3 million).

The fair values of identifiable assets and liabilities of SCIPSI on acquisition were provisional as the Group had sought independent valuations for the fair value of certain property and equipment and intangible assets, including concession rights. The Group is also in the process of determining the fair values of other assets and liabilities including contingent liabilities on this acquisition. While waiting for the completion of the business combination, the Group recognized the entire excess of total consideration over the provisional fair values of SCIPSI's identifiable assets and liabilities as goodwill aggregating US$0.4 million (₱14.7 million) in the 2008 audited consolidated balance sheet.

Fair value adjustments will be made as soon as the Group completes the valuation of certain property and equipment and intangible assets and the accounting for other assets and liabilities and contingent liabilities of Tecplata and SCIPSI at the dates of acquisition.

There were no business combinations or acquisitions within the six months ended June 30, 2009.

5. Operating Segments

A segment is a distinguishable component of the Group that is engaged either in providing types of services (business segment) or in providing the services within a particular economic environment (geographic segment).

The Group operates principally in one industry segment which is cargo handling and related services. ICTSI has organized its business into three geographical segments:

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC and MICTSI in the Philippines, YRDICTL in China, MTS in Indonesia, NICTI in Japan, ICTHI, ICTSI Ltd and holding companies with regional area headquarters in the Philippines (see Note 1.3)

- EMEA - includes BCT in Poland, MICTSL in Madagascar, TICT in Syria, and BICTL in Georgia (see Note 1.3)

- Americas - includes TSSA in Brazil, CGSA in Ecuador, SPIA in Colombia and Tecplata in Argentina (see Note 1.3)

The tables below present financial information on geographical segments:

	2009							
	As of and for the Three Months Ended June 30				**As of and for the Six Months Ended June 30**			
	Asia	**EMEA**	**Americas**	**Consolidated**	**Asia**	**EMEA**	**Americas**	**Consolidated**
				In US Dollar				
Gross revenues	**US$49,557**	**US$13,298**	**US$33,133**	**US$95,988**	**US$95,301**	**US$27,233**	**US$66,251**	**US$188,785**
Net income attributable to equity holders of the parent	**US$6,657**	**(US$1,669)**	**US$7,169**	**US$12,157**	**US$15,207**	**(US$3,681)**	**US$11,636**	**US$23,162**
Other information:								
Segment assets	**US$558,587**	**US$148,813**	**US$460,967**	**US$1,168,367**	**US$558,587**	**US$148,813**	**US$460,967**	**US$1,168,367**
Segment liabilities	**509,701**	**67,904**	**126,921**	**704,526**	**509,701**	**67,904**	**126,921**	**704,526**

	2008 *(see Note 2.3)*							
	As of and for the Three Months Ended June 30				As of and for the Six Months Ended June 30			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
				In US Dollar				
Gross revenues	US$55,308	US$26,127	US$35,701	US$117,136	US$107,979	US$50,235	US$68,959	US$227,173
Net income attributable to equity holders of the parent	US$5,333	US$6,481	US$6,371	US$18,185	US$13,871	US$12,390	US$11,430	US$37,691
Other information:								
Segment assets	US$464,758	US$174,627	US$360,702	US$1,000,087	US$464,758	US$174,627	US$360,702	US$1,000,087
Segment liabilities	299,015	73,658	161,544	534,217	299,015	73,658	161,544	534,217

	2008							
	As of and for the Three Months Ended June 30				As of and for the Six Months Ended June 30			
	Asia	EMEA	Americas	Consolidated	Asia	EMEA	Americas	Consolidated
				In Philippine Peso				
Gross revenues	₱2,378,110	₱1,122,618	₱1,534,299	₱5,035,027	₱4,535,193	₱2,109,936	₱2,896,364	₱9,541,493
Net income attributable to equity holders of the parent	₱232,935	₱278,410	₱272,858	₱784,203	₱582,586	₱520,401	₱480,054	₱1,583,041
Other information:								
Segment assets	₱20,867,637	₱7,840,754	₱16,195,509	₱44,903,900	₱20,867,637	₱7,840,754	₱16,195,509	₱44,903,900
Segment liabilities	13,425,760	3,307,249	7,253,313	23,986,322	13,425,760	3,307,249	7,253,313	23,986,322

Segment assets and liabilities do not include assets and liabilities arising from current and deferred provisions for or benefit from income tax.

6. Concession Rights and Concession Rights Payable

Concession rights are presented as part of intangibles in the consolidated balance sheet. Concession rights include upfront fee payments recognized on the concession contracts, cost of port infrastructure constructed and port equipment purchased, and present value of future fixed fee considerations in exchange for the license or right to operate ports. Concession rights are amortized over the term of the concession agreements.

Upon recognition of the fair value of fixed fee on concession contracts, the Group also recognized the corresponding concession rights payable.

Additions to concession rights in 2009 pertain to acquisitions of port facilities and equipment and construction of various civil works.

Maturities of concession rights arising from the capitalization of fixed portion of port fees and upfront fees as at June 30, 2009 are as follows:

	Amount
2009	US$6,651
2010	21,650
2011	26,276
2012	27,702
2013 onwards	132,942
Total	US$215,221

Capitalized borrowing costs amounted to US$3.0 million as at June 30, 2009 (see Note 8) and US$2.9 million (₱130.7 million) as at December 31, 2008 with capitalization rates ranging from 6.25% to 7.78% and 6.46% to 11.91%, respectively.

7. Property and Equipment

Major additions to property and equipment include the transfer of transportation equipment and port facilities not accounted for as intangibles under International Financial Reporting Interpretation Committee (IFRIC) 12, *Service Concession Arrangements*, from advances to suppliers and contractors upon delivery of such transportation equipment and completion of port facilities in 2009 amounting to US$18.5 million.

There were no major disposals or write-downs of property and equipment for the six months ended June 30, 2009.

8. Long-term Debt and Loans Payable

On May 20, 2009, ICTSI signed a three-year unsecured Term Loan Facility with a consortium of seven international banks for US$150.0 million to partly refinance ICTSI Capital BV's US$250.0 million Revolving and Term Loan Facility which then had an outstanding balance of US$176.0 million. The Term Loan Facility, which bears an interest of 3.80 percent over the LIBOR, was fully drawn in June 2009.

ICTSI Capital BV obtained the Revolving and Term Loan Facility from a consortium of 21 international banks for a maximum credit facility of US$250.0 million in 2007. The Revolving and Term Loan Facility had an interest of 0.80 percent over the LIBOR, subject for an increase depending on the Debt to EBITDA ratio for the relevant period and is payable in December 2010. However, on March 20 and 23, 2009, ICTSI Capital BV prepaid the Revolving and Term Loan Facility aggregating US$74.0 million and on June 15 and 19, 2009, finally settled the remaining US$176.0 million as discussed in the preceding paragraph. The related unamortized debt issuance cost upon final settlement amounting to US$2.2 million was recognized as part of "Interest expense and financing charges on borrowings" account in the unaudited statement of income for the six months ended June 30, 2009.

On April 15, 2009, ICTSI signed a five-year unsecured Term Loan Facility with Metropolitan Bank and Trust Company (MBTC Term Loan Facility) for US$40.0 million for the financing of capital expenditures and general corporate purposes including the refinancing of existing obligations. The loan bears an interest of 3.50 percent over the LIBOR. The facility was fully drawn in April 2009.

On March 16, 2009, ICTSI availed the remaining US$41.4 million (₱2.0 billion) from its Term Loan Facility with Development Bank of the Philippines and Land Bank of the Philippines (DBP-LBP Term Loan Facility). Proceeds from the DBP-LBP Term Loan Facility are used to finance various capital expenditures of the Group including the construction of Berth 6 at MICT and refinancing of existing obligations. As of June 30, 2009, ICTSI has fully availed the DBP-LBP Term Loan Facility aggregating US$124.1 million (₱6.0 billion). Interest on the loan shall be the higher of (1) the sum of three months PDST-F Rate and 1.75% per annum (p.a.) spread, or (2) the BSP Reverse Repo Rate. DBP-LBP Term Loan Facility is unsecured.

In January, March and May 2009, certain peso-denominated term loans obtained by ICTSI from Philippine-based commercial banks, payable quarterly maturing in 2010 and 2011, were prepaid aggregating US$9.0 million (₱433.9 million). These loans have interest rate fixed at 14.0 percent and 15.0 percent. As of June 30, 2009, outstanding balance amounted to US$0.3 million (₱14.0 million).

Unamortized debt issuance cost related to the Group's outstanding long-term debt amounted to US$7.2 million as at June 30, 2009. Weighted average interest rate on long-term loans for the six months ended June 30, 2009 and 2008 was 5.4 percent and 5.9 percent, respectively.

Except for the additional availment of short-term loan by YRDICTL in 2009 amounting to US$5.6 million (RMB38 million) in 2009, the outstanding short-term loans as at December 31, 2008 were renewed or extended in 2009 to finance various working capital requirements of the Group. YRDICTL also used the proceeds from its short-term loans to finance various working capital requirements. These short-term loans are subject to repricing and bear interest ranging from 5.3 percent to 6.5 percent for the six months ended June 30, 2009.

Total interest expense for the six months ended June 30, 2009 and 2008 amounted to US$11.8 million, net of capitalized borrowing costs amounting to US$3.0 million (see Note 6) and US$6.5 million, respectively.

There were no material changes in the covenants related to the Group's loans and long-term debts. As at June 30, 2009, the Group is in compliance with its loan covenants.

Maturities of long-term debt, gross of debt issue costs, as at June 30, 2009 are as follows:

	Amount
2009	US$6,796
2010	9,066
2011	106,037
2012	141,102
2013 and onwards	142,219
Total	US$405,220

9. Financial Instruments

In June 2009, ICTSI entered into floating-to-fixed and fixed-to-fixed cross-currency swap transactions to partially hedge both the foreign currency and interest rate exposures of its Philippine peso-denominated term loan facilities with carrying value of US$56.4 million (₱2,715.0 million). The Philippine peso interest rate was fixed at an average US dollar rate of 5.93 percent p.a. The cross-currency swaps qualified under hedge accounting. As of June 30, 2009, the unrealized mark-to-market loss on these cross-currency swaps amounted to US$2.8 million, which was shown in the unaudited consolidated balance sheet as derivative liabilities with an offsetting entry to cumulative translation adjustments. The change in the carrying value of the hedged peso-denominated long-term debt to restate at spot rate at the balance sheet date was not significant to the unaudited consolidated financial position of ICTSI as at June 30, 2009.

Also in 2009, ICTSI recycled the unrealized mark-to-market loss on its interest rate swap to the unaudited consolidated statement of income shown under "Other expenses" account amounting to US$1.5 million for the six months ended June 30, 2009. This interest rate swap has been terminated upon final settlement of ICTSI Capital BV's Revolving and Term Loan Facility in June 2009 (see Note 8).

ICTSI also has outstanding foreign currency forwards with notional amount of US$14.5 million to hedge its foreign currency exposure and which qualify under hedge accounting. The related unrealized mark-to-market value amounting to US$2.0 million was deferred and charged to equity under "Cumulative translation adjustment" account as of June 30, 2009.

10. **Stockholders' Equity**

10.1 Stock Incentive Plan (SIP)

On March 10, 2009, the Stock Incentive Committee granted additional 12,770,000 shares of stock awards to officers and directors of ICTSI and ICTSI Ltd., 50% of which will vest on March 10, 2010 while another 50% will vest on March 10, 2011. The fair value of the shares was US$0.2 (₱10.0) at the date of grant.

Total number of shares granted under the SIP aggregated 23,251,000 shares as at June 30, 2009.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US$0.8 million for the six months ended June 30, 2009.

10.2 Cost of Shares Held by Subsidiaries

In 2009, IWI acquired 16.6 million ICTSI shares. The acquisition of ICTSI shares increased common shares held by subsidiaries by US$3.8 million in 2009.

10.3 Dividends Declared and Paid

On April 16, 2009, the Board of Directors of ICTSI declared a US$0.01 or ₱0.40 cash dividend per share to stockholders of record dated May 7, 2009. Dividends were paid on May 18, 2009.

10.4 Other Comprehensive Income (Loss)

This account consists of:

	Cumulative Translation Adjustments	Translation Difference Arising from Change in Functional Currency of the Parent	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Total Comprehensive Income (Loss)
		In US Dollar		
Balance at January 1, 2009	**US$6,392**	**(US$72,788)**	**US$10**	**(US$66,386)**
Translation differences arising from translation of foreign operations' financial statements	**3,555**	–	–	**3,555**
Net change in unrealized mark-to-market values of derivatives	**1,961**	–	–	**1,961**
Unrealized mark-to-market gain on available-for-sale investments	–	–	**86**	**86**
Income tax relating to components of other comprehensive income	**(588)**	–	–	**(588)**
Balance at June 30, 2009	**US$11,320**	**(US$72,788)**	**US$96**	**(US$61,372)**

	Cumulative Translation Adjustments	Translation Difference Arising from Change in Functional Currency of the Parent	Unrealized Mark-to-Market Gain on Available-for-Sale Investments	Total Comprehensive Income (Loss)
		In US Dollar (see Note 2.3)		
Balance at January 1, 2008, as previously reported	(US$39,041)	US$–	US$97	(US$38,944)
Translation difference arising from the change in functional currency of the parent (see Note 2.3)	–	(72,788)	–	(72,788)
Balance at January 1, 2008, as adjusted	(39,041)	(72,788)	97	(111,732)
Net change in unrealized mark-to-market values of derivatives	(8,144)	–	–	(8,144)
Translation differences arising from translation of foreign operations' financial statements	33,108	–	–	33,108
Unrealized mark-to-market gain on available-for-sale investments	–	–	110	110
Decrease in share of minority interests	(196)	–	–	(196)
Income tax relating to components of other comprehensive income	2,443	–	–	2,443
Balance at June 30, 2008	(US$11,830)	(US$72,788)	US$207	(US$84,411)
		In Philippine Peso		
Balance at January 1, 2008	(₱1,908,162)	₱–	₱8,095	(₱1,900,067)
Net change in unrealized mark-to-market values of derivatives	(342,087)	–	–	(342,087)
Translation differences arising from translation of foreign operations' financial statements	1,390,568	–	–	1,390,568
Unrealized mark-to-market gain on available-for-sale investments	–	–	4,617	4,617
Decrease in share of minority interest	(8,230)			(8,230)
Income tax relating to components of other comprehensive income	102,626	–	–	102,626
Balance at June 30, 2008	(₱765,285)	₱–	₱12,712	(₱752,573)

11. Contingencies

There are certain lawsuits and labor cases filed against the Parent Company and certain subsidiaries in the normal course of business. Management and its legal counsel believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the Group's financial condition and results of operations.

12. Seasonality

The container terminal industry has historically experienced seasonal variations. This seasonality may result in quarter-to-quarter or period-to-period volatility in our operating results. Trade volumes in the jurisdictions in which the Group operates tend to be stronger in the third and fourth quarters and weaker in the first quarter. Management believes that such seasonal variations have no material effect on the results of operations of the Group.

13. **Earnings Per Share Computation**

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2009	2008 (see Note 2.3)		**2009**	2008 (see Note 2.3)	
	In US Dollar		*In Philippine Peso*	*In US Dollar*		*In Philippine Peso*
Net income attributable to equity holders of the parent (a)	**US$12,157**	US$18,185	₱784,203	**US$23,162**	US$37,691	₱1,583,041
Common shares outstanding at beginning of year	**1,992,066,860**	1,990,733,594	1,990,733,594	**1,992,066,860**	1,990,733,594	1,990,733,594
Weighted shares held by subsidiaries and treasury shares	**(103,766,867)**	(90,588,292)	(90,588,292)	**(103,766,867)**	(90,588,292)	(90,588,292)
Weighted average shares outstanding (b)	**1,888,299,993**	1,900,145,302	1,900,145,302	**1,888,299,993**	1,900,145,302	1,900,145,302
Effect of dilutive stock options	**67,062,799**	73,342,299	73,342,299	**67,062,799**	73,342,299	73,342,299
Weighted average shares outstanding adjusted for potential common shares (c)	**1,955,362,792**	1,973,487,601	1,973,487,601	**1,955,362,792**	1,973,487,601	1,973,487,601
Basic earnings per share (a/b)	**US$0.006**	US$0.010	US$0.413	**US$0.012**	US$0.020	US$0.833
Diluted earnings per share (a/c)	**US$0.006**	US$0.009	US$0.397	**US$0.012**	US$0.019	US$0.802

14. **Cash Flow Information**

The transfer of advances to suppliers and contractors, presented under other noncurrent assets account to property and equipment, discussed in Note 7, amounting to US$18.5 million did not form part of investing activities in 2009. It was included as part of increase in other noncurrent assets in the audited consolidated statement of cash flows for the year ended December 31, 2008.

15. **Reclassification of Accounts**

Certain intangibles and property and equipment were reclassified as of December 31, 2008 to conform to the presentation as of June 30, 2009.

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

The following discussion and analysis relates to the consolidated financial condition and results of operations of ICTSI and its majority-owned subsidiaries (collectively known as "ICTSI Group") and should be read in conjunction with the accompanying interim unaudited consolidated financial statements and related notes. References to "ICTSI", "the Company", and "Parent Company" pertain to ICTSI Parent Company, while references to "the Group" pertain to ICTSI and its consolidated subsidiaries.

2.1 Overview

The Company is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 1,500,000 twenty foot equivalent units (TEUs). It also handles break bulk cargoes (BBC) and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing and services for refrigerated containers or reefers. As of June 30, 2009, the Company operated a total of 16 terminal facilities, six in the Philippines and one each in Brazil, Poland, Madagascar, Japan, Indonesia, China, Ecuador, Syria, Georgia and Brunei. It recently concluded agreements to operate the design, construction and development of the new Pulau Muara Besar Container Terminal and Muara Container Terminal in Brunei and acquired the concession to develop and manage the container terminal in the Port of La Plata in Argentina.

ICTSI was established in 1987 in connection with the privatization of MICT in the Port of Manila, and has built upon the experience gained in rehabilitating, developing and operating MICT to establish an extensive international network concentrated in emerging market economies. Since 2002, international acquisitions, principally in Brazil, Poland, Madagascar and Ecuador, substantially contributed in the growth in revenues and net income. ICTSI's business strategy is to continue to develop its existing portfolio of terminals and proactively seek acquisition opportunities that meet its investment criteria.

The Group operates principally in one industry segment which is cargo handling and related services. ICTSI has organized its business into three geographical segments:

- Asia
  - Manila – Manila International Container Terminal, Port of Manila (MICT)
  - Zambales – NSD Terminal, Subic Bay Freeport Zone, Olongapo City (SBITC)
  - Batangas – Bauan Terminal, Bauan (BIPI)
  - Davao – Sasa International Port, Davao City (DIPSSCOR)
  - General Santos – Makar Wharf, Port of General Santos (SCIPSI)
  - Misamis Oriental – Phividec Industrial Estate, Tagaloan (MICTSI)
  - Japan – Naha Port Public International Container Terminal in Okinawa, Japan (NICTI)
  - Indonesia – Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS)
  - China – Yantai Gangtong Terminal, Shandong Province, China (YRDICTL)
  - Brunei – Muara Container Terminal (NMCTS)

- Europe, Middle East and Africa (EMEA)
  - Poland – Baltic Container Terminal in Gdynia, Poland (BCT)
  - Madagascar – Port of Toamasina in Toamasina, Madagascar (MICTSL)
  - Syria – Tartous International Container Terminal (TICT) in Tartous, Syria
  - Georgia – Batumi International Container Terminal LLC (BICTL) in Batumi, Georgia

- Americas
  - Brazil – Suape Container Terminal in Suape, Brazil (TSSA)
  - Ecuador – Port of Guayaquil in Guayaquil, Ecuador (CGSA)

In May 2009, ICTSI through ICTSI Far East Pte. Ltd., signed a Service Agreement and a Hand-Over Agreement for the operation and maintenance of the Muara Container Terminal (Muara Terminal) in Brunei Darussalam. Under these agreements, ICTSI shall operate and maintain Muara Terminal for four years, which may be extended for one year at a time, for a maximum of two years. Muara Terminal is located at Muara Port, which is the main trade gateway for Brunei Darussalam, situated at the estuary of the Brunei River about 15 kilometers from the capital, Bandar Seri Begawan. ICTSI established New Muara Container Terminal Services Sdn Bhd (NMCTS) to develop, manage and operate Muara Terminal. NMCTS took over operations on May 22, 2009. The accounts and results of operations of NMCTS from May 22 to June 30, 2009 have no significant impact to the Group's financial position and results of operations as at and for the three and six months ended June 30, 2009.

In October 2008, ICTSI signed a Memorandum of Understanding with BEDB for the design, construction and development of the new Pulau Muara Besar Container Terminal (PMB) in Brunei Darussalam. BEDB will award a Concession Agreement to ICTSI or its subsidiary to operate the PMB Container Terminal once it is completed and ready for commercial operations. Commercial operations in PMB have not yet started as of June 30, 2009.

In November 2008, ICTSI, through ICTSI Ltd., acquired the concession to develop and manage the container terminal in the Port of La Plata, Argentina, through the acquisition of Edanfer S.A. (later renamed as International Ports of South America and Logistics S.A.), which is a major stockholder of Tecplata, S.A. (Tecplata). Tecplata was granted the concession to build and operate an all-purpose port terminal at the port of La Plata by the Consorcio de Gestion del Puerto La Plata. Tecplata has not yet started construction of the terminal as of June 30, 2009.

On April 25, 2008, ICTSI was awarded by the Phividec Industrial Authority (PIA) the concession to operate and manage the Mindanao Container Terminal (MCT) for a period of 25 years until 2033. On May 14, 2008, ICTSI established Mindanao International Container Terminal Services, Inc. (MICTSI) to manage and operate MCT. MICTSI took over the terminal operations on June 26, 2008.

In July 2008, ICTSI acquired additional shares of South Cotabato Integrated Port Services, Inc. (SCIPSI) to increase its ownership to 50.08 percent from 35.70 percent and obtain control. SCIPSI has a ten-year contract with PPA, or until 2016, for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos in General Santos City.

2.2 RESULTS OF OPERATIONS

Effective January 1, 2009, ICTSI changed its functional currency from Philippine peso to US dollar (see Note 2 to the unaudited consolidated financial statements for explanation). The change was treated prospectively from January 1, 2009 and accordingly, the 2008 results of operations, financial condition and cash flows were translated to US dollars based on the translation procedures enumerated in Note 2.3 to the unaudited consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended June 30			For the Six Months Ended June 30		
In thousands, except % change data	**2009**	2008	% Change	**2009**	2008	% Change
Gross revenues from port operations	**US$95,988**	US$117,136	(18.1)	**US$188,785**	US$227,173	(16.9)
Revenues from port operations, net of port authorities' share	**82,371**	101,737	(19.0)	**162,670**	196,963	(17.4)
Total income (net revenues, interest and other income)	**93,724**	115,065	(18.5)	**182,754**	222,658	(17.9)
Total expenses (operating, financing and other expenses)	**75,740**	92,466	(18.1)	**147,295**	171,443	(14.1)
EBITDA[1]	**41,492**	51,047	(18.7)	**79,873**	99,088	(19.4)
EBIT[2]	**27,166**	36,344	(25.3)	**52,642**	71,564	(26.4)
Net income attributable to equity holders of the parent	**12,157**	18,185	(33.1)	**23,162**	37,691	(38.5)
Earnings per share						
Basic	**US$0.006**	US$0.010	(33.5)	**US$0.012**	US$0.020	(38.5)
Diluted	**0.006**	0.009	(33.1)	**0.012**	0.019	(38.4)

[1] EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.

The Group's EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

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

The following table shows the computation of EBITDA as derived from the Group's net income for the period:

Table 2.2 EBITDA Computation

	For the Three Months Ended June 30			For the Six Months Ended June 30		
In thousands, except % change data	**2009**	2008	% Change	**2009**	2008	% Change
Net income attributable to equity holders of the parent	**US$12,157**	US$18,185	(33.1)	**US$23,162**	US$37,691	(38.5)
Minority interests	**(514)**	(1,542)	(66.7)	**(1,405)**	(2,082)	(32.5)
Provision for income tax	**6,341**	5,956	6.5	**13,702**	15,606	(12.2)
Income before income tax	**17,984**	22,599	(20.4)	**35,459**	51,215	(30.8)
Add (deduct):						
Depreciation and amortization	**14,326**	14,703	(2.6)	**27,231**	27,524	(1.1)
Interest and other expenses	**20,535**	27,073	(24.1)	**37,267**	46,044	(19.1)
Interest and other income	**(11,353)**	(13,328)	(14.8)	**(20,084)**	(25,695)	(21.8)
EBITDA	**US$41,492**	US$51,047	(18.7)	**US$79,873**	US$99,088	(19.4)

The pro-forma unaudited consolidated statements of income for the three and six months ended June 30, 2009 and 2008 in Philippine peso, had the Group not changed its functional currency to US dollar, are as follows:

Table 2.3 Pro-forma Unaudited Consolidated Statements of Income in Philippine Peso

	For the Three Months Ended June 30			For the Six Months Ended June 30		
In thousands, except % change data	**2009**	2008	% Change	**2009**	2008	% Change
Gross revenues from port operations	**₱4,592,208**	₱5,035,027	(8.8)	**₱9,025,367**	₱9,541,493	(5.4)
Revenues from port operations, net of port authorities' share	**3,940,452**	4,372,738	(9.9)	**7,776,411**	8,272,639	(6.0)
Total income (net revenues, interest and other income)	**4,338,058**	4,945,423	(12.3)	**8,675,720**	9,351,813	(7.2)
Total expenses (operating, financing and other expenses)	**3,565,407**	3,966,277	(10.1)	**7,047,359**	7,200,742	(2.1)
EBITDA	**1,983,783**	2,194,320	(9.6)	**3,816,705**	4,161,811	(8.3)
EBIT	**1,298,126**	1,563,337	(17.0)	**2,514,374**	3,005,755	(16.3)
Net income attributable to equity holders of the parent	**519,140**	784,203	(33.8)	**1,059,504**	1,583,041	(33.1)
Earnings per share						
Basic	**₱0.275**	₱0.413	(33.4)	**₱0.561**	₱0.833	(32.7)
Diluted	**0.267**	0.397	(32.7)	**0.542**	0.802	(32.4)

2.3 OPERATING RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2009 COMPARED WITH JUNE 30, 2008

2.3.1 TEU VOLUME

The following table depicts the Group's consolidated volume for the second quarter of 2009 and in the same period in 2008:

Table 2.4 Consolidated Volume

	For the Three Months Ended June 30		
	2009	2008	% Change
Asia	**533,303**	530,126	0.6
EMEA	**98,670**	177,324	(44.4)
Americas	**202,215**	206,268	(2.0)
Total	**834,188**	913,718	(8.7)
MICT	**327,534**	384,239	(14.8)
CGSA	**151,064**	142,474	6.0
BCT	**52,325**	118,695	(55.9)
TSSA	**51,151**	63,794	(19.8)
MICTSL	**29,981**	35,454	(15.4)
Others	**222,133**	169,062	31.4
Total	**834,188**	913,718	(8.7)

Consolidated volume handled for the second quarter of the year declined by 8.7 percent year-on-year to 834,188 TEUs from 913,718 TEUs in the same period of last year. The decrease was mainly due to the weaker international trade resulting from the global economic crisis. Key terminals, namely MICT, CGSA, BCT, TSSA and MICTSL, suffered a 17.8 percent year-on-year volume contraction. Meanwhile, SCIPSI and MICTSI, which were consolidated only in July 2008, contributed 7.2 percent, or 59,908 TEUs, to the consolidated volume for the second quarter of 2009. Excluding the impact of these new terminals, consolidated volume decreased by 15.3 percent year-on-year.

Volume throughput from the Group's Asian port operations was relatively flat at 533,303 TEUs in the second quarter of the year against 530,126 in the same period in 2008. Among the Group's Asian port terminals, only YRDICTL reported an improvement in volume, posting 33.4 percent growth year-on-year. In addition to YRDICTL's positive contribution, volume handled by new terminals, SCIPSI and MICTSI, helped taper off the contraction in volume of Asian port operations. Excluding the new terminals, volume of Asian ports declined by 10.7 percent year-on-year mainly due to the contraction in volume at MICT. Asian operations contributed 63.9 percent to the Group's consolidated volume from last year's 58 percent.

Volume of EMEA port operations weakened by 44.4 percent to 98,670 TEUs during the second quarter from 177,324 TEUs in the same period last year mainly due to the volume contraction at BCT and MICTSL. BCT suffered mainly from the competition with the new entrant in Gdansk, Poland. Meanwhile, TICT had exceptional performance, reporting throughput growth of 72.1 percent from last year. EMEA operations contributed 11.8 percent to the total consolidated volume from last year's 19.4 percent.

Volume operated from the Group's Americas port operations decreased by 2 percent to 202,215 TEUs during the second quarter from 206,268 TEUs mainly due to the 19.8 percent decline in TSSA's throughput. Contrary to TSSA's decline in volume, CGSA posted a growth of 6 percent year-on-year. Americas operations contributed 24.2 percent to the total consolidated volume during the second quarter from 22.6 percent in the same period in 2008.

MICT, the Group's flagship and operated by the Parent Company, handled 327,534 TEUs in the second quarter of the year or a decline of 14.8 percent compared to 384,239 TEUs in the same period in 2008. The decline in volume resulted mainly from the weakening exports to the country's major trading partners. MICT accounted for 39.3 percent of the Group's consolidated volume.

Volume handled at CGSA, Port of Guayaquil, posted at 151,064 TEUs in the second quarter of the year or an increase of 6 percent from 142,474 TEUs in the same period last year. Both exports and imports, particularly commodities, showed signs of improvement during the quarter. CGSA is the second largest terminal of the Group in terms of volume, contributing 18.1 percent to the consolidated volume.

Volume throughput at BCT, Port of Gdynia, registered at 52,325 TEUs during the second quarter of the year. BCT's volume declined by 55.9 percent from last year's 118,695 mainly due to the effects of global economic slump as well as the competition in Gdansk, Poland. BCT's volume accounts for 6.3 percent of the consolidated volume.

TSSA, the Port of Suape, operated a volume of 51,151 TEUs during second quarter, or lower by 19.8 percent from last year's volume of 63,794 TEUs. The decline in volume mainly resulted from weaker exports of manufactured goods. TSSA's volume accounts for 6.1 percent of the consolidated volume.

Volume managed at MICTSL, Port of Toamasina in Madagascar, stood at 29,981 in the second quarter of the year, or a decline of 15.4 percent compared with last year's 35,454 TEUs. The decline can be attributed mainly to the fall in global demand for commodities, garments and consumer goods during the quarter and the domestic political crisis of Madagascar. MICTSL's volume accounts for 3.6 percent of the consolidated volume.

2.3.2 TOTAL INCOME

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

Table 2.5 Total Income

(In thousands, except % change data)	For the Three Months Ended June 30			
	2009	2008		% Change
	In US Dollar		*In Philippine Peso*	
Gross revenues from port operations	**US$95,988**	US$117,136	₱5,035,027	(18.1)
Port authorities' share in gross revenues	**13,617**	15,399	662,289	(11.6)
Net revenues	**82,371**	101,737	4,372,738	(19.0)
Interest income	**611**	805	34,380	(24.1)
Foreign exchange gain	**10,335**	11,986	515,478	(13.8)
Other income	**407**	537	22,827	(24.2)
Total income	**US$93,724**	US$115,065	₱4,945,423	(18.5)

Net revenues accounted for 87.9 percent of the total consolidated income while foreign exchange gain contributed 11.0 percent. In the same period of 2008, net revenues and foreign exchange gain were 88.4 percent and 10.4 percent, respectively, of the total consolidated income.

2.3.2.1 Gross Revenues from Port Operations

The table below illustrates the Group's gross revenues for the second quarter of 2009 and in the same period of last year:

Table 2.6 Gross Revenues

(In thousands, except % change data)	For the Three Months Ended June 30			
	2009	2008		% Change
	In US Dollar		*In Philippine Peso*	
Asia	**US$49,557**	US$55,308	₱2,378,110	(10.4)
EMEA	**13,298**	26,127	1,122,618	(49.1)
Americas	**33,133**	35,701	1,534,299	(7.2)
Total	**US$95,988**	US$117,136	₱5,035,027	(18.1)
MICT	**US$41,893**	US$49,955	₱2,148,096	(16.1)
CGSA	**22,462**	19,873	854,446	13.0
TSSA	**10,671**	15,828	679,852	(32.6)
BCT	**5,448**	14,842	637,416	(63.3)
MICTSL	**6,318**	9,110	392,381	(30.6)
Others	**9,196**	7,528	322,836	22.2
Total	**US$95,988**	US$117,136	₱5,035,027	(18.1)

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

Consolidated gross revenues from port operations for the second quarter of the year declined by 18.1 percent to US$96.0 million from US$117.1 million in the same period of last year principally due to the contraction in TEU throughput. Meanwhile, Philippine peso depreciated versus the US dollar by 11.5 percent to ₱47.862 in the second quarter from ₱42.927 in the same period in 2008. Excluding the foreign exchange translation impact during the quarter, gross revenues should have declined by only 8.6 percent. Except for CGSA, whose gross revenues surged by 13.0 percent year-on-year mainly because of the rise in revenues from BBC resulting from higher value added modalities, the rest of the key terminals suffered a double-digit drop in gross

revenues. Meanwhile, new terminals contributed 2.5 percent to the Group's revenues. Organic revenues, excluding new terminals, declined 20.1 percent year-on-year.

Gross revenues from Asian port operations declined by 10.4 percent to US$49.6 million during the second quarter of the year from US$55.3 million in the same period in 2008 mainly due to the drop in TEU volume of MICT and the weakening of Philippine peso versus the US dollar. Meanwhile, excluding the new terminals, gross revenues from Asian port operations declined by 14.7 percent. Asian port operations account for 51.6 percent of the Group's consolidated gross revenues in the second quarter of the year.

Gross revenues from EMEA port operations decreased by 49.1 percent to US$13.3 million during the second quarter from US$26.1 million in the same period last year mainly due to the decline in volume at BCT, BICT and MICTSL. Among the Group's EMEA terminals, only TICT registered a growth in gross revenues, posting 60.7 percent increase year-on-year. EMEA port operations contributed 13.9 percent to the Group's consolidated gross revenues during the second quarter of 2009.

Gross revenues from the Americas port operations declined by 7.2 percent to US$33.1 million during the second quarter from US$35.7 million in the same period in 2008. The decline in gross revenues mainly resulted from the 32.6 percent decline in TSSA's gross revenues. These operations contributed 34.5 percent to the Group's consolidated gross revenues in the second quarter of the year.

Gross revenues of MICT declined by 16.1 percent in the second quarter of 2009 compared with the same period in 2008 primarily because of the fall in both export and import volume. Depreciation of the Philippine peso by 11.5 percent versus the US dollar also contributed to the decline in MICT's gross revenues. Meanwhile, tariff increase of 7 percent in stevedoring in January 2009 and 8 percent in arrastre in May 2009 tapered off the decline in gross revenues during the second quarter of the year.

CGSA's gross revenues surged by 13.0 percent year-on-year primarily because of the increase in TEU throughput and non-containerized revenues resulting from higher value added modalities in banana and BBC operations. New equipment and infrastructure and reinforced berths at CGSA improved its productivity and profitability. CGSA is the second largest terminal of the Group in terms of revenues, contributing 23.4 percent to the consolidated revenues during the second quarter.

TSSA's gross revenues decreased by 32.6 percent year-on-year primarily due to the decline in volume and the weakening of Brazilian real versus the US dollar. Brazilian real depreciated 29.4 percent in the second quarter of 2009 over the same period of last year. TSSA's gross revenues account for 11.1 percent of the consolidated gross revenues in the second quarter of the year.

BCT's gross revenues decreased by 63.3 percent year-on-year mainly on the account of significant volume contraction. BCT accounts for 5.7 percent of the Group's consolidated gross revenues.

Meanwhile, MICTSL's gross revenues declined 30.6 percent mainly on the account of volume reduction. Unfavorable foreign currency translation also contributed to the negative growth in gross revenues as Malagasy ariary depreciated by 16.3 percent year-on-year against US dollar. MICTSL contributed 6.6 percent to the consolidated gross revenues in the second quarter.

2.3.2.2 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income decreased by US$194 thousand, or 24.1 percent, to US$611 thousand in the quarter ended June 30, 2009 from US$805 thousand in the same quarter of the previous year mainly due to lower average cash balance during the second quarter of the year, particularly at the Parent level.

Foreign exchange gain decreased by US$1.7 million, or 13.8 percent, to US$10.3 million in the second quarter of 2009 from US$12.0 million in the same quarter of last year primarily due to the substantial winding down of hedging activities during the year as well as the year-on-year weakening of functional currencies of the terminals against the US dollar. Foreign exchange gain also arises from settlement of foreign currency-denominated assets and liabilities and translation or restatement adjustments of monetary assets and liabilities. The appreciation of Brazilian real, Colombian peso, Indonesian rupiah, Syrian pound and Polish zloty against the US dollar from April 2009 to June 2009 resulted in net unrealized foreign exchange gain of US$4.2 million.

Other income declined by US$130.0 thousand or by 24.2 percent to US$407.0 thousand in the second quarter of 2009 from US$537.0 thousand in the same period of last year. Other income is composed of rental and other sundry income accounts of ICTSI and subsidiaries.

2.3.3 TOTAL EXPENSES

Consolidated expenses for the quarter ended June 30, 2009 amounted to US$75.7 million or 18.1 percent lower than the US$92.5 million expenses in the same quarter of last year. The table below shows the breakdown of total expenses for the second quarter of 2009 and 2008.

Table 2.7 Total Expenses

	For the Three Months Ended June 30			
In thousands, except % change data	**2009**	2008		% Change
	In US Dollar		*In Philippine Peso*	
Manpower costs	**US$19,544**	US$25,625	₱1,094,938	(23.7)
Equipment and facilities-related expenses	**10,286**	12,579	545,439	(18.2)
Administrative and other expenses	**11,049**	12,486	538,041	(11.5)
Total cash operating expenses	**40,879**	50,690	2,178,418	(19.4)
Depreciation and amortization	**14,326**	14,703	630,983	(2.6)
Interest expense and financing charges on borrowings	**6,838**	3,823	163,395	78.9
Interest expense on concession rights payable	**5,696**	5,442	233,387	4.7
Foreign exchange loss and others	**8,001**	17,808	760,094	(55.1)
Total expenses	**US$75,740**	US$92,466	₱3,966,277	(18.1)

Total cash operating expenses of the Group dropped 19.4 percent to US$40.9 million during the second quarter of 2009 from US$50.7 million in the same period of 2008. The decline was mainly due to the contraction in volume and the effect of cost containment measures that are being implemented across all terminals and cost centers. Specifically, the decline in total cash operating expenses resulted from the 23.7 percent and 18.2 percent reduction in manpower costs and equipment and facilities-related expenses, respectively. Excluding the impact of expenses from new domestic terminals, SCIPSI and MICTSI, total cash operating expenses declined by 21.6 percent year-on-year.

2.3.3.1 Manpower Costs

Manpower costs dropped by 23.7 percent to US$19.5 million in the second quarter of the year from US$25.6 million in the same period of last year. The decrease was mainly attributed to the volume contraction and the impact of cost containment measures implemented across all terminals. In addition, manpower expenses of new terminals amounting to US$386.7 thousand contributed 2 percent increase in manpower costs of the Group. Excluding the addition from new terminals, consolidated manpower costs decreased by 25.2 percent year-on-year. Manpower costs account for 47.8 percent of total cash operating expenses in the second quarter of the year compared to last year's 50.6 percent.

2.3.3.2 Equipment and facilities-related expenses

Equipment and facilities-related expenses plummeted by 18.2 percent to US$10.3 million during the second quarter of the year from US$12.6 million in the same period in 2008. The decline was mainly due to the reduction in volume and effective maintenance program, particularly at key terminals. Most of the terminals posted a double-digit drop in their equipment and facilities-related expenses. Meanwhile, excluding the impact of the new terminals, equipment and facilities-related expenses during the second quarter plunged by 21.5 percent year-on-year. Equipment and facilities related expenses consist mainly of repairs and maintenance charges for equipment and facilities, power and light, technical and system development and maintenance expenses, tools expenses, equipment rentals, fuel and oil, and fixed fee expenses. This account represents 25.2 percent of total cash operating expenses from 24.8 percent in the same period of the previous year.

2.3.3.3 Administrative and other operating expenses

Administrative and other operating expenses fell by 11.5 percent in the second quarter to US$11.0 million from US$12.5 million in the same quarter of last year. The decline was mainly due to the effect of cost-saving measures implemented across terminals as well as cost centers to help reduce the Group's expenses. This expense account stands for 27.0 percent of total cash operating expenses during the second quarter of the year from 24.6 percent in the same period of last year.

2.3.3.4 Depreciation and amortization

Depreciation and amortization expense decreased by 2.6 percent to US$14.3 million in the quarter ended June 30, 2009 compared to US$14.7 million in the same quarter of last year. Excluding the foreign exchange translation impact between quarter ended June 30, 2009 and in the same period in 2008, depreciation and amortization expense increased by 8.6 percent. The increase was associated to the acquisition of new port equipment and improvements in facilities, particularly at key terminals as well as at BICT and TICT.

2.3.3.5 Interest and financing charges on borrowings

Interest and financing charges on borrowings surged by 78.9 percent to US$6.8 million in the second quarter of 2009 from US$3.8 million in the same period in 2008 primarily due to higher debt level in the second quarter of the year. In addition, the Group had to accelerate the amortization of debt issuance costs amounting to US$2.2 million because of the prepayment of the US$176.0 million balance of the US$250 million Revolving and Term Loan Facility. *(Please refer to item 2.7.2.1 Debt Financing for full discussion of interest-bearing debts).* Meanwhile, the increase in financing costs was partially reduced by the US$1.6 million capitalized borrowing costs on qualifying assets during the second quarter, which effectively resulted in a lower cost of debt capital.

2.3.3.6 Interest expense on concession rights payable

Interest expense on concession rights payable increased by 4.7 percent to US$5.7 million in the second quarter of the year from US$5.4 million in the same period of last year mainly due to discount rate adjustments.

2.3.3.7 Foreign exchange loss and others

Foreign exchange loss and others account declined by 55.1 percent to US$8.0 million in the second quarter of 2009 from US$17.8 million in the same period in 2008 mainly due to the substantial winding down of hedging activities. As of the end of the second quarter of 2009, there are no outstanding non-deliverable forwards that are classified as non-hedge. The recovery of Colombian peso against the US dollar resulted in the reversal of unrealized foreign exchange loss of US$2.0 million in the second quarter of the year. This is mainly due to the restatement of SPIA's outstanding US dollar-denominated concession rights payable. Colombian peso, SPIA's functional currency, appreciated by 15.9 percent against the US dollar from March 31, 2009 to June 30, 2009. In addition, other expense in the second quarter of 2009 included unrealized mark-to-market loss on interest rate swap (IRS) of US$1.5 million which was transferred from cumulative translation adjustment. The IRS is related to the US$176.0 million outstanding balance of the US$250.0 million Revolving Term Loan Facility which was repaid in June 2009.

2.3.4 EBITDA and EBIT

Consolidated EBITDA for the second quarter of 2009 declined by 18.7 percent to US$41.5 million compared to US$51.0 million in the same quarter of the previous year. The drop in EBITDA was primarily due to the volume contraction experienced by the terminals as a consequence of the global economic slump. The depreciation of Philippine peso versus the US dollar also dampened EBITDA growth by 9.3 percent. Excluding the unfavorable foreign exchange translation impact, EBITDA should have declined by only 9.4 percent year-on-year. However, the Group managed to maintain a solid 43.2 percent EBITDA margin during the quarter, or relatively flat from last year's 43.6 percent, on the back of tight cost controls. In addition, EBITDA of new terminals slightly cushioned the Group's EBITDA from the decline in volume by contributing nearly 2.0 percent to the consolidated EBITDA.

Consolidated EBIT in the quarter ended June 30, 2009 declined by 25.3 percent to US$27.2 million from US$36.3 million in the same period in 2008. Removing the unfavorable foreign exchange translation impact, EBIT declined by only 16.7 percent. Meanwhile, EBIT margin decreased by 2.7 percent to 28.3 percent during the second quarter of 2009 from 31.0 percent in the same quarter in 2008 primarily due to volume contraction and marginal increase in depreciation and amortization.

2.3.5 INCOME BEFORE INCOME TAX AND PROVISION FOR INCOME TAX

Consolidated income before income tax for the second quarter of 2009 decreased by 20.4 percent to US$18.0 million from US$22.6 million in the same quarter of the previous year. The ratio of income before income tax to total gross revenues declined to 18.7 percent in the second quarter of 2009 from 19.3 percent in the same quarter of last year. The decline is mainly due to the volume contraction and increase in debt level.

Consolidated provision for current and deferred income taxes increased by 6.5 percent to US$6.3 million in the second quarter of the year from US$6.0 million in the same quarter in 2008 despite the volume contraction. This is mainly due to the losses in terminals that have no tax benefits. These terminals include YRDICTL, TICT, BICT and SBITC. As a result, effective tax rate for the second quarter of 2009 rose to 35.3 percent from 26.4 percent in the same quarter of the previous year. Excluding losses from these terminals, effective tax rate in the second quarter of 2009 would be at 29.3 percent.

2.3.6 NET INCOME

Consolidated net income for the second quarter of 2009 decreased to US$11.6 million, or 30.0 percent lower than the US$16.6 million consolidated net income in the same period of the preceding year. The decrease in consolidated net income was associated to contraction in TEU throughput and increase in debt level. In addition, translation of 2008 consolidated financial statements to US dollar from Philippine peso for comparative purposes resulted in the further decline of consolidated net income, or by 8.0 percent decrease year-on-year. Excluding the foreign exchange translation impact, consolidated net income should have declined by only 22.0 percent. The ratio of consolidated net income to gross revenues was 12.1 percent in the second quarter of 2009 and 14.2 percent in the same quarter in 2008.

Net income attributable to equity holders or net profits excluding minority interests for the second quarter of 2009 was US$12.2 million, 33.1 percent lower than the US$18.2 million in the same period of the preceding year. Excluding foreign exchange transaction impact, net income attributable to equity holders should have declined by only 25.5 pecent.

Basic and diluted earnings per share declined to US$0.006 and US$0.006 during the second quarter of 2009 from US$0.010 and US$0.009 in the same period of last year, respectively.

There were no significant elements of income or expense outside the Group's continuing operations in the second quarter of 2009.

2.4 OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 COMPARED WITH THE SAME PERIOD IN 2008

2.4.1 TEU VOLUME

The following table depicts the Group's consolidated volume for the first half of 2009 and in the same period in 2008:

Table 2.8 Consolidated Volume

	For the Six Months Ended June 30		
	2009	2008	% Change
Asia	**1,007,711**	1,024,949	(1.7)
EMEA	**188,624**	321,024	(41.2)
Americas	**393,811**	409,501	(3.8)
Total	**1,590,146**	1,755,474	(9.4)
MICT	**632,700**	744,875	(15.1)
CGSA	**291,014**	287,455	1.2
BCT	**103,187**	218,593	(52.8)
TSSA	**102,797**	122,046	(15.8)
MICTSL	**54,802**	67,937	(19.3)
Others	**405,646**	314,568	29.0
Total	**1,590,146**	1,755,474	(9.4)

Consolidated volume handled for the first half of the year declined by 9.4 percent to 1,590,146 TEUs from 1,755,474 TEUs in the same period of last year. The decrease was mainly due to the falling international trade resulting from the global economic crisis. Key terminals experienced a 17.8 percent year-on-year volume contraction. Meanwhile, new terminals, SCIPSI and MICTSI, contributed 7 percent, or 110,805 TEUs, to the consolidated volume in the first half of 2009. Excluding the impact of these new terminals, consolidated volume decreased by 15.7 percent year-on-year.

Volume throughput from the Group's Asian port operations marginally declined by 1.7 percent to 1,007,711 TEUs during the first half compared to 1,024,949 TEUs in the same period in 2008. Volume handled by new terminals, SCIPSI and MICTSI, tapered off the contraction in volume of Asian port operations. Excluding the new terminals, volume of Asian ports declined by 12.5 percent year-on-year mainly due to the contraction in volume at MICT. Asian operations contributed 63.4 percent to the Group's consolidated volume from last year's 58.4 percent.

Volume of EMEA port operations weakened by 41.2 percent to 188,624 TEUs during the first half of the year from 321,024 TEUs in the same period last year mainly due to the volume contraction at BCT. BCT suffered mainly from competition with the new entrant in Gdansk, Poland. Meanwhile, TICT posted good performance with a throughput growth of 44.2 percent from last year. EMEA operations contributed 11.9 percent to the total consolidated volume from last year's 18.3 percent.

Volume operated from the Group's Americas port operations decreased by 3.8 percent to 393,811 TEUs during the first half from 409,501 TEUs as Latin America's export sector weakened. These operations contributed 24.8 percent to the total consolidated volume during the first half from 23.3 percent in the same period in 2008.

MICT, Port of Manila, handled 632,700 TEUs in the first half of 2009. This is a decline of 15.1 percent from the same period last year of 744,875 TEUs mainly resulting from the weakening exports to the US and Japan, Philippines' major trading partners, as these economies and consumer demand slowed significantly. MICT accounted for 39.8 percent of the Group's consolidated volume for the first half of the year.

Volume handled at CGSA, Port of Guayaquil, posted at 291,014 TEUs in the first half of the year, or an increase of 1.2 percent from last year's 287,455 TEUs. International trade, particularly import of commodities, improved during the second quarter and this reversed the negative growth in the first quarter of the year. CGSA is the second largest terminal of the Group in terms of volume contributing 18.3 percent to the consolidated volume.

Volume throughput at BCT, Port of Gdynia, registered at 103,187 TEUs during the first half of the year. BCT's volume declined 52.8 percent from last year's 218,593 mainly due to the slowdown in global trade as well as the competition, particularly with the new terminal in Gdansk, Poland. BCT's volume accounts for 6.5 percent of consolidated volume.

TSSA, the Port of Suape, operated a volume of 102,797 TEUs in the first six months of 2009, or 15.8 percent lower than last year's volume of 122,046 TEUs. The decline in TSSA's volume was mainly due to the decrease in both domestic and international trade resulting from the global economic slowdown. TSSA's volume accounts for 6.5 percent consolidated volume.

Volume managed at MICTSL, Port of Toamasina in Madagascar, stood at 54,802 TEUs in the first half of the year, or a decline of 19.3 percent compared with last year's 67,937 TEUs. The decline was mainly due to the fall in global demand for commodities, garments and consumer goods during the first six months of the year and the domestic political crisis of Madagascar. MICTSL's volume accounts for 3.4 percent of consolidated volume.

2.4.2 TOTAL INCOME

The table below illustrates the consolidated total income for the first six months of 2009 and 2008:

Table 2.9 Total Income

	For the Six Months Ended June 30			
(In thousands, except % change data)	**2009**	2008		% Change
	In US Dollar		*In Philippine Peso*	
Gross revenues from port operations	**US$188,785**	US$227,173	₱9,541,493	(16.9)
Port authorities' share in gross revenues	**26,115**	30,210	1,268,854	(13.6)
Net revenues	**162,670**	196,963	8,272,639	(17.4)
Interest income	**2,151**	1,361	57,157	58.0
Foreign exchange gain	**17,182**	23,524	988,012	(27.0)
Other income	**751**	810	34,005	(7.3)
Total income	**US$182,754**	US$222,658	₱9,351,813	(17.9)

Net revenues accounted for 89.0 percent of the total consolidated income while foreign exchange gain contributed 9.4 percent. In the same period of 2008, net revenues were 88.5 percent of the total consolidated income.

2.4.2.1 Gross Revenues from Port Operations

The table below shows the Group's gross revenues for the first half of 2009 and in the same period of last year:

Table 2.10 Gross Revenues

	For the Six Months Ended June 30			
(In thousands, except % change data)	**2009**	2008		% Change
	In US Dollar		*In Philippine Peso*	
Asia	**US$95,301**	US$107,979	₱4,535,193	(11.7)
EMEA	**27,233**	50,235	2,109,936	(45.8)
Americas	**66,251**	68,959	2,896,364	(3.9)
Total	**US$188,785**	US$227,173	₱9,541,493	(16.9)
MICT	**US$80,849**	US$97,661	₱4,101,866	(17.2)
CGSA	**44,873**	38,747	1,627,406	15.8
TSSA	**21,378**	30,213	1,268,958	(29.2)
BCT	**11,555**	28,251	1,186,579	(59.1)
MICTSL	**12,693**	18,424	773,843	(31.1)
Others	**17,437**	13,877	582,841	25.7
Total	**US$188,785**	US$227,173	₱9,541,493	(16.9)

Consolidated gross revenues from port operations for the first half of the year declined by 16.9 percent to US$188.8 million from US$227.2 million in the same period of last year principally due to the contraction in TEU throughput. However, excluding the foreign exchange translation impact in the first half of the year, gross revenues should have declined by only 5.4 percent. Except for CGSA, whose gross revenues surged by 15.8 percent year-on-year mainly because of the rise in revenues from BBC resulting from higher value added modalities, the rest of the key terminals suffered a double-digit drop in gross revenues. Meanwhile, new terminals contributed 2.3 percent to the consolidated gross revenues. Excluding new terminals, organic gross revenues declined by 18.8 percent year-on-year.

Gross revenues from Asian port operations declined by 11.7 percent to US$95.3 million during the first half of the year from US$108.0 million in the same period in 2008 mainly due to the drop in TEU volume of MICT and the weakening of Philippine peso versus the US dollar. Meanwhile, excluding the new terminals, gross revenues from Asian port operations declined by 15.8 percent.

Asian port operations contributed 50.5 percent to the Group's consolidated gross revenues in the first six months of the year.

Gross revenues from EMEA port operations decreased by 45.8 percent to US$27.2 million during the first six months from US$50.2 million in the same period last year mainly due to the decline in volume at BCT, BICT and MICTSL. Among the Group's EMEA terminals, TICT performed well, posting a double-digit growth of 41.9 percent year-on-year. EMEA port operations contributed 14.4 percent to the Group's consolidated gross revenues during the first half of 2009.

Gross revenues from the Americas port operations declined by 3.9 percent to US$66.3 million during the first half from US$69.0 million in the same period in 2008. The decline in gross revenues mainly resulted from the decrease in TSSA's gross revenues due to its weaker volume. These operations contributed 35.1 percent to the Group's consolidated gross revenues in the first half of the year.

Gross revenues of MICT declined by 17.2 percent primarily because of the contraction in both import and export volume. Philippine peso depreciated by 13.9 percent year-on-year versus the US dollar and this has also contributed to the decline in MICT's gross revenues. Meanwhile, tariff increases in stevedoring by 5 percent in April 2008 and 7 percent in January 2009, and in arrastre by 8 percent in May 2009 tapered off the decline in gross revenues.

CGSA's gross revenues surged by 15.8 percent year-on-year primarily because of the increase in non-containerized revenues resulting from higher value added modalities in banana and BBC operations. New equipment and infrastructure and reinforced berths at CGSA improved its productivity and profitability. CGSA is now the second largest terminal of the Group in terms of gross revenues, contributing 23.8 percent consolidated revenues in the first six months of the year.

TSSA's gross revenues decreased by 29.2 percent year-on-year primarily due to the decline in volume and the weakening of Brazilian real versus the US dollar. Brazilian real depreciated 29.4 percent against the greenback in the first half of 2009 over the same period of last year. TSSA's gross revenues account for 11.3 percent of consolidated gross revenues.

BCT's gross revenues decreased 59.1 percent account year-on-year due to the significant decline in its throughput. Revenue contribution of BCT accounted for 6.1 percent of the consolidated gross revenues.

MICTSL's gross revenues declined 31.1 percent on the account of volume reduction and the weakening of its functional currency against the US dollar. MICTSL contributed 6.7 percent to the consolidated gross revenues.

2.4.2.2 Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income increased by US$790.0 thousand, or 58.0 percent, to US$2.2 million in the first half of 2009 from US$1.4 million in the same period of the previous year mainly due to higher average cash balance during the first six months of the year, particularly at the Parent level.

Foreign exchange gain decreased by US$6.3 million, or 27.0 percent, to US$17.2 million in the first half of the year from US$23.5 million in the same period in 2008 primarily due to the substantial winding down of hedging activities during the year as well as the year-on-year weakening of functional currencies of the terminals against the US dollar. Foreign exchange gain mainly arises from settlement of foreign currency-denominated assets and liabilities and translation or restatement adjustments of monetary assets and liabilities. The appreciation of Brazilian real, Colombian peso, Indonesian rupiah, Syrian pound and Polish zloty against the US dollar from January 2009 to June 2009 resulted in unrealized foreign exchange gain of US$3.9 millon.

Other income declined by US$59.0 thousand, or by 7.3 percent, to US$751.0 thousand in the first six months of 2009 from US$810.0 thousand in the same period of last year. Other income is composed of rental and other sundry income accounts of ICTSI and subsidiaries.

2.4.3 TOTAL EXPENSES

Consolidated expenses for the six months ended June 30, 2009 amounted to US$147.3 million or 14.1 percent lower than the US$171.4 million expenses in the same period in 2008. The table below demonstrates the breakdown of total expenses for the six months ended June 30, 2009 and 2008.

Table 2.11 Total Expenses

	For the Six Months Ended June 30			
In thousands, except % change data	**2009**	2008		% Change
	In US Dollar		*In Philippine Peso*	
Manpower costs	**US$39,881**	US$43,452	₱1,825,016	(8.2)
Equipment and facilities-related expenses	**21,070**	28,941	1,215,547	(27.2)
Administrative and other expenses	**21,846**	25,482	1,070,265	(14.3)
Total cash operating expenses	**82,797**	97,875	4,110,828	(15.4)
Depreciation and amortization	**27,231**	27,524	1,156,056	(1.1)
Interest expense and financing charges on borrowings	**11,818**	6,522	273,940	81.2
Interest expense on concession rights payable	**11,364**	10,058	422,443	13.0
Foreign exchange loss and others	**14,085**	29,464	1,237,475	(52.2)
Total expenses	**US$147,295**	US$171,443	₱7,200,742	(14.1)

Total cash operating expenses of the Group dropped 15.4 percent to US$82.8 million during the first six months of 2009 from US$97.9 million in the same period last year. The decline was mainly due to the contraction in volume and the effect of cost containment measures that are being implemented across the terminals and cost centers. Specifically, the decline in total cash operating expenses resulted from the 27.2 percent and the 14.3 percent reduction in equipment and facilities-related expenses and administrative and other expenses, respectively. Excluding the impact of expenses from new domestic terminals, SCIPSI and MICTSI, total cash operating expenses declined by 17.6 percent year-on-year.

2.4.3.1 Manpower Costs

Manpower costs decreased by 8.2 percent to US$39.9 million in the first half of the year from US$43.5 percent in the same period of last year. The decrease was mainly attributed to the volume contraction and the impact of cost containment measures implemented across all terminals.
In addition, manpower expenses of new terminals amounting to US$723.2 thousand contributed 1.8 percent increase in manpower costs of the Group. Excluding the addition from new terminals, consolidated manpower costs decreased by 9.9 percent year-on-year. Manpower costs account for 48.2 percent of total cash operating expenses in the first half of the year compared to last year's 44.4 percent.

2.4.3.2 Equipment and facilities-related expenses

Equipment and facilities-related expenses plummeted by 27.2 percent to US$21.1 million during the first half of the year from US$28.9 million in the same period in 2008. The decline was mainly due to the reduction in volume and effective maintenance program, particularly at key terminals. Most of the terminals posted a double-digit drop in their equipment and facilities-related expenses. Meanwhile, excluding the impact of the new terminals, equipment and facilities-related expenses during the first half of the year plunged by 30.3 percent year-on-year. This account represents 26.4 percent of total cash operating expenses in the first half of 2009 from 29.6 percent in the same period of the previous year.

2.4.3.3 Administrative and other operating expenses

Administrative and other operating expenses fell by 14.3 percent in the first six months of the year to US$21.8 million from US$25.5 million in the same period of last year. The decline was mainly due to the effect of cost-saving measures implemented at terminals and cost centers to help reduce the expenses. Implementation of cost-saving measures is also part of the Group's thrust to address the weakening global trade. Meanwhile, excluding the impact of new terminals, administrative and other operating expenses in the first half of the year declined by 16.2 percent. This expense account stands for 26.4 percent of total cash operating expenses during the first half of the year from 26.0 percent in the same period of last year.

2.4.3.4 Depreciation and amortization

Depreciation and amortization expense declined by 1.1 percent to US$27.2 million for the six months ended June 30, 2009 compared to US$27.5 million in the same period of last year. Excluding the impact of foreign exchange translation, depreciation and amortization expense increased by 12.7 percent. The increase was related to the acquisition of new port equipment and improvements in facilities, particularly at key terminals as well as at BICT and TICT.

2.4.3.5 Interest and financing charges on borrowings

Interest and financing charges on borrowings surged by 81.2 percent to US$11.8 million in the first half of the year from US$6.5 million in the same period in 2008 primarily due to higher debt level in the first six months of the year as well as the acceleration of the debt issuance costs amounting to US$2.2 million related to the US$176.0 balance of the US$250.0 million term loan facility that was repaid in the second quarter of the year. Interest-bearing debts increased by 128.0 percent to US$429.6 million as of June 30, 2009 from US$188.4 million in the same period of last year. *(Please refer to item 2.7.2.1 Debt Financing for full discussion of interest-bearing debts).* Meanwhile, the increase in financing costs was partially reduced by the US$3.0 million capitalized borrowing costs on qualifying assets, which resulted in a lower cost of debt capital.

2.4.3.6 Interest expense on concession rights payable

Interest expense on concession rights payable increased by 13.0 percent to US$11.4 million in the first half of the year from US$10.1 million in the same period of last year mainly due to discount rate adjustments and interest expense on concession rights payable of SBITC and SPIA, which were not included in the first quarter of last year.

2.4.3.7 Foreign exchange loss and others

Foreign exchange loss and others account declined by 52.2 percent to US$14.1 million in the first six months of 2009 from US$29.5 million in the same period last year mainly due to the substantial winding down of hedging activities. As of the June 30, 2009, there are no outstanding non-deliverable forwards that are classified as non-hedge. The recovery of Colombian peso against the US dollar resulted in the reversal of unrealized foreign exchange loss of US$2.0 million in the first six months of the year which brought down the foreign exchange loss during the period.

This is mainly due to the restatement of SPIA's outstanding US dollar-denominated concession rights payable. In addition, other expenses in the first half of 2009 included unrealized mark-to-market loss on IRS of US$1.5 million which was transferred from cumulative translation adjustment. The IRS is related to the US$176.0 million outstanding balance of the US$250.0 million term loan facility which was repaid in June 2009.

2.4.4 EBITDA and EBIT

Consolidated EBITDA for the first six months of 2009 declined by 19.4 percent to US$79.9 million compared to US$99.1 million in the same period of the previous year. The drop in EBITDA was primarily due to the volume contraction experienced by the terminals resulting from the global economic slump. The depreciation of Philippine peso against the US dollar also dampened EBITDA growth by 11.2 percent. Excluding the unfavorable foreign exchange translation impact, EBITDA should have declined by only 8.2 percent year-on-year. Despite the drop in EBITDA, the Group still managed to maintain a solid 42.3 percent EBITDA margin, only 1.3 percent lower than last year's 43.6 percent, on the back of effective management of expenses. In addition, new terminals contributed 1.6 percent to the Group's EBITDA that slightly supported the latter from the contraction in volume.

Consolidated EBIT in the first six months ended June 30, 2009 declined by 26.4 percent to US$52.6 million from US$71.6 million in the same period in 2008. Removing the unfavorable foreign exchange translation impact, EBIT declined by only 16.2 percent. Meanwhile, EBIT margin decreased by 3.6 percent to 27.9 percent during the first half of 2009 from 31.5 percent in the same period in 2008 primarily due to volume contraction and marginal increase in depreciation and amortization.

2.4.5 INCOME BEFORE INCOME TAX AND PROVISION FOR INCOME TAX

Consolidated income before income tax for the half of 2009 decreased by 30.8 percent to US$35.5 million from US$51.2 million in the same period of the previous year. The ratio of income before income tax to total gross revenues declined to 18.8 percent in the first half of 2009 from 22.5 percent in the same period of last year. The decline is mainly due to the volume contraction and increase in debt level.

Consolidated provision for current and deferred income taxes decreased by 12.2 percent to US$13.7 million in the first half of the year from US$15.6 million in the same half in 2008 mainly due to the volume contraction as a result of global economic slowdown. Meanwhile, effective tax rate for the first half of 2009 rose to 38.6 percent from 30.5 percent in the same half of the previous year primarily due to losses in YRDICTL, TICT, BICT, and SBITC that have no tax benefits. Excluding losses from these terminals, effective tax rate would be at 31.7 percent.

2.4.6 NET INCOME

Consolidated net income for the first half of 2009 decreased to US$21.8 million, or 38.9 percent lower than the US$35.6 million consolidated net income in the same period of the preceding year. The decrease in consolidated net income was associated to contraction in TEU throughput and increase in debt level. In addition, translation of 2008 consolidated financial statements to US dollar from Philippine peso for comparative purposes resulted in the further decline of consolidated net income, or by 8.5 percent decrease year-on-year. Excluding the foreign exchange translation impact, consolidated net income should have declined by only 30.4 percent. The ratio of consolidated net income to gross revenues was 11.5 percent in the second half of 2009 and 15.7 percent in the same period in 2008.

Net income attributable to equity holders or net profits excluding minority interests for the first six months of 2009 amounted to US$23.2 million, 38.5 percent lower than the US$37.7 million in the same period of the preceding year. Excluding foreign exchange translation impact, net income attributable to equity holders should have declined by only 30.0 percent.

Basic and diluted earnings per share declined to US$0.012 and US$0.012 during the first half of 2009 from US$0.020 and US$0.019 in the same period of last year, respectively.

There were no significant elements of income or expense outside the Group's continuing operations in the second quarter of 2009.

2.5 TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volumes in countries where it operates, as well as certain cost items, such as labor, fuel and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in a number of currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

2.6 FINANCIAL CONDITION

Table 2.12 Consolidated Balance Sheets

In thousands, except % change data	**June 30, 2009**	December 31, 2008		% Change
	In US Dollar		*In Philippine Peso*	
Total assets	**US$1,201,653**	US$1,242,177	₱59,028,236	(3.3)
Current assets	**206,454**	290,445	13,801,920	(28.9)
Stockholders' equity	**452,459**	448,124	21,294,832	1.0
Total equity attributable to equity holders of the parent	**404,018**	396,929	18,930,666	1.8
Total debt	**429,637**	458,044	21,766,234	(6.2)
Current liabilities	**125,409**	134,156	6,375,136	(6.5)
Total liabilities	**749,194**	794,053	37,733,404	(5.6)
Current assets/total assets	**17.2%**	23.4%	23.4%	
Current ratio	**1.65**	2.16	2.16	
Debt-equity ratio[1]	**1.66**	1.77	1.77	
Debt-equity ratio[2]	**0.95**	1.02	1.17	

[1] Debt includes total liabilities. Equity includes total stockholders' equity.

[2] Debt includes interest-bearing debts and concession rights payable under IFRIC 4. Equity includes paid-up capital, cost of shares held by subsidiaries, retained earnings, cumulative translation adjustment and unrealized mark-to-market gain.

Consolidated assets as of June 30, 2009 was lower by 3.3 percent than what was reported as of the end of 2008. The decrease of US$40.5 million was attributed mainly to the prepayment of the US$176.0 million balance of the US$250.0 term loan facility and acquisitions of port equipment and civil works expenditures.

Total current assets declined by 28.9 percent mainly because of the decrease in cash and cash equivalents and derivative assets. Current assets accounted for 17.2 percent of total consolidated assets as of June 30, 2009 compared to 23.4 percent as at December 31, 2008. Meanwhile, current ratio is 1.65:1.00 as at June 30, 2009 and 2.16:1.00 as at December 31, 2008.

Total consolidated liabilities as of June 30, 2009 amounted to US$749.2 million, or 5.6 percent lower than the balance as of December 31, 2008. The decrease was mainly because of the decline in long-term debt liabilities resulting from the prepayment of the US$176.0 million balance of the US$250 million term loan facility. New long-term borrowings amounted to US$150.0 million.

Reduction in current liabilities, particularly accounts payable and other current liabilities and derivative liabilities also contributed to the decline in total liabilities.

2.6.1 MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of June 30, 2009 with variances of plus or minus 5 percent against December 31, 2008 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment, net of depreciation, increased by US$26.4 million, or 9.6 percent higher than the December 2008 balance due to the acquisition of port and other equipment and construction of civil works for the existing terminals not subject to IFRIC 12.
2. Other noncurrent assets decreased by 9.3 percent or by US$4.8 million mainly due to the application of advances to suppliers and contractors for the acquisition, construction and rehabilitation of terminals and other equipment.

Current Assets

3. Cash and cash equivalents decreased by US$86.3 million, or by 38.7 percent lower than the December 2008 balance mainly because of the prepayment of US$250.0 million facility and acquisitions of port equipment and expenditures for civil works.
4. Receivables, net of allowance, increased by US$2.3 million, or by 9.0 percent from the December 2008 balance principally due to the translation of TSSA's receivables into US dollar as Brazilian real appreciated against the US dollar and some slowdown in collection of receivables from certain customers of the Parent Company.
5. Spare parts and supplies increased by US$1.7 million, or by 16.8 percent mainly because of purchases of quay and rubber tyred gantry crane spare parts at CGSA, Ecuador and other key terminals.
6. Prepaid expenses and other current assets increased by 6.5 percent, or US$1.9 million primarily due to the increase in input VAT at ICTSI Parent Company.
7. Derivative assets decreased by US$3.6 million, or by 94.7 percent decline mainly due to substantial winding down of the Group's hedging activities.

Stockholders' Equity

8. Other comprehensive income decreased by US$5.0 million mainly due to the increase in cumulative translation adjustments on account of Brazilian real, Colombian peso and Syrian pound appreciation against the US dollar.
9. Treasury shares decreased by US$1.7 million, or by 29.9 percent, mainly due to the issuance of stock awards.

Noncurrent Liabilities

10. Long-term debt decreased by 7.6 percent or by US$32.0 million mainly due to the net prepayment of the US$250.0 million term loan facility amounting to US$176.0 million. New long-term borrowings amounted to US$150.0 million.
11. Deferred tax liabilities increased by 7.4 percent, or by US$2.4 million, primarily because of restatement of US dollar-denominated liabilities of SPIA, TSSA and TICT. The functional currencies of these terminals appreciated against the US dollar from December 31, 2008 to June 30, 2009.
12. Pension liabilities decreased by 6.9 percent or by US$69.0 thousand mainly due to the additional retrenchment costs at BCT, Poland.

Current Liabilities

13. Loans payable increased by 15.9 percent, or by US$4.3 million, mainly due to additional availment of short-term loans of YRDICTL amounting to US$5.6 million (RMB38 million) to finance repayment of maturing long-term borrowings and various working capital requirements.
14. Accounts payable and other current liabilities declined by 6.1 percent, or by US$3.6 million, principally because of lower purchases made in June 2009.
15. Current portion of long-term debt decreased by 8.0 percent, or by US$770.0 thousand mainly associated to the prepayment of the US$176.0 million balance of the US$250.0 million term loan facility.
16. Current portion of concession rights payable declined by 12.9 percent, or by US$2.5 million due to the payment of fixed and initial fees to port authorities.
17. Income tax payable decreased by 19.2 percent, or by US$2.2 million, due to lower taxable profits during the first half of 2009 compared to the fourth quarter of 2008.
18. Derivative liabilities declined by 49.0 percent, or by US$4.1 million, due to the substantial winding down of the Group's hedging activities.

2.7 LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and uses of funds as well as its debt and equity capital profile. As at June 30, 2009, cash and cash equivalents represent 11.4 percent of total assets compared to 6.3 percent in the same period of the preceding year. Meanwhile, debt capital accounted for 48.7 percent of total debt and equity capital as of June 30, 2009 against 50.5 in the same period of last year.

2.7.1 CASH FLOWS

The table below shows the Group's consolidated cash flows as of June 30, 2009 and 2008:

Table 2.13 Consolidated Cash Flows

	For the Six Months Ended June 30			
(In thousands, except % change data)	**2009**	2008		% Change
	In US Dollar		*In Philippine Peso*	
Net cash provided by operating activities	**US$57,840**	US$63,263	₱2,657,093	(8.6)
Net cash used in investing activities	**(71,870)**	(73,897)	(3,103,793)	(2.7)
Net cash provided by (used in) financing activities	**(71,632)**	8,551	359,199	(937.7)
Effect of exchange rate changes on cash	**(593)**	437	18,339	(235.7)
Translation adjustment arising from change in functional currency	–	(6,857)	–	100.0
Net decrease in cash and cash equivalents	**(86,255)**	(8,503)	(69,162)	914.4
Cash and cash equivalents, beginning	**222,825**	86,358	3,564,863	158.0
Cash and cash equivalents, end	**US$136,570**	US$77,855	₱3,495,701	75.4

Consolidated cash and cash equivalents increased by 75.4 percent to US$136.6 million as of June 30, 2009 from US$77.9 million in the same period of the preceding year. The increase was mainly due to the rise in debt level from June 2008 to December 2008 as reflected in the beginning balance of cash and cash equivalents.

Net cash provided by operating activities declined by 8.6 percent to US$57.8 million in the first half of the year from US$63.3 million in the same period in 2008 mainly because of the decline in revenues resulting from the volume contraction. Changes in working capital, particularly settlement of accounts payable and other current liabilities, also contributed to the decline in cash flows from operating activities.

Net cash used in investing activities declined by 2.7 percent to US$71.9 million during the first six months of the year from US$73.9 million in the same period in 2008. The decline was mainly due

to lower spending on advances to contractors resulting from the deferment of existing projects to the latter part of the year and to 2010. The Group's capital expenditure budget for 2009 is estimated at US$146.9 million, or ₱7.2 billion, mainly allocated for civil works, systems improvement, and purchase of major cargo handling equipment of major terminals such as MICT, CGSA and TSSA. The Group expects to meet funding requirements for these expenditures from internally generated funds, available cash and cash equivalents and new borrowings. As of June 30, 2009, the Group's capital expenditure amounted to US$61.3 million mainly resulting from CGSA's acquisition of container handling equipment and civil works.

Net cash provided by financing activities declined by 937.7 percent to negative US$71.6 million during the first half of the year from positive US$8.6 million in the same period last year. The decline was mainly due to the net payments of borrowings, principally the prepayment of US$250.0 million term loan facility, and the US$18.0 million increase in interest on borrowings and concessions payable during the first half of the year.

2.7.2 CAPITAL RESOURCES

The table below illustrates the Group's capital sources as of June 30, 2009 and as at December 31, 2008:

Table 2.14 Capital Sources

	June 30, 2009	December 31, 2008		% Change
	In US Dollar		*In Philippine Peso*	
Loans payable	**US$31,653**	US$27,314	₱1,297,963	15.9
Current portion of long-term debt	**8,860**	9,630	457,603	(8.0)
Long-term debt, net of current portion	**389,124**	421,100	20,010,668	(7.6)
Total short and long-term debt	**429,637**	458,044	21,766,234	(6.2)
Stockholders' equity	**452,459**	448,124	21,294,832	1.0
Total Capital	**US$882,096**	US$906,168	₱43,061,066	(2.7)

Total capital of the Group as of June 30, 2009 stood at US$882.1 million, 2.7 percent lower than US$906.2 million as at December 31, 2008. The decrease was mainly driven by the reduction in debt level in the first six months of the year. From beginning of the year, total short-term debt and long-term debt declined by 6.2 percent while stockholders' equity slightly increased by 1.0 percent.

2.7.2.1 Debt Financing

As of June 30, 2009, the Group's total interest-bearing debt stood at US$429.6 million, representing a 6.2 percent decrease from US$458.0 million as of December 31, 2008. The reduction by US$28.4 million was primarily accounted for by the prepayment of the US$250.0 million Revolving and Term Loan Facility of ICTSI Capital B.V. despite additional loans of US$150 million term loan facility, US$40 million MBTC term loan facility and the final drawdown of US$41.4 million under the DBP-LBP Term Loan Facility.

The table below represents the Group's outstanding loans net of debt issue costsas of June 30, 2009:

Table 2.15 Outstanding Loans

(In thousands)	**Company**	**Maturity**	**Interest Rate**	**Amount**
Short-Term Debt				
PHP - denominated	Parent	2009	Floating	US$23,894
RMB - denominated	YRDICTL	2010	Floating	7,759
				31,653
Long-Term Debt				
Unsecured peso Term Loan	Parent	2011	Fixed	290
Unsecured US dollar Term Loan	Parent	2012	Floating	145,704
Unsecured peso Term Loan	Parent	2013	Floating	122,465
Unsecured US dollar Term Loan	Parent	2014	Floating	39,609
Unsecured peso Corporate Note	Parent	2014–2015	Fixed	25,035
US dollar Term Loan	TSSA	2014	Fixed	10,436
US dollar Term Loan	BCT	2014	Floating	14,184
RMB Term Loan	YRDICTL	2017	Floating	40,261
				397,984
Total Debt				429,637
Short-term debt and current portion of long-term debt				40,513
Long-term debt, net of current portion				US$389,124

The table below is a summary of long-term debt maturities, net of debt issue cost, of the Group as of June 30, 2009:

Table 2.16 Long-term Debt Maturities

(In thousands)	**Amount**
2009	US$5,580
2010	6,544
2011	103,812
2012	140,207
2013 and onwards	141,841
Total	US$397,984

Parent Company

Other Philippine-based Commercial Bank Term Loans. The outstanding peso-denominated term loans were obtained by ICTSI from a Philippine-based commercial bank and are payable quarterly with final installments in 2011. Interest rate is fixed at 14.0 percent. As of June 30, 2009 outstanding balance was US$0.3 million (₱14.0 million) after prepayments amounting to US$9.0 million (₱433.9 million) in January, March and May 2009.

Term Loan Facility Agreement (Term Loan Facility). In May 2009, ICTSI signed a three-year unsecured Term Loan Facility with a consortium of seven international banks for US$150.0 million to partly refinance ICTSI Capital BV's US$250.0 million Revolving and Term Loan Facility which then had an outstanding balance of US$176.0 million. The loan bears an interest of 3.80 percent over the LIBOR. The Term Loan Facility was fully drawn in June 2009 and will mature in 2012.

DBP-LBP Term Loan Facility Agreement (DBP-LBP Term Loan Facility). In November 2008, ICTSI signed a five-year US$124.7 million (₱6.0 billion) Term Loan Facility with DBP and LBP for the financing of capital expenditures of the Group including the construction of Berth 6 of MICT and refinancing of existing loan obligations. Interest on the loan shall be the higher of (1) the sum of three months PDST-F Rate and 1.75 percent p.a. or (2) the BSP Reverse Repo Rate. The DBP-LBP Term Loan Facility is unsecured. Drawdowns from the facility have aggregated to

US$83.1 million (₱4.0 billion) as of December 31, 2008, gross of debt issuance cost, and was fully availed as of March 31, 2009.

MBTC Term Loan Facility Agreement (MBTC Term Loan Facility). In April 2009, ICTSI signed a five-year unsecured MBTC Term Loan Facility for US$40.0 million with Metropolitan Bank and Trust Company for the financing of capital expenditures and general corporate purposes including the refinancing of existing obligations. The loan bears an interest of 3.50 percent over the LIBOR. The facility was fully drawn in April 2009.

Corporate Notes Facility Agreement (FXCN Note). In November 2008, ICTSI completed a FXCN Note for US$18.4 million (₱885.0 million), which amount was increased by an Accession Agreement up to US$25.0 million (₱1.2 billion), with several institutions arranged by HSBC. The net proceeds of the FXCN Note will be used for capital expenditures. The FXCN Note is unsecured and has maturities of five and a half, and seven years. Interest rate is at 9.5 percent p.a. for the five and a half-year FXCN Note and 10.25 percent p.a. for the seven-year FXCN Note. As of December 31, 2008, the entire facility was fully drawn.

TSSA

In December 2005, TSSA entered into a loan agreement for US$14.0 million with the International Finance Corporation and the Netherlands Development Finance Company to finance TSSA's increase in its handling capacity. The loan bears a fixed interest rate of 9.47 percent and is payable in 16 semi-annual installments up to 2014. Port equipment, together with other assets of TSSA, with a total carrying value of up to US$19.0 million were used to secure the loan. The facility is without recourse to ICTSI. Outstanding balance of the loan amounted to US$10.4 million as of June 30, 2009.

BCT

In November 2004, BCT entered into a loan agreement for US$36.0 million with a syndicate of a Polish and international banks to finance an increase in its handling capacity. The loan bears interest at 1.1 percent over the LIBOR or, on or after the currency conversion date, Euro Interbank Offered Rate and is payable in 16 equal semi-annual installments up to 2014. Port equipment, together with other assets of BCT, with a total carrying value of up to US$44.7 million were used to secure the loan. The facility is without recourse to the ICTSI. Outstanding balance of the loan amounted to US$14.2 million as of June 30, 2009.

YRDICTL

In July 2007, YRDICTL entered into a loan agreement with the Industrial and Commercial Bank of China for US$40.3 million (RMB275.0 million) to finance YRDICTL's acquisition of port equipment and the increase in its handling capacity. The loan bears a floating interest rate based on the rate published in The People's Bank of China, discounted by 10 percent, at July 1 of each year. The loan is payable beginning 2009 up to 2017. Port equipment, together with other assets of YRDICTL, with a total carrying value of up to US$21.0 million (RMB143.7 million) were used to secure the loan. The facility is without recourse to ICTSI. The loan is guaranteed by Yantai Port Group, a minority shareholder, up to US$8.0 million (RMB55.0 million).

ICTSI Capital B.V.

In December 2007, ICTSI Capital BV entered into a revolving and term loan facility agreement (Facility Agreement) with a consortium of 21 international banks for a maximum credit facility of US$250.0 million, which was arranged by HSBC, Citibank and Calyon. The Facility Agreement was guaranteed by ICTSI and was intended to refinance various loans, fund new acquisitions and finance general working capital requirements of the Group. The loan bears an interest of 0.80 percent over the LIBOR, subject for increase depending on the Debt to EBITDA ratio for the relevant period.

Drawdowns from the facility have aggregated US$250.0 million (₱12.0 billion) as of December 31, 2008, gross of debt issuance cost and payable in December 2010. As of March 31,

2009, outstanding balance under the facility was reduced to US$176.0 million with the prepayment of US$74.0 million in March 2009. As of June 30, 2009, the facility was fully paid, partly from Parent's proceeds of the Term Loan Facility for US$150.0 million.

2.7.2.2 Loan Covenants

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI's, CGSA's, TSSA's and YRDICTL's assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI and BCT are also required to maintain specified financial ratios relating to their debt to equity and cash flow and earnings level relative to current debt service obligations. As of June 30, 2009, March 31, 2009 and December 31, 2008, ICTSI, ICTSI Capital BV, BCT and TSSA are in compliance with the loan covenants.

Unamortized debt issue cost related to long-term debt aggregated to US$7.2 million and US$5.9 million as of June 30, 2009 and December 31, 2008, respectively. Interest expense amounted to US$11.8 million (net of capitalized borrowing costs amounting to US$3.0 million) for the six months ended June 30, 2009. Weighted average interest rate on long-term loans for the first half of 2009 was 5.4 percent compared to 5.9 percent in the same period in 2008.

Total stockholders' equity attributable to equity holders of the Parent stood at US$404.0 million as of June 30, 2009, an increase of 1.8 percent from December 31, 2008.

There were no events that will trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the Company with unconsolidated entities or other persons created during the reporting period.

2.8 RISKS

ICTSI and its subsidiaries' geographically diverse operations expose the Group to various market risks, particularly foreign exchange risk, liquidity risk and interest rate risk, which movements may materially impact the financial results of the Group. The importance of managing these risks has significantly increased in light of the heightened volatility in both the Philippine and international financial markets. With a view to managing these risks, the Group has incorporated a financial risk management function in its organization, particularly in treasury operations.

2.8.1 FOREIGN EXCHANGE RISK

Fluctuations in the exchange rates between US dollar against the Euro and local currencies wherein the Group's ports operate affect the equivalent in US dollar of its foreign currency-denominated revenues and foreign currency-denominated assets and liabilities.

The Group's non-US dollar currency-linked revenues were 49.1 percent and 58.4 percent of gross revenues for the periods ended June 30, 2009 and June 30, 2008, respectively. Foreign currency-linked revenues include the following: (1) all charges of MICT except vessel charges; and (2) the total non-US dollar revenues of our international subsidiaries. ICTSI Group incurs expenses in non-US dollar currency for all the operating and start-up requirements of its international subsidiaries.

The table below provides a currency breakdown of the Group's revenue as of June 30, 2009:

Table 2.17 Revenue Currency Profile

Subsidiary	USD / EUR Composition	Local Currency
ICTSI	47% USD	53% PhP
SBITC		100% PhP
DIPSSCOR		100% PhP
SCIPSI		100% PhP
BIPI		100% PhP
MICTSL		100% PhP
BCT	89% USD	11% PLN
TSSA		100% BRL
MICTSL		100% EUR*
PTMTS		100% IDR
YRDICTL		100% RMB
CGSA	100% USD	
BICTL	100% USD	
TICT	100% USD	
SPIA	100% USD	
NICTI		100% JPY

**MGA pegged with the EURO*

The following table represents the closing exchange rates of relevant currencies against the US dollar as of June 30, 2009 and in the same period in 2008:

Table 2.18 Exchange Rates of Selected Currencies versus US Dollar

	2009	2008	% Change
Philippine peso	48.130	44.900	(7.2)
Polish zloty	3.170	2.130	(48.8)
Brazilian real	1.952	1.604	(21.7)
Euro	1.403	1.576	(10.9)

The foreign exchange differentials arising from the revaluation of the Group's foreign currency accounts are credited or charged to current operations. The Group's net foreign exchange gain amounted to US$5.9 million at the end of June 2009, compared to a net foreign exchange loss of US$5.4 million in the same period of last year. On a limited basis, the Group enters into foreign currency forwards and/or cross currency swaps agreements in order to manage its exposure to foreign currency rate fluctuations.

As of June 30, 2009, 50.8 percent of the Group's consolidated debts were denominated in foreign currency, against 40.2 percent as of December 31, 2008.

The table below is a list of foreign currency-denominated long-term liabilities, gross of debt issuance costs, of ICTSI Group as at June 30, 2009:

Table 2.19 Foreign Currency-denominated Long-term Debt

Borrower	Type of Facility	Amount *(In thousands)*	Interest	Maturity Date
ICTSI	Term Loan Facility	₱6,000,000	Floating: 3M PDSTF +1.75%+5% GRT	2013
ICTSI	Term Loan Facility	715,000	Fixed: 9.5%	2014
ICTSI	Term Loan Facility	490,000	Fixed: 10.25%	2015
ICTSI	Term Loan Facility	146,500	Fixed: 14.0%	2011
YRDICTL	Term Loan Facility	RMB275,000	Floating: PBOC 10%	2017

As of June 30, 2009, the Group has US$14.5 million in outstanding derivative transactions recorded in equity to hedge its foreign currency exposure.

As of June 30, 2009, the Group has a total of ₱2.7 billion in outstanding cross-currency swap transactions to partially hedge both the foreign currency and interest rate exposures of the Group's foreign currency denominated term loan facilities. The table below represents the Group's outstanding cross currency swap. Post cross-currency swap transactions, the ratio of the Group's consolidated debt denominated in foreign currency was reduced from 50.8 percent to 37.6 percent.

Table 2.20 Cross-Currency Swap Transactions

Start Date	Amount *(In thousands)*	Loan Interest Rate	Fixed Rate	USD:Php Rate	Maturity Date
June 8, 2009	₱1,000,000	3M PDSTF + 175 bps	5.92%	47.46	2013
June 11, 2009	500,000	3M PDSTF + 175 bps	5.97%	47.67	2013
June 15, 2009	500,000	3M PDSTF + 175 bps	5.90%	48.16	2013
June 15, 2009	715,000	9.25%	7.25%	48.35	2014
Total	₱2,715,000				

2.8.2 INTEREST RATE RISK

The Group's long-term liabilities have combined fixed and floating interest rates. A rise in short-term interest rates in US dollar and Philippine peso will result in a corresponding increase in the interest rates due on the floating rate US dollar and Philippine peso-denominated liabilities. On a limited basis, the Group enters into interest rate swap agreements in order to manage its exposure to fluctuations in interest rates.

As of June 30, 2009, 91.15 percent of the Group's consolidated debts were at floating rate, against 89.4 percent as of December 31, 2008.

As of June 30, 2009, the consolidated floating interest-bearing liabilities of ICTSI Group are broken down as follows:

Table 2.21 Floating Interest-bearing Debt

Borrower	Type of Facility	Amount *(In thousands)*	Interest	Maturity Date
ICTSI	Term Loan Facility	US$150,000	Floating: Libor+ 3.8% margin	2012
ICTSI	Term Loan Facility	₱6,000,000	Floating: 3M PDSTF+1.75%+5%GRT	2013
ICTSI	Term Loan Facility	US$40,000	Floating: Libor + 3.5%	2014
BCT	Term Loan Facility	US$14,400	Floating: Libor + 1.1%	2014
YRDICTL	Term Loan Facility	CNY275,000	Floating: PBOC-10%	2017

As of June 30, 2009, ICTSI Group has an outstanding US$50.0 million interest rate swap that hedges its floating rate liabilities in US dollar LIBOR benchmark rates. The rate was fixed at 3.64 percent p.a. The Group recycled the unrealized mark-to-market loss on its interest rate swap to the unaudited consolidated statement of income shown under "Other expenses" account amounting to US$1.5 million for the six months ended June 30, 2009. This interest swap has been terminated upon final settlement of ICTSI Capital BV's Revolving and Term Loan Facility in June 2009

As of June 30, 2009, ICTSI has a total of ₱2.0 billion outstanding floating-to-fixed interest rate cross-currency swaps to hedge a portion of the Group's floating rate Philippine peso-denominated liabilities that will mature in 2013. The cross currency swaps qualified under hedge accounting. The Philippine peso interest rate was fixed at an average US dollar fixed rate of 5.93 percent p.a. After the cross-currency swap transactions, the ratio of the Group's consolidated debt denominated that are floating rate was reduced from 91.2 percent to 80.8 percent.

2.8.3 LIQUIDITY RISK

The Group manages its liquidity profile to be able to finance its working capital and capital expenditure requirements through internally generated cash and proceeds from debt.

As part of the liquidity risk management, the Group maintains strict control of its cash and ensures that excess cash held by subsidiaries are up streamed timely to the Parent Company. The Group also monitors the receivables and payables to ensure that these are at optimal levels. In addition, the Group regularly evaluates its projected and actual cash flow information and continually assesses the conditions in the financial market to pursue fund raising initiatives. These initiatives may include accessing bank loans, project finance facilities and the debt capital markets.

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

2.9 KEY PERFORMANCE INDICATORS (KPIs)

The top five KPIs for the Group's containerized business are, as follows:

1. TEU Volume Growth
2. Gross Revenues Growth
3. Gross Moves per Hour per Crane
4. Crane Availability
5. Berth Utilization

The KPIs for each of the key terminals for the six months ended June 30, 2009 are, as follows:

Table 2.22 Key Terminals KPIs

KPI	MICT	CGSA	TSSA	BCT	MICTSL
TEU Volume Growth	(15.1%)	1.5%	(15.8%)	(52.8%)	(19.3%)
Gross Revenues Growth	(17.2%)	15.8%	(29.2%)	(59.1%)	(31.1%)
Gross Moves per Hour per Crane	29.0	17.1	20.8	28.8	33.8
Crane Availability	94.5%	97.1%	97.2%	97.4%	95.7%
Berth Utilization	51.8%	39.3%	47.1%	13.3%	16.9%

The KPIs are calculated as follows:

TEU Volume Growth is computed as an increase in actual TEU volume handled *(Current Year versus Previous Year)* divided by Previous Year's TEU volume.

Gross Revenues Growth is computed as an increase in Gross Revenues *(Current Year's Revenues Less Previous year's Gross Revenues)* divided by Previous Year's Gross Revenues.

Gross Moves per Hour per Crane is computed as Total Number of Moves (including hatch covers, shifters, IBC box and all other crane moves except break bulks) divided by the Gross Service Time [*Gross service time = Total time (from first lift to last lift) a crane was utilized excluding the circumstances beyond the control of the terminal or vessel*]

Crane Availability (%) is computed as 1 - (Total Crane Downtime Hours / Total Crane Operating Hours)

Berth Utilization (%) is computed as Berth Stay / Berth Capacity, where berth stay is equivalent to the total actual number of hours vessels stayed on dock and berth capacity is the total berthing hours available, or number of berths x working hours.

PART II – OTHER INFORMATION

There are no other information not previously reported in SEC Form 17-C that need to be reported in this section.

ANNEX 1

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. AND SUBSIDIARIES

SCHEDULE OF AGING OF RECEIVABLES

As of June 30, 2009

(Unaudited, in Thousands)

	Trade	Advances	Total
Under six months	US$24,607	US$1,011	US$25,618
Six months to one year	206	14	220
Over one year	454	–	454
	US$25,267	US$1,025	US$26,292

SIGNATURES

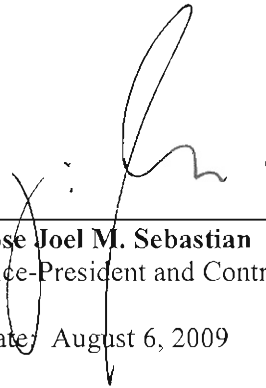
Pursuant to the requirements of the Securities and Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.**

By

Edgardo Q. Abesamis
Executive Vice-President

Date: August 6, 2009



Jose Joel M. Sebastian
Vice-President and Controller

Date: August 6, 2009