ASIAN
TERMINALS
INCORPORATED

**Asian Terminals Incorporated Head Office,**
**A. Bonifacio Drive, Port Area,**
**Manila, Philippines 1018**
**P. O. Box 3021, Manila, Philippines**
**Tel. No. (632) 528 6000**
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August 16, 2010

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

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

RE : SEC Form 17-Q (June 30, 2010)

Gentlemen,

We submit our SEC Form 17-Q for the second quarter of 2010.

Thank you.

Truly yours,

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

108132010000849

# SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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

**Document Information**

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SEC Number: 133653
File Number: ______

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

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

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

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

**SEC Form 17-Q**
Form Type

______________________
Amendment Designation (if applicable)

**June 30, 2010**
Period Ended Date

______________________
(Secondary License Type and File Number)

cc: Philippine Stock Exchange

# SEC FORM 17-Q

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

1. For the quarter ended : **June 30, 2010**

2. Commission identification Number : **133653**

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

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

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

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

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

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

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

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

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

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

Yes [ X ] No [ ]

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

Philippine Stock Exchange Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [ X ] No [ ]

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

Yes [ X ] No [ ]

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

With reference to the attached interim financial statements:

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

### New Standards, Amendments to Standards and Interpretations Effective 2010

- Revised PFRS 3, *Business Combinations* (2008), incorporates the following changes that are likely to be relevant to the Company's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

- Revised PAS 27, *Consolidated and Separate Financial Statements* (2008), requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss.

- *Improvements to PFRSs 2009,* include 15 amendments to 12 standards. Some of these amendments may have significant implications for current practice. In particular, the amendments to PAS 17 *Leases* may affect the classification of leases of land and buildings, particularly in jurisdictions in which such leases often are for a long period of time.

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

Other Information

The Company has a Board of Investments (BOI) registration under the Omnibus Investments Code of 1987 (Executive Order No. 226) as a new operator of a domestic passenger terminal and container yard in South Harbor, Manila. The Income Tax Holiday incentive (ITH) under this registration was until August 2009.

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

### Consolidated Results of Operations for the six months ended June 30, 2010

For the six months ended June 30, 2010, Net income amounted to P912.1 million, 75.4% higher than P519.9 million for the same period last year. Earnings per share increased to P0.46 this year from P0.26 last year.

Revenues of P2,507.3 million in the six months of 2010 increased by 23.1% from P2,036.7 million in the same period last year. Revenues from ports operations grew by 30.1% to P2,287.6 million this year from P1,758.3 million last year while revenues from non-ports operations declined by 21.1% to P219.7 million this year from P278.4 million last year. In non-ports operations, revenues declined due to lower volumes and unfavorable foreign exchange rates.

In ports operations, revenues from South Harbor international container were up by 29.8% and international non-container were up by 105.8% mainly on account of the improvement in international trade at the Port of Manila. Moreover, pursuant to PPA Memorandum Circular No. 05-2009, tariff on cargo-related services for foreign containerized and non-containerized at South Harbor was increased by 15%, 8% effective on May 8, 2009 and 7% effective January 1, 2010. Revenues from Port of Batangas Phase 1 operations increased by 8.0% and revenues from South Harbor domestic terminal operations were higher by 9.4%.

Cost and expenses in the six months of 2010 totaled P1,423.0 million, 17.5% higher than P1,211.3 million in the same period last year. Labor costs rose by 14.6% to P458.2 million this year from P400.0 million last year mainly due to volume factor. Depreciation and amortization increased by 11.2% to P273.0 million in 2010 from P245.4 million last year due to higher component depreciation. Certain property and equipment in the grain terminal that were damaged as a result of an incident were derecognized. Equipment running costs of P215.7 million in the first half of 2010 were higher by 16.8% compared to P184.7 million in the same period in 2009 due to increases in electricity and fuel and lubricants, caused by volume and price/rate factors. Also, equipment repairs and maintenance increased this year in support of increased operational requirements. Taxes and licenses of P87.2 million this year were higher by 7.2% compared to P81.4 million last year mainly due to higher real property tax. Other expenses amounted to P300.1 million in 2010, up by 49.9% from P200.1 million last year, due to higher General transport expenses, Facilities-related expenses, Processing expenses (brokerage, wharfage, etc.), Demurrage and Management fees, among others.

Rentals of P58.0 million in the first half of 2010 were lower by 11.0% compared to P65.2 million in the first half of 2009 as included last year was space rental for a non-recurring transaction. Insurance of P30.8 million in 2010 decreased by 10.9% from P34.5 million in 2009 due to decrease in insurance premium and to foreign exchange rate factor.

Finance costs in the first half of 2010 of P48.9 million were 69.9% lower compared to P162.6 million in the same period last year due to the significant reduction of interest bearing loans to P850 million as of end June 2010 from P1.85 billion as of end June 2009. Finance income decreased by 41.6% to P12.0 million from P20.5 million due to lower average balances of Cash and cash equivalents in the first half of 2010 vs. first half of 2009 and to lower interest rates. Due to foreign exchange rate factor, net gains on derivative instruments of P7.5 million this year were down by 19.1% from P9.3 million last year. Others-net of P233.8 million in the six months of 2010 increased from P24.8 million in the same period last year due to property insurance claims and higher rental income from leases on additional areas.

For the six months ended June 30, 2010, Earnings before income tax of P1,288.8 million were up by 79.6% from P717.4 million for the same period last year. Provision for income tax of P376.7 million in the first half of 2010 increased from P197.5 million in the same period last year.

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

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

In the six months of 2010:

- There had been no known trend, demand, commitment, event or uncertainty that had or are reasonably expected to have a material favorable or unfavorable impact on the Company's liquidity or net sales/revenues from continuing operations, other than those discussed in this report.
- There had been no significant element of income or loss that did not arise from the Company's continuing operations.
- There had been no seasonal factor that had a material effect on the financial condition and results of operations.
- There had been no event known to management that could trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation, other than the alleged delinquent real property taxes. The updates were reported under SEC Form 17-C.
- There had been no material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Company with unconsolidated entity or other person created during the period that would address the past and would have a material impact on future operations.

**Consolidated Financial Condition**

Total assets of P8,765.3 million as of June 30, 2010 grew by 9.5% from P8,007.2 million as of December 31, 2009. Current assets increased by 87.6% to P2,554.8 million as of end June 30, 2010 from P1,361.9 million as of end 2009. Cash and cash equivalents were up by 84.8% to P1,505.3 million as of June 30, 2010 compared to P814.3 million as of December 31, 2009. Trade and other receivables rose by 102.5% to P668.8 million as of end June 30, 2010 from P330.2 million as of end 2009. The increase was mainly due to the balance of non-trade receivable on property insurance claims. Spare parts and supplies increased by 6.6% to P150.7 million as of June 30, 2010 from P141.4 million as of December 31, 2009 in support of equipment operational requirements and maintenance program. Prepayments as of June 30, 2010 amounted to P230.0 million, higher than P76.0 million as of December 31, 2009, mainly on account of downpayments on new equipment.

Total noncurrent assets declined by 6.5% to P6,210.5 million as of June 30, 2010 from P6,645.3 million as of December 31, 2009. Investment in an associate decreased by 13.4% to P56.1 million as of June 30, 2010 from P64.8 million as of December 31, 2009 due to cash dividend received from an associate. Property and equipment-net of P1,396.0 million as of June 30, 2010 were lower by 18.8% from P1,718.2 million as of December 31, 2009 on account of the depreciation for the period and the retirement and derecognition of certain property and equipment in the grain terminal that were damaged in an incident. The damaged assets are covered by insurance. Additions to property and equipment, which were not subject of the service concession arrangement, totaled P1.3 million. Intangible assets-net went down by 1.6% to P4,638.4 million as of June 30, 2010 from P4,715.0 million as of December 31, 2009. Additions to intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P118.0 million. Other noncurrent assets of P91.9 million as of end June 30, 2010 decreased by 16.9% from P110.6 million as of end 2009 due to reductions in pension assets and in noncurrent prepayments.

Total liabilities amounted to P2,390.2 million as of June 30, 2010, 21.7% higher than P1,964.2 million as of December 31, 2009. Trade and other payables of P1,147.2 million as of end June 30, 2010 increased by 30.4% from P880.0 million as of end 2009 due to higher fees payable to the Philippine Ports Authority and additional accruals for personnel and other expenses. Trade and other payables are covered by agreed payment schedules. Provisions for claims went down by 7.6% to P49.0 million as of June 30, 2010 from P53.0 million as of December 31, 2009 due to settlement of certain claims. Income and other taxes payable amounted to P288.4 million as of June 30, 2010, up from P120.0 million as of December 31, 2009 due to higher income tax due in the second quarter of 2010 and to withholding tax on cash dividend.

Interest-bearing loans and other financial liabilities (current and non-current) of P897.1 million as of June 30, 2010 were 0.8% lower than P904.0 million as of December 31, 2009 due to the decrease in derivative liability. Balance of interest-bearing loans was P850 million as of end June 2010. Of this amount, P550 million will mature on December 19, 2012 and P300 million will mature on December13, 2014. All interest-bearing loans are denominated in Philippine Peso and are at fixed interest rates.

**Consolidated Cash Flows**

Net cash provided by operating activities grew by 52.3% to P1,248.3 million in the first half of 2010 from P819.6 million in the same period last year on account of higher operating income, increase in trade and other payables and lower finance cost paid.

Net cash from in investing activities in the six months of 2010 was P24.6 million while net cash used in investing activities amounted to P54.8 million last year This year included proceeds from insurance claim of P108.3 million. Funds used in acquisitions of Property and Equipment totaled P119.3 million this year vs. P85.4 million last year.

Net cash used in financing activities decreased by 40.5% to P580.0 million this year vs. P975 million last year. There is no Interest-bearing loan payable this year while P475.0 million was paid as of June 30 last year. Cash dividends paid this year was P580 million, up from P500 million last year.

**Key Performance Indicators (KPI)**

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary ATI Batangas, Inc. (ATIB) were not material and the Company's subsidiary Mariveles Grain Corporation (MGC) has not started commercial operations as of end June 2010. As of end June 2010:

- ATIB's total assets were only 3.7% of the consolidated total assets
- MGC's total assets were 12.9% of the consolidated total assets
- Combined income before other income and expense for ATIB and MGC was only 3.8% of consolidated income before other income and expenses.

| Consolidated KPI | Manner of Calculation | As of June 30 | | Discussion |
|---|---|---|---|---|
| | | 2010 | 2009 | |
| Return on Capital Employed | Percentage of annualized income before other income (expenses) over running average of operating assets | 35.1% | 25.2% | Increase resulted from higher income before other income and expenses. |
| Return on Stockholder's Equity | Percentage of annualized net income over total stockholders' equity | 29.4% | 19.5% | Increase resulted from higher net income. |
| Debt to equity ratio | Ratio of total liabilities over total stockholders' equity | 0.37 : 1.00 | 0.55 : 1.00 | Improved due to payment of debt and higher stockholders' equity. |
| Days Sales in Receivables (DSR) | Gross trade receivables over revenues multiplied by number of days | 18 days | 19 days | Improved as a result of accounts management initiatives. |
| Lost Time Injury | No. of lost time from injuries per standard manhours | 0.69 | 1.06 | Improved as a result of extensive safety campaign and strict implementation of policy on health, safety and environment. |

Note: Income before other income and expenses is defined as income before net financing costs, net gains on derivative instruments and others.

## PART II. OTHER INFORMATION

- On April 22, 2010, the Board of Directors of ATI approved a cash dividend of P0.29 per share to stockholders on record as of May 21, 2010. Dividends were paid on June 17, 2010. As of date of this report, the Company has ordinary shares only.
- On August 9, 2010, the Company concluded the sale of all its shares in the outstanding capital stock of Mariveles Grain Corporation (MGC) to Philippine Grain International Corporation at a price in excess of the Company's recorded book value for MGC shares. Following the sale, the Company expects to focus on expanding and upgrading its other businesses and on growing its ability to generate revenue from existing and new port operations.

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

| Date Filed | Reference | Particulars |
|---|---|---|
| January 15, 2010 | SEC 17-C | Certification of compliance with the Manual on Corporate Governance |
| January 15, 2010 | SEC 17-C | Certification of Attendance of Directors during Board Meetings for the year 2009 |
| January 19, 2010 | SEC 17-C | Appeal with the Central Board of Assessment Appeals (CBAA) |
| January 21, 2010 | SEC 17-C | Receipt from the Philippine Ports Authority of the Notice of Award of Contract for the Management, Operation, Development and Promotion of Container Terminal "A-1" in Phase II of the Port of Batangas, for a period of twenty-five (25) years. |
| February 17, 2010 | SEC 17-C | Notice of Guidelines for Nominations for Election to the Board |
| February 23, 2010 | SEC 17-C | Election of Mr. Kwok Leung Law as Director and his appointment to Board Committees left vacant by the resignation of Mr. Lawrence Ho; 2010 Annual Stockholders' Meeting and record date; Signing of Credit Line Facility with Metrobank. |
| March 29, 2010 | SEC 17-C | Signing of the Contract for the Management, Operation, Maintenance, Development and Promotion of Container Terminal "A-1" in Phase II of the Port of Batangas |
| April 21, 2010 | SEC 17-C | Signing of Revolving Committed Credit Line Facility with Security Bank |
| April 27, 2010 | SEC 17-C | Dividend declaration, appointment of independent auditors, results of the 2010 Annual Stockholders' Meeting and Organizational Meeting |
| May 14, 2010 | SEC 17-C | Receipt of Decision from RTC of Batangas City on the case of ATIB vs. RGB and Batangas PPA |
| June 7, 2010 | SEC 17-C | Approval of the Proposed Sale of MGC and the holding of a Special Stockholders' Meeting on July 30, 2010 for the approval of the proposed sale. Fixing of record date on July 1, 2010 |
| August 3, 2010 | SEC 17-C | Result of the Special Stockholders' Meeting (July 30, 2010) where more than 2/3 of the outstanding capital stock of ATI approved to offer and sell the shares of MGC to a third party purchaser |
| August 12, 2010 | SEC 17-C | Conclusion of the sale of MGC to Philippine Grain International Corporation |

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## SIGNATURES

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

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

**MA. LUISA E. NOGRALES**
Vice President and Chief Financial Officer

Date : August 13, 2010

Principal Financial/Accounting Officer:

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

Date : August 13, 2010

**ASIAN TERMINALS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | | June 30, 2010 (Unaudited) | | December 31, 2009 (Audited) |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | P | 1,505,265 | P | 814,339 |
| Trade and other receivables - net | | 668,762 | | 330,175 |
| Spare parts and supplies - at net realizable value | | 150,746 | | 141,422 |
| Prepaid expenses | | 229,988 | | 76,012 |
| **Total Current Assets** | | 2,554,761 | | 1,361,948 |
| **Noncurrent Assets** | | | | |
| Investment in an associate - at equity | | 56,120 | | 64,828 |
| Property and equipment - net | | 1,395,976 | | 1,718,179 |
| Intangible assets - net | | 4,638,448 | | 4,715,033 |
| Other financial assets | | 26,541 | | 25,958 |
| Deferred tax assets - net | | 1,506 | | 10,721 |
| Other noncurrent assets | | 91,926 | | 110,579 |
| **Total Noncurrent Assets** | | 6,210,517 | | 6,645,298 |
| **TOTAL ASSETS** | P | 8,765,278 | P | 8,007,246 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Loans Payable | | | | |
| Trade and other payables | P | 1,147,187 | P | 880,031 |
| Current portion of interest-bearing loans other financial liabilities | | 16,874 | | 16,378 |
| Provisions for claims | | 49,007 | | 53,014 |
| Income and other taxes payable | | 288,438 | | 120,011 |
| Shippers' and brokers' deposits | | | | |
| **Total Current Liabilities** | | 1,501,506 | | 1,069,434 |
| **Noncurrent Liabilities** | | | | |
| Interest bearing loans and other financial liabilities - net of current portion | | 880,250 | | 887,631 |
| Pension liability | | 8,398 | | 7,138 |
| **Total Noncurrent Liabilities** | | 888,648 | | 894,769 |
| **Equity Attributable to Equity Holders of the Parent** | | | | |
| Capital stock | | 2,000,000 | | 2,000,000 |
| Additional paid in capital | | 264,300 | | 264,300 |
| Retained earnings | | 4,104,942 | | 3,773,393 |
| Other reserves | | 4,692 | | 4,692 |
| | | 6,373,934 | | 6,042,385 |
| **Non-controlling Interest** | | 1,190 | | 658 |
| **Total Equity** | | 6,375,123 | | 6,043,043 |
| **TOTAL LIABILITIES AND EQUITY** | P | 8,765,278 | P | 8,007,246 |

## ASIAN TERMINALS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

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

| | | For the second quarter Ended June 30 | | | | For the six months Ended June 30 | | |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | | 2009 | | 2010 | | 2009 |
| **REVENUES** | P | **1,339,958** | P | 1,102,291 | P | **2,507,269** | P | 2,036,717 |
| **COSTS AND EXPENSES** | | **(724,628)** | | (637,444) | | **(1,422,952)** | | (1,211,319) |
| **OTHER INCOME AND EXPENSES** | | | | | | | | |
| Finance cost | | **(24,589)** | | (91,222) | | **(48,857)** | | (162,550) |
| Finance income | | **7,527** | | 10,101 | | **11,965** | | 20,491 |
| Net gains on derivative instruments | | **1,107** | | 5,095 | | **7,510** | | 9,286 |
| Others - net | | **229,185** | | 12,078 | | **233,833** | | 24,782 |
| **INCOME BEFORE INCOME TAX** | | **828,560** | | 400,899 | | **1,288,768** | | 717,407 |
| **INCOME TAX EXPENSE** | | | | | | | | |
| Current | | **234,088** | | 118,425 | | **367,472** | | 207,193 |
| Deferred | | **7,294** | | (10,943) | | **9,215** | | (9,686) |
| | | **241,382** | | 107,482 | | **376,687** | | 197,507 |
| **NET INCOME** | P | **587,178** | P | 293,417 | P | **912,081** | P | 519,900 |
| **Attributable To:** | | | | | | | | |
| Owners of the Parent Company | P | **586,898** | | 293,151 | P | **911,549** | P | 519,538 |
| Non-controlling interest | | **280** | | 266 | | **532** | | 362 |
| | P | **587,178** | P | 293,417 | P | **912,081** | P | 519,900 |
| **Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Company** | P | **0.29** | P | 0.15 | P | **0.46** | P | 0.26 |

**ASIAN TERMINALS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | For the second quarter ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2010 | | 2009 | |
| | *(In Thousands)* | | | | *(In Thousands)* | | | |
| Net income for the period | P | **587,178** | P | 293,417 | P | **912,081** | P | 519,900 |
| Other comprehensive income | | | | | | | | |
| Fair value gain on cash flow hedges | | - | | 8,055 | | - | | 8,711 |
| Tax on items taken directly to equity | | - | | (2,415) | | - | | (2,613) |
| Other comprehensive income, net of tax | | - | | 5,640 | | - | | 6,098 |
| Total comprehensive income for the period | P | **587,178** | P | 299,057 | P | **912,081** | P | 525,998 |
| Attributable To: | | | | | | | | |
| Equity holders of the parent | P | **586,898** | P | 298,791 | P | **911,549** | P | 525,636 |
| Minority interests | | **280** | | 266 | | **532** | | 362 |
| | P | **587,178** | P | 299,057 | P | **912,081** | P | 525,998 |

**ASIAN TERMINALS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In Thousands)*

| | Common Stock | Additional Paid-in Capital | Retained Earnings Appropriated for Port Development | Retained Earnings Unappropriated | Other Reserves | Total | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2010** | **P 2,000,000** | **P 264,300** | **P 500,000** | **P 3,273,393** | **P 4,692** | **P 6,042,385** | **P 658** | **P 6,043,043** |
| **Appropriations for the period** | - | - | **500,000** | **(500,000)** | - | - | - | - |
| **Cash dividends - P0.29 a share for ATI** | - | - | - | **(580,000)** | - | **(580,000)** | - | **(580,000)** |
| **Net income for the period** | - | - | - | **911,549** | - | **911,549** | **532** | **912,081** |
| **Balance at June 30, 2010** | **P 2,000,000** | **P 264,300** | **P 1,000,000** | **P 3,104,942** | **P 4,692** | **P 6,373,934** | **P 1,190** | **P 6,375,124** |
| Balance at January 1, 2009 | P 2,000,000 | P 264,300 | P 500,000 | P 2,611,716 | (P 57,136) | P 5,318,880 | P 681 | P 5,319,561 |
| Cash dividends - P0.25 a share for ATI | - | - | - | (500,000) | - | (500,000) | | (500,000) |
| Net income for the period | - | - | - | 519,538 | - | 519,538 | 362 | 519,900 |
| Fair value gain on cash flow hedge | - | - | - | - | 6,098 | 6,098 | - | 6,098 |
| Balance at June 30, 2009 | P 2,000,000 | P 264,300 | P 500,000 | P 2,631,254 | P (51,038) | P 5,344,516 | P 1,043 | P 5,345,559 |

ASIAN TERMINALS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the second quarter ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | *(In Thousands)* | | *(In Thousands)* | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | P **828,559** | P 400,899 | P **1,288,768** | P 717,407 |
| Adjustments for: | | | | |
| Depreciation and amortization | **157,428** | 128,421 | **273,012** | 245,423 |
| Finance cost | **24,589** | 91,222 | **48,857** | 162,550 |
| Finance income | **(7,527)** | (10,101) | **(11,965)** | (20,491) |
| Net gains on derivative instruments | **(1,107)** | (5,095) | **(7,509)** | (9,286) |
| Net unrealized foreign exchange (gain) loss | **(2,104)** | 4,462 | **1,919** | 4,858 |
| Equity in net earnings of an associate | **(4,871)** | (4,237) | **(9,149)** | (8,435) |
| Income from insurance claim | **(199,173)** | - | **(199,173)** | - |
| Loss (gain) on disposals of: | | | | |
| Property and equipment | **(13)** | (367) | **(13)** | (460) |
| Intangible Assets | **(446)** | - | **(446)** | 344 |
| Amortization of noncurrent prepaid rental | **322** | 322 | **644** | 644 |
| Impairment (reversal of) losses on receivables | **(53)** | 471 | **-** | 471 |
| Operating income before working capital changes | **795,604** | 605,997 | **1,384,945** | 1,093,026 |
| Provisions for: | | | | |
| Inventory obsolescence | **(1,680)** | - | **(1,680)** | - |
| Decrease (increase) in: | | | | |
| Trade and other receivables | **(45,525)** | (40,198) | **(1,975)** | (8,562) |
| Spare parts and supplies | **458** | 2,485 | **(7,644)** | (6,929) |
| Prepaid expenses | **(41,208)** | 53,660 | **(153,977)** | (23,310) |
| Asset held for sale | **-** | 1,876 | **-** | - |
| Increase (decrease) in: | | | | |
| Trade and other payables | **243,250** | 79,534 | **279,490** | 39,221 |
| Provisions for claims | **324** | 941 | **(4,007)** | 5,009 |
| Taxes payables | **37,366** | 47,949 | **49,896** | 55,750 |
| Cash generated from operations | **988,589** | 752,242 | **1,545,048** | 1,154,205 |
| Finance cost paid | **(47,807)** | (141,414) | **(47,853)** | (161,847) |
| Income tax paid | **(248,940)** | (172,746) | **(248,940)** | (172,746) |
| Net cash provided by operating activities | **691,842** | 438,081 | **1,248,255** | 819,613 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisitions of: | | | | |
| Property and Equipment | **2,186** | (9,929) | **(1,317)** | (24,743) |
| Intangible assets | **(21,108)** | (27,024) | **(118,027)** | (60,624) |
| Finance income received | **6,990** | 10,611 | **10,844** | 21,917 |
| Increase in other noncurrent assets | **3,078** | 4,259 | **6,555** | 6,888 |
| Proceeds from insurance claim | **108,318** | - | **108,318** | - |
| Proceeds from disposals of: | | | | |
| Property and Equipment | **13** | 377 | **13** | 1,025 |
| Intangible assets | **446** | - | **446** | 566 |
| Decrease (increase) in deposits | **(58)** | 1,108 | **(99)** | 184 |
| Dividends received | **17,857** | | **17,857** | |
| Net cash used in investing activities | **117,722** | (20,600) | **24,590** | (54,788) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Payments of: | | | | |
| Long-term debt | **-** | (450,000) | **-** | (475,000) |
| Cash dividends | **(580,000)** | (500,000) | **(580,000)** | (500,000) |
| Cash used in financing activities | **(580,000)** | (950,000) | **(580,000)** | (975,000) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **229,564** | (532,518) | **692,845** | (210,175) |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **2,104** | (4,462) | **(1,919)** | (4,859) |
| **CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,273,597** | 1,504,133 | **814,339** | 1,182,187 |
| **CASH & CASH EQUIVALENTS AT END OF YEAR** | P **1,505,265** | P 967,153 | P **1,505,265** | P 967,153 |

**SELECTED**
**EXPLANATORY NOTES**
**June 30, 2010**
***(Amounts in Thousands)***

## 1. Segment Information

Information with regard to the Company's significant business segments is presented below:

| | As of and for the six months ended June 30, 2010 | | | As of and for the six months ended June 30, 2009 | | |
|---|---|---|---|---|---|---|
| | Ports | Non-Ports | Total | Ports | Non-Ports | Total |
| Revenues | P 2,287,565 | P 219,704 | P 2,507,269 | P 1,758,288 | P 278,429 | P 2,036,717 |
| Intangible Assets (excluding goodwill) | 4,596,388 | - | 4,596,388 | 4,782,759 | - | 4,782,759 |
| Property and equipment - net | 322,174 | 1,073,802 | 1,395,976 | 327,582 | 1,418,926 | 1,746,508 |
| Total assets | 8,394,730 | 370,548 | 8,765,278 | 6,503,535 | 1,803,266 | 8,306,801 |
| Total liabilities | 1,905,558 | 484,596 | 2,390,154 | 2,686,777 | 274,466 | 2,961,243 |
| Capital expenditures | | | | | | |
| Intangible Assets | 118,027 | - | 118,027 | 60,624 | - | 60,624 |
| Property and equipment | (5,751) | 7,068 | 1,317 | 21,735 | 3,008 | 24,743 |
| Depreciation and amortization | 194,436 | 78,576 | 273,012 | 209,230 | 36,193 | 245,423 |
| Noncash income other than depreciation and amortization | 7 | - | 7 | 404 | - | 404 |

## 2. Trade Receivables - net

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

| | **As of June 30, 2010** | As of December 31, 2009 |
|---|---|---|
| Up to 6 months | **P328,059** | P322,354 |
| Over 6 months to 1 year | - | - |
| Over 1 year | - | - |
| **Total** | **P328,059** | P322,354 |

## 3. Property and Equipment

A summary of property and equipment follows:

| | Port facilities and equipment | Bulk grain terminal | Leasehold improvements | Furnitures, fixtures and equipment | Transportation and other equipment | Construction In-progress | **June 30, 2010** | December 31, 2009 (Audited) |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at beginning of year | P 197,400 | P 2,037,260 | P 581,158 | P 480,330 | P 130,595 | P 29,943 | P **3,456,686** | P 3,290,466 |
| Additions | (600) | 1,822 | 67 | 2,751 | 676 | (3,398) | **1,317** | 56,561 |
| Disposals | - | - | - | (350) | - | | **(350)** | (5,936) |
| Reclassifications | | 8,836 | - | 2,980 | - | (10,110) | **1,706** | 121,085 |
| Retirements | - | (446,895) | - | - | - | | **(446,895)** | (5,490) |
| Balance at end of year | 196,800 | 1,601,023 | 581,225 | 485,710 | 131,271 | 16,434 | **3,012,463** | 3,456,686 |
| Accumulated depreciation and amortization: | | | | | | | | |
| Balance at beginning of year | 126,559 | 756,196 | 306,373 | 457,110 | 92,269 | | **1,738,507** | 1,576,269 |
| Additions | 5,958 | 72,787 | 7,522 | 7,864 | 6,245 | - | **100,376** | 129,359 |
| Disposals | - | - | - | (350) | - | - | **(350)** | (4,461) |
| Reclassification | - | 1,706 | | (21,976) | | | **(20,270)** | 42,830 |
| Retirements | - | (201,775) | - | - | - | | **(201,775)** | (5,490) |
| Balance at end of year | 132,517 | 628,914 | 313,895 | 442,648 | 98,514 | - | **1,616,487** | 1,738,507 |
| Net book value | P 64,283 | P 972,109 | P 267,330 | P 43,063 | P 32,758 | P 16,434 | P **1,395,976** | P 1,718,179 |

## 4. Intangible Assets

| | | June 30, 2010 | | December 31, 2009 (Audited) |
|---|---|---|---|---|
| Goodwill | P | **42,060** | P | 42,060 |
| Service concession | | **4,596,388** | | 4,672,973 |
| Total | P | **4,638,448** | P | 4,715,033 |

The movements of service concession are as follows:

| | | June 30, 2010 | | December 31, 2009 (Audited) |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at beginning of year | P | **7,432,086** | P | 7,334,973 |
| Additions | | **118,027** | | 120,197 |
| Derecognition | | **(19,752)** | | (23,084) |
| Balance at end of year | | **7,530,360** | | 7,432,086 |
| **Accumulated amortization** | | | | |
| Balance at beginning of year | | **2,759,113** | | 2,436,628 |
| Amortization for the year | | **172,636** | | 343,407 |
| Reclassification | | **21,976** | | - |
| Derecognition | | **(19,752)** | | (20,923) |
| Balance at end of year | | **2,933,973** | | 2,759,113 |
| **Carrying amount** | P | **4,596,387** | P | 4,672,973 |

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

## 5. Trade and Other Payables

| | | June 30, 2010 | | December 31, 2009 (Audited) |
|---|---|---|---|---|
| Trade | P | **40,487** | P | 56,191 |
| Accrued expenses | | **693,552** | | 499,488 |
| Due to government agencies | | **267,810** | | 228,933 |
| Shippers' and brokers' deposits | | **30,822** | | 30,693 |
| Due to related parties | | **16,631** | | - |
| Others | | **97,885** | | 64,725 |
| Total | P | **1,147,188** | P | 880,031 |

## 6. Interest bearing loans and other financial liabilities

This account consists of long-term debt and derivative liabilities.

Long-term Debt

There was no movement of long-term debt during the six-month period.

Additional information on the Company's long-term debt as of June 30, 2010:

| | Outstanding Amount | Maturity Date(s) | Interest rate |
|---|---|---|---|
| Syndicated FFRN-Tranche 3 | 300,000 | December 13, 2014 | Applicable 10-year MART1 plus spread |
| Syndicated FRN | 550,000 | December 19, 2012 | Applicable 7-year MART 1plus spread |
| Total | 850,000 | | |
| Less current portion | -0- | | |
| Long-term debt – net of current portion | P850,000 | | |

As of end June 30, 2010, the Company had no outstanding foreign debt.

All long-term debts are at fixed interest rates.

Derivative Liabilities

| | | June 30, 2010 | | December 31, 2009 (Audited) |
|---|---|---|---|---|
| Current - Foreign currency option | P | **16,874** | P | 16,378 |
| Noncurrent - Foreign currency option | | **35,062** | | 43,067 |
| Total | P | **51,936** | P | **59,445** |

Financial Liabilities

| | | June 30, 2010 | | December 31, 2009 (Audited) |
|---|---|---|---|---|
| Current | | | | |
| Derivative liabilities | P | **16,874** | P | 16,378 |
| Noncurrent | | | | |
| Long term debt | | **850,000** | | 850,000 |
| Debt issue cost | | **(4,812)** | | (5,436) |
| Derivative liabilities | | **35,062** | | 43,067 |
| Total | P | **897,124** | P | 904,009 |

## 7. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of loans from banks and other financial institutions. The main purpose of these financial instruments is to raise financing for the Company's capital expenditures and operations. The Company has various financial assets such as trade and other receivables and deposits, which arise directly from its operations. Other financial instruments include available-for sale investments and derivative instruments.

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

Interest Rate Risk

The Company's exposure to the risk changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These derivative instruments are designated to hedge underlying debt obligations.

As of June 30, 2010 all of the Company's borrowings are at a fixed rate of interest, therefore, a change in market interest rate at the reporting date would not affect net income.

Liquidity Risk

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

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

| **As of June 30, 2010** | **Carrying Amount** | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| Interest-bearing loans and other financial liabilities | P897,124 | P- | P17,822 | P89,509 | P1,147,438 | P- | P1,254,769 |
| Trade and other payables | 1,147,187 | 301,561 | 242,427 | 603,199 | - | - | 1,147,187 |
| **Total** | **P2,044,311** | **P301,561** | **P260,249** | **P692,708** | **P1,147,438** | **P-** | **P2,401,956** |
| As of December 31, 2009 (Audited) | Carrying Amount | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
| Interest-bearing loans and other financial liabilities | P904,009 | P- | P17,669 | P89,166 | P1,155,443 | P- | P1,262,278 |
| Trade and other payables | 880,031 | 178,645 | 205,750 | 495,636 | - | - | 880,031 |
| Total | P1,784,040 | P178,645 | P223,419 | P584,802 | P1,155,443 | P- | P2,142,309 |

Credit Risk

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

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

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

As of June 30, 2010, 97% of the total trade and other receivables which are neither past due nor impaired are of high grade quality and the remaining 3% are of standard quality.

Foreign Currency Risk

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

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

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

| | **As of June 30, 2010** | As of December 31, 2009 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | US$6,890 | US$5,461 |
| Trade and other receivables | 7,787 | 673 |
| | 14,677 | 6,134 |
| Liabilities: | | |
| Trade and other payables | 7,384 | 1,264 |
| **Net foreign currency-denominated assets** | **US$7,293** | US$4,870 |
| | | |
| **Peso equivalent** | **P338,221** | P225,021 |

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

| Increase/Decrease in U.S. dollar Exchange Rate | Effect on Income Before Income Tax | Effect on Equity |
|---|---|---|
| **June 30, 2010** | | |
| **+5%** | **P16,911** | **P11,838** |
| **-5%** | **(16,911)** | **(11,838)** |
| December 31, 2009 | | |
| +5% | P11,251 | P7,876 |
| -5% | (11,251) | (7,876) |

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company considers capital to include paid-up capital, retained earnings, and other reserves. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return to capital shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the period ended June 30, 2010.

The table below shows the capital structure of the Company.

| | **As of June 30, 2010** | As of December 31, 2009 |
|---|---|---|
| Capital Stock | P2,000,000 | P2,000,000 |
| Additional paid-in capital | 264,300 | 264,300 |
| Retained Earnings | 4,104,942 | 3,773,393 |
| Other reserves | 4,692 | 4,692 |
| **TOTAL** | **P6,375,124** | P6,042,385 |

## 8. Financial Instruments

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

| | **As of June 30, 2010** | | As of December 31, 2009 | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| Financial assets: | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | P1,505,265 | P1,505,265 | P814,339 | P814,339 |
| Trade and other receivables | 668,762 | 668,762 | 330,175 | 330,175 |
| Deposits | 23,541 | 29,243 | 23,306 | 28,819 |
| | 2,197,568 | 2,203,270 | 1,167,820 | 1,173,333 |
| Available-for-sale financial assets | 2,652 | 2,652 | 2,652 | 2,652 |
| | **P2,200,220** | **P2,205,922** | P1,170,472 | P1,175,985 |
| Financial liabilities: | | | | |
| Financial liabilities at FVPL-Derivative liabilities | P51,936 | P51,936 | P59,445 | P59,445 |
| | | | | |
| Other financial liabilities: | | | | |
| Trade and other payables | 1,147,187 | 1,147,187 | 880,031 | 880,031 |
| Interest-bearing loans and borrowings (Fixed rate) | 845,188 | 1,000,484 | 844,564 | 1,013,311 |
| | 1,992,375 | 2,147,671 | 1,724,595 | 1,893,342 |
| | **P2,044,311** | **P2,199,607** | P1,784,040 | P1,952,787 |

Fair Value of Financial Instruments

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

a. Nonderivative financial instruments

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

The fair value of fixed rate interest bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The discounts rates used range from 4.28% to 6.62% in 2010.

For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular re-pricing based on current market rates.

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

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash discounted using the prevailing market rate of interest for a similar instrument. The discount rates used are 5.52% and 8.02% in 2010.

b. Derivative instruments

The fair values of the interest rate swap were based on counterparty valuation.

The embedded currency options in a lease contract were valued using Garman-Kohlhagen option pricing model that takes into account such factors as the risk free USD and PHP interest rates and historical volatility rate.

Derivative Not Accounted for as Hedge

- Embedded Currency Derivatives

The Company has entered into an agreement with Provincial Government of Province of Bataan leasing a 10-hectare portion of land to establish a land-based bulk grain and cargo terminal. Future lease payments are indexed to USD:PHP exchange rate changes, in which additional payments will be made if the prevailing exchange rate breaches a specified base exchange rate, which is the spot rate prevailing on contract date. The total lease fee per the 1993 contract (before taking into account adjustments resulting from changes in the foreign exchange rates) amounted to P296.8 million.

The derivative liability reported for these embedded foreign currency option as of June 30, 2010 amounted to P51.9 million.

Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

| | As of June 30, 2010 | | As of December 31, 2009 |
|---|---|---|---|
| Balance, beginning | P | 59,445 | P107,382 |
| Net changes in fair value of derivatives: | | | |
| Designated as accounting hedges | | - | (24,665) |
| Not designated as accounting hedges | | 257 | (6,990) |
| | | 59,702 | 76,037 |
| Less fair value of settled instruments | | 7,766 | 16,592 |
| **Balance, end** | **P** | **51,936** | P59,445 |

Fair Value Hierarchy

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

The different levels have been defined as follows:

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

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **As of June 30, 2010** | | | |
| Available-for-sale financial assets | **P933** | **P-** | **P1,719** |
| Financial Liabilities at FVPL – Derivative liabilities | **P-** | **P51,936** | **P-** |
| As of December 31, 2009 | | | |
| Available-for-sale financial assets | P933 | P- | P1,719 |
| Financial Liabilities at FVPL – Derivative liabilities | P- | P59,445 | P- |