MAYNILAD

CERTIFICATION

I, **RICARDO F. DELOS REYES**, Chief Finance Officer of Maynilad Water Services, Inc. with SEC registration number A199611651 with principal office at Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol 1119 Quezon City, do hereby certify and state that:

1. I have caused this SEC Form 17-A for the year ended December 31, 2024 to be prepared on behalf of Maynilad Water Services, Inc. (the "Company");
2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. The Company will comply with the requirements set forth by the Securities and Exchange Commission (the "SEC") for a complete and official submission of reports and/or documents through electronic mail;
4. The e-mail account designated by the Company pursuant to the SEC Memorandum Circular No. 28, 2020 shall be used by the Company in its online submissions to the Corporate Governance and Finance Department (the "CGFD").

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of APR 0 2 2025 2025 at MAKATI CITY City.

RICARDO F. DE LOS REYES
Chief Finance Officer

SUBSCRIBED AND SWORN to before me on this APR 0 2 2025 day of _____ 2025 at MAKATI CITY City, affiant personally appeared before me and exhibiting to me his Passport No. P4333942B with date and place of issue of 09 January 2020, DFA Manila.

ANN JULIENNE A. ARISTOZA
Appointment No. M-460
Notary Public for Makati City
Until December 31, 2025
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 84588
PTR No. 10468813/Makati City/01-03-2025
IBP No. 510908/Iloilo/12-17-2024
Admitted to the bar in 2023
MCLE No. VIII-0008239/April 19, 2024

Doc. No. 252;
Page No. 52;
Book No. V;
Series of 2025.

COVER SHEET

for

SEC FORM 17-A

SEC Registration Number

A 1 9 9 6 - 1 1 6 5 1

COMPANY NAME

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES (A Subsidiary of Maynilad Water Holding Company, Inc.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol 1119 Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corpsec@mayniladwater.com.ph	8920-5485	09985305923

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
424	4th Tuesday of April	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Ricardo F. de los Reyes	Ricardo.delosReyes@ mayniladwater.com.ph	8981-3310	–

CONTACT PERSON's ADDRESS

Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol, 1119 Quezon City

NOTE ***1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the Fiscal Year Ended: **December 31, 2024**

2. SEC Identification Number: **A1996-11651**

3. BIR Tax Identification No.: **005-393-442-000**

4. Exact Name of Registrant as Specified in its Charter: **MAYNILAD WATER SERVICES, INC. (formerly, BENPRES-LYONNAISE WATERWORKS, INC.) ("Maynilad" or the "Corporation")**

5. Province, Country, or Other Jurisdiction of Incorporation or Organization: **Quezon City, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of Issuer's Principal Office: **Maynilad Building, MWSS Complex, Katipunan Ave., Pansol, Quezon City**

8. Postal Code: **1119**

9. Registrant's Telephone Number, Including Area Code: **(632) 8920-5485**

10. Former Name, Former Address, & Former Fiscal Year, if Changed Since Last Report: **Not Applicable**

11. Securities Registered Pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Common Stock Outstanding or Amount of Debt Outstanding
Series A Blue Bonds Due 2029	**₱9,000,000,000.00**
Series B Blue Bonds Due 2034	**₱6,000,000,000.00**

12. Are any or all of these securities listed on the Philippine Stock Exchange?

    Yes ( ) No (x)

13. Check whether the Registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 twelve (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 requirements for the past ninety (90) days.

Yes (x) No ( )

14. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

    None

TABLE OF CONTENTS

PART I

THE BUSINESS AND GENERAL INFORMATION

Any references in this report to "our", "we", "Corporation", or "Maynilad Water Services, Inc." shall refer to Maynilad Water Services, Inc. and its subsidiaries. Any reference to "Maynilad" and "Company" shall refer to the Parent Company only.

Item 1. Business

Overview

Maynilad Water Services, Inc. ("**MWSI**") is a leading global water utility player operating the largest water concession by population served within a single concession area in the Philippines and in Southeast Asia, according to GlobalData.

We are a pure-play and integrated primary provider of sustainable water and wastewater services for the "West Zone", which spans across 11 cities in Metro Manila, three of which we partially cover, as well as three cities and three municipalities in the Cavite Province in the Philippines. As a pure-play sustainable water and wastewater solutions provider, we generate most of our revenue from sustainable business activities. As of December 31, 2024, the West Zone covered 540 sq. km with a population of over 10.4 million people. Through our subsidiaries, we operate our other businesses outside of the West Zone, including (i) waterworks construction, engineering and engineering consulting, (ii) supply of treated bulk water and (iii) operation of water supply and water and sewerage systems. We have over 27 years of experience, including 17 years under our current ownership, in servicing our customers and have grown into one of the largest private water companies in the Philippines in terms of customer base according to GlobalData. As of December 31, 2024, we had a total of 1,551,904 billed connections consisting of domestic (residential and semi-business) and non-domestic (commercial and industrial) customers which, collectively, covered 94.9% of the West Zone's population from 677,985 billed connections as of December 31, 2006. We are committed to delivering safe, affordable and sustainable drinking water and sanitation services to meet our customer's essential needs while responsibly managing natural resources and minimizing our environmental footprint.

As of December 31, 2024, our key infrastructure and facilities included eight water treatment plants which connect to our customers through a 7,914.6 kilometer distribution network through 39 reservoirs and 39 pumping stations along with 23 deep wells that may be used as back-up. Wastewater from our customers is managed through a 651.7-kilometer sewerage pipeline, 131 wastewater pumping lift stations, and 93 vacuum truck units that are used for desludging, all leading to 24 wastewater treatment plants. All these infrastructures and facilities are located within the West Zone.

Our principal shareholder is Maynilad Water Holding Company, Inc. ("**MWHCI**") which, as of the date of this report, had an interest of 94.40% in our Company. Through MWHCI, we enjoy the support of large conglomerates in the Philippines and Japan, namely Metro Pacific Investments Corporation ("**MPIC**"), DMCI Holdings, Inc. ("**DMCI**") and Marubeni Corporation ("**Marubeni**") through its subsidiary, MCNK JV Corporation, with shareholdings of 51.3%, 27.2% and 21.5% in MWHCI, respectively. MPIC also directly owned 5.3% of our Company as of the same date.

Since February 1997, we have provided water and wastewater services in the West Zone under the concession agreement (the "**Original Concession Agreement**") with MWSS. The original 25-year term of the concession was set to expire in 2022. However, in 2010, a 15-year extension of the term of the concession was approved, which extended such term until May 2037. In May 2021, we signed a revised concession agreement (the "**Revised Concession Agreement**") which confirmed, among other things, this extension of the concession term until 2037. In May 2023, the Revised Concession Agreement was further amended, but the term of the concession remained unchanged.

In December 2021, the Philippine Congress enacted the Franchise to establish, operate and maintain a waterworks system and provide sewerage and sanitation services in the West Zone. The Franchise became effective on January 22, 2022, granting us the right to provide water, sewerage and sanitation services in the West Zone until January 21, 2047. While the Franchise establishes our broad authority to provide water and wastewater services in the West Zone, the Revised Concession Agreement governs the specific terms, obligations and conditions of our operations under MWSS supervision.

Concession Agreement

As previously stated, Maynilad entered into the Original Concession Agreement ("**OCA**") with the MWSS on February 21, 1997. Under the OCA, MWSS granted Maynilad, as agent, the right to perform certain functions and to exercise certain rights and powers under the MWSS Charter, and as contractor, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and wastewater services in the West Service Area, as defined in the OCA. This includes the right to bill and collect for water and wastewater services supplied in the West Service Area for 25 years or until May 6, 2022 (the "**Expiration Date**").

In April 2011, the Expiration Date was extended for 15 years, moving it to July 31, 2037, unless the OCA is pre-terminated due to an event of default. The MWSS approved the 15-year extension of the OCA in 2009 and it was duly acknowledged by the Republic of the Philippines ("**RoP**"), through a Letter of Consent and Undertaking dated March 17, 2010 ("**Republic Undertaking**").

Maynilad is also tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Service Area. The legal title to these assets remains with MWSS. However, legal title to the property, plant and equipment that Maynilad contributes to the existing MWSS system during the concession period remains with Maynilad until the Expiration Date (or on early termination date), at which time, all rights, titles and interest in such assets will automatically vest in MWSS.

In January 2020, then President Rodrigo Duterte ordered the review of the terms of the OCA of Maynilad and Manila Water. He caused the establishment of the Concession Agreements Review Committee ("**RevCom**") to review the OCA and to submit its recommendations to the President. The RevCom was composed of the Executive Secretary, the Secretaries of the Departments of Justice and Finance, the Solicitor General, the Government Corporate Counsel and the Presidential Adviser on Flagship Programs and Projects.

On May 18, 2021, Maynilad and MWSS signed the Revised Concession Agreement ("RCA"), the notable provisions of which are the following:

1. Confirmation of the July 31, 2037 Expiration Date;
2. Imposition of a tariff freeze until December 31, 2022;
3. Removal of the corporate income tax from among Maynilad's recoverable expenditures as well as the Foreign Currency Differential Adjustment ("**FCDA**");
4. Capping of the annual inflation factor to 2/3 of the Consumer Price Index ("**CPI**");

5. Imposition of rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous standard rate;
6. Removal from the Republic Undertaking of the non-interference of the Government in the rate-setting process, and the limitation of the RoP's financial guarantees to cover only those loans and contracts that are existing as of the signing of the RCA;
7. Replacement of the market-driven Appropriate Discount Rate with a 12% fixed nominal discount rate; and
8. Retention of the rate rebasing mechanism where, subject to the rate caps in item 5 above, the rates for the provision of water and wastewater services will be set at a level that will allow Maynilad to recover, over the term of the concession, expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

On January 22, 2022, the Franchise took effect. RA 11600, which granted Maynilad a 25-year franchise or until 2047 to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite," recognized the OCA and the 2010 Memorandum of Agreement that extended the term of the concession for 15 years, or until 2037.

On August 9, 2022, pursuant to RA 11600, Maynilad formally applied for a 10-year extension of the RCA with the MWSS to be able to provide affordable water to its customers and mitigate anticipated tariff increases. On September 6, 2022, Maynilad provided MWSS the preliminary tariff impact simulations, and highlighted the fiscal benefits of a 10-year extension of the RCA.

In a subsequent letter dated September 14, 2022, Maynilad proposed to the MWSS certain amendments to the RCA, which include: (a) reinstatement of the FCDA mechanism; (b) reinstatement of the full CPI Adjustment; and (c) review of the exclusions from the Material Adverse Government Action provision. Such request was made on account of certain events, i.e., the COVID-19 pandemic, the Ukrainian conflict and the significant depreciation of the Peso, which not only posed a challenge to Maynilad's operations but have also highlighted the need to ensure that the Concession Agreements are future-proof and the customers are guaranteed continuity of service.

On May 10, 2023, MWSS and Maynilad signed the Amendments to the RCA, among which include the following highlights:

1. Adjustment in the CPI factor from 2/3 to ¾ of the percentage change in the CPI for the Philippines;
2. Reinstatement of the FCDA, but only with respect to the (a) MWSS loans that are being and will be serviced by Maynilad, and (b) principal payments for drawn and undrawn amounts of Maynilad's foreign currency denominated loans existing as of June 29, 2022;
3. Introduction of a modified FCDA ("**MFCDA**") for Maynilad loans contracted after June 29, 2022. The FCDA and MFCDA mechanisms are based on the principle of "no over or under recovery" and does not impact the company's revenue position. However, this mechanism may be availed of only when there is an "extraordinary inflation" or "extraordinary deflation" of the Philippine Peso (i.e., more than 20% change in the base exchange rate), and the amount that may be recovered is capped (i.e., up to 50% of actual net forex gain over a period of one year);
4. Exclusion of certain events from what may not be considered as Material Adverse Government Action such as the amendment of existing rules, regulations, and other issuances resulting from

acts of the legislative and judicial branches of government and delay or inaction by the Regulatory Office ("**MWSS-RO**") on applications relating to rate adjustments filed by the Concessionaire; and

5. Deletion of the composition and decisions of the MWSS-RO from what may not be subject to arbitration.

The Amendments to the RCA took effect retroactively on June 29, 2022, the date of effectivity of the RCA.

Along with the Amendments to the RCA, the RoP issued, on May 10, 2023, the Republic Undertaking in the form agreed on by the Parties, the effectivity of which retroacted to July 1, 2022.

Pursuant to the requirement for a public hearing, Maynilad and the MWSS-RO conducted a public hearing/consultation on December 4, 2023 at the World Trade Center in Pasay City. On December 12, 2023, the MWSS-RO approved Maynilad' application to extend the term of its RCA from 2037 to 2047. Finding that the extension of the concession term will serve the best interest of the public, the MWSS BOT also approved Maynilad's 10-year extension application, subject to the requirement in Section 17.2 of the RCA that amendments thereto be acknowledged by the RoP, acting through the Secretary of Finance. As of the date of this report, the Company is awaiting the review and approval by the NEDA Board and the acknowledgement of the Republic of the Philippines through the Secretary of Finance of the 10-year extension of the Revised Concession Agreement.

RA 11600 – Maynilad's Legislative Franchise

RA 11600 grants Maynilad, a 25-year franchise to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite." RA 11600 affirms Maynilad's authority to provide waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and the Province of Cavite. RA 11600 took effect on January 22, 2022, 15 days after its publication in the Official Gazette on January 7, 2022. The 25-year term will end on January 21, 2047.

Aside from the grant of a 25-year franchise to Maynilad, the other highlights of RA 11600 include the following:

i. The grant of authority to the MWSS, when public interest for affordable water security so requires and upon application by Maynilad, to amend Maynilad's RCA to extend its term (i.e., 2037) to coincide with the term of the franchise. In addition, the RCA shall also act as Maynilad's Certificate of Public Convenience and Necessity for the operation of its waterworks and sewerage system. In the event the waterworks and sewerage system assets of MWSS pertaining to the Franchise Area are privatized by law, Maynilad shall have the right to match the highest compliant bid after a public bidding. The RCA between MWSS and Maynilad shall remain valid unless otherwise terminated pursuant its terms, or invalidated when national security, national emergency or public interest so requires;

ii. The prohibition on the passing of corporate income tax to Maynilad customers.

iii. The requirement to publicly list at least 30% of Maynilad's outstanding capital stock within five years from the grant of the franchise;

iv. The completion of Maynilad's water and sewerage projects to attain 100% coverage by 2037, which shall include periodic five-year completion targets; and

v. The grant to Maynilad of the right of eminent domain insofar as it is may be reasonably necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance and operation of the services, subject to the limitations and procedures under the law.

RA 11600 also has an equality clause which grants Maynilad, upon review and approval of Congress, any advantage, favor, privilege, exemption or immunity granted under existing franchises or which may be granted subsequently to water distribution utilities.

On March 21, 2022, the MWSS BOT passed Resolution No. 2022-025-RO, Series of 2022 (the "**Resolution**") which deals with the tax implications following the effectivity of the legislative franchise granted to the Concessionaires.

The Resolution confirmed that beginning March 21, 2022, which was when the Concessionaires formally accepted the terms of their respective legislative franchises, the charges for water and wastewater services will no longer be subject to the 12% VAT, but will be subject to Other Percentage Tax ("**OPT**").

The OPT, which shall be reflected as "Government Taxes" in the customers' statement of account, consists of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective local government units where the Business Area offices of the Concessionaires are located.

Employees and Labor Relations

As of December 31, 2024, we had 2,240 employees located in the Philippines, comprising 534 executives and managerial employees, 414 supervisory employees and 1,292 rank-and-file employees. As of December 31, 2024, we had 2,096 regular employees, 144 probationary employees and 472 contractual employees. Regular employees are those hired on a permanent basis, probationary employees are those that are assessed for a certain period before qualifying to be regular employees, and contractual employees are those engaged for specific projects or fixed- term assignments. Among our 2,240 employees, 1,440 are between the ages of 30 and 50, while 582 are under the age of 30. The table below sets forth the breakdown of our employees by function as of December 31, 2024.

Types of Employees	Number of Employees
Executives	76
Managerial	458
Supervisory employees	414
Rank-and-file employees(1)	1,292
Total	**2,240**

Note:

(1) *Our total employees exclude 472 contractual employees as of December 31, 2024.*

We have two CBAs with our labor unions: (i) MWSA, for our supervisory employees and (ii) MWSU-PTGWO, for our rank-and-file employees. Our CBAs with our supervisory employees and rank-and-file employees will expire on November 30, 2026 and December 31, 2028, respectively, subject to negotiations on the economic provisions three years after the effectivity period. On November 21, 2024, we commenced negotiations with our supervisory employees for the renewal of the economic provisions of their CBA for the years 2024 and 2025. Since 2019, there have been no strikes or labor unrest by our labor unions (both rank-and-file employees and supervisory employees), and we have not been involved in any labor disputes having a material adverse effect on our results of operations and financial condition.

We have an Employee Stock Option Plan ("**ESOP**"), which was implemented pursuant to the Original Concession Agreement, our ESOP policy and our amended Articles of Incorporation. Under the ESOP, our regular employees who have rendered at least one year of continuous and satisfactory performance during the full year prior to the issuance of shares, are granted a stock purchase bonus equal to one month's basic salary at the time of the ESOP and subject to our Board of Directors' discretion thereafter. This bonus is automatically applied to the purchase of the shares for the account of the employees.

Management believes that our current relationship with our employees is generally good and neither we nor any of our subsidiaries have experienced a work stoppage as a result of labor disagreements. We offer competitive compensation packages meticulously benchmarked with industry standards, job levels and compensation ranges. In addition, we have monthly employee engagement programs and competency-based trainings and workshops for all employee levels to enhance their professional, technical, and leadership skills. Other foundational and compliance-related opportunities are also available for employees.

Operations (West Zone Concession)

The entire water supply chain typically encompasses the extraction of water from natural sources, followed by its treatment at water treatment facilities to ensure it meets health standards, and then its transportation and distribution to consumers through an extensive network of pipelines, reservoirs, and pumping stations. In 2024, the West Zone Concession successfully delivered an average of 2,524 million liters per day (MLD) of clean, potable water to its customers. Over the course of the year, the concession billed a total volume of 553.51 million cubic meters (MCM) of water.

West Zone includes area covering portions of Metro Manila and parts of Cavite Province. The West Zone is comprised of 11 cities within Metro Manila, including sections of the cities of Manila, Quezon, and Makati, as well as the entirety of Caloocan, Pasay, Parañaque, Las Piñas, Muntinlupa, Valenzuela, Navotas, and Malabon. Our service area also extends to three cities in Cavite—Bacoor, Imus, and Cavite City—and three municipalities, namely Kawit, Noveleta, and Rosario. Overall, we cover 540 square kilometers and serve approximately 10.4 million residents through 1.55 million active water service connections.

Water Source

Under the Revised Concession Agreement, the MWSS holds the responsibility for providing raw water to our distribution network. According to the terms of the agreement, MWSS is obligated to supply us with a minimum daily quantity of 2,400 MLD. In the event that MWSS is unable to meet this supply threshold, our company is tasked with the responsibility of equitably distributing the available water among our consumers, ensuring fair and balanced allocation in such instances of short supply.

Concessionaires rely substantially on surface water from the Umiray, Angat and Ipo River systems, which are collected and impounded through the Angat Dam, and conveyed subsequently through the Ipo Dam. As of December 31, 2024, approximately 83.42% of the water that MWSS supplies originates from the Angat Dam. Concessionaire also source surface water from Laguna de Bay, the largest lake in the Philippines. Surface water that we abstract from Laguna de Bay accounts for approximately 15.64% of our water supply while the remaining 0.94% are from Cavite rivers, groundwater and effluent of wastewater facilities which part of the Company's contingency plan to address water shortage.

Water Treatment

The Company has diversified its water sources by adding an additional treatment plant that draws water from various sources, including Laguna Lake, Cavite rivers, and the effluent from its water reclamation facilities.

The Company now operates eight water treatment plants (WTPs). These plants are crucial for treating raw water sourced from rivers, lakes, and other natural resources. Each facility is equipped with technology tailored to the specific quality of the incoming water, allowing us to comply with the Philippine National Standards for Drinking Water (PNSDW) and ensuring the water is safe for consumption. Once treated, the water is ready for distribution to customers.

The La Mesa Treatment Plant 1 and La Mesa Treatment Plant 2 are located within the La Mesa Compound and treat 1,500 MLD and 900 MLD of water, respectively, supplying potable water to approximately 6.0 million and 3.6 million people within the West Zone.

The Putatan Water Treatment Plant 1 and Putatan Water Treatment Plant 2 are located in Putatan, Muntinlupa City, drawing raw water from Laguna de Bay. These plants are the largest membrane-based water treatment plants in the Philippines, each capable of producing 150 MLD of potable water and supplying potable water to approximately 1.6 million people within the West Zone.

The Poblacion Water Treatment Plant is located in Muntinlupa City and draws raw water from Laguna de Bay. It began treating water in December 2023 with an initial output of 50 MLD, and has since reached full capacity of 150 MLD as of December 31, 2024.

The Anabu Modular Treatment Plant is a membrane-based water treatment plant with a design capacity of 16 MLD. This facility converts raw water from the Anabu Dam into potable water, which is then directly blended into the distribution system.

The Valenzuela Modular Treatment Plant is capable of treating 1 MLD of water from the Tullahan River or effluent from the Valenzuela water reclamation facility, supplying potable water to approximately 329 service connections in Valenzuela City.

The Parañaque NEW WATER Treatment Plant is a membrane-based water treatment plant with a design capacity of 10 MLD. This facility converts treated effluent from the Parañaque water reclamation facility into potable water, which is directly blended into the distribution system. This water treatment plant represents the Company's initial venture into "potable water reuse" – a process that converts used water into potable water. It is part of the Company's effort to develop alternative raw water sources and reduce reliance on Angat Dam, the single major supply source for 15 million consumers in Metro Manila. The plant was first commissioned in 2022 and treats effluent through a rigorous process to fully convert the treated used water into "NEW WATER" that complies with PNSDW. This multi-stage treatment process includes pressurized media filtration, ultrafiltration, reverse osmosis, and post-chlorination. By reusing the treated effluent from our water reclamation facilities, we maximize this previously untapped resource to generate more water for distribution.

The Parañaque NEW WATER Treatment Plant was recognized as the "Water Reuse Project of the Year" at the Global Water Awards. The Company are in the process of expanding our NEW WATER output by constructing similar treatment facilities that will convert treated and used water from our other water reclamation facilities into potable water for distribution.

Water Distribution

As of December 31, 2024, the Company maintained and operated 7,914.6 km of primary, secondary and tertiary pipelines compared to 4,576.0 km in 2006. Along this network, we have 39 reservoirs that enhance holding capacity and ensure efficient distribution of supply. Our water distribution system has been certified ISO 9001:2015, ISO14001:2015 and ISO 45001:2018. It stretches from North Caloocan to Cavite Province with a design capacity of up to 2,877.0 MLD of potable water for 10.4 million of our customers.

As of December 31, 2024, we serve 95% of the West Zone's estimated population, ensuring 24-hour availability to 98% of our customers at an average pressure of 7 psi.

To implement its water distribution services, the Company divides the West Zone into two districts: the North District and the South District. The North District utilizes a combination of gravity and pump-fed distribution systems due to the higher elevation in North Caloocan, Valenzuela, and Commonwealth and Novaliches in Quezon City. Large pumps at the La Mesa Pump Station boost treated water to achieve the required water pressure. The South District relies on a gravity-fed system, with water supply coming from the 200-ML Bagbag reservoir. Major pump stations, such as the PAGCOR, Pasay, and Villamor pump stations, boost water to the southernmost portions of the concession area in Pasay, Parañaque, Las Piñas, and Cavite. The Putatan Water Treatment Plant also supplies water to portions of Las Piñas and Muntinlupa through the Putatan water pump station.

Water distribution is managed through the Maynilad Central Control Room (CCR), a centralized point where water supply systems are remotely monitored, tracking variables such as flow, pressure, and water quality. The CCR also enables the automatic control of appurtenances like pumps and valves. Through the establishment of the Control Center, the Company has gained the capability to monitor water supply operations in real-time, 24/7. This allows for rapid data analysis and prompt responses to operational changes or anomalies, enhancing overall efficiency and reliability.

The Control Center plays a crucial role in managing and responding to the continuous and growing demands and expectations of customers. Through this advancement, the Company aims to provide improved service and customer experiences in the West Zone efficiently. To mitigate potential risks, investments have been made in remote backup systems, ensuring their availability for use without significant disruptions.

Capital investments in the water distribution system have resulted in an increase in service coverage from 77.8% in 2006 to 94.9% as of December 31, 2024.

<u>Non-Revenue Water (NRW)</u>

NRW refers to the volume of water lost within the distribution system. It is composed of two components: physical loss, which is due to leakages in the system (reservoirs, transmission lines, main lines, service pipes and meter risers up the customer meters), and commercial loss, which is caused by unauthorized consumption, meter under-registration and billing errors. The NRW is calculated as the percentage of water lost relative to the net volume of water supplied. The Company believes that reducing NRW leads to significant cost savings. By optimizing water production requirements and minimizing losses, the Company can effectively reduce downstream water distribution costs. Additionally, this approach supports the implementation of further mitigation measures to ensure consistent and reliable service.

To manage NRW, the Company implements the District Metered Area ("**DMA**") program. DMAs are small, isolated areas where the volume of water entering and leaving the system is measured and the corresponding billed consumption for the same areas are accounted. Each DMA has a single water entry point and a single water outflow point, enabling effective monitoring, control, and distribution of water. The NRW in the DMA represents the losses in the secondary and tertiary lines, pipes whose diameters are 300mm and below. Water balance is computed for each DMA and the appropriate action is implemented depending on the nature of the NRW.

Maynilad also established Hydraulic Systems ("**HS**"), which are clusters of DMAs including the primary lines, or lines whose diameters are larger than 300mm. Similarly, the NRW for each HS can be measured. The difference between the HS NRW and the DMA NRW represents the losses in the primary and secondary lines.

As of the end of 2024, the Company has established 157 HS, which have been subdivided into 1,632 DMAs, approximately covering 100% of the West Zone.

In order to reduce the physical component of NRW, Maynilad implements the active leakage control program, which involves the speedy and quality repair of both surfacing and non-surfacing leaks. Non-surfacing leaks are localized and pin-pointed thru leak detection. Maynilad has a pool of highly trained and experienced personnel who use sophisticated leak detection equipment. To compliment leak detection, Maynilad also uses artificial intelligence, satellite and the calibrated hydraulic model in finding the leaks.

The Company replaces the pipes that were identified to be heavily deteriorated. Prioritization is based on the volume of water being lost, leakage history, pipe material, age of the pipes and maintenance history.

Maynilad also implements pressure management in order to minimize leakages and prolong the life of the pipelines. Pressures in the distribution system are optimized without compromising the water pressure and availability in the customers. Pressure control is achieved through the installation of and variable frequency drives ("**VFD**") in pumping stations and pressure-regulating valves ("**PRV**") at the inlets of DMAs.

The Company's enhanced focus on reducing NRW led to the repair of 57,682 leaks in 2024, marking a 57.4% increase compared to the 36,575 leaks repaired in 2023. Since 2006, approximately 3,372 kilometers of pipelines have been replaced.

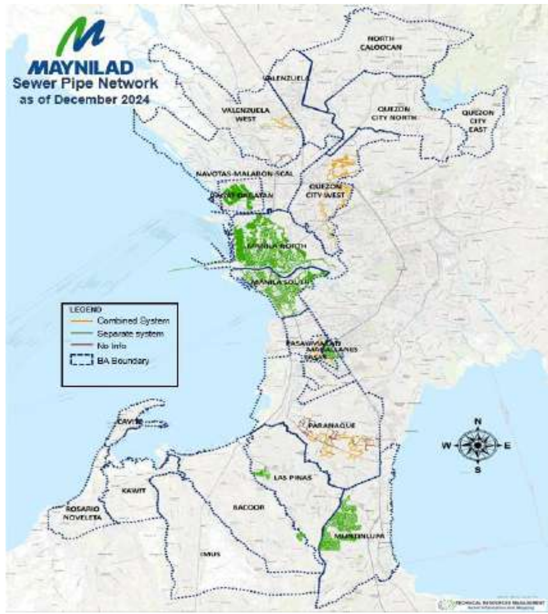
To address commercial losses due to meter under-registration, Maynilad implements the regular replacement of customer water meters. The meter sizes and consumptions of large accounts are also monitored to ensure the accurate and reliable measurement of customer consumption.

For unauthorized consumption, Maynilad formed the anti-illegal connection section to intensify the identification and closing of such accounts. Maynilad regularly conducts consumption analysis and investigates accounts with suspiciously low water bills.

As a result of these efforts, the Company's NRW, which represents the difference between the volume of treated water produced by the water treatment plants and the volume billed to customers, has significantly decreased from 66.4% as of December 31, 2006, to 38.4% as of December 31, 2024. Furthermore, the 24-hour availability of the water supply has improved from 32.0% as of December 31, 2006, to 98.1% of billed connections as of December 31, 2024. The Company aims to further reduce NRW to 25.0% by 2027 and to 20.0% by 2030. The target is to maintain NRW levels at 20.0% through the end of the concession period, considering the economic trade-offs of further reductions.

Sewerage Systems and Sanitation

The Company provides sewerage and sanitation services by operating new and existing sewerage systems and treatment facilities within the West Zone. As of December 31, 2024, the total length of our active sewer network was 651.7 km as set out in the map below, compared to a sewer network of 425.0 km as of December 31, 2006.



The Company operates sewerage systems that collect wastewater generated from households and establishments, which are then conveyed to our sewage treatment facilities for treatment prior to disposal. As of December 31, 2024, we operated 24 wastewater treatment facilities with a total capacity of approximately 743.5 MLD for the treatment and disposal of sewage and 1.2 MLD for the collection, treatment and disposal of septage generated in the West Zone, compared to 458.0 MLD and 0.5 MLD, respectively, as of December 31, 2006. We are in the process of retrofitting and upgrading our wastewater facilities in Caloocan and Manila in compliance with DENR effluent standards, commissioning of newly constructed facilities in Valenzuela, Cupang and Tunasan in Muntinlupa, and constructing new facilities in Las Piñas and Bacoor. In conjunction with these upgrades, we plan to expand our operations to include 28 wastewater treatment plants by 2027. As of December 31, 2024, we also operated 93 vacuum truck units, of which 89 are used for desludging individual septic tanks and transport and four are utilized for sewerage and support services.

Since our re-privatization, sewerage coverage, representing a percentage of the population of the West Zone connected to our sewerage pipeline, increased from 6.0% as of December 31, 2006 to 35.0% of our water-served population as of December 31, 2024, serving over 3.6 million customers. Sanitation coverage, representing the number of people that have been offered desludging services over a Rate Rebasing cycle, increased from 170,157 accounts as of December 31, 2006 for the 2002 to 2006 cycle to 801,221 accounts as of December 31, 2024 for the 2022 to 2026 cycle. Beginning 2022, total wastewater coverage was assessed by combining our sewerage and sanitation coverage. To enhance this coverage, we consistently implement projects aimed at expanding our sewerage network, while aiming to provide sanitation services to address the needs of customers not yet connected to our system.

While our primary obligation is to provide wastewater services to our domestic customers, we also extend our services to non-domestic customers, provided their wastewater meets domestic quality standards and does not constitute industrial-grade wastewater.

Water Quality

To ensure that the water supplied to customers is safe to drink, the Company strictly and continuously monitors water quality at the treatment plants and throughout the distribution system. In 2021, the Company launched its dedicated WATERLab, equipped with advanced analytical instruments to monitor and test water quality and wastewater effluents from various sampling points across the West Zone. WATERLab is ISO 17025:2017 accredited, IMS and BCMS-certified, and Biosafety Level II compliant. It is also capable of identifying chemicals regulated by the PNP and the PDEA. In 2025, WATERLab became the first water utility in the Philippines to earn the My Green Lab Certification.

Water at the treatment plants undergoes daily bacteriological and physio-chemical analysis. The Company conducts sampling on its groundwater treatment works within the West Zone, which undergo monthly bacteriological and physio-chemical analysis. Sampling includes regular monitoring of water sources, treatment plants, service reservoirs, customer taps, and water reclamation facilities. Customer taps are sampled monthly for bacteriological quality and annually for other mandatory tests. During tests conducted in November 2024, the water samples achieved an average bacteriological compliance score of 100%, surpassing the 95% threshold set by the Revised Concession Agreement. The water quality consistently exceeds the standards set by the Philippine National Standards for Drinking Water ("**PNSDW**"), which are based on the World Health Organization's drinking water quality guidelines.

The Company is committed to maintaining compliance with all environmental standards within the water circular economy. To support this commitment, it has invested in equipping the treatment plants with dedicated 24/7 testing laboratories, staffed by technicians who conduct hourly testing of the facilities' end-products to ensure adherence to established standards. Additionally, the Company implements enhanced processes, including intensified pipe filling, accelerated pipe replacements, expedited leak repairs, and the closure of illegal connections that could contaminate the water supply. The Company also conducts regular flushing of its pipelines to ensure the delivery of clean and safe water to consumers.

Competition

While other private entities, such as PrimeWater, operate in certain areas of the West Zone under licenses granted by the NWRB, we do not face direct competition in our principal areas of operation, as we operate in a highly-regulated industry in a specified concession area.

Intellectual Property

We own exclusive rights to our corporate name. A summary of our material intellectual property is set out below:

Mark	Registration Period	Validity Period From	Validity Period To
Maynilad logo	4/2019/00007795	September 8, 2019	September 8, 2029
Higit sa tubig ang aming serbisyo	4/2019/00007798	September 8, 2019	September 8, 2029

Mark		Registration Period	Validity Period From	To
	Mayni-LAD	4/2019/00007796	September 8, 2019	September 8, 2029
	Tubee	4/2019/00007797	September 8, 2019	September 8, 2029
MAYNILAD	Maynilad logo	*Registration being processed under E-filing No. EFPH 202400002757273*	*Registration being processed under E-filing No. EFPH 202400002757273*	*Registration being processed under E-filing No. EFPH 202400002757273*

We registered a utility model for a system for meter reading and on-site utility billing on December 2, 2020, which includes a computing apparatus, a portable billing terminal and a portable bill printer. This system (i) collects information on water consumption, (ii) controls the operations of the portable bill printer and (iii) captures and collects images for documentation purposes. The utility model publication for the system was released by the Intellectual Property Office of the Philippines ("**IPOPHL**") on April 5, 2021 and is entitled to protection until December 2, 2027.

Further, we have a pending patent application for a computing system which has access control to application module functions using assignable permission groups and user profile filed on June 7, 2021. As of December 31, 2024, the patent remains pending with the IPOPHL.

Business Subsidiaries & Affiliate

We operate our other businesses outside of the West Zone through our subsidiaries and affiliate, including (i) waterworks construction, engineering and engineering consulting, (ii) supply of treated bulk water and (iii) operation of the water supply and water and sewerage systems.

Philippine Hydro, Inc.

Our wholly-owned subsidiary, PhilHydro, is engaged in waterworks construction, engineering, and engineering consulting services. It undertakes water supply projects outside Metro Manila pursuant to Presidential Decree No. 198 or the "Provincial Water Utilities Act of 1973", which mandates local government units to create and operate local water utilities and provide potable water to the public.

PhilHydro owns and operates four water treatment plants that supply treated bulk water to the Legazpi City Water District in Albay, the Water Districts of Norzagaray, Santa Maria, and Bocaue, all in Bulacan, the Residents of Rizal in Nueva Ecija, and the Water Districts of Bambang in Nueva Vizcaya. PhilHydro also owns and operates the treated water supply and distribution system of Rizal, Nueva Ecija. All of

PhilHydro's water treatment plants are under public-private partnership contracts with the Government, either directly contracting with the local government units or with government-owned and controlled corporations, such as water districts.

Amayi Water Solutions, Inc.
Amayi Water Solutions, Inc. ("**Maynilad Boac**") is engaged in the distribution of water in Boac, Marinduque (outside the West Zone). Maynilad Boac was incorporated for the purpose of operating, managing, maintaining and rehabilitating waterworks, wastewater and sanitation system and services outside the West Zone concession area. As of December 31, 2024, we owned 100% equity interest in Maynilad Boac.

On February 19, 2019, Maynilad Boac entered into a 25-year concession agreement with the Municipality of Boac for the financing, rehabilitation, development, expansion, improvement, operation and maintenance of the water supply system in its 41 barangays.

Maynilad Boac plans to implement projects that focus on the rehabilitation and expansion of the current water system in Boac. The existing pipelines, which cover approximately 24.0% of the service area, is expected to be replaced with larger pipes designed to accommodate the increasing demand in the area.

Maynilad Boac plans to lay new pipelines to expand services in 15 barangays, thus increasing its target service coverage to approximately 76.0%. Maynilad Boac plans to lay a total of 77 km of pipelines after completion of the rehabilitation and expansion program.

To cater to future demand of the municipality, Maynilad Boac plans to increase its water supply capacity to 17 MLD through the rehabilitation of two existing deep wells and the construction of eight new deep wells.

Maynilad Boac's operations of the existing water supply system were recently turned over by the local government unit to Maynilad Boac on January 23, 2024, and commercial operations commenced on February 1, 2024.

Subic Water and Sewerage Company, Inc.
On January 28, 2013, we won the bid to acquire 10% of Subic Water and Sewerage Company, Inc. ("**Subic Water**") from the city of Olongapo for ₱211.0 million. After the expiry of the right of first refusal of Subic Water's existing shareholders to acquire the shares, we signed the deed of sale for such acquisition on March 15, 2013.

Subic Water, our affiliate, operates the water supply and sewerage system in the Subic Bay Freeport Zone and the water system in Olongapo City, under a franchise agreement expiring in 2027. As of December 31, 2024, there are ongoing meetings with Olongapo City and the Subic Bay Metropolitan Authority for the renewal of the franchise agreement. As of December 31, 2024, Subic Water had 50,224 billed connections while its NRW was 21.8%.

Government Environmental Laws and Regulations & Compliance
Maynilad is dedicated to maintaining strict regulatory compliance, ensuring that all government laws and regulations are properly followed. Our commitment to environmental compliance reinforces national objectives by supporting the effective implementation of environmental laws.

To manage regulatory requirements efficiently, each business unit has designated Managing Heads, Pollution Control Officers, and Document Controllers. At the corporate level, the Sustainability Department provides oversight to ensure company-wide adherence to regulations and sustainability commitments.

As part of our management framework, aligned with international standards, Maynilad takes proactive steps to comply with environmental laws and other relevant regulations, including:

Environmental and Social Safeguards

- Presidential Decree 1586 – Philippine Environmental Impact Statement System
- DENR Administrative Order No. 30, Series of 2003 – Implementing Rules and Regulations for the Philippine Environmental Impact Statement System (PEISS)
- DENR MC No. 15, Series of 2011 – Incorporating Disaster Risk Reduction and Climate Change Adaptation
- DENR Administrative Order No. 27, Series of 2003 – Self-Monitoring Report System
- DENR Administrative Order No. 15, Series of 2017 – Guidelines on Public Participation under the PEISS
- DENR EMB MC No. 005, Series of 2014 – Revised Guidelines for Coverage Screening and Standard Requirements under PEISS
- DENR Administrative Order No. 02, Series of 2014 – Appointment/Designation of Pollution Control Officers
- DENR Memorandum Order No. 04, Series of 2023 – Additional Guidelines for Projects Applying for an Environmental Compliance Certificate which are within or with close proximity to Protected Areas and/or RAMSAR Sites
- DENR Administrative Order No. 11, Series of 2021 – Guidelines in the processing and issuance of permits for cutting, removal, and relocation of naturally growing trees

Water

- Presidential Decree 1067 – Water Code of the Philippines
- Implementing Rules and Regulations of PD 1067
- Philippine National Standards for Drinking Water 2017
- DOH Administrative Order No. 0027, Series of 2014 – Water Safety Plan
- Republic Act 9275 – Philippine Clean Water Act of 2004
- DENR Administrative Order No. 10, Series of 2005 – Implementing Rules and Regulations of RA 9275
- DENR Administrative Order No. 35, Series of 1990 – General Effluent Standards
- DENR Administrative Order No. 08, Series of 2016 – Water Quality Guidelines & General Effluent Standards
- DENR Administrative Order No. 19, Series of 2021 – Updated Water Quality Guidelines & General Effluent Standards for Selected Parameters
- DOH Operations Manual on the Rules and Regulations Governing Domestic Sludge and Septage

Air, Noise, and Energy

- Republic Act 8749 – Philippine Clean Air Act of 1999
- DENR Administrative Order No. 81, Series of 2000 – Implementing Rules and Regulations of RA 8749
- DENR EMB MC 17, Series of 2020 – Guidelines on the Issuance of Permit to Operate through the Online Permitting and Monitoring System

- DENR EMB MC 003, Series of 2022 – Amending Sec. 5 of MC 2016-008 relative to the Issuance of PTO to all Stand-by Generator Set without Requiring Source Emission Testing
- Executive Order 26, Series of 2017 – Providing for the Establishment of Smoke-Free Environments in Public and Enclosed Places
- NPCC MC 002, Series of 1980 – Noise Control Regulations
- Republic Act 9136 – Electric Power Industry Reform Act of 2001
- Republic Act 11285 – Energy Efficiency and Conservation Act 2019
- DOE Circular 2019-11-0014 – Implementing Rules and Regulations of RA 11285
- DOE Circular 2020-05-001 – Directing all Designated Establishments under Commercial, Industrial, and Transport Sector to Submit Energy Consumption Reports
- DOE Circular 2021-01-0001 – Guidelines for the Qualifications, Assessment, Registration, and Certification of Energy Conservation Officers, Energy Managers, and Energy Auditors
- DOE Circular 2023-12-0037 – Reclassifying Designated Establishments in the Industrial Sector, adjusting their Threshold, and providing Compliance Guidelines pursuant to RA 11285
- Republic Act 9513 – Renewable Energy Act
- Republic Act 11697 – Electric Vehicle Industry Development Act

Solid Waste

- Republic Act 9003 – Ecological Solid Waste Management Act of 2000
- DENR Administrative Order No. 34, Series of 2001 – Implementing Rules and Regulations of RA 9003

Hazardous Wastes and Chemicals

- Republic Act 6969 – Toxic Substances, and Hazardous and Nuclear Waste Control Act of 1990
- DENR Administrative Order No. 29, Series of 1992 – Implementing Rules and Regulations of RA 6969
- DENR Administrative Order No. 22, Series of 2013 – Revised Procedures and Standards for the Management of Hazardous Waste
- DENR Administrative Order No. 38, Series of 1997 – Chemical Control Order for Mercury & Mercury Compounds
- DENR Administrative Order No. 39, Series of 1997 – Chemical Control Order for Cyanide & its Compound
- DENR Administrative Order No. 02, Series of 2000 – Chemical Control Order for Asbestos
- DENR Administrative Order No. 02, Series of 2004 – Chemical Control Order for Polychlorinated Biphenyls
- DENR Administrative Order No. 24, Series of 2013 – Chemical Control Order for Lead
- DENR Administrative Order No. 08, Series of 2021 – Chemical Control Order for Cadmium
- DENR Administrative Order No. 09, Series of 2015 – Rules and Procedures for the Implementation of Globally Harmonized System (GHS)
- DENR Administrative Order No. 27, Series of 2005 – Revised Priority Chemical List
- DENR Administrative Order No. 23, Series of 2007 – Prescribing additional Requirements for the Issuance of the Priority Chemical List Compliance Certificate
- Republic Act 9165 – Regulatory Controls in Licit Trade of Controlled Precursors and Essential Chemicals
- Republic Act 9516 – License to Possess/Purchase Explosives (chemicals used in the laboratory for analysis purposes)

LLDA Regulations

- Board Resolution No. 408, Series of 2011 – Approving Revised Definition of Developmental Activities Required to Secure LLDA Clearance and Its Implementing Rules and Regulations
- Board Resolution No. 248, Series of 2005 – Providing Guidelines on the Use of Shoreland Areas Surrounding the Laguna De Bay
- Board Resolution No. 283, Series of 2006 – Resolution Providing Guidelines on Reclamation within the Shoreland of Laguna De Bay
- Board Resolution No. 113, Series of 1999 – Adding the Implementing Guidelines Governing the Lease of the Laguna De Bay Shoreland Areas
- Board Resolution No. 523, Series of 2017 – Adoption of Department Administrative Order 2016-08 of the DENR as the New Effluent Standards for the Continuous Implementation of the Environmental Users Fee System and Water Quality Guidelines for Surface Waters within the Laguna de Bay Region and for Other Purposes
- Board Resolution No. 362, Series of 2008 – Water Permitting
- LLDA MC No. 06, Series of 2016 – Accreditation of Pollution Control Officers in the Laguna De Bay Region
- LLDA MC No. 05, Series of 2017 – Rules and Regulation Implementing the New General Effluent Standards Pursuant of LLDA BR No. 523 S.2017

Others

- Presidential Decree 856 – Philippine Sanitation Code
- Implementing Rules and Regulations of the Philippine Sanitation Code
- RA 10657 – Chemistry Act
- DENR Administrative Order No. 63, Series of 1998 – Environmental Laboratory Recognition
- DOH Administrative Order No. 31, Series of 2020 – Water Testing Laboratory Accreditation

Occupational Safety and Health

- RA 9514 – Fire Code of the Philippines
- Revised Implementing Rules and Regulations of RA 9514
- DOLE Department Order 198, Series of 2018 – An Act Strengthening Compliance with OSH Standards
- DOLE Department Order 154, Series of 2016 – Safety and Health Standards on the Use and Management of Asbestos in the Workplace
- DOLE Department Order 160, series of 2016 – Guidelines on the Accreditation of Consulting Organizations to Provide Work Environment Measurement (WEM) Services
- DOLE Department Order 178, series of 2017 – Safety and Health Measures for Workers Who by the Nature of their Work Have to Stand at Work
- DOLE Department Order 182, Series of 2017 – Guidelines Governing the Employment and Working Conditions of Health Personnel in the Private Healthcare Industry
- DOLE Department Order 184, Series of 2017 – Safety and Health Measures for Workers Who, by the Nature of Their Work, Have to Spend Long Hours Sitting
- DOLE Department Order No. 53, Series of 2003 – Guidelines for the Implementation of a Drug-Free Workplace Policies and Programs for the Private Sector
- DOLE Department Order No. 73, Series of 2005 – Guidelines for the Implementation of Policy and Programs on Tuberculosis (TB) Prevention and Control in the Workplace
- DOLE Department Order No. 102, Series of 2010 – Guidelines for the Implementation of HIV &

AIDS Prevention & Control in the Workplace Program

- DOLE Department Order No. 05, Series of 2010 – Guidelines for the Implementation of a Workplace Policy and Program on Hepatitis B
- DOLE Department Order No. 04, Series of 2009 – Guidelines on Influenza AH1N1 Prevention and Control in the Workplace
- DOLE Department Order No. 136, Series of 2014 – Guidelines for the Implementation of Globally Harmonized System (GHS) in Chemical Safety Program in the Workplace
- DOLE Department Order No. 224, Series of 2021 – Guidelines on Ventilation for Workplace and Public Transport to Prevent and Control the Spread of COVID-19
- DTI and DOLE Interim Guidelines on Workplace Prevention and Control of COVID – 19
- DOLE Labor Advisory No. 3, Series of 2016 – Safety and Health Measures to Prevent and Control Heat Stress at the Workplace
- Republic Act 11058 – Act Strengthening Compliance with Occupational Safety and Health Standards
- DOLE Department Order No. 18, Series 2018 – Implementing Rules and Regulations of RA 11058
- DOLE Labor Advisory No. 4, Series of 2019 – Guidelines for Compliance of Establishments to DO 198-18
- Republic Act 11036 – Mental Health Act
- IRR of RA 11036 Mental Health Act
- Republic Act 10054 – Motorcycle Helmet Act
- Republic Act 8750 – Seatbelt Law

The Environmental and Social Safeguards Unit under the Sustainability Department ensures the acquisition of permits and implementation of rules and regulations set by the following government agencies:

AGENCY	**TYPE OF PERMIT/ LICENSE/ CLEARANCE**
BIR	BIR Certificate of Registration
BFP	Fire Safety Inspection Certificate
DENR	Environmental Compliance Certificate Certificate of Non-Coverage Permit to Operate Air Pollution Source Installation Hazardous Waste Registration ID Permit to Transport Hazardous Wastes Discharge Permit Pollution Control Officer Accreditation Chemical Control Order Priority Chemical List Certificate

AGENCY	**TYPE OF PERMIT/ LICENSE/ CLEARANCE**
	Private Land Timber Permit Certificate of Laboratory Recognition
DOE	ERC Certificate of Compliance
DOH	Certificate of Laboratory Accreditation Sanitary Permit Environmental Sanitation Clearance Initial Permit Operational Permit
DOLE	DOLE Registration Occupational Health Practitioner Accreditation Safety Practitioner Accreditation
DPWH	Excavation Permit
DTI	Registration Certificate
HDMF	Pag-IBIG Employers Registration
LLDA	LLDA Clearance Shoreland Development Clearance Shoreland Occupancy Permit Surface Water Permit Discharge Permit Pollution Control Officer Accreditation
LGU	Barangay Clearance Building Permit Business Permit Electrical Permit Excavation Permit Fencing Permit Fire Safety Inspection Certificate

AGENCY	TYPE OF PERMIT/ LICENSE/ CLEARANCE
	Mechanical Permit Occupancy Permit Sanitary Permit Zoning Clearance
LTO	Vehicle Registration Driver's License
NTC	License to Operate Radio Communication
NWRB	Certificate of Public Convenience Surface Water Rights Permit
PDEA	Permit to Use Controlled Precursors and Essential Chemicals
PhilHealth	PhilHealth Employer's Registration
PNP	Firearm License License to Possess Permit to Purchase PNP Controlled Chemicals
PNRI	Radioactive Material License
PRC	Permit to Operate Laboratory
SEC	SEC Registration Certificate
SSS	SSS Employer's Registration

Maynilad diligently manages the high volume of permits required for each facility, ensuring timely application and renewal to maintain regulatory compliance and avoid penalties. To streamline this process, a comprehensive database has been established as a centralized monitoring tool, providing a master list of all applicable regulatory requirements and validity periods. The database features an advanced notice to prevent lapses and potential compliance issues. This proactive approach enhances operational efficiency, minimizes regulatory risks, and ensures seamless business continuity while fostering a culture of compliance and accountability across the company.

Business Risk Management

Maynilad implements an Enterprise Risk Management ("**ERM**") framework in managing its strategic, compliance, operational, and financial risks. The Board of Directors periodically reviews this framework to ensure its effectiveness in meeting corporate objectives and in addressing the ever-evolving risk landscape. The company has adopted ISO 31000 as its ERM model and approved an Enterprise Risk Management Policy that outlines the risk management processes and methodologies, which include:

- identification, assessment, evaluation, and mitigation of risks or exploitation of opportunities;
- definition of management responsibilities and accountabilities; and
- escalation and reporting of company's significant enterprise risks

The Board, through the Risk Oversight Committee, oversees the implementation of the Enterprise-Wide Risk Management Framework; identifies and assesses top risks; and reviews the effectiveness of management's risk mitigation strategies and treatment plans. The ERM Team, together with the Strategic Risk Core team composed of representatives from various divisions, conducts periodic identification, assessment and mitigation of the company's strategic top risks. Controls are validated to check the effectiveness of the Company's mitigating measures and controls. The results are then presented to top management and to the Maynilad Board Risk Oversight Committee.

2024 Significant Enterprise Risks	Mitigation Strategies and Controls
Water Supply	
Failure to prepare sufficient sources of raw water to meet the production requirements and customer demand	To ensure adequate raw water supply, the Company has completed water source development projects such as Laguna Lake Water Treatment Plant, Paranaque New Water Plant, and modular treatment plants in Cavite
Failure to address raw water quality issues (*high turbidity, high TDS, algal blooms)* to meet production requirements and customer demand	Maynilad has been proactively and extensively preparing for the raw quality issues brought about by various weather conditions like El Niño, La Niña, Habagat, and Amihan. These include upgrading the treatment capacity of La Mesa /Putatan Water Treatment Plants and augmenting water supply through the operation of standby deep wells and modular treatment plants
Inability to manage commercial and physical water losses and to reduce non-revenue water (NRW) that affect supply reliability	To reduce NRW, the Company continues to intensify its leak detections, leak repairs, pipe replacements, network diagnostics, and implement demand-pressure management initiatives
Climate-related	
Failure to adapt and to mitigate the impacts of extreme climate patterns that severely impact water supply reliability	To address climate-related risks and to help promote water sustainability, the Company engaged an international weather intelligence provider to enhance its forecast and climate data analysis capabilities for a more agile response to weather disturbances, among other initiatives. In addition, Maynilad has implemented key initiatives like the construction of a third water treatment plant that draws water from Laguna Lake, as well as the construction of modular treatment plants that utilize water from rivers and irrigation canals. Maynilad is also upgrading the capacity of existing water treatment facilities to effectively handle high turbidity and algal blooms. The Company has also started and will continue to recycle water by further treating the effluents from its water reclamation facilities to produce potable water, referred to as "new water."

2024 Significant Enterprise Risks	Mitigation Strategies and Controls
Project Delivery	
Failure to execute and deliver projects in accordance with the approved business plan that would hinder the ability to meet service obligations and obtain future tariff adjustments	Maynilad has ramped up its Capital Expenditures ("**CAPEX")** project execution through collaboration with LGUs and national government agencies. Key strategies include: a) engaging with the Department of the Interior and Local Government and Anti-Red Tape Authority (ARTA) to help address permit issues; b) conducting strategic planning sessions with LGUs, Barangay officials, and homeowners' associations; c) pursuing expropriation procedures for hard-to-acquire lands; and d) involving qualified contractors early in the project timeline to facilitate prompt issuance of performance bonds from financial institutions post-award.
Cybersecurity, Information Security and Data Privacy	
Failure to protect and secure Company systems, customer data, private and sensitive information from internal and external threats	Maynilad has strengthened its cybersecurity defenses through employee training, the establishment of a Computer Emergency Response Team, enhanced firewall protection, and investment in advanced security technologies like XDR endpoint protection and encryption. Additional measures include improved incident response plans, strengthened password policies, and increased monitoring of third-party service providers to protect against unauthorized access, phishing, and malware attacks.
Political and Regulatory	
Failure to meet service and compliance obligations stipulated in the Revised Concession Agreement and Legislative Franchise	Maynilad remains fully committed to meet its service obligations as stipulated in the Revised Concession Agreement and its legislative franchise including the approved 5-Year Rate Rebasing Service Improvement Plan. The Company is proactively engaging with the MWSS and other government offices to ensure achievement of its commitments and service obligation targets.
Failure to secure tariff adjustments to help finance CAPEX projects required to deliver service obligations and to achieve cost recovery target and desired rate of return	Maynilad's ability to implement its business plan and strategy successfully depends on the tariff authorized by MWSS pursuant to the Revised Concession Agreement. Tariff adjustments generally result from rate-rebasing exercises administered by the MWSS-RO. For the sixth Rate Rebasing Period, the MWSS-RO approved the staggered implementation of the Company's tariffs beginning in 2023, contingent upon the Company's ability to meet its targets for water supply, continuity and coverage provided in the approved business plan, as determined by the MWSS-RO.

Policy on Related Party Transactions

In line with Maynilad's commitment to enhance its corporate governance, Maynilad adopted on March 12, 2025 its Related Party Transaction ("**RPT**") Policy which outlines the guidelines for business transactions between Maynilad and related parties. Maynilad recognizes that business transactions between related parties may serve legitimate business purposes and may bring about important economic benefits to the Company and its affiliates. Thus, RPTs are generally allowed, subject to safeguards and controls to address any potential conflict of interest.

The RPT Policy includes the review and approval of RPTs, among others, ensuring that they are, at all times, transparent, fair, conducted at arm's length and in the best interest of the Company and its shareholders. The RPT Policy sets forth the approvals required, depending on the amount involved in the transaction, and mandates the periodic independent review or audit of RPTs, and their regular disclosure and reporting as applicable.

As additional safeguards, the RPT Policy requires specific approvals when the transaction involves: (a) a director or officer or their spouses or relatives; (b) another corporation with interlocking directors; or (c) Maynilad undertaking to manage or operate all or substantially all of the business of another corporation or vice-versa. The Board of Directors is also empowered to adjust the materiality threshold upon determination that the RPT may cause imminent damage to the Company or its shareholders.

Maynilad has an Audit, Risk Oversight and Related Party Transactions Committee ("**Committee**") composed of five members, majority of whom are independent directors, including the Chairperson. The Committee assists and advises the Board of Directors with respect to, among others, the Company's financial reporting processes and disclosures, the adequacy and effectiveness of the Company's internal control system, and evaluation and periodic independent review of all material RPTs.

Awards and Recognitions

Maynilad's continued pursuit of excellence in water and wastewater management has earned the company multiple accolades from prestigious local and international organizations. These awards reflect Maynilad's commitment to innovation, sustainability, and service improvement, benefiting millions of customers in the West Zone.

Among its notable recognitions, Maynilad received the Project Innovation Awards–Development (PIA-D) 2011 from the International Water Association (IWA) for its Samahang Tubig Maynilad (STM) program, which won under the "Drinking Water – Software" category. The STM initiative was recognized for its practical and integrated approach to community participation in water service expansion.

In 2012, Maynilad was honored with the Global Honour Award from the IWA for its Water Service Transformation program. This award acknowledged the company's efforts in dramatically improving and accelerating the expansion of water services in the West Zone within just five years. Additionally, the same program won the Project Innovation Awards (Asia Pacific) 2012 from IWA, further highlighting its impact on service delivery and customer satisfaction.

Maynilad also emerged as the Overall Winner in the Drinking Water Safety Awards of the World Health Organization (WHO) and IWA in 2012. The company's Water Safety Plan demonstrated exceptional comprehensiveness, efficacy, and replicability, contributing to improved drinking water quality management in low and middle-income countries.

In 2014, Maynilad and its technology partner, OTV France (Philippines), secured the Project Innovation Awards (Asia Pacific) from IWA in the Small Projects Category for the San Antonio and Del Monte Sewage

Treatment Plants (STP). These compact STPs utilize a combination of innovative wastewater treatment steps to operate efficiently within small lots. That same year, the company was recognized in the Operations/Management Category for its highly effective Non-Revenue Water (NRW) Management Program, developed in partnership with Miya of Arison Group. This program led to the recovery of over 700 million liters per day of potable water over seven years.

Maynilad's achievements in infrastructure development were further recognized when the Putatan Water Treatment Plant 2 received an Award of Distinction under the "Water Project of the Year" category at the Global Water Awards 2020. This award, organized by Global Water Intelligence, celebrates initiatives that propel the water, wastewater, and desalination sectors forward through innovation and operational excellence.

In 2022, Maynilad earned Gold Level Accreditation from Investors in People (IiP), United Kingdom, making it the first and only water company in the Philippines to achieve this distinction for its excellence in people management.

The company's pioneering approach to water reuse was recognized in 2023, as the Parañaque NEW WATER Treatment Plant was named "Water Reuse Project of the Year" at the Global Water Awards. This facility—the first in the Philippines to purify used water for drinking—represents a milestone for potable water reuse in the country and is the first direct potable water reuse project in Asia.

Maynilad's efforts in environmental sustainability were acknowledged at the 2023 Europa Awards by the European Chamber of Commerce of the Philippines (ECCP) under the "Clean and Green Energy" category. The company was recognized for its commitment to reducing energy consumption through technological innovations in water supply operations.

Further reinforcing its dedication to sustainability, Maynilad received the "Excellence in Environmental & Social Sustainability (Water Utilities)" award at the Triple P Sustainability Awards 2024, organized by the International Association of Business Communicators (IABC) Philippines. This honor was given for the Plant for Life Program (PLP), which significantly contributes to preserving vital water sources and engaging communities in environmental conservation efforts.

At the Global Water Awards 2024, Maynilad's Poblacion Water Treatment Plant (WTP) was named "Water Project of the Year", recognizing its significant contribution to the water sector. The Poblacion WTP was chosen for having the greatest innovation in terms of optimizing its physical or environmental footprint.

The company was also recognized for its leadership in sustainability reporting, winning Bronze Awards in the "Asia's Best Sustainability Report – Private Company" category at the 9th Asia Sustainability Reporting Awards (ASRA) 2024. This distinction underscores Maynilad's transparency and accountability in managing sustainability risks, impacts, and opportunities.

In 2024, Maynilad received the Climate Smart Utility Recognition (Achiever Category) from the IWA for its innovative strategies in climate change mitigation and adaptation. The award acknowledged the company's efforts in reducing water losses, expanding wastewater services, increasing water production, and implementing sustainability programs aligned with its climate neutrality goal by 2037.

Maynilad’s Plant for Life Program also earned the Biodiversity Award at the World Sustainability Awards 2024. The program was recognized for integrating biodiversity conservation into business strategy, helping to protect water supply sources while promoting large-scale environmental rehabilitation efforts.

On the financial front, Maynilad’s innovative fundraising initiatives were acknowledged at the Alpha Southeast Asia Awards 2024, where it won “Best Blue Bond in Southeast Asia” and “Most Innovative Deal of the Year”. The company’s ₱15-billion Blue Bond issuance—the first SEC-registered blue bond in the Philippines—was launched to support sustainable water and wastewater management projects.

In addition, the PDS Group recognized Maynilad as the “Pioneer Issuer of ASEAN Blue Bonds in 2024” during its 2025 Annual Awards Night. Since 2005, the PDS Group has honored corporate issuers demonstrating outstanding performance, leadership, innovation, and contribution to the capital market. Maynilad was acknowledged for leading the way in sustainable financing through its landmark ASEAN Blue Bond issuance.

Through these numerous accolades, Maynilad continues to demonstrate leadership in water and wastewater service delivery, environmental sustainability, financial innovation, and corporate social responsibility, reinforcing its role as a key driver of progress in the water sector.

Other Matters

Since the consortium took over the Maynilad in 2007, the Company has not been involved in any bankruptcy, receivership, or similar proceeding as of December 31, 2024. Further, the Company has not been involved in any material consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business. It is not dependent on a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company.

Item 2. Properties

As of December 31, 2024, out of the 425 principal facilities of Maynilad, 312 are actively being operated, 15 are either not yet operational or on standby, and the remaining 98 are currently under construction. These properties of the Company include water production facilities, water treatment facilities, water pumping stations and reservoirs, water reclamation facilities, deep well stations, laboratories, sewage and septage facilities, and administration buildings.

The Company's subsidiaries also have 14 principal properties, ranging from water treatment facilities to administration buildings. Eleven (11) of these properties are active, while the rest are inactive.

There are currently no mortgages, liens, or encumbrances over the properties of the Company and its subsidiaries.

Within the next 12 months, the Company also plans to purchase, or expropriate if needed, parcels of land for its ten projects using the proceeds from the planned initial public offering.

Maynilad also has various outstanding lease contracts for periods ranging from one year to 99 years covering pipeline lease agreements, office-related properties, and other facilities necessary for its operations.

Item 3. Legal Proceedings

The Company is involved in various legal proceedings in connection with its business operations. We are contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments described below, which are either pending decisions by the courts or are being contested, the outcome of which are not presently determinable. The cases which we are a party to, are briefly described in this section.

1. Real Property Tax Assessment issued by the Norzagaray LGU on Concessionaires on certain CPF ("Central Board of Assessment Appeals ("CBAA"), CTA *En Banc*), CTA EB No. 1505

The Norzagaray LGU assessed the Concessionaires, real property taxes on certain CPF amounting to approximately ₱357 million for the period 1998 to 2005. The Concessionaires argued that subject properties are exempt from taxation as such properties are owned by the Republic of the Philippines, form part of the public domain and consequently exempt from taxation. After the Local Board of Assessment Appeals ruled in favor of Norzagaray LGU, the Concessionaires each filed a separate appeal with the CBAA.

The CBAA ruled that the Concessionaires and MWSS are not liable for the real property tax on the land and the CPF, and so declared as void the Notice of Assessment and Notice of Demand for Payment of real property tax, which the Municipal Assessor of the Norzagaray LGU issued.

The Province of Bulacan and the Norzagaray LGU appealed the CBAA decision to the CTA, where the case remains pending to date.

2. Disputed Claims of MWSS

MWSS is claiming for the payment of additional Tranche B Concession Fees and interest penalty amounting to approximately ₱5.1 billion from our Company. These are concession fees payable by us to MWSS under the Original Concession Agreement representing MWSS' costs of borrowing, as defined in the April 28, 2005 Debt and Capital Restructuring Agreement with our creditors. The rehabilitation court denied and disallowed the disputed claims of MWSS in its December 19, 2007 order, upholding the recommendations of the receiver on the matter. Furthermore, the rehabilitation court in its 6 February 2008 order confirmed the termination of the rehabilitation proceedings on account of Maynilad's successful implementation of its rehabilitation plan, and stated that all outstanding amounts due to MWSS on account of Maynilad's suspension of Concession Fee payments in 2001 have already been fully paid and settled, and that no further amounts are due to MWSS. Despite this, and in the spirit of cooperation, we formally offered to pay MWSS in July 2010 approximately U.S.$14.8 million as a full and final settlement of all the disputed claims, provided that MWSS shall: (1) acknowledge in clear and categorical terms that the receipt of the amount of U.S.$14,791,131.72 is in full and final settlement of (i) any and all claims related to, or that may arise from the additional Tranche B Concession Fees, and (ii) the interest penalty; and (2) consequently, reverse the interest penalty that MWSS has accrued in its books. MWSS, however, did not act upon Maynilad's offer.

In June 2016, a joint committee consisting of representatives from our Company and MWSS was established to prepare a report outlining the facts, issues, and recommendations related to the disputed claims. In July 2016, we submitted a Statement of Facts to MWSS, but we have not yet received their comments as of the date of this report.

3. Expropriation Cases against certain landowners

We have multiple ongoing expropriation cases against certain landowners, to obtain parcels of land to be utilized for our Teresa Water Treatment Plant Project. These cases are initiated in the ordinary course of our business.

4. Philippine Hydro (PH) Inc. vs. Commissioner of Internal Revenue ("CIR") (CTA Case No. 11179)

PhilHydro was assessed income and value-added tax deficiency of ₱425,142,892.82. PhilHydro maintains that the BIR's right to assess and collect for taxable years 2008 to 2013 has already prescribed, and that there were material defects in the Preliminary Assessment Notice and Formal Letter of Demand which were issued by the BIR under authority of an incorrect Letter of Assessment, in violation of PhilHydro's right to due process.

The case remains pending before the CTA to date.

Item 4. Submission of Matters to a Vote of Security Holders

During the annual stockholders' meeting of the Corporation for the year 2024 held on December 12, 2024 at the Corporation's principal office address, the following were re-elected as members of the Board of Directors of the Corporation:

1. Manuel V. Pangilinan
2. Jose Ma. K. Lim
3. June Cheryl Cabal-Revilla
4. Ramoncito S. Fernandez
5. Randolph T. Estrellado
6. Joseph Ian G. Gendrano
7. Ricardo M. Pilares III
8. Isidro A. Consunji
9. Jorge A. Consunji
10. Herbert M. Consunji
11. Kazuaki Shibuya
12. Nagahito Miyoshi
13. Fortunato T. de la Peña (Independent Director)
14. Gil S. Jacinto (Independent Director)
15. Ma. Assunta C. Cuyegkeng (Independent Director)

In the same meeting, the shareholders, representing at least 2/3 of the Corporation's issued and outstanding shares, approved the following:

1. Amendment of Articles of Incorporation and By-Laws and Increase in Authorized Capital Stock.
    a. Amendments to the Articles of Incorporation ("**AOI**") of the Corporation, including the increase the authorized capital stock of the Corporation:
        - the barangay name from "Balara" to "Pansol" and the building name from "Engineering Building" to "Maynilad Building" in the principal office address of the Corporation;
        - Reclassification of the Common A and Common B Shares into a single class of "Common Shares";
        - Increase in the authorized capital stock from ₱4,546,982,000.00 to ₱9,093,964,000.00;
        - Reduction in the par value of the Corporation's shares from ₱1,000.00 to ₱1.00 per share following a 1:1000 stock split;
        - Reclassification of the 88,500 ESOP Shares to Common Shares and removal of all provisions related to ESOP Shares;
        - Deletion of references to the provisions of the original Concession Agreement on minimum stock retention by controlling stockholders, which are no longer applicable to the Corporation; and
        - Reflection of the PSE-prescribed standard language on compliance with the lock-up requirement under the PSE listing rules in preparation for the Corporation's IPO.
    b. Amendments to the By-Laws of the Corporation:
        - the barangay name from "Balara" to "Pansol" and the building name from "Engineering Building" to "Maynilad Building" in the principal office address of the Corporation;
        - Insertion of a new provision on disqualification of directors with interests antagonistic to or competing with the business of the Corporation; and

- Insertion of a new provision allowing facsimile signatures of the President, Corporate Secretary, or Assistant Corporate Secretary on stock certificates.

The Philippine SEC approved the Corporation's application for the increase in its authorized capital stock, and amendment of its AOI and Bylaws on December 27, 2024.

The shareholders also approved the conduct of the Initial Public Offering ("**IPO**") of the Corporation's common shares, subject to the registration requirements of the Securities and Exchange Commission ("**SEC**") and the listing requirements of the Philippine Stock Exchange ("**PSE**") and subject to such terms and conditions as may be approved by the Board and as may be mutually agreed upon by the Corporation and the underwriters.

Lastly, the shareholders approved the re-appointment of Sycip Gorres Velayo & Co. as the Corporation's external auditor for the fiscal year 2024.

PART II

OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

As of December 31, 2024, Maynilad's market information and data pertaining to publicly listed and traded common equity are not available and not applicable. However, we currently have existing company securities in the form of maiden Blue Bonds issued last July 12, 2024 consisting of ₱9.0 billion Series A 6.7092% 5-year fixed rate bonds due 2029 and ₱6.0 billion Series B 7.0931% 10-year fixed rate bonds due 2034. These securities are listed and traded on the Philippine Dealing & Exchange Corp.

Shareholders

As of December 31, 2024, we had 424 shareholders, as follows:

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percentage of Ownership
1	Maynilad Water Holding Company, Inc.	Filipino	5,298,510,289	5,298,510,289.00	5,298,510,289.00	94.40%
2	Metro Pacific Investments Corporation	Filipino	296,178,211	296,178,211.00	296,178,211.00	5.28%
3	Ramoncito S. Fernandez	Filipino	1,316,000	1,316,000.00	1,316,000.00	0.02%
4	Lourdes Marivic K. Punzalan-Espiritu	Filipino	816,000	816,000.00	816,000.00	0.01%
5	Christopher Jaime T. Lichauco	Filipino	745,000	745,000.00	745,000.00	0.01%
6	Francisco C. Castillo	Filipino	717,000	717,000.00	717,000.00	0.01%
7	Metropolitan Bank and Trust Company	Filipino	524,000	524,000.00	524,000.00	0.01%
8	Ricardo F. de los Reyes	Filipino	440,000	440,000.00	440,000.00	0.01%
9	Nancy D. Espenilla	Filipino	253,000	253,000.00	253,000.00	0.00%
10	Roel S. Espiritu	Filipino	241,000	241,000.00	241,000.00	0.00%
11	Marie Antonette H. de Ocampo	Filipino	234,000	234,000.00	234,000.00	0.00%

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percentage of Ownership
12	Rodora N. Gamboa	Filipino	226,000	226,000.00	226,000.00	0.00%
13	Martin Inocencio B. de Guzman	Filipino	224,000	224,000.00	224,000.00	0.00%
14	Apollo C. Tiglao	Filipino	219,000	219,000.00	219,000.00	0.00%
15	Ryan B. Jamora	Filipino	196,000	196,000.00	196,000.00	0.00%
16	Enrique G. De Guzman	Filipino	172,000	172,000.00	172,000.00	0.00%
17	Enrico Roy A. Lopez	Filipino	167,000	167,000.00	167,000.00	0.00%
18	Marie Angelique L. Estrella	Filipino	164,000	164,000.00	164,000.00	0.00%
19	Edgardo S. Dimapilis	Filipino	159,000	159,000.00	159,000.00	0.00%
20	Enrique M. Eguia	Filipino	148,000	148,000.00	148,000.00	0.00%
	Others (404)	-	10,978,000	10,978,000.00	10,978,000.00	0.20%
	TOTAL		**5,612,627,500**	**5,612,627,500.00**	**5,612,627,500.00**	**100.00%**

Dividends

Pursuant to a resolution approved by our Board of Directors on March 10, 2025, we will maintain an annual dividend payout equivalent to at least 50% of the prior year's net income after tax. This is consistent with our historical annual dividend payout ratio in the last three years.

The declaration of dividends and the annual dividend payout ratio are subject to the requirements of applicable laws and regulations and other circumstances which could restrict our ability to pay cash dividends. These circumstances include, but are not limited to, undertaking major projects and developments that require substantial cash expenditures. In addition, the Group is subject to debt covenants in its loan agreements, which may affect its ability to declare or pay dividends under certain circumstances, such as in the event of default or if any such payments would result in an event of default, or if certain financial ratios are not maintained. Future financing agreements may also impose restrictions on our ability to pay dividends. Consequently, our Board of Directors may adjust the dividend payout ratio depending upon the results of operations and future projects and plans and other considerations.

Dividends, if any, shall be declared and paid out of our unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of the outstanding stock held by them. Unless otherwise required by law, the Board of Directors has the sole discretion to determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including: (1) the level of our earnings, cash flow, return on equity and retained earnings; (2) our results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance; (3) the projected levels of capital expenditures and other investment programs; (4) restrictions on payments of dividends that may be imposed on us by any current or future financing arrangements and current or prospective debt service requirements; (5) dividend payment obligations under relevant shareholder agreements, if any; and (6) such other factors as the Board of Directors deems appropriate.

The following information represents the history of dividends declared and paid by Maynilad for the past 2 fiscal years:

Date of Declaration	Record Date	Payment Date	Rate in ₱ per Common Share	Prior Year Net Income After Tax (₱ in thousands)	Amount Paid (₱ in thousands)	Dividend Payout Ratio (%)
February 18, 2025	February 28, 2025	March 14, 2025	1.14	12,781,414	6,400,00	50.1
November 8, 2024	November 8, 2024	November 28, 2024	255.07	9,011,179	1,149,389	62.7
February 27, 2024	February 29, 2024	April 15, 2024	998.57		4,505,000	
February 20, 2023	February 28, 2023	April 14, 2023	797.69	5,874,924	3,600,000	61.3

Recent Sale/s of Unregistered or Exempt Securities
On December 1, 2023, the Board of Directors approved the issuance of 6,514 ESOP shares (out of ESOP shares held in treasury). Pursuant to such approval, our Company issued 6,289 ESOP shares to our eligible employees.

Item 6. Management's Discussion and Analysis of Results of Operations and Financial Condition

OVERVIEW

For the years ended December 31, 2022, 2023, and 2024, we had total operating revenue of ₱22,874.7 million, ₱27,323.2 million and ₱33,494.5 million, respectively, and net income of ₱5,874.9 million, ₱9,011.2 million and ₱12,781.4 million, respectively.

As of December 31, 2023 and 2024, we had total assets of ₱163,703.6 million and ₱198,170.6 million, respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS

Our results of operations are affected by various factors, trends, events and uncertainties. Set out below is a discussion of the most significant factors that have affected our results in the past, and which we expect to affect our results in the foreseeable future. Factors other than those discussed below could also have a significant impact on our results of operations and financial condition in the future.

Water Supply

Our water supply is dependent on infrastructure which allows us to draw raw water from both ground and surface sources. In particular, we depend on the allocation of raw water from the Angat Dam, which supplies approximately 83.42% our raw water supply based on the production capacity of all our water treatment plants as of December 31, 2024. In instances where our raw water allocation from MWSS is reduced due to low water levels at Angat Dam, we purchase treated bulk water to augment our water supply. For the year ended December 31, 2024, our purchased treated bulk water increased our average daily production capacity by 0.29%. Due to increasing demand over time, we continue to implement projects, such as constructing modular and NEW WATER treatment plants, deep wells available for use, and developing new water sources to meet customer demand. The water supply that we expect to source from these new projects is approximately 38 MLD as of December 31, 2024. In addition, MWSS is developing the Kaliwa Dam Project, which is expected to be completed by 2028. The Kaliwa Dam Project is anticipated to provide us with 300 MLD of raw water allocation through our Teresa Water Treatment Plant. Once completed, these new projects are expected to contribute approximately 10.5% of our future water supply.

We have also implemented various strategies to reduce our NRW, such as pipe replacement, DMA programs, diagnostics and leak repair, use of leak detection technology and meter management. Reducing NRW directly impacts the volume of water available for billing, which affects both our ability to supply customers and our operational efficiency.

The Philippines also experiences the cyclical El Niño phenomenon, which includes periods of prolonged and severe drought. During such periods, the raw water allocation of MWSS could dramatically diminish. This could affect our ability to supply adequate volume of treated water to our customers.

The availability of water supply has a consequential impact on our operations, including (i) our growth in billed customer connections, as constrained water supply limits our ability to serve additional customers, and (ii) our operating expenses, as lower water availability may increase costs related to purchased water and other mitigating measures.

Revenues from Tariffs

We derive revenues primarily from billing our customers for the provision of water and wastewater services. For the years ended December 31, 2022, 2023 and 2024, we derived 98.4%, 98.4%, and 98.3% of our operating revenues from water and wastewater services within the West Zone.

Our operating revenues are driven by (a) billed volume, which refers to the volume of water consumed by the customer, and (b) tariffs, which are determined based on the rate-setting procedures in the Revised Concession Agreement and are calculated to ensure that we earn a 12% fixed nominal rate of return, before taxes, on pre- operating, operating, capital maintenance and investment expenditures, concession fees and applicable taxes. While tariff adjustments form a significant part of the water bill, certain components, such as the FCDA, are treated as pass-through charges and are accounted for towards our EBITDA instead of being recognized as revenue. Our tariff schedules apply to four main categories of customers within the West Zone, (i) residential; (ii) semi-business; (iii) commercial; and (iv) industrial. These customer categories can be further classified as either: "domestic", which includes residential and semi-business customers or "non-domestic", comprising commercial and industrial customers. Tariffs follow a socialized structure, i.e., customers who consume higher volumes of water are charged higher rates. As a result, non-domestic customers, who typically consume larger volumes of water, are generally billed at higher rates, while domestic customers, who usually consume lower volumes, benefit from lower rates

Every five years, we undertake a Rate Rebasing exercise to determine the adjustment, if any, that must be made to the existing tariff, to ensure that, over the remaining life of the concession, we are able to recover all allowable expenditures and earn a 12% fixed nominal rate of return thereon. This exercise results in the determination of the R Adjustment. Likewise, each year, we are allowed to adjust the rates to account for inflation, foreign currency rate differential and certain unforeseen events subject to approval by the MWSS-RO and MWSS.

As such, our annual operating revenues are subject to the billed volume and applicable tariff and permitted adjustments, which in turn could affect our operating revenues, net income and funds available for purposes of declaring dividends to shareholders.

Capital Expenditures

Our business is capital-intensive requiring sustained investments in facility construction, network expansion, rehabilitation and maintenance of our water and wastewater infrastructure and network to enable us to fulfill our service obligations under the Revised Concession Agreement.

In accordance with our approved five-year business plan covering the period between 2023 to 2027, we incurred capital expenditures of ₱26,031.1 million and ₱25,746.0 million, in the years ended December 31, 2023 and 2024, respectively. Since Maynilad began its operations in 1997 until 2006, its average capital expenditure per Rate Rebasing Period was ₱5.4 billion. With the entry of our shareholder group, our average capital expenditure per Rate Rebasing Period increased to ₱44.9 billion at the end of the fifth Rate Rebasing Period. Substantially all of such capital expenditures were invested in water source development, NRW management, operations support, sewerage and sanitation, and customer service and information technologies programs. We anticipate that our capital expenditures will remain substantial to ensure the continuous delivery of water and wastewater services to our customers and to align with our Government-approved business plan. In 2022, or the last year of the fifth Rate Rebasing Period, we incurred capital expenditures ₱13.8 billion.

We have prepared a business plan extending to the end of the concession period in 2047, which was approved by the MWSS-RO on November 10, 2022. Our business plan includes our capital expenditure requirements for 2023 to 2027, totaling ₱163.3 billion. Under our business plan, our key capital expenditures from 2023 to 2027 are for projects related to (i) water, comprising water sources and treatment, operations support, NRW management and service expansion, (ii) wastewater, comprising provision of sewerage services to customers, compliance with wastewater standards and offering of sanitation and desludging services and (iii) customer service and information technology, comprising investments in ITS, GIS, telemetry system and other support requirement such as improvement of buildings, offices, warehouse and general administrative equipment.

In line with our business plan, we have allocated ₱38,859.5 million for capital expenditures for the year ending December 31, 2025.

Notably, since capital expenditures are a key component of the tariff base, an increase in capital expenditures could result in higher tariff adjustments. MWSS-RO adjusts tariffs during Rate Rebasing exercises to ensure that we can recover and earn a 12% fixed nominal rate of return thereon.

Regulatory Environment

We operate our business in a highly regulated environment and all aspects of our operations are subject to regulation by the Government, acting primarily through MWSS. Our ability to continue to operate in a commercially viable manner depends, in part, upon the regulatory environment, particularly on being granted a reasonable R Adjustment, which is determined during a Rate Rebasing exercise, and our ability to implement the same. This would determine the maximum amount of annual revenue that we may derive for our services.

Moreover, these regulations, which require us to meet certain service obligations and comply with certain standards, affect our business strategies and financial performance. We incur both capital expenditures and operating expenses to ensure that our facilities and operations comply with these regulatory requirements and standards.

We are subject to Government taxes, including a national franchise tax equivalent to 2% of total water and wastewater charges imposed by the national government, and local franchise taxes equivalent to anywhere between 0.50-0.825%, levied by the local government units in cites and municipalities where our operations are located. The national and local franchise taxes form part of the monthly bill issued to our customers. We are also subject to a 25.0% corporate income tax under Philippine tax laws, which is not among the recoverable expenditures under the Revised Concession Agreement.

Economic Conditions of the Philippines

We derive all our revenues from our operations in the Philippines. Accordingly, we are heavily dependent on the state of the Philippine economy generally, and our growth is driven in significant part by growth in the Philippine economy and other economic conditions, such as inflation, changes in interest rates, and currency exchange rate movements. For example, the general performance of the Philippine economy affects demand for water and wastewater services, and inflation affects our costs and margins. While we are allowed to recover certain costs associated with changes in inflation and currency exchange rates, these adjustments are implemented after varying periods of time. Moreover, approved tariff adjustments may not cover all of our increased costs associated with changes in economic conditions.

Each year, we may propose a tariff adjustment to account for inflation, as measured by the consumer price index ("**CPI**") published regularly by the PSA, subject to the rate adjustment limit under the Revised Concession Agreement and guidelines of the MWSS-RO. Although we have generally been granted our proposed C Adjustments in the past, a significant increase in inflation could increase our costs beyond what we may be able to recover through the C Adjustment. While the C Adjustment is capped at 75% of the CPI, any unrecovered C Adjustment (i.e., the remaining 25% balance of the CPI) is added to our opening cash position ("**OCP**") as an expenditure and earns a 12% fixed nominal return accordingly.

We are also allowed to request a quarterly tariff adjustment for foreign currency differentials in order to address the effects of foreign exchange movements on the MWSS loans, as well as our other foreign currency- denominated loans existing as of June 29, 2022. Similar to the C Adjustment, there can be no assurance that we will be able to obtain FCDA and MFCDA on tariffs that would be sufficient to fully reimburse us for any losses, particularly where there has been a significant depreciation of the Philippine Peso. Movements in the Philippine Peso and other foreign denominated currencies are driven by global market uncertainty and political risk, among others.

CRITICAL ACCOUNTING POLICIES AND BASIS OF PREPARATION AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We prepare our financial information in conformity with PFRS. Critical accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex. In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified our critical accounting judgments, estimates and assumptions in Notes 2 and 3 to our consolidated audited financial statements included elsewhere in this report.

The main items subject to critical accounting estimates and assumptions by management are in respect of the following:

- Amortization of service concession assets;
- Provisions and contingencies;
- Disputes with MWSS;
- Allowance for expected credit loss ("**ECL**");
- Fair value of financial assets and financial liabilities;
- Estimated billable water volume;
- Estimated useful lives of property and equipment;

- Recognition of deferred tax assets;
- Deferred FCDA and deferred credits;
- Asset impairment;
- Computation of pension cost and other post-employment benefits; and
- Determination of other long-term incentive benefits.

DESCRIPTION OF KEY LINE ITEMS

Our results of operations with respect to the years ended December 31, 2022, 2023 and 2024 are based on, and should be read in conjunction with, the consolidated audited financial statements, and related notes thereto, included elsewhere in this report.

Operating Revenue

Operating revenue is comprised of revenue from (i) water services in the West Zone, (ii) water services outside the West Zone, (iii) wastewater services in the West Zone, and (iv) others.

The table below summarizes the revenue contribution of each component of our operating revenue for the years indicated:

	For the years ended December 31,					
	2022		2023		2024	
	(Audited)					
	(₱ in million or percentage of operating revenue)					
Water services						
West Zone	18,569.5	81.2%	22,169.8	81.1%	27,143.5	81.0%
Outside West Zone...............	238.9	1.0%	255.3	0.9%	349.1	1.0%
Wastewater services						
West Zone	3,946.1	17.3%	4,727.1	17.3%	5,785.4	17.3%
Others	120.1	0.5%	171.0	0.6%	216.4	0.6%
	22,874.7	**100.0%**	**27,323.2**	**100.0%**	**33,494.5**	**100.0%**

From 2022 to 2024, our billings to customers consist of the following:

- Water charges comprising (i) basic charges which represent the basic tariff charged to consumers for the provision of water services, (ii) FCDA or MFCDA, which are the tariff mechanisms that allows us to recover foreign exchange losses or to compensate customers for foreign exchange gains on a current basis beginning January 1, 2002 until the expiration date of the Revised Concession Agreement, and (iii) maintenance service charge, the amount of which varies depending on the meter size, which is a fixed monthly charge per connection;

- Wastewater charges comprising (i) an environmental charge which represents 20% of the water charges, except for maintenance service charge, and (ii) a sewerage charge which represents 20% of the water charges, excluding maintenance service charge, for commercial and industrial customers connected to our sewer lines; and

- Government taxes comprising (i) the national franchise tax equivalent to 2% of our total water and wastewater charges, and (ii) the local franchise tax imposed by the relevant local government unit where our offices are located.

Effective January 1, 2025, MWSS approved several tariff adjustments for our customers within the West Zone, resulting in an average increase of 8.05% to our basic water charge. In addition, MWSS approved (i) an increase in the environmental charge from 20% to 25%, and (ii) a FCDA of -0.65%, each applied against our basic water charge.

In terms of types of customers, we generate revenues from a fixed customer base within our principal areas of operation within the West Zone, which we classify as (i) "domestic" comprising residential and semi-business customers and (ii) "non-domestic" comprising commercial and industrial customers. We recognize revenue from water and wastewater services upon the supply of water to the customers and when the related services are rendered.

The table below summarizes the total operating revenue from water and wastewater services in the West Zone and billed volume of our domestic and non-domestic customers, and average tariffs for the years indicated:

	For the years ended December 31,		
	2022	**2023**	**2024**
Operating revenue in the West Zone[1]			
Domestic customers (%)	59.3	57.6	57.6
Non-domestic customers (%)......	40.7	42.4	42.4
Total operating revenue in the West Zone[1] (₱ in million)	**22,515.6**	**26,896.9**	**32,928.9**
Billed volume			
Domestic customers (in MCM)	435.8	439.3	451.1
Non-domestic customers (in MCM).......................................	91.1	99.1	102.4
Total billed volume (in MCM)	**526.9**	**538.4**	**553.5**
Average tarrif (₱/cu.m.)[2].................	42.7	50.0	59.5

Notes:

(1) Refers to operating revenue from water services and wastewater services in the West Zone.
(2) Average tariff is computed by the sum of operating revenue from water services and wastewater services in the West Zone divided by total billed volume

Costs and Expenses

The table below summarizes our costs and expenses for the years indicated:

	For the years ended December 31,					
	2022		2023		2024	
	(Audited) (₱ in million or percentage of costs and expenses)					
Amortization of service concession assets	2,459.2	20.7%	2,744.8	19.5%	3,028.6	21.0%
Salaries, wages and benefits	2,267.1	19.1%	2,525.1	17.9%	2,893.4	20.1%
Contracted services	1,139.0	9.6%	1,458.7	10.3%	1,642.1	11.4%
Utilities	1,714.0	14.5%	1,665.1	11.8%	1,535.4	10.7%
Taxes and licenses	662.7	5.6%	834.1	5.9%	1,026.1	7.1%
Repairs and maintenance	688.4	5.8%	900.1	6.4%	873.9	6.1%
Materials and supplies	682.7	5.8%	832.1	5.9%	869.3	6.0%
Depreciation and amortization	485.9	4.1%	524.3	3.7%	527.3	3.7%
Purchased water	362.4	3.1%	619.5	4.4%	294.8	2.0%
Regulatory costs	207.3	1.7%	242.2	1.7%	280.5	1.9%
Transportation and travel	236.6	2.0%	191.3	1.4%	220.6	1.5%
Collection charges	152.1	1.3%	182.2	1.3%	197.9	1.4%
Business meetings, representations	119.5	1.0%	159.7	1.1%	174.8	1.2%
Rental	47.4	0.4%	89.1	0.6%	148.7	1.0%
Provision for expected credit losses	82.9	0.7%	600.5	4.3%	112.4	0.8%
Advertising and promotion	33.8	0.3%	57.6	0.4%	74.3	0.5%
Insurance	51.1	0.4%	62.2	0.4%	64.0	0.4%
Others	460.7	3.9%	412.7	2.9%	429.7	3.0%
	11,852.8	**100.0%**	**14,101.2**	**100.0%**	**14,393.7**	**100.0%**

The top components of costs and expenses are the following:

- Amortization of service concession assets: We account for our concession arrangement with MWSS in accordance with International Financial Reporting Interpretations Committee 12, Service Concession Arrangements ("**IFRIC 12**") under the "Intangible Asset" model. We then amortize our service concession assets using the unit-of-production method based on the projected billable water volume over the remaining term of the concession. Our subsidiary, Philippine Hydro, Inc. ("**PhilHydro**") amortizes its service concession assets using the straight-line method over the term of each Bulk Water Supply Agreements and Memorandum of Agreement.

- Salaries, wages, and benefits: This refers to expenses associated with the salaries and benefits of our employees and personnel, including our contribution to pension and incentive plans granted to eligible employees.

- Utilities: This refers primarily to the cost of electricity used in our operations.

- Contracted services: This refers to work performed by an independent contractor with specialized knowledge, experience or expertise. The work is performed under agreed terms and conditions.

Examples of contracted services include consultancy fees, janitorial work, security services, and others.

Other Income (Expenses)

Other Income (Expenses) include revenue from rehabilitation works, cost of rehabilitation works, interest expense and other financing charges, foreign exchange gains (losses) – net, FCDA, interest income and others–- net.

The components of other income and expenses are the following:

- Revenue from rehabilitation works: This refers to income generated from construction, upgrade, or rehabilitation of our pipe and sewerage networks.

- Cost of rehabilitation works: This refers to all direct materials, labor costs, and those indirect costs related to the rehabilitation of our water and wastewater facilities, which are recognized consistent with the revenue recognition method.

  The Company adheres to IFRIC 12, which provides guidance on how a concessionaire should recognize and measure their rights and obligations under a concession arrangement. In compliance with IFRIC 12, our service concession assets comprise the present value of the total estimated concession fee payments under our Revised Concession Agreement with MWSS and the costs of rehabilitation works incurred. These service concession assets are amortized over the projected total billable water volume during the remaining term of the Revised Concession Agreement using the units-of-production ("**UOP**") method.

  Accordingly, the accounts labelled "revenue from rehabilitation works" and "cost of rehabilitation works" pertain to accounting adjustments made to comply with IFRIC 12, and does not represent actual revenue or expenses for income tax purposes.

- Interest expense and other financing charges: This refers to interest expenses related to our interest-bearing loans, accretion on service concession obligations payable to MWSS, amortization of debt issuance costs, accretion of customers' deposits and accretion on lease liabilities.

- Foreign exchange gains (losses) – net: This refers to the differences in exchange rates during end of period or as at balance sheet date when revaluing U.S. dollar and Japanese Yen-denominated loans using the Philippine Dealing System rate as reference.

- FCDA: This refers to our recovery from customers of foreign exchange losses or compensation to customers for foreign exchange gains on a current basis, beginning January 1, 2002 until the expiration of the concession period.

- Interest income: This refers to the amount of interest earned from our short-term time deposits during a specific time period.

- Others – net: This refers to recoveries from accounts written-off, revenue clearing accounts, and other revenue.

Provision for Income Taxes

Provision for income tax refers to the Group's regular corporate income tax and minimum corporate income tax under Philippine tax laws. This includes provision for current income tax and deferred taxes.

RESULTS OF OPERATIONS

Year ended December 31, 2024 compared to the year ended December 31, 2023

	For the years ended December 31,		
	2023	**2024**	**% Increase (Decrease)**
	(Audited)	**(Audited)**	
	(in million)		
	₱	₱	
Operating Revenue			
Water services			
West Zone	22,169.8	27,143.5	22.4%
Outside West Zone	255.3	349.2	36.8%
Wastewater services			
West Zone	4,727.1	5,785.4	22.4%
Others	171.0	216.4	26.6%
	27,323.2	33,494.5	22.6%
Costs and expenses	**14,101.2**	**14,393.7**	**2.1%**
Income before other income (expense)	**13,222.0**	**19,100.8**	**44.5%**
Other income (expenses)			
Revenue from rehabilitation works	19,175.3	27,081.3	41.2%
Cost of rehabilitation works	(19,175.3)	(27,081.3)	41.2%
Interest expense and other financing charges	(2,503.4)	(2,414.4)	(3.6)%
Foreign exchange gains (losses) – net	(1,167.6)	(1,643.4)	40.8%
Foreign currency differential adjustments (FCDA)	1,129.0	1,656.3	46.7%
Interest income	221.7	404.8	82.6%
Others – net	1,021.2	(628.6)	N/A
	(1,299.0)	(2,625.2)	102.1%

	For the years ended December 31,		
	2023	2024	% Increase (Decrease)
	(Audited)	(Audited)	
	(in million)		
	₱	₱	
Income before income tax	**11,923.0**	**16,475.6**	**38.2%**
Provision for income taxes			
Current	2,409.3	3,430.2	42.4%
Deferred	502.5	264.0	(47.5)%
	2,911.8	3,694.2	26.9%
Net income	**9,011.2**	**12,781.4**	**41.8%**

Operating Revenue

Operating revenue from water services in the West Zone increased by 22.4% to ₱27,143.5 million for the year ended December 31, 2024, compared to ₱22,169.8 million for the year ended December 31, 2023 primarily due to (i) the implementation of the second tranche of the MWSS-approved basic rate adjustment effective January 1, 2024 of approximately 19.8%, and (ii) increased billed volume which, in turn, was driven by increased demand, higher water production and improved supply availability.

Operating revenue from wastewater services in the West Zone increased by 22.4% to ₱5,785.4 million for the year ended December 31, 2024, compared to ₱4,727.1 million for the year ended December 31, 2023, primarily due to higher tariffs and an increase in the number of commercial customers connected to our sewerage system.

Costs and expenses

Costs and expenses increased by 2.1% to ₱14,393.7 million for the year ended December 31, 2024, compared to ₱14,101.2 million for the year ended December 31, 2023, primarily driven by an increase in amortization of service concession assets, salaries, wages and benefits, contracted services and taxes and licenses, partially offset by a decrease in provision for expected credit losses, purchased water costs and utilities costs, as provided below:

	For year ended December 31,		
	2023	2024	% Increase (Decrease)
	(Audited)	(Audited)	
	(in million)		
	₱	₱	
Costs and expenses			
Amortization of service concession assets	2,744.8	3,028.6	10.3%
Salaries, wages and benefits	2,525.1	2,893.4	14.6%
Contracted services	1,458.7	1,642.1	12.6%
Utilities	1,665.1	1,535.4	(7.8)%
Taxes and licenses	834.1	1,026.1	23.0%
Repairs and maintenance	900.1	873.9	(2.9)%
Materials and supplies	832.1	869.3	4.5%
Depreciation and amortization	524.3	527.3	0.6%
Purchased water	619.5	294.8	(52.4)%
Regulatory costs	242.2	280.5	15.8%
Transportation and travel	191.3	220.6	15.3%
Collection charges	182.2	197.9	9.5%
Business meetings and representations	159.7	174.8	8.6%
Rental	89.1	148.7	66.9%
Provision for expected credit losses	600.5	112.4	(81.3)%
Advertising and promotion	57.6	74.3	29.0%
Insurance	62.2	64.0	2.9%
Others	412.7	429.7	4.1%
Total	**14,101.2**	**14,393.7**	**2.1%**

Variance Analysis of Material Changes (Increase/Decrease of 5% or More in the Financial Statements)

Amortization of service concession assets increased by 10.3% to ₱3,028.6 million for the year ended December 31, 2024, compared to ₱2,744.8 million for the year ended December 31, 2023, primarily due to an increase in the number of service concession assets from projects completed during the year. The service concession assets from these projects were capitalized and amortized using the UOP method given that the economic benefit of these service concession assets is more closely aligned with billed volume, which we can reliably estimate. Meanwhile, our subsidiary, PhilHydro, amortizes its service concession assets using the straight-line method over the term of its bulk water supply agreements and memorandum of agreement that it entered into.

Salaries, wages and benefits increased by 14.6% to ₱2,893.4 million for the year ended December 31, 2024, compared to ₱2,525.1 million for the year ended December 31, 2024, primarily due to increases in (i) the number of our employees, (ii) accrued personnel-related costs and (iii) employer contributions due to higher insurance premiums set by the Philippine Health Insurance Corporation.

Expenses for contracted services increased by 12.6% to ₱1,642.1 million for the year ended December 31, 2024, compared to ₱1,458.7 million for the year ended December 31, 2023, primarily due to (i) higher costs of janitorial and security services, and (ii) hauling services for sludge generated by the Putatan water treatment plants.

Utilities costs decreased by 7.8% to ₱1,535.4 million for the year ended December 31, 2024, compared to ₱1,665.1 million for the year ended December 31, 2023, primarily due to (i) a lower rate of the fuel cost recovery adjustment charged by the Manila Electric Company ("**Meralco**") and (ii) lower electricity consumption of our facilities.

Payments for taxes and licenses increased by 23.0% to ₱1,026.1 million for the year ended December 31, 2024, compared to ₱834.1 million for the year ended December 31, 2023, primarily due to (i) an increase in our national franchise tax due to higher gross receipts, and (ii) real property tax payments for our buildings and machineries.

Purchased water costs decreased by 52.4% to ₱294.8 million for the year ended December 31, 2024, compared to ₱619.5 million for the year ended December 31, 2023, primarily due to a reduction in purchased water since February 2024, which was, in turn, caused by the suspension by Manila Water of the sale of raw water to us because of the low water level at the La Mesa Dam.

Regulatory costs increased by 15.8% to ₱280.5 million for the year ended December 31, 2024, compared to ₱242.2 million for the year ended December 31, 2023, primarily due to an increase in the CPI during the year, which led to higher costs associated with regulatory compliance and operational expenses.

Transportation and travel expenses increased by 15.3% to ₱220.6 million for the year ended December 31, 2024, compared to ₱191.3 million for the year ended December 31, 2023, primarily due to an increase in the number of trips required to support our operations and NRW management leading to higher fuel consumption, which was directly impacted by fluctuations in fuel prices throughout the year.

Collection charges increased by 8.6% to ₱197.9 million for the year ended December 31, 2024, compared to ₱182.2 million for the year ended December 31, 2023, primarily due to an increase in customer collection transactions given improved accounts receivable and collection processes.

Expenses for business meetings and representation increased by 9.5% to ₱174.8 million for the year ended December 31, 2024, compared to ₱159.7 million for the year ended December 31, 2023, primarily due to an increase in the number of meetings held, particularly in connection with our Blue Bond issuance during the period.

Rental expenses increased by 66.9% to ₱148.7 million for the year ended December 31, 2024, compared to ₱89.1 million for the year ended December 31, 2023, primarily due to increases in (i) the number of land and buildings being leased out for the year and (ii) rentals for our standby generator units.

Provision for ECL decreased by 81.3% to ₱112.4 million for the year ended December 31, 2024, compared to ₱600.5 million for the year ended December 31, 2023, primarily due to improvements in our collection efficiency.

Advertising and promotion expenses increased by 29.0% to ₱74.3 million for the year ended December 31, 2024, compared to ₱57.6 million for the year ended December 31, 2023, primarily due to an intensified campaign on leakage reduction and reporting incidents to repair pipes that cause water wastage.

Other Income (Expenses)

Revenue from rehabilitation works and the corresponding cost of rehabilitation works increased by 41.2% to ₱27,081.3 million for the year ended December 31, 2024, compared to ₱19,175.3 million for the year ended December 31, 2023, primarily due to higher capital expenditure to enable us to comply with our service obligations under the Revised Concession Agreement.

Foreign exchange losses – net increased by 40.8% to ₱1,643.4 million for the year ended December 31, 2024, compared to ₱1,167.6 million for the year ended December 31, 2023, primarily due to fluctuations in the U.S. dollar and Japanese Yen exchange rates against the Philippine Peso.

FCDA increased by 46.7% to ₱1,656.3 million for the year ended December 31, 2024, compared to ₱1,129.0 million for the year ended December 31, 2023, primarily due to the continuous decline in the value of the Japanese yen against the Philippine Peso for the year.

Interest income increased by 82.6% to ₱404.8 million for the year ended December 31, 2024, compared to ₱221.7 million for the year ended December 31, 2023, primarily due to higher collections during the year and maximization of yield from idle funds after funding all operating requirements.

Others – net, expenses reversed to ₱628.6 million for the year ended December 31, 2024 from an income of ₱1,021.2 million for the year ended December 31, 2023, primarily due to the final drawdown of our loan equivalent to ¥10.0 billion, and fluctuations in the Japanese Yen exchange rates.

Income before Income Tax

As a result of the foregoing, our income before income tax increased by 38.2% to ₱16,475.6 million in the year ended December 31, 2024 from ₱11,923.0 million in the year ended December 31, 2023.

Provision for Income Taxes

Our provision for income tax increased by 26.9% to ₱3,694.2 million in the year ended December 31, 2024 from ₱2,911.8 million in the year ended December 31, 2023, primarily due to higher taxable income. Our provision for income tax is broken down as follows:

	For the years ended December 31,		
	2023	2024	% Increase
	(Audited)	(Audited)	
	(in million)		
	₱	₱	
Provision for income tax			
Current	2,409.3	3,430.2	42.4%
Deferred	502.5	264.0	(47.5)%
Total	**2,911.8**	**3,694.2**	**26.9%**

Current tax increased by 42.4% to ₱3,430.2 million for the year ended December 31, 2024, compared to ₱2,409.3 million for the year ended December 31, 2023, primarily due to higher income from operations as a result of higher revenue and optimized spending.

Deferred tax decreased by 47.5% to ₱264.0 million for the year ended December 31, 2024, compared to ₱502.5 million for the year ended December 31, 2023, primarily due to a change in the method of computing our taxable income where we used the Optional Standard Deduction method in 2024, and the Regular Corporate Income Tax or itemized deduction method in 2023.

Net income

As a result of the foregoing, net income increased by 41.8% to ₱12,781.4 million in the year ended December 31, 2024 from ₱9,011.2 million in the year ended December 31, 2023.

Year ended December 31, 2023 compared to year ended December 31, 2022

	For the years ended December 31,		
	2022	2023	% Increase (Decrease)
	(Audited)	(Audited)	
	(in million)		
	₱	₱	
Operating Revenue			
Water services			
West Zone	18,569.5	22,169.8	19.4%
Outside West Zone	238.9	255.3	6.9%
Wastewater services			
West Zone	3,946.1	4,727.1	19.8%
Others..	120.1	171.0	42.3%
	22,874.7	27,323.2	19.4%
Costs and expenses	**11,852.8**	**14,101.2**	**19.0%**
Income before other income (expense)	**11,022.0**	**13,222.0**	**20.0%**
Other income (expenses)			
Revenue from rehabilitation works.......	14,995.0	19,175.3	27.9%
Cost of rehabilitation works	(14,995.0)	(19,175.3)	27.9%
Interest expense and other financing charges..	(2,321.7)	(2,503.4)	7.8%
Foreign exchange gains (losses) – net ..	1,764.7	(1,167.6)	N/A
Foreign currency differential adjustments (FCDA).............................	(1,741.8)	1,129.0	N/A
Interest income	30.1	221.7	636.5%
Others – net..	(771.5)	1,021.2	N/A
	(3,040.2)	(1,299.0)	57.3%
Income before income tax	**7,981.7**	**11,923.0**	**49.4%**
Provision for income taxes			
Current...	1,919.5	2,409.3	25.5%
Deferred...	187.3	502.5	168.3%
	2,106.8	2,911.8	38.2%
Net income	**5,874.9**	**9,011.2**	**53.4%**

Operating Revenue

Operating revenue from water services in the West Zone increased by 19.4% to ₱22,169.8 million for the year ended December 31, 2023, compared to ₱18,569.5 million for the year ended December 31, 2022, primarily due to (i) an increase in the average water tariffs by approximately 13.1% from 2022 to 2023 driven by the increase in tariffs effective January 1, 2023, and (ii) an increase in the billed volume from 526.9 MCM to 538.4 MCM in the same period.

Operating revenue from wastewater services in the West Zone increased by 19.8% to ₱4,727.1 million for the year ended December 31, 2023, compared to ₱3,946.1 million for the year ended December 31, 2022, primarily due to higher demand from commercial customers requiring frequent sewer maintenance services.

Costs and expenses

Costs and expenses increased by 19.0% to ₱14,101.2 million for the year ended December 31, 2023, compared to ₱11,852.8 million for the year ended December 31, 2022, primarily driven by an increase in amortization of service concession assets, salaries, wages and benefits, contracting services, and provision for ECL, as detailed below:

	For year ended December 31,		
	2022	**2023**	**% Increase (Decrease)**
	(Audited)	**(Audited)**	
	(in million)		
	₱	**₱**	
Costs and expenses			
Amortization of service concession assets	2,459.2	2,744.8	11.6%
Salaries, wages and benefits	2,267.1	2,525.1	11.4%
Contracted services	1,139.0	1,458.7	28.1%
Utilities	1,714.0	1,665.1	(2.9)%
Taxes and licenses	662.7	834.1	25.9%
Repairs and maintenance	688.4	900.1	30.8%
Materials and supplies	682.7	832.1	21.9%
Depreciation and amortization	485.9	524.3	7.9%
Purchased water	362.4	619.5	70.9%
Regulatory costs	207.3	242.2	16.8%
Transportation and travel	236.6	191.3	(19.1)%
Collection charges	152.1	182.2	19.8%
Business meetings and representations	119.5	159.7	33.6%
Rental	47.4	89.1	88.0%
Provision for expected credit losses	82.9	600.5	624.4%

	For year ended December 31,		
	2022	2023	% Increase (Decrease)
	(Audited)	(Audited)	
	(in million)		
	₱	₱	
Advertising and promotion	33.8	57.6	70.4%
Insurance	51.1	62.2	21.7%
Others	460.7	412.7	(10.4)%
Total	**11,852.8**	**14,101.2**	**19.0%**

Variance Analysis of Material Changes (Increase/Decrease of 5% or More in the Financial Statements)

Amortization of service concession assets increased by 11.6% to ₱2,744.8 million for the year ended December 31, 2023, compared to ₱2,459.2 million for the year ended December 31, 2022, primarily due to the completion of new projects in 2023, in line with our CAPEX plans.

Salaries, wages and benefits increased by 11.4% to ₱2,525.1 million for the year ended December 31, 2023, compared to ₱2,267.1 million for the year ended December 31, 2022, primarily due to the accrual of certain benefits under our Long Term Incentive Plan ("**LTIP**"), as well as the re-issuance of ESOP shares from treasury shares.

Expenses for contracted services increased by 28.1% to ₱1,458.7 million for the year ended December 31, 2023, compared to ₱1,139.0 million for the year ended December 31, 2022, primarily due to higher costs for read-and-bill charges, increased disconnection and reconnection services, higher costs for use of water tankers resulting from an increase in water service interruptions, and higher costs for security and janitorial services.

Payments for taxes and licenses increased by 25.9% to ₱834.1 million for the year ended December 31, 2023, compared to ₱662.7 million for the year ended December 31, 2022, primarily due to higher national franchise taxes, which covered the whole year of 2023, compared to only nine months in 2022 because the terms under our Franchise were only formally accepted on March 21, 2022.

Repairs and maintenance expenses increased by 30.8%, to ₱900.1 million for the year ended December 31, 2023, compared to ₱688.4 million for the year ended December 31, 2022, primarily due to an increase in maintenance activities undertaken to prepare for the rainy season in 2023, particularly cleaning of the biological aerated filter underdrain, ultrafiltration pinning, pipelaying works, and equipment repairs.

Materials and supplies expenses increased by 21.9% to ₱832.1 million for the year ended December 31, 2023, compared to ₱682.7 million for the year ended December 31, 2022, primarily due to higher water treatment costs because of high turbidity of Laguna Lake.

Depreciation and amortization increased by 7.9% to ₱524.3 million for the year ended December 31, 2023, compared to ₱485.9 million for the year ended December 31, 2022, primarily due to purchases of new laptops, desktop computers and various IT-related equipment.

Purchased water costs increased by 70.9% to ₱619.5 million for the year ended December 31, 2023, compared to ₱362.4 million for the year ended December 31, 2022, primarily due to the increase in purchase of raw bulk water from Manila Water to augment our raw water supply requirements.

Regulatory costs increased by 16.8% to ₱242.2 million for the year ended December 31, 2023, compared to ₱207.3 million for the year ended December 31, 2022, primarily due to a higher C Adjustment in our regulatory fees from 4.5% in 2022 to 5.8% in 2023.

Transportation and travel expenses decreased by 19.1% to ₱191.3 million for the year ended December 31, 2023, compared to ₱236.6 million for the year ended December 31, 2022 primarily, due to lower fuel prices for the year ended December 31, 2023.

Collection charges increased by 19.8% to ₱182.2 million for the year ended December 31, 2023, compared to ₱152.1 million for the year ended December 31, 2022, primarily due to increased efforts to collect outstanding receivables.

Expenses for business meetings and representations increased by 33.6% to ₱159.7 million for the year ended December 31, 2023, compared to ₱119.5 million for the year ended December 31, 2022, primarily due to salary increases, which included representation and transportation allowances, and increases in expenses for management meetings and general assemblies.

Rental expenses increased by 88.0% to ₱89.1 million for the year ended December 31, 2023, compared to ₱47.4 million for the year ended December 31, 2022, primarily due to the lease of additional transportation equipment.

Provision for ECL increased by 624.4% to ₱600.5 million for the year ended December 31, 2023, compared to ₱82.9 million for the year ended December 31, 2022, primarily due to our write off of uncollectible accounts billed in 2015 and prior years, amounting to ₱820.9 million, which resulted in the recording of an additional provision for unpaid bills from 2016 onwards.

Advertising and promotion expenses increased by 70.4% to ₱57.6 million for the year ended December 31, 2023, compared to ₱33.8 million for the year ended December 31, 2022, primarily due to our corporate rebranding, increased public relations efforts and other marketing activities, driven by developments surrounding the effectivity of the Revised Concession Agreement.

Insurance expenses increased by 21.7% to ₱62.2 million for the year ended December 31, 2023, compared to ₱51.1 million for the year ended December 31, 2022, primarily due to additional Common Purpose Facilities insured.

Other costs and expenses decreased by 10.4%, to ₱412.7 million for the year ended December 31, 2023, compared to ₱460.7 million for the year ended December 31, 2022, primarily due to lower provisions for inventory obsolescence in 2023 compared to 2022.

Other Income (Expenses)

Revenue from rehabilitation works and the corresponding cost of rehabilitation works increased by 27.9% to ₱19,175.3 million for the year ended December 31, 2023, compared to ₱14,995.0 million for the year ended December 31, 2022, primarily due to additions to capital expenditure projects during this period as a result of various network improvements and new projects.

Interest expense and other financing charges increased by 7.8% to ₱2,503.4 million for the year ended December 31, 2023, compared to ₱2,321.7 million for the year ended December 31, 2022, primarily due to (i) additional drawdowns on the ₱6.0 billion term loan facility with Land Bank of the Philippines and the ¥13.1 billion facility loan with Japan International Cooperation Agency, (ii) the extension of the term of our concession, which led to changes in the schedule of principal and interest payments that were recorded and recognized, resulting in an increase in our outstanding loan balances and interest accretion, and (iii) the recognition of the present value of the interest portion of rental costs for additional vehicles used in operations, in accordance with PFRS 16, following an increase in the number of water service connections.

We had foreign exchange losses – net of ₱1,167.6 million for the year ended December 31, 2023, compared to a foreign exchange gains – net of ₱1,764.7 million for the year ended December 31, 2022, primarily due to a decline in the value Philippine Peso against the U.S. dollar in 2023.

We recorded FCDA income of ₱1,129.0 million for the year ended December 31, 2023, compared to FCDA expense of ₱1,741.8 million for the year ended December 31, 2022, primarily due to the decline in the value of the Japanese Yen against the Philippine Peso in 2023.

Interest income increased by 636.5% to ₱221.7 million for the year ended December 31, 2023, compared to ₱30.1 million for the year ended December 31, 2022, primarily due to higher interest rates on special deposits such as short-term money market investments and time deposits.

We recorded other income – net of ₱1,021.2 million for the year ended December 31, 2023, compared to other expense – net of ₱771.5 million for the year ended December 31, 2022, primarily due to reversals of provisions for penalties on account of water service interruptions that occurred in the year 2022.

Income before Income Tax

As a result of the foregoing, our income before income tax increased by 49.4% to ₱11,923.0 million for the year ended December 31, 2023, compared to ₱7,981.7 million for the year ended December 31, 2022.

Provision for Income Tax

Our provision for income tax increased by 38.2% to ₱2,911.8 million for the year ended December 31, 2023, compared to ₱2,106.8 million for the year ended December 31, 2022, primarily due to an increase in our income before tax. Our provision for income tax is broken down as follows:

	For the years ended December 31,		
	2022	**2023**	**% Increase**
	(Audited)	**(Audited)**	
	(in million)		
	₱	₱	
Provision for income tax			
Current	1,919.5	2,409.3	25.5%
Deferred	187.3	502.5	168.3%
Total	**2,106.8**	**2,911.8**	**38.2%**

Current tax increased by 25.5% to ₱2,409.3 million for the year ended December 31, 2023, compared to ₱1,919.5 million for the year ended December 31, 2022, primarily due to higher income due to general economic recovery following the easing of COVID-19 pandemic restrictions.

Deferred tax increased by 168.3% to ₱502.5 million for the year ended December 31, 2023, compared to ₱187.3 million for the year ended December 31, 2022, primarily due to the increase in service concession assets, slightly offset by the increase in allowance for ECL, accrued expenses and revenue from contracts with customers – net.

Net income

As a result of the foregoing, net income increased by 53.4% to ₱9,011.2 million for the year ended December 31, 2023, compared to ₱5,874.9 million for the year ended December 31, 2022.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2024 compared to December 31, 2023

	As of December 31, 2023 (Audited)	As of December 31, 2024 (Audited)	% Increase (Decrease)
	(in million)		
	₱	₱	
Assets			
Currents Assets			
Cash and cash equivalents	4,902.6	10,519.5	114.6%
Trade and other receivables	2,418.1	2,722.9	12.6%
Contract assets	1,205.0	1,386.5	15.1%
Other current assets	1,862.5	2,130.7	14.4%
Total Current Assets	10,388.2	16,759.6	61.3%
Noncurrent Assets			
Service concession assets	140,919.5	168,339.4	19.5%
Property and equipment	1,889.8	1,963.2	3.9%
Financial asset at fair value through other comprehensive income	124.9	124.9	0%
Other noncurrent assets	10,381.3	10,983.6	5.8%
Total Noncurrent Assets	153,315.4	181,411.0	18.3%
Total Assets	**163,703.6**	**198,170.6**	**21.1%**
Liabilities and Equity			
Current Liabilities			
Trade and other payables	20,567.7	24,157.1	17.5%
Short-term and current portion of interest-bearing loans	2,587.7	4,186.1	61.8%
Current portion of service concession obligation payable to MWSS	874.6	1,027.3	17.5%
Income tax payable	530.8	787.9	48.4%
Total Current Liabilities	24,560.6	30,158.3	22.8%
Noncurrent Liabilities			

	As of December 31, 2023	As of December 31, 2024	% Increase (Decrease)
Interest-bearing loans – net of current portion	59,214.2	79,461.5	34.2%
Service concession obligation payable to MWSS—net of current portion	6,489.0	6,294.5	(3.0)%
Deferred tax liabilities – net	1,524.8	1,737.6	14.0%
Deferred credits	1,207.9	1,379.6	14.2%
Customers' deposits	285.7	870.8	204.8%
Pension liability	548.6	605.6	10.4%
Other noncurrent liabilities	1,702.3	2,307.8	35.6%
Total Noncurrent Liabilities	70,972.6	92,657.3	30.6%
Total Liabilities	**95,533.3**	**122,815.6**	**28.6%**

Variance Analysis of Material Changes (Increase/Decrease of 5% or More in the Financial Statements)

Assets

Total assets as of December 31, 2024 stood at ₱198,170.6 million, an increase of 21.1%, or ₱34,466.9 million, compared to ₱163,703.6 million as of December 31, 2023. This increase was due to the following:

- Cash and cash equivalents increased by 114.6%, or ₱5,616.9 million, to ₱10,519.5 million as of December 31, 2024 from ₱4,902.6 million as of December 31, 2023, due to (i) the cash generated from operating activities and financing activities, including our maiden Blue Bonds issuance of ₱15.0 billion in July 2024, and loan proceeds in the amount of ₱10.0 billion secured from Metropolitan Bank and Trust Company in March 2024, which were partially offset by cash dividends paid and partial loan payments, and cash payments for capital expenditures or investing activities during the period.

- Trade and other receivables increased by 12.6%, or ₱304.8 million, to ₱2,722.9 million as of December 31, 2024 from ₱2,418.1 million as of December 31, 2023, due to (i) inter-company advances and (ii) the increase of receivables primarily from residential customers due to increased tariffs.

- Contract assets, which are initially recognized from the consideration we have yet to receive from customers while the service was performed, increased by 15.1%, or ₱181.5 million, to ₱1,386.5 million as of December 31, 2024 from ₱1,205.0 million as of December 31, 2023, due to the tariff increase and the substantial increase in billings to customers from ₱2.2 billion to ₱2.8 billion from December 31, 2023 to December 31, 2024.

- Other current assets increased by 14.4%, or ₱268.2 million, to ₱2,130.7 million as of December 31, 2024 from ₱1,862.5 million as of December 31, 2023, due to (i) the increase in prepayments, mostly related to prepaid insurance and performance bond premiums, (ii) higher creditable withholding taxes from customers, and (iii) advances to certain contractors.

- Service concession assets, which consist of the present value of total estimated concession fee payments and rehabilitation works, increased by 19.5%, or ₱27,419.8 million, to ₱168,339.4 million as of December 31, 2024 from ₱140,919.5 million as of December 31, 2023, due to an increase in the number of completed projects and facilities during the period. Total estimated concession fee payments consist of periodic payments of loans and interest on behalf of MWSS which are influenced by foreign exchange rates, while rehabilitation works comprise rehabilitation of pipelines and facilities.

- Other noncurrent assets increased by 5.8%, or ₱602.3 million, to ₱10,983.6 million as of December 31, 2024 from ₱10,381.3 million as of December 31, 2023, due to (i) the additional cash bond posted in favor of the Valenzuela City LGU for the ongoing construction of the Valenzuela Water Reclamation and Recycling Facility ("**WRRF**"), (ii) increased capital expenditure projects being executed which required advances to contractors to cover mobilization costs, and (iii) the increase in new water service connections from customers for the year.

Liabilities

Total liabilities as of December 31, 2024 stood at ₱122,875.6 million, an increase of 28.6%, or ₱27.282.3 million, compared to ₱95,533.3 million as of December 31, 2023. This increase was due to the following:

- Trade and other payables increased by 17.5%, or ₱3,589.54 million, to ₱24,157.1 million as of December 31, 2024 from ₱20,567.7 million as of December 31, 2023, due to (i) higher accruals in construction and retention payables, and (ii) payables arising from purchase orders required for our operations.

- Short-term and current portion of interest-bearing loans increased by 61.8%, or ₱1,598.4 million, to ₱4,186.1 million as of December 31, 2024 from ₱2,587.7 million as of December 31, 2023, due to (i) our maiden Blue Bonds issuance in the aggregate amount of ₱15.0 billion in July 2024, and (ii) the additional interest-bearing loans provided by Metropolitan Bank and Trust Company in March 2024.

- Current portion of service concession obligation payable to MWSS increased by 17.5%, or ₱152.7 million, to ₱1,027.3 million as of December 31, 2024 from ₱874.6 million as of December 31, 2023, due to (i) the additional drawdown of loans by MWSS for the year and (ii) the increase in the U.S. dollar exchange rate from ₱55.37 in 2023 to ₱57.85 in 2024 against the Philippine Peso.

- Income tax payable increased by 48.4%, or ₱257.1 million, to ₱787.9 million as of December 31, 2024 from ₱530.8 million as of December 31, 2023, primarily due to higher income tax due as a result of higher taxable income in 2024 compared to 2023.

- Interest-bearing loans – net of current portion increased by 34.2%, or ₱20,247.3 million, to ₱79,461.5 million as of December 31, 2024 from ₱59,214.2 million as of December 31, 2023, due to (i) our maiden Blue Bonds issuance in the aggregate amount of ₱15.0 billion in July 2024, and (ii) the additional interest-bearing loans provided by the Metropolitan Bank and Trust Company in March 2024.

- Deferred tax liabilities – net increased by 14.0%, or ₱212.8 million, to ₱1,737.6 million as of December 31, 2024 from ₱1,524.8 million as of December 31, 2023, due to an increase in borrowing costs during the period, which were treated differently in financial and tax accounting as to timing, recognition and deductibility of expenses.

- Deferred credits, which represent the net effect of unrealized foreign exchange gains on service concession obligations payable to MWSS, increased by 14.2%, or ₱171.7 million, to ₱1,379.6

million as of December 31, 2024 from ₱1,207.9 million as of December 31, 2023, due to fluctuations in the value of the U.S. dollar against the Philippine Peso.

- Pension liability increased by 204.8%, or ₱585.1 million, to ₱870.8 million as of December 31, 2024 from ₱285.7 million as of December 31, 2023, due to changes in financial assumptions such as discount rate and salary adjustments presented in the latest available actuarial valuation reports.

- Customers' deposits increased by 10.4%, or ₱57.0 million, to ₱605.6 million as of December 31, 2024 from ₱548.6 million as of December 31, 2023, due to new service connections coupled by higher tariffs in 2024.

- Other noncurrent liabilities increased by 35.6%, or ₱605.5 million, to ₱2,307.8 million as of December 31, 2024 from ₱1,702.3 million as of December 31, 2023, due to (i) the accrual of personnel-related costs, (ii) an increase in lease liability arising from rental of transportation equipment, and (iii) an increase in contract liabilities on account of connection and installation fees.

As of December 31, 2023 compared to December 31, 2022

	As of December 31, 2022	**As of December 31, 2023**	**% Increase (Decrease)**
	(Audited)	**(Audited)**	
	(in million)		
	₱	**₱**	
Assets			
Currents Assets			
Cash and cash equivalents	10,438.7	4,902.6	(53.0)%
Trade and other receivables	2,831.4	2,418.1	(14.6)%
Contract assets	1,000.9	1,205.0	20.4%
Other current assets	1,819.2	1,862.5	2.4%
Total Current Assets	**16,090.2**	**10,388.2**	**(35.4)%**
Noncurrent Assets			
Service concession assets	121,187.9	140,919.5	16.3%
Property and equipment	1,574.0	1,889.8	20.1%
Financial asset at fair value through other comprehensive income	124.9	124.9	-
Other noncurrent assets	4,401.1	10,381.3	135.9%
Total Noncurrent Assets	**127,287.9**	**153,315.4**	**20.4%**
Total Assets	**143,378.1**	**163,703.6**	**14.2%**
Liabilities and Equity			
Current Liabilities			
Trade and other payables	22,116.2	20,567.7	(7.0)%
Short-term and current portion of interest-bearing loans	3,806.3	2,587.7	(32.0)%
Current portion of service concession obligation payable to MWSS	940.9	874.6	(7.0)%
Income tax payable	631.4	530.8	(15.9)%
Total Current Liabilities	**27,494.8**	**24,560.6**	**(10.7)%**
Noncurrent Liabilities			
Interest-bearing loans – net of current portion	43,107.8	59,214.2	37.4%
Service concession obligation payable to MWSS—net of current portion	6,069.2	6,489.0	6.9%

	As of December 31, 2022	As of December 31, 2023	% Increase (Decrease)
Deferred tax liabilities – net..................	1,037.0	1,524.8	47.0%
Deferred credits....................................	795.4	1,207.9	51.9%
Customers' deposits	529.4	548.6	3.6%
Pension liability	151.8	285.7	88.2%
Other noncurrent liabilities	1,255.1	1,702.3	35.6%
Total Noncurrent Liabilities................	**52,945.7**	**70,972.6**	**34.0%**
Total Liabilities	**80,440.5**	**95,533.3**	**18.8%**

Variance Analysis of Material Changes (Increase/Decrease of 5% or More in the Financial Statements)

Assets

Total assets increased by 14.2%, or ₱20,325.5 million, to ₱163,703.6 million as of December 31, 2023, compared to ₱143,378.1 million as of December 31, 2022. This increase was due to the following:

- Cash and cash equivalents decreased by 53.0%, or ₱5,536.1 million, to ₱4,902.6 million as of December 31, 2023 from ₱10,438.7 million as of December 31, 2022, due to higher capital expenditure disbursements.

- Trade and other receivables decreased by 14.6%, or ₱413.3 million, to ₱2,418.1 million as of December 31, 2023 from ₱2,831.4 million as of December 31, 2022, due to the write-off of uncollectible receivables, offset by additional provision for expected credit losses.

- Contract assets increased by 20.4%, or ₱204.1 million, to ₱1,205.0 million as of December 31, 2023 from ₱1,000.9 million as of December 31, 2022, due to the tariff increase implemented as of January 1, 2023.

- Service concession assets increased by 16.3%, or ₱19,731.6 million, to ₱140,919.5 million as of December 31, 2023 from ₱121,187.9 million as of December 31, 2022, due to the increase in construction costs related to our rehabilitation works in accordance with our capital expenditure plans.

- Property and equipment increased by 20.1%, or ₱315.8 million, to ₱1,889.8 million as of December 31, 2023 from ₱1,574.0 million as of December 31, 2022, due to the additional purchases of laptops, desktop computers and various IT equipment.

- Other noncurrent assets increased by 135.9%, or ₱5,980.2 million, to ₱10,381.3 million as of December 31, 2023 from ₱4,401.1 million as of December 31, 2022, due to an increase in advanced payments to contractors to cover their mobilization costs.

Liabilities

Total liabilities as of December 31, 2023 stood at ₱95,533.3 million, an increase of 18.8%, or ₱15,092.8 million, compared to ₱80,440.5 million as of December 31, 2022. This increase was due to the following:

- Trade and other payables decreased by 7.0%, or ₱1,548.5 million, to ₱20,567.7 million as of December 31, 2023 from ₱22,116.2 million as of December 31, 2022, due to a reversal of the provision for water interruptions that occurred in 2022.

- Short-term and current portion of interest-bearing loans decreased by 32.0%, or ₱1,218.6 million, to ₱2,587.7 million as of December 31, 2023 from ₱3,806.3 million as of December 31, 2022, due to a significant payment made on short-term loans in 2023.

- Current portion of service concession obligation payable to MWSS decreased by 7.0%, or ₱66.3 million, to ₱874.6 million as of December 31, 2023 from ₱940.9 million as of December 31, 2022, due to higher concession obligation payments made in 2023 and tariff adjustments pursuant to the Rate Rebasing exercise in 2023.

- Income tax payable decreased by 15.9%, or ₱100.6 million, to ₱530.8 million as of December 31, 2023 from ₱631.4 million as of December 31, 2022, due to one-off catch-up adjustment in the last quarter of 2022.

- Interest-bearing loans – net of current portion increased by 37.4%, or ₱16,106.4 million, to ₱59,214.2 million as of December 31, 2023 from ₱43,107.8 million as of December 31, 2022, due to additional interest-bearing loans provided by the Bank of the Philippine Islands and the Land Bank of the Philippines in 2023.

- Service concession obligation payable to MWSS – net of current portion increased by 6.9%, or ₱419.8 million, to ₱6,489.0 million as of December 31, 2023 from ₱6,069.2 million as of December 31, 2022, due to concession obligation payments and tariff adjustments pursuant to the Rate Rebasing exercise in 2023.

- Deferred tax liabilities – net increased by 47.0%, or ₱487.8 million, to ₱1,524.8 million as of December 31, 2023 from ₱1,037.0 million as of December 31, 2022, due to an increase in service concession assets which were derived from our increase in capital expenditure in 2023.

- Deferred credits increased by 51.9%, or ₱412.5 million, to ₱1,207.9 million as of December 31, 2023 from ₱795.4 million as of December 31, 2022, due to (i) the reclassification of deferred FCDA from non-current asset to deferred credits, and a decline in the value of the Japanese Yen against the Philippine Peso during the year, which resulted in an increase in the Philippine Peso value of our deferred credits.

- Pension liability increased by 88.2%, or ₱133.9 million, to ₱285.7 million as of December 31, 2023 from ₱151.8 million as of December 31, 2022, due to an increase in the number of pension plan members.

- Other non-current liabilities increased by 35.6%, or ₱447.20 million, to ₱1,702.3 million as of December 31, 2023 from ₱1,255.1 million as of December 31, 2022, due to the accrual of certain benefits under our LTIP, an increase in lease liabilities and increases in contract liabilities for connection and installation fees.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically met our liquidity requirements principally through a combination of cash flows from operations, bank financings, debt issuance and equity capital infusion. Our principal uses of cash have been, and are expected to continue to be, operating and maintenance costs relating to our water distribution and sewerage pipe networks, water and wastewater treatment facilities, and related infrastructure, capital expenditures for our expansion plans, and debt service of the Group.

We are not aware of any demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. We do not anticipate having any cash flow or liquidity problems over the next 12 months. We are not in breach or default on any loan or other form of indebtedness.

We believe that the operating cash flows, retained earnings, proceeds from this Offer and bank financings will be sufficient to fund working capital requirements, currently anticipated capital expenditures and debt service requirements for the next 12 months.

Cash Flows

The following discussion of our cash flows for 2022, 2023 and 2024 should be read in conjunction with the statements of cash flows included in the consolidated audited financial statements.

	For the years ended December 31,		
	2022	**2023**	**2024**
		(*in million*)	
	₱	**₱**	**₱**
Net cash used in operating activities..........	(709.9)	(5,839.7)	(5,230.0)
Net cash provided by (used in) investing activities..	112.4	(7,056.9)	(1,097.1)
Net cash provided by financing activities..	3,070.5	7,360.5	11,944.1
Net increase (decrease) in cash and cash equivalents..	2,473.0	(5,536.1)	5,617.0
Cash and cash equivalents at the beginning of year/period..	7,965.7	10,438.7	4,902.6
Cash and cash equivalents at the end of year/period..	10,438.7	4,902.6	10,519.5

Net cash used in operating activities

Our net cash used in operating activities is primarily affected by the revenues and expenses related to our operations, as adjusted by non-cash items primarily, amortization of concession assets, provision for ECL, depreciation and amortization, interest expense and interest income, and capital expenditures on service concession assets. Our cash flows from operating activities, are also affected by working capital changes such as changes in trade and other receivables, contract assets, other current assets, trade and other payables, customers' deposits, and other noncurrent liabilities.

Net cash flows used in operating activities were ₱5,230.0 million in the year ended December 31, 2024. Our cash outflow from operations was principally affected by the significant amount of additional service concession assets from completed capital expenditure projects during the year and more cost-efficient operations.

Net cash flows used in operating activities were ₱5,839.7 million in the year ended December 31, 2023. Our cash outflow from operations was principally affected by increased operating expenses which exceeded total collections from customers during the period.

Net cash flows used in operating activities were ₱709.9 million in the year ended December 31, 2022. Our cash outflow from operations was principally affected by our operations due to payments for service concession assets.

Net cash provided by (used in) investing activities

In the year ended December 31, 2024, our net cash flows used in investing activities were ₱1,097.1 million. The cash outflow primarily consisted of an increase in advance payments to contractors to cover their mobilization costs, coupled with acquisitions of property and equipment and dividends received, which were partially offset by dividends received.

In the year ended December 31, 2023, our net cash flows used in investing activities were ₱7,056.9 million. The cash outflow primarily consisted of an increase in advances to contractors in accordance with our approved capital expenditure program, partially offset by dividends received and proceeds from disposal of assets.

In the year ended December 31, 2022, our net cash flows provided by investing activities were ₱112.4 million. The cash inflow primarily consisted of the decrease in advances paid to contractors following completion of certain projects, partially offset by the additional purchases made for certain equipment.

Net cash flow provided by financing activities

Our net cash flows provided by financing activities were ₱11,944.1 million in the year ended December 31, 2024. This cash inflow consisted primarily of proceeds from the maiden Blue Bonds issuance and new loan drawdowns, partially offset by payments of dividends, interest costs, lease liabilities, and repayment of other loans.

Net cash flows provided by financing activities were ₱7,360.5 million in the year ended December 31, 2023. This cash inflow consisted primarily of proceeds from term loans, partially offset by repayment of interest-bearing loans, dividends, service concession obligation payable to MWSS, lease liabilities, interest costs, and treasury shares.

Our net cash flows provided by financing activities were ₱3,070.5 million for the year ended December 31, 2022. This cash inflow consisted primarily of proceeds from term loans, partially offset by repayment of interest-bearing loans, dividends, service concession obligation payable to MWSS, lease liabilities, interest costs, and treasury shares.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2024:

	Total	2025	2026 to 2030	Over 5 Years
		(*in million*)		
	₱	₱	₱	₱
Interest-bearing loans	68,819.2	4,186.1	10,546.4	54,086.8
Trade and other payables[1]	24,084.7	2,349.7	-	-
Service concession obligation payable to MWSS	7,321.8	1,027.3	3,186.5	3,108.0
Customers' deposits	605.6	-	-	605.6
Lease liabilities	372.8	136.9	232.4	60.8
Total	**101,204.1**	**29,435.0**	**13,965,3**	**57,861.2**

Note:

(1) *Excludes the current portion of lease liabilities which is presented under "Trade and other payables" in the consolidated statements of financial position.*

Capital Expenditures

We prepared a five-year business plan from 2023 to 2027 which was approved by the MWSS-RO, covering the sixth Rate Rebasing Period and including our capital expenditure requirements totaling ₱163.3 billion.

This business plan includes our service obligations, as well as the agreed service coverage and service level targets. The business plan also outlines all investment and expenditure requirements in the concession area that we deem necessary to enable us to meet our service obligations. The MWSS-RO regularly audits our capital expenditure spending to ensure that it is consistent with our capital expenditure program. However, actual spending may vary from what has been budgeted due to market conditions, changes in regulations and project execution, among other factors.

Under our business plan, our key capital expenditures from 2023 to 2027 are for projects related to (i) water, comprising water sources and treatment, operations support, NRW management and service expansion, (ii) wastewater, comprising provision of sewerage services to customers, compliance with wastewater standards, and offering sanitation or desludging services, and (iii) customer service and information technology, comprising investments in ITS, GIS, telemetry system and other support requirements such as improvement of buildings, offices, warehouses and general administrative equipment.

We make substantial capital expenditures annually to support our business goals and objectives, consistent with our capital expenditures program. During the fifth Rate Rebasing Period, (2018 to 2022), our capital expenditure requirement was approximately ₱100.0 billion, ₱57.6 billion of which we spent as of December 31, 2022 in view of the uncertainty caused by the review of the Original Concession Agreement and the suspension of certain projects due to the COVID-19 pandemic. Our capital expenditure plans are also continually discussed with and reviewed by the MWSS-RO to ensure alignment with the approved budget and regulatory goals.

In compliance with our business plan for the sixth Rate Rebasing Period, the capital expenditures spent on cash basis for the years ended December 31, 2023 and 2024 are summarized below:

	For the years ended December 31,	
	2023	2024
	(*in million*)	
	₱	₱
Water sources[1]	6,324.3	5,138.7
Wastewater treatment[2]	8,683.8	7,121.8
Operations support[3]	5,566.6	6,549.5
NRW management[4]	4,625.2	6,165.9
Customer service and information technology[5]	831.2	770.2
Total[6]	**26,031.1**	**25,746.0**

Notes:

(1) Water sources comprise projects that relate to the development of raw water supply (e.g., developing new and improving or maintaining existing raw water sources) to transport water to our treatment facilities, water treatment plants, transmission mains and other facilities used for our operations, and the construction, rehabilitation, maintenance of Common Purpose Facilities.

(2) Wastewater treatment comprise projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

(3) Operations support comprise projects that relate to improving service levels, expanding water coverage, and implementing climate change resiliency/adaptation programs.

(4) NRW management comprise projects that relate to DMA-establishment, meter management, purchase of leak detection equipment, implementation of leak detection activities, pipe replacement, and business area service expansions.

(5) Customer service and information technology comprise projects that focus on our telemetry, integrated asset management, IT, and infrastructure such as building, equipment, and fleet.

(6) The components of our total capital expenditure based on our business plan are recorded on a cash basis and form part of our statement of cash flows within our consolidated audited financial statements, although these are not individually itemized.

We have historically sourced funding for capital expenditures through long-term debt, while working capital requirements were sufficiently funded through cash collections and capital infusion by stockholders.

We are committed to continue implementing our capital expenditure plans to meet our service obligation targets. The table below sets out the breakdown of our CAPEX requirements for 2023 to 2027 approved by the MWSS-RO:

	For the years ended/ending December 31,					
	2023	2024	2025	2026	2027	2023-2027
	(*in million*)					
	₱	₱	₱	₱	₱	₱
Water sources[1]	5,162.8	8,718.3	10,070.6	8,506.9	8,781.9	41,240.6
Wastewater treatment[2]	11,247.6	11,398.2	12,696.5	11,327.0	8,342.4	55,011.7

	For the years ended/ending December 31,					
	2023	**2024**	**2025**	**2026**	**2027**	**2023-2027**
Operations support[3]	3,542.3	6,274.0	7,050.7	5,967.6	7,251.9	30,086.5
NRW management[4]	4,850.9	4,005.7	7,979.5	7,728.1	6,899.4	31,463.6
Customer service and information technology[5]	1,224.1	959.8	1,062.2	1,060.8	1,141.7	5,448.6
Total[6]............................	**26,027.7**	**31,356.0**	**38,859.5**	**34,590.4**	**32,417.4**	**163,251.0**

Notes:

(1) Water sources comprise projects that relate to the development of raw water supply (e.g., developing new and improving or maintaining existing raw water sources) to transport water to our treatment facilities, water treatment plants, transmission mains and other facilities used for our operations, and the construction, rehabilitation, maintenance of Common Purpose Facilities.

(2) Wastewater treatment comprise projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

(3) Operations support comprise projects that relate to improving service levels, expanding water coverage, and implementing climate change resiliency/adaptation programs.

(4) NRW management comprise projects that relate to DMA-establishment, meter management, purchase of leak detection equipment, implementation of leak detection activities, pipe replacement, and business area service expansions.

(5) Customer service and information technology comprise projects that focus on our telemetry, integrated asset management, IT, and infrastructure such as building, equipment, and fleet.

(6) The components of our total capital expenditure based on our business plan are recorded on a cash basis and form part of our statement of cash flows within our consolidated audited financial statements, although these are not individually itemized.

Although these are our current plans with respect to capital expenditures, such plans may change as a result of a change in circumstances and the actual amount of expenditures may vary from the planned amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to implement projects to meet our service obligation targets, we may need to incur additional capital expenditures.

Indebtedness

We had outstanding loan payables of ₱61,801.9 million and ₱68,647.5 million as of December 31, 2023 and 2024, respectively.

On July 12, 2024, we issued our maiden Blue Bonds, consisting of ₱9.0 billion Series A 6.7092% five-year fixed rate bonds due 2029 and ₱6.0 billion Series B 7.0931% 10-year fixed rate bonds due 2034. The Blue Bonds are listed and traded on the Philippine Dealing & Exchange Corp. The proceeds from the Blue Bond issuance were earmarked primarily to finance projects and activities defined under Philippine SEC Memorandum Circular No. 15, Series of 2023 or the "*Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines.*"

As of December 31, 2024, our loans were used to partially fund our capital expenditure requirements, refinance existing obligations, and are payable over varying length of terms, ranging from five years up to 17 years, since the drawdowns.

See Note 11 of the consolidated audited financial statements included elsewhere in this report for more details relating to such loan payables, including collateral, interest rate basis and repayment terms, and covenants, including debt ratios of such loans.

On March 7, 2025, we executed a term loan facility agreement with the Bank of the Philippine Islands ("**BPI**") for an aggregate amount of ₱2.5 billion to partially fund our capital expenditure requirements for our water and wastewater projects.

Off-Balance Sheet Arrangements

As of December 31, 2024, there were no off-balance sheet arrangements or contingent obligations that are likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Key Performance Indicators

Set out below are certain performance indicators that we utilize in period-to-period analysis and comparison of financial data.

	As of and for the years ended December 31,		
	2022	**2023**	**2024**
Net Income (₱ millions)	5,874.9	9,011.2	12,781.4
EBITDA[1] (₱ millions)....................	13,218.4	17,473.9	22,041.1
EBITDA Margin [2]..........................	57.8%	64.0%	65.8%
Return-on-Assets [3]	4.3%	5.9%	7.1%
Debt-to-Equity Ratio[4]	0.7	0.9	1.1
Debt Service Coverage			
Ratio[5]	3.7	3.6	3.5
Asset-to-Equity Ratio[6]...................	2.3	2.4	2.6
Return-on-Equity [7]	9.6%	13.7%	17.8%

***Notes**:*

(1) EBITDA is calculated as net income + interest expense and other financing charges + provision for income taxes + depreciation and amortization + amortization of service concession assets – interest income.
(2) Calculated as EBITDA / operating revenues.
(3) Calculated as net income / average total assets. Average total assets is calculated as the sum of the amounts at the beginning and end of the period divided by two.
(4) Calculated as Debt / total equity. "Debt" is defined as the amount of all our outstanding obligations for borrowed money from any bank or financial institution and amounts outstanding under any issue of bonds, notes, or similar instruments by us, which are booked as liabilities in our financial statements.
(5) Calculated as (a) the sum of the EBITDA as of the last day of the immediately preceding 12-month period and our cash and cash equivalents at the beginning of the immediately succeeding 12-month period divided by (b) debt service for the immediately succeeding 12-month period. "Debt Service" is defined as the aggregate amount of all principal, interest and other financial charges in respect of borrowed money payable by us.
(6) Calculated as total assets / total equity.
(7) Calculated as Debt / EBITDA.
(8) Calculated by dividing the total amount of our Debt with fixed interest rates by the total amount of Debt with floating interest rates.
(9) Calculated by dividing the total amount of our Debt in Philippine Peso by the total amount of Debt in foreign currencies.

(10) Calculated as net income / average total equity. Average total equity is calculated as the sum of the amounts at the beginning and end of the period divided by two.

Calculation for EBITDA

The following table presents a reconciliation of EBITDA from net income for each of the periods indicated.

	For the years ended December 31,		
	2022	**2023**	**2024**
		(in million)	
	₱	**₱**	**₱**
Net Income.............................	5,874.9	9,011.2	12,781.4
Add/(Deduct):			
Interest expense and other financing charges...............	2,321.7	2,503.4	2,414.4
Provision for income taxes .	2,106.8	2,911.9	3,694.2
Depreciation and amortization	485.9	524.3	527.3
Amortization of service concession assets	2,459.2	2,744.8	3,028.6
Less: Interest income	(30.1)	(221.7)	(404.8)
EBITDA...........................	**13,218.4**	**17,473.9**	**22,041.1**

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

Our activities expose us to market risk. These market risks principally involve the possibility of adverse consequences on our results of operations due to factors that are generally beyond our control.

Market risk is the risk that changes in market prices, such as interest rates, security price and foreign exchange rates, will affect our total comprehensive income or the value of our financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Our principal financial instruments are our debts to local banks and concession fees payable to MWSS per the Revised Concession Agreement. Other financial instruments are cash and cash equivalents, and trade and other receivables. We are subject to various risks, including (i) interest rate risk, (ii) foreign currency risk, (iii) credit risk, and (iv) liquidity risk.

See Note 24 of the consolidated audited financial statements for details on interest rate risk, foreign currency risk, credit risk, liquidity risk, and a discussion on financial risk management.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing loans. See Note 11 of the consolidated audited financial statements for details on our interest-bearing loans.

The primary source of our cash flow interest rate risk relates to certain financial liabilities such as our corporate notes, facility loans, term loan facilities, our Blue Bonds and a Philippine Peso-denominated bank loan. Interest on financial liabilities classified as fixed rate is fixed until the maturity of the instrument.

Our financial assets and financial liabilities are exposed to cash flow and fair value interest rate risks, including short-term cash investments and interest-bearing loans, respectively.

See Note 24 of the consolidated audited financial statements for details on interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future value of financial instruments will fluctuate because of changes in foreign exchange rates.

Our foreign currency risk results primarily from the foreign exchange rate movements of the Philippine Peso against the U.S. dollar and the Japanese Yen. The servicing of foreign currency denominated loans of MWSS is among the requirements of the Revised Concession Agreement. Revenues are generated in Philippine Peso. However, there is a mechanism in place as part of the Revised Concession Agreement wherein we (or our end consumers) can recover currency fluctuations through the FCDA approved by the MWSS-RO.

We recognized net foreign exchange losses of ₱1,167.6 million and ₱1,643.4 million in the years ended December 31, 2023 and 2024, respectively, mainly due to the impact of foreign exchange rate translations on our cash and cash equivalents which resulted to a foreign exchange loss at the time of actual translation, deposits, interest-bearing loans and service concession obligation payable to MWSS. However, the net foreign exchange gain or loss on interest-bearing loans and service concession obligation payable to MWSS is subject to foreign exchange recovery mechanisms under the Revised Concession Agreement.

See Note 24 of the consolidated audited financial statements for details on foreign currency risk.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

We trade only with recognized and creditworthy third parties. As our service involves providing a basic necessity, our historical collections are relatively high and credit exposure is widely dispersed. Our receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from our other financial assets consisting of cash and cash equivalents, deposits and restricted cash and deposits, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. We transact only with institutions or banks which have demonstrated financial soundness for the past five years. Given our diverse base of counterparties for our financial assets, we are not exposed to large or excessive concentrations of credit risk in any geographical region or industry.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, deposits and restricted cash are placed in various banks. These are held by large prime financial institutions that have good reputation and low probability of insolvency. Management assesses the quality of these financial assets as high grade.

For trade and other receivables and contract assets, high grade relates to those that are consistently collected before the maturity date, normally seven days from bill delivery. Standard grade includes receivables from customers that are collectible beyond seven days from bill delivery even if there are no efforts exerted to collect the same, or those advances from officers and employees that are collected through salary deduction. For deposits, standard grade consists of meter and security deposits that are normally refundable upon termination of service.

See Note 24 of the consolidated audited financial statements for details on credit risk.

Liquidity Risk

Liquidity risk is the potential for not meeting the obligations as they become due because of an inability to liquidate assets or obtain adequate funding.

We monitor our risk to a shortage of funds using a recurring liquidity planning. Cash planning considers the maturity of both our financial investments and financial assets (e.g., trade and other receivables, other financial assets) and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank drafts, bank loans and debentures.

See Note 24 of the consolidated audited financial statements for details on for details on liquidity risk.

SEASONALITY

Our revenues are correlated to weather conditions, patterns and natural variations from season to season, and from year to year, which may also vary due to climate change. Typically, we experience higher water demand in April and May of each year. Other than this, there were no seasonal factors that had a material impact on our financial condition or operations for the years ended December 31, 2022, 2023 and 2024.

Item 7. Financial Statements

Please see *Exhibit A* for the Audited Consolidated Financial Statements of the registrant.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure/s

The auditing firm of SyCip, Gorres, Velayo & Co. ("**SGV**") is Maynilad's independent accountant since 2007.

There are no disagreements with SGV & Co. on accounting and financial disclosures made in the Company's audited financial statements.

PART III

CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Corporate Officers

The Board of Directors

Maynilad's overall management and supervision are undertaken by the Board of Directors. Our corporate officers and management team cooperate with the Board of Directors by preparing appropriate information and documents concerning our business operations, financial condition and results of operations for its review. Currently, the Board of Directors consists of 15 members, of which three are independent directors. The directors named below were elected at our Company's annual stockholders meeting on December 12, 2024. All directors will hold office until their successors have been duly elected and qualified.

The following table sets forth the Board of Directors of our Company:

Name	Age	Position	Citizenship
Manuel V. Pangilinan	78	Chairman	Filipino
Isidro A. Consunji	76	Vice Chairman	Filipino
Jose Ma. K. Lim	72	Director	Filipino
Jorge A. Consunji	72	Director	Filipino
Herbert M. Consunji	72	Director	Filipino
June Cheryl A. Cabal - Revilla	51	Director	Filipino
Joseph Ian G. Gendrano	48	Director	Filipino
Ricardo M. Pilares III	43	Director	Filipino
Ramoncito S. Fernandez	68	Director	Filipino
Randolph T. Estrellado	59	Director	Filipino
Kazuaki Shibuya	53	Director	Japanese
Nagahito Miyoshi	51	Director	Japanese
Fortunato T. de la Peña	75	Independent Director	Filipino
Gil S. Jacinto	69	Independent Director	Filipino
Ma. Assunta C. Cuyegkeng	68	Independent Director	Filipino

The business experience of each of the foregoing nominated individuals is set forth below.

Mr. Manuel V. Pangilinan assumed chairmanship of Maynilad in January 2007 and remain as such up to the present. He is also the President and CEO of Metro Pacific Investments Corp. (MPIC), Philippine Long Distance Telephone Company (PLDT) and Smart Communications, and continues to serve as their Chairman concurrently. He also serves as Chairman, Vice Chairman, or Board of Director of Manila Electric Company (Meralco), MPIC, Mediaquest Inc., Associated Broadcasting Corp. (TV5), Philex Mining Corp., Philex Petroleum Corp., NLEX Corp. (formerly Manila North Tollways Corp.), Landco Pacific Corp., Medical Doctors, Inc. (owner and operator of Makati Medical Center), Colinas Verdes Hospital Managers Corp. (operator of Cardinal Santos Medical Center), Davao Doctors Incorporated, Riverside Medical Center Incorporated in Bacolod, East Manila Hospital Managers Corp. (operator of Our Lady of Lourdes Hospital), Asian Hospital, Inc., Central Luzon Doctors' Hospital in Tarlac, De Los Santos Medical Center, Metro Pacific Zamboanga Hospital Corporation, and The Megaclinic Incorporated. In 2012, he was appointed as Vice Chairman of Roxas Holdings Inc., which owns and operates the largest sugar milling operations in the Philippines.

Mr. Pangilinan founded First Pacific in 1981 and serves as its Managing Director and CEO. Within the First Pacific Group, he holds the positions of President and Commissioner of P.T. Indofood Sukses Makmur, the largest food company in Indonesia.

For civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress, PLDT-Smart Foundation Inc., One Meralco Foundation Inc., and Co-Chairman of the Philippine Disaster Resilience Foundation, and is a Director of the Philippine Business for Education. He is Chairman of the Board of Trustees of San Beda College and Co-Chairperson of the Board of Trustees of Stratbase Albert del Rosario Institute and the U.S. – Philippine Society.

In sports, Mr. Pangilinan is Chairman of the MVP Sports Foundation, Inc. and Chairman Emeritus of the Samahang Basketbol ng Pilipinas.

Mr. Isidro A. Consunji has been Vice Chairman of Maynilad since January 2007. Presently, he is the Chairman and President of DMCI.

He also serves as a member of the Board of Directors of Semirara Mining and Power Corp., Atlas Consolidated Mining and Development Corp., D.M. Consunji, Inc., DMCI Project Developers Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Power Corp., Sem-Calaca Power Corp., Sem-Cal Industrial Park Developers, Inc., Southwest Luzon Power Generation Corp., Sem-Calaca Res Corp., Semirara Claystone, Inc., and Wire Rope Corp. of the Philippines.

Mr. Consunji graduated from the University of the Philippines where he earned a Bachelor of Science in Civil Engineering degree. He also took up Master of Business Economics from the Center for Research and Communication (now University of Asia and the Pacific) and Master of Business Management from the Asian Institute of Management. He took up an Advanced Management Program at IESE School in Barcelona, Spain.

Among Mr. Consunji's civic affiliations are Philippine Overseas Construction Board (Chairman); Construction Industry Authority of the Philippines (Board Member); Philippine Constructors Association and Philippines Chamber of Coal Mines (Past President); and Asian Institute of Management Alumni Association, UP Alumni Engineers, and UP Aces Alumni Association (Member).

In 2016, he was recognized as the Most Distinguished Alumnus by the UP Alumni Engineers (UPAE). Most recently, he was named Management Man of the Year 2022 by the Management Association of the Philippines.

Mr. Jose Ma. K. Lim has been a Director of Maynilad since 2007. He is the former President and Chief Executive Officer of Metro Pacific Investments Corporation.

He joined the MPIC Group (which was then called Metro Pacific Corporation or MPC) in 1995 as Treasury Vice President of the Fort Bonifacio Development Corporation (then a subsidiary of MPC). He was later appointed as its Chief Finance Officer in 2000. In 2001, he assumed more responsibility for the Company as he concurrently served as Vice President and Chief Finance Officer of MPC.

Mr. Lim currently acts as a Director in the following MPIC subsidiary and affiliate companies: Beacon Electric Asset Holdings Incorporated, Meralco, Metro Pacific Tollways Corporation, MNTC, Tollways Management Corporation, Light Rail Manila Corporation, AF Payments Inc., MetroPac Water Investments

Incorporated, Indra Philippines, Medical Doctors Incorporated, Colinas Verdes Hospital Managers Corporation, and East Manila Managers Corporation. He is also the Chairman of Asian Hospital Incorporated, Davao Doctors Hospital (Clinica Hilario) Incorporated, and Riverside Medical Center Incorporated. He is also the President of the Metro Strategic Infrastructure Holdings Incorporated.

He is a founding member of the Shareholders Association of the Philippines. He is also an active member of the Management Association of the Philippines where he served as Vice-Chair of the Good Governance Committee from 2007 to 2009.

Prior to joining the MPIC Group, he built himself a solid reputation in foreign banking institutions as Vice President of the Equitable Banking Corporation and Director for Investment Banking of the First National Bank of Boston.

For five consecutive years from 2012-2016, he was conferred the Best CEO for Investor Relations by Corporate Governance Asia.

Mr. Lim earned his Bachelor of Arts degree in Philosophy from Ateneo de Manila University and his Master of Business Administration degree from the Asian Institute of Management.

Mr. Ramoncito S. Fernandez is the President and Chief Executive Officer of Maynilad Water Services, Inc.

He holds directorships in Maynilad, MPIC, MetroPac Water Investments Corporation, Metro Iloilo Bulk Water Supply Corporation, Metro Iloilo Water, Inc., MetroPac Iloilo Holdings Corp., Metro Iloilo Concession Holdings Corp., Metro Pacific Iloilo Water, Inc., Metro Pacific Dumaguete Water Services, Inc., MetroPac Dumaguete Holdings Corp., MetroPac Cagayan De Oro, Inc., MetroPac Cagayan De Oro Holdings Inc., Cagayan De Oro Bulk Water, Inc., MetroPac Baguio Holdings, Inc., BOO Phu Ninh Water Treatment Plant Joint Stock Company, Tuan Loc Water Resources Investment Joint Stock Company, Philippine Hydro (PH), Inc., and Amayi Water Solutions, Inc.

He was Governor and Treasurer of the Management Association of the Philippines in 2017, and became the President of the same association in 2018. He is a Board Trustee of the Shareholders Association of the Philippines (SharePHIL) since 2013, Chairman of the same association from 2020 to 2022, and currently the Chairman of the Ways and Means Committee of SharePHIL. He was President of the Packaging Institute of the Philippines from 1998 to 1999, and President of the Association of Flexible Packaging Manufacturers from 1999 to 2000. He was also a member of the Board of Directors of the Philippine Constructors Association from 2010 to 2011. He is also a Board Trustee of First Pacific Leadership Academy, Vice-Chairperson for External Affairs of Parish Pastoral Council for Responsible Voting (PPCRV), Fellow of the Institute of Corporate Directors, Associate of the Philippine Institute of Industrial Engineers, Inc. and ASEAN Engineering Register, and recently re-elected as Board Member of the Asia Water Council for 2023-2026.

He is the 2009 PISM GAWAD SINOP Awardee, an award conferred by the Foundation of the Society of Fellows in Supply Management and the Philippine Institute for Supply Management to outstanding achievers in the field of supply management.

Mr. Fernandez was President and CEO of Metro Pacific Tollways Corporation (MPTC) and Tollways Management Corporation (TMC) from 2009 to 2015. He was also President and CEO of MP Cala Holdings, Inc. in 2015. He also headed the Administration & Materials Management Group of Smart/PLDT from 2000 to 2010, the International & Carrier Business of Smart/PLDT from 2005 to 2010, and the Global Access Group of Smart from 2005 to 2010. He also held the position of Executive Vice-President, In-Charge of Marketing, Sales and Logistics of Starpack Philippines, Inc. from 1997 to 2000. He was Vice-President, Officer-In-Charge of Steniel Carton Systems Corporation in 1996, Vice-President, Manufacturing of AR Packaging Corporation in 1995, and Vice-President, Marketing and Logistics of Akerlund & Rausing, Philippines from 1990 to 1994. He was also an Executive Understudy at AB Akerlund & Rausing, Sweden in 1985. He also worked at the Packaging Division of PHIMCO Industries, Inc. as Operations Controller from 1982 to 1983, as Logistics Manager from 1983 to 1984, and as Marketing Manager from 1985 to 1990. In 1981, he was the Production Manager of Union Carbide Phils., Cebu Plant.

Mr. Fernandez has been with the MVP Group since 1994, first under the packaging business and later with PLDT and Smart. He has led the tollways group in its expansion projects and championed strategies and programs on customer service satisfaction, innovation and a performance driven culture that has promoted profitability and growth of the organization. He is currently the Head of the MVP Group water business, leading the Next Generation Maynilad Transformation, as well as growth outside Metro Manila.

He is a BS Industrial Management Engineering graduate of De La Salle University. He has a Master's Degree in Business Management from the Asian Institute of Management, and completed the Advanced Management Program at the University of Asia and the Pacific / IESE. He also completed the Professional Directors Program at the Institute of Corporate Directors, and the Strategic Business Economic Program at the University of Asia and the Pacific.

Mr. Randolph T. Estrellado has been a Director of Maynilad since January 2007 and is concurrently the Company's Chief Operating Officer. He was appointed COO of the Company in February 2016, after serving almost 10 years as its Chief Finance Officer since joining the Company in January 2007. He previously served as Director and Chief Finance Officer of Metro Pacific Investments Corp.

Prior to joining Metro Pacific, Mr. Estrellado was Vice President and Chief Finance Officer for ABS-CBN Broadcasting Corporation from 2000 to 2006. He had also served in various positions of senior responsibility with the Lopez Group and Phinma Group of Companies.

Mr. Estrellado obtained his MBA from Harvard Business School in 1991 and his Bachelor of Science degree in Business Management, Honors Program, from the Ateneo de Manila University in 1986.

Ms. June Cheryl Cabal-Revilla has been a Director of Maynilad since 2022. She is an Executive Director and the Chief Finance, Risk and Sustainability Officer of MPIC. Apart from Maynilad, she is concurrently a Board of Director of all MPIC subsidiaries – Meralco, Metro Pacific Tollways Corporation, Metro Pacific Hospitals Holdings Inc., Light Rail Manila Corporation, Landco Pacific Corporation, among others. She is also the President and Chief Executive Officer of mWell, MPIC's digital healthcare arm.

Prior to joining MPIC, she held various executive leadership positions at the PLDT Group, the Philippines' largest fully integrated telco company. She was the former Senior Vice President and Group Controller, and Chief Sustainability Officer of the PLDT Group and the Chief Financial Officer of Smart, PLDT-Smart Foundation, Philippine Disaster Resilience Foundation and in a number of subsidiaries and affiliates of PLDT, Smart & ePLDT.

She is an Appointed Member of the Financial Reporting and Sustainability Standards Council of the Philippines, the accounting and sustainability standards-setters in the country, since 2010 for FRSC. She was conferred the Accountancy Centenary Award of Excellence (One of the 100 Notable CPAs) in early 2023 by the Philippine Board of Accountancy. She was also hailed as Asian Institute Management Triple A Awardee in 2020 – 145 awardees out of 45,000 graduates. Chaye has received several Best CFO, Best CSO and Top CEO awards by reputable institutions from Singapore, Hong Kong, Malaysia and the Philippines. She was an awardee of the Ten Outstanding Young Men in 2013 and the incumbent President of TOYM Foundation. In 2023, she was conferred the Most Influential Filipina Woman in the World at the Filipina Leadership Global Summit in Prague, Czech Republic.

She is the Founding Chair of Gabay Guro, the Philippines' biggest and longest-running education advocacy program for teachers.

Prior to joining PLDT as Executive Trainee in the Finance Group in 2000, she was a Senior Associate in the Business Audit and Advisory Group of SGV & Co. She received her Bachelor of Science degree in Accountancy from De La Salle University and Master's Degree in Business Management, Major in Finance, from Asian Institute of Management. She also finished her Executive Program in the Stanford Graduate School of Business in 2018. In 2022, she also took the Swedish Institute Management Program and the Innovative Dynamic Education and Action for Sustainability, a transformational leadership program of the MIT Management Sloan School.

Mr. Jorge A. Consunji has been a Director of Maynilad since January 2007. Presently, he is the President and CEO of D.M. Consunji, Inc. and Chairman of the Board of Wire Rope Corp. of the Philippines.

He also serves as a member of the Board of Directors of DMCI Holdings, Inc., Semirara Mining and Power Corp., DMCI Project Developers, Inc., DMCI Mining Corp., DMCI Power Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., DACON Corp., and Beta Electric Corp.

Mr. Herbert M. Consunji has been a Director of Maynilad since April 2023. He previously served as the Company's Chief Operating Officer from May 2006 until February 2016. He is also the Director of DMCI Holdings, Inc., D.M. Consunji, Inc., Semirara Mining and Power Corporation, DMCI Power Corporation, DMCI Mining Corporation, DMCI Project Developers, Inc., Sem-Calaca Power Corporation, Sem-Cal Industrial Park Development, Inc., Sem Calaca Res Corp., Semirara Materials and Resources, Inc., Southwest Luzon Power Generation Corp., and Subic Water & Sewerage Corporation. Currently, he also serves as Executive Vice President/Chief Finance Officer, Chief Compliance and Chief Risk Officer of DMCI Holdings, Inc.; and Treasurer of DMCI Mining Corp.

Mr. Joseph Ian G. Gendrano has been a Director of Maynilad since April 2023. He has been with PLDT, Inc. for over 10 years. Currently, he is PLDT, Inc.'s Senior Vice President, Chief Technology Officer. Prior to joining PLDT, he had formerly served at Goldman Sachs, Cisco Systems, Inc., and Verizon Business in New York and in New Jersey. Mr. Gendrano graduated from De La Salle University where he earned a Bachelor of Science in Electronics and Communications Engineering. He also took up Master of Science in Engineering, Major in Telecommunications and Networking, from the University of Pennsylvania, School of Engineering and Applied Science.

Atty. Ricardo M. Pilares III joined the Maynilad Board of Directors in April 2023. He is also Vice President for Legal at MPIC. As the Company's Chief Legal Officer, Mr. Pilares takes the lead legal role in various projects of MPIC, including PPP Projects as well as major M&A projects. He also serves as

Compliance Officer, Corporate Governance Officer and Corporate Secretary of MPIC. Mr. Pilares also acts as legal counsel and corporate secretary of MPIC's various subsidiaries and affiliates. He is a member of the faculty of Ateneo Law School, teaching Statutory Construction and Conflict of Laws.

Mr. Kazuaki Shibuya joined the Maynilad Board of Directors in April 2022. He is presently General Manager of the Environmental Infrastructure Department of Marubeni Corporation. He has been engaged in the development of various international infrastructure projects, such as power/water projects in Marubeni Corporation for 30 years, including overseas assignments in Chennai/New Delhi, India (2000-2004), Johannesburg, South Africa (2015-2019) as Regional Director, Sub-Saharan Africa, Marubeni Middle-East & Africa Power Limited. Mr. Shibuya held a director position in Marubeni's water business subsidiary and affiliate companies such as Aguas Nuevas S.A (Santiago, Chile), Aguas Decima S.A (Valdivia, Chile), AGS (Lisbon, Portugal) and Shuqaiq Three Company for Water (Jeddah, Saudi Arabia).

Mr. Nagahito Miyoshi has been a Director of Maynilad since April 2023. He is also President of MCNK JV Corporation, and Vice President of Environmental Infrastructure Department of Marubeni Philippines Corporation. Mr. Miyoshi has been with the Marubeni Corporation for over 25 years, serving in various positions across the Company since 1998, including as a General Manager for Energy Infrastructure Projects Sec-1 (2016); General Manager for Plant Projects Sec-1 (2017); and Head Representative of the Marubeni Tashkent Office (2019).

Mr. Fortunato T. de la Peña joined the Maynilad Board of Directors in April 2023. He also serves as an Independent Director at Resins, Inc. Currently, he is the Chairman of the Philippine Foundation for Science & Technology, the Entrepinoy Volunteers Foundation, Inc., and the Automated Technology (Phil.) Inc. He is also the Vice Chairman of De La Salle University.

He served as the Secretary of the Department of Science and Technology from 2016 until 2022. He has been the President of the Philippine Association for the Advancement of Science and Technology since 2011. Mr. De La Peña also served as an Undersecretary for the DOST (2001 to 2014) and held a director position in the department's Technology Application and Promotion Institute (1989 to 1991). He was also the Chairman of the United Nations Commission on Science & Technology for Development from 2011 to 2012. He also held several positions in the University of the Philippines, such as: Professorial Lecturer in Industrial Engineering (2011-2016), Professor of Industrial Engineering (1973-2011), Vice-President for Planning & Development (1993-1999), Director of Institute for Small Scale Industries (1992-2001), and Chairman of Department of Industrial Engineering (1982-1988). He also served as an Interim Executive Director of the APEC Center for Technology Training for Small and Medium Enterprises (1996 to 1998), Planning Service Head of the National Science and Technology Authority (1982 to 1984), and Cost and Operations Engineer of ESSO Philippines (1969 to 1971). He is an ASEAN Engineer since 2013.

Mr. De La Peña obtained his Bachelor's Degree in Chemical Engineering and his Master's Degree in Industrial Engineering from the University of the Philippines. He also received a Diploma in Industrial Quality Control from Bouwcentrum International Education in Rotterdam, Netherlands, and completed his Graduate Studies in Operations Research at the Polytechnic Institute of New York.

Mr. Gil S. Jacinto joined the Maynilad Board of Directors in April 2023. He also served as Assistant Vice-President for Academic Affairs (Internationalization), and as Director for Office of International Linkages in the University of the Philippines System (2017 to 2020). For 23 years, Mr. Jacinto served as a Professor in the University of the Philippines Diliman Marine Science Institute (1997- 2020). Among his civic affiliations are UNESCO National Commission-UN Decade of Ocean Science for Sustainable

Development (Consultant), National Research Council of the Philippines (Member), IOC Advisory Body of Experts of the Law of the Sea (Member), and UNESCO Intergovernmental Oceanographic Commission (Philippine Focal Person).

Ms. Ma. Assunta C. Cuyegkeng has been part of the Maynilad Board of Directors since April 2023. Currently, she is a professor at the Department of Educational Leadership and Management of the Gokongwei Brothers School of Education and Learning Design. She is also the Executive Director of the Lily Gokongwei Ngochua Leadership Academy and the ASEAN University Network on Ecological Education and Culture. Ms. Cuyegkeng is also Chair of CHED Technical Working Group on Institutional Sustainability Assessment, and Managing Editor of the Journal of Management for Global Sustainability. She obtained her Bachelor's and Master's Degrees in Chemistry from the Ateneo de Manila University, and her doctoral degree in Chemistry from the University of Regensburg in Germany.

Corporate Officers

The following table sets forth our corporate officers:

Name	Age	Position	Citizenship
Ramoncito S. Fernandez	68	President / Chief Executive Officer	Filipino
Randolph T. Estrellado	59	Chief Operating Officer	Filipino
Ricardo F. de los Reyes	61	Treasurer / Chief Finance Officer	Filipino
Alex Erlito S. Fider	71	Corporate Secretary	Filipino
Kristina Joyce C. Gangan	42	Assistant Corporate Secretary	Filipino
Lourdes Marivic K. Punzalan-Espiritu	57	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel / Compliance Officer	Filipino

The business experience of each of the Corporation's corporate officers is set forth below.

Mr. Ramoncito S. Fernandez

Please refer to the discussion on the business experience of directors above.

Mr. Randolph T. Estrellado

Please refer to the discussion on the business experience of directors above.

Mr. Ricardo F. de los Reyes has served as the Treasurer and Chief Finance Officer of Maynilad since 2017. Prior to joining the Company, he worked at IBM Analytics Solutions Lab Services (North America) and held senior management posts at United Laboratories, Inc. and Johnson & Johnson. He obtained his Master's Degree in Business Administration, Juris Doctor and Bachelor's Degree in Finance at Santa Clara University in California, USA. Mr. de los Reyes is also a member of the State Bar of California.

Atty. Alex Erlito S. Fider has served as the Company's Corporate Secretary since 2007. He is one of the founding partners of the Picazo Buyco Tan Fider & Santos Law Offices. His legal experience spans over three decades of involvement in corporate transactions and projects. Recognized by the Asian Business Law Journal as among the top 100 Philippine lawyers, Atty. Fider's legal work extends to an array of corporate acquisitions and financing transactions of companies involved in public infrastructure, water, and power utilities, telecommunications, broadcast and mass media, and real estate development. He has been ranked as among the leading lawyers in mergers and acquisitions and corporate financing in the Philippines.

Atty. Fider is a Director or Corporate Secretary of several Philippine corporations, including Metro Pacific Tollways Corporation and its subsidiaries, including NLEX Corporation, MPCALA Holdings Inc., and

Cebu-Cordova Link Expressway Corporation; Smart Communications, Inc.; Roxas Holdings, Inc.; Voyager group, including Voyager Innovations Inc. and Maya Bank Inc.; Cignal TV Inc., and BusinessWorld Publishing Corporation; and Maynilad Water Services, Inc.

He is a member of Financial Executives Institute of the Philippines ("**FINEX**") and Institute of Corporate Directors where he is a Fellow. He is a member of the Board of Trustees of non-profit organizations such as the Metropolitan Manila Cathedral Basilica Foundation and Alagang Kapatid Foundation.

Atty. Fider graduated from the University of the Philippines with degrees in Economics and Law. He was admitted to the Philippine Bar in 1985 and undertook specialized courses in Strategic Business Economics and Corporate Governance in the Philippines and Australia, respectively.

Atty. Kristina Joyce C. Gangan has served as the Company's Assistant Corporate Secretary since 2021. She is a Partner at Picazo Buyco Tan Fider & Santos Law Offices. She concurrently serves as Corporate Secretary of Fragrant Cedar Holdings, Inc., and Assistant Corporate Secretary of Cavitex Infrastructure Corp., MPCALA Holdings, Inc., Metro Pacific Tollways South Corporation, Metro Pacific Tollways South Management Corporation, among others. She graduated cum laude with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2002, and with the degree of Bachelor of Laws also from the University of the Philippines in 2006.

Atty. Lourdes Marivic K. Punzalan-Espiritu has served as the Senior Vice President, Legal & Regulatory Affairs and Chief Legal Counsel since 2008. Prior to joining the Company, she held positions as Corporate Affairs Manager of Mars Southeast Asia from 2007 to 2008, External Affairs Manager at Master Foods Philippines, Inc. from 2003 to 2005, and as an Associate of Quisumbing Torres from 1994 to 2003. She is a Certified Public Accountant and member of the Philippine Bar. She obtained her double degrees of Bachelor of Science in Commerce, major in Accounting and Bachelor of Arts, major in Political Science, from the De La Salle University in 1988, and her Bachelor's degree in Laws from the University of the Philippines in 1993.

Involvement in Certain Legal Proceedings of Directors and Senior Management

We are not aware of any legal proceedings where its directors or corporate officers have been impleaded in their capacity as directors or corporate officers of the Company.

Except for the following, none of the directors for election are subject to any pending material legal proceedings as of the date of this report:

1. ***People of the Philippines vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78.*** **-** A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed with the Regional Trial Court - Quezon City ("**RTC-QC**") Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club ("**ULC**") and its parent company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as "a network of 5 world clubs."

   The case was re-raffled to RTC-QC Branch 85 (the "**Court**"). On January 10 2003, respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002, recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants' sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants filed a Petition for Review with the DOJ on August 26, 2005.

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out from records by the Court in its Order dated February 22, 2007 for being unauthorized and declaring the Omnibus Order final and executory. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

2. ***Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03 57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-1, Department of Justice, National Prosecution Service.*** - These consolidated cases arose out of the same events in the immediately above-mentioned case, which is likewise pending before the DOJ.

In its 1st endorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants, through counsel, recommended that further proceedings be conducted by the DOJ. In an order dated February 3, 2004, the DOJ designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008, filed by complainants' counsel. This case remains pending to date.

Aside from the aforementioned, to the best of our knowledge, none of the other directors or members of Senior Management has been subject to the following in the last five years:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or corporate officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or

(d) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Family Relationships

Mr. Isidro Consunji and Mr. Jorge Consunji are brothers. Other than this, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive and corporate officers, and shareholders.

Item 10. Executive Compensation

Compensation of Corporate Officers

The Corporation's President and the four (4) most highly compensated corporate officers of the Corporation are as follows:

Name	Position
Ramoncito S. Fernandez	Director / President / CEO
Randolph T. Estrellado	Director / COO
Francisco C. Castillo	Senior Vice President, and Chief Information Officer
Lourdes Marivic K. Punzalan-Espiritu	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel / Compliance Officer
Christopher Jaime T. Lichauco	Senior Vice President and Head, Customer Experience & Retail Operations

The following table identifies and summarizes the aggregate compensation of the Corporation's President and the four most highly compensated corporate officers/members of the Corporation paid in fiscal years 2023 and 2024, and estimated to be paid in 2025:

Name of Officer and Principal Position	Year	Salary (₱)	Bonus (₱)	Other Compensation
Chief Executive Officer and top five highest compensated officers: 1. Ramoncito S. Fernandez 2. Randolph T. Estrellado 3. Francisco C. Castillo 4. Lourdes Marivic K. Punzalan-Espiritu 5. Christopher Jaime T. Lichauco	2025 (est.) 2024 2023	80,146,573.00 77,064,012.65 85,322,043.35	41,030,788.00 39,452,681.04 143,910,665.30	Not applicable Not applicable Not applicable
All other unnamed directors and officers in aggregate	2025 (est.) 2024 2023(1)	50,903,213.00 48,945,397.31 64,105,229.47	23,609,066.00 22,701,024.77 110,853,721.21	Not applicable Not applicable Not applicable

Note:

(1) The indicated amount includes the terminal/last pay of two officers who have retired from the Corporation, and the pro-rated salaries and benefits of the outgoing/retired officers and their successors.

Standard Arrangements

Other than payment of reasonable per diem of ₱50,000.00 per independent director for every Board meeting, and ₱25,000.00 per committee meeting for committee members, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

Employment Contract Between the Company and Senior Management Officers

There are no special employment contracts between the Company and Senior Management.

Warrants and Options Held by the Senior Management Officers and Directors
There are no outstanding warrants or options held by the Company's Chief Executive Officer, directors or officers.

Employee Stock Option Plan
The Company has an Employee Stock Option Plan ("**ESOP**"), which was created in compliance with the requirements of the Original Concession Agreement.

Under the Concession Agreement, the Company has an obligation to adopt the ESOP which will allow employees of the Company to subscribe to its shares. The issuance of shares to qualified employees is funded by the Company through a stock purchase bonus which the Company is required to declare and automatically apply as payment for the subscription by qualified employees to shares under the ESOP ("**ESOP Shares**").

The number of ESOP Shares was fixed in the Company's Articles of Incorporation at 88,500 shares with par value of ₱1,000.00 per share. All regular employees of the Corporation with one-year satisfactory service/performance were entitled to participate in the ESOP. Regular employees who joined the Company after the institution of the ESOP were eligible to participate on a first-come, first-served basis if ESOP Shares were still available for subscription.

Approval was obtained during the annual stockholders' meeting of the Company held last December 12, 2024 for the amendment of the Company's Articles of Incorporation to reclassify ESOP Shares to Common Shares and remove all provisions relating to the ESOP Shares. This amendment was proposed in preparation for the Offer in compliance with (i) the requirement under the Revised Concession Agreement that in case the Company conducts a public offer within or after the five-year holding period, all outstanding ESOP Shares shall be included in the relevant registration statement and each employee holding ESOP Shares may then freely sell or transfer the ESOP Shares held by that employee and (ii) the provision in the Company's ESOP Policy that upon an IPO of the Company's shares, the ESOP Shares will automatically be reclassified into Common Shares.

The Philippine SEC approved the amendment of the Company's Articles of Incorporation on December 27, 2024, where all the 17,400 outstanding ESOP Shares were converted to Common Shares. As of January 1, 2025 onwards, there are no more outstanding ESOP Shares within the Shareholders' Equity of the Company.

Significant Employee
While we value the contribution of each of our executive and non-executive employees, we believe there is no non-executive employee whose resignation or loss would have a material adverse impact on our business. Other than standard employment contracts, there are no special arrangements with our non-executive employees.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2024, the following are the owners of our common stock in excess of 5% of total issued and outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common shares	MWHCI	MPIC DMCI MCNK JV Corporation (MPIC, DMCI, and MCNK JV Corporation are major stockholders of MWHCI)	Filipino	5,298,510,289	94.40%
Common shares	MPIC	MPIC	Filipino	296,178,211	5.28%

Security Ownership of Directors and Corporate Officers

As of December 31, 2024, the following are the shareholdings of our Directors and Corporate Officers:

Name of Owners	Position	Nature of Shares Owned		Citizenship	Percentage of Ownership
		Classification	No. of Shares Owned		
Ramoncito S. Fernandez	Director; President / CEO	Common	1,316,000	Filipino	0.02%
Lourdes Marivic K. Punzalan-Espiritu	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel / Compliance Officer	Common	816,000	Filipino	0.01%
Ricardo F. de los Reyes	Treasurer / Chief Finance Officer	Common	440,000	Filipino	0.01%
Manuel V. Pangilinan	Director; Chairman	Common	1,000	Filipino	NIL
Jose Ma. K. Lim	Director	Common	1,000	Filipino	NIL

Name of Owners	Position	Nature of Shares Owned		Citizenship	Percentage of Ownership
		Classification	No. of Shares Owned		
June Cheryl A. Cabal-Revilla	Director	Common	1,000	Filipino	NIL
Randolph T. Estrellado	Director; COO	Common	1,000	Filipino	NIL
Joseph Ian G. Gendrano	Director	Common	1,000	Filipino	NIL
Ricardo M. Pilares III	Director	Common	1,000	Filipino	NIL
Isidro A. Consunji	Director	Common	1,000	Filipino	NIL
Jorge A. Consunji	Director	Common	1,000	Filipino	NIL
Herbert M. Consunji	Director	Common	1,000	Filipino	NIL
Kazuaki Shibuya	Director	Common	1,000	Japanese	NIL
Nagahito Miyoshi	Director	Common	1,000	Japanese	NIL
Fortunato T. de la Peña	Director	Common	1,000	Filipino	NIL
Gil S. Jacinto	Director	Common	1,000	Filipino	NIL
Ma. Assunta C. Cuyegkeng	Director	Common	1,000	Filipino	NIL

Voting Trust Holders of 5% or more

We are not aware of any person holding more than 5.0% of a class of our shares under a voting trust or similar agreement.

Change in Control

Apart from MWHCI's acquisition of Maynilad's shares in 2005 from the consortium of Benpres Holdings Corporation and Suez Lyonnaise de Eaux, resulting in MWHCI gaining control of Maynilad operations, Maynilad is not aware of any voting trust agreements or any other similar agreement which may result in a change in control of Maynilad.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

In the ordinary course of business, we enter into various transactions with related parties and affiliates, principally consisting of leases of commercial space, advances and purchases and sales of goods. Our policy is to settle intercompany receivables and payables on a net basis. Transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions on terms comparable to those available from or to unrelated third parties, as the case may be, and on a basis substantially as favorable to it as would be obtainable in such arm's length transactions. Outstanding balances owed to related parties at a certain reporting date are non-interest bearing, unsecured, with no guarantee, and payable/collectible in cash on demand.

The Audit, Risk Oversight and Related Party Transactions Committee was constituted to enhance the Board of Directors' oversight capability over our material related party transactions and compliance with applicable laws, rules, and regulations. The Audit, Risk Oversight and Related Party Transactions Committee evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continually identified, related party transactions are monitored, and subsequent changes in relationships with counterparts are captured. Further, the Audit, Risk Oversight and Related Party Transactions Committee evaluates all material related party transactions to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that none of our corporate or business resources are misappropriated or misapplied, and to determine any potential reputational risk issued that may arise as a result of or in connection with the transactions. Apart from the Audit, Risk Oversight and Related Party Transactions Committee's evaluation of related party transactions, it also ensures that the related party transactions, including write-off of exposures, are subject to a periodic independent review or audit process.

We have the following significant transactions with related parties for the year ended December 31, 2024:

(a) Construction services provided by DM Consunji, Inc.;

(b) Sale of electricity by Manila Electric Company;

(c) Commercial outsourcing of information technology and system services by Indra Philippines, Inc.; and

(d) Various expenses as set forth in the consolidated audited financial statements.

The summaries of our significant transactions with related parties are set out in Note 15 of the consolidated audited financial statements for the years ended December 31, 2022, 2023 and 2024.

PART IV

CORPORATE GOVERNANCE

Item 13. The Company's Corporate Governance

We abide by the principles of honesty, integrity, fairness, transparency and accountability, and endeavors to establish and foster a corporate culture that will promote the best interest of our Company, our shareholders and other stakeholders by adhering to sound corporate governance policies and business ethics. We have taken steps to comply with the corporate governance principles under SEC Memorandum Circular No. 24, Series of 2019 (Code of Corporate Governance for Publicly-Listed Companies) ("**SEC M.C. No. 24, Series of 2019**"), including the establishment of Board committees to support the effective performance of the Board's functions (in the areas of audit, risk oversight, related party transactions and other key corporate governance concerns, such as nomination and remuneration) and appointment of independent directors.

Corporate Governance Manual
We have adopted a Manual on Corporate Governance (the "**Manual**") which institutionalizes the principles of good governance in the Company.

The Manual serves as reference and guide for our Company and our directors, employees, and consultants in ensuring that all our transactions adhere to the principles of integrity, transparency, accountability, and fairness, and that the interest of our Company and its stakeholders is upheld at all times. The following are the guidelines for the effective implementation of the Manual.

Distribution and Communication Process
Our Company's Manual is posted our website and is available for physical inspection by our shareholders during business hours.

Training Process
Our directors, Compliance Officer, and Corporate Secretary are required to attend annual trainings on corporate governance.

Monitoring and Assessment
Our Compliance Officer shall establish an evaluation system to determine and measure compliance with the Manual. The mechanics of the evaluation systems shall be disclosed as deemed relevant or applicable by our Company. The Board may also create an internal self-rating system to measure the Board and Management's performance in adhering to good corporate governance practices. The Manual also provides for penalties for non-compliance with the provisions in the Manual, which shall apply to our directors, officers, and employees.

As of the date of this report, we have not committed any act that deviates from the corporate governance rules set forth under the Manual.

Policies

We also have in place the following policies to further aid in complying with principles of good governance.

a. Code of Business Ethics
b. Conflict of Interest Policy
c. Internal Audit Policy
d. Anti-Bribery and Anti-Corruption Policy
e. Risk Management Policy
f. Anti-Fraud Policy
g. Whistleblowing Policy
h. Recruitment & Selection Policy
i. Training Policy
j. Corporate Policy on Succession Planning
k. Health Policies
l. Diversity & Inclusiveness Policy
m. Mental Health Policy
n. Privacy Policy
o. Policy on Information Security
p. Policy on Environment and Social Impact Assessment
q. Policy on Gifts, Entertainment, and Sponsored Travels
r. Vendor Code of Conduct
s. Anti-Sexual Harassment Policy
t. Policy on Respect for and Protection of the rights of the People
u. Governance Policy on Former Employees
v. Policy on Conservation of Resources;
w. Policy on Environment & Social Impact Assessment;
x. Quality, Sustainability & Resilience Policy; and
y. Policy on Waste Management.

Maynilad has finalized its Related Party Transactions Policy, which sets forth, among others, the approval and disclosure of transactions with related parties.

Maynilad continues to intensify its campaigns and initiatives to promote awareness on and encourage participation in corporate governance activities. Maynilad takes part in the Annual Corporate Governance Session ("**ACGES**"), along with the other companies in the MVP Group of Companies. Each year, the ACGES Team holds lectures and discussions on various governance topics to help and guide the directors and officers of the MVP Group of Companies in the performance of their respective tasks. Maynilad also has other governance initiatives such as the Ethics in the Workplace sessions, Internal Controls Awareness Week, Risk Awareness Week in 2023, Privacy Awareness Week, Fraud Awareness Week, and Internal Controls and Risk-Mitigation Activities Champion Awards.

MAYNILAD

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on APR 02 2025 2025.

By:

RAMONCITO S. FERNANDEZ President and Chief Executive Officer	**ALEX ERLITO S. FIDER** Corporate Secretary
RANDOLPH T. ESTRELLADO Chief Operating Officer	**RICARDO F. DE LOS REYES** Chief Finance Officer

SUBCSCRIBED AND SWORN to before me this ____ day of APR 02 2025 2025, affiants expressing to me their proofs of identity as follows:

NAMES	PASSPORT NO.	DATE AND PLACE OF ISSUE
Ramoncito S. Fernandez	P7519928A	13 June 2018 / DFA NCR East
Atty. Alex Erlito S. Fider	P5654887A	17 January 2018 / DFA Manila
Ricardo F. de los Reyes	P4333942B	09 Jan 2020 / DFA Manila
Randolph T. Estrellado	P7011672P	18 June 2021 / DFA Manila

ANN JULIENNE A. ARISTOZA
Appointment No. M-460
Notary Public for Makati City
Until December 31, 2025
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 84588
PTR No. 10468813/Makati City/01-03-2025
IBP No. 510908/Iloilo/12-17-2024
Admitted to the bar in 2023
MCLE No. VIII-0008239/April 19, 2024

Doc. No. 253;
Page No. 52;
Book No. V;
Series of 2025.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **FORTUNATO T. DE LA PEÑA,** Filipino, of legal age, and a resident of 5 APA Compound, Philand Drive, Tandang Sora, Quezon City after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Maynilad Water Services, Inc. (the "Corporation") and have been its independent director since 2023.

2. I am affiliated or have been previously affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Philippine Association for the Advancement of Science and Technology	President	2012-2016 2022-present
Resins, Inc.	Independent Director	2024-present
AMH Corporation (Engineering Design Company)	Independent Director	2023-present
De La Salle University	Independent Director	2022-present
Board of Automated Technology (ATEC) Philippines	Chairman	2023-present
Department of Science and Technology (DOST)	Secretary	2016-2022
	Undersecretary	2001-2014
Technology Application and Promotion Institute	Director	1989-1991
University of the Philippines	Professorial Lecturer in Industrial Engineering	2011-2016
	Professor of Industrial Engineering	1973-2011
	Vice-President for Planning & Development	1993-1999
	Director of Institute for Small Scale Industries	1992-2001
	Chairman of Department of Industrial Engineering	1982-1988

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this APR 0 3 2025 in MAKATI CITY City.

--Signature page follows—

FORTUNATO T. DE LA PEÑA
Affiant

SUBSCRIBED AND SWORN to before me this APR 03 2025 in MAKATI CITY, affiant exhibiting to me his Philippine Passport No. P5439461C issued on 5 October 2023 at DFA Manila and expiring on 4 October 2033.

Doc. No. 81;
Page No. 18;
Book No. I;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03 2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **GIL S. JACINTO,** Filipino, of legal age, and a resident of 33-B Masbate St., Nayong Kanluran, Quezon City after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Maynilad Water Services, Inc. (the "Corporation") and have been its independent director since 2023.

2. I am affiliated or have been previously affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
University of the Philippines System	Assistant Vice-President for Academic Affairs (Internationalization)	2017-2020
	Director for Office of International Linkages	2017-2020
University of the Philippines – Diliman, Marine Science Institute	Professor	1997- 2020
UNESCO National Commission-UN Decade of Ocean Science for Sustainable Development	Consultant	2021-present
National Academy of Science and Technology - Philippines	Academician	2023-present
IOC Advisory Body of Experts of the Law of the Sea	Member	2013-present
UNESCO Intergovernmental Oceanographic Commission	Philippine Focal Person	2014-present
United Nations Office for Project Services (UNOPS)	Technical Consultant	2025-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this APR 03 2025 in MAKATI CITY City.

--Signature page follows--

GIL S. JACINTO
Affiant

SUBSCRIBED AND SWORN to before me this APR 03 2025 in MAKATI CITY, affiant exhibiting to me his Philippine Passport No. P0304166C issued on 30 May 2022 at DFA Manila and expiring on 29 May 2032.

Doc. No. 83;
Page No. 18;
Book No. I;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MA. ASSUNTA C. CUYEGKENG,** Filipino, of legal age, and a resident of 67-B C. Salvador St., Varsity Hills Subd., Loyola Heights, Quezon City after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Maynilad Water Services, Inc. (the "Corporation") and have been its independent director since 2023.

2. I am affiliated or have been previously affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Ateneo de Manila University	Assistant Instructor Professor	1978-1980 1985-present
CHED Technical Working Group on Institutional Sustainability Assessment	Chairperson	2017-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this APR 03 2025 in MAKATI CITY City.

--Signature page follows--

Ma. Assunta C. Cuyegkeng
MA. ASSUNTA C. CUYEGKENG
Affiant

SUBSCRIBED AND SWORN to before me this APR 03 2025 in MAKATI CITY, affiant exhibiting to me her Philippine Passport No. P2829650B issued on 22 August 2019 at the DFA NCR East.

Doc. No. 92;
Page No. 18;
Book No. I;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

PART V.

EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Exhibit A – Reports on SEC Form 17-C

The following reports and financial statements were filed by the Corporation for the year 2024:

	Reports/Financial Statements Filed	Period Covered/Ended
1	SEC Form 17-C: Current	See Details in the Table Below
2	SEC Form 17-C: Current	See Details in the Table Below
3	SEC Form 17-Q: 2nd Quarter of 2024	June 30, 2024
4	SEC Form 17-Q: 3rd Quarter of 2024	September 30, 2024
5	2024 MWSI Audited Financial Statements – Parent	December 31, 2024
6	2024 MWSI Audited Financial Statements – Consolidated	December 31, 2024

Maynilad Water Services, Inc. reported the following items on SEC Form 17-C for the year 2024:

	Items Reported	Date/s Filed
1	Results of the Special Board of Directors' Meeting: a) Approval of Declaration of Cash Dividends; b) Approval of Increase in Authorized Capital Stock and Issuance of Common Shares; c) Approval of Conduct of the Initial Public Offering d) Approval of Amendment of Articles of Incorporation and By-Laws; and e) Calling of a Shareholders' Meeting on December 12, 2024	November 8, 2024
2	Results of the Annual Stockholders' Meeting: a) Approval of Increase in Authorized Capital Stock; b) Approval of Conduct of the Initial Public Offering; c) Approval of Amendment of Articles of Incorporation and By-Laws; d) Election of the Corporation's Directors; and e) Appointment of Sycip Gorres Velayo & Co. (SGV & Co.) as External Auditor	December 12, 2024

Exhibit B – Consolidated Financial Statements for the Year Ended December 31, 2024

i. Statement of Management's Responsibility for Consolidated Financial Statements
ii. Independent Auditor's Report
iii. Consolidated Statements of Financial Position as of December 31, 2024 and 2023
iv. Consolidated Statements of Income for the Years Ended December 31, 2024, 2023, and 2022
v. Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2024, 2023, and 2022
vi. Consolidated Statements of Changes in Equity for the Years Ended December 31, 2024, 2023, and 2022
vii. Consolidated Statements of Cash Flows for the Years Ended December 31, 2024, 2023, and 2022
viii. Notes to Consolidated Financial Statements
ix. Independent Auditor's Report on the Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
x. Independent Auditor's Report on Supplementary Schedules
xi. Independent Auditor's Report on Components of Financial Soundness Indicators
xii. Index to the Supplementary Schedules
    a. Schedule A. Financial Assets
    b. Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
    c. Schedule C. Amounts Receivables from Related Parties which are Eliminated During the Consolidation of Financial Statements
    d. Schedule D. Long-Term Debt
    e. Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Parties)
    f. Schedule F. Guarantees of Securities of Other Issuers
    g. Schedule G. Capital Stock
    h. Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
    i. Supplementary Schedule on Financial Soundness Indicators
    j. Supplemental Schedule of External Auditor: Fee-Related Information

MAYNILAD

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Maynilad Water Services, Inc. and Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2024, 2023, and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2024, 2023, and 2022, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

MANUEL V. PANGILINAN
Chairman of the Board

RAMONCITO S. FERNANDEZ
President and Chief Executive Officer

RICARDO F. DE LOS REYES
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 28 2025 at QUEZON CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Manuel V. Pangilinan	P9969361A	18 Dec 2018 / DFA NCR East
Ramoncito S. Fernandez	P7519928A	13 Jun 2018 / DFA NCR East
Ricardo F. de los Reyes	P4333942B	09 Jan 2020 / DFA Manila

Doc. No. ; 89
Page No. ; 19
Book No. ; V
Series of 2025.

ATTY. MANNY V. GRAGASIN
NOTARY PUBLIC
COMMISSION NO. 075 UNTIL DEC. 31, 2026 Q.C.
DPOS BLDG. GRD. FLR. QUEZON CITY HALL
IBP NO. 488431 / 12-27-24 / QUEZON CITY
PTR NO. 7009427 / 01-02-25 / QUEZON CITY
ROLL OF ATTORNEY'S NO. 56070
MCLE NO. VII-0028698 Until 04/14/25
TIN NO. 243-085-918

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	6	-	1	1	6	5	1

C O M P A N Y N A M E

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES (A Subsidiary of Maynilad Water Holding Company, Inc.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol 1119 Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
corpsec@mayniladwater.com.ph	8920-5485	09985305923

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
424	4th Tuesday of April	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Ricardo F. de los Reyes	Ricardo.delosReyes@mayniladwater.com.ph	8981-3310	–

CONTACT PERSON's ADDRESS

Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol, 1119 Quezon City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Maynilad Water Services, Inc.
Maynilad Building, MWSS Complex
Katipunan Ave., Pansol, 1119 Quezon City

Opinion

We have audited the consolidated financial statements of Maynilad Water Services, Inc. and its Subsidiaries (the Group), a subsidiary of Maynilad Water Holding Company, Inc., which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

SGV
Building a better working world

Revenue recognition for Manila Concession (West Zone)

About 99% of the Company's consolidated revenues comprises water and sewerage service revenues from the Metropolitan Waterworks and Sewerage System (MWSS) West Service Area. This matter is significant to our audit because water and sewerage service revenue recognition is affected by the: (a) completeness of data captured during meter readings, which involves processing large volume of data from multiple locations and different billing cut-off dates for different customers; (b) propriety of the application of the relevant rates to the billable consumption of different customers classified as residential, semi-business, commercial or industrial; and (c) reliability of the systems involved in processing bills and recording revenues.

Note 14 to the consolidated financial statements provide the relevant disclosures related to this matter.

Audit response

We obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. On a sample basis, we performed recalculation of the billed amounts, using the MWSS approved rates and formulae and compared them with the amounts reflected in the billing statements. We also performed substantive analytical procedures and involved our internal specialist in reviewing the procedures on recording revenues by using computer assisted audit techniques.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Other information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Meynard A. Bonoen.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465276, January 2, 2025, Makati City

February 18, 2025

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 24 and 25)	**₱10,519,541**	₱4,902,556
Trade and other receivables (Notes 3, 5, 14, 24 and 25)	**2,722,872**	2,418,070
Contract assets (Notes 14, 24 and 25)	**1,386,458**	1,205,041
Other current assets (Notes 6, 14, 24 and 25)	**2,130,695**	1,862,498
Total Current Assets	**16,759,566**	10,388,165
Noncurrent Assets		
Service concession assets (Notes 3, 7, 10, 11, 15 and 22)	**168,339,382**	140,919,477
Property and equipment (Notes 3 and 8)	**1,963,230**	1,889,754
Financial asset at fair value through other comprehensive income (Notes 9, 24 and 25)	**124,864**	124,864
Other noncurrent assets (Notes 3, 5, 6, 14, 22, 24 and 25)	**10,983,572**	10,381,305
Total Noncurrent Assets	**181,411,048**	153,315,400
	₱198,170,614	₱163,703,565
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 3, 12, 14, 15, 17, 23, 24 and 25)	**₱24,157,077**	₱20,567,655
Current portion of interest-bearing loans (Notes 7, 11, 24 and 25)	**4,186,065**	2,587,660
Current portion of service concession obligation payable to MWSS (Notes 7, 10, 24 and 25)	**1,027,255**	874,561
Income tax payable	**787,944**	530,752
Total Current Liabilities	**30,158,341**	24,560,628
Noncurrent Liabilities		
Interest-bearing loans - net of current portion (Notes 7, 11, 24 and 25)	**79,461,471**	59,214,238
Service concession obligation payable to MWSS - net of current portion (Notes 7, 10, 24 and 25)	**6,294,526**	6,489,036
Deferred tax liabilities - net (Note 16)	**1,737,595**	1,524,795
Deferred credits (Note 3)	**1,379,554**	1,207,936
Pension liability (Notes 3 and 17)	**870,805**	285,731
Customers' deposits (Notes 24 and 25)	**605,611**	548,618
Other noncurrent liabilities (Notes 2, 14 and 17)	**2,307,761**	1,702,283
Total Noncurrent Liabilities	**92,657,323**	70,972,637
Total Liabilities	**122,815,664**	95,533,265

(Forward)

	December 31	
	2024	2023
Equity		
Capital stock (Notes 1 and 13)	**₱5,683,728**	₱4,546,982
Additional paid-in capital (Note 13)	**10,030,294**	10,041,662
Treasury shares (Note 13)	**(960,555)**	(391,919)
Other comprehensive loss (Notes 9 and 17)	**(607,544)**	(108,427)
Other equity adjustments (Note 13)	**(309,220)**	(309,220)
Retained earnings (Note 13)		
Unappropriated	**20,969,247**	25,641,222
Appropriated	**40,549,000**	28,750,000
Total Equity	**75,354,950**	68,170,300
	₱198,170,614	₱163,703,565

See accompanying Notes to Consolidated Financial Statements.

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022
(Amounts in Thousands, Except Earnings per Share Value)

	Years ended December 31		
	2024	**2023**	2022
OPERATING REVENUE (Note 14)			
Water services:			
West zone	**₱27,143,464**	₱22,169,809	₱18,569,512
Outside west zone	**349,147**	255,291	238,897
Wastewater services -			
West zone	**5,785,440**	4,727,116	3,946,133
Others	**216,464**	171,049	120,191
	33,494,515	27,323,265	22,874,733
COSTS AND EXPENSES			
Amortization of service concession assets (Notes 3 and 7)	**3,028,573**	2,744,831	2,459,156
Salaries, wages and benefits (Notes 3, 15 and 17)	**2,893,449**	2,525,069	2,267,079
Contracted services	**1,642,111**	1,458,707	1,138,976
Utilities	**1,535,445**	1,665,086	1,714,030
Taxes and licenses	**1,026,052**	834,058	662,739
Repairs and maintenance	**873,926**	900,059	688,362
Materials and supplies	**869,304**	832,128	682,699
Depreciation and amortization (Notes 3, 8 and 22)	**527,324**	524,326	485,877
Purchased water	**294,803**	619,525	362,364
Regulatory costs	**280,457**	242,203	207,252
Transportation and travel	**220,562**	191,252	236,623
Collection charges	**197,918**	182,165	152,144
Business meetings and representations	**174,759**	159,701	119,494
Rental (Notes 22 and 23)	**148,664**	89,117	47,380
Provision for expected credit losses (Notes 3 and 5)	**112,368**	600,524	82,921
Advertising and promotion	**74,283**	57,550	33,819
Insurance	**64,021**	62,227	51,145
Others	**429,664**	412,651	460,705
	14,393,683	14,101,179	11,852,765
INCOME BEFORE OTHER INCOME (EXPENSES)	**19,100,832**	13,222,086	11,021,968
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works	**27,081,306**	19,175,281	14,994,961
Cost of rehabilitation works	**(27,081,306)**	(19,175,281)	(14,994,961)
Interest expense and other financing charges (Note 18)	**(2,414,395)**	(2,503,388)	(2,321,672)
Foreign exchange gains (losses) - net (Note 24)	**(1,643,393)**	(1,167,582)	1,764,650
Foreign currency differential adjustments (FCDA) (Note 3)	**1,656,317**	1,129,029	(1,741,839)
Interest income (Note 4)	**404,839**	221,664	30,093
Others - net (Notes 8, 9 and 20)	**(628,589)**	1,021,230	(771,473)
	(2,625,221)	(1,299,047)	(3,040,241)
INCOME BEFORE INCOME TAX	**16,475,611**	11,923,039	7,981,727
PROVISION FOR INCOME TAXES (Note 16)			
Current	**3,430,220**	2,409,324	1,919,469
Deferred	**263,977**	502,536	187,334
	3,694,197	2,911,860	2,106,803
NET INCOME	**₱12,781,414**	₱9,011,179	₱5,874,924
Basic Earnings Per Share (Note 19)	**₱2.85**	₱2.00	₱1.32
Diluted Earnings Per Share (Note 19)	**₱2.85**	₱1.98	₱1.30

See accompanying Notes to Consolidated Financial Statements.

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMEBER 31, 2024 AND 2023
(Amounts in Thousands)

	Years Ended December 31		
	2024	2023	2022
NET INCOME	**₱12,781,414**	₱9,011,179	₱5,874,924
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss not to be reclassified to profit or loss in subsequent period (Note 17):			
Remeasurement loss on retirement plan	**(550,295)**	(159,034)	224,564
Income tax effect	**51,178**	14,790	(38,412)
	(499,117)	(144,244)	186,152
TOTAL COMPREHENSIVE INCOME	**₱12,282,297**	₱8,866,935	₱6,061,076

See accompanying Notes to Consolidated Financial Statements.

DMAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022
(Amounts in Thousands)

	Capital Stock (Notes 1 and 13)	Additional Paid-in Capital (Note 13)	Treasury Shares (Note 13)	Other Comprehensive Income (Loss) (Notes 9 and 17)	Other Equity Adjustments (Note 13)	Retained Earnings (Note 13) Unappropriated	Retained Earnings (Note 13) Appropriated	Total
At December 31, 2023	**₱4,546,982**	**₱10,041,662**	**(₱391,919)**	**(₱108,427)**	**(₱309,220)**	**₱25,641,222**	**₱28,750,000**	**₱68,170,300**
Total comprehensive income	–	–	–	**(499,117)**	–	**12,781,414**	–	**12,282,297**
Issuance of new common shares	**1,136,746**	**(11,368)**	–	–	–	–	–	**1,125,378**
Acquisition of treasury shares	–	–	**(568,636)**	–	–	–	–	**(568,636)**
Reversal of appropriation	–	–	–	–	–	**2,501,000**	**(2,501,000)**	–
Appropriation for capital expenditures	–	–	–	–	–	**(14,300,000)**	**14,300,000**	–
Dividends declared	–	–	–	–	–	**(5,654,389)**	–	**(5,654,389)**
At December 31, 2024	**₱5,683,728**	**₱10,030,294**	**(₱960,555)**	**(₱607,544)**	**(₱309,220)**	**₱20,969,247**	**₱40,549,000**	**₱75,354,950**

See accompanying Notes to Consolidated Financial Statements.

	Capital Stock (Notes 1 and 13)	Additional Paid-in Capital (Note 13)	Treasury Shares (Note 13)	Other Comprehensive Income (Loss) (Notes 9 and 17)	Other Equity Adjustments (Note 13)	Retained Earnings (Note 13) Unappropriated	Appropriated	Total
At December 31, 2022	₱4,546,982	₱10,032,877	(₱349,054)	₱35,817	(₱309,220)	₱20,230,043	₱28,750,000	₱62,937,445
Total comprehensive income	–	–	–	(144,244)	–	9,011,179	–	8,866,935
Acquisition of treasury shares	–	–	(122,137)	–	–	–	–	(122,137)
Issuance of ESOP shares	–	8,785	79,272	–	–	–	–	88,057
Dividends declared	–	–	–	–	–	(3,600,000)	–	(3,600,000)
At December 31, 2023	₱4,546,982	₱10,041,662	(₱391,919)	(₱108,427)	(₱309,220)	₱25,641,222	₱28,750,000	₱68,170,300
At December 31, 2021	₱4,546,982	₱10,032,877	(₱217,245)	(₱150,335)	(₱309,220)	₱17,355,119	₱28,750,000	₱60,008,178
Total comprehensive income	–	–	–	186,152	–	5,874,924	–	6,061,076
Acquisition of treasury shares	–	–	(131,809)	–	–	–	–	(131,809)
Dividends declared	–	–	–	–	–	(3,000,000)	–	(3,000,000)
At December 31, 2022	₱4,546,982	₱10,032,877	(₱349,054)	₱35,817	(₱309,220)	₱20,230,043	₱28,750,000	₱62,937,445

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Thousands)

	Years ended December 31		
	2024	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱16,475,611**	₱11,923,039	₱7,981,727
Adjustments for:			
Amortization of service concession assets (Note 7)	**3,028,573**	2,744,831	2,459,156
Interest expense and other financing charges (Note 18)	**2,414,395**	2,503,388	2,321,672
Depreciation and amortization (Note 8)	**527,324**	524,326	485,877
Interest income (Note 4)	**(404,839)**	(221,664)	(30,093)
Pension cost (Note 17)	**152,875**	102,808	140,736
Provision for expected credit losses	**112,368**	600,524	82,921
Dividend income (Note 9)	**(28,000)**	(16,000)	(15,000)
Unrealized foreign exchange losses (gains)	**(1,079)**	(703)	(7,133)
Gain on sale of property and equipment (Note 8)	**(31)**	(1,998)	(895)
Cost of share-based payment (Note 13)	**–**	116,725	–
Others	–	(30,312)	(27,418)
Operating income before working capital changes	**22,277,197**	18,244,964	13,391,550
Decrease (increase) in:			
Trade and other receivables	**(398,415)**	(185,601)	460,408
Contract assets	**(181,418)**	(204,116)	158,144
Other current assets	**(268,198)**	(299,031)	(555,989)
Additions to service concession assets (Notes 7 and 26)	**(27,273,014)**	(19,564,546)	(15,313,961)
Increase (decrease) in:			
Trade and other payables	**2,559,315**	(1,483,302)	2,748,105
Customers' deposits	**61,909**	(31,064)	52,006
Other noncurrent liabilities	**898,384**	104,424	134,649
Cash generated from (used in) operations	**(2,324,240)**	(3,418,272)	1,074,912
Contributions to pension fund (Note 17)	**(118,848)**	(127,803)	(160,586)
Interest received	**386,084**	219,729	30,175
Income taxes paid	**(3,173,028)**	(2,513,388)	(1,654,400)
Net cash used in operating activities	**(5,230,032)**	(5,839,734)	(709,899)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other noncurrent assets	**(602,266)**	(6,564,072)	421,352
Acquisitions of property and equipment (Note 8)	**(522,910)**	(523,990)	(328,601)
Dividends received (Note 9)	**28,000**	16,000	15,000
Proceeds from sale of property and equipment (Note 8)	**65**	15,181	4,642
Net cash provided by (used in) investing activities	**(1,097,111)**	(7,056,881)	112,393
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the availment/drawdown of interest-bearing loans (Note 11 and 27)	**24,741,300**	18,829,316	17,741,902
Payments of:			
Dividends (Notes 13 and 27)	**(5,654,209)**	(3,599,723)	(2,999,782)
Interest-bearing loans (Notes 11 and 27)	**(2,565,306)**	(3,804,755)	(8,902,924)
Service concession obligation payable to MWSS (Notes 10 and 27)	**(952,976)**	(927,222)	(747,639)
Lease liability (Note 22)	**(167,521)**	(209,808)	(146,705)
Interest paid (Note 27)	**(4,025,270)**	(2,805,164)	(1,742,578)
Proceeds from share issuance (Note 13)	**1,136,746**	–	–
Acquisition of treasury shares (Note 13)	**(568,636)**	(122,137)	(131,809)
Net cash provided by financing activities	**11,944,128**	7,360,507	3,070,465
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,616,985**	(5,536,108)	2,472,959
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,902,556**	10,438,664	7,965,705
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**10,519,541**	₱4,902,556	₱10,438,664

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings per Share Value and Unless Otherwise Specified)

1. Corporate Information and Status of Operations

General

Maynilad Water Services, Inc. (Maynilad or the Parent Company) was incorporated on January 22, 1997 in the Philippines primarily to bid for the operation of the privatized system of waterworks and wastewater services of the Metropolitan Waterworks and Sewerage System (MWSS) for Metropolitan Manila.

On October 26, 2011, the Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation to amend its primary purpose to include the provision of allied and ancillary services and undertaking such other activities incidental to its secondary purposes.

On December 27, 2024, the SEC approved the amendments of the Articles of Incorporation to change its principal office address and capitalization (see Note 13)

Effective Interest in Maynilad

Maynilad Water Holding Company, Inc. (MWHCI) and Maynilad Subscription Agreements. Pursuant to the Subscription Agreements executed between Maynilad and MWHCI, a company incorporated in the Philippines and a 51.27% owned subsidiary of Metro Pacific Investments Corporation (MPIC), MWHCI subscribed to 134,022 common shares of Maynilad at par value on December 28, 2012. However, such shares were issued only on February 13, 2013. Along with the additional subscription to 402,067 common shares, this increased MWHCI's ownership interest in Maynilad to 92.85% as at December 31, 2013.

MCNK JV Corporation and MWHCI Subscription Agreements.
On December 28, 2012, a Subscription Agreement was executed between MCNK JV Corporation (MCNK, a subsidiary of the Japan-listed entity, Marubeni Corp.) and MWHCI where MCNK subscribed to 169,617,682 common shares of MWHCI. On February 13, 2013, MCNK and MWHCI entered into another Subscription Agreement for MCNK's additional subscription to 508,853,045 common shares, resulting in a 21.54% interest in MWHCI. On the same date, MPIC purchased 154,992,852 common shares of MWHCI from DMCI Holdings, Inc. (DMCI, a listed Philippine entity) resulting in ownership interests of 51.27% and 27.19% for MPIC and DMCI, respectively, as at December 31, 2013.

As at December 31, 2024 and 2023, Maynilad is a 94.40% and 92.85% owned subsidiary of MWHCI, respectively. In addition, MPIC directly owns 5.28% of the Company, resulting in an effective ownership interest of 53.68% and 52.80% as at December 31, 2024 and 2023, respectively.

Metro Pacific Holdings, Inc. (MPHI) owns 46.28% and 46.27% of the total issued common shares of MPIC as at December 31, 2024 and 2023. As the sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest, as a result of all of its shareholdings in MPIC, is estimated at 58.34% and 58.32% as at December 31, 2024 and 2023, respectively.

MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH; 60.0% interest), Intalink B.V. (26.7% interest) and First Pacific International Limited (FPIL; 13.3% interest). First Pacific Company Limited (FPC), a Hong Kong-based investment holding company incorporated in Bermuda and listed in The Hong Kong Stock Exchange, through its subsidiaries, Intalink B.V. and FPIL, holds 40.0% equity interest in EIH. Under Hong Kong Generally Accepted Accounting Principles, FPC is required to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group of companies in Hong Kong.

The newly registered office address of the Parent Company is Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol, 1119 Quezon City.

The accompanying Parent Company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on February 18, 2025.

Concession Agreement

On February 21, 1997, Maynilad entered into a Concession Agreement with the MWSS ("Original Concession Agreement" or "OCA"). Under the OCA, MWSS granted Maynilad, as agent, the right to perform certain functions and to exercise certain rights and powers under the MWSS Charter, and as contractor, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and wastewater services in the West Service Area, as defined in the OCA. This includes the right to bill and collect for water and wastewater services supplied in the West Service Area for 25 years or until May 6, 2022 (the "Expiration Date").

In April 2011, the Expiration Date was extended for 15 years, moving it to July 31, 2037, unless the OCA is pre-terminated due to an event of default. The MWSS approved the 15-year extension of the OCA in 2009 (see Notes 7, 10 and 22) and it was duly acknowledged by the Republic of the Philippines ("RoP"), through a Letter of Consent and Undertaking dated March 17, 2010 ("Republic Undertaking").

Maynilad is also tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Service Area. The legal title to these assets remains with MWSS. However, legal title to the property, plant and equipment that Maynilad contributes to the existing MWSS system during the concession period remains with Maynilad until the Expiration Date (or on early termination date), at which time, all rights, titles and interest in such assets will automatically vest in MWSS.

Sometime in the early part of 2019, then President Rodrigo Duterte ordered the review of the terms of the OCA of Maynilad and Manila Water. In January 2020, he caused the establishment of the Concession Agreements Review Committee ("RevCom") to review the OCA and to submit its recommendations to the President. The RevCom was composed of the Executive Secretary, the Secretaries of the Departments of Justice and Finance, the Solicitor General, the Government Corporate Counsel and the Presidential Adviser on Flagship Programs and Projects.

On May 18, 2021, Maynilad and MWSS signed the Revised Concession Agreement ("RCA"), the notable provisions of which are the following:

1. Confirmation of the July 31, 2037 Expiration Date;
2. Imposition of a tariff freeze until December 31, 2022;
3. Removal of the corporate income tax from among Maynilad's recoverable expenditures as well as the Foreign Currency Differential Adjustment ("FCDA");
4. Capping of the annual inflation factor to 2/3 of the Consumer Price Index ("CPI");
5. Imposition of rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous standard rate;

6. Removal from the Republic Undertaking of the non-interference of the Government in the rate-setting process, and the limitation of the RoP's financial guarantees to cover only those loans and contracts that are existing as of the signing of the RCA;
7. Replacement of the market-driven Appropriate Discount Rate with a 12% fixed nominal discount rate; and
8. Retention of the rate rebasing mechanism where, subject to the rate caps in item 5 above, the rates for the provision of water and wastewater services will be set at a level that will allow Maynilad to recover, over the term of the concession, expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The RCA was to take effect six months after its signing on May 18, 2021, or on November 18, 2021 ("Effective Date"), upon compliance with all the conditions precedent ("CPs"). However, the Republic Undertaking, which is among the CPs, has not yet been issued as of November 18, 2021. Hence, upon the request of the Concessionaires, the MWSS Board of Trustees ("MWSS BOT"), through a resolution passed on November 16, 2021, moved the RCA's Effective Date to December 18, 2021.

Maynilad, on December 14, 2021, again requested the MWSS BOT to defer the RCA's Effective Date by another two months (until February 16, 2022) or until the Republic Undertaking has been issued. Following the Regular Board Meeting held on February 10, 2022, MWSS issued Resolution No. 2022-015-CO to further extend the Effective Date of the RCA for thirty (30) days or until March 18, 2022. On March 9, 2022, the MWSS BOT approved to defer further the RCA Effective Date from March 18, 2022, until such time that the Republic Undertaking is issued.

On June 9, 2022, Maynilad received a copy of Resolution No. 2022-073-CO dated June 2, 2022, which approved the further extension of the Effective Date of the RCA until June 30, 2022, subject to receipt of the signed Republic Undertaking as required under Article 16.3 (iii) (c) of the RCA.

On June 30, 2022, Maynilad received MWSS's letter of even date informing Maynilad that the DOF has issued the Republic Undertaking dated June 24, 2022, signed by the Executive Secretary and the DOF Secretary.

Maynilad wrote the MWSS on July 1, 2022, informing them that the signed Republic Undertaking did not conform to the agreed form in the RCA, and, thus, Section 16.3 (iii) (c) of the RCA has not been satisfied. Thus, Maynilad's obligation to effect the changes in the OCA has not commenced.

Maynilad posited that the OCA as amended by the Technical Corrections Agreement dated July 31, 1997 and Amendment No. 1 dated October 5, 2001 and extended by the Memorandum of Agreement and Confirmation dated April 22, 2010 ("2010 MOA") and the Letter of Undertaking dated March 17, 2010 issued by the Department of Finance, remained valid and effective.

In the meantime, on January 22, 2022, Maynilad's legislative franchise or Republic Act (RA) No. 11600 ("RA 11600") took effect. RA 11600, which granted Maynilad a 25-year franchise or until 2047 to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite," recognized the OCA and the 2010 Memorandum of Agreement that extended the term of the concession for 15 years, or until 2037.

On August 9, 2022, pursuant to RA 11600, Maynilad formally applied for a 10-year extension of the RCA with the MWSS to be able to provide affordable water to its customers and mitigate anticipated tariff increases. On September 6, 2022, Maynilad provided MWSS the preliminary tariff impact simulations and highlighted the fiscal benefits of a 10-year extension of the RCA.

In a subsequent letter dated September 14, 2022, Maynilad proposed to the MWSS certain amendments to the RCA, which include: (a) reinstatement of the FCDA mechanism; (b) reinstatement of the full CPI Adjustment; and (c) review of the exclusions from the Material Adverse Government Action provision. Such request was made on account of certain events, i.e., the COVID-19 pandemic, the Ukrainian conflict and the significant depreciation of the Peso, which not only posed a challenge to Maynilad's operations but have also highlighted the need to ensure that the Concession Agreements are future-proof and the customers are guaranteed continuity of service.

On May 10, 2023, MWSS and Maynilad signed the Amendments to the RCA, among which include the following highlights:

1. Adjustment in the CPI factor from 2/3 to ¾ of the percentage change in the CPI for the Philippines;

2. Reinstatement of the FCDA, but only with respect to the (a) MWSS loans that are being and will be serviced by Maynilad, and (b) principal payments for drawn and undrawn amounts of Maynilad's foreign currency denominated loans existing as of June 29, 2022;

3. Introduction of a modified FCDA for Maynilad loans contracted after June 29, 2022. The FCDA and MFCDA mechanisms are based on the principle of "no over or under recovery" and does not impact the company's revenue position. However, this mechanism may be availed of only when there is an "extraordinary inflation" or "extraordinary deflation" of the Philippine Peso (i.e., more than 20% change in the base exchange rate) and the amount that may be recovered is capped (i.e., up to 50% of actual net forex gain over a period of one year);

4. Exclusion of certain events from what may not be considered as Material Adverse Government Action such as the amendment of existing rules, regulations and other issuances resulting from acts of the legislative and judicial branches of government and delay or inaction by the Regulatory Office ("MWSS-RO") on applications relating to rate adjustments filed by the Concessionaire; and

5. Deletion of the composition and decisions of the MWSS-RO from what may not be subject to arbitration.

The Amendments to the RCA took effect retroactively on June 29, 2022, the date of effectivity of the RCA.

Along with the Amendments to the RCA, the RoP issued, on May 10, 2023, the Republic Undertaking in the form agreed on by the Parties, the effectivity of which retroacted to July 1, 2022.

Pursuant to the requirement for a public hearing, Maynilad and the MWSS-RO conducted a public hearing/consultation on December 4, 2023 at the World Trade Center in Pasay City. On December 12, 2023, the MWSS-RO approved Maynilad' application to extend the term of its RCA from 2037 to 2047. Finding that the extension of the concession term will serve the best interest of the public, the MWSS BOT also Maynilad's 10-year extension application, subject to the requirement in Section 17.2 of the RCA that amendments thereto be acknowledged by the RoP, acting through the Secretary of Finance. As at February 18, 2025, the acknowledgment of the RoP is still pending.

Concession Fees
The aggregate Concession Fees pursuant to the Concession Agreement is equal to the sum of the following:

a. the percentage of the aggregate Philippine Peso equivalent due under any MWSS loan disbursed during the concession period, including MWSS loans for existing projects and the Umiray-Angat Transbasin Project ("UATP"), on the relevant payment date as specified in the RCA; and

b. an amount equal to one-half of the annual budget for MWSS for that year provided that such annual budget shall not, for any year, exceed ₱200 million, subject to C adjustments. As of January 2021, this was ₱576.66 million.

If the concession fees are not paid within the specified time, the U.S. dollar equivalent of such unpaid amount may be drawn on the Parent Company's performance bond. In addition, the unpaid amount shall be subject to penalties or default interest.

The concession fees have two major components: one referring to the Parent Company's contributions for MWSS' maintenance and operating expenditures (MOE) and the other, representing the MWSS' cost of borrowings to its external creditors. The CPI-indexed portion of the former is treated as an operational expenditure of the concession, while the remaining non-CPI-linked MOE plus the company's share in MWSS's loans are capitalized as part of its service concession assets and amortized over the remaining duration of the concession period. The loan component of the company's payment obligation in respect thereof rank at least pari passu with its unsecured payment obligations under other debt instruments.

Termination
MWSS has a right to terminate the RCA under certain circumstances, including, but not limited to, the company's failure to provide 24-hour water supply at the required pressure that continues for 15 days or three days in cases where the failure could adversely affect public health or welfare, its insolvency, its failure to perform service obligations under the RCA that continues for not less than seven days after written notice from the MWSS-RO and which, in the reasonable opinion of MWSS, jeopardizes the provision of essential water and sewerage supply services to all or any significant part of the West Zone, or if the MWSS-RO determines that the company is charging more than the prescribed fees. In the case of an event of termination caused by the company, the concession may either (i) be assigned to a qualified replacement operator nominated by the lenders who have provided financing for its activities in the RCA or (ii) revert to MWSS, following an agreed procedure in the RCA.

In either event, MWSS may draw on the Parent Company's performance bond. If the Parent Company's lenders fail to nominate a qualified replacement operator timely, then it is entitled to receive an early termination payment from MWSS, pursuant to a formula provided in the RCA. This payment consists of 75% of the value of assets not transferred to MWSS, capped at net Debt, plus 75% of the book value of shareholders' equity adjusted for the net book value of fixed assets based on the concessionaire's latest reported audited financial statements, costs of which have been approved by the MWSS-RO as an expenditure, without prejudice to MWSS demanding payment for penalties and liquidated damages. For this purpose, "common good" means those actions for "the promotion of health and safety, enhance the right of the people to a balanced ecology and preserve the comfort and convenience of those within the service concession area."

The Parent Company also has the right to terminate the concession for, among other things, the failure of MWSS to perform a material obligation under the RCA or upon occurrence of certain events that would impair the company's rights, subject to a curing period. However, certain events that may be considered as "Material Adverse Government Action", such as the reorganization of MWSS or any other regulatory agency, were excluded. In the case of early termination due to the fault of MWSS, the company is entitled to an early termination payment pursuant to a formula in the RCA. This payment includes the value of assets not transferred to MWSS, capped at net debt plus concessionaire loan breakage costs and shareholders' equity adjusted for the net book value of fixed assets based on the concessionaire's latest reported audited financial statements, costs of which have been approved by the MWSS-RO as an expenditure, without prejudice to MWSS demanding payment for penalties and liquidated damages.

Tariff Rate Determination under the Revised Concession Agreement
The Parent Company is mandated to deliver water and wastewater services to the West Zone until the end of the concession period under the RCA. Its services require spending for both operational expenditures for business operations and capital expenditures for infrastructure development. To recover such expenditures, the company is authorized to collect tariffs from customers throughout the concession period. The RCA is structured to allow the company to recover all approved costs, while earning a 12% annual rate of return on the Opening Cash Position (OCP), which should ultimately be reduced to zero by the end of the concession period.

At the end of the recording period, the Parent Company's activities in relation to carrying out its obligations under the RCA and its relevant receipts and expenditures, result in either a deficit or surplus cash flow. This cash flow is accumulated with the Parent Company's latest OCP, plus 12% return applied to it, to form its interim cash position or Accumulated Cash Position ("ACP"). The ACP is, subject to audit of the MWSS-RO in the next Rate Rebasing, for recovery through an adjustment to the Parent Company's tariff.

The Parent Company is entitled to recover its pre-operating, operating, capital maintenance and investment expenditures, taxes (excluding corporate income tax) and concession fees, while earning a fixed nominal return of 12%, before taxes, on these items. During a rate rebasing exercise, the Parent Company submits a business plan to the MWSS-RO for review, recommendation and approval. This business plan includes the Parent Company's service obligations, such as agreed service coverage and service level targets and outlines all investment and expenditure requirements in the concession area necessary to meet these service obligations. For the current period, these rate caps are based on a pro-forma tariff that assumes the previous tariff freeze from 2020 to 2022 was not implemented. Considering certain agreed assumptions, the MWSS-RO determines the tariff adjustment required for the company to recover its investments plus the guaranteed return over the concession's remaining life. Prior to implementation, the approved business plan and corresponding tariff increases undergo public consultations. Tariffs are structured based on customer classification and customer consumption brackets, with higher consumption levels resulting in a higher water rate on a per cubic meter basis.

Every five years, as part of the Rate Rebasing process, the OCP is validated through an audit by the MWSS-RO of the company's historical receipts and expenditures. During the process, the MWSS-RO also reviews and validates the company's Key Performance Indicators and Business Efficiency Measures ("KPI-BEMs"), which include its capital expenditure program and operating plans to fulfill service obligations. The MWSS-RO then sets the appropriate tariff based on the company's performance vis-à-vis the agreed targets, as well as the prudency and efficiency of the execution of projects and activities specified in the business plan for the prior five-year period. Accordingly, the present value of future cash flows, calculated by using the Appropriate Discount Rate ("ADR") of 12%, should be equal and opposite to the OCP at the start of the Rate Rebasing Period. The OCP represents potential headroom in financing its activities through possible tariff increases in future Rate Rebasing Periods.

To achieve the appropriate tariff rate, a one-time equivalent adjustment to the prevailing tariff rate may be necessary. This adjustment, whether an increase or decrease, is typically staggered over the five-year Rate Rebasing Period to mitigate consumer concerns over sudden tariff changes. The RCA imposes rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of previous standard rates. This structured approach ensures that Parent Company can continue to meet its service obligations while maintaining financial stability and transparency in its operations.

Rate Rebasing Exercise

Fourth Rate Rebasing (2013-2017)

- *2013-2017 Rate Rebasing - Domestic Arbitration.*

  MWSS released BOT Resolution No. 2013-100-RO dated September 12, 2013 and RO Resolution No. 13-010-CA dated September 10, 2013, reducing Maynilad's 2012 average all-in basic water charge by 4.82% or 1.46 per cu.m. or 0.29 per cu.m. for the rate rebasing period 2013 to 2017 (Fourth Rate Rebasing Period).

  On October 4, 2013, Maynilad filed its Dispute Notice before the Appeals Panel for Major Disputes challenging RO's determination of the Rebasing Adjustment as embodied in Resolution No. 13-010-CA.

  On December 17, 2013, the RO released Resolution No. 13-011-CA implementing a status quo for Maynilad's Standard Rates and FCDA pending the Appeals Panel's issuance of the arbitral award.

  On January 5, 2015, the Appeals Panel in an award dated December 29, 2014, upheld Maynilad's alternative Rebasing Adjustment for the Fourth Rate Rebasing Period of 13.41% or its equivalent of 4.06 per cu.m. ("First Award"). This increase has effectively been reduced to 3.06 per cu.m, following the integration of the 1.00 Currency Exchange Rate Adjustment (CERA) into the basic water charge.

  The First Award, being final and binding on the parties, Maynilad asked the MWSS to approve the 2015 Tariffs Table so that the same can be published and implemented 15 days after its publication.

  However, the MWSS and the RO chose to defer the implementation of the First Award despite it being final and binding on the parties and informed Maynilad that they have decided to await the final outcome of their arbitration with the other concessionaire, Manila Water, before making any official pronouncements on the applicable resulting water rates for the two Concessionaires.

- *2013-2017 Rate Rebasing - International Arbitration.*

  In a decision dated July 24, 2017, the Arbitral Tribunal ("Tribunal") unanimously upheld the validity of Maynilad's claim against the Republic Undertaking to compensate Maynilad for the delayed implementation of its relevant tariffs for the rebasing period 2013 to 2017 ("Second Award").

The Tribunal ordered the RoP to reimburse Maynilad the amount of ₱3,424.7 million for losses from March 11, 2015 to August 31, 2016, without prejudice to any rights that Maynilad may have to seek recourse against MWSS for losses incurred from January 1, 2013 to March 10, 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the RoP its losses from September 1, 2016 onwards. In case a disagreement on the amount of such losses arises, Maynilad may revert to the Tribunal for further determination.

Subsequently, Maynilad agreed with the corrected computation by the RoP of Maynilad's revenue losses from March 11, 2015 to August 31, 2016 in the amount of ₱3.18 billion (with cost of money as of August 31, 2016).

On February 11, 2019, Maynilad wrote the DOF about the amount of its updated claim for compensation by the RoP, which was ₱6,655.5 million ("Actual Losses"), with a request that the DOF order the MWSS and the RO to meet with Maynilad to agree and discuss a proposed settlement of the updated claim. The DOF never responded to this letter.

On December 10, 2019, during a joint hearing of the Congressional Committees on Public Accounts and Good Government and Public Accountability, Maynilad made an oral offer to waive its claims against RoP for the Actual Losses representing Maynilad's foregone revenues for the period March 11, 2015 to December 31, 2017.

On January 2, 2020, Maynilad executed the Release Form and Waiver of Claim on Arbitral Award ("Waiver") in favor of the RoP. In the Waiver, Maynilad, particularly its shareholders MPIC and DMCI Holdings, Inc., unconditionally waived its claim against the RoP for the payment of the Actual Losses and released and discharged the RoP, including the MWSS, from any liability or obligation with respect thereto. Maynilad emphasized that the Waiver does not constitute an admission of any unlawful act or liability of any kind on the part of Maynilad and the RoP and may not be used as evidence in any legal proceeding except to enforce or challenge its terms.

Fifth Rate Rebasing (2018-2022) and the Supreme Court Decision on the Consolidated Cases

On March 31, 2017, Maynilad submitted a five-year business plan to the RO for the new rate rebasing covering the years 2018 to 2022 with its proposed rate adjustments.

On September 13, 2018, the MWSS issued Resolution No. 2018-136-RO adopting RO Resolution No. 2018-09-CA dated September 7, 2018 granting Maynilad a partial rate adjustment of 5.73/cu.m. for the Fifth Rate Rebasing Period (2018 to 2022), to be implemented on an uneven staggered basis of (i) 0.90/cu.m. effective October 1, 2018; (ii) 1.95/cu.m. effective January 1, 2020, (iii) 1.95/cu.m. effective January 1, 2021, and (iv) 0.93/cu.m. effective January 1, 2022. The approved rate adjustment still did not include the CIT component to which Maynilad is entitled by virtue of the First Award. In their Resolutions, the MWSS and RO stated that the inclusion of the CIT in Maynilad's tariff is subject to the SC's resolution of MWSS's Petition for Review.

To preserve its right to the CIT which has already been adjudged in its favor in the First Award and pursuant to Article 12 of the Concession Agreement, Maynilad, on October 12, 2018, filed a Dispute Notice, signaling the start of another arbitration. However, on November 9, 2018, MWSS and Maynilad filed a joint application with the Appeals Panel to suspend proceedings to give the parties time to try to settle their differences amicably.

As stated previously, on January 2020, President Duterte ordered the review of the OCA on the ground that the same allegedly contained onerous provisions that were unfavorable to the National Government and the consuming public. Because of the review of the OCA, the rate adjustments for 2020 and 2021 were both suspended. Maynilad was able to implement only the first tranche of the Rebased Tariff on October 1, 2018, its first tariff adjustment since Maynilad filed an arbitration case against MWSS in 2013.

Following the RevCom's review of the OCA, Maynilad and the MWSS signed the RCA on May 18, 2021. One of the conditions precedent to the effectivity of the RCA was Maynilad's execution of a Release, Waiver and Quitclaim, expressly forfeiting the First Award in favor of the MWSS.

The RCA also stipulates that there shall be no rate adjustment until December 31, 2022.

In a decision promulgated by the Supreme Court on December 7, 2021, which was received by Maynilad on May 17, 2023, the Supreme Court, in the consolidated petitions filed by civil society groups, declared the OCA and its term extension valid but also declared Maynilad a public utility and consequently forbade it from recovering corporate income tax, in accordance with the Supreme Court's ruling in the Meralco case. This ruling, together with Maynilad's legislative franchise, have finally put to rest all of Maynilad's claims for inclusion of the corporate income tax as a recoverable expense pursuant to the First Award.

Sixth Rate Rebasing (2023-2027)
On October 24, 2022, Maynilad completed its public consultations for the 2023-2027 Rate Rebasing exercise. The results of the exercise, which include updated targets for key Service Obligations (Water and Wastewater Coverage, Water Service Level and Non-Revenue Water) and an undertaking to spend more than ₱160 billion worth of capital expenditure projects over the period 2023-2027, have been shared through public consultations.

The proposed Business Plan for the 2023-2027 Rate Rebasing also involves the "catch-up" implementation in 2023 of inflation adjustments for 2020-2022, followed by a phased implementation of further tariff increases between 2024-2027.

On November 10, 2022, the MWSS BOT approved Maynilad's Rate Rebasing Adjustment for the 6th Rate Rebasing Period, on a staggered basis, as follows: (i) ₱3.29/cu.m. effective January 1, 2023; (ii) ₱6.26/cu.m. effective January 1, 2024; (iii) ₱2.12/cu.m. effective January 1, 2025; (iv) ₱0.84 to ₱1.01/cu.m. effective January 1, 2026; and (v) ₱0.80 to ₱1.01/cu.m. effective January 1, 2027. The environmental charge will increase from 20% to 25% starting January 1, 2025, subject to Maynilad's attainment of sewer coverage of 25% by the end of 2024.

The implementation of the staggered tariff beginning 2024 is subject to Maynilad's attainment of its targets for water supply and continuity and coverage provided in the 2022 Approved Business Plan, as determined by the RO.

On December 15, 2022, Maynilad caused the publication of its Tariff Table, with the tariff adjustments taking effect on January 1, 2023.

On November 29, 2023, the MWSS BOT, through Resolution No. 2023-146-RO, approved Maynilad's new standard rates table with a Rate Adjustment Limit ("RAL") of 19.83%, composed of 3.53% "C" factor and 16.30% "R" factor. The RAL, as applied to the 2023 basic charge of ₱39.70/cu.m., resulted in an average adjustment of ₱7.87/cu.m. to the basic charge.

On December 15, 2023, Maynilad caused the publication of its Tariff Table, with the tariff adjustments taking effect on January 1, 2024.

RA 11600 – Maynilad's Legislative Franchise

RA 11600 grants Maynilad, a 25-year franchise to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite." RA 11600 affirms Maynilad's authority to provide waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and the Province of Cavite. RA 11600 took effect on January 22, 2022, 15 days after its publication in the Official Gazette on January 7, 2022. The 25-year term will end on January 21, 2047.

Aside from the grant of a 25-year franchise to Maynilad, the other highlights of RA 11600 include the following:

i. The grant of authority to the MWSS, when public interest for affordable water security so requires and upon application by Maynilad, to amend Maynilad's RCA to extend its term (i.e., 2037) to coincide with the term of the franchise. In addition, the RCA shall also act as Maynilad's Certificate of Public Convenience and Necessity for the operation of its waterworks and sewerage system. In the event the waterworks and sewerage system assets of MWSS pertaining to the Franchise Area are privatized by law, Maynilad shall have the right to match the highest compliant bid after a public bidding. The RCA between MWSS and Maynilad shall remain valid unless otherwise terminated pursuant its terms, or invalidated when national security, national emergency or public interest so requires;

ii. The prohibition on the passing of corporate income tax to Maynilad customers.

iii. The requirement to publicly list at least 30% of Maynilad's outstanding capital stock within five years from the grant of the franchise;

iv. The completion of Maynilad's water and sewerage projects to attain 100% coverage by 2037, which shall include periodic five-year completion targets; and

v. The grant to Maynilad of the right of eminent domain insofar as it is may be reasonably necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance and operation of the services, subject to the limitations and procedures under the law.

RA 11600 also has an equality clause which grants Maynilad, upon review and approval of Congress, any advantage, favor, privilege, exemption or immunity granted under existing franchises or which may be granted subsequently to water distribution utilities.

On March 21, 2022, the MWSS BOT passed Resolution No. 2022-025-RO, Series of 2022 (the "Resolution") which deals with the tax implications following the effectivity of the legislative franchise granted to the Concessionaires.

The Resolution confirmed that beginning March 21, 2022, which was when the Concessionaires formally accepted the terms of their respective legislative franchises, the charges for water and wastewater services will no longer be subject to the 12% VAT, but will be subject to Other Percentage Tax ("OPT").

The OPT, which shall be reflected as "Government Taxes" in the customers' statement of account, consists of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective local government units where the Business Area offices of the Concessionaires are located.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's and all of its subsidiaries' (collectively referred to as the "Group") functional and presentation currency, and all amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards include statements named PFRS Accounting Standards and Philippine Accounting Standards (PAS), including Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC) and Philippine Interpretations Committee (PIC).

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company, which include the financial statements of the Parent Company and those entities that it controls.

The financial statements of Maynilad and the following subsidiaries that it controls comprise the consolidated financial statements.

Subsidiaries	Nature of Business
Philippine Hydro, Inc. (Phil Hydro)	Bulk water supply and water distribution (outside the West Service Area)
Amayi Water Solutions Inc. (Amayi)	Water distribution (outside the West Service Area)

All subsidiaries are wholly-owned and incorporated in the Philippines.

Phil Hydro. On August 3, 2012, the Parent Company through a Share Purchase Agreement with a third party acquired 100% ownership interest in Phil Hydro.

Phil Hydro is engaged in waterworks construction, engineering and engineering consulting services. Phil Hydro is currently undertaking water supply projects outside Metro Manila in line with the thrusts of the government under Presidential Decree No. 198, also known as the Provincial Water Utilities Act of 1973, which mandates the local government units to create and operate local water utilities and provide potable water to the public.

Phil Hydro has existing 25-year Bulk Water Supply Agreements (BWSAs) with various provincial municipalities outside the West Service Area and a Memorandum of Agreement with certain provincial municipality for the construction and operation of water treatment facilities for water distribution services.

Amayi. Amayi is incorporated for the purpose of operating, managing, maintaining and rehabilitating waterworks, wastewater and sanitation system and services outside the Concession Area.

On February 19, 2019, Amayi entered into a concession agreement with the Municipality of Boac, Marinduque. The concession agreement shall be effective for a period of 25 years beginning on the commencement date.

On January 23, 2020, the Office of the Boac Waterworks Operation of the Municipality of Boac, Marinduque notified Amayi of the order of their newly elected Municipal Mayor calling for the review and further study of the concession agreement. On February 20, 2020, Amayi was informed through a letter from the Municipal Mayor that a joint legislative-executive panel has been created to review and re-examine the concession agreement, thus deferring the commencement date.

On January 23, 2024, operation of the Boac Waterworks has been turned over to Amayi.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All significant intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full upon consolidation.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the new standards effective as at January 1, 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Fair Value Measurement
The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair value measurement disclosures are presented in Note 24.

Financial Instruments

Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss (FVPL);

- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

The Group has no financial assets at FVPL and FVOCI where cumulative gains or losses previously recognized are reclassified to profit or loss as at December 31, 2024 and 2023.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "provision for expected credit losses" account in the consolidated statement of income.

This category includes cash and cash equivalents (excluding cash on-hand), trade and other receivables, restricted cash and deposits, which are presented under "Other current assets" and "Other noncurrent assets" in the consolidated statements of financial position.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit losses model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and
- the amount of the dividend can be measured reliably.

The Group's financial assets at FVOCI is their unquoted equity investments that are included in Note 9 as at December 31, 2024 and 2023.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

This category includes trade and other payables (excluding statutory payables), interest-bearing loans, service concession obligation payable to MWSS, customers' deposits, lease liabilities and other noncurrent liabilities.

The Group has no financial liabilities at FVPL as at December 31, 2024 and 2023.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets
A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- the Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (i) transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the

Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability has expired or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVPL:

- debt instruments that are measured at amortized cost;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized, and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade", or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to "Trade and other receivables".

<u>Service Concession Assets</u>

Parent Company. The Parent Company accounts for its concession arrangement with MWSS in accordance with IFRIC 12, *Service Concession Arrangement*, under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Concession Agreement, the Parent Company is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall vest in MWSS at the end of the concession period.

Phil Hydro. Phil Hydro accounts for its Bulk Water Supply Agreements in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service.

Service concession assets are recognized to the extent that the Group receives a license or right to charge the users of the public service. The service concession assets pertain to the fair value of the service concession obligations at drawdown date and construction costs related to the rehabilitation works performed by the Group. The Parent Company's service concession assets are amortized using unit of production (UOP) method over the projected total billable water volume during the remaining term of the service concession arrangement. Phil Hydro amortizes its service concession assets using straight-line method over the terms of the Bulk Water Supply Agreements and Memorandum of Agreement.

The amortization period for the service concession assets will begin when the assets are ready for their intended use.

The Group recognizes and measures revenue from rehabilitation works using input method. Under this method, progress is measured by reference to actual costs incurred to date.

Cost of rehabilitation works, which includes all direct materials, labor costs and those indirect costs related to contract performance, is recognized consistent with the revenue recognition method applied. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the revisions are determined.

Subsequent costs and expenditures related to the concession agreement are recognized as additions to service concession assets at fair value of obligations at drawdown date and cost of rehabilitation works.

Under IFRIC 12, if the operator provides construction or upgrade services the consideration received or receivable by the operator shall be recognized in accordance with PFRS 15. The consideration may be rights to; (a) a financial asset, or (b) an intangible asset. The operator shall recognize an intangible asset to the extent that it receives a right (a license) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. However, both types of consideration are classified as a contract asset during the construction or upgrade period in accordance with PFRS 15.

Under the concession agreement with MWSS, the Parent Company is obligated to render rehabilitation projects. Revenue from the rehabilitation works is recognized as revenue as the service is being performed using input method based on the actual costs incurred to date.

Service Concession Assets not yet available for use
For service concession assets not yet available for use as of reporting date, this is to be recognized as part of contract assets. These contract assets are tested for impairment similar with other non-financial assets under PAS 36, *Impairment of Assets*. These contract assets will form part of the service concession assets once completed.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Property and Equipment
The Group's property and equipment consist of land and land improvements, instrumentation tools and other equipment, office furniture fixtures and equipment, transportation equipment and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation and any impairment in value (see policy on "Impairment of Nonfinancial Assets"). Land is stated at cost.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land improvements	5 to 25 years
Instrumentation, tools and other equipment	5 years
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years
ROU assets – land and building	2 to 17.5 years
ROU assets – transportation equipment	2 to 5 years

The Group computes for depreciation charges based on the significant component of the asset.

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the item is derecognized.

Impairment of Nonfinancial Assets

An assessment is made at each reporting date to determine whether there is any indication of impairment of any nonfinancial assets (i.e., property and equipment and service concession assets), or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the Group estimates the asset's or CGU's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Foreign Currency-Denominated Transactions

Foreign exchange differentials arising from foreign currency transactions are credited or charged to operations. As approved by the MWSS BOT under Amendment No. 1 of the Concession Agreement, the following will be recovered through billings to customers:

- Restatement of foreign currency-denominated loans;
- Excess of actual concession fee payments over the amounts of concession fee translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise;
- Excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at drawdown date rates; and
- Excess of actual payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rates on settlement dates over the amount of other financing charges translated at drawdown date rates.

Under the Amendments to the RCA, FCDA will be based on the following: forex gains/losses arising from (a) principal and interest payments on all MWSS loans that are being and will be serviced by Maynilad, and (b) principal payments for drawn and undrawn amount of Maynilad's foreign currency denominated loans existing as of June 29, 2022. For Maynilad loans contracted after June 29, 2022, a modified FCDA will apply but may be availed of only when there is an "extraordinary inflation" or "extraordinary deflation" of the Philippine Peso (i.e., more than 20% change in the base exchange rate) and the amount that may be recovered is capped.

In view of the automatic reimbursement mechanism, the Parent Company recognizes deferred FCDA (included as part of "Other noncurrent assets" or "Deferred credits" accounts in the consolidated statements of financial position) with a corresponding credit (debit) to FCDA revenues for the unrealized foreign exchange losses (gains) which have not been billed or which will be refunded to the customers. The write-off of the deferred FCDA or reversal of deferred credits pertaining to concession fees will be made upon determination of the new base foreign exchange rate, which is assumed in the business plan approved by the RO during the latest Rate Rebasing exercise, unless indication of impairment of deferred FCDA would be evident at an earlier date. Deferred FCDA and deferred credits are calculated as the difference between the drawdown or rebased rate and the closing rate. These are presented as part of "Other noncurrent assets" and "Deferred credits" accounts in the consolidated statements of financial position, respectively.

Customers' Deposits

Customers' deposits are initially measured at fair value. After initial recognition, these deposits are subsequently measured at amortized cost using the effective interest method. Accretion of customers' deposits is included under "Interest expense and other financing charges" account in the consolidated statements of income. The discount is recognized as deferred credits and amortized over the remaining concession period using the effective interest method. Amortization of deferred credits is included as part of "Other income" account in the consolidated statements of income.

Revenue from Contracts with Customers

The Group is in the business of providing water services to its customers within its concession area. Revenue from contracts with customers is recognized when services are transferred to the customer at the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Water and Wastewater Services

Revenue from water and wastewater services is recognized upon the supply of water to the customers and when the related services are rendered. Billings to customers consist of the following:

a. Water charges

- Basic charges represent the basic tariff charged to consumers for the provision of water services.
- FCDA, which is the tariff mechanism that allows the Parent Company to recover foreign exchange losses or to compensate foreign exchange gains on a current basis beginning January 1, 2002 until the Expiration Date.
- Maintenance service charge represents a fixed monthly charge per connection. The charge varies depending on the meter size.

b. Wastewater charges

- Environmental charge represents 20% of the water charges, except for maintenance service charge.
- Sewerage charge represents 20% of the water charges, excluding maintenance service charge, for all consumers connected to the Parent Company's sewer lines. Effective January 1, 2012, pursuant to RO Resolution No. 11-007-CA, sewerage charge applies only to commercial and industrial customers connected to sewer lines.

c. Government taxes consist of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective LGUs where the Business Area offices of the Concessionaires are located (see Note 1).

- National franchise tax is 2% of total water and wastewater charges.
- Local franchise tax is based on the total water and wastewater charges using the applicable local franchise tax rate.

The performance obligations are satisfied over time and payment is generally due seven days from invoicing.

- *Connection and installation fees*

  The connection and installation fees are non-refundable upfront fees which do not provide a separate service. The connection and installation fees, along with the water and wastewater services are treated as one performance obligation. The Group determines the amortization period for deferred connection and installation revenues and costs based on the expected relationship with its customers. In the absence of other reliable information, the Company determined that the customers are expected to maintain their water and wastewater connection throughout the concession period. Therefore, the Company amortizes its deferred connection and installation revenues and related costs over the remaining concession period.

- *Contract costs*

  The Group recognizes costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable and record them in "Other current assets and "Other noncurrent assets" accounts in the consolidated statements of financial position.

  Costs incurred in fulfilling contracts with customers comprise of costs for connection and installation of the customers to the Group's water system. These costs are recognized as an asset to the extent they are considered recoverable to the extent of the actual costs incurred. The related asset is amortized over the remaining concession period during the satisfaction of performance obligations of the water and wastewater services.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*

  The Group provides water and wastewater services to its customers. Water and wastewater services are composed of water service, wastewater service connection and installation, maintenance and sanitation services. The Group has determined that the services are to be bundled and is considered as one performance obligation since the services are highly interrelated and highly interdependent with one another.

- *Determining the transaction price*

  The Group determined that the transaction price is the total consideration in the contract.

- *Determining the timing of satisfaction of connection and installation services*

  The Group concluded that the revenue from water and wastewater services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. As another entity would not need to re-perform the services that the Group has provided to date, this demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The services are on-going and is completed when the customer is disconnected from the Group's water system.

  When the Group provides construction or upgrade services, the consideration received, or receivable is recognized in accordance with PFRS 15. The Group accounts for revenue and costs relating to operation services based on the input method. Using this method, progress is measured by reference to the actual costs incurred to date. (shown as "Revenue from rehabilitation works" and "Cost of rehabilitation works" accounts in the consolidated statements of income).

Revenue Adjustments
Revenue adjustments, either considered as variable consideration or do not meet the criteria for revenue recognition, are being determined and reviewed on a periodic basis. These adjustments pertain to regularly unpaid bills and potential overbillings, which amounts are determined based on historical data and experience and the policies and parameters set by the Parent Company.

Contract Balances

Contract asset
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Cost and Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statements of income as incurred.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Treasury shares, which represent own equity instruments that are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issuance or the cancellation of the Parent Company’s own equity instruments.

Retained earnings represent the Group’s accumulated earnings less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted to fund capital expenditures. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend (Note 13).

Income Taxes

- *Current Income Tax*

  Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

- *Deferred Income Tax*

  Deferred income tax is provided, using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except in certain instances as provided by the relevant standards.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rate that is expected to apply to the period when the assets are realized or the liabilities are settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized in other comprehensive income account is included in the consolidated statements of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Share-based Payments
Employees of the Parent Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) under the Employee Stock Option Plan (ESOP).

The cost of equity-settled transactions is determined as the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in other equity adjustments, over the period in which the performance and/or service conditions are fulfilled and is shown as part of "Salaries, wages and benefits" account in the consolidated statements of income.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are not recognized unless virtually certain.

Earnings per Share (EPS)

Basic EPS is computed based on the weighted average number of outstanding shares and adjusted to give retroactive effect to any stock split during the year. The dilutive effect of outstanding ESOP shares is reflected as additional share dilution in the computation of diluted EPS.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standard requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. The uncertainties inherent in these estimates and assumptions could result in outcomes that could require material adjustments to the carrying amounts of the assets or liabilities affected in future years. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Amortization Method for Service Concession Assets. The Parent Company accounts for its concession arrangement with MWSS in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service. Phil Hydro accounts for its Bulk Water Supply Agreements in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service.

The Parent Company amortizes its service concession assets using the UOP method, given that the economic benefit of these assets is more closely aligned with billed volume, which the Parent Company can reliably estimate. Phil Hydro amortizes its service concession assets using the straight-line method over the terms of each Bulk Water Supply Agreements and Memorandum of Agreement.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below. The estimates and assumptions are based on the parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Parent Company. Such changes are reflected in the assumptions as they occur.

Allowance for ECL. The following information explains the inputs, assumptions and techniques used by the Group in estimating ECL:

- General approach for cash in banks and cash equivalents, non-trade receivables, restricted cash and deposits

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Group considers the probability of its counterparty to default its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized, forward-looking estimates and time value of money.

- Simplified approach for trade and other receivables (excluding non-trade receivables) and contract assets which are presented under "Other current assets".

  The Group uses a simplified approach for calculating ECL on trade and other receivables (excluding non-trade receivables) and contract assets using provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

  The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Group's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

- Incorporation of forward-looking information

  The Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the consumer price index, gross domestic product, inflation rate, unemployment rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Group for other purposes such as strategic planning and budgeting.

  The Group identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 9 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Group segmented its trade receivables based on their billing class as shown below:

  a. Domestic

     i. Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
     ii. Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.

  b. Non-domestic

     i. Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
     Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.

The following credit exposures are assessed individually:

a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and

b. Cash in banks and cash equivalents, deposits and restricted cash, non-trade receivables and deposits

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In 2023, the Parent Company made an assessment of its trade receivables without billing and collection beginning July 1, 2022. Consequently, outstanding receivables incurred in 2015 and prior years amounting to ₱820.9 million were written off in 2023 (see Note 5). As at December 31, 2024, outstanding receivables amounting to ₱34.3 million were also written off (see Note 5).

Provision for ECL amounted to ₱112.4 million, ₱600.5 million and ₱82.9112.4 million in December 31, 2024, 2023 and 2022, respectively. Trade and other receivables, net of allowance for ECL of ₱1,519.6 million and ₱1,441.5 million as at December 31, 2024 and 2023, respectively, amounted to ₱2,722.9 million and ₱2,418.1 million as at December 31, 2024 and 2023, respectively (see Notes 5 and 24).

Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and financial liabilities be carried at fair value, which requires the use of accounting estimates and judgments. The determination of the fair value requires management to make estimates and assumptions to determine the extent to which the Group receives a right of license to charge users of the public service. In making those estimates, management is required to determine a suitable discount rate to calculate for the present value of these cash flows. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect income and equity.

The fair values of financial assets and financial liabilities are set out in Note 25.

Estimated Billable Water Volume. The Parent Company estimated the billable water volume, where the amortization of service concession assets is derived from, based on the period over which the Parent Company's concession agreement with MWSS is in force. The Parent Company reviews annually the billable water volume based on factors that include market conditions such as population growth and consumption and the status of the Parent Company's projects and their impact on non-revenue water. It is possible that future results of operations could be materially affected by changes in the Parent Company's estimates brought about by changes in the aforementioned factors. A reduction in the projected billable water volume would increase amortization and decrease noncurrent assets.

In 2021, the Parent Company commissioned the Diliman Integrative Technical Consultancy, Inc. ("DITCI") to conduct a water demand study within its concession area. The result of this study was used to determine short-term and long-term water demand requirements. As such, DITCI prepared annual medium term (2022-2026) and long-term (through 2050) demand forecasts. The results of this study were used to forecast the latest billed volume that was included in the recently approved Business Plan and the same was also used for the new amortization of the Parent Company.

Service concession assets, net of accumulated amortization of ₱45,568.3 million and ₱42,542.8 million, amounted to ₱168,339.4 million and ₱140,919.5 million as at December 31, 2024 and 2023, respectively. Amortization of service concession assets amounted to ₱3,028.6 million, ₱2,744.8 million and ₱2,459.2 million in 2024, 2023 and 2022, respectively (see Note 7).

Estimated Useful Lives of Property and Equipment. The useful life of each item of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease property and equipment.

There was no change in estimated useful lives of property and equipment in 2024 and 2023.

Property and equipment, net of accumulated depreciation and amortization of ₱5,088.7 million and ₱4,743.0 million, amounted to ₱1,963.2 million and ₱1,889.8 million as at December 31, 2024 and 2023, respectively. Depreciation and amortization of property and equipment amounted to ₱527.3 million, ₱524.3 million and ₱485.9 million in 2024, 2023 and 2022, respectively (see Note 8).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The Parent Company used Optional Standard Deduction (OSD) and Regular Corporate Income Tax (RCIT or itemized deduction) in computing its taxable income in 2024 and 2023, respectively. Phil Hydro used itemized deduction in computing its taxable income in 2024 and 2023 (see Note 16). The method of deduction to be availed by the Parent Company is assessed every taxable year. Accordingly, deferred tax assets and liabilities are measured based on OSD or itemized deduction method depending on the forecasted gross and taxable income and which method of deduction is more beneficial to the Parent Company.

The Group recognized deferred tax assets amounted to ₱484.5 million and ₱362.3 million as at December 31, 2024 and 2023, respectively (see Note 16).

The Group did not recognize deferred tax assets on deductible temporary differences where doubt exists as to the tax benefits these deferred tax assets will bring in the future.

Deferred FCDA and Deferred Credits. Under Amendment No. 1 of the Concession Agreement, the Parent Company is entitled to recover (refund) foreign exchange losses (gains) arising from MWSS loans and any concessionaire loans. For the unrealized foreign exchange losses, the Parent Company recognized deferred FCDA as an asset since this is a resource controlled by the Parent Company as a result of past events and from which future economic benefits are expected to flow to the Parent Company. Unrealized foreign exchange gains, however, are presented as deferred credits and will be refunded to the customers.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023 (see Note 7).

The effect of change in rebased rate amounting to ₱841.7 million was accounted for as an adjustment of “Service concession assets” and “Deferred credits” accounts to adjust their carrying values based on the newly determined and approved rebased rate in 2023. No similar adjustment was made in 2024 (see Note 7).

Asset Impairment. The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include but not limited to the following:

- Significant under performance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use (VIU) approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the results of operations.

Noncurrent nonfinancial assets carried at cost and subjected to impairment test when certain impairment indicators are present are as follows:

	2024	2023
Service concession assets (see Note 7)	**₱168,339,382**	₱140,919,477
Property and equipment (see Note 8)	**1,963,230**	1,889,754
	₱170,302,612	₱142,809,231

In 2024 and 2023, there have been no substantive impairment indicators that necessitated further impairment assessment on these assets.

Computation of Pension Cost and Other Post-employment Benefits.

a. The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, turnover rate, mortality rate and salary increase rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

   In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Turnover rate is based on a 3-year historical information of voluntary separation and resignation by plan members.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Net pension cost related to non-contributory fund presented as part of “Salaries, wages and benefits” account in the consolidated statements of income amounted to ₱152.9 million, ₱102.8 million and ₱140.7 million and ₱103.0 million in 2024, 2023 and 2022, respectively. Pension liability amounted to ₱870.8 million and ₱285.7 million as at December 31, 2024 and 2023, respectively (see Note 17).

b. Pension cost related to contributory fund presented as part of “Salaries, wages and benefits” account in the consolidated statements of income amounted to ₱48.8 million, ₱22.9 million and nil in 2024, 2023 and 2022, respectively (see Note 17).

Determination of Other Long-term Incentive Benefits.
Long-term Incentive Plan (LTIP) for cycle 2019, 2021 and 2022 was approved by the Maynilad BOD on February 24, 2023. Management proposed, and the BOD accepted, the exclusion of 2020 results from the LTIP standards due to the highly unusual circumstances (pandemic, severe quarantine lockdowns) affecting financial performance for that year. It is also for this reason that the LTIP cycle was extended to include 2022 instead.

In keeping with Maynilad’s practice over previous years, management obtained the approval for the LTIP cycle covering the period 2023-2025 on December 10, 2024.

The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management’s assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company’s other long-term incentive benefits.

Accrued LTIP which was included as part of “Other noncurrent liabilities” accounts in the consolidated statements of financial position amounted to ₱586.7 million and ₱166.0 million as at December 31, 2024 and 2023. The total cost of the LTIP recognized by the Company presented as part of “Salaries, wages and benefits” account in the consolidated statements of income amounted to ₱420.7 million, ₱166.0 million and ₱5.2 million in 2024, 2023 and 2022, respectively (see Notes 12 and 17).

Provisions and Contingencies. The Group is currently involved in various legal and administrative proceedings. The Group’s estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group’s financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 20).

Disputes with MWSS. Pending resolution of the dispute between the Parent Company and MWSS on certain claims of MWSS, the disputed amount of ₱5.1 billion as at December 31, 2024 and 2023 is considered as contingent liability. The outstanding provision amounted to ₱607.2 million as at December 31, 2024 and 2023 (see Notes 7, 10 and 20).

4. Cash and Cash Equivalents

Cash and cash equivalents account consists of:

	2024	2023
Cash on hand and in banks	**₱3,044,842**	₱3,102,857
Cash equivalents	**7,474,699**	1,799,699
	₱10,519,541	₱4,902,556

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and cash equivalents, net of applicable final tax, amounted to ₱404.8 million, ₱221.7 million and ₱30.1 million in 2024, 2023 and 2022, respectively.

5. Trade and Other Receivables

This account consists of receivables from:

	2024	2023
Customers:		
Residential	**₱2,322,515**	₱2,165,337
Semi-business	**257,305**	249,202
Commercial	**685,346**	693,567
Industrial	**175,285**	182,829
Bulk water supply	**207,676**	101,806
	3,648,127	3,392,741
Employees	**46,328**	46,994
Others	**547,980**	419,823
	4,242,435	3,859,558
Less allowance for ECL	**1,519,563**	1,441,488
	₱2,722,872	₱2,418,070

The classes of the Company's receivables from customers are as follows:

- Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
- Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.
- Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
- Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.
- Bulk water supply – pertains to receivables arising from water service to water districts outside the West Service Area.

Receivables from customers and bulk water supply are non-interest bearing and generally have 60-day term.

Other receivables consist mainly of receivables from collecting agents normally received within 30 days and advances for construction and installation of water reticulation systems for subdivisions in the West Service Area payable on installment basis over a period of 3 to 5 years. Portion of advances for water reticulation systems expected to be collected beyond one year amounting to ₱6.3 million and ₱1.6 million as at December 31, 2024 and 2023 is presented as part of "Others" in "Other noncurrent assets" account in the consolidated statements of financial position.

The movements in the Company's allowance for ECL which was determined individually and collectively are as follows:

	2024					
	Receivables from Customers				**Other**	
	Residential	**Semi-Business**	**Commercial**	**Industrial**	**Receivables**	**Total**
January 1	**₱853,608**	**₱138,185**	**₱356,830**	**₱83,992**	**₱8,873**	**₱1,441,488**
Provisions	**45,141**	**4,978**	**12,585**	**3,090**	**46,574**	**112,368**
Write-off	**(29,325)**	**(669)**	**(2,469)**	**(1,804)**	**–**	**(34,267)**
Reversal	**–**	**–**	**–**	**–**	**(26)**	**(26)**
At December 31	**₱869,424**	**₱142,494**	**₱366,946**	**₱85,278**	**₱55,421**	**₱1,519,563**

	2023					
	Receivables from Customers				Other	
	Residential	Semi-Business	Commercial	Industrial	Receivables	Total
At January 1	₱1,042,950	₱141,959	₱379,998	₱88,079	₱9,207	₱1,662,193
Provisions	397,708	45,939	126,526	30,351	–	600,524
Write-off	(587,050)	(49,713)	(149,694)	(34,438)	–	(820,895)
Reversal	–	–	–	–	(334)	(334)
At December 31	₱853,608	₱138,185	₱356,830	₱83,992	₱8,873	₱1,441,488

The management recognized provision for ECL amounting to ₱112.4 million, ₱600.5 million and ₱82.9 million in 2024, 2023 and 2022, respectively.

6. Other Current Assets and Other Noncurrent Assets

Other Current Assets

This account consists of:

	2024	2023
Advances to supplier/contractors	**₱544,892**	₱561,163
Input VAT	**562,238**	537,222
Prepayments (see Note 22)	**400,948**	198,441
Deposits	**231,696**	237,990
Others (see Note 14)	**390,921**	327,682
	₱2,130,695	₱1,862,498

Advances to suppliers pertain to purchase of raw water while advances to contractors are normally applied within a year against billings.

Input VAT is an indirect tax on the purchased goods and services which the Company uses in its operations. Before March 21, 2023, the Company recovers its input VAT by offsetting it against the output VAT. Upon acceptance of the legislative franchise on March 21, 2022, the Company shifted from 12% VAT to Other Percentage Tax. The remaining input VAT refers to the unutilized input VAT from the purchase of capital goods to be amortized over the assets' remaining useful life and the input VAT associated with the retention payable from contractors' billings which will be either capitalized or expensed upon actual release of the retention money, subsequent to the final acceptance or turn-over of the completed project.

Prepayments mainly pertain to insurance, performance bond and local taxes (see Note 22).

Deposits mainly consist of bill deposits to Meralco.

As at December 31, 2024 and 2023, "Others" consist mainly of materials and supplies amounting to ₱317.6 million and ₱265.2 million, respectively; creditable withholding tax amounting to ₱40.9 million and ₱41.7 million, respectively; and cost of new water service connections amounting to ₱25.7 million and ₱20.8 million, respectively, that were capitalized since these costs are recoverable and directly associated with the contract with customers (see Note 14).

Other Noncurrent Assets

This account consists of:

	2024	2023
Mobilization fund	**₱9,796,828**	₱9,474,660
Cost of new water service connection (Note 14)	**536,986**	457,154
Deposits	**565,246**	375,365
Others (see Note 14)	**84,512**	74,126
	₱10,983,572	₱10,381,305

Mobilization fund pertains to advance payments to contractors for services purchased but not yet received and is normally applied within a year against progress billings.

Cost of new water connections pertains to costs attributable to installation of water connections to customers. These costs are recoverable and directly associated with the contract with customers under PFRS 15.

Deposits consists mainly of payments to LGUs as restoration deposits which are refunded upon completion of the project. As at December 31, 2024 and 2023, deposits for restoration works amounting to ₱487.0 million and ₱301.9 million, respectively.

As at December 31, 2024 and 2023, 'Others' pertains to Parent Company's deferred employee benefits amounting to ₱81.9 million and ₱71.5 million, net of accumulated amortization of ₱53.6 million and ₱37.4 million, respectively, and Amayi's deferred charges pertaining to cost of service concession assets, which are not yet in operation amounting to ₱2.6 million.

7. Service Concession Assets

The movements in this account are as follows:

	2024	2023
Cost:		
Balance at beginning of year	**₱183,462,264**	₱160,998,874
Additions	**30,448,478**	21,621,715
Reclassification	**(3,024)**	–
Effect of change in rebase rate	–	841,675
Balance at end of year	**213,907,718**	183,462,264
Accumulated amortization:		
Balance at beginning of year	**42,542,787**	39,810,942
Amortization	**3,028,573**	2,744,831
Reclassification	**(3,024)**	(12,986)
Balance at end of year	**45,568,336**	42,542,787
	₱168,339,382	₱140,919,477

Service concession assets consist of the present value of total estimated concession fee payments pursuant to the Concession Agreement (see Note 1), and the costs of rehabilitation works incurred.

Service concession assets also include Tranche B Concession Fees, which pertain to additional concession fees charged by MWSS to the Parent Company representing the cost of borrowings by MWSS as at December 2004. In 2005, pursuant to the Debt and Capital Restructuring Agreement (DCRA), the Parent Company had recognized and fully paid Tranche B Concession Fees amounting to US$36.9 million and the related accrued interest thereon (see Note 10).

Pursuant to the recommendation of the Receiver under the DCRA, the disputed amount being claimed by MWSS of additional Tranche B Concession Fees of US$18.1 million is considered as contingent liability of the Parent Company (see Notes 3, 10 and 20).

The Parent Company recognized additional concession fees amounting to ₱317.0 million and ₱1,102.8 million 2024 and 2023, respectively, mainly pertaining to various rehabilitation projects and UATP-related local component costs, were capitalized as service concession assets (see Note 10).

Specific borrowing costs capitalized as part of service concession assets of the Parent Company amounted to ₱2,975.7 million and ₱1,300.8 million in 2024 and 2023, respectively, while general borrowing cost capitalized as part of service concession assets amounted to ₱52.9 million and ₱55.9 million in 2024 and 2023, respectively (see Note 11). The rate used to determine the amount of general borrowing costs eligible for capitalization were 5.5% in 2024 and 2023, respectively.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023. The effect of change in rebased rate amounting ₱841.7 million was accounted for as an adjustment of “Service concession assets” and “Deferred credits” accounts to adjust their carrying values based on the newly determined and approved rebased in 2023. These foreign exchange differences, which may no longer be recovered through the FCDA mechanism under the Concession Agreement, pertain to actual concession fee payments by Maynilad to MWSS, hence, formed part of the service concession assets. No similar adjustment was made in 2024.

In addition to the payments of service concession obligation payable to MWSS reported in the consolidated statements of cash flows at rebased rates amounting to ₱953.0 million and ₱927.2 million as at December 31, 2024 and 2023, respectively, and the Regulatory Costs reported in the consolidated statements of income amounting to ₱280.5 million, ₱242.20 million and ₱207.25 million in 2024, 2023 and 2022, respectively, the Parent Company paid actual concession fees of ₱205.5 million and ₱403.0 million as at December 31, 2024 and 2023, respectively.

Phil Hydro accounts for each of its BWSAs (except the BWSA with New Era University) and MOA with Municipal Government of Rizal, Nueva Ecija (MGRNE) in accordance with IFRIC 12, *Service Concession Arrangements* under the Intangible Asset model as it receives the right (license) to charge users of public service. In 2019, the Company recognized impairment loss on service concession assets of Phil Hydro amounting to ₱93.2 million and was recognized as part of the accumulated amortization. Service concession assets that are not yet available for use are subjected to impairment testing under PAS 36.

Service concession assets under construction and rehabilitation of the Group amounting to ₱77.5 billion and ₱53.9 billion as at December 31, 2024 and 2023, respectively, are considered as contract assets under PFRS 15.

8. Property and Equipment

The roll forward analysis of this account follows:

	2024						
	Land and Land Improvements	**Instrumentation, Tools and Other Equipment**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**ROU Assets - Land and Building**	**ROU Assets - Transportation Equipment**	**Total**
Cost							
At January 1	**₱44,617**	**₱2,185,428**	**₱2,269,010**	**₱1,001,167**	**₱513,482**	**₱619,070**	**₱6,632,774**
Additions	**–**	**191,635**	**278,523**	**52,752**	**–**	**83,863**	**606,773**
Reclassification	**–**	**(222,041)**	**221,741**	**300**	**–**	**–**	–
Disposals	**–**	**(82,368)**	**(89,108)**	**(11,536)**	**(4,594)**	**–**	**(187,606)**
At December 31	**44,617**	**2,072,654**	**2,680,166**	**1,042,683**	**508,888**	**702,933**	**7,051,941**
Accumulated Depreciation and Amortization							
At January 1	**3,841**	**1,290,141**	**1,942,219**	**769,742**	**350,615**	**386,462**	**4,743,020**
Depreciation and amortization	**252**	**75,091**	**172,748**	**128,681**	**74,311**	**76,241**	**527,324**
Reclassification	**–**	**2,495**	**(2,673)**	**178**	**–**	**–**	**–**
Disposals	**–**	**(80,718)**	**(89,108)**	**(11,536)**	**(271)**	**–**	**(181,633)**
At December 31	**4,093**	**1,287,009**	**2,023,186**	**887,065**	**424,655**	**462,703**	**5,088,711**
Net Book Value at December 31	**₱40,524**	**₱785,645**	**₱656,980**	**₱155,618**	**₱84,233**	**₱240,230**	**₱1,963,230**

	2023						
	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	₱51,601	₱2,109,313	₱2,112,528	₱901,558	₱513,190	₱290,618	₱5,978,808
Additions	–	153,105	254,707	116,178	292	328,452	852,734
Disposals	(6,984)	(76,990)	(98,225)	(16,569)	–	–	(198,768)
At December 31	44,617	2,185,428	2,269,010	1,001,167	513,482	619,070	6,632,774
Accumulated Depreciation and Amortization							
At January 1	3,589	1,301,676	1,877,731	660,816	271,651	289,385	4,404,848
Depreciation and amortization	252	65,456	162,713	119,295	79,533	97,077	524,326
Reclassification	–	–	–	–	(569)	–	(569)
Disposals	–	(76,991)	(98,225)	(10,369)	–	–	(185,585)
At December 31	3,841	1,290,141	1,942,219	769,742	350,615	386,462	4,743,020
Net Book Value at December 31	₱40,776	₱895,287	₱326,791	₱231,425	₱162,867	₱232,608	₱1,889,754

The Parent Company sold items of property and equipment for a total consideration of ₱0.07 million, ₱15.2 million and ₱4.6 million in 2024, 2023 and 2022, respectively. Net gain on disposals of property and equipment amounting to ₱0.03 million, ₱2.0 million and ₱0.9 million in 2024, 2023 and 2022, respectively, is presented as part of "Others - net" account under "Other income (expenses)" in the consolidated statements of income.

No property and equipment as at December 31, 2024 and 2023 have been pledged as security or collateral.

9. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The financial assets at FVOCI amounted to ₱124.9 million as at December 31, 2024 and 2023 which pertains to the Parent Company's investments in unquoted equity shares in a local water distribution company. Dividend income on financial assets at FVOCI presented as part of "Others – net" account under "Other income (expenses)" in the consolidated statements of income amounted to ₱28.0 million, ₱16.0 million and ₱15.0 million in 2024, 2023 and 2022, respectively.

10. Service Concession Obligation Payable to MWSS

This account consists of:

	2024	2023
Concession fees payable (see Note 7)	**₱6,714,564**	₱6,756,380
Accrued interest	**607,217**	607,217
	7,321,781	7,363,597
Less current portion	**1,027,255**	874,561
	₱6,294,526	₱6,489,036

Interest accretion on service concession obligation amounted to ₱605.9 million, ₱640.2 million and ₱562.7 million in 2024, 2023 and 2022, respectively (see Note 18).

Disputes with MWSS

The Parent Company has been contesting certain charges billed by MWSS relating to: (a) the basis of the computation of interest; (b) MWSS cost of borrowings; and (c) additional penalties. Consequently, the Parent Company has not provided for these additional charges. These disputed charges were effectively reflected and recognized by the Parent Company as Tranche B Concession Fees amounting to US$30.1 million by virtue of the DCRA entered in 2005. The Parent Company also paid US$6.8 million in 2005 as an additional amount of Tranche B Concession Fees determined by the Receiver (see Note 7).

The Parent Company reconciled its liability to MWSS with the confirmation and billings from MWSS. The difference between the amount confirmed by MWSS and the amount recognized by the Parent Company amounted to ₱5.1 billion as at December 31, 2024 and 2023. The difference mainly pertains to disputed claims of MWSS consisting of additional Tranche B Concession Fees, borrowing cost and interest penalty under the Concession Agreement (prior to the DCRA). The Parent Company's position on these charges is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 3, 7 and 20).

Following the issuance of the Rehabilitation Court's Order on December 19, 2007 disallowing the MWSS' disputed claims and the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve the matter in accordance with the dispute resolution requirements of the transitional and clarificatory agreement (TCA).

Prior to the DCRA, the Parent Company has accrued interest on its payable to MWSS based on the terms of the Concession Agreement, which was disputed by the Parent Company before the Rehabilitation Court. These already amounted to ₱985.3 million as at December 31, 2011 and have been charged to interest expense in prior years. The Parent Company maintains that the accrued interest on its payable to MWSS has been adequately replaced by the Tranche B Concession Fees discussed above. The Parent Company's position is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 7 and 20). With the prescription of the TCA and in light of the Parent Company's current negotiation and outstanding offer of US$14.0 million to fully settle the claim of MWSS, the Parent Company reversed the amount of accrued interest in excess of the US$14.0 million settlement offer amounting to ₱378.1 million in 2012. The remaining balance of ₱607.2 million as at December 31, 2024 and 2023, which pertains to the disputed interest penalty under the Concession Agreement prior to DCRA, has remained in the books pending resolution of the remaining disputed claims of MWSS.

The schedule of undiscounted estimated future concession fee payments, based on the term of the Concession Agreement, is as follows:

	In Original Currency		
Year	Foreign Currency Loans (Translated to US$) *	Peso Loans/ Project Local Support	Total Peso Equivalent
		(In Millions)	
2025	$10.2	₱781.9	₱1,372.2
2026	9.8	800.7	1,369.8
2027	11.2	826.4	1,473.3
2028-2037	78.2	9,854.2	14,377.4
	$109.4	₱12,263.2	₱18,592.7

**Translated using the December 31, 2024, exchange rate of ₱57.845:US$1.*

Additional concession fee liability relating to the extension of the Concession Agreement (see Note 1) is only determinable upon loan drawdown of MWSS and the actual construction of the related concession projects.

11. **Interest-bearing Loans**

This account consists of:

	2024	2023
₱18.5 billion Corporate Notes	**₱17,514,135**	₱17,665,650
₱15.0 billion Blue Bonds	**15,000,000**	–
₱10.0 billion Term Loan Facility (MBTC)	**10,000,000**	–
₱10.0 billion Term Loan Facility (BPI)	**9,937,500**	10,000,000
₱6.0 billion Term Loan Facility (BDO)	**5,925,000**	6,000,000
₱6.0 billion Term Loan Facility (LBP)	**5,400,000**	5,700,000
₱5.0 billion Term Loan Facility (LBP)	**5,000,000**	5,000,000
¥13.1 billion Facility Loan (JICA)	**4,465,757**	4,999,070
₱4.0 billion Term Loan Facility (LBP)	**3,950,000**	4,000,000
₱4.8 billion Term Loan Facility (DBP)	**3,339,000**	3,657,000
₱5.0 billion Term Loan Facility (BDO)	**2,777,778**	3,333,333
¥7.9 billion Facility Loan (JCB)	**966,960**	1,448,860
₱1.4 billion Facility Loan (JICA)	–	409,712
Peso-denominated Bank Loan (LBP)	**15,937**	47,813
	84,292,067	62,261,438
Less unamortized debt issuance costs	**644,531**	459,540
	83,647,536	61,801,898
Less current portion	**4,186,065**	2,587,660
	₱79,461,471	₱59,214,238

₱18.5 billion Corporate Notes (Various Lenders)
On February 22, 2018, the Parent Company entered into several loan agreements for the refinancing of all its existing loans under the ₱21.2 billion Term Loan and ₱5.0 billion Corporate Notes, whereby the Parent Company was granted a Term Loan Facility (“the Notes Facility”) in the aggregate amount of ₱18.5 billion. Under the new terms, the loan shall be drawn in three tenors; 7Y, 10Y and 15Y Fixed Corporate Notes, payable in semi-annual installments within fifteen years to commence at the end of the 6th month after the initial issue date and bears interest rate per annum equal to the applicable benchmark rate plus 0.60%, 0.70% and 0.60% per annum for the 7Y, 10Y and 15Y Fixed Corporate Notes, respectively. The Notes Facility is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱199.7 million were recognized in 2018 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱15.0 million, ₱14.2 million and ₱13.5 million in 2024, 2023 and 2022, respectively, is presented as part of “Interest expense and other financing charges” account in the consolidated statements of income (see Note 18).

₱15.0 billion Blue Bonds
On July 12, 2024, the Parent Company listed its maiden bond issuance with an aggregate issue size of ₱15 billion (the “Blue Bonds” or the “Offer”) on the Philippine Dealing & Exchange Corp. in support of its capital expenditure on sustainable water and wastewater management. The Blue Bonds were issued in two (2) series – (i) Series A: 6.7092% 5-Year fixed rate bonds due 2029 and (ii) Series B: 7.0931%10-Year fixed rate bonds due 2034. The proceeds from the Offer shall be used primarily to finance Eligible Blue Projects and/or Blue Activities under SEC Memorandum Circular No. 15, Series of 2023 (“Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines”). The bonds are secured by a negative pledge.

Debt Issuance Costs. All legal, professional fees and other related debt issue cost incurred in relation to the debt totaling ₱183.6 million were recognized in 2024 and offset against the related debt. Debt issuance costs are amortized using the EIR method over the term of the debt.

Specific borrowing costs capitalized as part of service concession assets related to this debt amounted to ₱504.0 million in 2024 (see Note 7).

<u>₱10.0 billion Term Loan Facility (Metropolitan Bank & Trust Co.)</u>
On March 22, 2024, the Parent Company entered into a Loan Agreement with Metropolitan Bank & Trust Co. The loan shall be payable in semi-annual installments within ten years to commence on September 26, 2025 and bears fixed interest rates of 6.5% per annum for the first five years. The interest rate applicable for the remaining five years tenor will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱75.1 million were recognized in 2024 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱506.8 million in 2024 (see Note 7).

<u>₱10.0 billion Term Loan Facility (Bank of the Philippine Islands)</u>
On May 10, 2023, the Parent Company entered into a Loan Agreement with Bank of the Philippine Islands. The first and second drawdowns amounting to ₱5.0 billion each were drawn on May 11, 2023 and October 3, 2023, respectively. The loan shall be payable in semi-annual installments within ten years to commence on November 11, 2024 and bears fixed interest rates of 6.41% and 7.00% per annum for the first and second drawdown, respectively, for the first five years. The interest rate applicable for the remaining five years will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱75.2 million were recognized in 2023 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱686.9 million and ₱299.4 million in 2024 and 2023, respectively (see Note 7).

<u>₱6.0 billion Term Loan Facility (BDO Unibank Inc.)</u>
On November 15, 2022, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. to: (i) partially fund capital expenditure requirements; (ii) refinance existing obligations; and (iii) fund other general corporate requirements. The drawdown from this facility was made on November 17, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18^{th} month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+3+4, each tenor will be based on Bloomberg Valuation Service reference rate plus 65 basis points credit spread with interest rate floor as follows: (i) 3Y – 5.75% per annum and (ii) 4Y – 5.90% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱45.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱442.8 million and ₱443.3 million in 2024 and 2023, respectively (see Note 7).

₱6.0 billion Term Loan Facility (Land Bank of the Philippines)
On August 10, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines for the refinancing of its existing loan under the US$137.5 million MWMP Loan. The drawdown from this facility was made on August 12, 2022.

The loan shall be payable in semi-annual installments within fifteen years to commence at the end of the 6th month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+5+5+2, each tenor will be based on Bloomberg Valuation Service reference rate plus 50 basis points credit spread with interest rate floor as follows: (i) 3Y – 4.50% per annum, (ii) 5Y – 5.25% per annum and (iii) 2Y – 4.25% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱60.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱5.0 million, ₱5.2 million and ₱2.2 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱5.0 billion Term Loan Facility (Land Bank of the Philippines)
On December 11, 2023, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines. Drawdown from this facility was made on December 14, 2023. The loan shall be payable in semi-annual installments within ten years to commence on June 14, 2025, and bears fixed interest rate of 6.60% per annum for the first three years. The interest rate on the re-pricing date will be based on applicable benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling to ₱37.6 million were recognized 2023, respectively, and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets amounted to ₱337.9 million and ₱16.7 million in 2024 and 2023, respectively (see Note 7).

Total general borrowing costs amounted to ₱52.9 million and ₱55.9 million in 2024 and 2023, respectively (see Note 7).

¥13.1 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the JICA whereby the Parent Company was granted a Japanese yen-denominated Facility Loan, amounting to ¥13.1 billion. The loan shall be payable in semi-annual installments within seventeen years to commence on October 10, 2022. Drawdowns amounting to ¥0.7 billion, ¥0.5 billion, ¥0.8 billion and ¥0.9 billion were made on April 2, 2019, June 28, 2019, August 30, 2019 and December 6, 2019, respectively. The final drawdown amounting to ¥10.2 billion was made on June 23, 2023. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱54.3 million and ₱7.3 million were recognized in 2019 and 2018, respectively, and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱7.6 million, ₱5.0 million, ₱2.5 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18). Amortization of debt issuance costs attributed to this loan amounting to ₱7.6 million, ₱5.0 million and ₱2.5 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱4.0 billion Term Loan Facility (Land Bank of the Philippines)
On November 7, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines to partially fund the general corporate requirements of the Company. The drawdown from this facility was made on November 10, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18th month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+5+2, each tenor will be based on Bloomberg Valuation Service reference rate plus 50 basis points credit spread with interest rate floor as follows: (i) 3Y – 4.50% per annum, (ii) 5Y – 5.25% per annum and (iii) 2Y – 4.25% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱40.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱289.6 million and ₱290.0 million in 2024 and 2023, respectively (see Note 7).

₱4.8 billion Term Loan Facility (Development Bank of the Philippines)
On February 24, 2014, the Parent Company entered into a Loan Agreement with the Development Bank of the Philippines. The loan proceeds shall be used to finance the first stage of the Parañaque-Las Piñas STP and associated wastewater conveyance system.

The loan shall be payable in semi-annual payments within twenty years to commence at the end of the fifth year, which bears a fixed rate per annum equal to 6.0%. The first, second, third and fourth drawdowns amounting to ₱1.0 billion, ₱2.0 billion, ₱1.0 billion and ₱0.8 billion were made on March 2, 2015, October 4, 2016, August 1, 2017 and March 5, 2018, respectively. The ₱4.8 billion Term Loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱46.1 million were recognized in 2015 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱207.8 million and ₱235.9 million in 2024 and 2023, respectively (see Note 7).

Under the terms of the loan agreements, the Parent Company may, at its option and without premium and penalty, redeem the Corporate Notes in whole or in part, subject to the conditions stipulated in the agreements. The embedded early redemption and prepayment options are clearly and closely related to the host debt contract, and thus, do not require to be bifurcated and accounted for separately from the host contract.

₱5.0 billion Term Loan Facility (BDO Unibank Inc.)
On November 26, 2019, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. The loan shall be payable in semi-annual installments within ten years to commence on May 29, 2021, and bears a fixed rate per annum of 4.9505% for the first five years. The interest rate for the remaining five years will be based on the applicable benchmark rate plus 0.60% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱37.8 million were recognized in 2019 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱4.3 million, ₱4.9 million and ₱5.5 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the account in the consolidated statements of income (see Note 18).

¥7.9 billion Facility Loan (Japanese Commercial Bank)
On June 7, 2017, the Parent Company entered into a credit agreement (Facility Agreement) with foreign banks, namely The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank Ltd., and Sumitomo Mitsui Banking Corporation (collectively referred to as "the Lenders"). The first and second drawdowns amounting to ¥4.9 billion and ¥3.0 billion were made on August 20, 2018 and November 28, 2018, respectively. The loan shall be payable in semi-annual installments within ten years to commence at the end of the 36th month from the date of the Facility Agreement. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱70.6 million were recognized in 2018 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱5.9 million, ₱7.7 million and ₱9.4 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱1.4 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the Japan International Cooperation Agency (JICA) whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱1.4 billion. The loan shall be payable in semi-annual installments within seven years to commence on October 15, 2021. Drawdowns amounting to ₱0.5 billion, ₱0.5 billion and ₱0.4 billion were made on May 18, 2018, September 25, 2018 and December 21, 2018, respectively. The loan is secured by a negative pledge.

Covenants
The loan agreements contain, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio. As at December 31, 2024 and 2023, the Parent Company has complied with these covenants.

₱255.0 million Peso-denominated Loan of Phil Hydro (Land Bank of the Philippines)
On May 4, 2015, Phil Hydro entered into a Loan Agreement with the Land Bank of the Philippines. The loan shall be payable in quarterly installments within eight years of commencement after the end of the 8th quarter and bears an interest rate per annum equal to the higher of (i) the applicable benchmark rate plus 1.0% per annum, or (ii) 5.5% per annum. The benchmark rate shall be determined by reference to the Philippine Dealing System Treasury Reference Rates (PDST-R2) rate. The peso-denominated loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱1.3 million were recognized in 2015 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱0.1 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Covenants
The loan agreement contains, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio. As at December 31, 2024 and 2023, Phil Hydro has complied with these covenants.

Unamortized Debt Issuance Cost
The movements in the balance of unamortized debt issuance costs related to all interest-bearing loans are as follows:

	2024	2023
Balance at beginning of year:		
Peso Loans	**₱401,083**	₱328,951
Japanese Yen-denominated	**58,457**	28,175
Peso Bonds	**–**	–
	459,540	357,126
Additions during the year:		
Peso Loans	**75,088**	112,784
Japanese Yen-denominated	**–**	42,215
Peso Bonds	**183,611**	–
	258,699	154,999
Amortization during the year*:		
Peso Loans	**48,286**	40,652
Japanese Yen-denominated	**13,505**	11,933
Peso Bonds	**11,917**	–
	73,708	52,585
Balance at ending of year:		
Peso Loans	**427,885**	401,083
Japanese Yen-denominated	**44,952**	58,457
Peso Bonds	**171,694**	–
	₱644,531	₱459,540

**Debt issue cost amortization amounted to ₱35.6 million and ₱15.5 million in 2024 and 2023, respectively, were capitalized to service concession asset.*

The repayments of loans based on existing terms are scheduled as follows:

	In Original Currency			
Year	Japanese Yen-Denominated*	Peso Loans	Peso Bonds	Total Peso Equivalent
2024	¥2,269.5	₱3,352.7	₱–	₱4,186.1
2025	2,269.5	1,575.3	–	2,408.6
2026	1,742.8	1,733.0	–	2,372.9
2027	1,216.2	3,379.7	–	3,826.2
2028 onwards	7,297.0	53,818.8	15,000.0	71,498.2
	¥14,795.0	₱63,859.5	₱15,000.0	₱84,292.0

**Translated using the December 31,2024 exchange rate of ₱0.3672: JPY*

12. Trade and Other Payables

This account consists of:

	2024	2023
Accrued expenses (see Notes 17 and 20)	**₱10,442,948**	₱9,473,171
Accrued construction costs (see Note 15)	**6,938,546**	5,757,553
Trade and other payables	**5,776,510**	4,891,638
Due to a related party (see Note 15)	**941,077**	397,335
Contract liabilities (see Note 14)	**57,996**	47,958
	₱24,157,077	₱20,567,655

Accrued expenses mainly consist of provisions, salaries, wages and benefits, contracted services, and interest payable to the banks. Details of provisions required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* are not disclosed as these may prejudice the Company's positions in relation to the cases pending before the courts or quasi-judicial bodies.

Accrued interest expense which form part of the total accrued expenses is the amount of interest payable to the bank and investors, from the Parent Company's interest-bearing loans and issued bonds (See also Note 11 and 18). Such amounting to ₱1,051.8 million and ₱708.7 million as at December 31, 2024 and 2023, respectively.

Accrued construction costs represent unbilled construction costs from contractors that are normally settled upon receipt of billings.

Trade and other payables are non-interest bearing and are normally settled within one year. These consist of deferred output VAT amounting to ₱171.0 million and ₱166.1 million as at December 31, 2024 and 2023, respectively. Deferred Output VAT pertains to the tax on the Parent Company's uncollected vatable sales due upon the collection of the respective receivables. Sales connected to deferred output VAT took place before the effectivity date of R.A. No. 11976 Ease of Paying Taxes (EOPT) Act. Retention in contract payable amounted to ₱4,933.0 million and ₱3,396.3 million as at December 31, 2024 and 2023, respectively. These are the amount of money withheld by the Parent Company.

Trade payables also include liabilities relating to assets held in trust (see Note 23) used in the Parent Company's operations amounted to ₱98.5 million and ₱97.3 million as at December 31, 2024 and 2023, respectively.

13. **Equity**

a. The Parent Company's authorized and issued shares as at December 31, 2024 and 2023 are presented below:

	2024		2023	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized common shares – ₱1 par value	**9,093,964,000**	**₱9,093,964,000**		
Authorized common shares – ₱1000 par value			4,546,982	₱4,546,982,000
Issued and outstanding – common shares:				
Beginning of year – *₱1 par value*				
Class A – ₱1000 par value	**4,222,482**	**₱4,222,482,000**	4,222,482	₱4,222,482,000
Class B – ₱1000 par value	**236,000**	**236,000,000**	236,000	236,000,000
ESOP shares –₱1000 par value	**88,500**	**88,500,000**	88,500	88,500,000
Total	**4,546,982**	**4,546,982,000**	4,546,982	4,546,982,000
Stock split on 2024 *(1:1,000)*	**1,000**	–	–	–
Total	**4,546,982,000**	**4,546,982,000**	4,546,982	4,546,982,000
Issuance of shares	**1,136,745,500**	**1,136,745,500**	–	–
Issued shares	**5,683,727,500**	**5,683,727,500**	4,546,982	4,546,982,000
Less: Treasury shares	**71,100,000**	**960,554,583**	34,607	391,918,720
End of year	**5,612,627,500**	**₱4,723,172,917**	4,512,375	₱4,155,063,280
Treasury shares:				
Beginning of year	**34,607**	**₱391,918,720**	32,749	₱349,054,137
Reacquisition of ESOP shares	**36,493**	**568,635,863**	8,147	122,136,795
Total	**71,100**	**960,554,583**	40,896	471,190,932
Stock split on 2024 *(1:1,000)*	**1,000**	–	–	–
Total	**71,100,000**	**960,554,583**	40,896	471,190,932
Less: Reissuance	–	–	6,289	79,272,212
End of year	**71,100,000**	**₱960,554,583**	34,607	₱391,918,720

Amendments to the Articles of Incorporation. On December 27, 2024, Parent Company received approval from SEC through Certificate of Approval on Increase of Capital Stock from ₱4,546,982,000 divided into 4,222,482 Class A common shares of the par value of ₱1,000 each; 236,000 Class B common shares of the par value of ₱1,000 each; and 88,500 ESOP shares of the par value of ₱1,000 each, to ₱9,093,964,000 divided in 9,093,964,000 shares of the par value of ₱1 each, approved by majority of the Board of Directors on November 8, 2024 and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on December 12, 2024.

Simultaneous with the increase in authorized capital stock, the following amendments were also approved by the affirmative vote of at least a majority member of the Board of Directors in their regular meeting held on November 8, 2024 and by the affirmative vote of the stockholders owning or representing at least 2/3 of the outstanding capital stock of the Company in their duly constituted meeting held on December 12, 2024, and the SEC through Certificate of Approval dated December 27, 2024:

1. Reclassifying the Common Class "A" Shares and Common Class "B" Shares into a single class of "Common Shares";
2. Reduction in the par value of Common Class "A" and Class "B" Shares from ₱1,000 to ₱1 per share;

3. Reclassifying the 88,500 ESOP Shares to “Common Shares”; and
4. Reduction in the par value of ESOP Shares from ₱1,000 to ₱1.00 per share

Of the net increase in the authorized capital stock of ₱4,546,982,000, consisting of 4,546,982,00 common shares at a par value of ₱1 per share, the amount of ₱1,136,745,500 were subscribed and fully paid in cash by the following subscribers:

Subscriber	Nationality	No. of Shares	Amount Subscribed	Amount Paid-up
Maynilad Water Holding Company, Inc.	Filipino	1,076,567,289	₱1,076,567,289	₱1,076,567,289
Metro Pacific Investments Corporation	Filipino	60,178,211	60,178,211	60,178,211
		1,136,745,500	₱1,136,745,500	₱1,136,745,500

a. ESOP and Treasury Shares

The employees of the Parent Company are allowed equity participation of up to six percent (6%) of the issued and outstanding capital stock of the Parent Company upon the effective date of the increase in authorized capital stock of the Parent Company pursuant to and in accordance with the provisions of Clause 2.6 of the DCRA. For this purpose, a series of 88,500,000 nonvoting convertible redeemable shares (ESOP Shares) was created from common Class A shares as reflected in the Parent Company’s amended Articles of Incorporation. In 2008, the ESOP shares were effectively reduced to 88,500 shares due to change in par value from ₱1 to ₱1,000. The ESOP shares have no voting rights, except for those provided under Section 6 of the Corporation Code and have no pre-emptive rights to purchase or subscribe to future or additional issuances or disposition of shares of the Parent Company.

Within thirty (30) days after the earlier of (i) the end of the fifth year from the creation of the ESOP Shares, and (ii) the listing date for common shares in a recognized Philippine Stock Exchange, the Parent Company may redeem the ESOP shares at a redemption ratio equal to one common share for every ESOP share held and such common shares so exchanged shall have the same rights and privileges as all other common shares.

Each ESOP Share will be convertible, at the option of the holder thereof, at any time during the period commencing the earlier of (i) the end of the fifth year from the creation of the ESOP Shares; or (ii) the listing date for common shares in a recognized Philippine Stock Exchange into one fully paid and non-assessable common share. Such common share shall have the same rights and privileges as all other common shares. Conversion of the ESOP Share may be effected by surrendering the certificates representing such shares to be converted to the Parent Company common shares at the Parent Company’s principal office or at such other office or offices as the BOD may designate, and a duly signed and completed notice of conversion in such form as may from time to time be specified by the Parent Company (a “Conversion Notice”), together with such evidence as the Parent Company may reasonably require to prove the title of the person exercising such right. A Conversion Notice once given may not be withdrawn without the consent in writing of the Parent Company.

In 2012, the Board and shareholders of the Parent Company approved the amendment of its Articles of Incorporation to allow for the reissuance of ESOP shares that have been bought back by the Parent Company from separated employees. Upon approval by the SEC of the amendment on January 31, 2013, ESOP shares reacquired by the Parent Company from its resigned employees were subsequently reissued to all qualified employees.

In October 2024, the Parent Company conduct a series of roadshows and consultation for ESOP shares – buyback and conversion to common shares in relation to Parent Company's conversion of all types of shares into common shares. Employees were given until November 14, 2024 to submit their respective duly signed notice of acceptance of terms and conditions about selling/keeping of ESOP shares. Actual payment for ESOP shares reacquired by Parent Company was paid on December 13, 2024.

ESOP shares reacquired by the Parent Company from employees' equivalent to 71,100 shares and 34,607 shares, amounted to ₱960.6 million and ₱391.9 million as at December 31, 2024 and 2023, respectively, were presented as treasury shares.

b. Dividends

On February 20, 2023, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends of ₱797.69 per common share amounting to ₱3.6 billion to all shareholders of record as at February 28, 2023. Payments were made on April 14, 2023.

On February 27, 2024, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends amounting to ₱4.5 billion (₱998.57 per common share) to all shareholders of record as at February 29, 2024. Payments were made on April 15, 2024.

On November 8, 2024, during regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends amounting to ₱1.1 billion to stockholders of record as at November 8, 2024. Payments were made on November 13, 2024.

c. Appropriation of Retained Earnings

On February 26, 2018 and October 29, 2018, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱15.0 billion and ₱5.0 billion for various water and wastewater projects. The appropriation is intended to fund the Parent Company's capital expenditures for (1) water sources and treatment; (2) operations support programs to sustain, enhance and expand the water facilities and operations in the following areas: (i) service level at 24 hours water availability at a minimum of 16 psi water pressure, (ii) water coverage, (iii) reliability, flexibility and adaptation to climate change, and (iv) right-of-way and lot acquisition for water facilities; (3) pipelaying of secondary and tertiary pipelines; (4) sanitation programs; and (5) customer service and information capex. As at December 31, 2024, these projects are still ongoing.

On November 26, 2019, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱7.0 billion to fund the Parent Company's capital expenditures for the following projects: (1) upgrading of Dagat-Dagatan sewage treatment plan to 205MLD South Caloocan-Malabon-Navotas (CAMANA) Water Reclamation Facility, and (2) the design and build of the 140 MLD Water Reclamation Facility for the Central Manila Sewerage System. These projects are expected to be implemented in the next five years. As at December 31, 2024, these projects are still ongoing.

On December 7, 2020, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱1.75 billion to fund capital expenditures for pipelaying projects expected to be implemented in the next two years. As at December 31, 2024, these projects are still ongoing.

At the meeting of the Board of Directors of the corporation held on December 10, 2024, the Parent Company's BOD passed and approved the following:

- Reversal of ₱2.5 billion appropriated retained earnings (to be reverted to unappropriated retained earnings) due to updates in awarded contract values and removal of completed projects mentioned in the previous appropriations; and

- Appropriation of retained earnings in the amount of ₱14.3 billion to fund new and ongoing capital expenditure requirements, primarily related to wastewater projects expected to be completed in the next two (2) years.

As at December 31, 2024, out of all projects appropriated prior to December 10, 2024, only nine (9) projects remain and still ongoing – six (6) projects from 2018, two (2) projects from 2019 and one (1) project from 2020.

The accumulated earnings which are included in the Group's retained earnings amounting to ₱40.5 million and ₱28.8 million as at December 31, 2024 and 2023, respectively, are not available for dividend declaration. Retained earnings are further restricted for payment of dividends to the extent of cost of treasury shares and net deferred tax liabilities amounting to ₱960.6 million and ₱213.8 million, respectively.

d. Equity Adjustments

Redemption of Preferred Shares

The Parent Company issued and redeemed preferred shares in 2008. Foreign exchange fluctuation from date of issuance of the preferred shares to the date of issuance of notice of redemption, amounting to ₱309.2 million, is recognized as part of "Other equity adjustments" account shown under the equity section of the consolidated statements of financial position.

Maynilad Share-based Payment

On December 1, 2023, the BOD approved the awarding of 6,514 ESOP shares to all qualified Maynilad employees to be paid through stock purchase bonus (equity-settled transaction). The ESOP covers employees who have met the following eligibility criteria:

a. The employee has completed a full year's service, either as a regular or probationary employee, from December 1, 2022 to November 30, 2023 (the "Period");

b. The employee has obtained at least a satisfactory rating in the previous performance appraisal immediately preceding December 1, 2023;

c. The employee has not been suspended at any time during the Period;

d. The employee has not exceeded 10 days of absences without official leave during the Period; and

e. The employee has not exceeded 20 days of leave without pay during the Period.

Communication to eligible employees was made on December 18, 2023.

The fair value of ESOP shares amounting to ₱14,001.74 per share was determined based on the Parent Company's equity value at the date of grant using the discounted cash flows (DCF) method.

The grant of shares under the ESOP does not require an exercise to be paid by the employees nor are there cash alternatives. All ESOP shares will be held in treasury until issuance.

Equity-based compensation expense recognized by the Parent Company under "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱116.7 million in 2023. No ESOP expense was recognized in 2024.

In November 2024, all ESOP shareholders had given the option to sell or keep their shares. The company then, reacquired and paid all employees who sold their shares while those who choose to retain their shares were converted to common shares.

There were no more ESOP shares outstanding as at December 31, 2024.

14. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2024	2023	2022
Geographical areas:			
West zone	**₱33,145,368**	₱27,067,974	₱22,635,836
Outside west zone	**349,147**	255,291	238,897
	₱33,494,515	₱27,323,265	₱22,874,733

Contract balances:

	2024	2023
Trade receivables		
(gross of allowance for ECL) (Note 5)	**₱3,648,127**	₱3,392,741
Contract assets	**1,386,458**	1,205,041
Cost of new water service connections	**562,653**	477,993
	₱5,597,238	₱5,075,775
Contract liabilities	**₱1,270,202**	₱1,099,368

Trade receivables are non-interest bearing and are generally on terms of 60 days.

Contract assets are initially recognized after rendering water and wastewater services to a customer before the customer pays consideration or before payment is due. Upon completion of the performance obligation the amounts recognized as contract assets are reclassified to trade receivables. Contract assets of the Parent Company as at December 31, 2024 and 2023 consist of the following:

	2024	2023
Customers:		
Residential	**₱656,041**	₱572,689
Semi-business	**100,173**	85,557
Commercial	**471,488**	390,216
Industrial	**158,756**	156,579
	₱1,386,458	₱1,205,041

Contract liabilities are initially recognized from the collection of the connection and installation fees and is recognized over the remaining concession period as the Parent Company provides water and wastewater services to customers. The Parent Company recognized contract liabilities under "Trade and other payables" account amounted to ₱58.0 million and ₱48.0 million for the current portion and ₱1,212.2 million and ₱1,051.4 million for the noncurrent portion under the "Other noncurrent liabilities" account in the consolidated statements of financial position as at December 31, 2024 and 2023, respectively. Cost of new water service connections recognized amounted to ₱25.7 million and ₱20.8 million under "Other current assets" and ₱537.0 million and ₱457.2 million under "Other noncurrent asset" account in the consolidated statements of financial position as at December 31, 2024 and 2023, respectively, since these costs are recoverable and is directly associated with the contract with customers.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Subsidiary of a significant influence investor					
DM Consunji, Inc.					
Revenue from trade and non-trade services	**2024**	**₱76.0 million**	**₱2.8 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	₱74.0 million	₱4.0 million		
Construction costs (see Note 12)	**2024**	**4,039.7 million**	**(124.0) million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3,168.9 million	890.1 million		
Rental	**2024**	**–**	**(1.9 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(1.9 million)		
Training Fees	**2024**	**0.4 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	–		
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	**2024**	**10.0 million**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	8.6 million	0.3 million		
Electricity costs	**2024**	**1,216.2 million**	**226.6 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	1,668.4 million	335.1 million		
Meralco Industrial Engineering Services Corporation					
Construction costs (see Note 12)	**2024**	**–**	**0.9 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	2.3 million	0.9 million		
Revenue from trade and non-trade services	**2024**	–	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	–	1.0 thousand		
Miescor Logistics, Inc					
Repairs and maintenance	**2024**	**–**	**(1.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(1.8 million)		
Indra Philippines, Inc.					
Revenue from trade and non-trade services	**2024**	**–**	**40.0 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	–	72.0 thousand		
Commercial outsourcing of information technology and system services	**2024**	**346.4 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	229.1 million	21.0 thousand		

(Forward)

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
PLDT, Inc.					
Revenue from trade and non-trade services	**2024**	**₱10.6 million**	**₱67.7 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	9.4 million	48.1 thousand		
Communication expenses	**2024**	**16.3 million**	**(0.2 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	5.4 million	(0.6 million)		
Ecosystem Technologies International, Inc.					
Revenue from trade and non-trade services	**2024**	**14.8 thousand**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	0.1 million	0.3 million		
Construction costs (see Note 12)	**2024**	**131.9 million**	**5.8 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	83.2 million	67.3 million		
Others					
Revenue from trade and non-trade services	**2024**	**42.1 million**	**29.5 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	34.8 million	24.6 million		
Management fees	**2024**	**0.3 million**	**6.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	5.9 million		
Communication expenses	**2024**	**45.8 million**	**(6.5 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	51.4 million	(8.7 million)		
Insurance	**2024**	**24.5 thousand**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(14.2 thousand)		
Sponsorship fees	**2024**	**–**	**(43.0 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(43.0 thousand)		
Donations	**2024**	**60.8 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	149.3 million	–		
Dividends	**2024**	**295.9 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	188.3 million	–		
Advertising and promotions	**2024**	**9.5 million**	**(4.3 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3.9 thousand	–		
Professional fees	**2024**	**0.8 million**	**(103.5 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	1.8 million	(103.5 thousand)		
Supplies and materials	**2024**	**24.8 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	0.8 million	–		
Outsourced services	**2024**	**94.6 million**	**(3.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	84.4 million	(3.8 million)		
Transportation equipment	**2024**	**31.5 million**	**(7.1 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	14.1 million	(7.1 thousand)		
Training fees	**2024**	**4.2 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3.9 million	–		
Repairs and maintenance	**2024**	**–**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(14.2 thousand)		
Meetings and Conferences	**2024**	**99.3 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	–		

<u>Terms and Conditions of Transactions with Related Parties</u>

Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and payable on demand. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

Total compensation and benefits of key management personnel of the Company consist of:

	2024	2023	2022
Compensation	**₱241,157**	₱317,759	₱216,360
Pension costs	**15,722**	14,325	13,939
Short-term benefits	**18,652**	18,296	13,221
	₱275,531	₱350,380	₱243,520

16. **Income Taxes**

Provision for current income tax represents the total regular corporate income tax for Group in 2024, 2003 and 2022.

The components of the Group's net deferred tax liabilities as at December 31, 2024 and 2023, respectively shown in the consolidated statements of financial position are as follows:

	2024	2023
Deferred tax assets:		
Allowance for ECL	**₱164,536**	₱164,627
Revenue from contracts with customers – net	**128,807**	104,125
Pension liability and unamortized past service cost	**109,573**	49,455
Allowance for inventory obsolescence	**38,914**	20,739
Accrued expenses	**36,998**	13,023
Lease liabilities	**5,626**	10,335
	484,454	362,304
Deferred tax liabilities:		
Service concession assets – net	**(2,150,567)**	(1,870,536)
Unamortized debt issuance costs	**(71,290)**	(16,353)
ROU assets	**(84)**	(105)
Others	**(108)**	(105)
	(2,222,049)	(1,887,099)
Deferred tax liabilities – net	**(₱1,737,595)**	(₱1,524,795)

In 2024 and 2023, deferred tax assets on pension liability recognized in other comprehensive income amounted to ₱51.2 million and ₱14.8 million, respectively.

Service concession assets consist of concession fees and property, plant and equipment. For income tax purposes, concession fees are amortized using UOP method while property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives or remaining concession period, whichever is shorter.

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of income is summarized as follows:

	2024	2023	2022
Income tax at statutory tax rate of 25%	**₱4,118,903**	₱2,988,700	₱1,998,659
Add (deduct) the tax effects of:			
Interest income already subjected to final tax	**(101,178)**	(55,409)	(9,368)
Tax impact on change of method of deduction and others	**(122,477)**	(12,414)	(207,443)
Non-deductible expenses and others	**(201,051)**	(9,017)	324,955
Provision for income tax	**₱3,694,197**	₱2,911,860	₱2,106,803

In 2024, the majority of the non-deductible expenses pertains to provisions recognized by the Group (see Note 12).

17. Employee Benefits

LTIP

LTIP for its managers and executives, based on profit targets, for the cycle 2019, 2021 and 2022 was approved by the Maynilad BOD on February 24, 2022. Management proposed, and the BOD accepted, the exclusion of 2020 results from the LTIP standards due to the highly unusual circumstances (pandemic, severe quarantine lockdowns) affecting financial performance for that year. It is also for this reason that the LTIP cycle was extended to include 2023 instead.

In keeping with Maynilad's practice over previous years, management obtained the BOD approval for the LTIP cycle covering the period 2023-2025 on December 10, 2024.

As at December 31, 2024 and 2023, the LTIP payable is as follows:

	2024	2023
Balance at beginning of year	**₱166,000**	₱496,500
Addition for the year	**420,667**	166,000
Reclassification	–	(62,456)
Payment	–	(434,044)
Noncurrent portion	**₱586,667**	₱166,000

The total costs of the LTIP amounted to ₱420.7 million, ₱166.0 million and ₱5.2 million in 2024, 2023 and 2022, respectively, presented as part of "Salaries, wages and benefits" account in the consolidated statements of comprehensive income. Accrued LTIP which was included as part of "Trade and other payables" and "Other noncurrent liabilities" accounts in the consolidated statements of financial position amounted to ₱586.7 million and ₱166.0 million as at December 31, 2024 and 2023.

Pension Plan

The pension liabilities for the noncontributory pension plan of the Group as at December 31, 2024 and 2023 are as follows:

	2024	2023
Maynilad Water Services, Inc.	**₱868,954**	₱284,632
Philippine Hydro, Inc.	**1,751**	1,044
Amayi Water Services, Inc.	**100**	55
	₱870,805	₱285,731

Maynilad -Defined Benefit Plan

The Parent Company has a funded, noncontributory and actuarially computed pension plan covering all regular and permanent employees. The benefits are based on years of service and compensation during the last year of employment.

Changes in the funded pension liability in 2024 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Liability**
At December 31, 2023	**₱1,382,039**	**₱1,097,407**	**₱284,632**
Pension cost in the consolidated statements of income:			
Current service cost	**130,890**	**–**	**130,890**
Net interest cost	**87,461**	**65,476**	**21,985**
Total	**218,351**	**65,476**	**152,875**
Remeasurements in other comprehensive income (loss):			
Gain on return on plan assets	**–**	**26,659**	**(26,659)**
Actuarial changes due to experience adjustment	**1,914**	**–**	**1,914**
Actuarial changes arising from changes in financial assumptions	**575,040**	**–**	**575,040**
Total	**576,954**	**26,659**	**550,295**
Benefits paid	**(153,703)**	**(153,703)**	**–**
Actual contributions	**–**	**118,848**	**(118,848)**
At December 31, 2024	**₱2,023,641**	**₱1,154,687**	**₱868,954**

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At December 31, 2022	₱1,232,586	₱1,082,224	₱150,362
Pension cost in the consolidated statements of income:			
Current service cost	96,736	–	96,736
Net interest cost	81,292	74,989	6,303
Total	178,028	74,989	103,039
Remeasurements in other comprehensive income (loss):			
Loss on return on plan assets	–	(36,178)	36,178
Actuarial changes due to experience adjustment	(15,807)	–	(15,807)
Actuarial changes arising from changes in financial assumptions	138,663	–	138,663
Total	122,856	(36,178)	159,034
Benefits paid	(151,431)	(151,431)	–
Actual contributions	–	127,803	(127,803)
At December 31, 2023	₱1,382,039	₱1,097,407	₱284,632

The components of net pension cost included under "Salaries, wages and benefits" account in the consolidated statements of income in 2024, 2023 and 2022 are as follows:

	2024	2023	2022
Current service cost	**₱130,890**	₱96,736	₱124,440
Net interest cost	**21,985**	6,072	16,296
	₱152,875	₱102,808	₱140,736

The Parent Company recognized remeasurement gain (loss) arising on pension plan in other comprehensive loss. The movements in the remeasurement loss are as follows:

	2024	2023	2022
Remeasurement gain (loss) on defined benefit obligation:			
Actuarial gain (loss) due to:			
Changes in financial assumptions	**(₱575,040)**	(₱138,663)	₱268,615
Experience adjustments	**(1,914)**	15,807	32,378
Gain (loss) on return on plan assets	**26,659**	(36,178)	(76,429)
Remeasurement gain (loss) on retirement plan	**(₱550,295)**	(₱159,034)	₱224,564

Actual return on plan assets amounted to ₱92.1 million in 2024 and ₱38.8 million in 2023 and actual loss on plan assets amounted to ₱18.8 million in 2022.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2024	2023
Investments in:		
Government securities	**₱587,577**	₱495,409
Equity securities	**375,505**	429,889
Bonds	**85,054**	137,403
Unit trust funds	**87,920**	2,002
Cash and cash equivalents	**10,080**	25,458
Receivables and others	**8,551**	7,246
	₱1,154,687	₱1,097,407

The plan assets' carrying amount approximates its fair value since the plan assets are short-term in nature or marked-to-market. Investments held have quoted prices in active market. The remaining plan assets which are short term in nature, do not have quoted market prices in an active market. The plan assets have diverse investments and do not have any concentration risk.

As at December 31, 2024 and 2023, the plan assets consist of the following:

- Investments in equity securities are composed of investment in shares of various listed entities. The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.
- Unit trust funds include mutual funds invested in quoted shares.
- Cash and cash equivalents include regular savings and time deposits.
- Receivables and others include interest and dividends.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension cost and present value of defined benefit obligation are shown below:

	2024	2023
Discount rate	**6.13%**	6.13%
Salary increase rate	**8.00%**	5.00%
Turnover rate	**8.33%**	8.33%

Sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2024	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Amount**
Discount rate	**100**	**(₱217,980)**
	(100)	**261,775**
Salary increase rate	**100**	**264,065**
	(100)	**(224,216)**
Turnover rate	**100**	**(16,189)**
	(100)	**17,026**

	2023	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Amount
Discount rate	100	(₱120,742)
	(100)	143,348
Salary increase rate	100	150,376
	(100)	(128,706)
Turnover rate	(100)	2,871
	100	(3,111)

Shown below are the maturity analyses of the undiscounted benefit payments:

	2024		
	Normal Retirement	**Other than Normal Retirement**	**Total**
Less than one year	**₱155,275**	**₱49,813**	**₱205,088**
More than one year to five years	**323,758**	**192,834**	**516,592**
More than 5 years to 10 years	**214,926**	**410,208**	**625,134**
More than 10 years to 15 years	**740,375**	**772,699**	**1,513,074**
More than 15 years to 20 years	**1,350,967**	**1,108,976**	**2,459,943**
More than 20 years	**7,998,126**	**2,747,590**	**10,745,716**
	₱10,783,427	**₱5,282,120**	**₱16,065,547**

	2023		
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱158,895	₱49,309	₱208,204
More than one year to five years	335,506	168,949	504,455
More than 5 years to 10 years	154,646	279,580	434,226
More than 10 years to 15 years	346,926	473,689	820,615
More than 15 years to 20 years	775,286	619,453	1,394,739
More than 20 years	3,390,179	1,211,589	4,601,768
	₱5,161,438	₱2,802,569	₱7,964,007

Actual contributions to the defined benefit pension plan amounted to ₱118.8 million and ₱127.8 million in 2024 and 2023, respectively. The Parent Company expects to contribute ₱242.1 million to the defined benefit pension plan in the period January 1 to December 31, 2025.

Maynilad Defined Contributory Plan
In 2021, the Parent Company established a General Reserve Fund ("GRF) within the welfare fund managed by BDO Unibank, Inc. ("BDO"). Upon separation of employees, the non-vested employer share in the welfare fund were transferred to the GRF and serves as a reserve to fund the employer share in welfare fund. Once the balance of the GRF is not sufficient to cover the employer share, the Parent Company shall remit its corresponding share to BDO. The life of the GRF is expected to be until June 30, 2023.

The pension cost related to contributory fund presented as part of "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱48.8 million, ₱22.9 million and nil in 2024, 2023 and 2022 respectively.

Phil Hydro and Amayi
Phil Hydro recognized pension liability amounting to ₱1.8 million and ₱1.0 million, while Amayi recognized pension liability amounting to ₱0.10 million and ₱0.05 million as at December 31, 2024 and 2023, respectively, in the consolidated statements of financial position determined in accordance with R.A. No. 7641, *The Philippine Retirement Pay Law*, which provides for its qualified employees under a defined minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at a normal retirement age with the required credited years of service based on the provisions of R.A. No. 7641. Pension income amounting to nil in 2024 and pension cost amounting to ₱0.2 million in 2023, were included under "Salaries, wages and benefits" account in the consolidated statements of income.

18. **Interest Expense and Other Financing Charges**

	2024	2023	2022
Interest-bearing loans (see Note 11)	**₱1,711,882**	₱1,760,415	₱1,647,212
Accretion on service concession obligation payable to MWSS (see Note 10)	**605,930**	640,220	562,698
Amortization of debt issuance costs (see Note 11)	**38,065**	37,085	67,522
Accretion of customers' deposits	**32,872**	30,312	27,418
Accretion on lease liability (see Note 22)	**25,646**	35,356	19,751
Reversal of accretion on lease liability	–	–	(2,929)
	₱2,414,395	₱2,503,388	₱2,321,672

19. **Basic/Diluted Earnings Per Share**

	2024	2023	2022
Net income (a)	**₱12,781,414**	₱9,011,179	5,874,924
Weighted average number of shares at end of year for basic earnings per share (b)*	**4,487,784,000**	4,510,599,000	4,458,482,000
Effect of dilution from ESOP shares	–	36,383,000	60,181,000
Weighted average number of shares at end of year for diluted earnings per share (c)	**4,487,784,000**	4,546,982,000	4,518,663,000
Basic earnings per share (a/b)	**₱2.85**	₱2.00	₱1.32
Diluted earnings per share (a/c)	**₱2.85**	₱1.98	₱1.30

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*

20. **Provisions and Contingencies**

Following are the significant contingencies of the Company as at December 31, 2024 and 2023:

a. Additional Tranche B Concession Fees and interest penalty are being claimed by MWSS in excess of the amount recommended by the Receiver. Such additional charges being claimed by MWSS (in addition to other miscellaneous claims) amounted to ₱5.0 billion as at December 31, 2024 and 2023. The Rehabilitation Court has resolved to deny and disallow the said disputed claims of MWSS in its December 19, 2007 Order, upholding the recommendations of the Receiver on the matter. Following the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve this matter in accordance with the dispute requirements of the TCA (see Notes 3, 7 and 10). A joint committee, with members from Maynilad and MWSS, was formed in June 2016 to prepare a report containing a stipulation of facts, issues and recommendations on the Disputed Claims. On July 4, 2016, Maynilad submitted to MWSS a Statement of Facts. MWSS has yet to provide Maynilad with its comments.

b. On October 13, 2005, the Parent Company and Manila Water (the "Concessionaires") were jointly assessed by the Municipality of Norzagaray, Bulacan for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. It is the position of the Concessionaires that it is the RoP that owns these properties and is therefore exempt from real property taxes.

   On September 5, 2022, the CBAA ruled that the Water Concessionaires and MWSS are not liable for real property tax on the land and common purpose facilities. On October 11, 2022, the Province of Bulacan and Municipality of Norzagaray appealed the CBAA Decision by way of a Petition for Review to the CTA. On May 26, 2023, the CTA En Banc dismissed the Petition without prejudice due to the petitioners' repeated failure to comply with the Rules of Civil Procedure and the lawful orders of the CTA.

   On July 22, 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on July 11, 2024, resolving the Motion for Issuance of Entry of Judgment filed by Maynilad and denying the same for being moot, in view of the Manifestation of the Petitioners dated May 3, 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated May 26, 2023.

c. On September 17, 2019, Maynilad, through its external counsel, received a copy of the Supreme Court En Banc decision, dated August 6, 2019, in the case of Maynilad vs The Secretary of the Department of Environment and Natural Resources, et al (the "Decision").

   The Supreme Court affirmed, with modifications, the decisions of the Court of Appeals finding the Concessionaires and MWSS guilty of violating Section 8 of Republic Act (RA) No. 9275, otherwise known as the ''Philippine Clean Water Act of 2004'' (the "CWA").

   For violating Section 8, the Supreme Court upheld the decision of the Pollution Adjudication Board ("PAB") holding each of the Concessionaires jointly and severally liable with the MWSS for a daily penalty of ₱200,000 starting May 7, 2009 (the day following the lapse of the five-year period provided in Section 8), or a total of ₱921.5 million for the period May 7, 2009 to August 6, 2019, the date of the Decision's promulgation. The fine is to be paid within 15 days from the time the Decision becomes final. In addition, MWSS and the Concessionaires will be liable for the initial amount of ₱322,102/day, subject to a further 10% increase every two years, pursuant to Section 28 of the CWA, until full compliance with the mandate of Section 8. A 6% interest will be imposed on the total amount of the fines should there be a delay in its payment.

   On October 2, 2019, Maynilad filed a Motion for Reconsideration of the Decision ("MR") with the Supreme Court.

   In the meantime, Maynilad was granted a legislative franchise under R.A. No. 11600 in December 2021 to establish, operate, and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila, including some parts of the Province of Cavite. RA 11600 became effective on January 22, 2022.

   On March 10, 2022, Maynilad filed a Manifestation with Motion before the Supreme Court to (i) inform the Supreme Court about RA 11600 which provides, among others, for the achievement of 100% sewerage coverage only in 2037; and (ii) pray for the reversal of the CWA fines, or at the very least, of the fines accruing following the effectivity of RA 11600.

The Supreme Court promulgated the Resolution dated July 19, 2022, which granted, in part, the MR and modified the Decision. While the Supreme Court still found Maynilad (along with Manila Water) and MWSS liable for fines for violating Section 8 of the CWA, the Supreme Court reduced the base amount of the daily penalty to ₱30,000, starting from May 7, 2009, and subject to a 10% increase every two years, until January 21, 2022. The total fine amounted to approximately ₱202.0 million and must be paid within 15 days from receipt of the Resolution so that the same will not earn a 6% interest per annum.

Maynilad attempted twice in November 2022 to settle the fine of approximately ₱202.0 million with the Environmental Management Bureau ("EMB") but the latter refused to accept the same. Maynilad later learned that EMB's refusal to accept the payment is due to the filing by PAB of a Motion for Partial Reconsideration of the Decision with the Supreme Court. The PAB prayed for the reinstatement of the daily penalty to ₱200,000.

In the meantime, to ensure that Maynilad will not be held liable for interest charges for not paying the fine within 15 days from its receipt of the Resolution, Maynilad informed the Supreme Court on December 5, 2022, by way of a Manifestation, of its tender of payment which the EMB refused. On February 3, 2023, Maynilad received a notice from the Supreme Court (dated January 17, 2023) of a resolution ("Final Resolution"). The Final Resolution (i) affirmed the Resolution, (ii) denied, with finality, the PAB's Motion for Partial Reconsideration, (iii) informed the parties that the Supreme Court will no longer entertain any further pleadings or motions, and (iv) ordered the entry of judgment immediately. In compliance with the Final Resolution, Maynilad paid EMB on February 15, 2023 the total amount of ₱202.3 million.

The case has been closed and terminated.

d. In 2016, the DENR issued Administrative Order No. 2016-08 ("DAO No. 2016-08") which sets new wastewater guidelines for each type of body of water and also specifies significant effluent quality parameters for each industry based on the most probable pollutant that a type of industry will discharge into the environment. It also sets new significant parameters that have to be complied with before treated wastewater is discharged to receiving bodies of water.

   DAO No. 2016-08 provides a grace period for compliance of not more than five years, provided that the establishment submits a Compliance Action Plan ("CAP") and periodic status reports of implementation to the DENR on the steps taken for the establishment's compliance schedule within the prescribed grace period.

   Maynilad has 22 wastewater reclamation facilities ("WRF") treating effluents compliant with the previous standards under DAO 35-s.1990. With the effectivity of DAO No. 2016-08 that imposes more stringent standards (biological nutrient removal and fecal coliform), Maynilad would have to incur higher capital and operational expenditures to make its existing WRFs compliant with the new effluent standards. In March 2017, Maynilad submitted to the DENR its CAP to comply with DAO No. 2016-08 and requested, among others, that it be granted the five-year grace period (or until 2021) provided in DAO No. 2016-08 within which to comply with the new effluent standards.

   On April 23, 2021, Maynilad wrote the DENR to request for an extension to comply with the approved CAP until 2028. The request for extension is to give Maynilad sufficient time to implement and complete the upgrade of its facilities to comply with DAO No. 2016-08. On June 30, 2021, the DENR issued DAO No. 2021-19 which relaxed certain standards in DAO No. 2016-08.

On July 6, 2021, Maynilad received DENR's letter dated July 1, 2021 advising Maynilad of EMB Memorandum Circular No. 2021-01, which clarified that the grace period began when DAO No. 2016- 08 went into effect. In its letter, the DENR explained that the moratorium or grace period will end on June 18, 2021. However, Maynilad may continue to use its approved CAP since the objective is to ensure compliance with all environmental laws.

On June 30, 2021, the DENR issued DAO 2021-19 updating the water quality guidelines for selected parameters based on current classification of water bodies and its beneficial use, and the effluent standards for selected parameters based on perceived impact to the activities in the area and to the environment. It also provided that any person or establishment requesting for modification of significant effluent quality parameters shall submit to the EMB Central Office the methodology and technical report with justifications containing the required details. A particular parameter, as indicated in Table 8 of DAO 2016-08, may also be excluded in succeeding monitoring periods provided there is a request for exclusion and certain conditions are met.

On September 1, 2021, Maynilad submitted the updated CAPs for its 21 WRFs and requested for the extension of the respective grace periods for the implementation of the new standards. The Laguna Lake Development Authority ("LLDA") approved Maynilad's updated CAPs and granted additional grace periods for the WRFs to be modified to be able to fully comply with the applicable general effluent standards. The previously granted grace period until December 31, 2022 has been extended for each WRF, consistent with the effectivity of its discharge permit.

During the prescribed grace period, a moratorium is in effect which includes issuance of cease and desist and/or closure order, fine, and other penalties against the establishment's operations. However, the establishments are not exempt from compliance monitoring and inspections by LLDA. DAO 1990-35 shall apply during the grace period, and each establishment must still comply with all the conditions in its discharge permit.

Maynilad, through its Wastewater Management Division, regularly submits the quarterly CAP update reports to the LLDA.

e. Water for All Reform Movement ("WARM") filed a Petition before the Court of Appeals praying for the issuance of a Writ of Kalikasan to enjoin Maynilad and Manila Water from implementing a combined drainage and sewerage system as it supposedly violates Sections 27 (a) and (e) of the Clean Water Act ("CWA"), which prohibit the direct deposit and transport of sewage into water bodies. WARM additionally claims that the (i) Sanitation Code has already been repealed by the CWA, and (ii) the Concessionaires are in continuing violation of the Writ of Continuing Mandamus issued by the Supreme Court in the Manila Bay Case.

   It is the position of the Water Concessionaires that (i) the Writ of Continuing Mandamus is not a law, (ii) there are no grounds for the issuance of the Writ of Kalikasan, and (iii) the Sanitation Code (which expressly allows the installation of a combined system) has not been repealed by the CWA.

   The Court of Appeals dismissed the Petition filed by WARM, citing that the installation of a combined drainage and sewerage system is allowed under the Sanitation Code. WARM elevated the Court of Appeal's decision via Certiorari to the Supreme Court in 2014. On July 19, 2023, the Parent Company received a copy of the Decision of the Supreme Court denying the petition and affirming the resolutions of the CA.

On July 22, 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on July 11, 2024, resolving the Motion for Issuance of Entry of Judgment filed by Maynilad and denying the same for being moot, in view of the Manifestation of the Petitioners dated May 3, 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated May 26, 2023.

f. The Parent Company is a party to various civil and labor cases relating to breach of contracts with damages, illegal dismissal of employees, and nonpayment of back wages, benefits and performance bonus, among others.

g. Provisions recognized for the periods ended 2024, 2023 and 2022, were presented as "Others-net" in the consolidated statements of income and "Accrued expenses" under Trade and other payables in the consolidated statements of financial position (see Note 12). Other disclosures required by PAS 37 were not provided as it may prejudice Maynilad's position in on-going claims, litigations, and assessments.

21. Significant Contracts with Manila Water (East Concessionaire)

In relation to the Concession Agreement, the Parent Company entered into the following contracts with the East Concessionaire:

a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones; and

b. Common Purpose Facilities Agreement that provides for the operation, maintenance, renewal, and, as appropriate, decommissioning of the Common Purpose Facilities, and performance of other functions pursuant to and in accordance with the provisions of the Concession Agreement and performance of such other functions relating to the Concession (and the Concession of the East Concessionaire) as the Parent Company and the East Concessionaire may choose to delegate to the Joint Venture, subject to the approval of MWSS.

c. On January 25, 2022, Maynilad and Manila Water entered into a contract with China International Water and Electric Corp. for the design and build of the proposed Angat Water Transmission Project (Tunnel 5). On February 17, 2022, Maynilad and Manila Water entered into a contract with Dohwa Engineering, Co. Ltd. for the construction management of the proposed Angat Water Transmission Project (Tunnel 5). The Angat Water Transmission Project (Tunnel 5) is part of the MWSS's water security program which aims to provide (i) additional nineteen (19) cubic meters per second of raw water supply, and (ii) improve the reliability and operational flexibility of the Umiray-Angat-Ipo raw water conveyance system.

d. On October 28, 2022, Maynilad and Manila Water entered into a Memorandum of Agreement for the purchase of raw bulk water by the former from the latter at ₱21/cu.m. and treated bulk water at ₱26/cu.m.

e. On February 1, 2024, Maynilad and Manila Water entered a Memorandum of Agreement for the purchase of treated bulk water of 47 Million Liters per day (47MLD) delivered or made available by Manila Water to Maynilad at a purchased water rate of PhP40.99 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

For every excess of volume beyond 47MLD, the purchased water rate that will apply is ₱43.00 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

22. Commitments

Concession Agreement

Significant commitments under the Concession Agreement follow:

a. To pay Concession Fees (see Note 7)

b. To post Performance Bond (see Note 6)

Under Section 6.10 of the RCA, as amended, the Parent Company is required to post and maintain, throughout the concession period, a performance bond in favor of MWSS to secure the Parent Company's performance of its obligations under certain provisions of the Concession Agreement. The aggregate amount drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates is set out below.

Rate Rebasing Period	Aggregate Amount Drawable Under Performance Bond
	(In Millions)
First (August 1, 1997 – September 30, 2002)	US$120.0
Second (January 1, 2003 – September 30, 2007)	120.0
Third (January 1, 2008 – September 30, 2012)	90.0
Fourth (January 1, 2013 – September 30, 2017)	80.0
Fifth (January 1, 2018 – September 30, 2023)	60.0
Sixth (January 1, 2023 – September 30, 2027)	₱21,953.0

The Parent Company shall ensure that the performance bond is maintained in the amount equal to at least the performance bond amount at all times during the performance bond validity period. In the event that MWSS draws against the performance bond, the Parent Company shall replenish the same to restore the value of the performance bond to its original amount within fifteen (15) days from the date MWSS shall have drawn thereon without need of demand.

c. To pay half of MWSS and MWSS-RO's budgeted expenditures for the subsequent years, provided the aggregate annual budgeted expenditures do not exceed ₱200.0 million, subject to CPI adjustments. As a result of the extension of the life of the Concession Agreement, the annual budgeted expenditures shall increase by 100%, subject to CPI adjustments, effective January 2010 (see Notes 1 and 7).

d. To meet certain specific commitments in respect to the provision of water and wastewater services in the West Service Area, unless modified by the MWSS-RO due to unforeseen circumstances.

e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and wastewater system in the West Service Area is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with the Parent Company).

f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property.

g. To ensure that at all times the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Concession Agreement.

h. To prevent incurrence of debt or liability that would mature beyond the Expiration Date.

Failure of the Parent Company to perform any of its obligations under the Concession Agreement of a kind or to a degree which, in a reasonable opinion of the MWSS-RO, amounts to an effective abandonment of the Concession Agreement and which failure continues for at least 7 days after written notice from the MWSS-RO, may cause the Concession Agreement to be terminated.

MWSS JBIC Loan (Concession Fee)
The Loan Agreement between the Government and JBIC (formerly OECF) was signed on February 9, 1990. The proceeds of the Loan were used to fund the implementation of the Angat Water Supply Optimization Project (AWSOP), with MWSS as the implementing agency. Prior to privatization, actual drawdowns from the Loan were recorded by MWSS as equity from the Government while the draws during privatization were assumed and paid by the Concessionaires. The sharing is 61.83% and 38.17% for Maynilad and Manila Water, respectively.

On June 6, 2019, Maynilad received a letter from the MWSS requesting to pay ₱821.0 million ("Invoiced Amount"). Accordingly, Maynilad learned that the drawdowns made on the JBIC Loan prior to the privatization of MWSS's operations are considered loans and not equity as formerly advised. MWSS's request for the Concessionaires to pay was triggered by an instruction from the DOF to the Bureau of Treasury, to have the Concessionaires reimburse the Government for the latter's payments on the JBIC Loan.

Maynilad replied to MWSS on July 1, 2019 and clarified the Invoiced Amount. Maynilad's position is to pay only ₱677.0 million because (ii) Maynilad remitted to the MWSS ₱113.0 million representing Guarantee Fees based on MWSS's invoice. However, the JBIC Loan makes no reference to and does not include the payment of Guarantee Fees, the borrower being the Government itself. This being the case, the Guarantee Fees that Maynilad remitted to MWSS must be set off or applied against the Invoiced Amount; and (2) while Maynilad always pays the foreign exchange shortfall in the debt servicing of MWSS-contracted loans, there is no need for Maynilad to pay the Forex Shortfall of ₱31.0 million in the JBIC Loan catch-up payment. The difference in the foreign exchange rate (from Japanese Yen to Philippine Peso) has already been captured and reflected in the total peso amount billed by the Bureau of Treasury.

Further, Maynilad also requested to pay ₱677.0 million in eight monthly instalments of ₱84.6 million to commence in July 2019 until February 2020, to coincide with the full payment/ maturity of the JBIC Loan.

As communicated by MWSS-Finance on July 17, 2019, Maynilad can pay based on the requested amount and schedule while waiting for the response of the Bureau of Treasury concerning the guarantee fee and shortfall. Maynilad paid the first installment on July 30, 2019.

The last installment for JBIC Loan was paid on February 18, 2020. As at December 31 2024, Bureau of Treasury has yet to respond to the Company's letter concerning the guarantee fee and shortfall.

Leases

Company as a lessee

The Group leases the right of way, office space and branches where service outlets are located, several equipment and service vehicles, renewable under certain terms and conditions to be agreed upon by the parties. The Group also has certain leases with lease terms of 12 months or less and leases of low value.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2024	2023
Depreciation expense of ROU assets	**₱150,552**	176,610
Interest expense on lease liabilities	**25,646**	35,356
Expense relating to short-term leases	**92,803**	79,685
Expense relating to low-value assets	**55,860**	9,432
	₱324,861	301,083

Lease liabilities represent payments to be made over the remaining lease term. Movements of the lease liabilities during the year are as follows:

	2024	2023
Balance at the beginning of the period	**₱436,438**	₱281,529
Additions during the period	**83,862**	329,361
Payments	**(167,521)**	(209,808)
Termination	**(5,638)**	–
Accretion of interest	**25,646**	35,356
Balance at end of the period	**372,787**	436,438
Less current lease liabilities	**72,401**	155,865
Noncurrent lease liabilities (Note 24)	**₱300,386**	₱280,573

As at December 31, 2024 and 2023, the current portion of lease liabilities are presented under "Trade and other payables" and the noncurrent portion of lease liabilities are presented under "Other noncurrent liabilities" in the consolidated statements of the financial position.

Most of the contracts of leased by the Group have stipulations stating that renewal of lease is subject to mutual agreement of both the lessor and the lessee. As such, it is not reasonably certain that the Company will exercise the option to extend the lease since the extension is considered unenforceable.

The approximate annual future minimum lease payable of the Parent Company under its existing non-cancellable lease agreements as a lessor as at December 31 are as follows:

	2024	2023
	(In Millions)	
1 year	**₱136.9**	₱177.1
more than 1 years to 2 years	**102.9**	90.4
more than 2 years to 3 years	**86.4**	83.5
more than 3 years to 4 years	**31.3**	67.1
more than 4 years to 5 years	**11.8**	11.7
more than 5 years	**60.8**	72.6

23. Assets Held in Trust

Assets which are owned by MWSS but are used in the operations of the Parent Company under the Concession Agreement are not reflected in the consolidated statements of financial position but carried as Assets Held in Trust, except for certain assets transferred to the Parent Company.

Materials and Supplies
The Parent Company has the right to use any items of inventory owned by MWSS in carrying out its responsibility under the Concession Agreement, subject to the obligation to return the same at the end of the concession period, in kind or in value at its current rate, subject to CPI adjustments.

Facilities
The Parent Company has been granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and wastewater services under the Concession Agreement. MWSS shall retain legal title to all movable property in existence at the Commencement Date. However, upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company (see Note 7).

The Concession Agreement also provides the Parent Company and the East Concessionaire to have equal access to MWSS facilities involved in the provision of water supply and wastewater services in both West and East Service Areas including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS' closing audit report amounted to ₱7.3 billion with a sound value of ₱13.8 billion.

Beginning at the Commencement Date, MWSS' corporate headquarters were made available for a one-year lease to the Parent Company and the East Concessionaire, subject to renewal with the consent of the parties concerned. The current lease covers up to December 31, 2024. Lease payments amounted to ₱89.2 million, ₱77.8 million and ₱106.2 million in 2024, 2023 and 2022, respectively (see Note 22).

24. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments are its debts to the local banks and concession fees payable to MWSS per Concession Agreement. Other financial instruments of the Parent Company are cash and cash equivalents, and trade and other receivables. The main purpose of those financial instruments is to finance the Parent Company's operations.

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

The BOD reviews and approves the policies for managing the Parent Company's financial risks. The Parent Company monitors risks arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Parent Company's exposure to market risk for changes in interest rates relates primarily to the Parent Company's interest-bearing loans.

The following table shows the Parent Company's significant financial liabilities that are exposed to cash flow interest rate risk:

₱4.8 billion Corporate Notes (1st drawdown)	Fixed rate benchmark (6.00%, March 2, 2015 to March 2, 2035)
₱4.8 billion Corporate Notes (2nd drawdown)	Fixed rate benchmark (6.00%, October 4, 2016 to March 2, 2035)
₱4.8 billion Corporate Notes (3rd drawdown)	Fixed rate benchmark (6.00%, August 1, 2017 to March 2, 2035)
₱4.8 billion Corporate Notes (4th drawdown)	Fixed rate benchmark (6.00%, March 5, 2018 to March 2, 2035)
₱18.5 billion Fixed Corporate Notes - 7Y (1st drawdown)	Fixed rate benchmark+0.60% (6.3836%, March 23, 2018 to March 23, 2025)
₱18.5 billion Fixed Corporate Notes - 10Y (1st drawdown)	Fixed rate benchmark+0.70% (6.8229%, March 23, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (1st drawdown)	Fixed rate benchmark+0.60% (6.4920%, March 23, 2018 to March 23, 2026)
₱18.5 billion Fixed Corporate Notes - 7Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5083%, April 27, 2018 to March 23, 2025)
₱18.5 billion Fixed Corporate Notes - 10Y (2nd drawdown)	Fixed rate benchmark+0.70% (6.8388%, April 27, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5489%, April 27, 2018 to March 23, 2026)
¥7.9 billion Facility Loan (1st drawdown)	Fixed rate benchmark+0.90% (August 20, 2018 to June 7, 2027)
¥7.9 billion Facility Loan (2nd drawdown)	Fixed rate benchmark+0.90% (November 28, 2018 to June 7, 2027)
₱1.4 billion Facility Loan (1st drawdown)	Fixed rate benchmark (May 18, 2018 to October 15, 2024)
₱1.4 billion Facility Loan (2nd drawdown)	Fixed rate benchmark (September 25, 2018 to October 15, 2024)
₱1.4 billion Facility Loan (3rd drawdown)	Fixed rate benchmark (December 21, 2018 to October 15, 2024)
¥13.1 billion Facility Loan (¥2.9 billion drawdown)	Fixed rate benchmark (April 2, 2019 to October 10, 2034)
¥13.1 billion Facility Loan (¥10.2 billion drawdown)	Fixed rate benchmark (June 23, 2023 to October 10, 2034)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (4.95%, November 29, 2019 to November 29, 2024)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (5.4992%, August 12, 2022 to August 12, 2025)
₱4.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (7.0036%, November 10, 2022 to November 10, 2025)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.65% (7.1581%, November 17, 2022 to November 17, 2025)
₱10.0 billion Term Loan Facility (1st drawdown)	Fixed rate benchmark (6.4059%, May 11, 2023 to May 11, 2028)
₱10.0 billion Term Loan Facility (2nd drawdown)	Fixed rate benchmark (7.0006%, October 3, 2023 to May 11, 2028)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (6.5963%, December 14, 2023 to December14, 2026)
₱15.0 billion Blue Bonds Series A: 9.0 billion Series B: 6.0 billion	Fixed rate benchmark (6.71%, July 12, 2024 to July 12, 2029) (7.09%, July 12, 2024 to July 12, 2034)
Peso-denominated Bank Loan	Fixed rate benchmark (5.50%, June 29, 2015 to June 29, 2025)

Interest on financial liabilities classified as fixed rate is fixed until the maturity of the instrument.

The following tables show information about the Group's financial assets and financial liabilities that are exposed to cash flow and fair value interest rate risks.

	2024	
	Within 1 Year	**Total**
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	**₱10,515,179**	**₱10,515,179**

**Excludes cash on hand amounting to ₱4,362.*

	2023	
	Within 1 Year	Total
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	₱4,898,828	₱4,898,828

**Excludes cash on hand amounting to ₱3,728.*

	2024				
	Within 1 Year	**More than 1 Year**	**Total (In US$)**	**Total (In ¥)**	**Total (In ₱)**
Liabilities:					
Interest–bearing loans:					
Interest rate	**6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%**	**6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%**			
Current – foreign	**¥2,269,505**	–	–	**¥2,269,505**	**₱833,362**
Current – local	**₱3,352,703**	–	–	–	**3,352,703**
Noncurrent – foreign	–	**¥12,525,476**	–	**12,525,476**	**4,599,355**
Noncurrent – local	–	**₱74,862,116**	–	–	**74,862,116**
					83,647,536
Service concession obligation payable to MWSS:					
Interest rate	**9.02%**				
Current – foreign	**$5,604**	–	**$5,604**	–	**₱324,136**
Current – local	**₱703,118**	–	–	–	**703,118**
Noncurrent – foreign	–	**$66,169**	**$66,169**	–	**3,827,530**
Noncurrent – local	–	**₱2,466,997**	–	–	**2,466,997**
					7,321,781
					₱90,969,317

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

	2023				
	Within 1 Year	Total	Total (In US$)	Total (In ¥)	Total (In ₱)
Liabilities:					
Interest–bearing loans:					
Interest rate	6.00%, 6.38%, 6.82%, 6.49%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16%, 6.41%, 7.00%, 6.60% and 5.50%	6.00%, 6.38%, 6.82%, 6.49%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16% and 5.50%			
Current – foreign	¥1,611,965	–	–	¥1,611,965	₱633,502
Current – local	₱1,954,158	–	–	–	1,954,158
Noncurrent – foreign	–	¥14,794,981	–	¥14,794,981	5,814,428
Noncurrent – local	–	₱53,399,810	–	–	53,399,810
					61,801,898
Service concession obligation payable to MWSS:					
Interest rate	9.48%				
Current – foreign	$3,266	–	$3,266	–	180,836
Current – local	₱693,725	–	–	–	693,725
Noncurrent – foreign	–	$70,738	$70,738	–	3,916,744
Noncurrent – local	–	₱2,572,292	–	–	2,572,292
					7,363,597
					₱69,165,495

The spot exchange rates used were ₱55.37:US$1 and ₱0.393: JPY1 as at December 31, 2023.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future value of financial instruments will fluctuate because of changes in foreign exchange rates.

The Parent Company's foreign currency risk arises primarily from movements of the Philippine Peso against the United States Dollar and Japanese Yen. The servicing of foreign currency denominated loans of MWSS is among the requirements of the Concession Agreement. Revenues are generated in Philippine Peso. However, there is a mechanism in place as part of the Concession Agreement wherein the Company (or the end consumers) can recover currency fluctuations through the FCDA that is approved by the RO.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and the Philippine Peso equivalent of each as at December 31, 2024 and 2023 is presented as follows:

	2024		
	US Dollar	**JPY**	**Total Peso Equivalent**
Asset			
Cash and cash equivalents and restricted cash	**$1,719**	**¥11,125**	**₱103,548**
Liabilities			
Interest–bearing loans	**$–**	**(¥14,794,981)**	**(₱5,432,717)**
Service concession obligation payable to MWSS	**(71,772)**	**–**	**(4,151,666)**
	(71,772)	**(14,794,981)**	**(9,584,383)**
Net foreign currency denominated liabilities	**($70,053)**	**(¥ 14,783,856)**	**(₱9,480,835)**

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

	2023		
	US Dollar	JPY	Total Peso Equivalent
Asset			
Cash and cash equivalents and restricted cash	$2,962	¥11,461	₱168,530
Liabilities			
Interest-bearing loans	$–	(¥16,406,947)	(₱6,447,930)
Service concession obligation payable to MWSS	(74,004)	–	(4,097,580)
	(74,004)	(16,406,947)	(10,545,510)
Net foreign currency denominated liabilities	($71,042)	(¥16,395,486)	(₱10,376,980)

The spot exchange rates used were ₱55.37:US$1 and ₱0.393: JPY1 as at December 31, 2023.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as at December 31, 2024 and 2023. The estimates in the movement of the foreign exchange rates were based on the management's annual financial forecast.

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	**Foreign Exchange Rate**	**Effect on Income Before Income Tax**
2024			
U.S Dollar	**+1%**	**57.85**	**(₱40,522)**
JPY	**+1%**	**0.37**	**(54,286)**
U.S Dollar	**-1%**	**57.85**	**40,522**
JPY	**-1%**	**0.37**	**54,286**

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	Foreign Exchange Rate	Effect on Income Before Income Tax
2023			
U.S Dollar	+1%	55.37	(₱39,336)
JPY	-1%	0.39	(64,434)
U.S Dollar	+1%	55.37	39,336
JPY	-1%	0.39	64,434

The Parent Company recognized net foreign exchange losses of ₱1.6 billion, ₱1.2 billion in 2024 and 2023, respectively, and ₱1.8 billion net foreign exchange gains in 2022, mainly arising from the translation of the Parent Company's cash and cash equivalents, deposits, interest-bearing loans and service concession obligation payable to MWSS. However, the net foreign exchange gain or loss on interest-bearing loans and service concession obligation payable to MWSS is subject to foreign exchange recovery mechanisms under the Concession Agreement (see Note 2).

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Parent Company trades only with recognized, creditworthy third parties. Because of the basic need service, it provides, historical collections of the Parent Company are relatively high. Credit exposure is widely dispersed. Receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Parent Company, consisting of cash and cash equivalents, deposits and restricted cash and deposits, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks which have demonstrated financial soundness for the past five years.

Maximum exposure to credit risk of financial assets not subject to impairment
The Parent Company has unquoted equity shares measured at fair value through other comprehensive income amounting to ₱124.9 million as at December 31, 2024 and 2023 (see Note 9).

Maximum exposure to credit risk of financial assets subject to impairment
The table below shows the maximum exposure to credit risk for the Group's financial instruments (amounts in thousands):

	2024	2023
Cash and cash equivalents* (see Note 4)	**₱10,515,179**	₱4,898,828
Trade and other receivables – net (see Note 5)	**2,722,872**	2,418,070
Contract assets (see Note 14)	**1,386,458**	1,205,041
Deposits**	**558,957**	373,785
Deposits and restricted cash (see Note 6)	**238,428**	237,990
Total credit risk exposure	**₱15,421,894**	₱9,133,714

**Excludes cash on hand amounting to ₱4,362 and ₱3,728 as at December 31, 2024 and 2023, respectively.*
***Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6,289 and ₱1,580, as at December 31, 2024 and 2023, respectively, in the consolidated statements of financial position.*

The table below shows the maximum exposure to credit risk for the Group's financial instruments by credit rating grades (amounts in thousands).

			2024		
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
High grade	**₱10,753,607**	**₱–**	**₱700,402**	**₱4,207,796**	**₱15,661,805**
Standard grade	**1,114,091**	**26,602**	**136,603**	**2,356**	**1,279,652**
Gross carrying amount	**11,867,698**	**26,602**	**837,005**	**4,210,152**	**16,941,457**
Loss allowance	**(56,297)**	**–**	**(837,005)**	**(626,261)**	**(1,519,563)**
Carrying amount	**₱11,811,401**	**₱26,602**	**₱–**	**₱3,583,891**	**₱15,421,894**

			2023		
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱5,136,818	₱–	₱821,084	₱3,656,944	₱9,614,846
Standard grade	814,900	26,602	115,194	3,660	960,356
Gross carrying amount	5,951,718	26,602	936,278	3,660,604	10,575,202
Loss allowance	(9,723)	–	(936,278)	(495,487)	(1,441,488)
Carrying amount	₱5,941,995	₱26,602	₱–	₱3,165,117	₱9,133,714

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, deposits and restricted cash are placed in various banks. These are held by large prime financial institutions that have good reputation and low probability of insolvency. Management assesses the quality of these financial assets as high grade.

For trade and other receivables and contract assets, high grade relates to those which are consistently collected before the maturity date, normally seven days from bill delivery. Standard grade includes receivables from customers that are collectible beyond seven days from bill delivery even without an effort from the Parent Company to follow them up, or those advances from officers and employees that are collected through salary deduction. For deposits, standard grade consists of meter and security deposits that are normally refundable upon termination of service.

Set out below is the information about the credit risk exposure on the Parent Company's trade and other receivables and contract assets using a provision matrix as at December 31, 2024 and 2023, the table below summarizes the financial assets of the Group (amounts in thousands):

	2024				
		Days past due			
	Current	**1 to 180 days**	**181-360 days**	**More than 360 days**	**Total**
Expected credit loss rate	**1.86%**	**4.57% - 25.64%**	**29.63% - 49.50%**	**53.95%**	
Estimated total gross carrying amount at default*	**₱1,560,524**	**₱1,709,725**	**₱180,158**	**₱1,674,247**	**₱5,124,654**
Expected credit loss	**28,641**	**145,553**	**77,456**	**555,370**	**807,020**
Credit-impaired receivables	**–**	**–**	**–**	**712,543**	**712,543**
Total	**₱28,641**	**₱145,553**	**₱77,456**	**₱1,267,913**	**₱1,519,563**

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱504.24 million as at December 31, 2024.*

	2023				
		Days past due			
	Current	1 to 180 days	181-360 days	More than 360 days	Total
Expected credit loss rate	1.75%	4.34% - 25.96%	30.53% - 52.90%	56.86%	
Estimated total gross carrying amount at default*	₱1,297,611	₱1,471,028	₱175,905	₱1,832,501	₱4,777,045
Expected credit loss	19,593	107,879	65,360	415,882	608,714
Credit-impaired receivables	–	–	–	832,774	832,774
Total	₱19,593	₱107,879	₱65,360	₱1,247,018	₱1,441,488

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱287.55 million as at December 31, 2023.*

Excessive risk concentration

Given the Parent Company's diverse base of counterparties in its financial assets, it is not exposed to large or excessive concentrations of credit risk in any geographical region or industry.

Write-off policy

The Parent Company writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Parent Company writes off an account when any of the following conditions is met:

- unpaid bill(s) of former owner/tenant who can no longer be found. The amount to be written off shall be net of any customer deposit posted by the previous owner/tenant;
- the customer is deceased and left no estate, or the heir is not financially capable of settling the account;
- the unpaid bill(s) of a customer who has been declared bankrupt by the court;
- the filing of legal action to collect the unpaid bill(s) does not seem prudent under the circumstances, as determined by the Legal and Regulatory Affairs ("LRA");

- a final judgment favoring the customer was issued in a case filed against the customer for collection of money. In this case, the amount to be written off shall be equal to the amount recommended by the court;
- any unpaid bills(s), more than three years old, of disconnected services and which remain uncollected after exerting all diligent efforts, as supported by the disconnection letter and/or demand letter; and
- the water service connection no longer exists and the customer has no other account with Maynilad.

The Parent Company also monitors loans written-off and any recoveries made. Outstanding receivables incurred in 2015 and prior years amounting to ₱820.9 million were written off as at December 31, 2023 (see Note 5). As at December 31, 2024, outstanding receivables of demolished accounts were also written off amounting to ₱34.3 million (see Note 5).

Liquidity Risk

Liquidity risk is the potential for not meeting the obligations as they become due because of an inability to liquidate assets or obtain adequate funding.

The Parent Company monitors its risk to a shortage of funds using a recurring liquidity planning. Cash planning considers the maturity of both its financial investments and financial assets (e.g., trade and other receivables, other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank drafts, bank loans and debentures.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as at December 31, 2024 and 2023 based on contractual undiscounted payments.

	2024				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Financial Assets					
Cash and Cash Equivalents*	**₱3,040,480**	**₱7,474,699**	**₱–**	**₱–**	**₱10,515,179**
Trade Receivables:					
Customers	**1,919,851**	**1,520,600**	–	–	**₱3,440,451**
Bulk	**5,725**	**201,951**	–	–	**207,676**
Non-trade Receivables:					
Employees	–	**46,328**	–	–	**46,328**
Others	**392,196**	**155,784**	–	–	**547,980**
Contract Assets	–	**1,386,458**	–	–	**1,386,458**
Deposits**	–	–	–	**558,957**	**558,957**
Financial assets at FVOCI	**124,864**	–	–	–	**124,864**
Deposits and restricted cash	–	–	**238,428**	–	**238,428**
	5,483,116	**10,785,820**	**238,428**	**558,957**	**17,066,321**
Financial Liabilities					
Interest-bearing loans***	–	**(3,462,656)**	**(5,889,609)**	**(113,986,178)**	**(123,338,443)**
Trade and other payables****	**(587,206)**	**(6,310,976)**	**(8,053,577)**	**(7,719,745)**	**(22,671,504)**
Service concession obligation payable to MWSS	–	**(221,607)**	**(655,339)**	**(9,749,031)**	**(10,625,977)**
Customers' deposits	–	–	–	**(1,355,612)**	**(1,355,612)**
Lease liabilities*****	–	**(57,607)**	**(79,295)**	**(293,218)**	**(430,120)**
	(587,206)	**(10,052,846)**	**(14,677,820)**	**(133,103,784)**	**(158,421,656)**
Liquidity position (gap)	**₱4,895,910**	**₱732,974**	**(₱14,439,392)**	**(₱132,544,827)**	**(₱141,355,335)**

	2023				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Financial Assets					
Cash and Cash Equivalents*	₱3,099,129	₱1,799,699	₱–	₱–	₱4,898,828
Trade Receivables:					
Customers	1,882,593	1,408,342	–	–	3,290,935
Bulk	16,649	85,157	–	–	101,806
Non-trade Receivables:					
Employees	–	46,994	–	–	46,994
Others	265,616	154,207	–	–	419,823
Contract Assets	–	1,205,041	–	–	1,205,041
Deposits**	–	–	–	373,785	373,785
Financial assets at FVOCI	124,864	–	–	–	124,864
Deposits and restricted cash	–	–	237,990	–	237,990
	5,388,851	4,699,440	237,990	373,785	10,700,066
Financial Liabilities					
Interest-bearing loans***	–	(1,247,840)	(4,987,984)	(85,667,152)	(91,902,976)
Trade and other payables****	(703,913)	(4,418,038)	(7,188,584)	(7,126,096)	(19,436,631)
Service concession obligation payable to MWSS	–	(216,430)	(642,444)	(10,023,217)	(10,882,091)
Customers' deposits	–	–	–	(1,293,702)	(1,293,702)
Lease liabilities*****	–	(44,996)	(132,196)	(325,258)	(502,450)
	(703,913)	(5,927,304)	(12,951,208)	(104,435,425)	(124,017,850)
Liquidity position (gap)	₱4,684,938	(₱1,227,864)	(₱12,713,218)	(₱104,061,640)	(₱113,317,784)

**Excludes cash on hand amounting to ₱4,362 and ₱3,728 as at December 31, 2024 and 2023, respectively.*
***Included as part of "Other noncurrent assets" in the consolidated statements of financial position.*
****Principal plus interest payment*
*****Excludes taxes payable, interest payable and current portion of lease liability.*
******Current portion is presented under "Trade and other payables" account and noncurrent portion is presented under "Other noncurrent liabilities" account.*

Capital Management

The primary objective of the Parent Company's capital management strategy is to ensure that it maintains a healthy capital structure in order to maintain a strong credit standing while it maximizes shareholder value.

The Parent Company closely manages its capital structure vis-a-vis a certain target gearing ratio, which is net debt divided by total capital plus net debt. The Parent Company's target gearing ratio is not to exceed 75%. This target is to be maintained over the next five years by managing the Parent Company's level of borrowings and dividend payments to shareholders.

For purposes of computing its net debt, the Parent Company includes the outstanding balance of its long-term interest-bearing loans, service concession obligation payable to MWSS and trade and other payables, less the outstanding cash and cash equivalents, deposits and restricted cash. To compute its capital, the Parent Company uses total equity.

	2024	2023
Interest-bearing loans and service concession obligation payable to MWSS (see Notes 10 and 11)	**₱90,969,317**	₱69,165,495
Trade and other payables (see Note 12)	**24,157,077**	20,567,655
Less cash and cash equivalents, deposits and restricted cash (see Notes 4 and 6)	**(10,757,969)**	(5,140,546)
Net debt (a)	**104,368,425**	84,592,604
Total equity	**75,354,950**	68,170,300
Net equity and debt (b)	**₱179,723,375**	₱152,762,904
Gearing ratio (a/b)	58%	55%

For the purposes of monitoring debt ratio covenants, the Parent Company computes using both interest-bearing debt and total liabilities. The Parent Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

25. Fair Value of Financial Assets and Financial Liabilities

The following table summarizes the carrying values and fair values of the Group's financial assets and financial liabilities as at December 31, 2024 and 2023:

	2024			
	Carrying value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level2)**	**Significant unobservable inputs (Level 3)**
Financial Assets				
At fair value through other comprehensive income	**₱124,864**	**₱–**	**₱–**	**₱124,864**
At amortized cost -				
Deposits (included under "Other noncurrent assets" account)	**558,957**	**–**	**–**	**482,665**
	₱683,821	**₱–**	**₱–**	**₱607,529**
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	**₱83,647,536**	**₱–**	**₱–**	**₱87,080,115**
Service concession obligation payable to MWSS	**7,321,781**	**–**	**–**	**7,668,381**
Customers' deposits	**1,355,612**	**–**	**–**	**367,362**
Lease liabilities	**372,787**	**–**	**–**	**375,605**
	₱92,697,716	**₱–**	**₱–**	**₱95,491,463**

	2023			
	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets				
At fair value through other comprehensive income	₱124,864	₱–	₱–	₱124,864
At amortized cost -				
Deposits (included under "Other noncurrent assets" account)	373,785	–	–	307,536
	₱498,649	₱–	₱–	₱432,400
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	₱61,801,898	₱–	₱–	₱63,888,017
Service concession obligation payable to MWSS	7,363,597	–	–	9,582,116
Customers' deposits	548,618	–	–	329,360
Lease liabilities	436,438	–	–	436,722
	₱70,150,551	₱–	₱–	₱74,236,215

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

Cash and Cash Equivalents, Trade and Other Receivables, Contract Assets, Deposits and Restricted Cash, and Trade and Other Payables. Due to the short-term nature of these transactions, the carrying values approximate the fair values as at the reporting date. These are carried at amortized cost.

Financial Assets at FVOCI. Fair value is equivalent to the carrying value because the Company's financial assets at FVOCI pertain to unquoted equity investments.

Interest-bearing Loans. For floating rate loans, the carrying value approximates the estimated fair value as at the reporting date due to quarterly repricing of interest rates. For fixed rate loans, the estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Deposits, Service Concession Obligation Payable to MWSS, Customers' Deposits and Lease Liabilities. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

During the periods ended December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of fixed rate interest-bearing loans, deposits, service concession obligation payable to MWSS, customers' deposits and lease liabilities are determined using Fair Value Hierarchy Level 3.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used are as follows:

	2024	2023
Deposits	**6.09%-6.18%**	5.87%-6.11%
Interest bearing loans	**3.98%-6.11%**	5.15%-6.03%
Interest bearing bonds	**5.87%-6.11%**	–
Service concession obligation payable to MWSS	**2.5%-8.53%**	2.5%-18.78%
Customers' deposits	**6.09%**	6.11%
Lease liabilities	**5.71%-6.18%**	5.12%-6.01%

26. **Supplemental Disclosure of Cash Flow Information**

The noncash activities pertain to MWSS loan drawdowns for Bigte-Novaliches Aqueduct No. 7 (BNAQ7) and Kaliwa Dam Project amounting to ₱146.9 million and ₱713.5 million in 2024 and 2023, respectively. Borrowing costs capitalized as part of service concession assets amounted to ₱3,028.6 million and ₱1,356.6 million in 2024 and 2023, respectively (see Note 7).

27. **Changes in Liabilities Arising from Financing Activities**

	January 1, 2024	**Cash Flows**	**Foreign Exchange Movement**	**Other***	**December 31, 2024**
Short-term and current portion of interest-bearing loans (Note 11)	**₱2,587,660**	**(₱2,565,306)**	**₱–**	**₱4,163,711**	**₱4,186,065**
Noncurrent portion of interest-bearing loans and bonds (Note 11)	**59,214,238**	**24,741,300**	**(402,978)**	**(4,091,089)**	**79,461,471**
Current portion of service concession obligation payable to MWSS (Note 10)	**874,561**	**(952,976)**	**(29,608)**	**1,135,278**	**1,027,255**
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,489,036**	**–**	**187,930**	**(382,440)**	**6,294,526**
Interest payable	**708,740**	**(4,025,270)**	**(336,502)**	**4,704,795**	**1,051,763**
Lease liabilities (Notes 2 and 22)	**436,438**	**(167,521)**	**–**	**103,870**	**372,787**
Dividends payable (Note 13)	**3,462**	**(5,654,209)**	**–**	**5,654,389**	**3,642**
Total liabilities from financing activities	**₱70,314,135**	**₱11,376,018**	**(₱581,158)**	**₱11,288,514**	**₱92,397,509**

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

	January 1, 2023	Cash Flows	Foreign Exchange Movement	Other*	December 31, 2023
Short-term and current portion of interest-bearing loans (Note 11)	₱3,806,311	(₱3,804,755)	₱–	₱2,586,104	₱2,587,660
Noncurrent portion of interest-bearing loans (Note 11)	43,107,785	18,829,316	(147,129)	(2,575,734)	59,214,238
Current portion of service concession obligation payable to MWSS (Note 10)	940,917	(927,222)	161,557	699,309	874,561
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	6,069,162	–	(82,138)	502,012	6,489,036
Interest payable	615,876	(2,805,164)	(203,532)	3,101,560	708,740
Lease liabilities (Notes 2 and 22)	281,529	(209,808)	–	364,717	436,438
Dividends payable (Note 13)	3,185	(3,599,723)	–	3,600,000	3,462
Total liabilities from financing activities	₱54,824,765	₱7,482,644	(₱271,242)	₱8,277,968	₱70,314,135

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

28. Operating Segment Reporting

The Group has only one operating segment, which is the water and wastewater services, and its results of operations are reviewed by the chief operating decision maker to make decisions and to assess the Group's financial performance, and for which discrete financial information is available. The financial information that are required in relation to segment reporting are the same as those information already presented in these consolidated financial statements.

29. Events After the Reporting Period

On February 18, 2025, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends amounting to ₱6,400.0 million to all shareholders of record as at December 31, 2024 for payment not later than March 15, 2025.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Maynilad Water Services Inc.
Maynilad Building, MWSS Complex
Katipunan Ave., Pansol, 1119 Quezon City

We have audited the accompanying financial statements of Maynilad Water Services Inc. (the Company), as at December 31, 2024 and for the year then ended, on which we have rendered the attached report dated February 18, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has four hundred twenty-four (424) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465276, January 2, 2025, Makati City

February 18, 2025

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Maynilad Water Services Inc.
Maynilad Building, MWSS Complex
Katipunan Ave., Pansol, 1119 Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services Inc. (the Company) as at December 31, 2024 and 2023, and have issued our report thereon dated February 18, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465276, January 2, 2025, Makati City

February 18, 2025

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Maynilad Water Services Inc.
Maynilad Building, MWSS Complex
Katipunan Ave., Pansol, 1119 Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services Inc. (the Company) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 18, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465276, January 2, 2025, Makati City

February 18, 2025

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Maynilad Water Services Inc.
Maynilad Building, MWSS Complex
Katipunan Ave., Pansol, 1119 Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services Inc. (the Company) as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 18, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465276, January 2, 2025, Makati City

February 18, 2025

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

INDEX TO THE SUPPLEMENTARY SCHEDULES
December 31, 2024
(Amounts in Thousands)

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- Financial Assets (Annex 68-J: Schedule A)
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principle Stockholders (Annex 68-J: Schedule B)
- Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (Annex 68-J: Schedule C)
- Long-Term Debt (Annex 68-J: Schedule D)
- Indebtedness to Related Parties (Annex 68-J: Schedule E)
- Guarantees of Securities and Other Issuers (Annex 68-J: Schedule F)*
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Supplementary Schedule of External Auditor Fee-related information

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

Supplementary Schedules
Required by Revised Securities Regulation Code Rule 68, Annex 68-J
December 31, 2024

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Amount shown in the statements of financial position	Income received and accrued
Cash and cash equivalents		
Total cash on hand and in banks	₱3,044,842	₱–
Total cash equivalents	7,474,699	404,839
	₱10,519,541	₱404,839

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

Name and designation	Balance as at January 1, 2024	Additions	Deductions Amount collected	Deductions Amount written off	Current	Noncurrent	Balance as at December 31, 2024
Not Applicable							

Schedule C. Amounts of Receivables from Related Parties which are Eliminated during Consolidation of Financial Statements

Name and designation	Balance as at January 1, 2024	Additions	Deductions Amount collected	Deductions Amount written off	Current	Noncurrent	Balance as at December 31, 2024
Philippine Hydro pH, Inc.	₱469,598	₱6,023	(₱125)	₱–	₱–	₱–	₱475,496
Amayi Water Solutions, Inc.	43,701	195,725	(220)	–	–	–	239,206
	₱513,299	**₱201,748**	**(₱345)**	**₱–**	**₱–**	**₱–**	**₱714,702**

Schedule D. Long-Term Debt

Title of issue and type of obligation	Interest Rates	Principal Amount (in Original Currency)	Maturity	Interest Periodic Payments	Principal Periodic Payments	Current Portion of Long-term debt (in PHP)	Noncurrent Portion of Long-term debt (in PHP)	Total Long-term debt (in PHP)
₱18.5 billion Corporate Notes								
1st drawdown Fixed Corporate Notes – 7Y	6.7028%		March 23, 2025					
1st drawdown Fixed Corporate Notes – 10Y	6.8911%		March 23, 2028					
1st drawdown Fixed Corporate Notes – 15Y	6.5569%	₱18,500,000	March 23, 2033	Semi-annual	Semi-annual	₱1,788,210	₱15,725,925	₱17,514,135
2nd drawdown Fixed Corporate Notes – 7Y	6.8337%		March 23, 2025					
2nd drawdown Fixed Corporate Notes – 10Y	6.9072%		March 23, 2028					
2nd drawdown Fixed Corporate Notes – 15Y	6.6144%		March 23, 2033					
₱15.0 billion Blue Bonds								
Series A – 5Y	6.709%	₱15,000,000	July 12, 2029	Quarterly	Quarterly	–	15,000,000	15,000,000
Series B – 10Y	7.093%		July 12, 2034					
₱10.0 billion Term Loan Facility (MBTC)	6.4959%	₱10,000,000	March 20, 2034	Semi-annual	Semi-annual *(Starting September 25, 2025)*	62,500	9,937,500	10,000,000
₱10.0 billion Term Loan Facility (BPI)								
1st drawdown	6.4059%	₱10,000,000	May 11, 2033	Semi-annual	Semi-annual *(Starting November 11, 2024)*	125,000	9,812,500	9,937,500
2nd drawdown	7.006%							
₱6.0 billion Term Loan Facility (BDO)	7.1581%	₱6,000,000	November 17, 2032	Semi-annual	Semi-annual *(Starting May 17, 2024)*	75,000	5,850,000	5,925,000
₱6.0 billion Term Loan Facility (LBP)	5.4992%	₱6,000,000	August 12, 2037	Semi-annual	Semi-annual	300,000	5,100,000	5,400,000
₱5.0 billion Term Loan Facility (LBP)	6.5963%	₱5,000,000	December 14, 2033	Semi-annual	Semi-annual *(Starting June 14, 2025)*	62,500	4,937,500	5,000,000

(Forward)

Title of issue and type of obligation	Interest Rates	Principal Amount (in Original Currency)	Maturity	Interest Periodic Payments	Principal Periodic Payments	Current Portion of Long-term debt (in PHP)	Noncurrent Portion of Long-term debt (in PHP)	Total Long-term debt (in PHP)
¥13.1 billion Facility Loan (JICA)	0.900%	¥13,049,000	October 10, 2034	Semi-annual	Semi-annual *(Starting October 10, 2022)*	446,576	4,019,181	4,465,757
₱4.0 billion Term Loan Facility (LBP)	7.0036%	₱4,000,000	November 10, 2032	Semi-annual	Semi-annual *(Starting May 10, 2024)*	50,000	3,900,000	3,950,000
₱4.8 billion Corporate Notes (DBP)	6.00%	₱4,770,000	March 24, 2035	Semi-annual	Semi-annual *(Starting September 24, 2020)*	318,000	3,021,000	3,339,000
₱5.0 billion Term Loan Facility (BDO)	5.00%	₱5,000,000	November 29, 2039	Semi-annual	Semi-annual *(Starting May 29, 2021)*	555,556	2,222,222	2,777,778
¥7.9 billion Facility Loan (JCB)								
1st drawdown Mizuho Bank, Ltd	1.2200%							
1st drawdown MUFG Bank	1.2200%							
1st drawdown Sumimoto Banking Corp	1.2300%	¥7,900,000	June 7, 2027	Semi-annual	Semi-annual *(Starting June 7, 2020)*	386,785	580,175	966,960
2nd drawdown Mizuho Bank, Ltd.	1.2200%							
2nd drawdown MUFG Bank	1.2200%							
2nd drawdown Sumimoto Banking Corp.	1.2200%							
₱1.4 billion Facility Loan (JICA)								
1st drawdown	6.390%	₱1,434,000	October 15, 2024	Semi-annual	Semi-annual *(Starting October 15, 2021)*	–	–	–
2nd drawdown	6.750%							
3rd drawdown	7.300%							
Peso-denominated Bank Loan (LBP)	5.50%	₱255,000	June 29, 2025	Quarterly	Quarterly	15,938	–	15,938
						₱4,186,065	**₱80,106,003**	**₱ 84,292,068**

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Parties)

Name of related party	Balance at January 1, 2024	Balance at December 31, 2024
Not Applicable		

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of Securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which the statement is filed	Nature of guarantee
Not Applicable				

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock Maynilad Water Services, Inc.	9,093,964,000	5,612,627,500	71,100,000	296,178,000	178,415,000	–
Philippine Hydro (pH), Inc.	2,500,000	2,500,000	–	–	5	–
Amayi Water Solutions, Inc.	500,000	31,250	–	–	5	–

MAYNILAD WATER SERVICES, INC.

(A Subsidiary of Maynilad Water Holding Company, Inc.)

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

(Amounts in Thousands)

The Philippine Securities and Exchange Commission (SEC) issued Memorandum Circular No. 11 series of 2008 on September 5, 2008, which provides guidance on the determination of the retained earnings available for dividend declaration.

The table below presents the retained earnings available for dividend declaration as at December 31, 2024:

Unappropriated retained earnings as at December 31, 2023	₱25,909,157
Add: Items that are directly credited to Unappropriated Retained Earnings	
Reversal of Retained Earnings Appropriation/s	2,501,000
Effect of restatements or prior-period adjustments	–
Accumulated beginning deferred tax assets (DTA), exclusive of deferred tax recognized in OCI	–
	361,210
Less: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	5,654,389
Retained Earnings appropriated during the reporting period	14,300,000
Effect of restatements or prior-period adjustments	–
Others (describe nature)	–
Unappropriated retained earnings, as adjusted, as at December 31, 2024	8,816,978
Add: Net income during the period closed to retained earnings	12,753,153
Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	(8,990)
Add: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	7,472
Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	–
Adjusted Net Income	12,751,635
Add: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Add/(Less): Adjustments related to relief granted by the SEC and BSP	
Add/(Less): Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	(568,636)
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	71,807
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(285,559)
Unappropriated retained earnings as at December 31, 2024 available for dividend declaration	₱20,786,225

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

Supplementary Schedule on Financial Soundness Indicators
As at December 31, 2024

Ratio	Formula	2024	2023
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 16,759,566 Divided by: Total Current Liabilities 30,158,341 Current Ratio 0.56	**0.56**	0.42
Asset-to-Equity Ratio	Total Assets divided by Total Equity Total Assets 198,170,614 Divided by: Total Equity 75,354,950 Asset-to-Equity Ratio 2.63	**2.63**	2.40
Debt-to-Equity Ratio	Total Debt divided by Total Equity Total Debt 122,815,664 Divided by: Total Equity 75,354,950 Debt-to-Equity Ratio 1.63	**1.63**	1.40
Return on Equity	Net Income divided by Average Total Equity Net Income 12,781,414 Divided by: Average Total Equity 71,762,625 Return on Equity 0.18	**0.18**	0.14
Return on Assets	Net Income divided by Average Total Assets Net Income 12,781,414 Divided by: Average Total Assets 180,937,090 Return on Assets 0.07	**0.07**	0.06
EBITDA Margin	Earnings Before Interest, Tax and Depreciation and Amortization divided by Total Revenue Earnings Before Interest, Tax and Depreciation and Amortization 22,041,064 Divided by: Total Revenue 33,494,515 EBITDA Margin 0.66	**0.66**	0.64
Net Profit Margin	Net Income divided by Total Revenue Net Income 12,781,414 Divided by: Total Revenue 33,494,515 Net Profit Margin 0.38	**0.38**	0.33

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

SUPPLEMENTAL SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
As at December 31, 2024

	2024	2023
Total Audit Fees		
Year-end Audit	**₱12,150,000**	₱11,650,000
Special Interim Audit	**10,000,000**	–
Total Audit Fees	**22,150,000**	11,650,000
Non-Audit service fees		
Other Assurance Services	**695,000**	5,250,000
Tax Services	**3,100,000**	2,185,000
All other services	**5,000,000**	–
Total Non-Audit Fees	**8,795,000**	7,435,000
Total Audit and Non-Audit Fees	**₱30,945,000**	₱19,085,000