IMPORTANT NOTICE

THIS DRAFT OF THE PRELIMINARY PROSPECTUS IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE DRAFT PRELIMINARY PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. (THE "PSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS DRAFT PRELIMINARY PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE DRAFT PRELIMINARY PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE DRAFT PRELIMINARY PROSPECTUS.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THEM BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT IS RENDERED EFFECTIVE. THIS COMMUNICATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION TO BUY. FURTHER, THE TIMETABLE OF OFFERING ACTIVITIES UNDER THIS DRAFT PRELIMINARY PROSPECTUS IS STILL SUBJECT TO REGULATORY APPROVALS.

The offering information on this website is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or juridical entities organized and existing under Philippine law, and is not intended for distribution outside the Philippines and is not intended for distribution in the United States. The information contained in this website may not be published or distributed, directly or indirectly, in the United States and this information does not constitute an offer of shares for sale in the United States. The shares described in this website or the documents or information available on this website have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold, directly or indirectly, into the United States unless the shares are so registered or an exemption from the U.S. registration requirements is available. There will be no public offer of the shares mentioned herein in the United States.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

This Draft Preliminary Prospectus is being made available in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither Maynilad Water Services, Inc. nor any of Maynilad Water Services Inc.'s affiliates and advisors accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This Draft Preliminary Prospectus and the information contained herein are subject to completion or amendment without notice. The Offer Shares may not be sold nor may an offer to buy be accepted prior to the time that the Draft Preliminary Prospectus is issued in final form. Under no circumstances shall this Draft Preliminary Prospectus constitute an offer to sell or the solicitation of an offer to buy any Offer Shares nor shall there be any offer, solicitation or sale of the Offer Shares in any jurisdiction where such offer or sale is not permitted.

PRELIMINARY PROSPECTUS DRAFT DATED AS OF MAY 14, 2025
SUBJECT TO COMPLETION

This Draft Preliminary Prospectus and the information contained herein are subject to completion or amendment without notice. The Offer Shares may not be sold nor may an offer to buy be accepted prior to the time that this Draft Preliminary Prospectus is issued in final form. Under no circumstances shall this Draft Preliminary Prospectus constitute an offer to sell or the solicitation of an offer to buy any Offer Shares nor shall there be any offer, solicitation or sale of the Offer Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MAYNILAD

MAYNILAD WATER SERVICES, INC.

(*incorporated in the Republic of the Philippines*)

Primary Offer of up to [1,660,317,400] Common Shares and
Preferential Offer of up to [24,904,800] Primary Common Shares
subject to an Upsize Option of up to [354,704,200] Secondary Common Shares
with an Overallotment Option of up to [249,047,600] Primary Common Shares

Offer Price: Up to ₱[20.00] per share

to be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 31.

The offering of the Common Shares has not been registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and are being offered and sold within the United States only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A of the U.S. Securities Act and to persons outside the United States in reliance on Regulation S under the U.S. Securities Act.

Joint Global Coordinators and Joint Bookrunners

BPI Capital Corporation | HSBC | Morgan Stanley | UBS

BPI CAPITAL CORPORATION | THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED | MORGAN STANLEY ASIA (SINGAPORE) PTE. | UBS AG, SINGAPORE BRANCH

International Underwriters

HSBC | Morgan Stanley | UBS

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED | MORGAN STANLEY ASIA (SINGAPORE) PTE. | UBS AG, SINGAPORE BRANCH

Domestic Lead Underwriter

BPI Capital Corporation

BPI CAPITAL CORPORATION[1]

Co-Manager

MAYBANK SECURITIES PTE. LTD.

Selling Agents

TRADING PARTICIPANTS OF THE PHILIPPINE STOCK EXCHANGE, INC.

Stabilizing Agent

UBS

UBS AG, SINGAPORE BRANCH
and its relevant affiliates

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

[1] *BPI Capital Corporation is a wholly owned subsidiary of the Bank of the Philippine Islands ("**BPI**"). BPI is a Concessionaire Lender of Maynilad. For further discussion, please refer to page 116 of this Prospectus.*

The date of this Prospectus is [●], 2025

MAYNILAD WATER SERVICES, INC.
Maynilad Building, MWSS Complex,
Katipunan Avenue, Pansol,
1119 Quezon City, Philippines
Telephone Number: (632) 8920 5485
www.mayniladwater.com.ph

This Prospectus (the "**Prospectus**") relates to the offer and sale to the public of up to [1,660,317,400] common shares (the "**Firm Shares**") and to First Pacific Company Limited ("**FPCL**") of up to [24,904,800] primary common shares (the "**Reserved Shares**") with an Overallotment Option (as defined below) of up to [249,047,600] primary common shares (the "**Overallotment Option Shares**") and subject to the exercise of an Upsize Option (as defined below) of up to [354,704,200] secondary common shares (the "**Upsize Option Shares**") (collectively, the Firm Shares, the Reserved Shares, the Overallotment Option Shares, and the Upsize Option Shares (if any) are referred to as the "**Offer Shares**"), each with a par value of ₱1.00 per common share (the "**Common Shares**"), of Maynilad Water Services, Inc. ("**we**", "**us**", "**our**", "**Maynilad**", the "**Company**" or the "**Issuer**"), a corporation organized and existing under Philippine law. The Offer Shares will comprise up to [1,934,269,800] unissued Common Shares to be offered and issued by the Company by way of primary offer and up to [354,704,200] secondary Common Shares to be offered by Maynilad Water Holding Company, Inc. ("**MWHCI**" or the "**Selling Shareholder**"). The offer of the Offer Shares is referred to herein as the "**Offer**."

Pursuant to its amended articles of incorporation, as approved by the Board of Directors on November 8, 2024 and stockholders on December 12, 2024, and approved by the Philippine Securities and Exchange Commission (the "**Philippine SEC**") on December 27, 2024, the Company has an authorized capital stock of ₱9,093,964,000.00 divided into 9,093,964,000 Common Shares with a par value of ₱1.00 per Common Share, of which 5,612,627,500 Common Shares are issued and outstanding as of the date of this Prospectus.

The Firm Shares shall be offered at a price of up to ₱[20.00] per Offer Share (the "**Offer Price**"). The determination of the Offer Price is described in the section entitled "*Determination of the Offer Price*" on page 75 of this Prospectus and will be determined through a book-building process and discussion between the Company, BPI Capital Corporation (the "**Domestic Lead Underwriter**"), The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia (Singapore) Pte. and UBS AG, Singapore Branch (together with the Domestic Lead Underwriter, the "**Joint Global Coordinators and Joint Bookrunners**").

The Offer Shares will be listed and traded on the Main Board of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol "**MYNLD**."

Pursuant to paragraph 3(f) of Practice Note 15 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**PN15**"), FPCL must have due regard to the interests of its shareholders by providing them with an assured entitlement to shares of the Issuer being offered in the Offer, either by way of a distribution of Common Shares in specie or by way of preferred application for the Common Shares in the Offer by the shareholders of FPCL. FPCL will subscribe for the Reserved Shares in the Preferential Offer (as defined herein) for onward distribution to FPCL's shareholders. The Reserved Shares comprise Common Shares to be offered by the Issuer. The Reserved Shares are not subject to reallocation.

The Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, have the option to increase the total number of Common Shares offered in the Offer by up to [354,704,200] Common Shares (the "**Upsize Option**"), which may be exercised at any time during the Offer Period (the "**Upsize Option Period**"). The Upsize Option may be exercised through the Joint Global Coordinators and Joint Bookrunners' submission of an irrevocable request to the Issuer specifying the number of Upsize Option Shares proposed to be offered, which shall not exceed [354,704,200] Common Shares and shall be in accordance with the allocation agreed upon by the Joint Global Coordinators and Joint Bookrunners, with the Issuer's agreement evidenced through subsequent written confirmation to the Joint Global Coordinators and Joint Bookrunners. The Upsize Option Shares will comprise Common Shares to be offered by the Selling Shareholder pursuant to the Upsize Option, if exercised. See "*Plan of Distribution – The Upsize Option*" on page 292 of this Prospectus for more information.

Pursuant to the approval of the Philippine SEC dated [●], the Issuer has appointed UBS AG, Singapore Branch and its relevant affiliates to act as the stabilizing agent (the "**Stabilizing Agent**"). The Stabilizing Agent has an option exercisable in whole or in part for a period beginning on or after the initial listing of the Offer Shares on the PSE (the "**Listing Date**") and, if exercised, ending on a date no later than 30 calendar days from and including the Listing Date, to purchase the Overallotment Option Shares at the Offer Price from the Issuer, on the same terms and conditions as the Firm Shares as set forth in this Prospectus, solely to cover overallotments, if any (the "**Overallotment Option**"). In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may effect stabilizing transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any stabilization activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Common Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed [15]% of the aggregate number of the Firm Shares. If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the Common Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Common Shares will not decline significantly after any such stabilizing activities end. See "*Plan of Distribution*" on page 288 for more information. Any Common Shares purchased in the course of the stabilization activities by the Stabilization Agent shall be redelivered to the Company and form part of its treasury shares, in which case, the net proceeds received from such Overallotment Option Shares will be lower depending on the market price in the stabilization activities.

Upon completion of the Offer, and assuming full participation in the Preferential Offer and full exercise of the Overallotment Option but no exercise of the Upsize Option, a total of [7,546,897,300] Common Shares will be issued and outstanding, with the Firm Shares representing [22.00]% of the Company's issued and outstanding capital stock and the Offer Shares representing [25.63]% of the Company's issued and outstanding capital stock. If the Upsize Option is fully exercised, an additional [354,704,200] Common Shares will be offered and the public float, which excludes any Reserved Shares held by FPCL, will be [30.00]%. Any Common Shares purchased in the course of the stabilization activities by the Stabilization Agent shall be redelivered to the Company and form part of its treasury shares. To the extent that the Upsize Option is not fully exercised, the unexercised portion of the Upsize Option shall not be sold by the Selling Shareholder. If neither the Overallotment Option nor the Upsize Option is exercised, the number of shares held by new investors will be [1,660,317,400] Common Shares and the public float, which excludes any Reserved Shares held by FPCL, will be [22.75]%. See "*Dilution"* on page 78 for more information.

The Company estimates that the total gross proceeds to be raised from the sale of the Firm Shares and the Reserved Shares will be up to approximately ₱[33,704.4] million (U.S.$[587.4] million). The net proceeds from the Firm Shares and the Reserved Shares, after deduction of fees and expenses, is estimated to be up to approximately ₱[32,557.9] million (U.S.$[567.4] million). Assuming full exercise of the Upsize Option, the gross proceeds for the Selling Shareholder from the sale of the Upsize Option Shares is estimated to be up to approximately ₱[7,094.1] million (U.S.$[123.6] million) and the estimated net proceeds, after deducting fees payable by the [Selling Shareholder] in connection with the Upsize Option Shares, is estimated to be up to approximately ₱[6,863.4] million (U.S.$[119.6] million). The Company will not receive any proceeds from the sale of any Upsize Option Shares. Assuming full exercise of the Overallotment Option, the gross proceeds for the Company from the sale of the Overallotment Option Shares is estimated to be up to approximately ₱[4,981.0] million (U.S.$[86.8] million) and the estimated net proceeds, after deducting fees and expenses payable by the Company, is estimated to be up to approximately ₱[4,853.9] million (U.S.$[84.6] million). The Company intends to use the net proceeds from the Firm Shares, the Reserved Shares, and the Overallotment Option Shares (if any) for capital expenditures and for general corporate purposes. For a detailed discussion on the use of proceeds, please refer to page 64 on the "*Use of Proceeds*" of this Prospectus.

The Joint Global Coordinators and Joint Bookrunners will receive an underwriting fee from the Company and the Selling Shareholder equivalent to [2.0]% and an additional fee of up to [0.5]%, payable at the sole discretion of the Issuer, of the gross proceeds from the sale of the Firm Shares and, in each case and solely to the extent exercised, the Upsize Option Shares and the Overallotment Option Shares (collectively, the "**Option Shares**"). The underwriting fee does not include the amounts to be paid to other participating underwriters and selling agents, if any and where applicable, and the commissions and fees to be paid to the trading participants of the PSE ("**PSE Trading Participants**"). For detailed discussion on the underwriting commitments and underwriting fees, please refer to the section on "*Plan of Distribution*" on page 288 of this Prospectus.

At least [332,063,500] Firm Shares (or [20]% of the Firm Shares) (the "**Trading Participants Offer Shares**") are (subject to re-allocation as described below) being offered in the Philippines through the PSE Trading Participants and at least [166,031,800] (or [10]% of the Firm Shares) (the "**Retail Offer Shares**") are being offered in the Philippines to local small investors ("**LSI**") under the Local Small Investors Program (subject to re-allocation as described below) (such shares, together, the "**Trading Participants and Retail Offer Shares**," and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**"). The Upsize Option Shares, if exercised and to the extent allocated to the Trading Participants and Retail Offer, will form part of the Trading Participants and Retail Offer.

Up to [1,162,222,100] Firm Shares, or [70]% of the Firm Shares (the "**Institutional Offer Shares**"), are (subject to re-allocation as described below) being offered for sale (i) outside the United States by The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia (Singapore) Pte. and UBS AG, Singapore Branch, (the "**International Underwriters**") in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under U.S. Securities Act, and (iii) to local qualified buyers as defined under Securities Regulation Code of the Philippines (Republic Act No. 8799, the "**SRC**") and Rule 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC ("**SRC IRR**") by the Domestic Lead Underwriter (the "**Institutional Offer**"). The Option Shares, if exercised and to the extent allocated to the Institutional Offer, will form part of the Institutional Offer.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Joint Global Coordinators and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand. In the event of under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand, allocation not taken up in either the Trading Participants and Retail Offer or the Institutional Offer shall be deemed underwritten by the Joint Global Coordinators and Joint Bookrunners on a pro rata basis and reallocation shall apply accordingly.

The Domestic Lead Underwriter will underwrite, on a firm commitment basis, its pro rata portion of the Firm Shares. Each of the International Underwriters will procure purchasers for, and failing which to purchase, its pro rata portion of the Firm Shares. For a detailed discussion on the distribution of the Firm Shares and the underwriting commitment, please refer to the section on "*Plan of Distribution*" on page 288 of this Prospectus.

All of the Offer Shares have identical rights and privileges to the Company's issued and outstanding Common Shares. For a detailed discussion of the rights and features of the Company's shares of stock, including the Offer Shares, please refer to the section on "*Description of the Shares*" on page 269 of this Prospectus. Dividends may be payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends is subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends. The Board of Directors may declare dividends, but any stock dividends must be approved by shareholders holding at least two-thirds of the Company's total outstanding capital stock. For further discussion, please refer to the section on "*Dividends and Dividend Policy*" beginning on page 71 of this Prospectus.

The Company filed a Registration Statement with the Philippine SEC on March 17, 2025 in accordance with the provisions of the SRC for the registration of all its issued and outstanding Common Shares and the Offer Shares. On [●], the Philippine SEC issued a Pre-Effective Letter. Upon compliance with the requirements of the Pre-Effective Letter, we expect the Philippine SEC to issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale.

The listing of the Offer Shares is subject to the approval of the PSE. On March 17, 2025, the Company filed the application for the listing and trading of its issued and outstanding Common Shares and the Offer Shares. On [●], the PSE issued the Notice of Approval subject to compliance with certain conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. Maynilad operates as a public utility and owns certain real estate, and as such, is subject to certain foreign ownership limitations under the Philippine Constitution and other laws. Accordingly, foreign equity in Maynilad shall not exceed 40.0% of our (a) total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the number of outstanding shares of stock, whether or not entitled to vote in the election of directors, after completion of the Offer and in compliance with applicable laws. As of the date of this Prospectus, only 2,000 Common Shares of Maynilad's total outstanding capital stock is not held by Philippine Nationals. For further discussion, please refer to the section on "*Regulatory and Environmental Matters—Foreign Investments and Laws and Regulations Relating to Restrictions on Foreign Equity*" on page 243 of this Prospectus.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

In making an investment decision, investors are advised to carefully consider all the information contained in this Prospectus, including risks associated with an investment in the Offer Shares. These risks include:

(a) risks relating to us and our businesses;

(b) risks relating to the Philippines;

(c) risks relating to the Offer and the Offer Shares; and

(d) risks relating to the presentation of information in this Prospectus.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" on page 31 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in the Prospectus.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

MAYNILAD WATER SERVICES, INC.
By:

RAMONCITO S. FERNANDEZ
President and CEO

Republic of the Philippines)
City of _______________) s.s.

Before me, a notary public in and for the city named above, personally appeared Mr. Ramoncito S. Fernandez, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this day of 2025 at ________.

Doc. No._____;
Page No. _____;
Book No. _____;
Series of 2025.

NOTICE TO INVESTORS

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to the Company's right to reject any order in whole or in part in consultation with the Joint Global Coordinators and Joint Bookrunners. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation ("**PDTC**") on or about [●].

No representation or warranty, express or implied, is made by the Company, the Selling Shareholder or the Joint Global Coordinators and Joint Bookrunners regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations outside the Philippines. No representation or warranty, express or implied, is made by the Joint Global Coordinators and Joint Bookrunners as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Global Coordinators and Joint Bookrunners; provided that the Domestic Lead Underwriter has exercised the required due diligence in ascertaining that all material representations contained in this Prospectus, and any amendment or supplement thereto, are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect.

The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Selling Shareholder or the Joint Global Coordinators and Joint Bookrunners. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. In accordance with the requirements of applicable laws and regulations in the Philippines for the sale of securities, such as the Offer Shares, each of the Company and the Joint Global Coordinators and Joint Bookrunners has exercised due diligence to the effect that, and the Company confirms that to the best of its knowledge and belief, after having taken reasonable care to ensure that such is the case, as of the date of this Prospectus, the information contained in this Prospectus relating to the Company and its operations is true and there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company, the Selling Shareholder and the Joint Global Coordinators and Joint Bookrunners require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of the Joint Global Coordinators and Joint Bookrunners, the Selling Shareholder or the Company shall have any responsibility therefor.

Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Common Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed [15]% of the aggregate number of the Firm Shares. If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the Common Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Common Shares will not decline significantly after any such stabilizing activities end.

In consultation with the Joint Global Coordinators and Joint Bookrunners, we reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall subsequently notify the Philippine SEC and the PSE. The Joint Global Coordinators and Joint Bookrunners and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing. Each person contemplating an investment in the Offer Shares should make their own investigation and analysis of the creditworthiness of the Company and their own determination of the suitability of any such investment.

BASIS FOR CERTAIN MARKET DATA

Market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information, industry publications and on our own analysis and knowledge of the markets for our services. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company, the Selling Shareholder or the Joint Global Coordinators and Joint Bookrunners makes any representation or warranty, express or implied, as to the accuracy or completeness of such information. Information in this Prospectus on the water and wastewater industry are from independent market research carried out by GlobalData Plc ("**GlobalData**") commissioned by our Company, but should not be relied upon in making, or refraining from making, any investment decision.

The operating information used throughout this Prospectus has been calculated by us on the basis of certain assumptions. As a result, this operating information may not be comparable to similar operating information reported by other companies.

See the section entitled "*Industry Overview*" on page 121 of this Prospectus for information relating to the industry in which we operate.

CONVENTIONS USED IN THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "**Company**," the "**Group**", the "**Issuer**," "**Maynilad**," "**we**," "**us**" or "**our**" are to Maynilad Water Services, Inc. and its consolidated subsidiaries and affiliate, as the context requires. References to the "**Selling Shareholder**" are to MWHCI.

All references to the "**BSP**" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to the "**Government**" are references to the national government of the Republic of the Philippines. All references to "**United States**" or "**U.S**." are to the United States of America. All references to "**Philippine Pesos**" and "**₱**" are to the lawful currency of the Philippines, and all references to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States. Certain terms used herein are defined in the "*Glossary*" contained elsewhere in this Prospectus.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding off. References to Appendix 1 are to the Appendix set out in this Prospectus. All references herein to dates and times shall mean Philippine dates and times unless otherwise specified.

EXCHANGE RATE INFORMATION

This Prospectus contains translations of certain Philippine Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Philippine Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of ₱57.38 = U.S.$1.00, the BSP Reference Rate quoted in the BSP's Reference Exchange Rate Bulletin on March 31, 2025 (the last date in March 2025 that such rate was published). See "*Exchange Rates*" on page 74 of this Prospectus for further information regarding the rates of exchange between the Philippine Peso and the U.S. dollar.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**"). PFRS includes statements named PFRS and Philippine Accounting Standards, including Philippine Interpretations from International Financial Reporting Interpretations Committee issued by the Financial Reporting Standards Council and Philippine Interpretations Committee.

The financial information included in this Prospectus has been derived from our financial statements. Unless otherwise indicated, financial information relating to us in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

Our fiscal year begins on January 1 and ends on December 31 of each year. SyCip Gorres Velayo & Co. ("**SGV**"), a member firm of Ernst & Young Global Limited, has audited our financial statements as of and for the years ended December 31, 2022, 2023 and 2024 and for the three months ended March 31, 2024 and 2025, in accordance with Philippine Standards on Auditing.

For more information, please refer to our consolidated audited financial statements as of and for the years ended December 31, 2022, 2023 and 2024 and our consolidated audited interim financial statement as of and for the three months ended March 31, 2024 and 2025 contained elsewhere in this Prospectus.

PRESENTATION OF NON-PFRS FINANCIAL MEASURES

This Prospectus includes certain non-PFRS financial measures, including EBITDA, EBITDA Margin and Debt Service Coverage Ratio. EBITDA is calculated as the sum of our consolidated net income, interest expense and other financing charges, provision for income taxes, depreciation and amortization, amortization of service concession assets less interest income. EBITDA Margin is calculated as EBITDA divided by our operating revenue. Debt Service Coverage Ratio is, as of the date of determination, a fraction, the numerator of which is (a) the sum of (i) EBITDA as of the last day of the immediately preceding 12-month period up to the end of the period and (ii) cash and cash equivalents at the beginning of the immediately succeeding 12-month period up to the end of the period, in both cases, as reflected in the Company's most recently available quarterly or annual consolidated financial statements, as applicable, and the denominator of which is Debt Service for the immediately succeeding 12-month period up to the end of the period. "Debt Service" is defined as the aggregate amount of all principal, interest and other financial charges in respect of borrowed money payable by Maynilad. We believe that the use of EBITDA and Debt Service Coverage Ratio, combined with the required PFRS presentations, improves the understanding of our operating results among investors. EBITDA measures the key operational results of our operations while EBITDA Margin is a measure of our operating profit shown as a percentage of operating revenue.

These non-PFRS financial measures are supplemental measures of our performance that are not required by, or presented in accordance with, and should not be considered as an alternative to net profit, revenues or any other measure of financial performance derived in accordance with PFRS or as an alternative to cash flows from operations or as a measure of liquidity. Non-PFRS financial measures have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for, your own analysis of our financial condition or results of operations, as reported under PFRS. These non-PFRS financial measures are not standardized terms and other companies may calculate measures bearing the same titles differently, hence a direct comparison between companies using such terms may not be possible, which limits the usefulness of these non-PFRS financial measures.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expected future results;
- performance or achievements expressed or implied by forward-looking statements;
- our overall future business, financial condition, operational performance and results of operations, including, but not limited to, our financial position or cashflow; and
- changes in our regulatory environment including, but not limited to, policies, decisions, and determinations of Governmental or regulatory authorities.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- risks relating to us, our businesses and operations;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares;
- risks relating to certain information in the Prospectus; and
- factors that are not known to us at this time.

Additional factors that could cause our actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "*Risk Factors*" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. Our Company, the Selling Shareholder and the Joint Global Coordinators and Joint Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "forecast," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. Statements that describe our objectives, plans or goals are forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statement and we give no assurance that such forward-looking statements will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from our expectations. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this Prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to the standard industry meaning or usage of these terms.

ADR	Appropriate Discount Rate which is equal to nominal 12% from the effective date of the Revised Concession Agreement
AFP	The Armed Forces of the Philippines
ASF	African Swine Fever
Asset-to-Equity Ratio.........................	calculated as total assets divided by total equity
Blue Bonds	Maynilad's maiden blue bond issuance, 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, which are listed and traded on the Philippine Dealing & Exchange Corp.
BPI...	Bank of the Philippine Islands
C Adjustment	CPI adjustment under the Revised Concession Agreement, which is capped at 75% of the percentage change in the CPI, as published by the PSA, between the month immediately preceding the current Charging Year and the month preceding the start of the following Charging Year To allow time for the review of the adjustment proposals to be implemented in January of the Charging Year, MWSS uses the percentage change in CPI, as published by the PSA, between July of the previous Charging Year and July of the current Charging Year
CAGR..	compound annual growth rate
CAPEX..	capital expenditures under Maynilad's business plan comprising three major pillars: water, wastewater, and customer service & information system projects
CAS	conventional activated sludge, a biological treatment process where microorganisms break down organic matter in wastewater
CAS-MLE	conventional activated sludge – modified Ludzack-Ettinger, a variation of the CAS process designed for biological nutrient removal, specifically targeting nitrogen removal
Cash Flows	in the context of historical cash flows, both Receipts and Expenditures that the Company has efficiently and prudently incurred in carrying out its obligations under the Revised Concession Agreement. In the context of future cash flows, it means (A) both anticipated Receipts and Expenditures efficiently and prudently incurred in the course of carrying out the Company's obligations, and (B) from and after the second Rate Rebasing Date, any expiration payment which MWSS may have agreed to pay the Company on the Expiration Date. Expenditures "efficient and

prudently incurred" do not include, among other things, payments for disapproved assets or fees for management or consulting services that the Company may have required to carry out its obligations under the Revised Concession Agreement payable to any of its shareholders or affiliates to the extent that such fees do not represent the best value available in the market for such services, in the MWSS-RO's judgment.

CBA..	Collective Bargaining Agreement
Charging Year	any year beginning on January 1 following the first anniversary of the commencement date of the Revised Concession Agreement
CMD...	cubic meters per day
Common Purpose Facilities	assets owned by MWSS that are jointly managed by Maynilad, Manila Water and MWSS as determined in the Revised Common Purpose Facilities Agreement, particularly: a. the Umiray-Angat Transbasin Facilities including the Sumag River Diversion Project and Alia River; b. the Angat Dam's Bypass Units 1&2 and Low-Level Outlet; c. the Ipo Dam and Ipo-Bigte Tunnels; d. the Bigte Compound, Bigte-Novaliches Aqueducts Right-of-Way, Aqueducts and its appurtenances; e. the Novaliches Junction, Portal and Open Channels; f. the La Mesa Dam & Reservoir and Alat Dam; g. the Dam, Reservoir, Tunnel and Portals of the New Centennial Water Source – Kaliwa Dam Project once the same has been turned over to the Common Purpose Facilities for operations; and h. all other raw water meters and connections including Bulacan Bulk and San Jose Del Monte Water District connection.
Concessionaires..................................	Manila Water and Maynilad
CPI...	consumer price index, as published by the PSA
CST	communal septic tank
Debt..	the amount of all the Company's outstanding obligations for borrowed money from any bank or financial institution, including amounts outstanding under any of its issued bonds, notes, or similar instruments, which are booked as liabilities in its financial statements
Debt-to-Equity Ratio..........................	calculated as Debt divided by total equity

Debt Service	the aggregate amount of all principal, interest and other financial charges in respect of borrowed money payable by Maynilad
Debt Service Coverage Ratio	as of the date of determination, a fraction, the numerator of which is (a) the sum of (i) EBITDA as of the last day of the immediately preceding 12-month period, and (ii) the Company's cash and cash equivalents at the beginning of the immediately succeeding 12-month period, in both cases, as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable; and the denominator of which is (b) Debt Service for the immediately succeeding 12-month period
Department of Finance	The Philippine Department of Finance
DENR	The Philippine Department of Environment and Natural Resources
DOE	The Philippine Department of Energy
DOH	The Philippine Department of Health
DOLE	The Philippine Department of Labor and Employment
Domestic customers	residential and semi-business customers within the West Zone
DMA	District Metered Area
DMCI	DMCI Holdings, Inc.
DPWH	The Philippine Department of Public Works and Highways
East Zone	the eastern service concession area which comprise (i) 10 cities in Metro Manila, including (a) most portions of Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina and (b) portions of Quezon City, Makati City, portions of Manila, Parañaque, and (ii) the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay, and Teresa
EMB	The Philippine Environmental Management Bureau
EPC	engineering, procurement and construction
ESG	environmental, social and governance
Expenditures	the expenses that Maynilad is entitled to recover under the Revised Concession Agreement, incurred in connection with the provision of water and wastewater services which include its pre-operating, operating, capital maintenance and investment expenditures, working capital requirements, concession fees and Philippine business taxes, excluding penalties, interest charges on late payments, financing costs, bad debt provisions, depreciation provisions and corporate income tax. Expenditures "efficiently and prudently incurred" does not include, among other things, payments for disapproved assets or fees for management or consulting services required by the Company in order to carry out its obligations under the Revised Concession Agreement

	payable to any shareholder or affiliate of the Company to the extent, in the judgment of the MWSS-RO, that such fees do not represent the best value available in the market for such services.
FCDA	Foreign Currency Differential Adjustment
Fitch	Fitch Ratings
Fixed-to-Floating Debt Ratio	the proportion of the Company's total outstanding Debt that is allocated between fixed interest rate instruments and floating interest rate instruments
Franchise or R.A. No. 11600	Republic Act No. 11600 granting Maynilad a 25-year franchise to establish, operate and maintain a waterworks system and provide sewerage and sanitation services in the West Zone
Future Cash Flows	for any Rate Rebasing Date, Cash Flows of the concessionaire expected to arise after such Rate Rebasing Date in the course of carrying out its obligations under the Revised Concession Agreement as at such Rate Rebasing Date, excluding any revision to those obligations that has been the subject of an extraordinary price adjustment determination due to come into effect on such Rate Rebasing Date
GIS	geographic information systems
GHG	greenhouse gas
HS	hydraulic systems
ICP	interim cash position, the net effect of internally validated annual Receipts and Expenditures, which are added to or subtracted from Maynilad's OCP, subject to a 12% fixed nominal rate of return
IFRIC 12	International Financial Reporting Interpretations Committee 12, Service Concession Arrangements
ITS	information technology systems
IWA	The International Water Association
LGU	local government unit
LLDA	The Laguna Lake Development Authority
km	kilometer(s)
Manila Water	Manila Water Company, Inc.
Marubeni	Marubeni Corporation
Maynilad Boac	Amayi Water Solutions, Inc.
MCM	million cubic meter(s)

Meralco	Manila Electric Company
MFCDA	Modified Foreign Currency Differential Adjustment
MLD	million liters per day
MLE	modified Ludzack-Ettinger, a variation of the activated sludge process designed for biological nutrient removal, specifically targeting nitrogen removal
MMDA	The Metro Manila Development Authority
MOE	Maynilad's contributions for MWSS's maintenance and operating expenditures
Moody's	Moody's Investors Service
MPIC	Metro Pacific Investments Corporation
MWHCI	Maynilad Water Holding Company, Inc.
MWSA	Maynilad Water Supervisors' Association
MWSS	Metropolitan Waterworks and Sewerage System
MWSS-RO	MWSS Regulatory Office
MWSU-PTGWO	Maynilad Water and Sewerage Union-Philippine Trade and General Workers Organization
MTP	Modular treatment plant
NEDA	The Philippine National Economic Development Authority
NEDA-ICC	The NEDA-Investment Coordination Committee
NEW WATER	treated effluent from WRFs that undergo further treatment to become potable water
NEW WATER treatment facilities	water treatment facilities that utilize treated effluent for direct potable use
New Centennial Water Source – Kaliwa Dam Project	a 60-meter-high reservoir project being jointly implemented by MWSS and DPWH that will cover 291 hectares of the Kaliwa Watershed Forest Reserve and portions of the municipalities of Tanay, Antipolo, and Teresa of Rizal Province, and Gen. Nakar and Infanta of Quezon Province
Non-domestic customers	commercial and industrial customers within the West Zone
NPV	net present value

NRW	non-revenue water, which refers to system losses or the volume of water lost throughout the Company's water distribution system due to leakage, pilferage from illegal connections and metering errors
NWRB	Philippine National Water Resources Board
OCP or Opening Cash Position	the net present value of future cash flows as at June 30 following the Rate Rebasing Date of Cash Flows occurring since the last Rate Rebasing Date together with the OCP determined with respect to the last Rate Rebasing Data in connection with the performance by the concessionaire of its obligations under the Revised Concession Agreement using the ADR determined and approved by the MWSS-RO OCP is validated by the MWSS-RO at the start of each five-year Rate Rebasing Period
OHS	occupational health and safety
OHSMS	Occupational Health and Safety Management System
OPT	other percentage tax
Original Concession Agreement	the concession agreement dated February 21, 1997 between MWSS and Maynilad which granted Maynilad, as contractor, to perform certain functions, and as agent for the exercise of certain rights and powers under the MWSS charter, the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the West Zone, originally set to expire in 2022 but was subsequently extended to 2037
PDEA	The Philippine Drug Enforcement Agency
Peso-to-Foreign Debt Ratio	the proportion of our Company's total Debt that is denominated in Philippine Peso compared to Debt in foreign currencies
PhilHydro	Philippine Hydro, Inc.
PHIVOLCS	The Philippine Institute of Volcanology and Seismology
PPP	public-private partnership as defined under the PPP Code
PPP Code	Republic Act No. 11966, otherwise known as "The Public-Private Partnership Code of the Philippines"
PNP	The Philippine National Police
PNR	The Philippine National Railways
PNRI	The Philippine Nuclear Research Institute
PNSDW	DOH Administrative Order No. 2017-0010 or the "Philippine National Standards for Drinking Water of 2017"

PrimeWater	PrimeWater Infrastructure Corporation
Prior Year...	the year beginning on the first day of January of the year prior to the commencement of each Charging Year
PSA	The Philippine Statistics Authority
psi	pound(s) per square inch
Public Offer Requirement	the requirement to offer to Filipino citizens at least 30% of Maynilad's outstanding capital stock or such other percentage hereafter required by law, and list on the Philippine Stock Exchange or in any securities exchange in the Philippines, within five years from effectivity of the Franchise, or until January 21, 2027 under the terms of the Franchise
PWSSMP..	Philippine Water Supply and Sanitation Master Plan
R.A. No. 6969	Republic Act No. 6969, otherwise known as the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990"
R.A. No. 8041	Republic Act No. 8041, otherwise known as the "National Water Crisis Act of 1995"
R.A. No. 9275	Republic Act No. 9275, otherwise known as the "Philippine Clean Water Act of 2004"
R Adjustment	Rate Rebasing adjustment under Section 9.4.2 of the Revised Concession Agreement
Rate Adjustment Limit.......................	the sum of the C Adjustment, the Extraordinary Price Adjustment (as defined under Section 9.3 of the Revised Concession Agreement) and the R Adjustment
Rate Rebasing.....................................	the review of tariffs every five years to "reset" rates at a level that will permit the Company to recover, over the life of the concession, expenditures prudently and efficiently incurred and to earn a 12% fixed nominal rate of return on net expenditures
Rate Rebasing Date	January 1 of each of 2003, 2008, 2013, 2018, 2023, 2028, 2033, and subject to the approval of the Revised Concession Agreement term extension, 2038 and 2043
Rate Rebasing Period	the five-year period of each Rate Rebasing exercise
Receipts	all cash receipts from customers and grants from third parties (including from the Government) to the concessionaire, excluding any interest and dividends received from the concessionaire and any form of collections or reimbursements arising from FCDA and MFCDA
Return-on-Assets................................	calculated as net income divided by average total assets, which is calculated as the sum of the amounts at the beginning and end of the period divided by two

Return-on-Equity................................	calculated as net income divided by average total equity, which is calculated as the sum of the amounts at the beginning and end of the period divided by two
RevCom...	the Concession Agreements Review Committee
Revised Concession Agreement.........	the revised concession agreement dated May 18, 2021 between MWSS and Maynilad which granted Maynilad the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the West Zone and confirmed the continuation of the concession until 2037 (or, pending the approval of the NEDA Board and acknowledgement of the Republic of the Philippines, through the Secretary of Finance, on January 21, 2047, or on an earlier date subject to the termination rights provided by the Revised Concession Agreement). Certain provisions of the Revised Concession Agreement were further amended on May 10, 2023 with retroactive effectivity to June 29, 2022
Revised CPF Agreement....................	the revised Common Purpose Facilities Agreement dated March 3, 2022 between MWSS and the Concessionaires whereby the parties therein shall jointly manage the Common Purpose Facilities pursuant to, and in accordance with, the provisions of the Revised Concession Agreement, equally sharing in the management and operating responsibilities of the Common Purpose Facilities
sq.m.	square meter(s)
sq. km.	square kilometer(s)
SSpTP	sewage and septage treatment plant
Subic Water.......................................	Subic Water and Sewerage Company, Inc.
Transfer Pricing Guidelines	BIR Revenue Regulation No. 2-2013 which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. It defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control or capital of the other; or if the same persons participate directly or indirectly in the management, control or capital of the enterprises
TSPP..	Tondo Sewage Pumping Plant
UATP	the Umiray-Angat Transbasin Project
UNCLOS...	The United Nations Convention on the Law of the Sea
UOP method......................................	the unit-of-production method
WATERLab	Water Analytics, Testing, Experimentation and Research Collaboration

	Maynilad's dedicated water laboratory capable of monitoring and testing water quality and wastewater effluents according to the expanded scope of both DOH and DENR
Weighting Year	the year beginning on the first day of January two years prior to the commencement of each Charging Year
West Zone	the western service concession area which comprise (i) 11 cities in Metro Manila, including (a) the entire Caloocan, Malabon, Navotas, Valenzuela, Pasay, Parañaque, Las Piñas, Muntinlupa and (b) parts of Quezon City, Manila, and Makati City, and (ii) three cities and three municipalities in Cavite Province, including Bacoor, Imus, Kawit, Rosario, Noveleta, and Cavite City
WHO	The World Health Organization
WRF	water reclamation facility

GLOSSARY OF TERMS RELATING TO THE OFFER AND TO THE ISSUER

Application	an application to subscribe to Offer Shares pursuant to the Offer
BIR	Bureau of Internal Revenue of the Philippines
Board Lot	[100] Common Shares as a trading unit
Board of Directors or Board	Maynilad's board of directors
BPI Capital	BPI Capital Corporation
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
BSRD	the *Bangko Sentral* Registration Document
CAR	Certificate Authorizing Registration, issued by the BIR
CCCS	Central Clearing and Central Settlement
Co-Manager	Maybank Securities
Common Shares	the common shares of Maynilad, par value of ₱1.00 per share
Company, Issuer or Maynilad	Maynilad Water Services, Inc.
Domestic Lead Underwriter	BPI Capital
Domestic Underwriting Agreement	the domestic underwriting agreement between the Issuer and the Domestic Lead Underwriter executed on or about [●]
Escrow Agent	Metropolitan Bank & Trust Company – Trust Banking Group
ESOP	employee stock option plan
ETF	Exchange Traded Funds
Firm Shares	up to [1,660,317,400] Common Shares to be offered and issued by the Company
FPCL	First Pacific Company Limited
GlobalData	GlobalData Plc, an industry consultant commissioned by the Company to conduct independent market research on the water and wastewater industry
Group	Maynilad and its consolidated subsidiaries and affiliate
HSBC	The Hongkong and Shanghai Banking Corporation Limited
Institutional Offer	offer for sale (i) outside the United States by the International Underwriters in offshore transactions in reliance on Regulation S under the U.S. Securities Act, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) within the Philippines by the Domestic Lead Underwriter to local qualified buyers as defined in Section 10.1(l) of the SRC and Rule 10.1.3 of the SRC IRR, as amended. The Option Shares, if exercised and to the

	extent allocated to the Institutional Offer, will form part of the Institutional Offer
Institutional Offer Shares	up to [1,162,222,100] Firm Shares being offered pursuant to the Institutional Offer
International Purchase Agreement	the international purchase agreement entered into between the Issuer and the International Underwriters dated on or about [●], 2025
International Underwriters	HSBC, Morgan Stanley and UBS
IRO	Investor Relations Officer
Joint Global Coordinators and Joint Bookrunners	BPI Capital, HSBC, Morgan Stanley and UBS
Labor Code	Labor Code of the Philippines
Local Small Investors or LSIs	local small investors under the PSE's Local Small Investors program
LSI Guidelines	Implementing Guidelines for the Reservation and Allocation of the Offer Shares to the Local Small Investors
Maybank Securities	Maybank Securities Pte. Ltd.
Metro Manila or NCR	the metropolitan area comprising the capital city Manila and the surrounding cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros
Morgan Stanley	Morgan Stanley Asia (Singapore) Pte.
MPO	minimum public ownership
MWHCI	Maynilad Water Holding Company, Inc.
OdiSy	Online Disclosure System
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein
Offer Period	[July 3] to [July 9], 2025
Offer Price	up to ₱[20.00] per Offer Share
Offer Shares	the Firm Shares, the Reserved Shares, and the Option Shares (if any)
Offer Implementing Guidelines	the LSI Guidelines and the TP Guidelines
Option Shares	the Overallotment Option Shares and the Upsize Option Shares
Overallotment Option	an option granted by the Issuer to the Stabilizing Agent, on behalf of the Joint Global Coordinators and Joint Bookrunners, exercisable within [30] calendar days from and including the Listing Date, to purchase Overallotment Option Shares
Overallotment Option Shares	up to [249,047,600] primary Common Shares to be offered and sold by the Issuer and purchased by the Stabilizing Agent upon exercise of the Overallotment Option

PCD	Philippine Central Depository
PCD Nominee	PCD Nominee Corporation
PDS	Philippine Dealing System
PDTC	The Philippine Depositary and Trust Corporation
PFRS	Philippine Financial Reporting Standards
Philippine National	as defined under the Foreign Investments Act of 1991, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Revised Corporation Code of which 100% of the capital stock outstanding and the entitlement to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a Philippine SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national. Pursuant to Philippine SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors
Philippine SEC	Securities and Exchange Commission of the Philippines
PN15	Practice Note 15 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Preferential Offer	the preferential offer to FPCL or its designated entity of the Reserved Shares at the Offer Price
Pricing Date	on or about [June 30], 2025
Primary Shares	the Common Shares to be issued and sold by the Company pursuant to the Offer
PSE	The Philippine Stock Exchange, Inc.
PSE EDGE	PSE Electronic Disclosure Generation Technology
PSE Listing Rules	PSE Consolidated Listing and Disclosure Rules
PSE Trading Participants	duly licensed securities brokers who are trading participants of the PSE

PSEi	the benchmark index of the PSE, previously "PHISIX"
QIBs	qualified institutional buyers
Receiving Agent	Stock Transfer Service, Inc.
Regulation S	Regulation S under the U.S. Securities Act
Reserved Shares	the [24,904,800] Offer Shares being offered by the Issuer to FPCL or its designated entity at the Offer Price pursuant to the Preferential Offer, representing 1.5% of the Firm Shares
Rule 144A	Rule 144A under the U.S. Securities Act
SCCP	Securities Clearing Corporation of the Philippines
Selling Agents	PSE Trading Participants
Selling Shareholder	MWHCI
SRC	The Securities Regulation Code of the Philippines (Republic Act No. 8799)
SRC IRR	The 2015 Implementing Rules and Regulations of the SRC
Stabilizing Agent	UBS AG, Singapore Branch and its relevant affiliates
Stabilization Period	the period beginning on or after the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date during which the Stabilizing Agent has an option exercisable in whole or in part for the conduct of stabilization activities
Stock Transfer Agent	Philippine National Bank Trust Banking Group
Trading Participants and Retail Offer	the offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines. The Upsize Option Shares, if exercised and to the extent allocated to the Trading Participants and Retail Offer, will form part of the Trading Participants and Retail Offer
Trading Participants and Retail Offer Settlement Date	the date on which settlement of Offer Shares is to be made, expected to be on or about [July 9], 2025
Trading Participants and Retail Offer Shares	at least [498,095,300] Firm Shares being offered pursuant to the Trading Participants and Retail Offer
TP Guidelines	Implementing Guidelines for the Reservation and Allocation of the Company Offer Shares to the Trading Participants of the PSE
UBS	UBS AG, Singapore Branch
Upsize Option	the right of the Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, to increase the total number of Common Shares offered in the Offer by up to [354,704,200] Common Shares at any time during the Offer Period. In the event of an oversubscription during the Offer Period, the Joint Global Coordinators and Joint Bookrunners may exercise the Upsize Option and allocate Upsize Option Shares between institutional investors, Trading Participants and LSIs

Upsize Option Period	the period during the Offer Period during which the Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, may exercise the Upsize Option
Upsize Option Shares	the additional Common Shares to be offered by the Selling Shareholder pursuant to the Upsize Option, if exercised
U.S. Securities Act	The United States Securities Act of 1933, as amended
VAT	value-added tax

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including our audited financial statements and the notes thereto, appearing elsewhere in this Prospectus.

OVERVIEW

We are 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. See "—*Competitive Strengths – We are a pure-play sustainable water and wastewater solutions provider, delivering positive environmental and social returns for stakeholders.*" As of March 31, 2025, the West Zone covered 540 sq. km with a population of over 10.5 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. As of March 31, 2025, we had a total of 1,556,603 billed connections consisting of domestic and non-domestic customers, collectively, covering 94.7% of the West Zone's population. 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 March 31, 2025, our key infrastructure and facilities included eight water treatment plants which connect to our customers through a 7,912.0-kilometer distribution network through 39 reservoirs and 40 pumping stations along with 21 serviceable deep wells that may be used as back-up. Wastewater from our customers is managed through a 653.7-kilometer sewerage pipeline, 129 wastewater pumping/lift stations, and 93 vacuum truck units that are used for desludging, all leading to 24 wastewater treatment plants. All these infrastructure 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 Prospectus, 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. See "*Material Agreements—Amendments to the Revised Concession Agreement.*"

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.

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 (U.S.$583.7 million), respectively, and net income of ₱5,874.9 million,

₱9,011.2 million and ₱12,781.4 million (U.S.$222.8 million), respectively. For the three months ended March 31, 2024 and 2025, we had total operating revenue of ₱8,101.0 million and ₱8,564.8 million (U.S.$149.3 million), respectively, and net income of ₱3,098.1 million and ₱3,618.9 million (U.S.$63.1 million), respectively.

As of December 31, 2024 and March 31, 2025, we had total assets of ₱198,170.6 million and ₱199,980.3 million (U.S.$3,485.2 million), respectively.

COMPETITIVE STRENGTHS

We believe that our key competitive strengths include the following:

We are a leading global water utility player operating the largest water concession by population served within a single concession area in Southeast Asia

We are 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 cover the West Zone, an area measuring 540 sq. km, with a population of over 10.5 million people and 1,556,603 billed connections as of March 31, 2025, serving domestic (residential and semi-business) and non-domestic (commercial and industrial) customers. We recorded a billed volume of approximately 526.9 MCM, 538.4 MCM, 553.5 MCM, 134.7 MCM and 133.0 MCM for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2024 and 2025, respectively, demonstrating a growth from a billed volume base of approximately 262.6 MCM in the year ended December 31, 2006. As a result, we recorded a total operating revenue of ₱27,323.2 million and ₱33,494.5 million (U.S.$583.7 million) for the years ended December 31, 2023 and 2024, respectively. In the three months ended March 31, 2024 and 2025, we recorded a total operating revenue of ₱8,101.0 million and ₱8,564.8 million (U.S.$149.3 million), respectively.

Compared to the concession area managed by Manila Water on the eastern portion of Metro Manila (the "**East Zone**"), the West Zone is larger both in terms of customer base and billed volume. As of December 31, 2023, we served approximately 10.3 million people in the West Zone, compared to approximately 7.7 million people in the East Zone as of the same period, according to GlobalData. Additionally, our water pipeline network extended to 7,914.6 km as of December 31, 2024 from our base of 4,576.0 km as of December 31, 2006, compared to 5,542.2 km for Manila Water in 2024. As of March 31, 2025, our water pipeline network was 7,912.0 km. We continue to focus on the natural expansion of our concession to adjacent provinces and upcoming reclamation areas rather than branching out to other local and international markets, which may require substantial CAPEX outlays. We continue to improve our services and seeking expansion opportunities while remaining vigilant about our debt coverage and ensuring ample returns for our shareholders.

Our OCP, which represents the net present value of our investments that we are allowed to recover over the life of the concession and is one of the key elements that forms part of our tariff-setting process, was approximately negative ₱100.4 billion in the beginning of 2023 compared to Manila Water's OCP of approximately negative ₱27.6 billion in the beginning of 2023 according to GlobalData. This significantly larger OCP resulted from our assumption of a substantial amount of MWSS's debt at the beginning of the concession term, higher accumulated concession fees, increased operating expenses to improve delivery of services in the West Zone, and inheriting facilities from MWSS. These facilities required extensive rehabilitation and replacement, necessitating additional capital expenditure spending due to minimal investments made during the first 10 years of the concession under previous management, which faced financial challenges. Our larger OCP at the start of 2023, on which we earn a 12% fixed nominal rate of return, makes it possible to increase our tariffs pursuant to the mechanism provided in the Revised Concession Agreement. See "*Business—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement*" and "*Business—The Revised Concession Agreement—Cash Position Post Rate Rebasing Exercise*" for further details.

We believe that our leadership in the industry is a testament to our strategic planning, strong financial metrics and robust infrastructure, supported by an extensive capital expenditure program, which we believe enables us to meet the growing demands of a densely populated service area. We have a deep understanding of the water supply and wastewater management value chain, enabling us to provide a comprehensive range of services for water management. These services include water treatment, distribution, consumer engagement, wastewater collection and conveyance, and wastewater treatment. We believe that this holistic approach ensures that we provide high-quality water services while addressing the lifecycle of water management. Our commitment to covering the wide water value chain allows us to deliver integrated solutions that meet the diverse needs of our customers, while also adhering to stringent regulatory standards and promoting sustainable practices.

We have established technical, operational, management and financial capabilities underpinned by support from our significant shareholder group

Our journey from the early years of privatization to becoming a leading provider of water and wastewater services underscores our commitment to resilience and strategic improvement.

Following the privatization of MWSS's operations in 1997, Maynilad – then controlled by the Benpres Holdings Corporation and Lyonnaise des Eaux of France consortium – was faced with a number of challenges including aging legacy infrastructure and pipelines, the Asian financial crisis in 1997 and the severe *El Niño* phenomenon from 1997 to 1998. For more information, please refer to "*Business—History and Corporate Milestones*."

The entry of our significant shareholder group provided us with strong technical, operational, management and financial support. In 2008, through MWHCI's initiative to negotiate an optimal funding structure with MWSS and local and foreign creditors, we successfully settled our outstanding loans and exited rehabilitation.

Since MWHCI (formerly DMCI-MPIC Water Company) assumed control and management of our Company in 2007, we expanded our water service coverage from 77.8% with a total population served of approximately 6.1 million in 2006 to 94.9% with a total population served of approximately 10.4 million as of December 31, 2024, ensuring that more customers have access to reliable water services. As of March 31, 2025, our water service coverage was 94.7% with a total population served of approximately 10.5 million. The availability of an average of 7 pounds per square inch ("**psi**") of water pressure increased from 45.0% as of December 31, 2006 to 98.1% as of December 31, 2024. Moreover, the 24-hour availability of our water supply has improved from 32.0% of our connections as of December 31, 2006 to 98.1% as of December 31, 2024. As of March 31, 2025, the 24-hour availability of water supply, which we aim to keep at an average of 7 psi, covered 96.8% of our connections.

Additionally, our efforts to reduce our non-revenue water ("**NRW**") have been successful, with improved water management and conservation practices, including district metered area splitting, diagnostics and leak repair, pipe replacement, use of leak detection technology, and meter management. We reduced our NRW from 66.4% for the year ended December 31, 2006 to 38.4% for the year ended December 31, 2024, which translates into a cumulative NRW reduction of 970.0 MLD from 2006 to 2024. For the three months ended March 31, 2025, we reduced our NRW to 36.2%, representing a cumulative reduction of 30.2 percentage points since 2006. Our target, as provided in our business plan, is to reduce our average NRW to 25.0% by 2027, with a goal of achieving 20.0% by 2030 and maintaining this level until the end of the concession period. The substantial reduction in our NRW, given the condition of the infrastructure that we inherited from MWSS and the numerous physical challenges unique to the West Zone that our Company addressed to improve NRW, reflects our focus on efficient water management practices.

These achievements highlight our commitment to overcoming past challenges and our dedication to providing high-quality water services to our customers, which has also resulted in the continuous growth in our operating revenue and net income. Our operating revenue grew by 46.4%, increasing from ₱22,874.7 million for the year ended December 31, 2022 to ₱33,494.5 million for the year ended December 31, 2024. Likewise, our net income grew by 117.6%, increasing from ₱5,874.9 million for the year ended December 31, 2022 to ₱12,781.4 million for the year ended December 31, 2024. In the three months ended March 31, 2024 and 2025, our operating revenue grew by 6.0%, increasing from ₱8,101.0 million to ₱8,564.8 million, with net income increasing by 16.8% from ₱3,098.1 million to ₱3,618.9 million during the same period. See "*Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations—Results of Operations.*"

Our business is able to generate defensive and predictable cash flows and total returns underpinned by the legislative Franchise until 2047

We operate within a regulatory framework that provides significant scarcity value, uniquely positioning us in the global water utility landscape. Scarcity value arises from the lack of direct competition in our principal areas of operation and unique regulatory conditions, which we believe are not easily replicated. According to the World Bank, we are one of the largest water public-private partnerships globally at the time of privatization, benefitting from a regulatory environment that is considered rare in Southeast Asia's water and wastewater sector. This environment features a "regulatory return" mechanism, which provides a structured approach to setting tariffs through scheduled rate rebasing exercises with the MWSS-RO and MWSS, ensuring that our operations remain financially viable while delivering essential services. See "*Business—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement*." Our extensive track record, spanning over 27 years, makes us one of the longest-standing regulated utilities in the region, reflecting our commitment to operational excellence and regulatory compliance.

The implementation of increased tariffs for 2023, 2024, and 2025 during the current sixth Rate Rebasing Period under the Revised Concession Agreement provides support for our financial sustainability. In addition, our 25-year Franchise, which remains valid until January 21, 2047, along with the pending 10-year extension of our Revised Concession Agreement, both set to expire in the same year, provides long-term stability and clarity in our operational mandate. While MWSS has already approved the 10-year extension, it has to undergo the review and approval by the NEDA Board before the same is acknowledged by the Republic of the Philippines through the Secretary of Finance.

The Revised Concession Agreement includes a 12% fixed nominal rate of return. This feature allows us to address challenges such as volume fluctuation and cost inflation, thereby safeguarding our total return over the concession period. Moreover, our regulatory framework includes additional mechanisms that contribute to predictable near-term cash flows. The CPI passthrough mechanism, which is capped at 75%, ensures that our revenue adjusts substantially in line with inflation, while the FCDA and MFCDA help manage our foreign exchange risks on certain foreign currency-denominated loans. We believe that these mechanisms enhance our financial resilience and provide a stable revenue stream.

We believe that our direct interaction with our customers strengthens our financial position by reducing the number of days our receivables remain outstanding. This direct-to-customer revenue collection model not only enhances cash flow efficiency, but also fosters a closer relationship with our customers, allowing us to respond more effectively to their needs and maintain high service standards. Our billings are typically due seven days from the billing date and under the Revised Concession Agreement, our customers have a 60-day grace period to settle any unpaid bills before they can be issued a notice of disconnection, and another seven days' prior notice before their water service can be disconnected. We continually monitor our receivable balances to minimize exposure to bad receivables from unpaid bills. Through these strategic advantages, we believe we reinforce our leadership in the water utility sector, remaining committed to delivering sustainable and high-quality water services, while ensuring efficient management of working capital and generating consistent returns.

In addition, the duration and tenor of our existing debt facilities play an important role in providing protection against credit supply shocks and alleviating concerns related to refinancing. By securing long-term financing arrangements, we are able to lock in stable interest rates and favorable terms, which reduce our exposure to market volatility and the potential tightening of credit conditions. The extended tenor of these facilities ensures that we have a robust financial foundation, allowing us to allocate resources efficiently and focus on strategic initiatives without the immediate pressure of refinancing. Additionally, with all of our loans since 2022 bearing fixed interest rates and 94.0% of our indebtedness denominated in Philippine Pesos, our exposure to market and foreign exchange risks is effectively minimized. Furthermore, our maiden Blue Bonds issued in 2024, consisting of ₱9.0 billion five-year fixed rate bonds due 2029 and ₱6.0 billion 10-year fixed rate bonds due 2034, provide us with long-term funding that reduces refinancing risks and offers protection against credit supply shocks.

We are a trusted utility service provider with established experience in the industry

We believe that we are recognized as a trusted utility service provider and business partner, particularly by our commercial and industrial customers. We ensure that the water we supply complies with the prevailing PNSDW, which is based on the World Health Organization drinking water quality guidelines. This trust is foundational to our operations and opens up significant growth opportunities to cross-sell value-added services. We are actively exploring opportunities to expand our offerings beyond traditional water services, including industrial wastewater treatment and solid waste management services. These additional services not only enhance our value proposition but also align with our commitment to comprehensive environmental stewardship and sustainable business practices.

In 2011, we established the Maynilad Water Academy, collaborating with a group of industry experts to offer a variety of classroom and hands-on training courses designed to enhance the service delivery of water districts and operators to their customers. We believe that the Maynilad Water Academy is a globally-recognized institution for capacity building and training in the water industry, particularly in emerging markets where rapid urbanization and water resource challenges demand innovative and effective solutions. The Maynilad Water Academy underscores our strong position in global water stewardship, raising awareness about the critical need for water security and investment in the water sector. By promoting responsible management of natural resources, we aim to create a positive societal impact. It is dedicated to training and developing talent in the water sector, ensuring that future generations are equipped with the skills and knowledge necessary for effective water management. Since 2018, the Philippine Civil Service Commission has recognized and accredited the trainings provided by the Maynilad Water Academy, allowing Government employees to use these training hours to apply for promotions. Additionally, the Asian Development Bank has continually partnered with Maynilad Water Academy since 2016 as the preferred partner for training operational teams for their investment projects. This is a testament to our expertise and leadership in the field. Similarly, the United States Agency for International Development has also engaged the Maynilad Water Academy to support the improvement of water supply in its target areas in the Philippines. Furthermore, our engagement with attendees from various countries not only enhances our educational outreach, but also opens opportunities for potential geographical expansion and collaboration.

We are a pure-play sustainable water and wastewater solutions provider, delivering positive environmental and social returns for stakeholders

With a mission statement to "provide safe, affordable and sustainable water solutions that enable those we serve to lead healthier, more comfortable lives", our commitment to sustainability is a priority. As a pure-play sustainable water and wastewater solutions provider, we generate majority of our revenue from the following sustainable business activities:

- Water supply, including the construction, extension, operation and renewal of water collection, treatment and supply systems intended for human consumption; and

- Urban wastewater treatment, including the development, maintenance and operation of urban wastewater infrastructure including treatment plants, sewer networks, storm water management structures, connections to the wastewater infrastructure and decentralized wastewater treatment facilities.

We believe that our operations, strategies, and decision-making are designed to deliver positive environmental and social impact, as well as enhance our business by creating operational efficiencies. See "*Business—Corporate Social Responsibility and Sustainability.*"

We have substantially increased sewer coverage from 6.0% as of December 31, 2006 to 34.5% of our water-served population as of March 31, 2025, serving a population of over 3.6 million. Meanwhile, our sanitation coverage, which represents the number of people that have been offered desludging services over a five-year cycle, increased from 170,157 accounts as of December 31, 2006 for the 2001 to 2006 cycle to 877,286 accounts for the 2022 to 2026 cycle as of March 31, 2025. This expansion reduces the discharge of untreated water into the environment and underscores our dedication to providing essential infrastructure to support the nation's health and growth.

We have also broadened and optimized our water service coverage to ensure more people in the West Zone have access to potable water while minimizing NRW. Our investments in water infrastructure, such as water treatment plants that draw raw water from the Laguna Lake, and our NEW WATER treatment facilities, are designed to enhance reliability and resilience against natural disasters and disruptions, while effectively implementing our NRW strategies. See "*Business—Our Services and Facilities—Water Services and Facilities—Our Pipeline of Water Treatment Facility Projects,"* and "*Business—Our Services and Facilities —Water Services and Facilities—Non-Revenue Water (NRW)."*

We are likewise committed to providing sustainable and affordable water to our customers by optimizing our operations and improving our cost recovery. According to GlobalData, the Philippines maintains relatively low tariffs, compared to global averages, indicating a balance between affordability and infrastructure investment. As such, our tariffs remain competitive compared to our global industry peers, reflecting our commitment to deliver value to our customers coupled with allowing us to make further investments into infrastructure improvement. We are also developing social projects aimed at supporting disadvantaged communities, such as the "*Water for the Poor*" program, "*Samahang Tubig Maynilad*" and "*Better with Water*" partnership, and "*Mission Ginhawa*", impacting numerous beneficiaries. See "*Business—Corporate Social Responsibility and Sustainability.*" To advance customer welfare, we launched our Enhanced Lifeline Program in November 2023, which provides further discounted rates to lifeline accounts, or those qualified low-income and low-consuming residential customers whose monthly consumption do not exceed 10.0 cu. m. In December 2024, MWSS expanded the monthly consumption threshold from 10.0 cu. m. and below to accommodate 20.0 cu. m. and below. See "*Business—Recent Developments—MWSS Approval of Tariff Adjustments.*" These projects and programs reflect our commitment to mitigating risks associated with water supply, maintaining responsible water usage, and ensuring our customers have continuous access to potable water.

We are led by a seasoned and experienced management team, supported by a competent workforce, and backed by blue-chip and strategic shareholders with proven track record in large-scale, complex and/or regulated utility businesses

Our management team, board members, and executives bring a wealth of experience and expertise, having dedicated their careers to the Philippine water utility industry, with an average of 16 years of experience in the water sector. This deep industry knowledge and commitment are instrumental in guiding our strategic direction and operational excellence.

We are committed to training and developing key personnel throughout our organization, fostering a productive workforce in a safe environment. We partner with established educational institutions in the Philippines, international associations and key industry groups to provide trainings to our workforce. This commitment ensures the retention of strong talent and supports our goal of maintaining a high-performing team. Our workforce is highly competent, with 62% holding degrees in science, technology, or engineering, and 17% holding degrees in business, management, or finance as of March 31, 2025. This academically and technically skilled team is essential to driving our business forward and achieving our strategic objectives. Through these strengths, we continue to reinforce our leadership in the water utility sector, dedicated to delivering sustainable and high-quality services.

Our principal shareholder is MWHCI, which has an effective interest of 94.4% in our Company as of the date of this Prospectus. Through MWHCI, we enjoy the support and backing of large conglomerates in the Philippines and Japan, namely MPIC, DMCI and 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. These significant shareholders each bring extensive experience in managing large-scale, complex, and regulated utility businesses both in the Philippines and in international markets, providing us with a wealth of expertise across various disciplines and geographies.

MPIC is a leading infrastructure investment company in the Philippines, with a diverse portfolio that spans multiple utility and infrastructure businesses. MPIC's extensive experience in the Philippine market enhances our ability to navigate the regulatory landscape and optimize our operations within the local context.

DMCI is renowned for its expertise in engineering, procurement, and construction ("**EPC**") services, in addition to various other businesses in the Philippines. DMCI's strong foundation in EPC provides us with valuable insights and capabilities in project execution and infrastructure development, ensuring that we maintain high standards of quality and efficiency.

Marubeni, a global trading and investment company, brings a wealth of experience in EPC and the global water sector, including expertise in desalination projects for companies such as AGS Water Solutions in Portugal and CODELCO in Chile. Marubeni also has a presence in Southeast Asia through its involvement in providing water and wastewater services to industrial parks. Marubeni's international perspective and technical know-how in water management and treatment technologies are instrumental in supporting our strategic initiatives and expanding our capabilities.

By leveraging the collective strengths and experiences of our shareholders, we are well-positioned to enhance our operational and financial performance, drive innovation, maintain high corporate governance standards, and deliver sustainable value to our stakeholders.

BUSINESS STRATEGIES

Our key strategies are set out below:

Enhance our operations and efficiency in the West Zone

We are focused on enhancing our service delivery and operational efficiency, supported by a comprehensive CAPEX program totaling ₱163.3 billion (U.S.$2,845.9 million), as provided in our business plan for 2023 to 2027 approved by the MWSS-RO. The table below sets out the breakdown of our CAPEX requirements in accordance with our business plan which was approved in 2022.

	For the years ended 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
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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

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

(4) NRW management comprises 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 believe this strategy will help us grow our business sustainably by pursuing projects geared towards (i) diversifying our sources of raw water, including through the construction of additional NEW WATER treatment facilities utilizing treated effluent for direct potable use; (ii) expanding our water service coverage through the completion of additional water treatment plants, with the aim of reaching 95.1% water service coverage by 2026; (iii) operational enhancements, by extending our pipe network and rehabilitating and upgrading existing facilities to withstand extreme situations such as earthquakes; (iv) improved customer and information technology services; (v) expanding wastewater service capacity by increasing sewerage and sanitation coverage to 33.0% and 67.0%, respectively, by 2026; and (vi) improving our NRW management through district metered area splitting, diagnostics and leak repair, pipe replacement, use of leak detection technology, and meter management, to reduce NRW to 25.0% and 20.0% by 2027 and 2030, respectively.

We are dedicated to diversifying our raw water sources to enhance water security, exemplified by our NEW WATER initiative which we are in the process of scaling up. This diversification is essential for ensuring a continuous and reliable water supply, particularly in the face of water scarcity risks and environmental challenges. In response to the need for alternative water sources, MWSS is developing the Kaliwa Dam Project, scheduled to be completed in 2028, which is anticipated to provide us with 300 MLD raw water allocation through the construction of our associated water treatment plant and related conveyance in our project pipeline. We also intend to augment our water sources through our modular water treatment plants in our project pipeline. Our NEW WATER initiative demonstrates our capability to treat wastewater for potable use, which enables us to meet additional water consumption demand within the West Zone. Additionally, in order to reduce our NRW further and meet our targets, our robust NRW management strategies aim to enhance operational efficiency, drive higher return on investment, facilitate water conservation, expand our customer base, and meet various United Nations Sustainable Development Goals.

We also intend to upgrade our water treatment plants and distribution network, enabling us to deliver high-quality water services and accommodate future demand. We plan to continue building more water treatment plants, refurbishing existing infrastructure, and strategically interconnecting district metered areas to reduce supply disruptions. We also plan to construct additional sewage treatment facilities to enhance our wastewater management capabilities and support environmental sustainability. As modeled in our business plan, our target is to increase sewer coverage from 30.7% in 2023 to 58.0% by 2031, with significant investments in new wastewater facilities and sewer lines.

We aim to meet our sewerage coverage target by enhancing the operational efficiency of our sewer systems. We are in the process of implementing combined interceptor systems at our WRF in the pipeline. Instead of relying on individual households connected to our sewer network, this system is designed to intercept septage as it combines with storm water, and facilitate the treatment of water prior to its discharge into designated receiving bodies of water. Further, we are integrating new methodologies to minimize surface disruption during the construction of sewer pipelines which aims to facilitate the expansion of our sewer network. For example, we are employing the "trenchless method", a type of subsurface construction work, that is designed to reduce excavation and surface disruption, necessitating minimal or no continuous trenches. As such this method is particularly advantageous for the installation of sewer pipelines in urban environments with high traffic density and in areas of environmental sensitivity. The trenchless construction methods we utilize include horizontal directional drilling, micro-tunneling, auger boring, pipe ramming, and pipe jacking.

Improving water availability is central to our strategy, ensuring that our customers have consistent access to water services. We plan to increase our total water storage capacity from 779.0 million liters in 2024 to 960.0 million liters by 2026 through the construction of two new reservoirs in Quezon City and one new reservoir in Valenzuela City. We intend to accomplish this by utilizing strategic cost management and process efficiency initiatives, such as through the utilization of renewable energy.

Looking ahead, we are exploring opportunities for additional growth within the West Zone, subject to regulatory review. This includes the potential construction of additional water treatment plants after 2037 to fill gaps in water demand and expansion to certain areas in Cavite which we have yet to include in our service coverage. These strategic initiatives are designed to position us for sustainable growth and long-term success alongside appropriate R Adjustments to be factored into our future tariffs.

Expansion to proximate areas of the West Zone

We aim to leverage improvements in our concession business to offer water and wastewater services where network expansion is feasible. While we continue to prioritize our capital spending to improve our concession business, prudent capital management in the medium term may enable us to explore business opportunities with adjacent water districts. We actively evaluate adjacent areas that offer natural growth prospects of our concession area. We believe that independent water districts in the neighboring provinces of Bulacan and Cavite, located in the north and south of Manila, respectively, may view us as an attractive utilities partner given our reputation and performance in the West Zone.

We also identify opportunities for additional growth within the West Zone. We are considering new reclamation activities along the coastal lines of Manila Bay, specifically in the cities of Navotas and Pasay. The Coastal Bay reclamation project in Navotas aims to expand the port area by 576.7 hectares, featuring a mix of commercial and industrial developments. Further south, the Harbor City development is part of ongoing reclamations in Pasay and Parañaque City, expanding the current area by 265.0 hectares with a mix of residential and commercial properties. Given our extensive network in the areas bordering these projects, we believe our geographical positioning enables us to facilitate the construction and operation of water and wastewater facilities in these areas.

As these areas do not currently form part of the West Zone concession, our involvement and eventual management of water and wastewater projects in these areas are subject to further discussions on risk and return. We are cognizant that each water district requires significant capital requirements to improve its service, alongside consistent operating expenditures to maintain operations. Our business development group is focused on analyzing these opportunities to ensure that these meet our risk and return requirements. While these opportunities may arise, we maintain our focus on supporting and funding the requirements of our current business.

Expand into value-added services and adjacent utility sectors by leveraging existing customer relationships

Our strategic focus includes expanding our value-added services to commercial and industrial customers by leveraging our existing service capabilities. This approach requires minimal incremental capital expenditure and maximizing the use of our current infrastructure and expertise. We intend to expand our offerings to include additional sanitation services, leak detection, and pipeline replacements. These initiatives are aligned with our commitment to sustainable practices, supported by our pipeline of projects.

In addition, we plan to offer industrial wastewater pre-treatment services to industrial customers to address market under-penetration and growing demand. According to GlobalData, the proportion of wastewater in the Philippines that is discharged to the environment without treatment stood at 84.0% as of 2024, representing a large untapped market for further growth and investment. Also, according to GlobalData, out of an estimated 10,768.7 cu. m. of total generated wastewater in 2024, 4,318.0 cu. m. was from industrial general wastewater. While we acknowledge the increasing demand and production from our industrial clients, we are unable to service industrial-grade wastewater with our existing facilities. This will involve acquiring and operating captive wastewater pre-treatment plants and upgrading the design and process of our existing wastewater treatment plants to be able to handle industrial waste, ensuring compliance with environmental standards, and enhancing operational efficiency. By managing these facilities, we aim to provide industrial customers with a seamless and effective solution for industrial wastewater management.

We are also exploring the possibility of offering solid waste management services to certain industrial customers. This initiative would complement our existing services and provide a comprehensive environmental management solution, addressing both water and waste needs. Through these strategic initiatives, we aim to strengthen our relationships with commercial and industrial clients, delivering tailored solutions that meet their specific needs while promoting environmentally responsible operations.

Maintain prudent financial management while supporting business growth and optimizing dividend payout to shareholders

Our financial strategy is focused on optimizing financial resources and managing financial risks to support our long-term growth and stability. For example, we issued our maiden ₱9.0 billion Series A Blue Bonds due 2029 and ₱6.0 billion Series B Blue Bonds due 2034, both of which were listed and traded on the Philippine Dealing & Exchange Corp. in July 2024. This is part of our plan to diversify our sources of funding by tapping into the local bond market, as well as exploring blue, green, or sustainability-linked financing opportunities. This diversification will complement our strong relationships with banks, ensuring a robust and flexible funding base. By leveraging a variety of funding sources, we seek to enhance our financial resilience and position ourselves to capitalize on favorable market opportunities.

To address challenges posed by foreign exchange risks, we intend to draw new borrowings in Philippine Pesos, aligning our debt profile with our revenue currency. We believe that this approach reduces our exposure to currency fluctuations and provides greater predictability in our financial planning. We are committed to adhering to our debt covenants. These metrics are carefully monitored to ensure we maintain a strong financial position. Additionally, we track our Debt-to-EBITDA Ratio, keeping it within our internal target of 4.5x, to ensure that we have sufficient cash to cover payment of existing debt. See "*Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations—Liquidity and Capital Resources—Key Performance Indicators.*"

We regularly declare and pay dividends from our unrestricted earnings, reflecting our commitment to delivering value to shareholders. Consistent with our dividend policy approved on March 14, 2025, as amended on May 14, 2025, we will maintain an annual dividend payout ratio equivalent to the higher of (i) 50% of the Net Income or (ii) 40% of the Adjusted Net Income, capped at 100% of the Net Income, both of which are based on our standalone financials, subject to certain requirements. See "*Dividends and Dividend Policy*." We believe that our available cash flow for dividend payouts may increase significantly after 2027 due to a lower capital expenditure requirement. This approach balances the need for reinvestment in our business with the return of capital to shareholders, supporting our strategic objectives and enhancing shareholder value.

Execution of our fully integrated sustainability strategy

We believe that the implementation of our sustainability strategy will drive positive business impact across our operations. By investing in initiatives that ensure a reliable and optimized water supply, we mitigate water security risk, which in turn secures long-term revenue. Our strategies relate to the execution of our NRW management strategies, procuring and generating renewable energy for operations, reducing our fuel-related operating expenses, upgrading our energy consumption mix, and minimizing our environmental footprint. These efforts are aligned with our commitment to sustainable practices and demonstrate our proactive approach to addressing environmental challenges.

Our growth initiatives and programs, such as our Enhanced Lifeline Program, are designed not only to expand our service offerings, but to reach underserved communities, including low-income customers. By providing access to essential water services, we enhance our collection and earnings and, at the same time, fulfill our commitment to social responsibility and community development. These initiatives reflect our dedication to making a positive impact on society and supporting the well-being of the communities we serve.

To address our emissions, we are actively pursuing initiatives to achieve carbon neutrality by 2037. Our strategies include implementing large-scale reforestation and afforestation projects for carbon sequestration, shifting towards renewable energy sources and transitioning our vehicle fleet to electric vehicles, not only to meet our carbon neutrality goals, but also to enhance business resilience and mitigate our exposure to volatile fuel prices. See "*Business—Corporate Social Responsibility and Sustainability—Emission Management.*"

Furthermore, we prioritize human capital development, recognizing that our employees are key to our success. Our strategies are guided by the 3M philosophy—*Makialam, Makiisa, Magmalasakit*, which focuses on employee engagement, unity, and care. By investing in training and development, we aim to enhance employee competence and improve service delivery quality. Our focus on employee growth and engagement helps us maintain a skilled and motivated workforce, reflected in our high retention rate of 94.1% in 2024, and capable of meeting the evolving needs of our customers. In the three months ended March 31, 2025, our retention rate was 96.3%. Additionally, we also emphasize customer engagement through our "*MyWaterBill*" program, which is designed to enhance transparency, streamline communications and provide user-friendly access to billing information. To gather feedback and increase customer satisfaction, we conduct satisfaction surveys to identify and address key issues our customers may have in connection with our services.

Through these strategic efforts, we aim to create a sustainable business model that delivers value to our stakeholders while contributing to environmental stewardship and social well-being. By integrating sustainability into our core operations, we position ourselves for long-term success and resilience in a rapidly changing world.

To ensure implementation of the foregoing initiatives, we have established our Corporate Governance & Sustainability Committee to uphold our corporate governance framework and ensure accountability and senior oversight of our sustainability strategy. Our emphasis on environmentally-responsible operations highlights our commitment to improving the environmental performance of our assets while addressing critical social needs. In recognition of our efforts in implementing our integrated sustainability strategy, we received the "*Excellence in Environment & Social Sustainability (Water Utilities)*" award for our "Plant for Life" program in the Triple P Sustainability Awards and as one of 28 "*climate smart utilities*" globally at the 2024 International Water Association Climate Smart Utilities Recognition, each in November 2024.

RECENT DEVELOPMENTS

MWSS Approval of Tariff Adjustments

On December 5, 2024, MWSS approved several tariff adjustments for our customers within the West Zone, effective January 1, 2025 resulting in an average increase of 8.05% to our basic water charge. In addition, MWSS approved, (i) environmental charge increase from 20% to 25%, and (ii) a FCDA of -0.65%, applied to the basic water charge.

Furthermore, the monthly consumption threshold for low-income lifeline accounts expanded from 10.0 cu. m. and below to accommodate 20.0 cu. m. and below. Consequently, these accounts will receive a discount ranging from 40% to 51% on the regular basic water charge based on their monthly consumption levels.

We believe that the implementation of these tariff adjustments impact our financial performance by increasing operating revenue from our billings to our customers. Although the tariff system provides significant discounts for low-income lifeline accounts, which represent only a minor portion of our monthly production, a more substantial contributor to our financial performance is the consumption growth among our non-domestic customers, coupled with our ongoing expansion of sewerage services.

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "*Risk Factors*" in this Prospectus and include risks relating to our businesses and operations, risks relating to the Philippines, risks relating to the Offer and the Offer Shares and risks relating to certain information in this Prospectus.

INVESTOR RELATIONS OFFICE

The Board of Directors has approved the establishment of the Investor Relations Office, and has authorized management to appoint one or more investor relations officers ("**IRO**"). The Investor Relations Office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The office will also handle the communication of relevant information to our stakeholders as well as to the broader investor community, and will be responsible for receiving and responding to investor and shareholder queries relating to the Company. The IRO will ensure that we comply with and file on a timely basis all required disclosures and continuing requirements of the Philippine SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of our website, which will contain information, including but not limited to:

(a) Company information (organizational structure, Board of Directors and management team);

(b) Company news (analyst briefing report, press releases, latest news, newsletters (if any));

(c) Financial report (annual and quarterly reports for the past two years);

(d) Disclosures (recent disclosures to PSE and Philippine SEC for the past two years);

(e) Investor FAQs;

(f) Investor Contact (email address and phone numbers for feedback/comments, shareholder assistance and service); and

(g) Stock Information.

The management has appointed Josine S. Reyes as the Head of Investor Relations of the Company and to serve as our IRO.

COMPANY INFORMATION

We are a Philippine corporation organized under the laws of the Philippines. Our principal office address is Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol, 1119, Quezon City, Philippines, with telephone number (+632) 8920 5485. Our corporate website is www.mayniladwater.com.ph. Information on the website is not incorporated by reference into this Prospectus.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Issuer and the Offer Shares. Each prospective investor must rely on its own appraisal of the Issuer and the Offer Shares, and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis. Further, the Joint Global Coordinators and Joint Bookrunners reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Issuer shall subsequently notify the Philippine SEC and the PSE.

Issuer	Maynilad Water Services, Inc., a corporation organized under Philippine law. The trading symbol shall be "**MYNLD**".
Selling Shareholder	Maynilad Water Holding Company, Inc. ("**MWHCI**").
Joint Global Coordinators and Joint Bookrunners	BPI Capital Corporation ("**BPI Capital**"), The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), Morgan Stanley Asia (Singapore) Pte. ("**Morgan Stanley**") and UBS AG, Singapore Branch ("**UBS**").
Domestic Lead Underwriter .	BPI Capital.
International Underwriters...	HSBC, Morgan Stanley and UBS
Co-Manager	Maybank Securities Pte. Ltd.
Offer Shares	The Firm Shares, the Reserved Shares, the Overallotment Option Shares, and the Upsize Option Shares (if any).
The Offer	Offer of up to [1,660,317,400] Firm Shares and Preferential Offer of up to [24,904,800] Reserved Shares, subject to the exercise of an Upsize Option (*as described below*), with an offer of up to [249,047,600] Overallotment Option Shares pursuant to the Overallotment Option *(as described below)*. The Offer Shares comprise Common Shares to be offered by the Issuer and Maynilad Water Holding Company, Inc. ("**MWHCI**" or the "**Selling Shareholder**").
Institutional Offer	Up to [1,162,222,100] Firm Shares, or approximately [70]% of the Firm Shares, are being offered for sale (i) outside the United States by the International Underwriters in offshore transactions in reliance on Regulation S under the U.S. Securities Act, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) within the Philippines by the Domestic Lead Underwriter to local qualified buyers as defined in Section 10.1(l) of the SRC and Rule 10.1.3 of the 2015 SRC IRR, as amended. The Option Shares, if exercised and to the extent allocated to the Institutional Offer, will form part of the Institutional Offer. The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Issuer and the Joint Global Coordinators and Joint Bookrunners as well as oversubscription or undersubscription of either or both the

	Trading Participants and Retail Offer and the Institutional Offer. See "—*Reallocation*" below.
Trading Participants and Retail Offer..........................	At least [498,095,300] Firm Shares, or approximately [30]% of the Firm Shares, (the "**Trading Participants and Retail Offer Shares**") are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price. The Upsize Option Shares, if exercised and to the extent allocated to the Trading Participants and Retail Offer, will form part of the Trading Participants and Retail Offer. At least [332,063,500] Trading Participants and Retail Offer Shares (approximately [20]% of the Firm Shares) are being allocated to all of the [122] PSE Trading Participants at the Offer Price and at least [166,031,800] Trading Participants and Retail Offer Shares (approximately [10]% of the Firm Shares) are being allocated at the Offer Price to local small investors ("**LSIs**") under the PSE's LSI program, provided that the LSI Allocation will be increased to up to [●] Offer Shares if the total amount of Offer Shares in Applications to Purchase submitted by LSIs is five (5) times or more than the LSI Allocation. In the event that the total demand by LSIs for the Offer Shares exceed the maximum allocation of up to [●], the Joint Global Coordinators and Joint Bookrunners shall allocate the Offer Shares by balloting. The Offer Shares allocated to the LSIs will be distributed following the procedures indicated in the implementing guidelines for the offering to LSIs of the Offer Shares to be announced in the PSE Electronic Disclosure Generation Technology by the PSE. Each PSE Trading Participant shall initially be allocated [2,721,800] Firm Shares. Based on the initial allocation for each PSE Trading Participant, there will be [3,900] residual Firm Shares to be allocated as may be determined by the Domestic Lead Underwriter. Each LSI applicant may subscribe to a minimum of [●] Common Shares and up to a maximum of [●] Common Shares at the Offer Price. The Domestic Lead Underwriter and the International Underwriters shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the PSE Trading Participants or clients of the Domestic Lead Underwriter or the general public in the Philippines pursuant to the terms and conditions of the Domestic Underwriting Agreement and the International Purchase Agreement. The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Issuer and the Joint Global Coordinators and Joint Bookrunners as well as oversubscription or undersubscription of either or both the Trading Participants and Retail Offer and the Institutional Offer. See "—*Reallocation*" below.
The Preferential Offer..........	Pursuant to paragraph 3(f) of PN15, FPCL must have due regard to the interests of its shareholders by providing them with an assured entitlement to shares of the Issuer being offered in the Offer, either by way of a distribution of Common Shares in specie or by way of preferred application for the Common Shares in the Offer by the shareholders of FPCL. FPCL or its designated entity will subscribe for the Reserved Shares in the Preferential Offer for onward distribution to its shareholders. The Reserved Shares comprise Common Shares to be offered by the Issuer. The Reserved Shares are not subject to reallocation.
The Upsize Option	The right by the Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, to increase the total number of Common Shares offered in the Offer by up to [354,704,200]

	Common Shares at any time during the Offer Period. In the event of an oversubscription during the Offer Period, the Joint Global Coordinators and Joint Bookrunners may exercise the Upsize Option and allocate Upsize Option Shares between institutional investors and Trading Participants and LSIs. The Upsize Option is exercisable in whole or in part, at the discretion of the Joint Global Coordinators and Joint Bookrunners in consultation with the Issuer and the Selling Shareholder, on the same terms and conditions as the Firm Shares.
Eligible Investors	The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age regardless of nationality, or any corporation, association, partnership, trust account, fund, or entity residing in and organized under the laws of the Philippines, regardless of nationality, subject to the restrictions on ownership, as described below, and in consultation with the Joint Global Coordinators and Joint Bookrunners, the Issuer's right to reject an Application or reduce the number of the Firm Shares applied for subscription. The Institutional Offer Shares are being offered for sale (i) outside the United States by the International Underwriters in offshore transactions in reliance on Regulation S under the U.S. Securities Act, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) within the Philippines by the Domestic Lead Underwriter to local qualified buyers as defined in Section 10.1(l) of the SRC and Rule 10.1.3 of the SRC IRR, as amended. Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. All potential investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.
Offer Price	Up to ₱[20.00] per Offer Share. The Offer Price will be determined based on a book building process and discussions between the Issuer, the Selling Shareholder and the Joint Global Coordinators and Joint Bookrunners.
Stabilizing Agent....................	UBS AG, Singapore Branch and its relevant affiliates.
Overallotment Option............	Subject to the approval of the Philippine SEC, the Issuer has granted the Stabilizing Agent an option, exercisable in whole or in part, to purchase up to [249,047,600] Overallotment Option Shares at the Offer Price (approximately 15% of the Firm Shares), on the same terms and conditions as the Firm Shares as set out in this Prospectus, and effect price stabilization transactions. The Overallotment Option is exercisable 30 calendar days from and including the Listing Date. See the section entitled "*Plan of Distribution – The Overallotment Option and Stabilization*" in this Prospectus.
Restriction on Ownership	The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership, or trust, regardless of citizenship or nationality, subject to nationality limits under Philippine law and under Republic Act No. 11600, the legislative franchise of Maynilad (the "**Franchise**").

	The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. Considering that the Issuer and its subsidiaries operate as public utilities and also own land in the Philippines, foreign equity in the Issuer cannot exceed 40.0% of its (a) total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the number of outstanding shares of stock, whether or not entitled to vote in the election of directors. For more information relating to restrictions on the ownership of the Common Shares, please see "*Description of the Shares*" and "*Regulatory and Environmental Matters—Foreign Investment Laws and Regulations relating to Restrictions on Foreign Equity*." In the event that foreign ownership of the Issuer's outstanding capital stock will exceed such allowable maximum percentage, the Issuer has the right to reject a transfer request by a stockholder to persons other than Philippine Nationals and the right not to record such purchases in the Issuer's books. Moreover, if any share is inadvertently issued and/or transferred in violation of the said restriction, the shares issued and/or transferred in excess of the allowable maximum percentage shall be null and void, and the Issuer may immediately proceed to cancel and demand the surrender of the certificate of stock covering such shares. Should any stockholder acquire shares in excess of the foregoing restriction, such stockholder shall not be considered a stockholder and shall have no right with respect to such shares, except to demand payment therefor from us or transferor, as the case may be, or to dispose of the same to qualified shareholders within 30 calendar days of receipt of notice from the Issuer. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. All potential investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.
Offer Period...........................	The Offer Period shall begin at [9:00 a.m.] (Manila time) on [July 3], 2025 and end at [12:00 noon] (Manila time) on [July 9], 2025. The Issuer and the Joint Global Coordinators and Joint Bookrunners reserve the right to extend or shorten the Offer Period for a period of not more than five trading days, subject to the approval of the PSE and the Philippine SEC. Applications must be received by the Receiving Agent not later than [12:00 noon], Manila Time on [July 9], 2025 whether filed through a participating PSE Trading Participant, the Domestic Lead Underwriter or any of the International Underwriters or filed directly with the Receiving Agent or through PSE EASy for LSI applications. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving Agent, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the Application. The actual issuance of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE.
Minimum Subscription.........	Each application must be for a minimum of [1,000] Common Shares, and thereafter, in multiples of [100] Common Shares (the "**Board Lot**"). Applications for multiples of any other number of Common Shares may be rejected or adjusted to conform to the required multiple, at the Issuer's discretion.

Use of Proceeds	The Issuer intends to use the net proceeds from the Offer for the Company's capital expenditures requirements and for general corporate purposes. See the section entitled "*Use of Proceeds*" in this Prospectus for further details.
Reallocation	The allocation of the Offer Shares (other than the Reserved Shares) between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as may be agreed between us and the Joint Global Coordinators and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand. In the event of under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand, allocation not taken up in either the Trading Participants and Retail Offer or the Institutional Offer shall be deemed underwritten by the Joint Global Coordinators and Joint Bookrunners pro rata based on their respective underwriting commitments and reallocation shall apply accordingly.
Lock-up	Under the PSE Consolidated Listing and Disclosure Rules, as amended (the "**PSE Listing Rules**"), existing shareholders who own an equivalent of at least 10% of the issued and outstanding Common Shares of the Issuer as of the Listing Date cannot sell, assign or in any manner dispose of their shares for a minimum period of 180 days, or if the Issuer is exempt from the track record and operating history requirements, a minimum period of 365 days, after the Listing Date. In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swaps, or similar transactions) or instruments which lead to the issuance or transfer of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 calendar days prior to the commencement of the offer period, and the transaction price is lower than that of the offer price in the initial public offering, all such shares issued or transferred shall be subject to a lock-up period of at least 365 calendar days from the full payment of the aforesaid shares. The following stockholder is covered by the 180-day lock-up requirement from Listing Date (if the Upsize Option is not exercised):

Shareholder	**No. of Shares**
Maynilad Water Holding Company, Inc.	5,298,510,289 Common Shares
TOTAL	5,298,510,289 Common Shares

[The following stockholder is covered by the 180-day lock-up requirement from Listing Date (if the Upsize Option is fully exercised):]

Shareholder	**No. of Shares**
Maynilad Water Holding Company, Inc.	4,943,806,089 Common Shares
TOTAL	4,943,806,089 Common Shares

	The Amended Articles of Incorporation of the Issuer provides that the Issuer shall cause its existing non-public stockholders to comply with the lock-up requirements of the applicable PSE Listing Rules, as may be amended from time to time, subject to any waiver or exemption as may be granted by the PSE in respect of such lock-up requirement. To implement this lock-up requirement, the Issuer and the Selling Shareholder shall enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. See the sections entitled "*Principal Shareholders*" and "*Plan of Distribution – Lock-Up*" in this Prospectus. The Issuer and the Selling Shareholder have agreed with the Joint Global Coordinators and Joint Bookrunners that, except in connection with the Overallotment Option, they will not, without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, issue, offer, sell, contract to sell, pledge, or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any common shares or securities convertible or exchangeable into or exercisable for any common shares or warrants or other rights to purchase common shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of [180] calendar days after the listing of the Common Shares.
Registration, Listing, and Trading	The Issuer has filed an application with the Philippine SEC for the registration, and an application with the PSE for the listing, of all its outstanding capital stock (including the Offer Shares). The Philippine SEC [is expected to issue/issued] an Order of Registration and Permit to Sell [prior to the commencement of the Offer Period]/[on July 2, 2025] and the PSE issued the Notice of Approval on [●], 2025, subject to compliance with certain conditions. The Offer Shares are expected to be listed on the PSE Main Board under the symbol "MYNLD," on or about [July 17], 2025. Trading of the Issuer's issued and outstanding Common Shares that are not subject to lock-up is expected to commence on the same date.
Dividends and Dividend Policy	The Issuer is authorized to declare dividends. The Issuer may pay dividends in cash, property, or by the issuance of shares of stock. The distribution of cash and property dividends is subject to the availability of unrestricted retained earnings and approval of the Board, while the distribution of stock dividends, in addition to the availability of unrestricted retained earnings and approval by the Board, also requires the approval of stockholders representing at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose. Additionally, Philippine SEC approval is required for property dividends or if the issuance of stock dividends requires an increase in authorized capital stock. Dividends may be declared only from available unrestricted retained earnings, representing the net accumulated earnings of the Issuer with its unimpaired capital, which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC. The Board may not declare dividends that will impair the Issuer's capital pursuant to the trust fund doctrine, which considers the subscribed capital as a trust fund for the payment of the debts of the corporation, to which the creditors may look for satisfaction. Until

	the liquidation of the corporation, no part of the subscribed capital may be returned or released to the stockholder (except in the redemption of redeemable shares) without violating this doctrine (*National Telecommunications Commission v. Honorable Court of Appeals,* G.R. No. 127937 (1999)). The Board will periodically review the amount of dividends to be paid and the frequency of dividend payment in light of the Issuer's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Issuer can operate on a standalone basis. Pursuant to a resolution approved by the Board on March 14, 2025, as amended on May 14, 2025, we will maintain an annual dividend payout ratio equivalent to the higher of: (i) 50% of our prior year's net income after tax (the "**Net Income**"), or (ii) 40% of the Net Income plus depreciation and amortization expenses (the "**Adjusted Net Income**"), capped at 100% of the Net Income, where both the Net Income and the Adjusted Net Income refer solely to the parent's Net Income, depreciation and amortization expenses. 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 the Issuer's ability to pay cash dividends. Please see the section entitled "*Dividends and Dividend Policy*" in this Prospectus for further details.
Procedure for Application for the Trading Participants and Retail Offer	"Application to Purchase" forms and specimen signature cards (the "**Application**") may be obtained from the Receiving Agent and the participating PSE Trading Participants, and shall be made available for download on the Issuer's website. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship, and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Offer Shares. Failure to complete the application form may result in the rejection of the Application. All Applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed by the applicants themselves or by the authorized signatory(ies) of the applicant (in the case of an applicant that is not a natural person), and accompanied by two completed specimen signature cards, which for applicants other than a natural person, should be authenticated by the corporate secretary (or its equivalent), and the corresponding payment for the Offer Shares covered by the Application and all other required documents. For Individual Applicants: If the applicant is an individual person, the Application should be submitted in quadruplicate and accompanied by the following documents: • the required attachments as enumerated in the Application;

- two (2) duly executed specimen signature cards, duly authenticated by the Applicant's nominated PSE Trading Participant (as defined below) or the Domestic Lead Underwriter (if the Applicant is a client of the Domestic Lead Underwriter);

- photocopy of two (2) valid and current government-issued IDs (e.g., SSS, GSIS, Driver's License, Passport or PRC) (Note: For joint applications (i.e., multiple Applicants in one Application), one (1) valid and current government-issued IDs of each applicant/investor will be required);

- proof of payment; and

- such other documents as may be reasonably required by the Domestic Lead Underwriter in compliance with its internal policies regarding "knowing your customer," anti-money laundering, and combating financing of terrorism, among others.

For Institutional Applicants (including PSE Trading Participants):

If the applicant is a corporation, partnership, trust account, or any other legal person, the Application must be accompanied by the following documents:

- two (2) duly executed specimen signature cards of the authorized signatory(ies), duly authenticated by the Applicant's corporate secretary (or the equivalent corporate officer);

- a certified true copy of the applicant's latest articles of incorporation and by-laws (or the equivalent documents) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);

- a certified true copy of the applicant's certificate of registration issued by the relevant regulating body of the applicant's country of incorporation or organization duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);

- a duly notarized corporate secretary's certificate (or the equivalent document) setting forth the resolutions of the applicant's board of directors or equivalent body, namely: (i) authorizing the purchase of the Offer Shares indicated in the Application, (ii) identifying the list of designated signatory(ies) authorized for the purpose mentioned in (i), including each signatory's specimen signature, and (iii) certifying the percentage of the applicant's capital or capital stock held by Philippine nationals;

- a photocopy of two (2) valid and current government-issued IDs (e.g., SSS, GSIS, Driver's License, Passport or PRC ID) of (a) the authorized signatory/ies, duly certified as a true copy by the Corporate Secretary or Assistant Corporate Secretary and (b) the Corporate Secretary or Assistant Corporate Secretary, duly certified as true copy by an authorized officer of the corporation;

- proof of payment; and
- such other documents as may be reasonably required by the Domestic Lead Underwriter in compliance with its internal policies regarding "knowing your customer," anti-money laundering, and combating financing of terrorism, among others.

For all corporate and institutional Applicants, in addition to the foregoing documents, a certification, in quadruplicate, representing and warranting that their investing in the Offer Shares subject of the Application will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.

<u>Additional Requirements for PSE Trading Participants:</u>

In addition to the foregoing requirements, PSE Trading Participants must submit the following:

- properly accomplished sales report in excel and pdf format, duly certified by the respective authorized signatories of the PSE Trading Participant. For physical copies, there must be four (4) copies each bearing the wet ink signature of the certifying authorized signatories of the PSE Trading Participant;
- a certified true copy of the applicant's Philippine BIR certificate of registration duly certified by its corporate secretary (or managing partner in the case of a partnership);
- the PSE Trading Participant's notarized Endorsement and Certification, attached as [Annex C], to the TP Guidelines; and
- if applicable, a Notarized Affidavit of Undertaking to Submit Original Copies of the Documents ("**Undertaking to Submit**"), attached as [Annex D] to the Implementing Guidelines for the Reservation and Allocation of the Company Offer Shares to the Trading Participants of the PSE (the "**TP Guidelines**"), within five (5) trading days from the submission of the electronic mail of the scanned copies.

<u>This section should be read in conjunction with the LSI Guidelines and the TP Guidelines (the "**Offer Implementing Guidelines**") which will be published on the PSE Electronic Disclosure Generation Technology ("**PSE EDGE**") website.</u>

<u>For Local Small Investors</u>:

Applications of the Trading Participants and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. Applications for the Offer Shares must be settled within the Offer Period.

An LSI applicant should nominate in the Application the PSE Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted.

In the event that an LSI Applicant does not have a PSE Trading Participant, the LSI Applicant may open a trade account with the Domestic Lead Underwriter's affiliated broker, [BPI Securities Corporation], and nominate said entity as its endorsing PSE Trading Participant by accomplishing an

	account opening form and submitting the same (done through [●] for [●]), together with any required attachments, to the relevant broker prior to submission of the Application. LSI applications will be processed on a first-come, first-served basis while final allocation of the Trading Participants and Retail Offer Shares to LSIs will be determined pursuant to allocation mechanics. This section should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website.
Payment Terms	The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and specimen signature card together with the requisite attachments. For the Institutional Offer, payment for the Offer Shares shall be made in accordance with the payment arrangements as agreed between the Institutional Offer Applicant and the relevant Joint Global Coordinator and Joint Bookrunner. For the PSE Trading Participants, payment for the Offer Shares shall be made through over-the-counter cash or check deposit payment in any BPI branch under the account "[●]." For the LSIs, payment for the Offer Shares shall be made either by: (i) over-the-counter cash or check deposit payment in any BPI branch under the account "[●]" [, or (ii) online payment via BPI internet or BPI mobile banking under the biller account "[●]"]. Applicants participating in the Trading Participant and Retail Offer may contact the Receiving Agent for alternative modes of payment. For check payments, only personal or corporate checks, and manager's or cashier's checks with a clearing period of not more than one business day and drawn against any BSP-authorized agent bank will be accepted as a valid mode of payment. The check must be dated as of the date of submission of the Application, made payable to "[●]," and crossed "Payee's Account Only." Checks subject to clearing periods of over one (1) business day shall not be accepted. The applications and required documents (including proof of payments) shall be transmitted to the Receiving Agent by electronic mail at [●] on or before the end of the offer period, with the physical copies delivered to the Receiving Agent's address at [Unit 34-D, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1226] no later than [3:00 PM] of the end of the offer period. For more details on the Procedure for Application for the Offer, please refer to the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer Period.
Acceptance or Rejection of Applications for the Trading Participants and Retail Offer	Applications for the Trading Participants and Retail Offer Shares are subject to confirmation by the Domestic Lead Underwriter and/or the Receiving Agent (as applicable) and the final approval of the Issuer. The Issuer and the Selling Shareholder, in consultation with the Joint Global Coordinators and Joint Bookrunners, reserves the right to accept, reject, or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. The Issuer, the Selling Shareholder and the Domestic Lead Underwriter have the right to reallocate available Offer Shares in the event that such Offer Shares are insufficient to satisfy the total applications received in the Trading Participants and Retail Offer. Such Offer Shares will

be allotted in accordance with the allocation mechanics indicated in the Offer Implementing Guidelines, as approved by the PSE.

Applications may be rejected if (i) the subscription price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonored upon first presentment; (iii) the Applications are not received by the Receiving Agent on or before the end of the Offer Period; (iv) the number of Offer Shares subscribed is less than the minimum amount of subscription; (v) the Applications do not comply with the terms of the Offer; (vi) the sale of the offer Shares will result in a violation of foreign ownership and single entity ownership restrictions; (vii) the Applicant is not an Eligible Investor; (viii) the Applications do not have sufficient information as required in the application form or are not supported by the required documents; (ix) the underwriting agreement is suspended, terminated or cancelled on or before the Listing Date; (x) there exists a legal restriction prohibiting the acceptance or consummation of the Application; (xi) the Issuer will suffer actual or potential prejudice if the Application, by itself or together with any other Application, is accepted; (xii) the Applicant is currently the subject or the target of any sanctions administered or enforced by the U.S. Government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of Treasury or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), the United Nations Security Council the European Union, His Majesty's Treasury, or other relevant sanctions authority; (xiii) the Applicant, to the knowledge of any of the Joint Global Coordinators and Joint Bookrunners, (a) used any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (b) made or committed an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government or regulatory official or employee, including of any government-owned or controlled entity, or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (c) violated or is in a violation of any provision of the Anti-Graft and Corrupt Practices Act (Republic Act No. 3019), Foreign Corrupt Practices Act of 1977, as amended (the "**FCPA**") or the rules or regulations thereunder, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption laws; or (d) made, offered, agreed, requested or committed an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit, or (xiv) as otherwise set out in the Offer Implementing Guidelines. Moreover, any payment received pursuant to the Application does not ensure or indicate approval or acceptance by the Issuer of the Application.

An Application, when accepted, shall constitute a binding and effective agreement between the applicant and the Issuer for the subscription to the Offer Shares notwithstanding any provision to the contrary as may be found in the Application, this Prospectus, and other Offer-related documents. Notwithstanding the acceptance of any Application, the actual issuance of the Trading Participants and Retail Offer Shares to an applicant take place only upon the listing of the Trading Participants and Retail Offer Shares on the PSE.

Subject to the withdrawal of the Offer prior to Listing Date pursuant to the Withdrawal of the Offer section of the Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that

	are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date
Refunds for the Trading Participants and Retail Offer	In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the Domestic Lead Underwriter or the Receiving Agent (as the case may be), is less than the number covered by its Application, or if an Application is rejected by the Issuer, then the Receiving Agent shall refund, without interest, within [five (5) trading days] from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent, at the Applicant's risk. Check refunds shall be available for pick-up at the office of the Receiving Agent within five (5) trading days after the end of the Offer Period. If such check refunds are not claimed after 30 days following the beginning of the refund period, such checks shall be mailed to the Applicant's registered address at the Applicant's risk. No interest shall accrue on the refunds for the period during which they remain undelivered to the Applicant. For LSIs, all refunds shall be made directly to the LSI Applicants, through the Receiving Agent, at the Applicant's risk, unless the respective LSI Applicants' nominated PSE Trading Participants consented to process LSI refunds. In that case, all refunds may be made through the nominated PSE Trading Participant, at the LSI Applicant's risk. The refunds will be processed by the Receiving Agent directly to the nominated PSE Trading Participant by transferring immediately available funds to the relevant bank account of, or via check to, each relevant nominated PSE Trading Participant in such amount representing the total refund due to all the clients of the relevant PSE Trading Participant on or before the fifth (5th) Banking Day after the end of the Offer Period. The affected LSI Applicants may coordinate directly with their respective nominated PSE Trading Participant, as indicated in the submitted LSI Application. In case of rejected or scaled down Applications to Purchase the Offer Shares, the concerned Trading Participants shall be notified by the Receiving Agent no later than one business day from the end of the Offer Period or on [July 10]. In such a case, check refunds, without interest, shall be available for pick-up within five business days from the end of the Offer Period or on [July 16] at the office of the Receiving Agent. Likewise, rejected Applications to Purchase shall be made available for pick-up at the said office of the Receiving Agent within five business days from the end of the Offer Period or on [July 16]. All refunds shall be made without interest through the Receiving Agent, at the Participating Trading Participant's risk. The representatives of the Trading Participants claiming such check refunds or rejected Applications to Purchase are required to present an authorization letter and proper identification documents prior to the release of such check refunds or rejected Applications to Purchase.
Withdrawal of the Offer	[●]
Registration and Lodgment of Shares with PDTC	The Offer Shares will be in scripless form and are required to be lodged with the PDTC upon listing. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC. Investors may maintain the Offer Shares in scripless form or opt, at their own cost and expense, to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the Offer Shares are listed on the PSE.

Registration of Foreign Investments..........................	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See the section entitled "*Regulatory and Environmental Matters—Other Laws—Registration of Foreign Investments and Exchange Controls*" in this Prospectus.
Tax Considerations................	See the section entitled "*Taxation*" in this Prospectus for information on the Philippine tax consequences of the purchase, ownership, and disposal of the Offer Shares.
Expected Timetable..............	The timetable of the Offer is expected to be as follows:

Pricing Date	[June 30], 2025
Notice of final Offer Price to the PSE and SEC	[July 1], 2025
Receipt of Permit to Sell from the SEC..........	[July 2], 2025
Offer Period	[July 3] to [July 9], 2025
Submission of Firm Order and Commitments by PSE Trading Participants	11 am on [July 7], 2025
Trading Participants and Retail Offer Settlement Date and Deadline for Submission of Applications	12 noon on [July 9], 2025
Settlement Date and Listing Date of Shares on the PSE..	[July 17], 2025

The dates included above are subject to the approval of the PSE and the Philippine SEC, market, and other conditions, and may be changed.

If, for any reason, any day of the above periods or dates is a not a business day, then such period or date may be extended or moved, as the case may be, to the next immediately succeeding business day, or such other date as may be agreed upon by the Issuer and the Joint Global Coordinators and Joint Bookrunners. Notice of any adjustment to the Listing Date shall be made by publication by the Issuer in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE.

Stock Transfer Agent............	Philippine National Bank Trust Banking Group.
Receiving Agent......................	Stock Transfer Service, Inc.
Escrow Agent	Metropolitan Bank & Trust Company – Trust Banking Group.
Philippine Counsel for the Issuer....................................	Picazo Buyco Tan Fider & Santos.
International Counsel for the Issuer....................................	Latham & Watkins LLP.

Philippine Counsel for the Joint Global Coordinators and Joint Bookrunners.......	Romulo Mabanta Buenaventura Sayoc & de los Angeles.
International Counsel for the Joint Global Coordinators and Joint Bookrunners.......	Milbank (Hong Kong) LLP.
Independent Auditors............	SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited.
Risks of Investing..................	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. These risks are discussed in the section entitled "*Risk Factors*" in this Prospectus and include: (i) risks relating to us and our business; (ii) risks relating to the Philippines; (iii) risks relating to the Offer and the Offer Shares; and (iv) risks relating to certain information in this Prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables present the summary of selected financial information and should be read in conjunction with the independent auditors' reports and our financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations." The summary financial information as of and for the years ended December 31, 2022, 2023 and 2024 and as of and for the three months ended March 31, 2024 and 2025 were derived from our consolidated audited financial statements, which were prepared in accordance with PFRS and were audited by SGV in accordance with the Philippine Standards on Auditing.

The summary financial information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of March 31, 2025 of ₱57.38 = U.S.$1.00.

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
	(in million, except for earnings per share)						
	₱	₱	₱	U.S.$	₱	₱	U.S.$
OPERATING REVENUE							
Water services:							
West Zone	18,569.5	22,169.8	27,143.5	473.0	6,762.8	6,669.9	116.2
Outside West Zone	238.9	255.3	349.1	6.1	78.5	87.0	1.5
Wastewater services:							
West Zone	3,946.1	4,727.1	5,785.4	100.8	1,207.2	1,751.9	30.5
Others	120.2	171.0	216.5	3.8	52.4	56.0	1.0
	22,874.7	27,323.2	33,494.5	583.7	8,101.0	8,564.8	149.3
COSTS AND EXPENSES							
Amortization of service concession assets	2,459.2	2,744.8	3,028.6	52.8	689.5	745.2	13.0
Salaries, wages and benefits..	2,267.1	2,525.1	2,893.4	50.4	798.3	689.1	12.0
Utilities	1,714.0	1,665.1	1,535.4	26.8	381.5	364.4	6.4
Contracted services............	1,139.0	1,458.7	1,642.1	28.6	284.0	339.4	5.9
Taxes and licenses.............	662.7	834.1	1,026.1	17.9	441.5	256.3	4.5
Repairs and maintenance	688.4	900.1	873.9	15.2	166.4	159.0	2.8
Materials and supplies	682.7	832.1	869.3	15.1	199.4	134.0	2.3
Depreciation and amortization....................	485.9	524.3	527.3	9.2	124.1	115.2	2.0
Regulatory costs	207.3	242.2	280.5	4.9	70.4	75.5	1.3
Rental	47.4	89.1	148.7	2.6	17.2	58.2	1.0
Business meetings and representations	119.5	159.7	174.8	3.0	39.8	49.6	0.9
Collection charges.............	152.1	182.2	197.9	3.4	42.5	42.0	0.7
Advertising and promotion ...	33.8	57.6	74.3	1.3	13.2	38.0	0.7
Purchased water	362.4	619.5	294.8	5.1	176.2	37.2	0.6
Transportation and travel	236.6	191.3	220.6	3.8	36.9	23.4	0.4
Provision for expected credit losses............................	82.9	600.5	112.4	2.0	3.2	(18.1)	(0.3)
Insurance	51.1	62.2	64.0	1.1	21.3	17.7	0.3
Others...........................	460.7	412.6	429.6	7.5	35.8	56.9	1.0
	11,852.8	**14,101.2**	**14,393.7**	**250.8**	**3,541.2**	**3,183.0**	**55.5**
INCOME BEFORE OTHER INCOME (EXPENSES)	**11,021.9**	**13,222.0**	**19,100.8**	**332.9**	**4,559.8**	**5,381.8**	**93.8**
OTHER INCOME (EXPENSES)							
Revenue from rehabilitation works	14,995.0	19,175.3	27,081.3	472.0	3,925.8	6,946.5	121.1

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
	(in million, except for earnings per share)						
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Cost of rehabilitation works	(14,995.0)	(19,175.3)	(27,081.3)	(472.0)	(3,925.8)	(6,946.5)	(121.1)
Interest expense and other financing charges	(2,321.7)	(2,503.3)	(2,414.4)	(42.1)	(615.2)	(595.4)	(10.4)
Foreign exchange gains (losses) - net	1,764.7	(1,167.6)	(1,643.3)	(28.6)	(359.5)	(350.0)	(6.1)
Foreign currency differential adjustments (FCDA)	(1,741.8)	1,129.0	1,656.3	28.9	363.4	350.2	6.1
Interest income	30.1	221.7	404.8	7.1	23.6	65.2	1.1
Dividend Income	-	-	-	-	16.0	-	-
Others – net	(771.5)	1,021.2	(628.6)	(11.0)	48.3	(210.7)	(3.7)
	(3,040.2)	**(1,299.0)**	**(2,625.2)**	**(45.8)**	**(523.4)**	**(740.7)**	**(12.9)**
INCOME BEFORE INCOME TAX	**7,981.7**	**11,923.0**	**16,475.6**	**287.1**	**4,036.4**	**4,641.1**	**80.9**
PROVISION FOR INCOME TAXES							
Current	1,919.5	2,409.3	3,430.2	59.8	827.3	933.4	16.3
Deferred	187.3	502.5	264.0	4.6	111.0	88.8	1.5
	2,106.8	**2,911.8**	**3,694.2**	**64.4**	**938.3**	**1,022.2**	**17.8**
NET INCOME	**5,874.9**	**9,011.2**	**12,781.4**	**222.8**	**3,098.1**	**3,618.9**	**63.1**
Basic Earnings Per Share	1.3	2.0	2.9	N/A	0.70	0.64	N/A
Diluted Earnings Per Share	1.3	2.0	2.9	N/A	0.69	0.64	N/A
NET INCOME	**5,874.9**	**9,011.2**	**12,781.4**	**222.8**	**3,098.1**	**3,618.9**	**63.1**
OTHER COMPREHENSIVE INCOME (LOSS)							
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:							
Remeasurement gain (loss) on retirement plan	224.6	(159.0)	(550.3)	(9.6)	(593.5)	39.0	0.7
Income tax effect	(38.4)	14.8	51.2	0.9	55.2	(14.2)	(0.2)
	186.2	(144.2)	(499.1)	(8.7)	(538.3)	24.8	0.4
TOTAL COMPREHENSIVE INCOME	**6,061.1**	**8,867.0**	**12,282.3**	**214.1**	**2,559.8**	**3,643.7**	**63.5**

SUMMARY STATEMENTS OF FINANCIAL POSITION

	As of December 31,				As of March 31,	
	2022	2023	2024	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
			(in million)			
	₱	₱	₱	U.S.$	₱	U.S.$
ASSETS						
Current Assets						
Cash and cash equivalents....	10,438.7	4,902.6	10,519.5	183.3	5,398.2	94.1
Trade and other receivables ..	2,831.4	2,418.1	2,722.9	47.5	2,717.9	47.4
Contract assets	1,000.9	1,205.0	1,386.5	24.2	1,311.3	22.9
Other current assets	1,819.2	1,862.5	2,130.7	37.1	2,606.7	45.4
Total Current Assets...........	16,090.2	10,388.2	16,759.6	292.1	12,034.1	209.7
Noncurrent Assets						
Service concession assets.....	121,187.9	140,919.5	168,339.3	2,933.8	175,570.4	3,059.8
Property and equipment.......	1,574.0	1,889.7	1,963.2	34.2	1,898.7	33.1
Financial asset at fair value through other comprehensive income ..	124.9	124.9	124.9	2.2	124.9	2.2
Other noncurrent assets	4,401.1	10,381.3	10,983.6	191.4	10,352.1	180.4
Total Noncurrent Assets.......	127,287.9	153,315.4	181,411.0	3,161.6	187,946.1	3,275.4
	143,378.1	**163,703.6**	**198,170.6**	**3,453.7**	**199,980.3**	**3,485.2**
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	22,116.2	20,567.6	24,157.0	421.0	25,964.3	452.5
Current portion of interest-bearing loans.............	3,806.3	2,587.7	4,186.1	73.0	2,612.6	45.5
Current portion of service concession obligation payable to MWSS	940.9	874.6	1,027.3	17.9	1,036.2	18.1
Income tax payable............	631.4	530.7	787.9	13.7	945.6	16.5
Total Current Liabilities.......	27,494.8	24,560.6	30,158.3	525.6	30,558.6	532.6
Noncurrent Liabilities						
Interest-bearing loans–- net of current portion	43,107.8	59,214.2	79,461.5	1,384.8	84,216.6	1,467.7
Service concession obligation payable to MWSS–- net of current portion.........	6,069.2	6,489.0	6,294.5	109.7	5,897.5	102.8
Deferred tax liabilities–- net..	1,037.0	1,524.8	1,737.6	30.3	1,840.7	32.1
Deferred credits...............	795.4	1,208.0	1,379.6	24.0	1,149.7	20.0
Retirement liability...........	151.8	285.7	870.8	15.2	826.0	14.4
Customers' deposits...........	529.4	548.6	605.6	10.6	630.3	11.0
Other noncurrent liabilities....	1,255.1	1,702.3	2,307.8	40.2	2,262.2	39.4
Total Noncurrent Liabilities...	52,945.7	70,972.6	92,657.3	1,614.8	96,823.0	1,687.4
Total Liabilities	80,440.5	95,533.3	122,815.6	2,140.4	127,381.6	2,220.0
Equity						
Capital stock	4,547.0	4,547.0	5,683.7	99.1	5,683.7	99.0
Additional paid-in capital.....	10,032.9	10,041.7	10,030.3	174.8	10,030.3	174.8
Treasury shares	(349.1)	(391.9)	(960.6)	(16.7)	(960.6)	(16.7)
Other comprehensive income (loss)......................	35.8	(108.4)	(607.5)	(10.6)	(582.7)	(10.2)
Other equity adjustments	(309.2)	(309.2)	(309.2)	(5.4)	(309.2)	(5.4)
Retained earnings						
Unappropriated	20,230.0	25,641.2	20,969.2	365.4	18,188.1	317.0
Appropriated................	28,750.0	28,750.0	40,549.0	706.7	40,549.0	706.4
Total Equity	**62,937.4**	**68,170.3**	**75,355.0**	**1,313.3**	**72,598.6**	**1,265.2**
	143,378.1	**163,703.6**	**198,170.6**	**3,453.7**	**199,980.3**	**3,485.2**

SUMMARY STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net cash used in operating activities	(709.9)	(5,839.7)	(5,230.0)	(91.1)	1,359.5	(422.0)	(7.4)
Net cash provided by (used in) investing activities......................	112.4	(7,056.9)	(1,097.1)	(19.1)	(347.7)	546.0	9.5
Net cash provided by financing activities	3,070.5	7,360.5	11,944.1	208.2	8,243.4	(5,245.4)	(91.4)
Net increase (decrease) in cash and cash equivalents...................	2,473.0	(5,536.1)	5,617.0	97.9	9,255.2	(5,121.4)	(89.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	7,965.7	10,438.7	4,902.6	85.4	4,902.6	10,519.5	183.3
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD.................	10,438.7	4,902.6	10,519.5	183.3	14,157.7	5,398.2	94.1

SUMMARY OF SELECTED OPERATING DATA

	As of and for the years ended December 31,			As of and for the three months ended March 31,	
	2022	2023	2024	2024	2025
Net Income (₱ millions)	5,874.9	9,011.2	12,781.4	3,098.1	3,618.9
EBITDA(1) (₱ millions)	13,218.4	17,473.9	22,041.1	5,441.6	6,031.7
EBITDA Margin(2)............	57.8%	64.0%	65.8%	67.2%	70.4%
Return-on-Assets (3)(4)	4.3%	5.9%	7.1%	7.3%	7.3%
Debt-to-Equity Ratio(5)	0.7	0.9	0.9	1.6	1.0
Debt Service Coverage Ratio(6)(7)	3.7	3.6	3.5	3.3	2.3
Asset-to-Equity Ratio(8).......	2.3	2.4	2.6	2.8	2.8
Debt-to-EBITDA Ratio(9).....	3.6	3.5	3.8	1.1	2.1
Fixed-to-Floating Debt Ratio(10)	100:0	100:0	100:0	100:0	100:0
Peso-to-Foreign Debt Ratio(11)	93:7	90:10	94:6	91:9	94:6
Return-on-Equity(12)(13)........	9.6%	13.7%	17.8%	18.3%	19.5%

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) For the three months ended March 31, 2024 and 2025, Return-on-Assets has been annualized by multiplying the quarterly ratio by four to reflect the full year equivalent ratio
(5) 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.
(6) Calculated as (a) the sum of (i) the EBITDA as of the last day of the immediately preceding 12-month period, and (ii) our cash and cash equivalents at the beginning of the immediately succeeding 12-month period, in both cases as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable, divided by (b) debt service for the immediately succeeding 12-month period.
(7) For the three months ended March 31, 2024 and 2025, Debt Service Coverage Ratio is calculated as (a) the sum of (i) the EBITDA as of the last day of the immediately preceding 12-month period up to the end of the period and (ii) our cash and cash equivalents at the beginning of the immediately succeeding 12-month period up to the end of the period, in both cases as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable, divided by (b) debt service for the immediately succeeding 12-month period up to the end of the 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.
(8) Calculated as total assets / total equity.
(9) Calculated as Debt (at end of period) / EBITDA (last 12 months up to end of period).
(10) Calculated by dividing the total amount of our Debt with fixed interest rates by the total amount of Debt with floating interest rates.
(11) Calculated by dividing the total amount of our Debt in Philippine Peso by the total amount of Debt in foreign currencies.
(12) 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.
(13) For the three months ended March 31, 2024 and 2025, Return-on-Equity has been annualized by multiplying the quarterly ratio by four to reflect the full year equivalent ratio.

CALCULATION OF EBITDA

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

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net Income	5,874.9	9,011.2	12,781.4	222.8	3,098.1	3,618.9	63.1
Add/(Deduct):							
Interest expense and other financing charges	2,321.7	2,503.4	2,414.4	42.1	615.2	595.4	10.4
Provision for income taxes	2,106.8	2,911.8	3,694.2	64.4	938.3	1,022.2	17.8
Depreciation and amortization	485.9	524.3	527.3	9.2	124.1	115.2	2.0
Amortization of service concession assets	2,459.2	2,744.8	3,028.6	52.8	689.5	745.2	13.0
Less: Interest income	(30.1)	(221.7)	(404.8)	(7.1)	(23.6)	(65.2)	(1.1)
EBITDA	**13,218.4**	**17,473.9**	**22,041.1**	**384.1**	**5,441.7**	**6,031.7**	**105.1**

RISK FACTORS

An investment in the Offer Shares involves a number of risks. You should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on our business, prospects, financial condition, results of operations, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares could be lost. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares. For investors that deal in a range of investments, each investment carries a different level of risk.

This section does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Investors should undertake independent research and study the trading of securities before commencing any trading activity. You should seek professional advice if you are uncertain of, or have not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Offer Shares. You should consult your own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Offer Shares.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition and prospects.

RISKS RELATING TO US AND OUR BUSINESSES

We have limited sources of raw water, and the volume of raw water available to us may be constricted or limited by various factors beyond our control and may not increase with the expected increase in water demand.

Our ability to meet the existing and future demands of our customers depends on the availability of an adequate supply of water. We 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. Based on the production capacity of all of our water treatment plants as of March 31, 2025, approximately 83.42% of our raw water originated from the Angat Dam, approximately 15.64% originated from Laguna Lake, and the remaining 0.94% was sourced from the Imus River, Tullahan River, deep wells and treated effluents from our water reclamation facilities ("**WRFs**") which undergo further treatment to become potable water ("**NEW WATER**"). See "*Business—Our Services and Facilities —Water Services and Facilities —Water Resources.*"

The volume of raw water available to us may be limited or affected by various factors beyond our control and may not meet expected increases in water demand from the population and economic growth in the West Zone. Our water supply volumes are affected by the level of water in the dams, the condition of the dams, the quality of the various raw water sources and the timing and development of new water supply projects undertaken by the Metropolitan Waterworks and Sewerage System ("**MWSS**"). In addition, the availability of water supply, including the abstraction of raw water, is established through raw water allocations administered by the Philippine National Water Resources Board ("**NWRB**"), which can vary from time to time.

To address potential water supply shortages, MWSS is developing a new water source – the New Centennial Water Source – Kaliwa Dam Project, which is expected to be completed by 2028. While we anticipate receiving an allocation of 300 million liters per day ("**MLD**") of raw water upon the Kaliwa Dam Project's targeted completion, any delays, postponements in the project or if the project would otherwise not proceed, all of which are beyond our control, may not exempt us from our service obligations under the Revised Concession Agreement. As such, it is critical that we identify and secure new sources of raw water to ensure compliance with our obligations.

If we are unable to source sufficient raw water supply, we may incur penalties under the Revised Concession Agreement if the MWSS Regulatory Office ("**MWSS-RO**") determines that we have not fulfilled our service obligation to provide continuous water supply to our customers in the West Zone for more than 15 days (or three days in cases where the failure could adversely affect public health or welfare), from written notice from the MWSS-RO. In addition, if the MWSS-RO finds that our failure to provide continuous water supply, including our failure to make appropriate remediation within the prescribed grace period, constitutes a default of our service obligations under the Revised Concession Agreement, MWSS may terminate the Revised Concession Agreement prior to its expiration. See "—*The Revised Concession Agreement grants us the right to provide water and wastewater services to the West Zone, and any early termination due to our failure to comply with our service obligations, including for reasons that are beyond our control, will materially and adversely affect our business, results of operations and financial condition.*"

While we have undertaken projects to improve water supply management, such as constructing additional reservoirs to augment our water storage capacity, securing alternative sources of raw water, such as our NEW WATER treatment plant that converts effluent water into potable water, enhancing facilities that we jointly manage with Manila Water Company, Inc. ("**Manila Water**") and MWSS ("**Common Purpose Facilities**") through the construction of new raw water conveyance tunnels and aqueducts, constructing and activating deep wells, and reducing NRW, such as through the District Metered Area ("**DMA**") program, pressure diagnostic technologies, active pipe replacement, use of leak detection technology and meter management, there is no assurance that future supply shortages will not occur, which could materially and adversely impact our business, prospects, financial condition, and results of operations.

Environmental degradation and water pollution could impact the quantity and quality of raw water from our major water sources.

Unabated environmental degradation poses significant risks to the quantity and quality of our raw water supply. Deforestation of watersheds surrounding the dams leads to increased soil erosion, resulting in higher levels of soil, sediment, and turbidity in the raw water entering our treatment facilities, potentially impairing their treatment capacity. For example, in May 2024, we issued a notice of force majeure to the MWSS-RO following a water service interruption that we had to implement for at least two days that affected customers in Muntinlupa, Parañaque, Las Piñas and Cavite. The service interruption was due to the entry of septic-like quality water into the intake of our water treatment plant in Poblacion, Muntinlupa which prompted us to immediately reduce our water production to ensure compliance with the Philippine National Standards for Drinking Water ("**PNSDW**"). As we invoked force majeure, the MWSS-RO did not penalize us for such water service interruption.

Additionally, the worsening water pollution in Laguna Lake has led to increased frequency of algal blooms, disrupting the water treatment process. These environmental challenges may hinder our ability to comply with PNSDW, and expose us to regulatory penalties. For example, in December 2021, an algal bloom in Laguna Lake, driven by natural and industrial factors beyond our control, severely affected our ability to provide uninterrupted water service from December 2021 to February 2022. As a result, the MWSS-RO imposed a penalty of approximately ₱64.0 million for water service interruptions that lasted for more than 15 days, citing violations of our service obligations under the Revised Concession Agreement. The MWSS-RO again imposed a penalty of approximately ₱9.2 million for water service interruptions that we implemented in May to July 2022 due to raw water quality issues in Laguna Lake. Such environmental issues could continue to adversely affect our operations and financial condition.

While we continue to invest to upgrade our water treatment facilities to adjust to varying degrees of water quality, and engage in sustainability initiatives to improve the condition of areas surrounding our raw water sources, there is no assurance that such efforts will be successful and our ability to supply water to the West Zone will continue to be affected if the environmental conditions around our raw water sources nevertheless continue to deteriorate, which could materially and adversely impact our business, prospects, financial condition, and results of operations.

Severe weather conditions, climate variability patterns, natural or other disasters, and the effects of climate change may disrupt our operations.

Service interruptions due to severe weather, climate variability patterns and natural or other events may occur. These include, among other things, typhoons, flooding, earthquakes, landslides, drought, pandemics and epidemics, and chemical spills or other contamination causing temporary unavailability of our water supply sources. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Moreover, unforeseen circumstances such as seismic events, drought and changing weather patterns may result in major shortages in our water supply. For example, in April

2023, we had to impose approximately nine-hour water service interruptions on our customers due to declining water levels in the Angat Dam, caused by the onset of *El Niño*.

In addition, the physical effects of climate change, such as changes in rainfall, rising sea levels, increased storm intensities and higher temperatures, may disrupt our operations or damage our facilities. The effects of climate change, particularly changing rain patterns, temperature variations and extreme weather events, may cause prolonged droughts and significantly reduce the raw water available to us. For example, between April and May 2019, unusually warm temperatures in Laguna Lake triggered an unusual algal bloom, clogging the intake structures of the Putatan Water Treatment Plants 1 and 2 and disrupting water production. Further, the onset of *El Niño* in June 2019 led to historically low water levels in the Angat Dam due to heat and lack of rain, prompting the NWRB to reduce water allocation to MWSS, which required us to implement rotational water service interruptions. In addition, in November 2020, Typhoon Vamco (Typhoon Ulysses) struck Luzon, causing widespread destruction and heavy flooding. The resulting influx of highly turbid water led to an unanticipated accumulation of silt and sludge in the La Mesa Treatment Plants 1 and 2, reducing water production from 2,300 MLD to 1,900 MLD. This necessitated rotational water service interruptions, affecting approximately one million connections. The accumulation of silt likewise affected our Putatan Water Treatment Plants. Due to damaged sludge removal components resulting in water supply interruptions in southern Metro Manila and surrounding areas from December 2022 to January 2023, MWSS imposed a fine of ₱27.5 million in January 2023, which we have settled. The effects of climate change could hinder our ability to accurately predict how much raw water we can draw from our water sources to meet our customers' demands annually and may disrupt our capacity to provide 24-hour water service and meet our service obligations under the Revised Concession Agreement.

While we have engaged an international weather intelligence provider to enhance our forecast and climate data analysis capabilities for a more agile response to weather disturbances, among other initiatives, the inherent unpredictability of climate events continues to pose a risk to our operations. Moreover, policy and regulatory changes, technological developments, inflation and other economic conditions, and market and economic responses relating to climate change may also affect our business. As a result of the above, our business, financial condition, results of operations, and prospects may be materially and adversely affected.

The Revised Concession Agreement grants us the right to provide water and wastewater services to the West Zone, and any early termination due to our failure to comply with our service obligations, including for reasons that are beyond our control, will materially and adversely affect our business, results of operations and financial condition.

The concession is fundamental to our business, and our inability to continue operating in the West Zone would have significant adverse effects on the business and financial prospects. Our primary business is to provide services under the Revised Concession Agreement that we entered into with MWSS, which grants us the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the West Zone. The Revised Concession Agreement requires us to fulfill certain service obligations, including the continuous supply of water to all connected customers in the West Zone, under the regulatory authority and supervision of the MWSS-RO.

The MWSS-RO determines our compliance with the requirements under the Revised Concession Agreement. In the event that we fail to comply with such requirements, and should we fail to make the appropriate remediation within the prescribed grace period, MWSS may terminate the Revised Concession Agreement prior to its expiration, and the MWSS-RO may impose certain penalties on us. While we strive to consistently perform our obligations under the Revised Concession Agreement, there may be circumstances outside our control that could affect our ability to perform such obligations. For example, we rely substantially on raw water sourced from the Angat Dam and the Laguna Lake which, due to circumstances beyond our control, such as severe droughts or other natural calamities, may not be sufficient for us to meet our water supply obligations under the Revised Concession Agreement. Moreover, any delays or postponements on MWSS's New Centennial Water Source – the Kaliwa Dam Project, which are beyond our control, may not exempt us from our service obligations under the Revised Concession Agreement. See "*—We have limited sources of raw water, and the volume of raw water available to us may be constricted or limited by various factors beyond our control and may not increase with the expected increase in water demand*."

The Revised Concession Agreement also allows for other termination events, including the occurrence of an event of force majeure that prevents us or MWSS from performing any material obligation under the Revised Concession Agreement for a continuous period of 180 days. See "*Business —The Revised Concession Agreement*" and "*Material Agreements—Overview of the Revised Concession Agreement.*"

Any termination of the Revised Concession Agreement prior to its expiry would materially and adversely affect our business, results of operations, financial condition and prospects.

Legislative and political risks to the Franchise and the Revised Concession Agreement may adversely affect our business and operations.

On December 10, 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, which became effective on January 22, 2022. The Philippine Congress retains the power to amend, alter, or repeal the Franchise when common good, as defined under the Philippine Constitution, so requires. There is no assurance that the Philippine Congress will not repeal, or amend the Franchise prior to its expiration on terms that would be unfavorable to us, which could materially and adversely affect our business, results of operations, financial condition and prospects.

To align with the expiration date of the Franchise, we applied for a 10-year extension of the Revised Concession Agreement in August 2022, extending its term until January 21, 2047. On December 14, 2023, MWSS approved the 10-year extension, pending the acknowledgment by the Republic of the Philippines through the Secretary of Finance. This acknowledgment is required for all amendments to the Revised Concession Agreement. In a letter dated March 3, 2025, we were advised by MWSS that the Department of Finance recommended that MWSS adhere to the procedures under Republic Act No. 11966, or the Public-Private Partnership Code of the Philippines (the "**PPP Code**") and its implementing rules and regulations. The Department of Finance considered the 10-year extension of the Revised Concession Agreement as a variation of an executed public-private partnership ("**PPP**") contract, which, as a project that costs above ₱15.0 billion, requires the approval of the National Economic Development Authority ("**NEDA**") Board in accordance with the General NEDA-Investment Coordination Committee (the "**NEDA-ICC**") Procedures as of April 25, 2024. Consequently, on March 7, 2025, a technical working group, comprising representatives from both MWSS and our Company, was formed to prepare the necessary documentation for submission to the NEDA-ICC. On April 14 and April 25, 2025 and May 6, 2025, MWSS submitted the necessary documentation to the NEDA-ICC for their review. There is no assurance that we will receive the approval by the NEDA Board and acknowledgement of the Republic of the Philippines through the Secretary of Finance to align the expiration dates of the Franchise and the Revised Concession Agreement.

The Franchise and the Revised Concession Agreement may be exposed to political and reputational risks, and we are subject to Government inquiries and similar actions from time to time. For example, in January 2020, then Philippine President Rodrigo R. Duterte ordered the review of the Original Concession Agreement on the ground that it allegedly contained onerous provisions that were unfavorable to the Government and the consuming public. Subsequent to such review, we entered into the Revised Concession Agreement with MWSS in 2021, and the Philippine Congress enacted the Franchise in the same year. See "*Business —History and Corporate Milestones*."

In addition, failure to meet our service obligations or to comply with the mandates specified in the Franchise and the Revised Concession Agreement, the policies of the MWSS-RO and other Government agencies may result in penalties and other administrative fines. This could impact the determination of our rates and compromise the Franchise and Revised Concession Agreement, which could materially and adversely affect our business, results of operations, financial condition and prospects.

The tariff that we charge our customers are subject to regulation, and our operating costs are subject to market conditions and other factors and can be volatile and disproportionate to the tariff adjustments.

Our ability to implement our business plan and strategy successfully depends on the tariff authorized by MWSS pursuant to the Revised Concession Agreement. Any application for adjustment is subject to review and approval of the MWSS-RO and MWSS, which may or may not be granted, or may be partially granted. Moreover, the implementation of any approved tariff adjustment may be delayed or suspended. In December 2024, MWSS approved certain tariff adjustments effective on January 1, 2025. See "*Business —Recent Developments —MWSS Approval of Tariff Adjustments.*"

Tariff adjustments generally result from rate-rebasing exercises administered by the MWSS-RO. Generally, pursuant to the Revised Concession Agreement, we are authorized to charge rates that will allow us to recover over the course of the remaining term of the concession, our operating expenses, capital maintenance and investment expenditures, certain taxes and other expenses and earn a 12% fixed nominal rate of return. Adjustments to the tariff require the approval of MWSS and our rates are capped for water and sewerage services to 1.3x and 1.5x, respectively, of the rate in the last year of the prior Rate Rebasing Period. See "*Business—The Revised Concession Agreement —Tariff Determination under the Revised Concession Agreement.*"

The Revised Concession Agreement provides for the rebasing or review of tariffs every five years to "reset" rates at a level that will permit us to recover, over the life of the concession, expenditures prudently and efficiently incurred and to earn a 12% fixed nominal rate of return on net expenditures (the "**Rate Rebasing**"). Implementing tariffs that ensure our ability to meet our service obligations, while remaining economically viable, is critical to the sustainability of our business. Prior to each Rate Rebasing exercise, we submit a service improvement plan for the remaining concession period to update earlier assumptions to better reflect current conditions for future plans, as well as to assess whether our performance in the previous five years has matched or exceeded the targets set in the previously approved plan. Under the Revised Concession Agreement, adjustments to the tariff are made based on movements in the Philippine consumer price index ("**C Adjustment**"), rate rebasing adjustment ("**R Adjustment**") during Rate Rebasing, a Foreign Currency Differential Adjustment ("**FCDA**") and a modified FCDA ("**MFCDA**") for foreign exchange gains and losses on specific loans, and any extraordinary price adjustment. See "*Material Agreements—Amendments to the Revised Concession Agreement*." Any rate adjustment requires approval of MWSS. There can be no assurance that any specific rate increase will be acted upon favorably and approved by both the MWSS-RO and MWSS, and ultimately granted.

While we were able to implement certain R and C Adjustments during the fifth Rate Rebasing Period covering the years 2018 to 2022, the implementation of respective R and C Adjustments was suspended in 2020 and 2021 due to the Government's review of the Original Concession Agreement, which resulted in a tariff freeze from 2020 to 2022. For the sixth Rate Rebasing Period, the MWSS-RO approved the staggered implementation of our tariffs beginning in 2023, contingent upon our ability to meet our targets for water supply, continuity and coverage provided in the approved business plan, as determined by the MWSS-RO. For the current Rate Rebasing Period, the 1.3x and 1.5x rate caps applicable to water and sewer coverage, respectively, are based on a pro-forma tariff assuming that the previous tariff freeze was not implemented. While we expect to meet the targets set out in the approved business plan, there is no assurance that we would be able to do so in a timely manner. Failure to meet these targets could impact our ability to implement the approved tariff adjustments, potentially affecting our financial performance.

Our ability to increase rates over time depends on the approval of tariff adjustments by MWSS. Meanwhile, our costs are subject to market conditions and other factors, which may increase significantly. For example, the costs of chemicals used to treat water and wastewater, as well as the power needed to operate pumps and other equipment, may become volatile. We rely on a stable and adequate supply of electricity and chemicals for the delivery of potable water, and an interruption in the supply of these inputs or increases in their prices could adversely affect the results of our operations. These costs may increase disproportionately to tariff adjustments authorized by MWSS and may only be reflected in a subsequent round of rebasing. Moreover, significant increases in tariff may result in reduced consumption, especially among our commercial and industrial customers, and may impact our billed volume and subject us to collection risks. See "*—We are exposed to credit and collection risks.*"

In addition, the manner of setting tariffs may change, pursuant to any amendment to the Revised Concession Agreement that will require the agreement of our Company, MWSS, the MWSS-RO, and NEDA, along with the acknowledgement by the Republic of the Philippines through the Secretary of Finance. See "*—The Revised Concession Agreement grants us the right to provide water and wastewater services to the West Zone, and any early termination due to our failure to comply with our service obligations, including for reasons that are beyond our control, will materially and adversely affect our business, results of operations and financial condition.*" In particular, while we have not been advised of any such initiative, we are aware of exploratory discussions involving alternative tariff determination, which may affect the rates that we charge our customers. See "*—We are aware of exploratory discussions involving alternative tariff determination.*"

We are aware of exploratory discussions involving alternative tariff determination.

As discussed above, our business depends on the rates authorized by MWSS pursuant to the Revised Concession Agreement. See "*—The tariff that we charge our customers are subject to regulation, and our operating costs are subject to market conditions and other factors and can be volatile and disproportionate to the tariff adjustments.*"

While we have not been advised of any initiative, we are aware of exploratory discussions involving alternative tariff determination. The current calculation of tariffs under the Revised Concession Agreement is cash flow-based and there are alternative methodologies that are available to and being utilized by water regulators around the world for determining the tariffs to be charged by water utilities. These methodologies may be based on other factors, including the regulatory asset base of water utilities. Thus, our regulators may study, discuss, propose or, pursuant to their regulatory authority, implement such other methods of calculation and introduce potential amendments to the Revised Concession Agreement.

We expect that any change in policies of MWSS impacting Rate Rebasing, including the method of determining tariffs, will entail numerous steps. These steps will likely involve negotiations, reviews by other Government agencies, public consultation and various levels of approval from multiple third parties. Thus, it is difficult to predict whether a change will be proposed by the Government or when such a change in the tariff-determination may be implemented, or whether any proposed change will have a positive or negative effect on our business, financial condition, results of operations, and prospects.

The Franchise requires us to offer at least 30% of our outstanding capital stock to Filipino citizens by January 21, 2027, and the Revised Concession Agreement also imposes a similar listing and public offering requirement with less stringent parameters. Our failure to comply with such requirements could materially and adversely affect our operating and financial performance.

We operate a highly regulated business, and we are subject to various compliance obligations. Under the terms of the Franchise, we are required to offer to Filipino citizens at least 30% of our outstanding capital stock or such other percentage hereafter required by law, and list on the PSE or in any securities exchange in the Philippines, within five years from effectivity of the Franchise, or until January 21, 2027 (the "**Public Offer Requirement**"). The Franchise also states that failure to comply with certain obligations set out in its terms, including the Public Offer Requirement, shall result in its "*ipso facto*" or immediate revocation.

Up to [1,162,222,100] Firm Shares, or approximately [70]% of the Firm Shares, are being offered in the Institutional Offer for sale (i) outside the United States by the International Underwriters in offshore transactions in reliance on Regulation S under the U.S. Securities Act, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) within the Philippines by the Domestic Lead Underwriter to local qualified buyers as defined under the SRC and Rule 10.1.3 of the SRC IRR. At least [498,095,300] Firm Shares, or approximately [30]% of the Firm Shares, are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price. The Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, have the option to increase the total number of Common Shares offered in the Offer by up to [354,704,200] Upsize Option Shares, which may be exercised at any time during the Offer Period. In addition, in connection with the Offer, the Issuer has granted UBS AG, Singapore Branch and its relevant affiliates as the Stabilizing Agent an Overallotment Option, exercisable in whole or in part, to purchase up to [249,047,600] Overallotment Option Shares at the Offer Price and on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be determined by the Joint Global Coordinators and Joint Bookrunners in consultation with the Issuer. The Firm Shares, the Overallotment Option Shares, and the maximum number of Upsize Option Shares satisfy the Public Offer Requirement. See "*Summary of the Offer*" and "*Plan of Distribution*" for further details.

We believe that the Offer, including any exercise of the Overallotment Option and the Upsize Option, can be completed before January 21, 2027, based on the expected timetable set out in the Summary of the Offer. However, there is no assurance that relevant Government authorities will not impose more stringent requirements with respect to the Public Offer Requirement or determine that, following the completion of the Offer, we did not fully comply with the Public Offer Requirement. In any such event, and under the terms of the Franchise, we have until January 21, 2027 to satisfy the Public Offer Requirement, which may include the offer of additional shares to achieve compliance. Any such subsequent offer may result in the dilution of existing shareholders.

Failure to comply with the Public Offer Requirement by January 21, 2027 poses a risk of the Franchise's revocation, which may result in entirely losing our right to operate the water concession in the West Zone of Metro Manila and some cities and municipalities in the Province of Cavite.

Similar to the Franchise, the Revised Concession Agreement requires us to make a public offering of our shares within five years from its effectivity, namely June 2027, and to "exert all efforts" to comply with the listing and public offering requirement. Unlike the Franchise, the Revised Concession Agreement does not (i) specify that the offer should be made specifically to Filipinos; or (ii) provide for its "*ipso facto*" revocation should we fail to comply with the listing and public offering requirement. It also provides that failure to comply with the listing and public offering requirement through "no fault attributable" to us would not be considered a breach.

Any loss or failure to renew, obtain and maintain the Franchise, concessions, licenses and permits or comply with the terms and conditions of the Franchise, the Revised Concession Agreement, concessions, licenses and permits, may delay our development and expansions plans, expose us to sanctions or require us to cease providing our services, any of which could materially and adversely affect our business, results of operations, financial condition and prospects.

We are subject to significant and extensive regulation and supervision. Our failure to obtain and maintain regulatory licenses and permits, or failure to comply with the terms of our regulatory licenses and permits, could materially and adversely affect our business, results of operations, financial condition and prospects.

We operate in a highly regulated industry. We are required to obtain and maintain licenses, permits and other authorizations from several government agencies, including but not limited to MWSS, the NWRB, the Philippine Department of Environment and Natural Resources ("**DENR**"), the Philippine Environmental Management Bureau ("**EMB**"), the Philippine Department of Health ("**DOH**"), the Laguna Lake Development Authority ("**LLDA**"), the Philippine Department of Energy ("**DOE**"), the Philippine National Police ("**PNP**"), the Philippine Drug Enforcement Agency ("**PDEA**"), the Philippine Nuclear Research Institute ("**PNRI**"), the Philippine Department of Labor and Employment ("**DOLE**"), the Philippine Bureau of Fire Protection and the various local government units. Our licenses, permits and other authorizations impose various requirements. Certain permits have pre-requisite requirements or third-party consents (such as barangay clearances or homeowners' associations' approvals), and failure to obtain such could result in failure to secure necessary permits or rights-of-way which may hinder the implementation of our projects. We have incurred, and will continue to incur, expenditures to comply with these laws and regulations, including regulatory standards such as the DENR's effluent standards which required us to upgrade and retrofit certain of our wastewater facilities. There is no assurance that changes in the regulatory environment will not negatively impact our operations and financial performance. Further, if we are unable to retain, obtain or renew our permits and licenses or if we are only able to do so on unfavorable terms, we may lose our ability to operate, which could materially and adversely affect our business, financial condition and results of operations.

Further, any delay or restriction on the issuance of required permits by the Philippine Department of Public Works and Highways ("**DPWH**"), the Metro Manila Development Authority ("**MMDA**") or any relevant local government unit within the West Zone may likewise restrict or delay the construction of, and repair works on, our water supply and sewerage facilities, which in turn could impact project completion timelines and ultimately affect our ability to meet our performance and business efficiency targets under the Revised Concession Agreement or comply with our regulatory commitments, which may adversely affect our results of operations and financial condition.

We may also be subject to fees, fines and penalties if we fail to comply with the terms of our permits and licenses. For example, the MWSS-RO has the authority to assess and enforce financial penalties if we fail to meet our service obligations under the Revised Concession Agreement. Our failure to timely pay such assessments may lead the MWSS-RO to draw an equivalent amount under our performance bond or treat such non-payment as a basis for a downward adjustment of our rates. There is no assurance that any such assessment by the MWSS-RO would not be material to our operations and financial performance.

While we believe that we have substantially complied with all applicable laws, rules and regulations and closely monitor our compliance, there can be no assurance that we will be always be able to do so, or that we will not become involved in future investigation, litigation or proceeding relating to safety, health and environmental matters, the costs of which could be material. In addition, safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and non-compliance or the non-renewal of permits and licenses could result in the suspension of our operations.

We are presently involved, and may in the future be involved, in large, contentious infrastructure projects, which may have significant environmental and social impacts.

One of our most significant challenges is assuring a sufficient supply of raw water for our water services for the West Zone. See "*—We have limited sources of raw water, and the volume of raw water available to us may be constricted or limited by various factors beyond our control and may not increase with the expected increase in water demand*." In addition to the surface water coming from the Umiray, Angat and Ipo river systems as our source of raw water, we anticipate receiving raw water allocation upon completion of MWSS's New Centennial Water Source – the Kaliwa Dam Project upon its targeted completion in 2028. The Kaliwa Dam Project, which is being primarily led by MWSS, entails the construction of several water facilities and large-scale infrastructure. To enable our customers to benefit from the water security offered by this new water source, we would need to construct a corresponding water treatment plant in the vicinity and the necessary pipeline network to transport and distribute the treated water to our customers in the West Zone.

Environmental groups have engaged in protest actions against the proposed Kaliwa Dam Project, claiming that it will inundate a significant portion of the Sierra Madre mountain range, which is the habitat for numerous endangered species. While MWSS has conducted the necessary environmental and social impact studies for the Kaliwa Dam Project and has obtained the necessary permits to proceed with its construction, public concerns continue to grow as the project is expected to submerge several hectares of forestland, including numerous sites considered sacred by indigenous communities. These concerns persist despite the completion of various studies and the implementation of mitigation measures by MWSS.

Our involvement in the Kaliwa Dam Project, through the construction of a water treatment plant and pipeline network, among others, and other potentially contentious projects, may result in adverse environmental and social outcomes and negatively impact our public perception and reputation. We may also face drawn-out litigation or other proceedings in connection with the environmental and social controversies associated with these large-scale infrastructure projects. There can be no assurance that our involvement in such projects will not have an adverse effect on our financial condition and results of operations.

Risks inherent to our business, such as those associated with the collection, treatment and disposal of wastewater, contamination of water sources or other inability to meet standards relating to water quality, may impose significant costs and liabilities, and may constitute grounds to terminate the Revised Concession Agreement.

Water contamination may come from natural or man-made sources, such as compounds, chemicals in groundwater systems, pollution and pathogens, which could result in disease or death or otherwise endanger public health. For example, improperly treated or conveyed wastewater can become a breeding ground for bacteria and other microorganisms, leading to further contamination and diseases.

As with other water operators, our wastewater collection, treatment and disposal operations are subject to broad regulations and involve environmental risks. If collection, treatment or disposal systems fail, overflow or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages.

In such events, we may need to either reduce our water production to be able to comply with the PNSDW or suspend our water production to enable us to implement remediation measures, including introducing other processes that will address such water quality issues, redirect water from an uncontaminated source or take other remedial actions to address source-water or sub-soil contamination, potentially incurring additional costs. In addition, we could be subject to civil, criminal or regulatory enforcement actions, lawsuits, costly clean-up obligations and reputational damage. Any losses resulting from this risk, whether tangible or intangible, could have a material adverse impact on our profitability, results of operations, liquidity and cash flows. Such events may also expose us to the risk of financial penalties from the MWSS-RO or other Government agencies under various environmental laws, and may constitute a ground for termination of the Revised Concession Agreement. For example, the Supreme Court of the Philippines found Manila Water and us (each concessionaire jointly and severally liable with MWSS) for violation of the Philippine Clean Water Act in connection with our failure to connect households and establishments to existing sewerage system within five years from the effectivity of the law, as required under Section 8 thereof. As such, both Manila Water and Maynilad were each ultimately assessed a financial penalty of approximately ₱202 million in 2022. Maynilad attempted twice in November 2022 to tender payment before the EMB of the DENR, but the latter refused to accept the same, contesting the penalty before the Supreme Court. On February 3, 2023, Maynilad received the Supreme Court's final resolution, affirming the penalty of approximately ₱202 million. Thereafter, Maynilad paid EMB the total amount of ₱202.3 million on February 15, 2023.

While we conduct regular water sampling activities at our water sources and throughout the West Zone to minimize the risk of contamination, there is no guarantee that these measures will prevent all water contamination. Although our water treatment plants have consistently produced water that meets the PNSDW, and our wastewater treatment plants have met the effluent standards set by the DENR, unforeseen events could still compromise water quality. These unforeseen events may include natural disasters such as earthquakes or typhoons that disrupt infrastructure, unexpected industrial discharges or chemical spills that contaminate water sources and biological threats such as harmful algal blooms or pathogen outbreaks. Additionally, human activities such as illegal logging or construction near water sources can lead to increased sedimentation and pollution. Such events could overwhelm our treatment processes, leading to potential health risks for consumers and regulatory non-compliance. Furthermore, there is a risk that the level of certain compounds, such as Total Trihalomethane, in our treated water may exceed the allowable limits set by the PNSDW. Exceeding these limits would result in non-compliance with treatment quality standards, potentially affecting our ability to meet service obligations for treated water quality. Non-compliance with such standards could lead to regulatory penalties and increased scrutiny from health and environmental authorities, and would necessitate costly corrective measures.

In addition, while our Water Safety Plan includes programs aimed at ensuring the safety of drinking water, covering risk assessment and contingency procedures for potential contamination events such as landslides, tunnel clogging, *El Niño*, chemical spills, forest fires, illegal logging and security threats such as terrorist sabotage, we cannot guarantee that we would be able to consistently and effectively implement such programs. Although our Water Safety Plan serves as a model for other water districts in the Philippines and has been recognized by the World Health Organization, we cannot guarantee that it could eliminate all risks that it seeks to address. The occurrence of water contamination could significantly disrupt our operations, negatively impact our financial condition and damage our reputation.

Improper operation of wastewater collection or sewerage systems could result in economic damages potentially unrecoverable through water tariffs. While it is inherent in our combined sewerage system to expect overflow during rainy seasons, this risk is heightened during substantial rainfall or flooding, leading to sewer overflow and system failure. Liabilities from such damage could materially affect our business, results of operations and financial condition. In the event that we are deemed liable for any damage caused by sewer overflow, losses might not be covered, whether partially or fully, by insurance policies, and such losses may make it difficult to secure insurance in the future at acceptable insurance premium rates. Similarly, any related business interruption or other losses might not be covered by insurance policies, which would also make it difficult for us to secure insurance in the future at acceptable insurance premium rates.

We may also incur liabilities under environmental laws and regulations that require investigations and clean-up of contamination at our properties or at off-site locations with adverse environmental impacts. The discovery of previously unknown conditions, or the imposition of clean-up obligations in the future, could result in significant costs, and could adversely affect our financial condition, results of operations, cash flow liquidity, and reputation. Such remediation losses may not be covered by insurance policies and may hinder us from securing insurance at acceptable insurance premium rates in the future.

We face litigation risks and tax disputes in the course of our business that may impact our cash flows, results of operations and financial condition.

In the ordinary course of business, we may be involved in various claims and disputes. Claims may be brought against members of our Group for breach of contract, law, or regulation, as well as claims relating to taxes, among others. If found to be liable, we could face significant financial penalties or obligations.

Litigation, administrative proceedings and other disputes are inherently costly and unpredictable, making it difficult to accurately estimate the outcomes. Litigation could result in substantial costs to, and a diversion of effort by, us and may subject us to significant liabilities to third parties. For example, there are outstanding disputed claims made by MWSS in connection with certain borrowing costs and interest penalties amounting to approximately ₱5.1 billion. Due to financial difficulties, our previous management was constrained to suspend payment of concession fees to MWSS. This suspension forced MWSS to seek alternative funding sources to meet its maturing obligations, thereby incurring borrowing costs. However, during our rehabilitation proceedings in 2007, the rehabilitation court, acting on the recommendation of the court-appointed receiver, disallowed these borrowing costs, including MWSS's claim for interest penalties. 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, an offer which MWSS did not act upon. See "*Business— History and Corporate Milestones—The Original Concession Agreement, challenges and rehabilitation under previous management*", "*Business—Legal Proceedings—Disputed Claims of MWSS",* and Notes 10 and 20 to our consolidated audited financial statements and Notes 10 and 20 to our consolidated audited interim financial statements. While we have made certain provisions for these contingent liabilities, there can be no assurance that MWSS will not pursue this disputed claim against us again, and any unfavorable resolution could have a material adverse effect on our business, financial condition and results of operations.

We may also be involved in disputes with regulatory authorities on tax-related matters. From time to time, we receive letters of authority and assessment notices from the Philippine Bureau of Internal Revenue ("**BIR**") for alleged discrepancies and deficiency taxes. While we have disputed such assessments and believe that we have been able to resolve them, there is no assurance that we will not face additional investigations and assessments in the future. See "*Business—Legal Proceedings.*"

Our subsidiary is likewise subject to disputes with regulatory authorities on tax-related matters. PhilHydro was assessed deficiency taxes in the amount of ₱425,142,892.82, which is currently being disputed before the CTA. See "*Business—Legal Proceedings.*"

Moreover, while we establish certain provisions as we deem necessary, the amounts that we reserve could vary significantly from any amount we pay due to the inherent uncertainties in the estimation process. There can be no assurance that these or other legal proceedings will not materially affect our business or reputation, financial condition and results of operation, or that provisions made for litigation-related losses will be sufficient to cover our ultimate loss or expenditure. See "*Business—Legal Proceedings.*"

Failure to meet NRW reduction targets may materially and adversely affect our business and financial condition.

Our ability to meet NRW reduction targets is part of our service obligations under the Revised Concession Agreement and is significant for maintaining operational efficiency and financial stability. NRW refers to water that is produced but not billed to customers due to factors such as leaks, illegal connections, theft or metering inaccuracies. High levels of NRW can result in significant revenue losses, increased operational costs and inefficient resource utilization. Despite our ongoing efforts to address NRW issues through infrastructure improvements, advanced monitoring technologies and comprehensive maintenance programs, there is no assurance that these measures will enable us to meet our reduction targets.

Failure to achieve NRW reduction targets may result in low service levels and may exacerbate the challenge of meeting future water demand. This situation could lead to financial losses, limiting our ability to invest in necessary infrastructure and technology upgrades. Additionally, while we reduced our NRW from 66.4% for the year ended December 31, 2006 to 38.4% for the year ended December 31, 2024 and further to 36.2% for the three months ended March 31, 2025, any failure to achieve NRW reduction targets could attract regulatory scrutiny, potentially resulting in penalties. This may impact our ability to meet service obligations under the Revised Concession Agreement.

We may not successfully implement our capital expenditures program.

Our service obligations, capital expenditure and operating expense programs, along with project implementation and expenditure schedules, are integral components of the business plan we prepare for each Rate Rebasing exercise, which is submitted for approval to the MWSS-RO. Our business plan includes a capital expenditure program, alongside our expenditure plans and disbursement schedules, that is designed to meet our service obligation objectives under the Revised Concession Agreement. These plans and disbursement schedules are based on estimates and assumptions incorporating prevailing factors such as inflation, foreign exchange, and other key macroeconomic rates. See "*Business—The Revised Concession Agreement—2022 Approved Business Plan.*"

As with any estimation, the figures we present in our capital expenditure program are subject to inherent limitations. These limitations arise from the unpredictable nature of external factors and a wide range of uncertainties, including economic fluctuations, urbanization trends, population growth, technological advancements, pricing policies, regulatory changes, climate and environmental factors, and shifts in consumption patterns and social trends. Over time, the accuracy of forecasts and projections may diminish due to these variables, potentially leading to material deviations from initial assumptions. Additionally, the quality and availability of data can impact the reliability of projections, making it challenging to account for unforeseen events and rapidly changing circumstances. The Revised Concession Agreement acknowledges these limitations, and as such, the cyclical nature of a Rate Rebasing exercise was designed to address these potential variances. Accordingly, there can be no guarantee of absolute accuracy in the assumptions and estimations we used in preparing our business plan and capital expenditure program.

A summary of our historical capital expenditure disbursements for the following Rate Rebasing Periods are summarized below:

	For the Rate Rebasing Period between				
	1997-2002[7]	**2003-2007[7]**	**2008-2012**	**2013-2017**	**2018-2022**
			(*in million*)		
	₱	₱	₱	₱	₱
Water sources[1]............			2,180.1	4,796.1	10,453.7
Wastewater treatment[2].			2,283.9	12,107.1	17,508.9
Operations support[3].....			9,625.0	14,576.0	12,731.7
NRW management[4].....			22,308.0	13,204.6	13,387.5

	For the Rate Rebasing Period between				
	1997-2002[7]	2003-2007[7]	2008-2012	2013-2017	2018-2022
Customer service and information technology[5]..................			0.0	0.0	3,565.4
Total[6]	**4,037.2**	**6,824.5**	**36,397.0**	**44,683.8**	**57,647.2**

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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

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

(4) NRW managements 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.

(7) Due to reporting differences, data from 1997 to 2007 pertains only expenditures related to rehabilitation works and the purchase of property, plant, and equipment.

Moreover, our capital expenditure projects may exceed targeted costs, exposing us to budgeting risks. Unanticipated increases in costs due to factors such as inflation, supply chain disruptions, labor shortages, permitting delays, environmental restrictions or unforeseen project complexities could lead to our capital expenditures exceeding estimates in our approved business plan. Any recovery of such excess capital expenditures, even if approved by MWSS, would only be available during subsequent Rate Rebasing Periods. This may adversely affect our financial condition, results of operations and cash flow. Budget overruns could hinder our ability to meet service coverage targets, which are critical to fulfilling regulatory obligations and customer expectations. Additionally, failure to meet capital expenditure targets as outlined in our business plan may impact our application for tariff increases, affecting our ability to recoup investments. There is no assurance that we will be able to manage these budgeting risks effectively, which could materially and adversely affect our business and financial performance.

In meeting our service obligations, we continually embark on various projects that aim to maintain, upgrade or expand our water and wastewater service operations. To implement these service improvements, we regularly engage in capital expenditure planning, employee trainings, new technology acquisitions and process improvement programs, among other initiatives. There is no assurance that any or all of our projects will be completed in a timely manner, or that delays, or other risks would be avoided. Our failure to successfully implement projects in a timely manner may lead to increased costs or disruptions in our water and wastewater service operations, which could materially and adversely impact our business, prospects, financial condition, and results of operations. In addition, our reliance on third-party contractors for capital expenditure implementation introduces additional risks. See "— *We rely on third parties, including contractors and suppliers, in the course of our business operations.*"

Historically, we have faced a few challenges relating to infrastructure and facilities, such as the concentration of water and wastewater facilities in densely populated areas that present challenges to pipe-laying activities, ageing pipelines prone to corrosion from coastal flooding and saltwater intrusion that may complicate leak detection and pipe replacement projects, and the scarcity of available land in Metro Manila for constructing new facilities. Despite improvements in our financial and operating metrics since the entry of the new shareholder group in 2007, these factors continue to present risks. Execution risks, such as project delays, cost overruns, technical failures and resource constraints, remain significant. These risks could lead to interruptions in service delivery, increased operational costs leading to increased rates and potential non-compliance with regulatory requirements, all of which could materially impact our operations and financial condition.

The full recovery of our expenditures on assets and infrastructure is not assured.

While we have the right to manage, operate, repair, decommission and refurbish specified MWSS facilities in the West Zone pursuant to the Revised Concession Agreement, legal title to such MWSS facilities remains with MWSS. On the other hand, the legal title to all fixed assets we contributed to the West Zone during the concession period remains with us until the expiration (or earlier termination) of the Revised Concession Agreement, at which time all rights, titles, and interests in such assets automatically vest in MWSS. While the Revised Concession Agreement provides for the recovery of the concessionaire's expenditure through the standard tariffs, recovery is not assured unless the MWSS-RO determines such expenditure to be efficiently and prudently incurred and tariff adjustments pursuant to the Revised Concession Agreement are implemented. As a result, there can be no assurance that we would be able to recover the value of the fixed assets that we contributed to the West Zone prior to the expiration (or earlier termination) of the Revised Concession Agreement. See "*Business—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement.*"

While we continue to operate in accordance with the approved business plan, a subsequent review by the MWSS-RO at the end of every Rate Rebasing Period may lead to disallowed expenses. These disallowed expenses may include expenses that, in the reasonable opinion of the MWSS-RO, were not incurred efficiently and prudently. Any failure to recover our expenditures could materially and adversely affect our business, results of operations, financial condition and prospects.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency, water quality and affordability, asset and capital management and customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating, enhancing and maintaining customer-facing technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion.

In addition, new technology may continually arise, and we may not be immediately able to implement them. For example, some of our control centers or information technology systems ("**ITS**") face the risk of needing upgrades as newer designs and technologies become available. This need for technological enhancements could lead to operational disruptions and inefficiencies, higher maintenance costs and reduced treatment quality, each affecting how our rates are set. As industry standards evolve, our reliance on outdated processes may necessitate significant investments in upgrades or replacements to maintain compliance and service quality, potentially straining our financial resources and impacting our results of operations.

We rely on third parties, including contractors and suppliers, in the course of our business operations.

Our operations rely on the services of various third parties, including contractors and suppliers. An adequate and dependable supply of materials for our facilities, equipment and services is critical to our ability to deliver high quality and timely services to customers and fulfill our service obligation under the Revised Concession Agreement. Many of our projects involve significant scale and technical complexity, and there is no guarantee that a contractor will meet contract specifications at a cost acceptable to us. These include bulk supplies of chemicals for water and wastewater treatment, some of which are specialized chemicals that are manufactured and/or supplied by a limited number of third parties. If contractors and suppliers are unable to provide materials, equipment and services required in a timely or satisfactory manner or if the prices of such materials, equipment or services increase due to supply chain disruptions, lack of supply in the market or greater demand for such materials, equipment or services, we may incur additional costs and delays as we source supplies from alternative contractors or suppliers, which could materially adversely affect our business, results of operations, financial condition and prospects.

In addition, independent contractors and other third parties may encounter issues such as insolvency, labor disputes, workplace accidents, regulatory compliance issues, or other factors that could lead to delays, cost overruns or the cancellation of their contractual obligations. These events could adversely affect our operations and financial condition.

While we seek to manage counterparty risk by having a wide range of vendors and maintaining strong relationships with, and by monitoring service standards of, our existing suppliers and contractors, there is no assurance that these efforts will always be successful.

We enter into contractual arrangements in the regular course of business that impose various obligations and penalties for non-compliance.

We enter into numerous contracts with regulatory authorities, customers, contractors, and suppliers. In the regular course of business, claims may be brought against us for breach of contract, which, if substantiated, could adversely affect our financial position and operations.

Despite our efforts to manage the risk of contractual disputes by maintaining good relationships with our counterparties, there is no guarantee that such disputes can be entirely avoided. In the event of contractual disputes, we may incur significant legal expenses, and there is no assurance that negotiations or litigation will be concluded in a timely manner, which could adversely affect our financial position and operations.

We have substantial liquidity and capital expenditure requirements, and failure to obtain financing may have an adverse effect on the operation and development of our business.

The water distribution and wastewater facilities located in the West Zone require maintenance, rehabilitation and expansion, for which extensive capital expenditures are needed amounting to ₱163.3 billion (U.S.$2,845.9 million), as provided in our business plan for 2023 to 2027 approved by the MWSS-RO. In particular, we have several water and wastewater facilities in the pipeline that are aimed at increasing our service coverage within the West Zone. See "*Business—Our Services and Facilities—Water Services and Facilities*" and "*Business—Our Services and Facilities—Sewerage Systems and Sanitation.*" While we have been able to obtain debt financing on acceptable terms in the past, there can be no assurance that we will continue to be able to obtain sufficient financing on acceptable terms, or at all, or with the same or similar terms, to complete our projects or satisfy our other liquidity, operating and capital expenditure requirements. Failure to obtain requisite financing could delay or prevent completion of our capital expenditure program and other projects, which may, in turn, affect our ability to secure approval of tariff adjustments from the MWSS-RO in our Rate Rebasing and have a material adverse effect on the operation and development of our business.

To the extent that we are able to secure financing, we may be subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest under such financing. Some of our loan agreements carry covenants that restrict the payments of dividends under certain circumstances, such as the existence of events of default or the failure to meet financial ratios. We may also be subject to the risk that we may not be able to refinance our indebtedness or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. In addition, we may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect our operations and our ability to make distributions to shareholders. Such covenants may restrict our ability to expand or require us to set aside funds for maintenance or the paying back of security deposits.

We are exposed to credit and collection risks.

As with other utility businesses, the water and wastewater industry is exposed to credit and collection risks related to its customers, including residential, commercial, and industrial customers, as well as local government units and institutional clients with varying credit profiles. Although we are entitled to disconnect water service connections for our customers' failure to pay their water bills within 60 days from their respective due dates, and provided that we comply with the seven-day notice requirement prior to disconnection, we may still encounter delays or defaults in collecting receivables from customers due to economic disruptions, natural disasters or other unforeseen events that impact their ability to pay. During periods of financial hardship, we may also need to provide payment deferrals or comply with government-mandated payment relief measures, which could delay receivable collections and affect our cash flows. For instance, during the COVID-19 pandemic, we experienced delays in receivable collections as a result of government-mandated payment deferrals. In compliance with directives from MWSS, we extended grace periods for bill payments and suspended service disconnections to provide economic relief to customers during the enhanced community quarantine and modified enhanced community quarantine periods. While these measures supported customers during the pandemic, they resulted in delayed collections and impacted our cash flows.

There can be no assurance that all customers will pay us in a timely manner or whether our customers will pay us at all. If significant delays or defaults occur, our working capital requirements could increase, diverting resources from our operations projects. Should a substantial portion of customers fail to meet their payment obligations, our business, financial condition and results of operations would be materially and adversely affected.

Our operations are dependent on facilities that are longstanding and require sufficient maintenance, and any prolonged failures and shutdowns may adversely affect our financial condition and reputation.

Our operating assets, including water treatment and wastewater treatment facilities, reservoirs and water and sewer pipelines, are vulnerable to structural damage. For example, pipe breakages can occur due to excessive water pressure, accidental damage, clogs, aging and corrosion. Such damage could result in additional costs, operational disruptions, injuries or property damage. Any of these events would require maintenance, rehabilitation or repairs, potentially leading to the temporary shutdown of parts of our operations. Pipe leaks throughout the West Zone significantly contribute to water loss or NRW, requiring regular maintenance and repairs. Prolonged suspension of operations and shutdowns may limit our ability to supply water at adequate volume and pressure, potentially preventing us from meeting the water and wastewater service levels set by the MWSS-RO and the Revised Concession Agreement. Water interruptions from pipe breakages could impact a large portion of our active water service connections and impact our ability to meet our service obligations under the Revised Concession Agreement. Even relatively minor failures may result in increased levels of NRW and, consequently, lower levels of available supply for distribution. Any prolonged suspension of operations and shutdowns would adversely affect our financial condition, results of operations, cash flow, liquidity, and reputation.

We face significant risks associated with aging infrastructure, including water and sewer mains, pumping stations, and water and wastewater treatment facilities. For example, the La Mesa Treatment Plant 1 and the La Mesa Treatment Plant 2 have been in operation for approximately 41 and 29 years, respectively, and are at risk of nonperformance and inefficiencies due to their age. Additionally, we manage Common Purpose Facilities in conjunction with MWSS and Manila Water, which are critical to our water supply. Although we do not own these facilities and while certain upgrades and rehabilitation works were completed on these aging facilities, their aging infrastructure still poses a substantial risk on the reliability and adequacy of our water source. For example, the Angat Dam, from which we source the majority of our water supply, is over 50 years old. In other instances, some of our pipes are over one hundred years old. Any damage or failure of the Angat Dam or its associated facilities could significantly impair our ability to source water, thereby affecting our service obligations.

Aging infrastructure can lead to increased equipment failure, reducing water production capacity. Decreased output from these plants threatens our ability to provide a continuous and reliable water supply, which is crucial for meeting our service obligations under the Revised Concession Agreement. The failure of aging infrastructure could result in increased capital expenditures and other costs. If these increased costs or expenditures are not fully recovered through our rates, our results of operations, liquidity and cash flows could be negatively impacted. Additionally, such failures may lead to property damage and pose safety, environmental and public health risks.

While we maintain insurance coverage against operational risks, liabilities and business interruptions, consistent with industry standards, regularly perform repairs and maintenance activities and invest in facility upgrades to ensure standard performance, there is no assurance that such coverage will be adequate to cover all potential losses. These factors could materially and adversely affect our business, financial condition and results of operations.

The expansion and improvement of water and wastewater infrastructure subject us to construction and other risks that may adversely affect our financial condition and results of operations.

We continue to expand and improve our water and wastewater network by constructing additional facilities and maintaining, upgrading, replacing or expanding existing infrastructure. Construction of these facilities and expanding existing infrastructure are subject to various regulatory, developmental and operational risks, including:

- potential changes to national and local statutes and regulations, including more stringent environmental requirements;

- impediments to the ability to acquire rights-of-way, easements or land rights on a timely basis or within anticipated costs;

- worsening traffic condition that may obstruct the delivery of services, operations in existing utilities and construction of projects;

- the ability to construct projects within budget, including the risk that we may incur cost overruns, resulting from inflation or increased costs of equipment, materials, labor or other factors beyond our control, that may be material;

- the possibility that national and/or local authorities could impose fines or penalties related to the construction of additional facilities or the expansion of existing facilities or temporarily suspend such construction or expansion;

- adverse decisions or delays in capital expenditure approvals by the MWSS-RO or any future rate review or adjustment applicable to us;

- disputes with contractors;

- accidents involving employees or other third parties; and
- potential criminal activity such as theft or other malfeasance at construction sites.

Any of these risks could prevent a project from proceeding, delay its completion or increase its anticipated costs. For example, the acquisition of land rights for new or proposed WRFs and pump/lift stations is becoming increasingly challenging. This difficulty in securing necessary land rights could lead to delays or non-completion of critical projects, directly affecting our ability to meet our service obligations, particularly with new sewer service connections. While we have the right to expropriate land under our Franchise and landowners have generally been cooperative given that our projects are classified as national infrastructure, there is no assurance that future land acquisitions will be without challenges. Disputes, legal obstacles or changes in landowner cooperation could lead to delays or increased costs, impacting our ability to complete projects on time and meet our service obligations.

Moreover, our failure to complete these projects on time may result in regulatory non-compliance, hinder our capacity to expand service coverage, and adversely impact our operational efficiency and financial performance. As a result, new facilities and/or expansion of existing infrastructure may not achieve the expected investment return, which could adversely affect our financial condition or results of operations.

Our operations consume significant amounts of electricity.

Our operations consume significant amounts of energy, particularly electricity, and as a result we incur significant electricity costs each year. Any future increases in electricity costs would raise our operating expenses and exert financial pressure on our operations.

Additionally, in the event of an energy crisis, the Government may implement electricity conservation measures that may disrupt our operations. A power interruption poses a significant risk to our ability to supply water efficiently, especially given the absence of backup power for several of our pump stations and in-line boosters that require a constant supply of electricity. If we are unable to receive an adequate supply of electricity, we may be constrained to reduce the amount of water that we can deliver to our customers which would result in a lower volume of water and sewerage billed. If we are required to pay significantly higher electricity rates or if the electricity supply is materially constrained, these could affect our ability to meet our service obligation to provide continuous water supply under our Revised Concession Agreement, and materially and adversely impact our business, prospects, financial condition and results of operations.

We are subject to industrial hazards that could adversely affect our results of operations.

Our water and wastewater treatment operations involve physical, chemical and biological processes and the use of pumps, generators and other industrial equipment. As a result, these operations are subject to various industrial hazards, including chemical spills, discharges or releases of toxic or hazardous substances or gases, fires, explosions, mechanical failures, storage tank leaks and electric shock. These hazards can result in personal injury, loss of life, catastrophic damage to or destruction of property and equipment or environmental damage, and related legal proceedings, including those commenced by regulators, customers, employees or others. They may also result in an unanticipated interruption or suspension of our operations and the imposition of liability. The loss or shutdown over an extended period of operations at any of our facilities or any losses relating to these hazards could have a material adverse impact on our profitability, results of operations, liquidity and cash flows.

Our insurance policies may be insufficient to cover potential losses involving our assets or business.

We maintain comprehensive property and liability insurance policies with coverage features and insured limits that we believe are consistent with market practice in the water and wastewater industry in the Philippines. Nonetheless, the scope of insurance coverage that we can obtain, or our ability to obtain such coverage at commercially reasonable terms, may be limited. As such, certain types of losses, generally of an unforeseen or catastrophic nature such as natural disasters, terrorist acts, the outbreak of infectious disease or any resulting losses causing disruptions to our business operations, may not be covered. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance, or which is not covered by our insurance policies, or where the cost of the losses or damages exceeds our insurance coverage, we would have to bear such costs, which could have a material adverse effect on our business and financial results of operations.

Our insurance coverage is subject to various limitations and exclusions, retention amounts and limits. Material losses in excess of insurance proceeds may arise in the future. If a loss arises that is covered by insurance, there may be a delay between the loss occurring and the insurer making a payment. Furthermore, if any of our insurance providers becomes insolvent, we may not be able to claim payment from such insurance provider. Moreover, our insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any risk that is not adequately covered by insurance or any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could impact our business and financial results of operations.

A significant percentage of our business operations and facilities are concentrated in and around Metro Manila in connection with our concession.

We are highly dependent on the economic strength of Metro Manila, as our largest business is our concession in the West Zone. While we have engaged, and continue to engage, in projects and concessions in other parts of the Philippines, the bulk of our revenue is derived from customer payments for our water and wastewater services in the West Zone. For the year ended December 31, 2024, we billed 553.5 million cubic meters ("**MCM**") of water in the West Zone, while, for the same period, our subsidiaries and affiliate billed 21.1 MCM and 18.2 MCM, respectively, outside the West Zone. For the three months ended March 31, 2025, we billed 133.0 MCM of water in the West Zone, while, for the same period, our subsidiaries and affiliate billed 5.17 MCM and 4.44 MCM, respectively, outside the West Zone.

This concentration in and around Metro Manila exposes us to certain risks. We are particularly susceptible to any natural disasters, economic disruptions, terrorist attacks or similar events impacting Metro Manila. Such disruptions to this region may impact our ability to supply water to the West Zone and otherwise meet our obligations under the Revised Concession Agreement. To the extent that such disruptions prevent the residents of Metro Manila from being able to afford the tariffs for the water and wastewater services that we deliver, our results of operations and prospects may suffer. Given the concentration of revenue we generate from Metro Manila, such events may have a disproportionate effect on our overall results of operations and prospects.

We may have difficulty accomplishing our growth strategy within and outside of our current operating areas.

Even though we have an existing concession for our present operating area in the West Zone, our ability to expand our operating areas is often subject to the cooperation of the respective local governments in each location. Furthermore, part of our long-term strategy is to expand our water supply and distribution operations to other locations outside the areas in which we currently operate. We are also exploring opportunities to expand into value-added services and adjacent utility sectors. However, our expansion into new services and locations depends on our ability to obtain the necessary permits, licenses and approvals to operate in a timely and cost-effective manner.

Our expansion to territories outside of our current operating areas also entails significant risks, including the following:

- regulatory risks, including Government relations and political environment (which may affect the award of new projects) and local regulations;
- partner risks, including the inability to align management and other stakeholder issues;
- risks related to operating in different territories, including reliance on local economies, environmental or geographical problems and shortages of materials and highly skilled labor;
- risks related to development of new operations, including assessing the demand for water, engineering difficulties, any lack of local contractors and service providers and inability to begin operations as scheduled;
- financial risks, including investment management risks and insufficient working capital, due to unforeseen events beyond our control;
- risks relating to greater competition in these new territories; and
- risks relating to collection rates.

Even if our expansion plans are successful, we may have difficulty managing our growth. We cannot assure investors that any new operations outside of our current operating areas will attain or maintain profitability or that the results from any new operations will not negatively affect overall profitability due to the above risks.

Our business and operations are dependent upon key executives.

We are, and will continue to be, dependent on the expertise and experience of our directors, senior management, and other key management members for the success and sustainability of our business. Most of these individuals possess deep industry knowledge and an acknowledged reputation in the market, owing to their track record and experience. See "*Board of Directors and Senior Management.*" A number of senior key executives and key management members either have reached retirement age or are nearing retirement age. If one or more of the senior executives or key management members are unable or unwilling to continue in their present positions, we may not be able to replace them with individuals who possess comparable expertise and experience, within a reasonable period of time or at all, which may seriously disrupt, and materially and adversely affect our business, results of operations, and future prospects.

Labor activism and unrest, or failure to maintain satisfactory labor relations, could adversely affect our business, prospects, financial condition and results of operations.

We have a rank-and-file union and a supervisors' union. We have a Collective Bargaining Agreement ("**CBA**") for our supervisory employees, the Maynilad Water Supervisors' Association ("**MWSA**"), which will expire on November 30, 2026, and a CBA for rank-and-file employees, the Maynilad Water and Sewerage Union-Philippine Trade and General Workers Organization ("**MWSU-PTGWO**"), which will expire on December 31, 2028. As of March 31, 2025, we renewed the economic provisions of our CBA with MWSA covering the period between December 1, 2025 to November 30, 2026. See "*Business—Employees and Labor Relations.*"

While our management believes that we have cultivated a strong partnership with our union officials and members, there can be no assurance that there will not be a labor strike or other collective action in the future. While there is no indication that our CBAs will not be renewed when they expire, there can also be no assurance that the CBAs will be successfully renegotiated in a manner satisfactory to both our Company and the respective unions. If a strike or work stoppage were to occur in connection with negotiations on the CBAs, or as a result of disputes under these agreements with such labor unions, or for other reasons, our business, financial condition and results of operations could be materially and adversely affected.

Our long-term success is dependent on our ability to attract and retain a sufficient number of highly skilled personnel in a competitive job market.

Our business is labor intensive and involves the use of highly technical and complex machinery and processes. As such, our success depends in large part on our ability to attract, train, motivate and retain a sufficient number of qualified and highly skilled employees to run our operations. In addition, our employees are required to possess certain technical expertise and skills for which substantial training and experience are needed. We cannot give assurance that we will be able to successfully compete for, recruit, train and retain a sufficient number of qualified and highly skilled personnel from the limited supply available for our operations. Moreover, losses of qualified and highly skilled personnel could result in additional expenses in hiring and training replacement personnel, and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel whom they replace.

Increasing competition for a limited number of qualified and highly skilled employees could require us to raise the salaries of current employees or to pay higher wages to attract new employees, which could cause our labor costs to increase. If we are unable to attract and retain a sufficient number of qualified and highly skilled employees, or if we encounter a significant increase in labor costs due to salary increases, our business, financial condition and results of operations could be materially and adversely affected.

We enter into transactions with related parties.

We transact with related parties in the ordinary course of business. Related parties may be individuals (being members of key management personnel and/or their close family members) or corporations and include entities which are under the significant influence of related parties of the Group, including subsidiaries and affiliates of MPIC and DMCI. While we believe that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these related party transactions may involve conflicts of interest, which, although not contrary to law, may be detrimental to us. The failure of our related parties to act on fair and equitable terms may adversely affect our business and results of operation. For further information on our related party transactions, see "*Related Party Transactions.*"

In addition, on January 23, 2013, the BIR issued Revenue Regulation No. 2-2013 on Transfer Pricing Guidelines (the "**Transfer Pricing Guidelines**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Guidelines are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Guidelines define related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control or capital of the other; or if the same persons participate directly or indirectly in the management, control or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm's length basis. In compliance with the BIR Revenue Regulation nos. 19-2020 and 34-2020, we ensure the timely submission of the BIR Form No. 1709 as an attachment to our annual income tax return. Further, we regularly engage a third-party provider (i.e., SGV) to review, benchmark, and prepare a Transfer Pricing Documentation report and assess whether our pricing policies with our related parties are consistent with the arm's length standard required by the transfer pricing regulations. There is no assurance that the BIR will view our transactions with our related parties as arm's length on the basis of the Transfer Pricing Guidelines. There can be no assurance that our related party transactions, if questioned, will not have an adverse effect on our business or results of operations.

Our majority shareholders may exert substantial influence over us, their interests may not be the same as those of other shareholders and possible disagreements may arise among our significant shareholders.

We are indirectly controlled by MPIC, DMCI and Marubeni who, through MWHCI, collectively own a substantial portion of our outstanding capital stock. These shareholders exercise significant influence over us through their voting rights at shareholders' meetings. Their influence extends to major policy decisions such as strategic and investment decisions, dividend plans, capital raisings, mergers and disposals, election of Board members, appointment of senior officers, and other significant corporate actions. Cooperation among our shareholders is crucial to our sound operation and financial success. Our shareholders maintain good working relationships based on cooperation and transparency in business decisions, contributing to our Company's sound operation and financial success. MPIC, DMCI and Marubeni have no reason to believe that these good working relationships will change, and there has been no major disagreement among the shareholders. While MPIC, DMCI and Marubeni believe that they maintain good relationships with each other, there is no assurance that these relationships will be sustained or that issues will not arise in the future. The failure of our shareholders to maintain good relationships could severely disrupt our business, potentially having a material adverse effect on our financial condition and results of operations. Moreover, the interests of MPIC, DMCI and Marubeni may differ significantly from, or compete with, one another and the interests of other shareholders, and there can be no assurance that our significant shareholders will not cause us to take actions that might differ from our interests.

We may be unable to maintain our positive brand and reputation.

Our business and operations have a diversified customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water and wastewater services, the quality of water provided, the quality of the effluents from our WRFs and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render regulatory authorities and Government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, or the enactment of more stringent laws and regulations governing our operations. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows. See "*—Legislative and political risks to the Franchise and the Revised Concession Agreement may adversely affect our business and operations.*"

We believe that we enjoy a positive reputation both within the water and wastewater industry and among our customers for our market-leading services. We also believe that we benefit greatly from the strong, nationwide and worldwide brand reputation of MPIC, DMCI and Marubeni who, through MWHCI, effectively hold a significant shareholding in our Company. However, there can be no guarantee that we will be able to maintain our present positive reputation. Matters outside of our control may lead our customers to perceive us in a less than favorable light. Any negative coverage of us may make it significantly difficult to create and maximize value for our stakeholders and may affect our ability to execute our growth plans, affect employee morale, and compromise our ability to attract top talent.

We rely on ITS to assist with the management of our business and customer relationships. A disruption of or interference with these systems could adversely affect our business and operations.

Our ITS, which include information technology functions that are outsourced to various third-party service providers and software vendors, are an integral part of our business. For example, our ITS enable us to, among other things, bill customers, provide customer service through our call center, manage certain financial records, track assets and accounts receivable collections, read certain water meters remotely, identify high water usage, including areas with high NRW, and identify water theft from disconnected meters. A disruption of our ITS could significantly limit our ability to manage and operate our business efficiently which, in turn, could cause our business to suffer and negatively impact the results of our operations.

Further, our ITS are vulnerable to damage or interruption from:

- power loss, computer systems failures and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of customer data, including as a result of security breaches, cyberattacks, misappropriation and similar events;
- computer viruses;
- intentional acts of vandalism and similar events; and
- fires, floods, earthquakes and other natural disasters.

Damage or interruptions due to any of the foregoing could result in, among other things, difficulties managing and operating business efficiently, such as with the timely issuances of billings, physical and electronic loss of customer, employee or financial data, security breaches, misappropriation of property and other adverse consequences. The lack of redundancy for some of our ITS, including billing systems, could exacerbate the impact of any of the foregoing events. Additionally, we may not be successful in further developing, implementing or acquiring technology to enable us to continue to operate at our current level of efficiency or to meet the future needs of our business. Any of the foregoing could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Our ITS may be subject to cyberattacks.

As operators of critical infrastructure, we may face a heightened risk of cyberattacks from internal or external sources. Our ITS may be vulnerable to unauthorized external or internal access due to hacking, ransomware, viruses or other cybersecurity breaches. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyberattacks and unauthorized access. While we have instituted safeguards to protect our ITS, those safeguards may not always be effective due to the evolving nature of cyberattacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyberattack.

If our ITS, or those of third parties on which we rely, are affected by a significant cyber breach, this could result in, among other things, a significant disruption to our operations; misappropriation of our confidential information or of our customers, employees, business partners or others; litigation and potential liability; enforcement actions and investigations by regulatory authorities; loss of customers and contracts; damage to our reputation; and a loss of management time, attention and resources from regular business operations, any of which could have a negative impact on our business, results of operations and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

RISKS RELATING TO THE PHILIPPINES

Political instability in the Philippines may have a negative effect on the general economic conditions in the Philippines which could have a material adverse impact on our results of operations and financial condition.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and a chief justice of the Supreme Court of the Philippines, the nullification of the appointment of another chief justice, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. Since the 2022 Philippine general elections, there have been public disagreements between the incumbent president, Ferdinand Marcos, Jr. and the vice president, Sara Duterte. Duterte resigned as Secretary of Education in June of 2024, a post she held following her appointment by President Marcos after the 2022 elections. The Vice President has since alleged that threats have been made against her life, attributing them to the present government. There can be no assurance that election-related acts or political violence will not occur in the future, and any such event could negatively impact the Philippine economy.

In addition, we may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Any major deviation from the policies of the previous administration or fundamental change of direction, including a change in the form of government, may lead to an increase in political or social uncertainty and instability. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact our business. For example, in July 2020, a majority of a committee of the Philippine Congress rejected the request for a 25-year extension of the franchise of one of the Philippines' largest broadcasters. This highlights the uncertainty surrounding the extension or renewal of congressional franchises, including those for public utilities. Although the vice-president is the daughter of the former president Rodrigo Duterte, there is no assurance that the current administration will maintain the policies or platforms of the previous administration or adopt economic policies conducive to sustaining economic growth, especially given the deteriorating relationship between incumbent president Marcos and vice-president Duterte.

Additionally, there is no assurance that the political environment in the Philippines will be stable or that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment for the water and wastewater industry. For instance, in response to several complaints filed against Vice President Sara Duterte, the Philippine House of Representatives voted to impeach her and has transmitted the complaint to the Philippine Senate, which will sit as an impeachment court. The affirmative vote of senators representing two-thirds of the Philippine Senate is required to formally impeach the Vice President. Among the issues raised against her were her alleged abuse, misuse, and wastage of confidential funds, systematic cover-up of such actions through fabricated accomplishment reports, receipts, and documents submitted to the Philippine Commission on Audit, deliberate obstruction of congressional investigation and oversight, her inaction during the onslaught of a super typhoon in the Philippines, her silence during instances of Chinese aggression in the West Philippine Sea, and her supposed public threats against top officials. On March 11, 2025, incumbent Vice President Sara Duterte's father and former President Rodrigo Duterte was arrested by local law enforcers and flown to the Netherlands to face charges for crimes against humanity at the International Criminal Court. Responding to the International Criminal Police Organization's request, the PNP arrested and detained the former chief executive promptly after his arrival at the Manila international airport, resulting in polarized reactions from his supporters and the general public. On March 13, 2025, former President Rodrigo Duterte and his entourage arrived at The Hague, where he will face charges over the deadly anti-drug crackdowns he oversaw while in office. These complaints and developments may increase political tensions in the Philippines. These or other developments could increase the friction between the Dutertes and the current administration. An unstable political or social environment in the Philippines could negatively affect the general economic conditions and business environment in the Philippines which, in turn, could have a material and adverse impact on our business, prospects, financial position and financial performance.

Further, our Franchise grants the President of the Philippines the right, during times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and order, to temporarily take over and operate our waterworks and sewerage system. This includes the authority to suspend operations of any portion thereof in the interest of public safety, security, and welfare, or to authorize its temporary use and operation by a government agency. While we would receive compensation for the use of our systems during such periods, this could still disrupt our operations and impact our financial condition.

No assurance can be given that any changes in such regulations or policies imposed by the Government from time to time or the future political environment in the Philippines will be stable or that current or future administrations will adopt economic policies conducive to sustaining economic growth. Political instability in the future could reduce consumer demand for retail and consumer goods to our disadvantage or result in inconsistent or sudden changes in regulations and policies that affect our business operations, which could have a material adverse impact on our results of operations and financial condition.

All of our business activities and assets are based in the Philippines, which exposes us to risks associated with the country, including the performance of the Philippine economy.

Historically, we have derived all our operating income and operating profits from the Philippines and, as such, we are highly dependent on the state of the Philippine economy. Demand for our services is directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from overseas Filipino workers. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of its currency and the imposition of exchange controls. Other factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- foreign exchange rate fluctuations;
- foreign exchange controls;
- inflation or increase in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- public health epidemics or outbreaks of diseases, such as a worsening or resurgence of the COVID-19 pandemic, a re-emergence of polio, SARS, bird flu, monkeypox or H1N1, or the emergence of other similar diseases in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea;
- delays in obtaining government approvals and permits;
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings;
- political instability, territorial disputes, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect our customers and contractual counterparties. This, in turn, could materially and adversely affect our financial position and results of operations, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our business strategy. Therefore, changes in the conditions of the Philippine economy could materially and adversely affect our business, financial condition or results of operations.

Natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and result in losses not covered by our insurance.

The Philippines, which is located along the Pacific Ring of Fire and a typhoon belt, has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes.

In January 2020, the Taal Volcano entered into a period of intense unrest beginning with phreatic or steam-driven activity in several points inside the Main Crater that progressed into magmatic eruption. The Philippine Institute of Volcanology and Seismology ("**PHIVOLCS**") raised the alert level to Alert Level 4 on January 12, 2020. Pursuant to such events, PHIVOLCS ordered the total evacuation of the Volcano Island and high-risk areas within a 14-kilometer radius from the Taal Main Crater. PHIVOLCS has thereafter lowered the Alert Level covering Taal to Level 1, but subsequently raised it to Alert Level 3 in March 2022 when Taal Volcano erupted again. While Taal Volcano currently has a classification of Alert Level 1, in September 2023, it spewed above average sulfur dioxide and volcanic smog, prompting authorities to close schools in dozens of cities and towns and to urge people to stay indoors. On December 9, 2024, and several days after, the Kanlaon Volcano in Negros Occidental and Negros Oriental has seen seismic activity and release of volcanic clouds of ash and gas, prompting the evacuation of approximately 87,000 people from the affected areas. There can be no assurance that the Taal, Kanlaon, or any other active volcano, will not increase seismic activity or erupt in the future.

In November 2020, two typhoons, Super Typhoon Rolly/Goni and Typhoon Ulysses/Vamco, and in December 2021 and September 2022, Super Typhoon Odette/Rai and Super Typhoon Karding/Noru, respectively, brought strong winds and rain to the Philippines. In October 2022, Tropical Storm Paeng brought strong winds and heavy rains in Mindanao which caused flooding and landslides. In November 2024, Typhoon Pepito/Man-yi caused widespread destruction, severe flooding and landslides and displaced thousands of people, prompting several provinces in Luzon to declare a state of calamity.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt our operations. See "*—Risks Relating to Us and Our Business—Severe weather conditions, climate variability patterns, natural or other disasters, and the effects of climate change may disrupt our operations.*" These factors, which are not within our control, could potentially have significant effects on our operations. For example, Typhoon Aghon/Ewiniar struck the Philippines, particularly affecting Metro Manila, in May 2024, and accelerated the intrusion of salt water into Laguna Lake, which in turn caused a significant increase in the total dissolved solids levels in the lake. As a result, we were constrained to implement water service interruption that affected 193,000 accounts for five days. We issued a notice of force majeure to the MWSS-RO relative to the water service interruption and the MWSS-RO did not penalize us for the same.

While we carry insurance for certain catastrophic events, in amounts and with deductibles that we believe are in line with general industry practices in the Philippines, there are losses for which we cannot obtain insurance at a reasonable cost or at all. See "*— Risks Relating to Us and Our Business— Our insurance policies may be insufficient to cover potential losses involving our assets or business*." However, should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect our business, financial position and results of operations.

Acts of terrorism could destabilize the country and could have a material adverse effect on our business, financial position and results of operations.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with the Abu Sayyaf organization which has been identified as being responsible for kidnapping and terrorist activities in the Philippines, and is also alleged to have ties to the Al-Qaeda terrorist network and, along with certain other organizations, has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. Furthermore, the Government and the Armed Forces of the Philippines ("**AFP**") have been in conflict with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front, the Moro National Liberation Front and the New People's Army. There have been numerous bombing incidents in Mindanao and elsewhere in the Philippines, which have resulted in death and injury to the civilian population as well as military and security personnel.

Our assets could be particularly vulnerable due to their significant impact on local and national economic activity. A terrorist attack on one of our assets could severely impact our business. There is no assurance that the Philippines will not face further terrorist or criminal activities in the future. Such violent acts, which may lead to instability and unrest, could materially and adversely affect our financial condition, results of operations, and prospects.

Further, an increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to our business and materially and adversely affect our business, financial condition, and results of operations.

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on our business, financial condition, and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

In 2016, the Permanent Court of Arbitration ruled in favor of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has "no historical rights" to the resources within the sea areas falling within the "nine-dash line;" (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China has violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognize the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious and unresolved.

The Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. On June 9, 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater reef formation being claimed by both the Philippines and China in the portion of the South China Sea that the Philippines calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

Recent years have seen increased frequency of incidents as well as heighted intensity of confrontations between Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In early August 2023, a Chinese Coast Guard ship used a water cannon against Philippine supply boats to prevent them from approaching the contested Second Thomas Shoal (Ayungin Shoal to the Philippines and Ren' ai Reef to China) in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. In September 2023, the Philippine Coast Guard removed a floating barrier that was deployed by China at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas

Shoal, a former US Navy ship that has been grounded in the Second Thomas Shoal since 1999. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese Coast Guard were similarly involved. The Philippine Embassy in Beijing has protested the latest incidents to the Chinese Foreign Ministry. In several instances, Chinese Coast Guard ships used water cannons against Philippine-registered vessels, including a smaller military-contracted vessel during a resupply mission to the Ayungin Shoal, and Philippine-government vessels distributing fuel and food to the fisherfolk in the Scarborough Shoal. Subsequently, the Chinese coast guard boarded a Philippine vessel. The Philippine government lodged another diplomatic protest against China, and is engaging in discussions with the US regarding escalating tensions in the West Philippine Sea. The Philippines has filed a total of 199 diplomatic protests against China during President Marcos' tenure.

In July 2024, the Philippines and China held their first formal dialogue since the incident, convening the 9th Meeting of their Bilateral Consultation Mechanism on the South China Sea in Manila. Discussions focused on their respective positions on Ayungin Shoal and affirmed their commitment to de-escalating tensions. While the Philippines was able to complete a resupply mission to its troops without incident under a new provisional agreement with China aimed at mitigating tensions, another incident occurred in August 2024 whereby the Philippine military reported that the Chinese Air Force executed "dangerous and provocative actions" over the South China Sea. Two People's Liberation Army aircraft dropped flares and performed hazardous maneuvers while a Philippine Air Force patrol was over Scarborough Shoal. No Philippine crew was harmed. Tensions further escalated when the Philippines and China accused each other of ramming vessels and performing dangerous maneuvers in the West Philippine Sea shortly after the incident in August 2024.

There is no guarantee that tensions will not escalate further or that the territorial disputes among the Philippines and its neighboring countries, especially China, will cease. In an event of escalation, the Philippine economy may be disrupted, and our business and financial standing may be adversely affected. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect our business, financial condition, and results of operations.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full, fair and timely disclosure of material corporate information, there may be less publicly available information about Philippine public companies than is regularly made available by public companies in the U.S. and other countries. For example, compared to other regulated utilities in developed markets where tariff inputs, such as their regulatory asset base, are required disclosures, Philippine securities laws and regulations do not require us to regularly disclose tariff inputs, outside of the general disclosures on material facts or events required by the SRC or the disclosure rules of the PSE. As a result, our public shareholders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although we comply with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. Rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

Volatility in the value of the Philippine Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect our businesses.

The Philippine economy has experienced volatility in the value of the Philippine Peso and also limitations to the availability of foreign exchange.

The value of the Philippine Peso may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Philippine Peso against the U.S. Dollar and other currencies. As of December 29, 2023, according to the Bangko Sentral ng Pilipinas ("**BSP**") reference exchange rate bulletin, the Philippine Peso was at ₱55.57 per U.S.$1.00 from ₱56.12 per U.S.$1.00 as of December 31, 2022, and was ₱50.77 per U.S.$1.00 as of December 31, 2021. As of December 27, 2024 and March 31, 2025, the Philippine Peso was at ₱58.01 and ₱57.38, respectively, against the U.S. dollar.

A depreciation of the Philippine Peso may increase our financing costs and other expenses related to our foreign currency-denominated debt and contractual obligations, potentially adversely affecting the future growth of the Philippine economy. The Original Concession Agreement includes a tariff mechanism that allows us to recover or compensate for fluctuations in the foreign exchange rate of foreign-currency denominated loans, known as the FCDA. This mechanism was reinstated in the Revised Concession Agreement but limited the recovery to (a) MWSS loans that are being and will be serviced by us, and (b) principal payments for drawn and undrawn amounts of our foreign currency denominated loans existing as of June 29, 2022. For loans contracted after June 29, 2022, an MFCDA applies, which can be utilized only in cases of extraordinary inflation or deflation of the Philippine Peso (i.e., more than a 20% change in the base exchange rate), subject to a recovery cap. As of March 31, 2025, 94.0% of our debts are denominated in Philippine Pesos, with an average remaining tenor of 8.08 years and an average cost of debt of 6.22%.

Investors may face difficulties enforcing judgments against us.

Considering that we are organized under the laws of the Republic of the Philippines, it may be difficult for investors to enforce judgments against us obtained outside of the Philippines. In addition, majority of our directors and officers are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, but it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action for the enforcement of a foreign judgment or final order, and without re-trial or re-examination of the issues, unless: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to law, morals, good customs, public order, or public policy of the Philippines, (iv) the party against whom the enforcement is sought did not receive notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

Developments outside of the Philippines, including U.S. policies related to global trade and tariffs could adversely affect our business, financial condition and results of operations.

The current international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, has resulted in uncertainty surrounding the future state of the global economy. Since 2018, the U.S. began to increase or impose tariffs on many products, particularly from China, including, but not limited to, steel and aluminum products, consumer electronics, and industrial chemicals. In response, the European Union, China and other affected jurisdictions have introduced tariffs on U.S. goods. In April 2025, U.S. President Donald J. Trump implemented the “Liberation Day” trade policy aimed at addressing trade imbalances between the U.S. and several other countries. This policy includes imposing a 17% reciprocal tariff on Philippine exports to the United States, as well as tariffs at different rates on exports from over 180 other countries. An escalating trade war may have material adverse effects on our industries and our business may be impacted by these tariffs. Any further expansion in the types or levels of tariffs implemented has the potential to negatively impact our business, financial condition and results of operations. Additionally, there is a risk that the U.S. tariffs on imports are met with tariffs on U.S. produced exports and that a broader trade conflict could ensue, which has the potential to significantly impact global trade and economic conditions. Potential costs and any attendant impact on pricing arising from these tariffs and any further expansion in the types or levels of tariffs implemented could adversely affect our business, financial condition and results of operations.

Economic disruption in other countries, even in countries in which we do not currently conduct business or have operations, could also adversely affect our businesses and results. Adverse market and economic conditions continue to create a challenging operating environment for financial services companies. In particular, the impact of interest and currency exchange rates, the risk of geopolitical events, fluctuations in commodity prices and concerns about European stagnation as well as diverging monetary policies among the major economies have affected financial markets and the economy.

In addition to the macroeconomic factors discussed above, other events beyond our control, including terrorist attacks, cyber-attacks, military conflicts, economic or political sanctions, disease pandemics, political unrest or natural disasters could have a material adverse effect on economic and market conditions, market volatility and financial activity, with a potential related effect on our businesses and results.

There can be no assurance that the uncertainties affecting global markets will not negatively impact credit markets in Asia, including in the Philippines. These developments may adversely affect trade volumes with potentially negative effects on the Philippines.

Any economic slowdown or deterioration in economic conditions in the Philippines may adversely affect our business and operations in the Philippines.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency, imposition of exchange controls, debt restructuring and electricity shortages and blackouts. The Philippine Statistics Authority ("**PSA**") has reported that the headline inflation rate decreased to 1.8% in March 2025, down from 2.1% in February 2025.

Our results of operations are significantly influenced by the performance of the Philippine economy. Any severe deterioration in economic conditions may adversely affect the purchasing power of consumers and businesses, potentially impacting our collection efficiency. There is no assurance that current or future governments will implement economic policies conducive to sustaining economic growth. Consequently, our results of operations may fluctuate from period to period in line with changes in the Philippine economy, which is affected by various factors, including political, economic, and international developments.

Although we expect that economic downturns may have a less severe impact on our business, which caters to a fundamental human need compared to those not providing basic necessities, we still face significant risks. While the Revised Concession Agreement allows us to adjust tariffs every five years through the Rate Rebasing exercise, these adjustments are subject to approval by MWSS Board of Trustees, upon the recommendation of the MWSS-RO, which may not always be granted.

While we continually monitor key economic indicators to develop strategies to address potential adverse developments, there is no assurance that these efforts will adequately mitigate systemic risks.

Public health epidemics, such as the COVID-19 pandemic, and outbreaks of diseases along with measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organization ("**WHO**") declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. That month, a Filipino seaman in Togo was quarantined for exhibiting symptoms of Ebola virus infection but was later released after testing negative for the disease. While still Ebola-free, the Philippines, however, remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of overseas Filipino workers in the Ebola-hit West African countries; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In March 2016, the Director-General of WHO terminated the Public Health Emergency of International Concern on the Ebola Virus Disease outbreak.

In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for the MERS-CoV (i.e., the Middle East Respiratory Syndrome-Corona virus). She was quarantined, received medical treatment, and later discharged and cleared of the disease by the Department of Health. All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection, putting the country once again free of an active case of the disease.

In March 2016, an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the Aedes aegypti mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients have recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products outside a seven-kilometer radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus.

In late 2019, COVID-19, an infectious disease that was first reported to have been transmitted to humans in 2019 has spread globally over the course of 2020, and in March 2020, it was declared as a pandemic by the WHO. While the WHO has declared the COVID-19 pandemic to be over in May 2023, there are still active and recurring cases globally, including in the Philippines. In July 2023, the President of the Philippines issued Presidential Proclamation No. 297 effectively lifting the State of Public Health Emergency throughout the Philippines brought about by the COVID-19 pandemic.

The extent of the impact of COVID-19 on the Philippine economy and the speed and certainty of any economic recovery cannot be predicted for certain, and any new surge in infections may result in stricter quarantine or lockdown measures across provinces, cities and municipalities and may lead to further contraction of the Philippine economy, closure of businesses, and rise in unemployment rates.

Since early May 2022, cases of monkeypox have been reported from countries where the disease is not endemic, and continue to be reported in several endemic countries. In July 2022, WHO Director-General Tedros Adhanom Ghebreyesus declared the ongoing monkeypox outbreak a Public Health Emergency of International Concern.

In 2023, an outbreak of the Nipah virus was reported in India. According to the WHO, patients who contracted the Nipah virus have a 40% to 75% mortality rate depending on the public health response to the virus. In September 2023, the DOH confirmed that there are no cases of Nipah virus in the Philippines.

Since 2024, the Philippines has been managing the outbreak of the African Swine Fever ("**ASF**") in the country. As of December 27, 2024, the National ASF Prevention and Control Program under the country's Department of Agriculture reported that there were 11 regions, 21 provinces, 67 municipalities, and 225 barangays that had active ASF cases.

If the outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu, polio, COVID-19, monkeypox, Nipah virus, ASF or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect our business, financial condition and results of operations.

The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including our Company.

The sovereign credit ratings of the Philippines directly affect companies' resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies — Fitch Ratings ("**Fitch**") (BBB-), by S&P Global ("**S&P**") (BBB-) and Moody's Investors Service ("**Moody's**") (Baa3). Moody's subsequently upgraded their ratings to "Baa2" and recently reaffirmed their rating in August 2024. Meanwhile, Fitch upgraded the Philippines' credit rating to "BBB" and affirmed the same in June 2024 with a stable outlook. S&P also further upgraded the country's rating to "BBB+", which was reaffirmed in November 2024. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

The Government's credit ratings directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Fitch, Moody's, S&P, or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have a material adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including us, to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

While we endeavor to manage our balance sheet prudently by maintaining conservative leverage and debt service coverage ratios within the limits of our financing agreements, and by securing long-dated tenors with fixed interest rates to reduce exposure to interest rate risk, there is no assurance that these strategies will fully mitigate systemic risks. Changes in market conditions or unforeseen economic events could still adversely affect our financial stability.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

Upon listing with the PSE, the Common Shares will be subject to PSE rules and regulations, which amendments thereto may adversely affect the Common Shares.

From time to time, the PSE may issue changes to rules and regulations applicable to us which may affect the trading of the Common Shares. The PSE has recently proposed amendments to, among others, revise the criteria on what constitutes public and non-public shares by removing "purpose of investment" as a criterion, and categorically characterizing 10% ownership of the outstanding common shares in a listed company as "significant shareholdings." Given this, the shares held by investors that constitute at least 10% of the outstanding common shares in a listed company may now be deemed privately held, regardless of the purpose of such investment in the listed company. This change increases our exposure to breach the requirement on Minimum Public Ownership ("**MPO**"), which may result in suspension of trading and, if not rectified by us, automatic delisting. In turn, this also exposes investors to risks of being unable to trade their shares, and limits the extent of their potential investments, considering that there is now a proposed quantifiable threshold that may determine whether shares are publicly or privately held.

There has been no prior market for the Common Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

There has been no prior trading in the Common Shares and there can be no assurance that an active market for the Offer Shares will be developed following the Offer or, if developed, that such market will be sustained.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, our prospects, the market prices for shares of companies engaged in related businesses similar to that of our business and prevailing market conditions. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Common Shares to decline.

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in the United States and other jurisdictions, and are not as highly regulated or supervised as some of these other markets are. The Offer Price could differ significantly from the price at which the Common Shares will trade subsequent to completion of the Offer. The relatively low trading volume on the PSE could make it more difficult for investors to sell their shares, particularly if trading volume in the Company's shares is limited. There is no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

The market price of the Common Shares could be affected by several factors, including: volatility in stock market prices and volume; fluctuations in our consolidated revenue, cash flow and earnings; general market, political and economic conditions; changes in earnings estimates and recommendations by financial analysts; differences between our actual financial and operating results and those expected by investors and financial analysts; changes in market valuations of listed stocks in general and other retail stocks in particular; the market value of our assets; market news and rumors; changes to Government policy, legislation or regulations; changes in our relationships with regulators; our dividend policy; future sales of our equity or equity-linked securities; and general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of recent global economic downturns, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these could adversely affect the market price of the Common Shares. There is no assurance that we will be able to manage such risk.

The PSE recently announced the immediate effectivity of its guidelines for short selling transactions, following regulatory support by the Philippine SEC. Pursuant to this development, investors may opt to take advantage of declining market prices of eligible securities. These eligible securities, however, only include member companies of the PSE index and exchange traded funds, which criteria may be subject to review and amendment by the PSE from time to time.

There can be no guarantee that the Offer Shares will be listed on the PSE, or that there will be no regulatory action that could delay or affect the Offer.

Purchasers of the Trading Participants and Retail Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date, which is expected to be on [July 9], 2025 and purchasers of the Institutional Offer Shares will be required to pay on the Institutional Offer Settlement Date, which is expected to be on or about [July 16], 2025. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of our Company and our business, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency; (iv) understand thoroughly the terms of the Offer Shares and be familiar with the behavior of any relevant financial markets; and (v) be familiar with the behavior of any relevant financial markets; and be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Moreover, potential investors should note that offers by the International Underwriters of the Offer Shares will be made to persons located outside the Philippines and therefore, would not be governed by Philippine laws. As such, the type and level of due diligence that is conducted by the International Underwriters, and any conflict-of-interest considerations to which they may be subject, may be different from those applicable to the Domestic Lead Underwriter. There is, therefore, no assurance that the due diligence conducted by the International Underwriters and the standard of avoidance of conflict of interest maintained by the same as regards the Issuer would be the same as the Domestic Lead Underwriter's.

Future sales of shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new shares. Pursuant to an amendment to the Articles of Incorporation approved by the Board of Directors and the stockholders on December 12, 2024, our stockholders shall have no pre-emptive right to subscribe to any issue or disposition of shares of any class. While the Revised Corporation Code of the Philippines and the listing rules of the PSE provide for some degree of minority shareholders' protection, if additional funds are raised by us through the issuance of new equity or equity-linked securities other than on a *pro rata* basis to existing shareholders such as through a share rights offer, the percentage ownership of existing shareholders may be reduced, shareholders may experience subsequent dilution or such securities may have rights, preferences and privileges senior to those of the Offer Shares.

Further, the market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares in the public market or significant sales, including by our shareholders, or the issuance of new shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Common Shares or our ability to raise capital in the future at a time and at a price we deem appropriate.

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the company's common shares. In addition, all shares issued or transferred within 180 days prior to the commencement of the offer at an issue price less than the price per offer share shall be subject to a lock-up period of at least 365 days from the date that full payment is made on such common shares, as required by the PSE. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

Moreover, a listed company on the PSE shall be prohibited from offering additional securities, except offerings for stock dividends and employee stock option plans, within 180 calendar days from the date of initial listing.

Except for such restrictions, there is no restriction on our ability to issue Common Shares or the ability of any of our shareholders to dispose of, encumber or pledge, their Common Shares, and there can be no assurance that we will not issue shares or that such shareholders will not dispose of, encumber or pledge, their common shares.

Investors may incur immediate and substantial dilution as a result of purchasing Common Shares in the Offer.

The issue price of the Common Shares in the Offer may be substantially higher than the net tangible book value of net assets per share of the outstanding Common Shares. Therefore, purchasers of Common Shares in the Offer may experience immediate and substantial dilution and our existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Common Shares they own. See "*Dilution.*"

Furthermore, the Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, have the option to increase the total number of Common Shares offered by the Selling Shareholder in the Offer by up to [354,704,200] Common Shares, which may be exercised at any time during the Upsize Option Period. See "*Plan of Distribution – The Upsize Option.*" As discussed under the section "*Dilution*," if the Overallotment Option and the Upsize Option are fully exercised, the number of shares held by new investors will be [2,264,069,200] Common Shares and the public float, which excludes any Reserved Shares held by FPCL, will be [30.00]%. Any Common Shares purchased in the course of the stabilization activities by the Stabilization Agent shall be redelivered to the Company and form part of its treasury shares. To the extent that the Upsize Option is not fully exercised, the unexercised portion of the Upsize Option shall not be sold by the Selling Shareholder. If neither the Overallotment Option nor the Upsize Option is exercised, the number of shares held by new investors will be [1,660,317,400] Common Shares and the public float, which excludes any Reserved Shares held by FPCL, will be [22.75]%.

Shareholders may be subject to limitations on minority shareholders' rights and regulations may differ from those in more developed countries.

Our corporate affairs are governed by our Amended Articles of Incorporation and Amended By-Laws and the Revised Corporation Code of the Philippines. The laws of the Philippines relating to the protection of interests of minority shareholders differ in some respects from those established under the laws of more developed countries. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of more developed countries. The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Corporation Code of the Philippines, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the outstanding capital stock is required. The Revised Corporation Code of the Philippines also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase their shares in certain instances. Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

There can be no assurance that we will be able to pay dividends or maintain any given level of dividends.

If we do not generate sufficient operating revenue, our income and resulting ability to pay dividends will be adversely affected. Dividends 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 outstanding stock held by them. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends is subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends.

The Board may, at any time, modify any dividend policy taking into consideration various factors including: the level of our cash earnings, return on equity and retained earnings; our results for, and our financial condition at the end of, the year in respect of which the dividend is to be paid and its expected financial performance; the projected levels of capital expenditure and other investment plans; restrictions of payment of dividends that may be imposed on us by any of our financing arrangements and current and prospective debt service requirements; and such other factors as the Board deems appropriate. See "*Dividends and Dividend Policy.*"

No assurance can be given as to our ability to make or maintain dividends. Nor is there any assurance that the level of dividends will increase over time, or that we will generate adequate income available for dividends to shareholders.

The Common Shares are subject to Philippine foreign ownership limitations.

The Common Shares are subject to Philippine foreign ownership limitations. The Philippine Constitution and related statutes set restrictions on foreign ownership in companies engaged in certain activities. In particular, foreign ownership in a public utility is limited to a maximum of: (i) 40% of its issued and outstanding capital stock entitled to vote in the election of directors; and (ii) 40% of its total issued and outstanding shares, whether or not entitled to vote in the election of directors. Furthermore, ownership of private lands in the Philippines is also a nationalized activity reserved to Filipino citizens and corporations and associations at least 60% of whose capital is owned by Filipino citizens.

Given the foregoing, as a public utility and owner of several parcels of land, we cannot allow the issuance or the transfer of the Common Shares to persons other than Philippine Nationals and cannot record transfers in our books if such issuance or transfer would result in our Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership. Philippine jurisprudence has consistently defined the nature of a public utility's franchise as a special privilege granted by the Philippine government to an individual or corporation, rather than a right available to citizens generally. As a result, breaching the constitutional 40% foreign ownership limitation by a public utility could lead to the suspension or revocation of the public utility's franchise by the Philippine government, effectively terminating its authority to operate. These restrictions may adversely affect the liquidity and market price of the Common Shares to the extent that international investors are not permitted to purchase Common Shares in normal secondary transactions. As of March 31, 2025, Filipino shareholders owned 99.99% of our outstanding capital stock, with only two foreign shareholders holding 2,000 Common Shares following our stock split. We are compliant with all conditions for foreign shareholder ownership under the prevailing provisions of applicable laws as of the date of this Prospectus and expect to remain compliant immediately following completion of the Offer. See *"Principal Shareholders*" and *"Regulatory and Environmental Matters—Foreign Investments and Laws and Regulations Relating to Restrictions on Foreign Equity."*

Future changes in the value of the Philippine Peso against the U.S. dollar and other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends.

Fluctuations in the exchange rate between the Philippine Peso and other currencies will affect the foreign currency equivalent of the Philippine Peso price of the Common Shares on the PSE. See "*— Risks relating to the Philippines – Volatility in the value of the Philippine Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect our businesses.*"

Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Philippine Pesos by us on, and the Philippine Peso proceeds received from any sales of, the Common Shares.

The transfer of Offer Shares is restricted in certain jurisdictions which may adversely affect their liquidity and the price at which they may be sold.

The Offer Shares have not been registered, and we are not obligated to register the Offer Shares, under the U.S. Securities Act or the securities laws of any jurisdiction (other than the Philippines) and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Plan of Distribution.*" We have not agreed, or otherwise undertaken, to register the Offer Shares under the U.S. Securities Act or under the securities laws of any jurisdiction (other than in the Philippines), and we have no intention of doing so.

Overseas shareholders may not be able to participate in our future rights offerings or certain other equity issues.

If we offer or cause to be offered to holders of the Offer Shares rights to subscribe for Common Shares or any right of any other nature, we will have discretion as to the procedure to follow in making such rights available to holders of the Offer Shares or in disposing of such rights for the benefit of such holders and making the net proceeds available to such holders. For example, such rights may not be offered to holders of the Common Shares who are U.S. persons (as defined in Regulation S) or have a registered address in the U.S. unless: (i) a registration statement is in effect, if a registration statement under the U.S. Securities Act is required in order for the Issuer to offer such rights to holders and sell the securities represented by such rights; or (ii) the offer and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the U.S. Securities Act.

We have no obligation to prepare or file any registration statement outside of the Philippines if the offer and sale of rights to subscribe for securities or the underlying securities are exempted from the applicable registration requirements. Accordingly, shareholders who are subject to similar restrictions may be unable to participate in rights offerings and may experience a dilution in their holdings.

Overseas shareholders may be subject to restrictions on repatriation of Philippine Pesos received with respect to the Common Shares.

Under BSP regulations, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system. See "*Regulatory and Environmental Matters —Other Laws—Registration of Foreign Investments and Exchange Controls.*"

Developments in other markets and countries may adversely affect the Philippine economy and, therefore, the market price of the Common Shares.

In the past, the Philippine economy and the securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other countries, especially other countries in Southeast Asia, as well as investors' responses to those conditions. Although economic conditions are different in each country, investors' reactions to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. Accordingly, adverse developments in the global economy could lead to a reduction in the demand for, and market price of, the Common Shares. There is no assurance that we will be able to manage such risk.

The intended use of the proceeds of the Offer may be delayed or may not materialize.

The net proceeds from the sale of the Firm Shares are intended to be used for the purposes and in the manner set out in "*Use of Proceeds.*" In particular, we shall use the net proceeds from the sale of the Primary Offer to fund our capital expenditures requirements and for general corporate purposes.

We may encounter certain unforeseen events that may delay our expansion plans. Moreover, our management will have discretion over the detailed use and investment of the net proceeds of the Offer and we may not use the proceeds from the sale of the Primary Shares in the exact manner set out in "*Use of Proceeds.*"

RISKS RELATING TO CERTAIN INFORMATION IN THE PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the water and wastewater industry and market, generally, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information which was prepared from available public sources and independent market research conducted by GlobalData. The information contained in that section may not be consistent with other information regarding our industry. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Joint Global Coordinators and Joint Bookrunners or any of their respective affiliates or advisors, and may not be accurate, complete, up to date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

USE OF PROCEEDS

It is estimated that the Company will receive gross proceeds from the sale of the Firm Shares and the Reserved Shares of up to ₱[33,704.4] million (U.S.$[587.4] million) and that the net proceeds from the sale of the Firm Shares and the Reserved Shares after deducting the applicable underwriting fees, costs and expenses for the Offer payable by the Company will be approximately ₱[32,557.9] million (U.S.$[567.4] million).

In the event that the Overallotment Option is exercised in full, the Company will receive gross proceeds from the sale of the Overallotment Option Shares of up to ₱[4,981.0] million (U.S.$[86.8] million) and that the net proceeds from the sale of the Overallotment Option Shares after deducting the applicable selling fees, costs and expenses for the Offer payable by the Company will be approximately ₱[4,853.9] million (U.S.$[84.6] million).

In the event that the Upsize Option is exercised in full, the Selling Shareholder will receive gross proceeds from the sale of the Upsize Option Shares of up to ₱[7,094.1] million (U.S.$[123.6] million) and that the net proceeds from the sale of the Upsize Option Shares after deducting the applicable selling fees, costs and expenses for the Offer payable by the [Selling Shareholder] will be approximately ₱[6,863.5] million (U.S.$[119.6] million). The Company will not receive any proceeds from the sale of any Upsize Option Shares.

ESTIMATED EXPENSES FOR THE FIRM OFFER AND THE RESERVED SHARES

Based on an Offer Price of up to ₱[20.00] per Offer Share, the total proceeds from the offer of the Firm Shares and the Reserved Shares, total expenses for the offer and sale of the Firm Shares and the Reserved Shares and the net proceeds from the sale of the Firm Shares are estimated to be as follows:

	Estimated Amounts (₱ millions)
Estimated Total proceeds from the sale of the Firm Shares and the Reserved Shares	[33,704.4]
Estimated Expenses:	
Underwriting fees for the offer of the Firm Shares	[830.2]
Fees to be paid to the PSE Trading Participants(1)	[74.4]
Documentary Stamp Tax to be paid	[16.9]
Philippine SEC Registration, Filing and Legal Research Fees	[14.4]
PSE Filing Fee(2)	[98.8]
Estimated professional fees:	
Legal fees(3)	[63.7]
Audit fees	[10.0]
Industry Consultant(4)	[2.3]
Escrow Agency Fees	[0.3]
Receiving Agency Fees	[0.7]
Estimated other expenses(3)	[35.0]
Total estimated expenses from the offer and sale of the Firm Shares and the Reserved Shares	[1,146.6]
Estimated net proceeds from the sale of the Firm Shares and the Reserved Shares	**[32,557.9]**

Notes:

(1) The [1.00]% selling commission of the PSE Trading Participants on the final take-up of the Firm Shares and the Reserved Shares shall be paid directly by the Issuer, through the Receiving and Paying Agent, and will not form part of the underwriting fees. The selling commission of PSE Trading Participants shall be inclusive of VAT. Estimated selling agent fees are based on the assumption that the PSE Trading Participants take up the [20]% tranche allocated to them in the Offer.

(2) The PSE filing fee amounting to ₱98,783,076.00 is inclusive of VAT amounting to ₱10,583,901.00.

(3) Includes the fees for Legal Advisers engaged in relation to the Offer, which refers to (i) the fees for the Issuer's Philippine and foreign counsel, Picazo Buyco Tan Fider & Santos and Latham & Watkins LLP, respectively, (ii) the fees for the Joint Global Coordinators and Joint Bookrunners' Philippine and foreign counsel, Romulo Mabanta Buenaventura Sayoc & de los Angeles and Milbank (Hong Kong) LLP, respectively, and (iii) fees for the legal opinion delivered by Adarlo Caoile & Associates Law Offices in respect of the Offer's legality, the Company's tax matters, and the Group's material permits and licenses.

(4) Refers to the fees paid to GlobalData Plc, for the preparation of the industry report on the water and wastewater industry. See "Independent Auditors and Other Experts – Independent Market Research Consultant" for further information.

(5) Estimated other expenses include fees for printing, publication, shipping and other miscellaneous expenses that the Company expects to incur in relation to the Offer.

ESTIMATED EXPENSES FOR THE OVERALLOTMENT OPTION SHARES

If the Overallotment Option is exercised, and based on an Offer Price of up to ₱[20.00] per Offer Share, we estimate that the total proceeds from the offer of Overallotment Option Shares, total expenses for the offer of Overallotment Option Shares and the net proceeds from the offer of the Overallotment Option Shares will be:

	Estimated Amounts (₱ millions)
	Overallotment Option Shares (assuming full exercise of the Overallotment Option)
Estimated Total proceeds from the sale of the Overallotment Option Shares	[4,981.0]
Estimated Expenses:	
Selling fees for the sale of the Overallotment Option Shares (including the Joint Bookrunners' fees)..	[124.5]
Documentary Stamp Tax to be paid	[2.5]
Total estimated expenses from the offer and sale of the Overallotment Option Shares..	[127.0]
Estimated additional net proceeds from the sale of the Overallotment Option Shares	[**4,853.9**]

Any Common Shares purchased in the course of the stabilization activities by the Stabilization Agent shall be redelivered to the Company and form part of its treasury shares, in which case, the net proceeds received from such Overallotment Option Shares will be lower depending on the market price in the stabilization activities.

ESTIMATED EXPENSES FOR THE UPSIZE OPTION SHARES

If the Upsize Option is exercised, and based on an Offer Price of up to ₱[20.00] per Offer Share, we estimate that the total proceeds from the offer of the Upsize Option Shares, total expenses for the offer of the Upsize Option Shares and the net proceeds from the offer of the Upsize Option Shares will be:

	Estimated Amounts (₱ millions)
	Upsize Option Shares (assuming full exercise of the Upsize Option)
Estimated Total proceeds from the sale of the Upsize Option Shares.........................	[7,094.1]
Estimated Expenses:	
Selling fees for the sale of the Upsize Option Shares (including the Joint Bookrunners' fees)(1)..	[177.4]
Stock Transaction Tax and crossing charges...	[53.3]
Total estimated expenses from the offer and sale of the Upsize Option Shares	[230.7]
Estimated additional net proceeds from the sale of the Upsize Option Shares	[**6,863.4**]

Note:

(1) The Trading Participants may also participate in the Upsize Option and receive selling fees in addition to the selling fees for the [20]% tranche allocated to them in the Offer.

We will not receive any of the proceeds from the sale of the Selling Shareholder's shares.

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The amounts used to determine the estimated expenses and the estimated net proceeds are presented in this Prospectus for convenience only.

USE OF PROCEEDS

Details on the proposed use of net proceeds from the sale of the Offer Shares, based on the Offer Price of up to ₱[20.00] per Offer Share, after deducting the applicable underwriting fees, costs and expenses for the Offer payable by the Company, are as follows:

Use of Proceeds	**Estimated Amount of Net Proceeds from the Firm Shares and the Reserved Shares (₱ millions)**	**Estimated Amount of Net Proceeds from the full exercise of the Overallotment Option Shares (₱ millions)**	**Total Net Proceeds from the Firm Shares, Reserved Shares, and Overallotment Option Shares (₱ millions)**	**Estimated Timing of Disbursement**
Required Capital Expenditure	₱[31,558.2]	₱[4,853.9]	₱[36,412.1]	Third Quarter of 2025 to Fourth Quarter of 2027
For General Corporate Purposes	₱[999.7]	-	₱[999.7]	Third Quarter of 2025 to Fourth Quarter of 2025
TOTAL	**₱[32,557.9]**	**₱[4,853.9]**	**₱[37,411.8]**	

Capital Expenditures

The estimated total cost for the capital expenditures ("**CAPEX**") of the Company for 2025 is ₱68,461.5 million and the Company intends to use up to ₱[36,412.1] million of the net proceeds to partly fund the CAPEX for 2025. The CAPEX program of Maynilad has three major pillars: water, wastewater, and customer service & information system projects. The balance of our funding requirements that would not be funded from the proceeds of the Offer shall be sourced from internally generated cash and project financing facilities with certain banks.

For further discussion on the relevant permits, licenses, and government approvals applicable to the Company, including its CAPEX programs, please refer to pages 208 to 219 under the section "*Description of Permits and Licenses*" of this Prospectus.

Water CAPEX

Water Sources and Treatment

This program focuses on the acquisition of lots preparatory to the construction of the 300 MLD Teresa water treatment plant and the installation of a 46-kilometer conveyance to coincide with the completion of the MWSS's New Centennial Water Source-Kaliwa Dam. For further information on the Teresa Water Treatment Plant, please refer to "*Business—Our Services and Facilities—Water Services and Facilities—Our Pipeline of Water Treatment Facility Projects*" on page 167 of this Prospectus. It also covers projects relating to Angat and Ipo for the rehabilitation and refurbishment of the appurtenances of the Common Purpose Facilities to improve raw water conveyance efficiency and increase the reliability of the Bigte-Novaliches Aqueducts. For further information on the Common Purpose Facilities please refer to "*Material Agreements—Other Material Contracts—Agreements with Manila Water—Common Purpose Facilities Agreement*" on page 228 of this Prospectus.

Projects under Water Sources and Treatment include water source reliability and adaptation to climate change that are meant to (i) address water security by ensuring the availability of water supply at all times, (ii) address the need to develop additional future water sources, (iii) enhance operating efficiencies, (iv) optimize the operations of the raw water conveyance systems, and (v) make existing assets more adaptable to climate change risks.

Operations Support

This program aims to sustain, enhance, and expand the Company's water supply infrastructure and operations. Its main components include (i) ensuring 24-hour water availability at a minimum pressure of 16 psi, (ii) expanding water coverage, (iii) enhancing reliability, flexibility and adaptation to climate change, and (iv) acquiring ROW and lots for water facilities.

The projects under Operations Support include constructing additional water reservoirs to increase our supply storage particularly in areas with low pressure during peak demand hours, procuring new generator sets to improve the reliability of our pump stations and in-line boosters, and building small-scale water treatment plants to ensure a reliable supply during the unavailability of water from our major water treatment plants.

NRW Management

This program focuses on recovering water losses, reallocating the recovered volume and reselling it to our under-served and unserved customers.

Water recovery involves several key activities which include active leakage control by locating and repairing both surfacing and underground leaks, purchasing additional leak detection equipment, splitting the DMAs, undertaking diagnostics and leak repair, replacing certain segments of the pipe network, replacing meters periodically, installing pressure-regulation valves throughout the West Zone, and conducting primary line assessment and repair.

Service Expansion

This program is designed to provide water to unserved areas in the West Zone. The activities under this program include installing new primary pipelines to meet the demands of a growing population particularly in the southern part of the West Zone, replacing various secondary and tertiary distribution lines, and improving the network to enable the residents who are not yet receiving piped-in water service from the Company to have their own service connections. This program also includes converting the existing bulk accounts in subdivisions into individual accounts and undertaking maintenance works for short pipe-laying activities.

The wastewater service obligations of the Company influence its wastewater CAPEX program. These obligations include (i) providing sewerage services to our customers, (ii) complying with the relevant wastewater standards, and (iii) offering septic and sanitation cleaning services. By the end of 2026, wastewater coverage is expected to reach 100%, with sewerage services at 33% and sanitation services at 67%.

Wastewater CAPEX

Provision of Sewerage Services

To increase our sewer coverage, we will undertake several conveyance projects that include installing sewer lines (at depths lower than water lines) in various locations, constructing several lift and pump stations, and building interceptor systems for sewage collection.

We will also undertake network reliability projects to increase the efficiency of our sewerage systems. These projects involve the rehabilitation of existing sewer lines and implementation of flow enhancement initiatives to improve facility utilization.

Additionally, we will continue to construct additional water reclamation facilities to increase our treatment capacity, install additional sewer and interceptor lines, and rehabilitate our existing facilities to maintain operational efficiency.

Compliance with Wastewater Standards

We will continue retrofitting and upgrading our various water reclamation facilities to incorporate nutrient (i.e., nitrates, phosphates and fecal coliform)-removal process to comply with the DENR-issued DAO 2021-19 updated general effluent standards.

Offering of Septic and Sanitation Cleaning Services

This program involves re-fleeting of our vacuum trucks that are over 10 years old along with other mobile equipment such as grit washers, skid and backhoe loaders and dump trucks. These upgrades are essential to maintain efficiency in collecting and transporting septage from households.

The customer service and information technology CAPEX addresses the needs of our customers and consists of investments in information technology systems, geographic information systems ("**GIS**"), telemetry systems and other support requirements such as the improvement of buildings, offices, warehouses and general administrative equipment. This program ensures that the Company will be able to comply with the information requirements of the MWSS. These requirements include (i) updated maps, plans and GIS files for water supply, sewerage services and areas served, (ii) locations and physical features of key assets, (iii) locations of customers, and (iv) queries and complaints received from, and notices and responses sent to customers, among others.

Customer Service & Information System Projects CAPEX

Investment in ITS, GIS, Telemetry System, and Support Requirements

The core business of water and wastewater services has not changed over 100 years, but the technologies used to manage it are continually evolving and it is to the Company's advantage to harness these. We will continue and even accelerate our spending on technology that reduces the overall cost of doing business, brings more efficiency to our operations and provide added value to our services.

For GIS, we will continue to update our data in order to provide timely and accurate information to our regulators for monitoring and evaluation of our performance and compliance with our service obligations. As we continue to upgrade and expand our network, GIS will continue its mapping operations and the accounting of assets to ensure better planning and asset management. Surveying and mapping equipment (e.g., global navigation satellite system, terrestrial laser scanners, etc.) will be procured or upgraded, as the case may be, to ensure better network data, to improve pipe network audit and to tag customer meters and premises.

For Telemetry, we will upgrade our existing flowmeters to enhance their reliability and the accuracy of flow and pressure measurement in our primary lines. This initiative is aligned with NRW recovery efforts and long-term network monitoring improvements. The upgrading of flowmeters is intended to provide precise, real-time data that can support operational and capital planning activities, particularly in high-priority areas. The types of flowmeters under consideration are selected based on application type, pipe size, and compatibility with telemetry and Supervisory Control and Data Acquisition (SCADA) systems. These upgraded meters will also serve as reference meters for validating downstream consumption data and identifying discrepancies in network flows, thus helping detect underground breakages and potential leak points. Additionally, their integration with telemetry systems will support remote monitoring, reduce manual data collection, and improve response time during operational anomalies.

This upgrading of flow monitoring infrastructure also creates a reliable data baseline for current and future CAPEX optimization and service expansion projects, ensuring investments are supported by accurate hydraulic information.

Summary of Capital Expenditures

Maynilad CAPEX	Estimated Contract Cost (in ₱ millions)	Estimated Allocation from Net Proceeds			Estimated Commencement Year	Construction Period
CAPEX to be Awarded in 2025		**Firm Shares and Reserved Shares**	**Overallotment Option Shares**	**Total of Firm Shares, Reserved Shares, and Overallotment Option Shares**		
Water CAPEX						
Water Sources and Treatment	32,707.5	7,925.1	1,064.0	8,989.1	2025	2025-2029
Operations Support ..	9,422.0	6,152.5	364.2	6,516.7	2025	2025-2029
NRW Management and Service Expansion	11,310.3	7,484.3	1,327.0	8,811.3	2025	2025-2029
Water CAPEX Total	**53,439.8**	**21,562.0**	**2,755.2**	**24,317.2**		
Wastewater CAPEX						
Sewerage	9,859.2	5,974.2	1,755.5	7,729.7	2025	2025-2029
Sanitation	390.3	199.8	151.7	351.5	2025	2025-2029
Wastewater CAPEX Total	**10,249.5**	**6,174.0**	**1,907.2**	**8,081.2**		
Customer Service and Information Technology CAPEX	**4,772.1**	**3,822.2**	**191.5**	**4,013.7**	2025	2025-2029
CAPEX Total 2025	**68,461.5**	**31,558.2**	**4,854.9**	**36,412.1**		

The Company reserves the right to disburse the proceeds from the Offer for any of the aforementioned CAPEX programs at such time and in such amounts as it may deem necessary or appropriate.

Other General Corporate Purposes

The Company will likewise use ₱[999.7] million from the net proceeds of the Offer for general corporate purposes which include, but are not limited to, expenses related to business development, general working capital requirements, corporate office overhead, administrative expenses and other costs shouldered by the Issuer in the normal course of business operations not specifically related to any single project. The allocation for general corporate purpose will not be used to repay long-term debt of the Company. Management expects to use such portion of the proceeds, if any, by the fourth quarter of 2025.

In the event that the Company obtains substantially less than the maximum proceeds from the Offer, the proceeds shall be used in the following order: (1) 2025 CAPEX and (2) general corporate purposes.

To the extent that the net proceeds from the sale of the Primary Shares are not immediately applied to the above purposes, we will invest the net proceeds from the sale of the Primary Shares in interest-bearing short-term demand deposits and/or money market instruments.

The proposed use of proceeds described above represents best estimates of the use of the net proceeds of the Primary Shares based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the Primary Shares shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise, or repay any of our debt obligations with any of the Joint Bookrunners. The actual amount and timing of disbursement of the net proceeds from the Primary Shares for the uses stated above will depend on various factors which include, among other things, changing market conditions or new information regarding the cost or feasibility of our projects.

Our cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and our management may find it necessary or advisable to alter its plans. While we undertake not to use the net proceeds from the Primary Shares for any purpose, other than as discussed above, in the event we determine that any deviation, adjustment or reallocation in the planned use of proceeds becomes necessary or appropriate, we shall inform the PSE and the Philippine SEC in writing at least 30 days before we implement such deviation, adjustment or reallocation. We will also have our Board of Directors approve any material or substantial adjustments to the use of proceeds, as indicated above, and disclose the same to the PSE and the Philippine SEC. In addition, we shall submit via the PSE's Electronic Disclosure Generation Technology ("**PSE EDGE**") the following disclosures to ensure transparency in the use of proceeds:

(a) material disbursements made in connection with the planned use of proceeds from the Primary Shares;

(b) quarterly progress reports on the application of the proceeds from the Primary Shares on or before the first 15 days of the following quarter, which will be certified by our Chief Financial Officer or Treasurer and external auditor;

(c) annual summary of the application of the proceeds on or before January 31 of the following year, which will be certified by our Chief Financial Officer or Treasurer and external auditor; and

(d) approval by the Board of Directors of any reallocation on the planned use of proceeds. We will disclose the actual disbursement or implementation of such reallocation at least 30 days prior to the said actual disbursement or implementation.

We will include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds, as indicated in this Prospectus, in the quarterly and annual reports required in items (b) and (c), including a statement that the Board of Directors has approved the same.

DIVIDENDS AND DIVIDEND POLICY

LIMITATIONS AND REQUIREMENTS

Under Philippine law, there is no restriction that limits the ability of a corporation incorporated in the Philippines to declare and pay dividends on common equity other than the unavailability of unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. We are permitted under Philippine law to declare cash, property and stock dividends out of retained earnings, subject to certain requirements and regulations issued by the Philippine SEC. See "*Description of the Shares—Rights Relating to Shares—Dividend Rights of Common Shares*" on page 269 of this Prospectus.

The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the total outstanding capital stock (which refers to the total shares of stock subscribed by, under binding subscription agreements with, subscribers or stockholders, whether paid in full or in part, except treasury shares) at a regular or special meeting duly called for the purpose.

The Revised Corporation Code of the Philippines generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the Board of Directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; or (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies.

RECORD DATE AND PAYMENT DATE

Pursuant to existing Philippine SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC. In case no record date is specified for the cash and stock dividend declaration, then the same shall be deemed fixed at 15 days from such declaration.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment by such foreign shareholder was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the Philippine SEC and the PSE disclosure rules, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "**Payment Date**"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date.

DIVIDEND POLICY

Pursuant to a resolution approved by our Board of Directors on March 14, 2025, as amended on May 14, 2025, we will maintain an annual dividend payout ratio equivalent to the higher of:

(i) 50% of our prior year's net income after tax (the "**Net Income**"), or

(ii) 40% of the Net Income plus depreciation and amortization expenses (the "**Adjusted Net Income**"), capped at 100% of the Net Income,

where both the Net Income and the Adjusted Net Income refer solely to the parent's Net Income, depreciation and amortization expenses. This is consistent with our historical annual dividend payout ratio in the last three years. See "*—History of Dividend Payment*" and "*Business—Strengths and Strategies— Business Strategies—Maintain* *prudent financial management while supporting business growth and optimizing dividend payout to shareholders.*"

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. See "*Risk Factors—Risks Relating to the Offer and the Offer Shares—There can be no assurance that we will be able to pay dividends or maintain any given level of dividends*."

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.

HISTORY OF DIVIDEND PAYMENT

The following table summarizes the dividends previously declared and paid by us since 2021:

Date of Declaration	Record Date	Payment Date	Rate in ₱ per Common Share	Prior Year Net Income After Tax (₱ in thousands)	Aggregate Amount Paid (₱ in thousands)	Dividend Payout Ratio (%)
February 18, 2025	February 28, 2025	March 14, 2025	1.14	12,781,414	6,400,000	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
February 24, 2022	February 28, 2022	April 15, 2022	663.19	6,143,299	3,000,000	50.0
June 28, 2021	June 30, 2021	July 22, 2021	662.33	6,424,883	3,000,000	46.7

DIVIDEND POLICIES OF SUBSIDIARIES

Our subsidiaries do not have dividend policies. They may declare dividends at the discretion of their respective boards of directors and will depend upon the results of operations and future projects and plans and other considerations.

As of the date of this Prospectus, our subsidiaries have not declared any dividend for the past three years.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

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.

On May 20, 2024, we wrote a letter to the Philippine SEC through the Markets and Securities Regulation Department ("**MSRD**") to formally give notice of our issuance of shares of stock to our employees pursuant to our ESOP. We explained that we did not secure confirmation of exemption from the securities registration requirement, for our ESOP issuances considering: (i) that the terms and features of the ESOP shares were not typical of employee stock option plans, and are more akin to employees performances bonuses; and (ii) that the ESOP shares are not freely transferable Accordingly, we sought to compromise and reduce applicable penalties in relation to its issuance of shares under the ESOP. In a letter dated January 7, 2025, the Company was advised that the Philippine SEC Commission En Banc, in their meeting on December 26, 2024, favorably approved our request for the reduction of the penalty assessed against us. In compliance with the order, we promptly paid the reduced penalty with the Philippine SEC.

EXCHANGE RATES

Fluctuations in the exchange rates between the Philippine Peso and the U.S. dollar and other foreign currencies will affect the equivalent in U.S. dollars or other foreign currencies of the Philippine Peso price of the Offer Shares on the PSE, of dividends distributed in Philippine Pesos by the Issuer, if any, and of the Philippine Peso proceeds received by investors on a sale of the Offer Shares on the PSE, if any. Fluctuations in such exchange rates will also affect the Philippine Peso value of the Issuer's assets and liabilities which are denominated in currencies other than Philippine Pesos.

The following table sets forth certain information concerning the exchange rate as set out in the BSP Daily Reference Exchange Rate Bulletin between the Philippine Peso and the U.S. dollar for the periods and dates indicated, expressed in Philippine Pesos per U.S.$1.00:

	Philippine Peso/U.S. dollar exchange rate			
Year	**Period end**	**Average(1)**	**High(2)**	**Low(3)**
2021	50.77	49.25	50.96	47.67
2022	56.12	54.78	58.99	50.97
2023	55.57	55.63	56.96	53.77
2024	58.01	57.29	59.00	55.40
2025				
January	58.36	58.39	58.66	57.85
February	57.90	58.09	58.67	57.86
March	57.38	57.42	57.99	57.17

Notes:

(1) *Average exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period.*

(2) *Highest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period.*

(3) *Lowest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period.*

As of May 14, 2025, the closing rate quoted on the BSP Daily Reference Exchange Rate Bulletin was U.S.$1.00 = ₱55.71.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at up to ₱[20.00] per Offer Share. The Offer Price will be determined through a book-building process and discussions among the Company and the Joint Global Coordinators and Joint Bookrunners. Since the Common Shares have not been listed on any stock exchange, there has been no market price for the Common Shares derived from day-to-day trading.

The factors considered in determining the Offer Price were, among others, our ability to generate and grow our earnings and cash flows, our short and long-term prospects, the present value of the Company's projected cash flows, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market valuation of comparable listed companies. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

As of March 31, 2025, the Company's authorized capital stock was ₱9,093,964,000.00 divided into 9,093,964,000 Common Shares each with a par value of ₱1.00. As of March 31, 2025, there are 5,612,627,500 Common Shares issued and outstanding.

The following tables sets forth our capitalization and indebtedness as of March 31, 2025, and as adjusted to give effect to the issuance of the Offer Shares. These tables should be read in conjunction with our consolidated audited financial statements as of March 31, 2025 and notes thereto, included in this Prospectus.

I. Capitalization after the Offer of the Firm Shares and the Reserved Shares

	As of March 31, 2025		**As of March 31, 2025 as adjusted to give effect to the Offer**	
	(in million)			
	₱	**U.S.$[1]**	**₱**	**U.S.$[1]**
Total Debt[2]	**86,829.2**	**1,513.2**	**86,829.2**	**1,513.2**
Equity				
Capital stock	5,683.7	99.1	7,368.9	128.4
Additional paid-in capital	10,030.3	174.8	42,049.5	732.8
Treasury shares	(960.6)	(16.7)	(960.6)	(16.7)
Other comprehensive loss	(582.7)	(10.2)	(582.7)	(10.2)
Other equity adjustments	(309.2)	(5.4)	(309.2)	(5.4)
Retained earnings				
Unappropriated	18,188.1	317.0	18,188.1	317.0
Appropriated	40,549.0	706.7	40,549.0	706.7
Total Equity	**72,598.6**	**1,265.2**	**106,303.0**	**1,852.6**
Total Capitalization	**159,427.8**	**2,778.5**	**193,132.2**	**3,365.8**

II. Capitalization after the Offer of the Firm Shares, the Reserved Shares, and the Overallotment Option Shares (assuming full exercise of the Overallotment Option)

	As of March 31, 2025		**As of March 31, 2025 as adjusted to give effect to the Offer**	
	(in million)			
	₱	**U.S.$[1]**	**₱**	**U.S.$[1]**
Total Debt[2]	**86,829.2**	**1,513.2**	**86,829.2**	**1,513.2**
Equity				
Capital stock	5,683.7	99.1	7,618.0	132.8
Additional paid-in capital	10,030.3	174.8	46,781.4	815.3
Treasury shares	(960.6)	(16.7)	(960.6)	(16.7)
Other comprehensive loss	(582.7)	(10.2)	(582.7)	(10.2)
Other equity adjustments	(309.2)	(5.4)	(309.2)	(5.4)
Retained earnings				
Unappropriated	18,188.1	317.0	18,188.1	317.0
Appropriated	40,549.0	706.7	40,549.0	706.7
Total Equity	**72,598.6**	**1,265.2**	**111,284.0**	**1,939.4**
Total Capitalization	**159,427.8**	**2,778.5**	**198,113.2**	**3,452.7**

Notes:

(1) *The translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Daily Reference Exchange Rate as of March 31, 2025 of U.S.$1.00=₱57.38. See "Exchange Rates."*

(2) *Total Debt is 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.*

There had been no material change in our capitalization and indebtedness since March 31, 2025.

DILUTION

If you invest in the Offer Shares, your interest will be diluted for each Offer Share you purchase to the extent of the difference between the offer price per Offer Share and our net tangible book value per Common Share after the Offer. As of March 31, 2025, our net tangible book value per Common Share was ₱[12.93]. Net tangible book value per Common Share represents total assets minus total liabilities divided by the total number of Common Shares outstanding.

Assuming no exercise of the Overallotment Option, after giving effect to the sale of the Firm Shares and the Reserved Shares (at an Offer Price of up to ₱[20.00] per Offer Share), and after deducting estimated discounts, commissions, estimated fees and expenses of the Offer, the net tangible book value per Common Share would be ₱[14.57] per Offer Share. At the Offer Price of ₱[20.00], the Common Shares will be purchased at a premium of ₱[5.43] to net tangible book value per Common Share.

Assuming full exercise of the Overallotment Option, after giving effect to the sale of the Firm Shares, the Reserved Shares, the Overallotment Option Shares (at an Offer Price of up to ₱[20.00] per Offer Share), and after deducting estimated discounts, commissions, estimated fees and expenses of the Offer, the net tangible book value per Common Share would be ₱[14.75] per Offer Share. At the Offer Price of ₱[20.00], the Common Shares will be purchased at a premium of ₱[5.25] to net tangible book value per Common Share.

The following tables illustrate dilution on a per Common Share basis based on an Offer Price of up to ₱[20.00] per Offer Share assuming the following:

I. Dilution upon the issuance of the Firm Shares and the Reserved Shares

Offer Price per Offer Share	₱[20.00]
Net tangible book value per Common Share as of March 31, 2025	₱[12.93]
Net tangible book value per Common Share as adjusted after the Offer	₱[14.57]
Dilution to investors in the Offer	₱[5.43]

II. Dilution upon the issuance of the Firm Shares, the Reserved Shares, and the Overallotment Option Shares (assuming full exercise of the Overallotment Option)

Offer Price per Offer Share	₱[20.00]
Net tangible book value per Common Share as of March 31, 2025	₱[12.93]
Net tangible book value per Common Share as adjusted after the Offer	₱[14.75]
Dilution to investors in the Offer	₱[5.25]

The following table sets forth the shareholdings, and percentage of Common Shares outstanding, of existing and new shareholders of the Company immediately after completion of the Offer, assuming no exercise of the Overallotment Option and the Upsize Option:

	Number of Shares	**%**
Existing shareholders[(1)]	[5,637,532,300]	[77.2]
New investors	[1,660,317,400]	[22.8]
Total	[7,297,849,700]	[100.0]

Note:

(1) The figure includes [24,904,800] Reserved Shares to be subscribed by FPCL in the Preferential Offer and does not reflect any onward distribution of such Reserved Shares to FPCL's shareholders (to the extent elected by such shareholders).

The following table sets forth the shareholdings, and percentage of Common Shares outstanding, of existing and new shareholders immediately after completion of the Offer, assuming full exercise of the Overallotment Option and no exercise of the Upsize Option:

	Number of Shares	%
Existing shareholders[(1)]	[5,637,532,300]	[74.7]
New investors	[1,909,365,000]	[25.3]
Total	[7,546,897,300]	[100.0]

Note:

(1) The figure includes [24,904,800] Reserved Shares to be subscribed by FPCL in the Preferential Offer and does not reflect any onward distribution of such Reserved Shares to FPCL's shareholders (to the extent elected by such shareholders).

The following table sets forth the shareholdings, and percentage of Common Shares outstanding, of existing and new shareholders immediately after completion of the Offer, assuming full exercise of the Overallotment Option and the Upsize Option:

	Number of Shares	%
Existing shareholders[(1)]	[5,282,828,100]	[70.0]
New investors	[2,264,069,200]	[30.0]
Total	[7,546,897,300]	[100.0]

Note:

(1) The figure includes [24,904,800] Reserved Shares to be subscribed by FPCL in the Preferential Offer and does not reflect any onward distribution of such Reserved Shares to FPCL's shareholders (to the extent elected by such shareholders).

See "*Risk Factors—Risks Relating to the Offer and the Offer Shares —Future sales of shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings*" and "*—Investors may incur immediate and substantial dilution as a result of purchasing Common Shares in the Offer*" on pages 59 and 61 of this Prospectus.

SELECTED FINANCIAL INFORMATION

The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and our financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations." The summary financial information as of and for the years ended December 31, 2022, 2023 and 2024 and as of and for the three months ended March 31, 2024 and 2025 were derived from our consolidated audited financial statements, which were prepared in accordance with PFRS and were audited by SGV in accordance with the Philippine Standards on Auditing.

The summary financial information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of March 31, 2025 of ₱57.38 = U.S.$1.00.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
	(in million, except for earnings per share)						
	₱	₱	₱	U.S.$	₱	₱	U.S.$
OPERATING REVENUE							
Water services:							
West Zone	18,569.5	22,169.8	27,143.5	473.0	6,762.8	6,669.9	116.2
Outside West Zone	238.9	255.3	349.1	6.1	78.5	87.0	1.5
Wastewater services:							
West Zone	3,946.1	4,727.1	5,785.4	100.8	1,207.2	1,751.9	30.5
Others	120.2	171.0	216.5	3.8	52.4	56.0	1.0
	22,874.7	27,323.2	33,494.5	583.7	8,101.0	8,564.8	149.3
COSTS AND EXPENSES							
Amortization of service concession assets	2,459.2	2,744.8	3,028.6	52.8	689.5	745.2	13.0
Salaries, wages and benefits	2,267.1	2,525.1	2,893.4	50.4	798.3	689.1	12.0
Utilities............................	1,714.0	1,665.1	1,535.4	26.8	381.5	364.4	6.4
Contracted services	1,139.0	1,458.7	1,642.1	28.6	284.0	339.4	5.9
Taxes and licenses	662.7	834.1	1,026.1	17.9	441.5	256.3	4.5
Repairs and maintenance.........	688.4	900.1	873.9	15.2	166.4	159.0	2.8
Materials and supplies............	682.7	832.1	869.3	15.1	199.4	134.0	2.3
Depreciation and amortization ..	485.9	524.3	527.3	9.2	124.1	115.2	2.0
Regulatory costs	207.3	242.2	280.5	4.9	70.4	75.5	1.3
Rental	47.4	89.1	148.7	2.6	17.2	58.2	1.0
Business meetings and representations	119.5	159.7	174.8	3.0	39.8	49.6	0.9
Collection charges	152.1	182.2	197.9	3.4	42.5	42.0	0.7
Advertising and promotion	33.8	57.6	74.3	1.3	13.2	38.0	0.7
Purchased water..................	362.4	619.5	294.8	5.1	176.2	37.2	0.6
Transportation and travel	236.6	191.3	220.6	3.8	36.9	23.4	0.4
Provision for expected credit losses..............................	82.9	600.5	112.4	2.0	3.2	(18.1)	(0.3)
Insurance	51.1	62.2	64.0	1.1	21.3	17.7	0.3
Others	460.7	412.6	429.6	7.5	35.8	56.9	1.0
	11,852.8	**14,101.2**	**14,393.7**	**250.8**	**3,541.2**	**3,183.0**	**55.5**
INCOME BEFORE OTHER INCOME (EXPENSES) ..	**11,021.9**	**13,222.0**	**19,100.8**	**332.9**	**4,559.8**	**5,381.8**	**93.8**
OTHER INCOME (EXPENSES)							
Revenue from rehabilitation works..........................	14,995.0	19,175.3	27,081.3	472.0	3,925.8	6,946.5	121.1
Cost of rehabilitation works	(14,995.0)	(19,175.3)	(27,081.3)	(472.0)	(3,925.8)	(6,946.5)	(121.1)

	For the years ended December 31,				For the three months ended March 31,		
	2022	**2023**	**2024**	**2024**	**2024**	**2025**	**2025**
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**	**(Audited)**	**(Audited)**	**(Unaudited)**
	(in million, except for earnings per share)						
	₱	**₱**	**₱**	**U.S.$**	**₱**	**₱**	**U.S.$**
Interest expense and other financing charges	(2,321.7)	(2,503.3)	(2,414.4)	(42.1)	(615.2)	(595.4)	(10.4)
Foreign exchange gains (losses) - net	1,764.7	(1,167.6)	(1,643.3)	(28.6)	(359.5)	(350.0)	(6.1)
Foreign currency differential adjustments (FCDA)	(1,741.8)	1,129.0	1,656.3	28.9	363.4	350.2	6.1
Interest income	30.1	221.7	404.8	7.1	23.6	65.2	1.1
Dividend Income..................	-	-	-	-	16.0	-	-
Others – net.......................	(771.5)	1,021.2	(628.6)	(11.0)	48.3	(210.7)	(3.7)
	(3,040.2)	**(1,299.0)**	**(2,625.2)**	**(45.8)**	**(523.4)**	**(740.7)**	**(12.9)**
INCOME BEFORE INCOME TAX..........................	**7,981.7**	**11,923.0**	**16,475.6**	**287.1**	**4,036.4**	**4,641.1**	**80.9**
PROVISION FOR INCOME TAXES							
Current	1,919.5	2,409.3	3,430.2	59.8	827.3	933.4	16.3
Deferred	187.3	502.5	264.0	4.6	111.0	88.8	1.5
	2,106.8	**2,911.8**	**3,694.2**	**64.4**	**938.3**	**1,022.2**	**17.8**
NET INCOME	**5,874.9**	**9,011.2**	**12,781.4**	**222.8**	**3,098.1**	**3,618.9**	**63.1**
Basic Earnings Per Share.........	1.3	2.0	2.9	N/A	0.70	0.64	N/A
Diluted Earnings Per Share	1.3	2.0	2.9	N/A	0.69	0.64	N/A
NET INCOME	**5,874.9**	**9,011.2**	**12,781.4**	**222.8**	**3,098.1**	**3,618.9**	**63.1**
OTHER COMPREHENSIVE INCOME (LOSS)							
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:							
Remeasurement gain (loss) on retirement plan.......	224.6	(159.0)	(550.3)	(9.6)	(593.5)	39.0	0.7
Income tax effect............	(38.4)	14.8	51.2	0.9	55.2	(14.2)	(0.2)
	186.2	(144.2)	(499.1)	(8.7)	(538.3)	24.8	0.4
TOTAL COMPREHENSIVE INCOME....................	**6,061.1**	**8,867.0**	**12,282.3**	**214.1**	**2,559.8**	**3,643.7**	**63.5**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,				As of March 31,	
	2022	2023	2024	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
			(in million)			
	₱	₱	₱	U.S.$	₱	U.S.$
ASSETS						
Current Assets						
Cash and cash equivalents	10,438.7	4,902.6	10,519.5	183.3	5,398.2	94.1
Trade and other receivables	2,831.4	2,418.1	2,722.9	47.5	2,717.9	47.4
Contract assets	1,000.9	1,205.0	1,386.5	24.2	1,311.3	22.9
Other current assets	1,819.2	1,862.5	2,130.7	37.1	2,606.7	45.4
Total Current Assets	16,090.2	10,388.2	16,759.6	292.1	12,034.1	209.7
Noncurrent Assets						
Service concession assets	121,187.9	140,919.5	168,339.3	2,933.8	175,570.4	3,059.8
Property and equipment	1,574.0	1,889.7	1,963.2	34.2	1,898.7	33.1
Financial asset at fair value through other comprehensive income	124.9	124.9	124.9	2.2	124.9	2.2
Other noncurrent assets	4,401.1	10,381.3	10,983.6	191.4	10,352.1	180.4
Total Noncurrent Assets	127,287.9	153,315.4	181,411.0	3,161.6	187,946.1	3,275.4
	143,378.1	**163,703.6**	**198,170.6**	**3,453.7**	**199,980.3**	**3,485.2**
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	22,116.2	20,567.6	24,157.0	421.0	25,964.3	452.5
Current portion of interest-bearing loans	3,806.3	2,587.7	4,186.1	73.0	2,612.6	45.5
Current portion of service concession obligation payable to MWSS	940.9	874.6	1,027.3	17.9	1,036.2	18.1
Income tax payable	631.4	530.7	787.9	13.7	945.6	16.5
Total Current Liabilities	27,494.8	24,560.6	30,158.3	525.6	30,558.6	532.6
Noncurrent Liabilities						
Interest-bearing loans–- net of current portion	43,107.8	59,214.2	79,461.5	1,384.8	84,216.6	1,467.7
Service concession obligation payable to MWSS–- net of current portion	6,069.2	6,489.0	6,294.5	109.7	5,897.5	102.8
Deferred tax liabilities–- net	1,037.0	1,524.8	1,737.6	30.3	1,840.7	32.1
Deferred credits	795.4	1,208.0	1,379.6	24.0	1,149.7	20.0
Retirement liability	151.8	285.7	870.8	15.2	826.0	14.4
Customers' deposits	529.4	548.6	605.6	10.6	630.3	11.0
Other noncurrent liabilities	1,255.1	1,702.3	2,307.8	40.2	2,262.2	39.4
Total Noncurrent Liabilities	52,945.7	70,972.6	92,657.3	1,614.8	96,823.0	1,687.4
Total Liabilities	80,440.5	95,533.3	122,815.6	2,140.4	127,381.6	2,220.0
Equity						
Capital stock	4,547.0	4,547.0	5,683.7	99.1	5,683.7	99.0
Additional paid-in capital	10,032.9	10,041.7	10,030.3	174.8	10,030.3	174.8
Treasury shares	(349.1)	(391.9)	(960.6)	(16.7)	(960.6)	(16.7)
Other comprehensive income (loss)	35.8	(108.4)	(607.5)	(10.6)	(582.7)	(10.2)
Other equity adjustments	(309.2)	(309.2)	(309.2)	(5.4)	(309.2)	(5.4)
Retained earnings						
Unappropriated	20,230.0	25,641.2	20,969.2	365.4	18,188.1	317.0
Appropriated	28,750.0	28,750.0	40,549.0	706.7	40,549.0	706.4
Total Equity	**62,937.4**	**68,170.3**	**75,355.0**	**1,313.3**	**72,598.6**	**1,265.2**
	143,378.1	**163,703.6**	**198,170.6**	**3,453.7**	**199,980.3**	**3,485.2**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
	₱	₱	₱	(*in million*) U.S.$	₱	₱	U.S.$
Net cash used in operating activities	(709.9)	(5,839.7)	(5,230.0)	(91.1)	1,359.5	(422.0)	(7.4)
Net cash provided by (used in) investing activities	112.4	(7,056.9)	(1,097.1)	(19.1)	(347.7)	546.0	9.5
Net cash provided by financing activities	3,070.5	7,360.5	11,944.1	208.2	8,243.4	(5,245.4)	(91.4)
Net increase (decrease) in cash and cash equivalents	2,473.0	(5,536.1)	5,617.0	97.9	9,255.2	(5,121.4)	(89.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	7,965.7	10,438.7	4,902.6	85.4	4,902.6	10,519.5	183.3
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,438.7	4,902.6	10,519.5	183.3	14,157.7	5,398.2	94.1

SELECTED OPERATING DATA

	As of and for the years ended December 31,			As of and for the three months ended March 31,	
	2022	2023	2024	2024	2025
Net Income (₱ millions)	5,874.9	9,011.2	12,781.4	3,098.1	3,618.9
EBITDA[1] (₱ millions)	13,218.4	17,473.9	22,041.1	5,441.6	6,031.7
EBITDA Margin[2]	57.8%	64.0%	65.8%	67.2%	70.4%
Return-on-Assets [3][4]	4.3%	5.9%	7.1%	7.3%	7.3%
Debt-to-Equity Ratio[5]	0.7	0.9	0.9	1.6	1.0
Debt Service Coverage Ratio[6][7]	3.7	3.6	3.5	3.3	2.3
Asset-to-Equity Ratio[8]	2.3	2.4	2.6	2.8	2.8
Debt-to-EBITDA Ratio[9]	3.6	3.5	3.8	1.1	2.1
Fixed-to-Floating Debt Ratio[10]	100:0	100:0	100:0	100:0	100:0
Peso-to-Foreign Debt Ratio[11]	93:7	90:10	94:6	91:9	94:6
Return-on-Equity[12][13]	9.6%	13.7%	17.8%	18.3%	19.5%

***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) For the three months ended March 31, 2024 and 2025, Return-on-Assets has been annualized by multiplying the quarterly ratio by four to reflect the full year equivalent ratio

(5) 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.

(6) Calculated as (a) the sum of (i) the EBITDA as of the last day of the immediately preceding 12-month period, and (ii) our cash and cash equivalents at the beginning of the immediately succeeding 12-month period, in both cases as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable, divided by (b) debt service for the immediately succeeding 12-month period.

(7) For the three months ended March 31, 2024 and 2025, Debt Service Coverage Ratio is calculated as (a) the sum of (i) the EBITDA as of the last day of the immediately preceding 12-month period up to the end of the period and (ii) our cash and cash equivalents at the beginning of the immediately succeeding 12-month period up to the end of the period, in both cases as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable, divided by (b) debt service for the immediately succeeding 12-month period up to the end of the 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.

(8) Calculated as total assets / total equity.

(9) Calculated as Debt (at end of period) / EBITDA (last 12 months up to end of period).

(10) Calculated by dividing the total amount of our Debt with fixed interest rates by the total amount of Debt with floating interest rates.

(11) Calculated by dividing the total amount of our Debt in Philippine Peso by the total amount of Debt in foreign currencies.

(12) 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.

(13) For the three months ended March 31, 2024 and 2025, Return-on-Equity has been annualized by multiplying the quarterly ratio by four to reflect the full year equivalent ratio.

CALCULATION OF EBITDA

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

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net Income	5,874.9	9,011.2	12,781.4	222.8	3,098.1	3,618.9	63.1
Add/(Deduct):							
Interest expense and other financing charges	2,321.7	2,503.4	2,414.4	42.1	615.2	595.4	10.4
Provision for income taxes	2,106.8	2,911.8	3,694.2	64.4	938.3	1,022.2	17.8
Depreciation and amortization	485.9	524.3	527.3	9.2	124.1	115.2	2.0
Amortization of service concession assets	2,459.2	2,744.8	3,028.6	52.8	689.5	745.2	13.0
Less: Interest income	(30.1)	(221.7)	(404.8)	(7.1)	(23.6)	(65.2)	(1.1)
EBITDA	**13,218.4**	**17,473.9**	**22,041.1**	**384.1**	**5,441.7**	**6,031.7**	**105.1**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read this discussion and analysis of the Company's financial condition and results of operations in conjunction with the section entitled "Selected Financial Information" and with the consolidated audited financial statements as of and for the years ended December 31, 2022, 2023 and 2024 (the "consolidated audited financial statements") and the consolidated audited interim financial statements as of and for the three months ended March 31, 2024 and 2025 (the "consolidated audited interim financial statements"), including the notes relating thereto, included elsewhere in this Prospectus. The consolidated audited financial statements included in this Prospectus were prepared in compliance with PFRS.

This discussion contains forward-looking statements and reflects the Company's current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" on page 31 and elsewhere in this Prospectus. See "Forward-Looking Statements" on page iv of this Prospectus.

The translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Daily Reference Rate as of March 31, 2025 of U.S.$1.00 = ₱57.38.

OVERVIEW

We are 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. See "*Business— Competitive Strengths – We are a pure-play sustainable water and wastewater solutions provider, delivering positive environmental and social returns for stakeholders.*" As of March 31, 2025, the West Zone covered 540 sq. km with a population of over 10.5 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. As of March 31, 2025, we had a total of 1,556,603 billed connections consisting of domestic and non-domestic customers, collectively, covering 94.7% of the West Zone's population. 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 March 31, 2025, our key infrastructure and facilities included eight water treatment plants which connect to our customers through a 7,912.0-kilometer distribution network through 39 reservoirs and 40 pumping stations along with 21 serviceable deep wells that may be used as back-up. Wastewater from our customers is managed through a 653.7-kilometer sewerage pipeline, 129 wastewater pumping/lift stations, and 93 vacuum truck units that are used for desludging, all leading to 24 wastewater treatment plants. All these infrastructure 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 Prospectus, 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. See "*Material Agreements—Amendments to the Revised Concession Agreement.*"

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.

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 (U.S.$583.7 million), respectively, and net income of ₱5,874.9 million, ₱9,011.2 million and ₱12,781.4 million (U.S.$222.8 million), respectively. For the three months ended March 31, 2024 and 2025, we had total operating revenue of ₱8,101.0 million and ₱8,564.8 million (U.S.$149.3 million), respectively, and net income of ₱3,098.1 million and ₱3,618.9 million (U.S.$63.1 million), respectively.

As of December 31, 2024 and March 31, 2025, we had total assets of ₱198,170.6 million and ₱199,980.3 million (U.S.$3,485.2 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 March 31, 2025. 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 three months ended March 31, 2025, our purchased water increased our average daily production capacity by 0.05%. 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 March 31, 2025. 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 the adoption of the DMA program, active pipe replacement, use of pressure diagnostic technologies, 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. See "*Risk Factors—Risks Relating to Us and Our Business—Failure to meet NRW reduction targets may materially and adversely affect our business and financial condition.*" We expect to gain financial benefits from enhanced operational efficiency and improved facilitation of water conservation, including reduced NRW, through lower water production requirements, reduced water distribution costs, as well as lower mitigation cost requirements.

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. See "*Risk Factors—Risks Relating to Us and Our Business—We have limited sources of raw water, and the volume of raw water available to us may be constricted or limited by various factors beyond our control and may not increase with the expected increase in water demand.*"

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 and the three months ended March 31, 2024 and 2025, we derived 98.5%, 98.4%, 98.3%, 98.4%, and 98.3%, respectively, 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. See "*Business—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement.*" 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. *See* "*Business—Customers and Collections.*"

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. See "*Business—The Revised Concession Agreement*", "*Material Agreements—Overview of the Revised Concession Agreement*" and "*Risk Factors—Risks Relating to Us and Our Business—The tariff that we charge our customers are subject to regulation, and our operating costs are subject to market conditions and other factors and can be volatile and disproportionate to the tariff adjustments.*"

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, ₱25,746.0 million (U.S.$448.7 million) and ₱4,852.9 million (U.S.$84.6 million), in the years ended December 31, 2023 and 2024 and the three months ended March 31, 2025, 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 ₱46.2 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 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 (U.S.$2,845.9 million). 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 (U.S.$677.2 million) for capital expenditures for the year ending December 31, 2025. See "*—Liquidity and Capital Resources – Capital Expenditures.*"

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. See "*Business—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement.*"

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. See "*Risk Factors—Risks Relating to Us and Our Business—The tariff that we charge our customers are subject to regulation, and our operating costs are subject to market conditions and other factors and can be volatile and disproportionate to the tariff adjustments.*"

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. See *"Risk Factors—Risks Relating to Us and Our Business—The tariff that we charge our customers are subject to regulation, and our operating costs are subject to market conditions and other factors and can be volatile and disproportionate to the tariff adjustments*" and

"*Business—The Revised Concession Agreement —Tariff Determination under the Revised Concession Agreement.*"

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. See "*Risk Factors—Risks Relating to the Philippines—Volatility in the value of the Philippine Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect our businesses.*"

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 and our consolidated audited interim financial statements included elsewhere in this Prospectus.

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 and the three months ended March 31, 2024 and 2025 are based on, and should be read in conjunction with, the consolidated audited financial statements, and related notes thereto, included elsewhere in this Prospectus.

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 and periods indicated:

	For the years ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	(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%	6,762.8	83.5%	6,669.9	77.9%
Outside West Zone................	238.9	1.0%	255.3	0.9%	349.1	1.0%	78.5	1.0%	87.0	1.0%
Wastewater services										
West Zone	3,946.1	17.3%	4,727.1	17.3%	5,785.4	17.3%	1,207.2	14.9%	1,751.9	20.5%
Others	120.2	0.5%	171.0	0.6%	216.5	0.6%	52.4	0.6%	56.0	0.7%
	22,874.7	**100.0%**	**27,323.2**	**100.0%**	**33,494.5**	**100.0%**	**8,101.0**	**100.0%**	**8,564.8**	**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, as applicable, 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. See "*Business—Recent Developments—MWSS Approval of Tariff Adjustments*."

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 and periods indicated:

	For the years ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
Operating revenue in the West Zone[(1)]					
Domestic customers (%)	59.3	57.6	57.6	57.3	57.7
Non-domestic customers (%)	40.7	42.4	42.4	42.7	42.3
Total operating revenue in the West Zone[(1)] **(₱ in million) ....**	**22,515.6**	**26,896.9**	**32,928.9**	**7,907.1**	**8,421.8**
Billed volume					
Domestic customers (in MCM)	435.8	439.3	451.1	109.9	108.9
Non-domestic customers (in MCM).......................................	91.1	99.1	102.4	24.8	24.1
Total billed volume (in MCM) .	**526.9**	**538.4**	**553.5**	**134.7**	**133.0**
Average tariff (₱/cu.m.)[(2)].............	42.7	50.0	59.5	59.8	64.0

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,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
					(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%	689.5	19.5%	745.2	23.4%
Salaries, wages and benefits	2,267.1	19.1%	2,525.1	17.9%	2,893.4	20.1%	798.3	22.5%	689.1	21.7%
Utilities	1,714.0	14.5%	1,665.1	11.8%	1,535.4	10.7%	381.5	10.8%	364.4	11.4%
Contracted services........	1,139.0	9.6%	1,458.7	10.3%	1,642.1	11.4%	284.0	8.0%	339.4	10.7%
Taxes and licenses	662.7	5.6%	834.1	5.9%	1,026.0	7.1%	441.5	12.5%	256.3	8.1%
Repairs and maintenance..................	688.4	5.8%	900.1	6.4%	873.9	6.1%	166.4	4.7%	159.0	5.0%
Materials and supplies ...	682.7	5.8%	832.1	5.9%	869.3	6.0%	199.4	5.6%	134.0	4.2%
Depreciation and amortization..................	485.9	4.1%	524.3	3.7%	527.3	3.7%	124.1	3.5%	115.2	3.6%
Regulatory costs	207.3	1.7%	242.2	1.7%	280.5	1.9%	70.4	2.0%	75.5	2.4%
Rental............................	47.4	0.4%	89.1	0.6%	148.7	1.0%	17.2	0.5%	58.2	1.8%
Business meetings, representations..............	119.5	1.0%	159.7	1.1%	174.8	1.2%	39.8	1.1%	49.6	1.6%
Collection charges	152.1	1.3%	182.2	1.3%	197.9	1.4%	42.5	1.2%	42.0	1.3%
Advertising and promotion	33.8	0.3%	57.6	0.4%	74.3	0.5%	13.2	0.4%	38.0	1.2%
Purchased water............	362.4	3.1%	619.5	4.4%	294.8	2.0%	176.2	5.0%	37.2	1.2%
Transportation and travel.............................	236.6	2.0%	191.3	1.4%	220.6	1.5%	36.9	1.0%	23.4	0.7%
Provision for expected credit losses	82.9	0.7%	600.5	4.3%	112.4	0.8%	3.2	0.1%	(18.1)	(0.6)%
Insurance.......................	51.1	0.4%	62.2	0.4%	64.0	0.4%	21.3	0.6%	17.7	0.6%
Others	460.7	3.9%	412.6	2.9%	429.6	3.0%	35.8	1.0%	56.9	1.8%
	11,852.8	**100.0%**	**14,101.2**	**100.0%**	**14,393.7**	**100.0%**	**3,541.2**	**100.0%**	**3,183.0**	**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

Three months ended March 31, 2025 compared to the three months ended March 31, 2024

	For the three months ended March 31,			
	2024	2025	2025	% Increase (Decrease)
	(Audited)	(Audited) (*in million*)	(Unaudited)	
	₱	₱	U.S.$	
Operating Revenue				
Water services				
West Zone	6,762.8	6,669.9	116.2	(1.4)%
Outside West Zone	78.5	87.0	1.5	10.8%
Wastewater services				
West Zone	1,207.2	1,751.9	30.5	45.1%
Others	52.4	56.0	1.0	6.7%
	8,101.0	8,564.8	149.3	5.7%
Costs and expenses	**3,541.2**	**3,183.0**	**55.5**	**(10.1)%**
Income before other income (expense)	**4,559.8**	**5,381.8**	**93.8**	**18.0%**
Other income (expenses)				
Revenue from rehabilitation works	3,925.8	6,946.5	121.1	76.9%
Cost of rehabilitation works	(3,925.8)	(6,946.5)	(121.1)	76.9%
Interest expense and other financing charges	(615.2)	(595.4)	(10.4)	(3.2)%
Foreign exchange losses – net	(359.5)	(350.0)	(6.1)	(2.6)%
Foreign currency differential adjustments (FCDA)	363.4	350.2	6.1	(3.7)%
Interest income	23.6	65.2	1.1	176.3%
Dividend Income	16.0	-	-	(100.0)%
Others – net	48.3	(210.7)	(3.7)	N/A
	(523.4)	(740.7)	(12.9)	41.5%
Income before income tax	**4,036.4**	**4,641.1**	**80.9**	**15.0%**
Provision for income taxes				
Current	827.3	933.4	16.3	12.8%
Deferred	111.0	88.8	1.5	(20.1)%
	938.3	1,022.2	17.8	8.9%
Net income	**3,098.1**	**3,618.9**	**63.1**	**16.8%**

Operating Revenue

Operating revenue from water services in the West Zone decreased by 1.4% to ₱6,669.9 million (U.S.$116.2 million) for the three months ended March 31, 2025, compared to ₱6,762.8 million for the three months ended March 31, 2024, primarily due to lower billed volume in 2025, driven by reduced demand from certain customers following the Government's orders to wind down the Philippine offshore gaming operations ("**POGO**"), along with the closure of major establishments within the West Zone, which was partially offset by higher tariffs approved by the MWSS-RO effective January 1, 2025.

Operating revenue from wastewater services in the West Zone increased by 45.1% to ₱1,751.9 million (U.S.$30.5 million) for the three months ended March 31, 2025, compared to ₱1,207.2 million for the three months ended March 31, 2024, primarily due to the approved increases in tariffs and the environmental charges beginning January 1, 2025.

Costs and expenses

Costs and expenses decreased by 10.1% to ₱3,183.0 million (U.S.$55.5 million) for the three months ended March 31, 2025, compared to ₱3,541.2 million for the three months ended March 31, 2024, primarily driven by a decrease in salaries, wages and benefits, purchased water, provision for expected credit losses, and taxes and licenses, partially offset by an increase in amortization of service concession assets, contracted services, and rental costs, as provided below:

	For the three months ended March 31,			
	2024	2025	2025	% Increase (Decrease)
	(Audited)	(Audited)	(Unaudited)	
		(in million)		
	₱	₱	U.S.$	
Costs and expenses				
Amortization of service concession assets	689.5	745.2	13.0	8.1%
Salaries, wages and benefits	798.3	689.1	12.0	(13.7)%
Utilities	381.5	364.4	6.4	(4.5)%
Contracted services	284.0	339.4	5.9	19.5%
Taxes and licenses	441.5	256.3	4.5	(41.9)%
Repairs and maintenance	166.4	159.0	2.8	(4.4)%
Materials and supplies	199.4	134.0	2.3	(32.8)%
Depreciation and amortization	124.1	115.2	2.0	(7.2)%
Regulatory costs	70.4	75.5	1.3	7.2%
Rental	17.2	58.2	1.0	239.3%
Business meetings and representations	39.8	49.6	0.9	24.5%
Collection charges	42.5	42.0	0.7	(1.1)%
Advertising and promotion	13.2	38.0	0.7	187.7%
Purchased water	176.2	37.2	0.6	(78.9)%
Transportation and travel	36.9	23.4	0.4	(36.6)%
Provision for (reversal of) expected credit losses	3.2	(18.1)	(0.3)	N/A
Insurance	21.3	17.7	0.3	(17.3)%
Others	35.8	56.9	1.0	58.9%
Total	**3,541.2**	**3,183.0**	**55.5**	**(10.1)%**

Amortization of service concession assets increased by 8.1% to ₱745.2 million (U.S.$13.0 million) for the three months ended March 31, 2025, compared to ₱689.5 million for the three months ended March 31, 2024, primarily due to an increase in the number of service concession assets from project completions during the year. For the West Zone, the service concession assets from these projects were capitalized and amortized using the UOP method, as the economic benefit of these 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.

Salaries, wages and benefits decreased by 13.7% to ₱689.1 million (U.S.$12.0 million) for the three months ended March 31, 2025, compared to ₱798.3 million for the three months ended March 31, 2024, primarily due to a one-off employee benefits costs incurred in 2024 that was not repeated in 2025. This was partially offset by an increase in employee headcount, the accrual for personnel-related costs, and higher employer contributions due to an increase in SSS premiums in the current period.

Utilities costs decreased by 4.5% to ₱364.4 million (U.S.$6.4 million) for the three months ended March 31, 2025, compared to ₱381.5 million for the three months ended March 31, 2024, primarily due to (i) lower power consumption at our facilities, and (ii) the removal of the Fuel Cost Recovery Adjustment charged by the Manila Electric Company ("**Meralco**") in 2025.

Expenses for contracted services increased by 19.5% to ₱339.4 million (U.S.$5.9 million) for the three months ended March 31, 2025, compared to ₱284.0 million for the three months ended March 31, 2024, primarily due to (i) higher costs associated with janitorial services, and (ii) increased expenses for sludge hauling services at the Putatan water treatment plants.

Payments for taxes and licenses decreased by 41.9% to ₱256.3 million (U.S.$4.5 million) for the three months ended March 31, 2025, compared to ₱441.5 million for the three months ended March 31, 2024, primarily due to the extension period offered by certain local government units for the payment of taxes and permits for the current year, resulting in a different timing of payments compared to the previous year. In 2024, the deadlines set by the LGUs for local taxes were due as scheduled on January 20. However, in 2025, the deadlines were extended, with some falling in March and others in April. Consequently, there was a delay in the recording of expenses in 2025, leading to lower reported taxes compared to 2024.

Repairs and maintenance expenses decreased by 4.4% to ₱159.0 million (U.S.$2.8 million) for the three months ended March 31, 2025, compared to ₱166.4 million for the three months ended March 31, 2024, primarily due to the significant capital expenditure investments made in 2023 and 2024. As a result, most of our equipment is either relatively new or has been recently maintained, which reduced the need for repair and maintenance costs.

Materials and supplies expenses decreased by 32.8% to ₱134.0 million (U.S.$2.3 million) for the three months ended March 31, 2025, compared to ₱199.4 million for the three months ended March 31, 2024, primarily due to lower consumption of chemicals in our water treatment plants, resulting from reduced raw water turbidity and a lower production requirement in 2025 compared to 2024.

Depreciation and amortization decreased by 7.2% to ₱115.2 million (U.S.$2.0 million) for the three months ended March 31, 2025, compared to ₱124.1 million for the three months ended March 31, 2024, primarily due to higher depreciation of right-of-use assets in 2024, given the increase in new leases entered into during the period.

Regulatory costs increased by 7.2% to ₱75.5 million (U.S.$1.3 million) for the three months ended March 31, 2025, compared to ₱70.4 million for the three months ended March 31, 2024, primarily due to higher CPI during the period, which led to increased costs associated with regulatory compliance and operational expenses.

Rental expenses increased by 239.3% to ₱58.2 million (U.S.$1.0 million) for the three months ended March 31, 2025, compared to ₱17.2 million for the three months ended March 31, 2024, primarily due to increased rentals of equipment for our water network, as well as for generator and transformer sets.

Expenses for business meetings and representation activities increased by 24.5% to ₱49.6 million (U.S.$0.9 million) for the three months ended March 31, 2025, compared to ₱39.8 million for the three months ended March 31, 2024, primarily due to an increase in management meetings conducted during the period compared to the previous period, which were offset against savings on representation expenses.

Collection charges decreased by 1.1% to ₱42.0 million (U.S.$0.7 million) for the three months ended March 31, 2025, compared to ₱42.5 million for the three months ended March 31, 2024, primarily due to higher customer collection activities in 2024 compared to the current period.

Advertising and promotion expenses increased by 187.7% to ₱38.0 million (U.S.$0.7 million) for the three months ended March 31, 2025, compared to ₱13.2 million for the three months ended March 31, 2024, primarily due to higher spending to support advocacies on water programs, particularly in NRW efforts.

Purchased water costs decreased by 78.9% to ₱37.2 million (U.S.$0.6 million) for the three months ended March 31, 2025, compared to ₱176.2 million for the three months ended March 31, 2024, primarily due to the reduced volume of purchased water in 2025. The slowdown in demand from certain customers, including the POGOs, allowed us to meet our water supply requirements with internally-produced water, thereby reducing the need for purchased water. Furthermore, the contract with Manila Water for purchased water, which was in place during 2024, was not renewed in 2025, contributing to the decrease in purchased water costs.

Transportation and travel expenses decreased by 36.6% to ₱23.4 million (U.S.$0.4 million) for the three months ended March 31, 2025, compared to ₱36.9 million for the three months ended March 31, 2024, primarily driven by a significant decrease in fuel and oil consumption, resulting from initiatives to promote more efficient use of service vehicles, such as correcting driver habits related to idling and adopting eco-driving techniques. Additionally, more accurate accrual assumptions in the current period contributed to the decrease, partially offset by a net increase in fuel rates.

We had a reversal of ECL of ₱18.1 million (U.S.$0.3 million) for the period ended March 31, 2025, compared to a provision for ECL of ₱3.2 million for the period ended March 31, 2024. This change was primarily due to an update in the allowance for doubtful accounts at a lower amount, as a result of improvements in receivables management.

Insurance expenses decreased by 17.3% to ₱17.7 million (U.S.$0.3 million) for the three months ended March 31, 2025, compared to ₱21.3 million for the three months ended March 31, 2024, primarily due to favorable adjustments in insurance coverage and premiums.

Others, costs and expenses increased by 58.9% to ₱56.9 million (U.S.$1.0 million) for the three months ended March 31, 2025, compared to ₱35.8 million for the three months ended March 31, 2024, primarily due higher rental expenses for generator sets used in operations, which was partly offset by savings in supplies and materials.

Other Income (Expenses)

Revenue from rehabilitation works and the corresponding cost of rehabilitation works increased by 76.9% to ₱6,946.5 million (U.S.$121.1 million) for the three months ended March 31, 2025, compared to ₱3,925.8 million for the three months ended March 31, 2024, primarily due to higher capital expenditures to enable us to comply with our service obligations under the Revised Concession Agreement.

Interest expense and other financing charges decreased by 3.2% to ₱595.4 million (U.S.$10.4 million) for the three months ended March 31, 2025, compared to ₱615.2 million for the three months ended March 31, 2024, primarily due to declining balances of loans following partial payments totalling ₱2,271.8 million made in the first quarter of 2025. Additionally, the full payment of our Philippine Peso denominated Japan International Cooperation Agency ("**JICA**") loan in October 2024, amounting to ₱204.9 million, contributed to the reduction in interest expense.

Net foreign exchange losses decreased by 2.6% to ₱350.0 million (U.S.$6.1 million) for the three months ended March 31, 2025, compared to ₱359.5 million for the three months ended March 31, 2024, primarily due to fluctuations in the U.S. dollar and Japanese Yen exchange rates against the Philippine Peso.

FCDA likewise decreased by 3.7% to ₱350.2 million (U.S.$6.1 million) for the three months ended March 31, 2025, compared to ₱363.4 million for the three months ended March 31, 2024, primarily due to the continuous appreciation in the value of the Japanese yen against the Philippine Peso during the period.

Interest income increased by 176.3% to ₱65.2 million (U.S.$1.1 million) for the three months ended March 31, 2025, compared to ₱23.6 million for the three months ended March 31, 2024, primarily due to a higher beginning principal amount balance of cash in banks and cash equivalents in 2025 compared to 2024.

Others – net, the amount resulted to net expense amounting to ₱210.7 million (U.S.$3.7 million) for the year ended March 31, 2025 from an income of ₱48.3 million for the year ended March 31, 2024, primarily due to provisions made in the current period.

Income before Income Tax

As a result of the foregoing, our income before income tax increased by 15.0% to ₱4,641.1 million (U.S.$80.8 million) for the three months ended March 31, 2025, compared to ₱4,036.4 million for the three months ended March 31, 2024.

Provision for Income Taxes

Our provision for income tax likewise increased by 8.9% to ₱1,022.2 million (U.S.$17.8 million) for the three months ended March 31, 2025, from ₱938.3 million for the three months ended March 31, 2024, primarily due to an increase in taxable income. Our provision for income tax is broken down as follows:

	For the three months ended March 31,			
	2024	**2025**	**2025**	**% Increase (Decrease)**
	(Audited)	**(Audited)** *(in million)*	**(Unaudited)**	
	₱	**₱**	**U.S.$**	
Provision for income taxes				
Current	827.3	933.4	16.3	12.8%
Deferred	111.0	88.8	1.5	(20.1)%
Total	**938.3**	**1,022.2**	**17.8**	**8.9%**

Current tax increased by 12.8% to ₱933.4 million (U.S.$16.3 million) for the three months ended March 31, 2025, compared to ₱827.3 million for the three months ended March 31, 2024, primarily due to higher income from operations as a result of higher revenues and optimized spending.

Deferred tax decreased by 20.0% to ₱88.0 million (U.S.$1.5 million) for the three months ended March 31, 2025, compared to ₱111.0 million for the three months ended March 31, 2024, primarily due to the adoption of the optional standard deduction ("**OSD**") method since 2024, which altered the timing and recognition of certain tax deductions, thereby reducing the deferred income tax liabilities for the period.

Net income

As a result of the foregoing, net income increased by 16.8% to ₱3,618.9 million (U.S.$63.1 million) for the three months ended March 31, 2025, compared to ₱3,098.1 million for the three months ended March 31, 2024.

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

	For the years ended December 31,			
	2023	**2024**	**2024**	**% Increase (Decrease)**
	(Audited)	**(Audited)** (*in million*)	**(Unaudited)**	
	₱	**₱**	**U.S.$**	
Operating Revenue				
Water services				
West Zone	22,169.8	27,143.5	473.0	22.4%
Outside West Zone	255.3	349.1	6.1	36.8%
Wastewater services				
West Zone	4,727.1	5,785.4	100.8	22.4%
Others	171.0	216.5	3.8	26.6%
	27,323.2	33,494.5	583.7	22.6%
Costs and expenses	**14,101.2**	**14,393.7**	**250.8**	**2.1%**
Income before other income (expense)	**13,222.0**	**19,100.8**	**332.9**	**44.5%**
Other income (expenses)				
Revenue from rehabilitation works	19,175.3	27,081.3	472.0	41.2%
Cost of rehabilitation works	(19,175.3)	(27,081.3)	(472.0)	41.2%
Interest expense and other financing charges	(2,503.3)	(2,414.4)	(42.1)	(3.6)%
Foreign exchange losses – net	(1,167.6)	(1,643.3)	(28.6)	40.8%
Foreign currency differential adjustments (FCDA)	1,129.0	1,656.3	28.9	46.7%
Interest income	221.7	404.8	7.1	82.6%
Others – net	1,021.2	(628.6)	(11.0)	N/A
	(1,299.0)	(2,625.2)	(45.8)	102.1%
Income before income tax	**11,923.0**	**16,475.6**	**287.1**	**38.2%**
Provision for income taxes				
Current	2,409.3	3,430.2	59.8	42.4%
Deferred	502.5	264.0	4.6	(47.5)%
	2,911.8	3,694.2	**64.4**	26.9%
Net income	**9,011.2**	**12,781.4**	**222.8**	**41.8%**

Operating Revenue

Operating revenue from water services in the West Zone increased by 22.4% to ₱27,143.5 million (U.S.$473.0 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 (U.S.$100.8 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 (U.S.$250.8 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 the years ended December 31,			
	2023	2024	2024	% Increase (Decrease)
	(Audited)	(Audited) *(in million)*	(Unaudited)	
	₱	₱	U.S.$	
Costs and expenses				
Amortization of service concession assets	2,744.8	3,028.6	52.8	10.3%
Salaries, wages and benefits	2,525.1	2,893.4	50.4	14.6%
Utilities	1,665.1	1,535.4	26.8	(7.8)%
Contracted services	1,458.7	1,642.1	28.6	12.6%
Taxes and licenses	834.1	1,026.0	17.9	23.0%
Repairs and maintenance	900.1	873.9	15.2	(2.9)%
Materials and supplies	832.1	869.3	15.1	4.5%
Depreciation and amortization	524.3	527.3	9.2	0.6%
Regulatory costs	242.2	280.5	4.9	15.8%
Rental	89.1	148.7	2.6	66.9%
Business meetings and representations	159.7	174.8	3.0	8.6%
Collection charges	182.2	197.9	3.4	9.5%
Advertising and promotion	57.6	74.3	1.3	29.0%
Purchased water	619.5	294.8	5.1	(52.4)%
Transportation and travel	191.3	220.6	3.8	15.3%
Provision for expected credit losses	600.5	112.4	2.0	(81.3)%
Insurance	62.2	64.0	1.1	2.9%
Others	412.6	429.6	7.5	4.1%
Total	**14,101.2**	**14,393.7**	**250.8**	**2.1%**

Amortization of service concession assets increased by 10.3% to ₱3,028.6 million (U.S.$52.8 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 (U.S.$50.4 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.

Utilities costs decreased by 7.8% to ₱1,535.4 million (U.S.$26.8 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 Meralco and (ii) lower electricity consumption of our facilities.

Expenses for contracted services increased by 12.6% to ₱1,642.1 million (U.S.$28.6 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.

Payments for taxes and licenses increased by 23.0% to ₱1,026.0 million (U.S.$17.9 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.

Repairs and maintenance expenses decreased by 2.9% to ₱873.9 million (U.S.$15.2 million) for the year ended December 31, 2024, compared to ₱900.1 million for the year ended December 31, 2023, primarily due to maintenance activities carried out in 2023 in preparation for the rainy season, which were not undertaken in 2024.

Materials and supplies expenses increased by 4.5% to ₱869.3 million (U.S.$15.1 million) for year ended December 31, 2024, compared to ₱832.1 million for the year ended December 31, 2023, primarily due to (i) higher consumption of cleaning and treatment chemicals driven by an increase in compounds and content in raw water, (ii) an increase in the number of tests conducted on raw water, and (iii) new demand for chemicals used in our NEW WATER treatment facilities.

Depreciation and amortization increased by 0.6% to ₱527.3 million (U.S.$9.2 million) for the year ended December 31, 2024, compared to ₱524.3 million for the year ended December 31, 2023, primarily due to purchase of new instrumentation, tools and other equipment, office furniture and equipment and transportation equipment needed for our operations, which were partially offset by furniture and equipment disposals.

Regulatory costs increased by 15.8% to ₱280.5 million (U.S.$4.9 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.

Rental expenses increased by 66.9% to ₱148.7 million (U.S.$2.6 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.

Expenses for business meetings and representation increased by 9.5% to ₱174.8 million (U.S.$3.0 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.

Collection charges increased by 8.6% to ₱197.9 million (U.S.$3.4 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.

Advertising and promotion expenses increased by 29.0% to ₱74.3 million (U.S.$1.3 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.

Purchased water costs decreased by 52.4% to ₱294.8 million (U.S.$5.1 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.

Transportation and travel expenses increased by 15.3% to ₱220.6 million (U.S.$3.8 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.

Provision for ECL decreased by 81.3% to ₱112.4 million (U.S.$2.0 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.

Insurance expenses increased by 2.9% to ₱64.0 million (U.S.$1.1 million) for the year ended December 31, 2024, compared to ₱62.2 million for the year ended December 31, 2023, primarily due to new facilities completed in 2024 and other capital expenditure investment properties which required insurance coverage.

Others, costs and expenses increased by 4.1% to ₱429.6 million (U.S.$7.5 million) for the year ended December 31, 2024, compared to ₱412.6 million for the year ended December 31, 2023, primarily due to increased professional fees and costs incurred in connection with the Blue Bond issuance, and new subscriptions to software solutions to improve customer care services and water analytical tools.

Other Income (Expenses)

Revenue from rehabilitation works and the corresponding cost of rehabilitation works increased by 41.2% to ₱27,081.3 million (U.S.$472.0 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.

Interest expense and other financing charges decreased by 3.6% to ₱2,414.4 million (U.S.$42.1 million) for the year ended December 31, 2024, compared to ₱2,503.3 million for the year ended December 31, 2023, primarily due to additional projects awarded during the period requiring higher capitalization of borrowing costs which, in turn, reduced our interest expense and other financing charges for the period in accordance with Philippine Accounting Standard (PAS) 23 on borrowing costs.

Foreign exchange losses – net increased by 40.8% to ₱1,643.3 million (U.S.$28.6 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 (U.S.$28.9 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 (U.S.$7.1 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 (U.S.$11.0 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 (U.S.$287.1 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 (U.S.$64.4 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**	**2024**	**% Increase (Decrease)**
	(Audited)	**(Audited)** *(in million)*	**(Unaudited)**	
	₱	**₱**	**U.S.$**	
Provision for income taxes				
Current	2,409.3	3,430.2	59.8	42.4%
Deferred	502.5	264.0	4.6	(47.5)%
Total	**2,911.8**	**3,694.2**	**64.4**	**26.9%**

Current tax increased by 42.4% to ₱3,430.2 million (U.S.$59.8 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 (U.S.$4.6 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 OSD 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 (U.S.$222.8 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	120.2	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)	**11,021.9**	**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)	(2,503.3)	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%

	For year ended December 31,		
	2022	2023	% Increase (Decrease)
	(Audited)	(Audited)	
	(in million)		
	₱	₱	
Salaries, wages and benefits	2,267.1	2,525.1	11.4%
Utilities	1,714.0	1,665.1	(2.9)%
Contracted services	1,139.0	1,458.7	28.1%
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%
Regulatory costs	207.3	242.2	16.8%
Rental	47.4	89.1	88.0%
Business meetings and representations	119.5	159.7	33.6%
Collection charges	152.1	182.2	19.8%
Advertising and promotion	33.8	57.6	70.4%
Purchased water	362.4	619.5	70.9%
Transportation and travel	236.6	191.3	(19.1)%
Provision for expected credit losses	82.9	600.5	624.4%
Insurance	51.1	62.2	21.7%
Others	460.7	412.6	(10.4)%
Total	**11,852.8**	**14,101.2**	**19.0%**

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.

On the other hand, utilities costs decreased by 2.9% to ₱1,665.1 million for the year ended December 31, 2023, compared to ₱1,714.0 million for the year ended December 31, 2022, primarily due to changes in utility rates and lower consumption.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 ₱412.6 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 ₱2,503.3 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 JICA, (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 March 31, 2025 compared to December 31, 2024

	As of December 31,	As of March 31, 2025		
	2024	2025	2025	% Increase (Decrease)
	(Audited)	(Audited)	(Unaudited)	
	(in million)			
	₱	₱	U.S.$	
Assets				
Currents Assets				
Cash and cash equivalents	10,519.5	5,398.2	94.1	(48.7)%
Trade and other receivables	2,722.9	2,717.9	47.4	(0.2)%
Contract assets	1,386.5	1,311.3	22.9	(5.4)%
Other current assets	2,130.7	2,606.7	45.4	22.3%
Total Current Assets	16,759.6	12.034.1	209.7	(28.2)%
Noncurrent Assets				
Service concession assets	168,339.3	175,570.4	3,059.8	4.3%
Property and equipment	1,963.2	1,898.7	33.1	(3.3)%
Financial asset at fair value through other comprehensive income	124.9	124.9	2.2	0%
Other noncurrent assets	10,983.6	10,352.1	180.4	(5.7)%
Total Noncurrent Assets	181,411.0	187,946.1	3,275.4	3.6%
Total Assets	**198,170.6**	**199,980.3**	**3,485.2**	**0.9%**
Liabilities and Equity				
Current Liabilities				
Trade and other payables	24,157.0	25,964.3	452.5	7.5%
Short-term and current portion of interest-bearing loans	4,186.1	2,612.6	45.5	(38.0)%
Current portion of service concession obligation payable to MWSS	1,027.3	1,036.2	18.1	0.9%
Income tax payable	787.9	945.6	16.5	20.0%
Total Current Liabilities	30,158.3	30,558.6	532.6	1.3%
Noncurrent Liabilities				
Interest-bearing loans – net of current portion	79,461.5	84,216.6	1,467.7	6.0%
Service concession obligation payable to MWSS—net of current portion	6,294.5	5,897.5	102.8	(6.3)%
Deferred tax liabilities – net	1,737.6	1,840.7	32.1	5.9%
Deferred credits	1,379.6	1,149.7	20.0	(16.7)%
Retirement liability	870.8	826.0	14.4	(5.1)%
Customers' deposit	605.6	630.3	11.0	4.1%
Other noncurrent liabilities	2,307.8	2,262.2	39.4	(2.0)%
Total Noncurrent Liabilities	92,657.3	96,823.0	1,687.4	4.5%
Total Liabilities	**122,815.6**	**127,381.6**	**2,220.0**	**3.7%**

Assets

Total assets as of March 31, 2025 stood at ₱199,980.3 million (U.S.$3,485.2 million), an increase of 0.9%, or ₱1,809.7 million, compared to ₱198,170.6 million as of December 31, 2024. This increase was due to the following:

- Cash and cash equivalents decreased by 48.7%, or ₱5,121.4 million, to ₱5,398.2 million (U.S.$94.1 million) as of March 31, 2025 from ₱10,519.5 million as of December 31, 2024, driven by cash payments for capital expenditures, cash dividends as well as the current portion of certain interest-bearing loans which matured in 2025.

- Trade and other receivables decreased by 0.2%, or ₱4.9 million, to ₱2,717.9 million (U.S.$47.4 million) as of March 31, 2025 from ₱2,722.9 million as of December 31, 2024, due to slightly higher collection efficiency.

- Contract assets, which are initially recognized from the consideration we have yet to receive from customers while the service was performed, decreased by 5.4%, or ₱75.2 million, to ₱1,311.3 million

(U.S.$22.9 million) as of March 31, 2025 from ₱1,386.5 million as of December 31, 2024, due to a decrease in billings to customers resulting from lower billed volume in 2025 compared to 2024.

- Other current assets increased by 22.3%, or ₱476.0 million, to ₱2,606.7 million (U.S.$45.4 million) as of March 31, 2025 from ₱2,130.7 million as of December 31, 2024, due to the reclassification of the purchased land to service concession assets following the final payment tranche to the seller.

- Service concession assets, which consist of the present value of total estimated concession fee payments and rehabilitation works, increased by 4.3%, or ₱7,231.0 million, to ₱175,570.4 million (U.S.$3,059.8 million) as of March 31, 2025 from ₱168,339.3 million as of December 31, 2024. The increase was mainly attributable to a number of completed projects and facilities. 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.

- Property and equipment decreased by 3.3%, or ₱64.5 million, to ₱1,898.7 million (U.S.$33.1 million) as of March 31, 2025 from ₱1,963.2 million as of December 31, 2024, due to marginal additions of property in 2025.

- Financial asset at fair value through other comprehensive remained constant at ₱124.9 million (U.S.$2.2 million) as of March 31, 2025 and December 31, 2024.

- Other noncurrent assets decreased by 5.7%, or ₱631.4 million, to ₱10,452.1 million (U.S.$182.1 million) as of March 31, 2025 from ₱10,983.6 million as of December 31, 2024, due to reductions in the mobilization fund as a result of project completions.

Liabilities

Total liabilities as of March 31, 2025 stood at ₱127,381.6 million (U.S.$2,220.0 million), an increase of 3.7%, or ₱4,566 million, compared to ₱122,815.6 million as of December 31, 2024. This increase was due to the following:

- Trade and other payables increased by 7.5%, or ₱1,807.2 million, to ₱25,964.3 million (U.S.$452.5 million) as of March 31, 2025 from ₱24,157.0 million as of December 31, 2024, due to higher billings and accruals in construction and retention payables as well as payables arising from purchase orders needed for operations.

- Short-term and current portion of interest-bearing loans decreased by 38.0%, or ₱1,573.5 million, to ₱2,612.6 million (U.S.$45.5 million) as of March 31, 2025 from ₱4,186.1 million as of December 31, 2024, due to payments for certain matured loans in 2025.

- Current portion of service concession obligation payable to MWSS increased by 0.9%, or ₱8.9 million, to ₱1,036.2 million (U.S.$18.1 million) as of March 31, 2025 from ₱1,027.3 million as of December 31, 2024, due to additional loan drawdowns by MWSS for the year.

- Income tax payable increased by 20.0%, or ₱157.6 million, to ₱945.6 million (U.S.$16.5 million) as of March 31, 2025 from ₱787.9 million as of December 31, 2024, due to higher income tax as a result of higher taxable income in the first quarter of 2025.

- Interest-bearing loans – net of current portion increased by 6.0%, or ₱4,755.2 million, to ₱84,216.6 million (U.S.$1,467.7 million) as of March 31, 2025 from ₱79,461.5 million as of December 31, 2024, due to additional interest-bearing loans amounting to ₱5.0 billion, which were financed by the Bank of the Philippines Islands and Land Bank of the Philippines, with ₱2.5 billion in each facility as of March 2025.

- Service concession obligation payable to MWSS – net of current decreased by 6.3%, or ₱397.0 million, to ₱5,897.5 million (U.S.$102.8 million) as of March 31, 2025 from ₱6,294.5 million as of December 31, 2024, due to payments for concession fees.

- Deferred tax liabilities – net increased by 5.9%, or ₱103.1 million, to ₱1,840.7 million (U.S.$32.1 million) as of March 31, 2025 from ₱1,737.6 million as of December 31, 2024, due to an increase in service concession assets attributed to capital expenditure projects and payments of service concession obligations during the period.

- Deferred credits, which represent the net effect of unrealized foreign exchange gains on service concession obligations payable to MWSS, decreased by 16.7%, or ₱229.8 million, to ₱1,149.7 million (U.S.$20.0 million) as of March 31, 2025 from ₱1,379.6 million as of December 31, 2024. These deferred credits include the net effect of unrealized foreign exchange gains on service concession obligations payable to MWSS, as well as the restatement of foreign currency-denominated interest-bearing loans and related interest that will be refunded to customers. This decrease was net of fluctuations in the Japanese Yen and U.S. dollar conversion rates to the Philippine Peso, which were ¥0.39 and ¥0.38 for the Japanese Yen, and U.S.$57.84 and U.S.$57.21 for the U.S. Dollar as of December 31, 2024, and March 31, 2025, respectively.

- Retirement liability decreased by 5.1%, or ₱44.8 million, to ₱826.0 million (U.S.$14.4 million) as of March 31, 2025 from ₱870.8 million as of December 31, 2024, due to changes in financial assumptions such as discount rates and salary adjustments presented in the latest available actuarial valuation reports.

- Customers' deposits increased by 4.1%, or ₱24.7 million, to ₱630.3 million (U.S.$11.0 million) as of March 31, 2025 from ₱605.6 million as of December 31, 2024, due to new service connections coupled by higher tariffs in 2024.

- Other noncurrent liabilities decreased by 2.0%, or ₱45.5 million, to ₱2,262.2 million (U.S.$39.4 million) as of March 31, 2025 from ₱2,307.8 million as of December 31, 2024, due to the reclassification of a portion of retention payable from current to non-current in 2025, which will fall due more than 12 months from balance sheet date.

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

	As of December 31,			
	2023	2024	2024	% Increase (Decrease)
	(Audited)	(Audited) *(in million)*	(Unaudited)	
	₱	₱	U.S.$	
Assets				
Currents Assets				
Cash and cash equivalents	4,902.6	10,519.5	183.3	114.6%
Trade and other receivables	2,418.1	2,722.9	47.5	12.6%
Contract assets	1,205.0	1,386.5	24.2	15.1%
Other current assets	1,862.5	2,130.7	37.1	14.4%
Total Current Assets	10,388.2	16,759.6	292.1	61.3%
Noncurrent Assets				
Service concession assets	140,919.5	168,339.3	2,933.8	19.5%
Property and equipment	1,889.7	1,963.2	34.2	3.9%
Financial asset at fair value through other comprehensive income	124.9	124.9	2.2	0%
Other noncurrent assets	10,381.3	10,983.6	191.4	5.8%
Total Noncurrent Assets	153,315.4	181,411.0	3,161.6	18.3%
Total Assets	**163,703.6**	**198,170.6**	**3,453.7**	**21.1%**
Liabilities and Equity				
Current Liabilities				
Trade and other payables	20,567.6	24,157.0	421.0	17.5%
Short-term and current portion of interest-bearing loans	2,587.7	4,186.1	73.0	61.8%
Current portion of service concession obligation payable to MWSS	874.6	1,027.3	17.9	17.5%
Income tax payable	530.7	787.9	13.7	48.4%
Total Current Liabilities	24,560.6	30,158.3	525.6	22.8%
Noncurrent Liabilities				
Interest-bearing loans – net of current portion	59,214.2	79,461.5	1,384.8	34.2%
Service concession obligation payable to MWSS—net of current portion	6,489.0	6,294.5	109.7	(3.0)%
Deferred tax liabilities – net	1,524.8	1,737.6	30.3	14.0%
Deferred credits	1,208.0	1,379.6	24.0	14.2%
Retirement liability	285.7	870.8	15.2	204.8%
Customers' deposit	548.6	605.6	10.6	10.4%
Other noncurrent liabilities	1,702.3	2,307.8	40.2	35.6%

	As of December 31,			
	2023	**2024**	**2024**	**% Increase (Decrease)**
	(Audited)	**(Audited)** *(in million)*	**(Unaudited)**	
	₱	**₱**	**U.S.$**	
Total Noncurrent Liabilities	70,972.6	92,657.3	1,614.8	30.6%
Total Liabilities	**95,533.3**	**122,815.6**	**2,140.4**	**28.6%**

Assets

Total assets as of December 31, 2024 stood at ₱198,170.6 million (U.S.$3,453.7 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 (U.S.$183.3 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 (U.S.$47.5 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 (U.S.$24.2 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 (U.S.$37.1 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 increased by 19.5%, or ₱27,419.8 million, to ₱168,339.3 million (U.S.$2,933.8 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.

- Property and equipment increased by 3.9%, or ₱73.4 million, to ₱1,963.2 million (U.S.$34.2 million) as of December 31, 2024 from ₱1,889.7 million as of December 31, 2023, due to minor additions in office furniture used by our back office.

- Financial asset at fair value through other comprehensive income remained constant at ₱124.9 million (U.S.$2.2 million) as of December 31, 2024 and December 31, 2023.

- Other noncurrent assets increased by 5.8%, or ₱602.3 million, to ₱10,983.6 million (U.S.$191.4 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 (U.S.$2,140.4 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 ₱24,157.0 million (U.S.$421.0 million) as of December 31, 2024 from ₱20,567.6 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 (U.S.$73.0 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 (U.S.$17.9 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 (U.S.$13.7 million) as of December 31, 2024 from ₱530.7 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 (U.S.$1,384.8 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.

- Service concession obligation payable to MWSS – net of current portion decreased by 3.0%, or ₱194.5 million, to ₱6,294.5 million (U.S.$109.7 million) as of December 31, 2024 from ₱6,489.0 million as of December 31, 2023, primarily due to the earlier maturity of more loans assumed from MWSS within 2024.

- Deferred tax liabilities – net increased by 14.0%, or ₱212.8 million, to ₱1,737.6 million (U.S.$30.3 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 (U.S.$24.0 million) as of December 31, 2024 from ₱1,208.0 million as of December 31, 2023, due to fluctuations in the value of the U.S. dollar against the Philippine Peso.

- Retirement liability increased by 204.8%, or ₱585.1 million, to ₱870.8 million (U.S.$15.2 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 (U.S.$10.6 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 (U.S.$40.2 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	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	1,889.7	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	20,567.6	(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	530.7	(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%
Deferred tax liabilities – net	1,037.0	1,524.8	47.0%
Deferred credits	795.4	1,208.0	51.9%
Customers' deposits	529.4	548.6	3.6%
Retirement 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%**

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.

- Other current assets increased by 2.4%, or ₱43.3 million, to ₱1,862.5 million as of December 31, 2023 from ₱1,819.2 million as of December 31, 2022, primarily due to (i) an increase in purchases of chemicals, spare parts, and maintenance materials for our facilities, (ii) reclassification of items from CIP to appropriate accounts, (iii) clearance of advance payments during the period such as for purchased water and capital-expenditure-related retention payables, and (iv) increase in creditable withholding taxes.

- 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 ₱1,889.7 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.

- Financial asset at fair value through other comprehensive income remained constant at ₱124.9 million as of December 31, 2023 and December 31, 2022 because there were no additional investments made in 2023.

- 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 ₱20,567.6 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 ₱530.7 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 ₱1,208.0 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.

- Customers' deposits increased by 3.6%, or ₱19.2 million, to ₱548.6 million as of December 31, 2023 from ₱529.4 million as of December 31, 2022, due to an increase in new customers applying for water service connections in 2023.

- Retirement 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, and for the three months ended March 31, 2024 and 2025 should be read in conjunction with the statements of cash flows included in the consolidated audited financial statements.

	For the years ended December 31,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net cash provided by (used in) operating activities	(709.9)	(5,839.7)	(5,230.0)	(91.1)	1,359.5	(422.0)	(7.4)
Net cash provided by (used in) investing activities	112.4	(7,056.9)	(1,097.1)	(19.1)	(347.7)	546.0	9.5
Net cash provided by (used in) financing activities	3,070.5	7,360.5	11,944.1	208.2	8,243.4	(5,245.4)	(91.4)
Net increase (decrease) in cash and cash equivalents	2,473.0	(5,536.1)	5,617.0	97.9	9,255.2	(5,121.4)	(89.3)
Cash and cash equivalents at the beginning of year/period	7,965.7	10,438.7	4,902.6	85.4	4,902.6	10,519.5	183.3
Cash and cash equivalents at the end of year/period	10,438.7	4,902.6	10,519.5	183.3	14,157.7	5,398.2	94.1

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 ₱422.0 million (U.S.$7.4 million) in the three months ended March 31, 2025 and ₱5,230.0 million (U.S.$90.2 million) in the year ended December 31, 2024. For both periods, our cash outflow from operations was principally affected by the significant increase in service concession assets from completed capital expenditure projects and more cost-efficient operations during the period.

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 three months ended March 31, 2025, our net cash flows provided by investing activities were ₱546.0 million (U.S.$9.5 million). The cash inflow primarily consisted of a decrease in the noncurrent assets related to advanced payments to contractors to cover their mobilization costs which were applied to the progress billing of the projects.

In the year ended December 31, 2024, our net cash flows used in investing activities were ₱1,097.1 million (U.S.$19.1 million). The cash outflow primarily consisted of an increase in advance payments to contractors to cover their mobilization costs, and 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 mobilization funds or 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 (used in) / provided by financing activities

Net cash flows used in financing activities were ₱5,245.4 million (U.S.$91.4 million) in the three months ended March 31, 2025. This cash outflow pertains to payments of dividends, interest costs, lease liabilities, and repayment of other loans.

Net cash flows provided by financing activities were ₱11,944.1 million (U.S.$208.2 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 March 31, 2025:

	Total	2025	2026 to 2030	Over 5 Years
		(*in millions*)		
	₱	₱	₱	₱
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	-	-

	Total	2025	2026 to 2030	Over 5 Years
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 (U.S.$2,845.9 million).

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. See "*Risk Factors—Risks Relating to Us and Our Business—We may not successfully implement our capital expenditures program.*"

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. See "*Business—Business Strategies—Enhance our operations and efficiency in the West Zone.*"

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 cash disbursements for our capital expenditures for the years ended December 31, 2023 and 2024 and the three months ended March 31, 2024 and 2025 are summarized below:

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2024	2024	2025
			(*in million*)		
	₱	₱	U.S.$	₱	₱
Water sources[(1)]	6,324.3	5,138.7	89.6	668.2	656.5
Wastewater treatment[(2)]	8,683.8	7,121.8	124.1	876.9	1,262.9
Operations support[(3)]	5,566.6	6,549.5	114.1	867.4	1,612.2
NRW management[(4)]	4,625.2	6,165.9	107.5	957.8	1,145.0
Customer service and information technology[(5)]	831.2	770.2	13.4	143.4	176.3
Total[(6)]	**26,031.1**	**25,746.0**	**448.7**	**3,513.8**	**4,852.9**

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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

(3) Operations support comprises 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
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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.*
(3) *Operations support comprises projects that relate to improving service levels, expanding water coverage, and implementing climate change resiliency/adaptation programs.*
(4) *NRW management comprises 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 ₱86,829.2 million (U.S.$1,513.2 million) as of March 31, 2025. As of December 31, 2023 and 2024, we had outstanding loan payables of ₱61,801.9 million and ₱83,647.5 million (U.S.$1,457.8 million), 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.*"

On March 7, 2025, we executed a term loan facility agreement with BPI for an aggregate amount of ₱2.5 billion to partially fund our capital expenditure requirements for our water and wastewater projects. Under the term loan facility agreement, the loan amounts will be classified as "Concessionaire Loans" and BPI will be deemed a "Concessionaire Lender" as defined under the Revised Concession Agreement. As such, BPI will be entitled to certain rights and remedies in the event of termination caused by either us or MWSS, as applicable. See *"Business—The Revised Concession Agreement*" and "*Material Agreements—Overview of the Revised*

Concession Agreement." In addition, on March 17, 2025, we executed a term loan facility with Land Bank of the Philippines for an aggregate amount of ₱2.5 billion to partially fund our general corporate purposes.

As of March 31, 2025, 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 to the consolidated audited financial statements and to the consolidated audited interim financial statements included elsewhere in this Prospectus for more details relating to such loan payables, including collateral, interest rate basis and repayment terms, and covenants, including debt ratios of such loans.

Off-Balance Sheet Arrangements

As of March 31, 2025, 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,			As of and for the three months ended March 31,	
	2022	**2023**	**2024**	**2024**	**2025**
Net Income (₱ millions)	5,874.9	9,011.2	12,781.4	3,098.1	3,618.9
EBITDA(1) (₱ millions)	13,218.4	17,473.9	22,041.1	5,441.6	6,031.7
EBITDA Margin(2)............	57.8%	64.0%	65.8%	67.2%	70.4%
Return-on-Assets (3)(4)	4.3%	5.9%	7.1%	7.3%	7.3%
Debt-to-Equity Ratio(5)	0.7	0.9	0.9	1.6	1.0
Debt Service Coverage Ratio(6)(7)	3.7	3.6	3.5	3.3	2.3
Asset-to-Equity Ratio(8).......	2.3	2.4	2.6	2.8	2.8
Debt-to-EBITDA Ratio(9).....	3.6	3.5	3.8	1.1	2.1
Fixed-to-Floating Debt Ratio(10)	100:0	100:0	100:0	100:0	100:0
Peso-to-Foreign Debt Ratio(11)	93:7	90:10	94:6	91:9	94:6
Return-on-Equity(12)(13)........	9.6%	13.7%	17.8%	18.3%	19.5%

***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) For the three months ended March 31, 2024 and 2025, Return-on-Assets has been annualized by multiplying the quarterly ratio by four to reflect the full year equivalent ratio
(5) 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.
(6) Calculated as (a) the sum of (i) the EBITDA as of the last day of the immediately preceding 12-month period, and (ii) our cash and cash equivalents at the beginning of the immediately succeeding 12-month period, in both cases as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable, divided by (b) debt service for the immediately succeeding 12-month period.
(7) For the three months ended March 31, 2024 and 2025, Debt Service Coverage Ratio is calculated as (a) the sum of (i) the EBITDA as of the last day of the immediately preceding 12-month period up to the end of the period and (ii) our cash and cash equivalents at the beginning of the immediately succeeding 12-month period up to the end of the period, in both cases as reflected in the Company's most recent available quarterly or annual consolidated financial statements, as applicable, divided by (b) debt service for the immediately succeeding 12-month period up to the end of the 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.
(8) Calculated as total assets / total equity.
(9) Calculated as Debt (at end of period) / EBITDA (last 12 months up to end of period).
(10) Calculated by dividing the total amount of our Debt with fixed interest rates by the total amount of Debt with floating interest rates.
(11) Calculated by dividing the total amount of our Debt in Philippine Peso by the total amount of Debt in foreign currencies.
(12) 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.
(13) For the three months ended March 31, 2024 and 2025, Return-on-Equity has been annualized by multiplying the quarterly ratio by four to reflect the full year equivalent ratio.

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,				For the three months ended March 31,		
	2022	2023	2024	2024	2024	2025	2025
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net Income	5,874.9	9,011.2	12,781.4	222.8	3,098.1	3,618.9	63.1
Add/(Deduct):							
Interest expense and other financing charges	2,321.7	2,503.4	2,414.4	42.1	615.2	595.4	10.4
Provision for income taxes	2,106.8	2,911.8	3,694.2	64.4	938.3	1,022.2	17.8
Depreciation and amortization	485.9	524.3	527.3	9.2	124.1	115.2	2.0
Amortization of service concession assets	2,459.2	2,744.8	3,028.6	52.8	689.5	745.2	13.0
Less: Interest income	(30.1)	(221.7)	(404.8)	(7.1)	(23.6)	(65.2)	(1.1)
EBITDA	**13,218.4**	**17,473.9**	**22,041.1**	**384.1**	**5,441.7**	**6,031.7**	**105.1**

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 and of the consolidated audited interim 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 and of the consolidated audited interim 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 and of the consolidated audited interim 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. We intend to draw new borrowings in Philippine Peso, aligning our debt profile with our functional currency.

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.

Our net foreign exchange losses decreased by 2.6%, or ₱9.5 million, to ₱350.0 million (U.S.$6.1 million) in the three months ended March 31, 2025 compared to ₱359.5 million in the three months ended March 31, 2024, mainly due to fluctuations of the U.S. dollar and Japanese Yen foreign exchange rates against the Philippine Peso that affected our foreign currency denominated loans. We recognized net foreign exchange losses of ₱1,167.6 million and ₱1,643.3 million (U.S.$28.6 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 in 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 and consolidated audited interim 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 we provide a basic need service, 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 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 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 and the consolidated audited interim 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 and the consolidated audited interim 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, which is usually the peak of hot weather in the Philippines. 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 and the three months ended March 31, 2024 and 2025.

INDUSTRY OVERVIEW

The information that appears in this Industry Overview section, including all data (actual, estimates and forecasts) has been prepared by GlobalData and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to GlobalData should not be considered as the opinion of GlobalData as to the value of any security or the advisability of investing in the Issuer.

The information prepared by GlobalData and set out in this Industry Overview has not been independently verified by the Issuer, the Group, the Selling Shareholder, the Joint Global Coordinators and Joint Bookrunners and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

The report includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others. Actual results and future events could differ materially from such forecasts. You should not place undue reliance on such statements, or on the ability of any party to accurately predict future industry trends or performance. See the "Disclaimer" in the Industry Overview prepared by GlobalData for further information.

This Industry Overview is a short-form version of the full industry report prepared by GlobalData, which can be found in Appendix 1 of this Prospectus.

DISCLAIMER

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions, and recommendations that GlobalData delivers are based on information gathered in good faith from both primary and secondary sources, whose accuracy GlobalData are not always in a position to guarantee. As such, GlobalData can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.

THE PHILIPPINES MACROECONOMIC OVERVIEW

Unless otherwise stated, references made in this section are based on the study conducted by GlobalData.
Note: For the purpose of this section, Southeast Asia refers to major economies located in Southeast Asia, i.e., the Philippines, Indonesia, Malaysia, Vietnam, and Thailand.

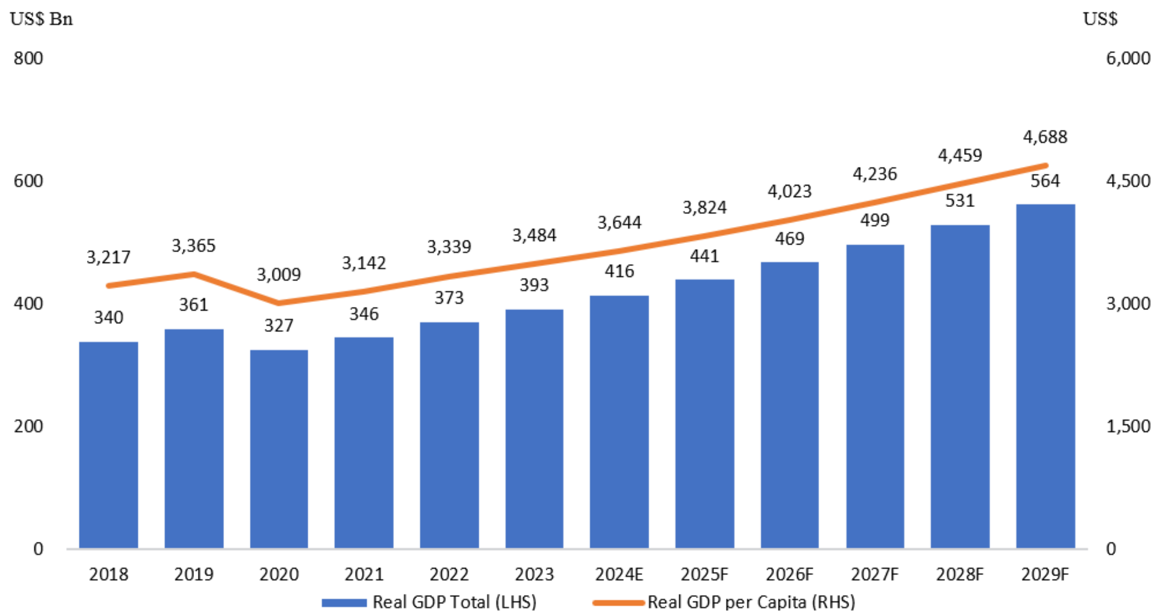
The Philippines is an archipelago located in the Southeast Asia is considered as the second most populous country in the Southeast Asia and thirteenth in the world, as of 2024, with a developing economy.

Real Gross Domestic Product ("GDP")

The Philippines remains among the fastest growing economies in Southeast Asia, with a projected 6.3% compound annual growth rate ("**CAGR**") from 2024-2029, which outpaces Vietnam (6.0%), Indonesia (5.2%), Malaysia (4.4%) and Thailand (2.8%).

The Philippines Real GDP (2018-2029F)

	18-23 CAGR	24-29 CAGR
Real GDP Growth	2.9%	6.3%
Real GDP per Capita Growth	1.6%	5.2%



Note: LHS data refer to the primary axis and RHS data refer to the secondary axis
Source: Philippine Statistics Authority and GlobalData

Population Growth

With a notable growth CAGR of 1.0%, the Philippines' population is expected to rise from 114.2 million in 2024 to 120.2 million by 2029, making it the fastest-growing nation in Southeast Asia over this period. The Philippines' strong population growth trajectory presents a compelling opportunity for businesses targeting the region.

Urbanization level

The Philippines' urban population continuously increased from 49.6 million in 2018 to 54.5 million in 2023, with 1.9% CAGR. From 2024 to 2029, it is expected that the urban population will steadily increase at similar rate of 1.8% CAGR.

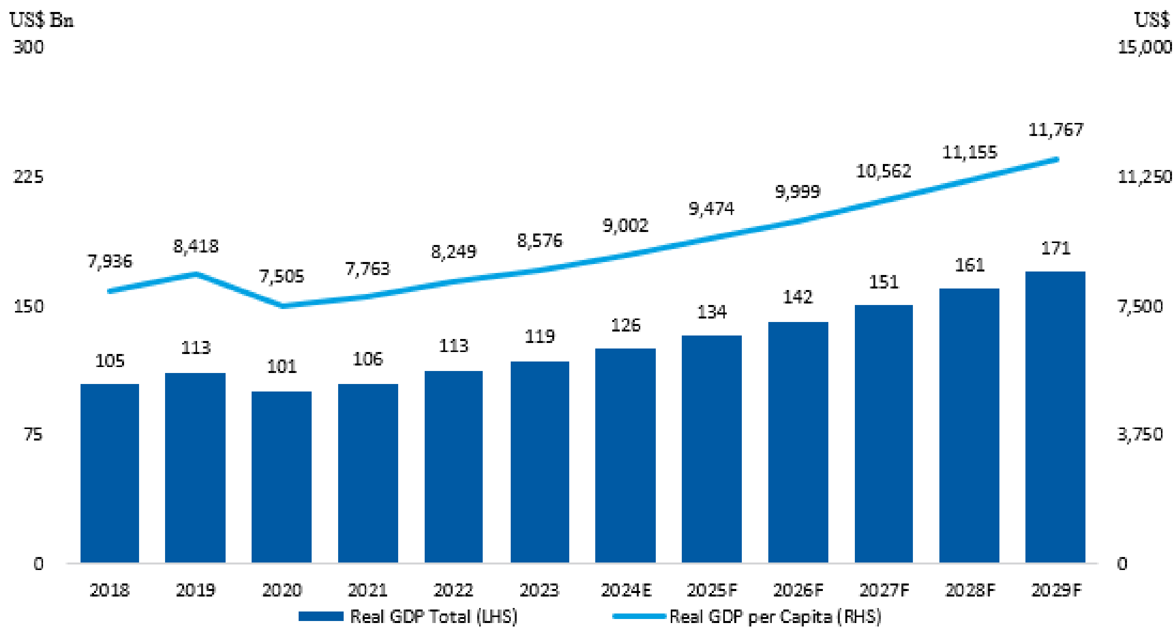
Metro Manila Macroeconomic Indicators

Real Gross Domestic Product ("GDP")

Metro Manila, officially the National Capital Region ("**NCR**"), is the largest contributor to the country's GDP and second-most populous region in the Philippines. Aligned with the Philippines' national growth trajectory, Metro Manila is forecasted to experience accelerated growth between 2024 and 2029 with a CAGR of 6.3%, which is among the highest in Southeast Asia. This will be driven by declining inflation, strong domestic demand, and increased infrastructure investments supported by Government policies and programs such as *Build Better More*. Metro Manila's economic excellence is demonstrated by its real GDP per capita which was U.S.$8,576 as of 2023 compared to national average of U.S.$3,484, as well as its higher growth with 2024-2029 CAGR of 5.5% compared to national average of 5.2%. As of 2024, the Metro Manila region contributes 30.2% to the overall Philippines' Real GDP and is expected to remain at this level until 2029.

Metro Manila Real GDP (2018-2029F)

	18-23 CAGR	24-29 CAGR
Real GDP Growth	2.5%	6.3%
Real GDP per Capita Growth	1.6%	5.5%



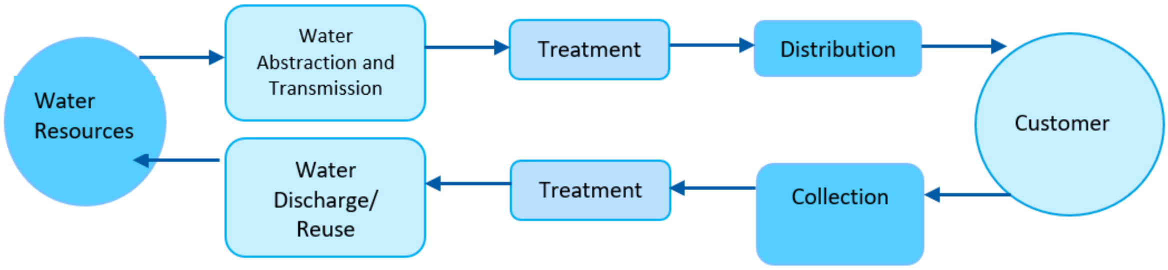
Source: Philippine Statistics Authority and GlobalData

Population

Metro Manila's population is projected to grow from 14.0 million in 2024 to 14.5 million by 2029, maintaining its position as one of the most populous cities in Southeast Asia. According to GlobalData, Metro Manila is projected to maintain the highest household density among Southeast Asian cities through 2029, rising from 5,925.7 household per sq. km. in 2024 to 6,273.9 household per sq. km. by 2029 owing to increasing urbanization trends.

PHILIPPINES WATER AND WASTEWATER TREATMENT SECTOR

How Water (Raw and Waste) is Treated



The water supply chain in the Philippines encompasses several critical stages, including water source development, treatment, transmission, distribution, and wastewater collection and treatment. The supply chain starts with the development and management of water sources to ensure a consistent supply of raw water, followed by its treatment and transmission to utility providers and end users. Key initiatives by utility providers include Maynilad's medium- and short-term projects approved by the MWSS, such as rehabilitating deep wells, operationalizing the Putatan Water Treatment Plants to treat water from Laguna Lake, and the Parañaque NEW WATER Treatment Plant, which transforms treated effluent into potable water. These measures aim to meet the increasing demand for sustainable water solutions while adhering to strict regulatory standards.

Key players, such as Maynilad, Manila Water and PrimeWater, among others, play major roles in ensuring water availability and sustainability. For instance, from 2023 to 2027, Maynilad plans to invest approximately ₱163 billion (U.S.$2.8 billion, exchange rate used 1.00 U.S.$= ₱58.97 as of 2024), in infrastructure improvements, focusing on developing new water sources, enhancing existing systems, and expanding wastewater treatment. Key projects include building additional water treatment plants, new sewage and septage treatment facilities, extending sewerage coverage, upgrading existing treatment facilities, installing pipelines, constructing pumping stations and reservoirs, and repairing or replacing outdated pipes. Some of these key projects include the Teresa Water Treatment Plant, CAMANA Water Reclamation Facility, Manila North (Conveyance System) Rehabilitation Project, and NEW WATER Facilities.

In addition, concessionaires handle wastewater collection and treatment, ensuring its environmentally sustainable disposal. For example, in April 2024, Maynilad awarded to Suez International the contract to lead the Central Manila Sewerage System (CMSS) project. This initiative includes constructing a cutting-edge wastewater treatment facility capable of processing up to 180 million liters of wastewater daily, fully aligned with stringent environmental regulations. These efforts play a critical role in achieving water sustainability through pollution abatement, driving economic growth, advancing technological innovation, and building resilience against climate challenges.

Philippines Water Sector

Water sector overview

According to the Senate Economic Planning Office ("**SEPO**") report dated August 2023, the Philippines has abundant water resources, yielding approximately 146 billion cu. m. of freshwater annually. Despite these natural advantages, the country faces persistent challenges in managing its water resources due to geographic disparities, fluctuating rainfall patterns, rising water demand, and the recurrent impacts of *El Niño* events, leading to frequent shortages.

The 146 billion cu. m. annual freshwater availability comprises around 126 billion cu. m. from surface water and 20 billion cu. m. from groundwater sources. A study by the World Resources Institute estimates that if current trends continue, the Philippines could experience acute water shortages by 2040. To address water scarcity and enhance water security, the Philippine government, in collaboration with various stakeholders, has implemented several initiatives. These include the Philippine Water Supply and Sanitation Master Plan ("**PWSSMP**"), which targets achieving universal access to clean water and sanitation by 2030.

Water and sewerage infrastructure construction output

The Philippines is emerging as a critical market and is expected to become one of the largest sewerage and water infrastructure market in Southeast Asia. To address these pressures, the Philippine government has outlined a ₱1,069.3 billion (U.S.$18.9 billion) PWSSMP, aimed at achieving universal access to safe water and sanitation by 2030. Environmental challenges, including pollution in rivers and water bodies, are further amplifying the need for modern sewage treatment solutions to safeguard public health and comply with regulations such as the Clean Water Act of 2004. Additionally, rising industrialization is contributing to increased waste generation, necessitating the deployment of advanced treatment and recycling systems. The combination of these factors creates a fertile landscape for growth and innovation in the sector.

Distributed Water Demand

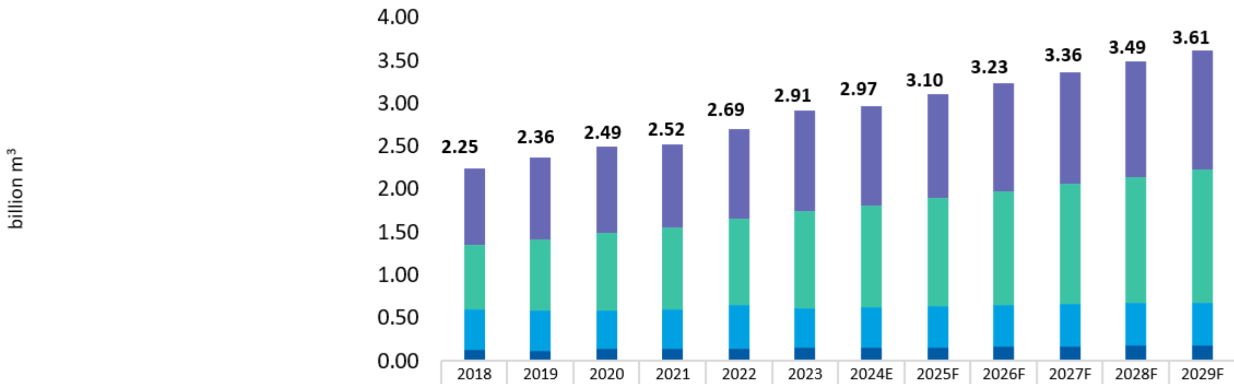
According to Philippine Statistics Authority, the total distributed water demand witnessed a 5.3% CAGR from 2018 to 2023, rising from 2,245 MCM in 2018 to 2,909 MCM in 2023. The household sector makes up the largest share of total water use at approximately 40% of the total water distribution during the same period. The sector showed steady growth over the years, from 896 MCM in 2018 to 1,165 MCM in 2023, an increase of 30%. This is driven by urbanization, population growth, and increasing standards of living, with greater demand for water due to more households and improved access to water supply.

The total distributed water demand, is expected to witness 4.0% CAGR from 2024 to 2029, rising from 2,970 MCM in 2024 to 3,613 MCM in 2029, according to GlobalData. The market growth is attributed to favorable government initiatives such as the PWSSMP, launched in September 2021 by the NEDA. The initiative aims to achieve universal access to safe, sufficient, affordable, and sustainable water supply and sanitation by 2030. Aligned with national WSS goals, the PWSSMP is built on a comprehensive understanding of regional contexts, shaped by contributions from over 1,000 stakeholders nationwide. The PWSSMP outlines the key activities, responsible agencies, and budgetary allocations required to advance the WSS sector and address the country’s needs effectively. It integrates policy recommendations along with economic, environmental, and engineering solutions tailored to varying levels of regional development.

To achieve the plan, the Philippine government has increased its investment in water resources development and flood control. According to the Department of Budget and Management (“**DBM**”), the expenditure on economic services grew from ₱1,184.0 billion (U.S.$20.7 billion, exchange rate used as U.S.$1.00=₱52.49 as of 2018) in 2018 to ₱1,852.5 billion (U.S.$31.4 billion) proposed for 2025, displaying its consistent priority within the national budget. The sector’s share of total expenditure fluctuated but averaged around 25–30% across the years.

The Philippines' Distributed Water Demand & Forecast

	18-23 CAGR	24-29 CAGR
Distributed Water Demand	5.3%	4.0%



	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Household	0.90	0.95	1.00	0.97	1.04	1.17	1.17	1.21	1.26	1.30	1.35	1.39
Other industries	0.76	0.83	0.90	0.95	1.01	1.14	1.19	1.26	1.33	1.40	1.47	1.54
Mining and quarrying, manufacturing, and construction	0.47	0.47	0.45	0.47	0.51	0.46	0.47	0.48	0.48	0.49	0.49	0.50
Agriculture, forestry, and fishing	0.12	0.12	0.13	0.14	0.14	0.15	0.15	0.16	0.16	0.17	0.18	0.18

Source: Philippine Statistics Authority and GlobalData

Distributed Water Demand	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Philippines Total (MCM)	2,245	2,364	2,489	2,520	2,693	2,909	2,970
Water Distributed by Maynilad (West Zone) (MCM)	527.2	535.3	536.4	519.6	526.9	538.4	553.5
% Proportion of Maynilad (West Zone)	23.5%	22.6%	21.6%	20.6%	19.6%	18.5%	18.6%
Water Distributed by Manila Water (East Zone) (million cu. m.)	503.3	493.9	506.4	488.5	501.3	516.4	523.7
% Proportion of Manila Water (East Zone)	22.4%	20.9%	20.3%	19.4%	18.6%	17.8%	17.6%

Source: Company Annual Report, Sustainability Report, Philippine Statistics Authority and GlobalData

The Philippine government is actively addressing water management challenges by encouraging private sector involvement in upgrading and expanding water supply infrastructure. PPPs have become a common strategy in the Philippines, supported by the Build-Operate-Transfer ("**BOT**") Law. This law incorporates best practices to enhance the ease of doing business, reduce transaction costs, and simplify procedures. The BOT Law institutionalizes private sector participation in financing and developing government infrastructure projects. Currently, the BOT Law has been applied across various concessions within Metro Manila. The MWSS is included as a party within this law, ensuring that concessionaires perform their roles as deemed appropriate by this authority. This framework has facilitated significant infrastructure development, leveraging private sector efficiency and investment to meet public needs effectively. The BOT Law continues to play a crucial role in the Philippines' infrastructure development, fostering collaboration between the public and private sectors to achieve sustainable growth and improved public services.

According to PSA, in 2023, 135 PPP water projects were announced by the DENR, with an additional 112 expected to be announced in 2024[2] (as per the DENR announcement in February 2024). These initiatives aim to strengthen the country's water infrastructure and ensure sustainable management of this vital resource.

A list of key water infrastructure projects in the Philippines is provided below.

Key water infrastructure projects in the Philippines					
Project name	Project Owner	Project stage	Value (U.S.$M)	Sector	Construction Start year
Davao City Sewerage Management System Program	Davao City/ MWSS Philippines	Study	3,000	Water & sewerage infrastructure	2027
Cordova Reclamation Development	Cordova Mun/ Philippine Reclamation/ SM Prime Hldgs	Execution	2,947	Land reclamation	2022
Parañaque Spillway Tunnel	DPWH Philippines	Study	1,740	Water & sewerage infrastructure	2026
Pasay Harbor City Reclamation	Pasay City Government / SM Prime Hldgs	Execution	1,280	Land reclamation	2023
Navotas Coastal Bay Reclamation	Navotas/ SMC	Planning	1,194	Land reclamation	2027
Manila Wastewater Development	Manila Water	Execution	684	Water & sewerage infrastructure	2022
Sewage Treatment Plants Development Program	Maynilad	Execution	605	Water & sewerage infrastructure	2019
Teresa Water Treatment Plant	Maynilad	Planning	511	Water & sewerage infrastructure	2026
Metro Manila Flood Management Program	DPWH Philippines/ MMDA	Execution	500	Water & sewerage infrastructure	2021
Bulacan Bulk Water Supply	MWSS Philippines	Execution	467	Water & sewerage infrastructure	2017
Wawa Bulk Water Supply Development	Manila Water/ Prime Infra/ San Lorenzo Ruiz Bldrs & Dev	Execution	448	Water & sewerage infrastructure	2020
Pampanga Bulk Water Supply	Pampanga Government	Planning	330	Water & sewerage infrastructure	2027
Laguna Lake East Bay Water Treatment Plant	Manila Water	Execution	300	Water & sewerage infrastructure	2022
Maynilad Capital Improvement Program	Maynilad	Execution	262	Water & sewerage infrastructure	2017

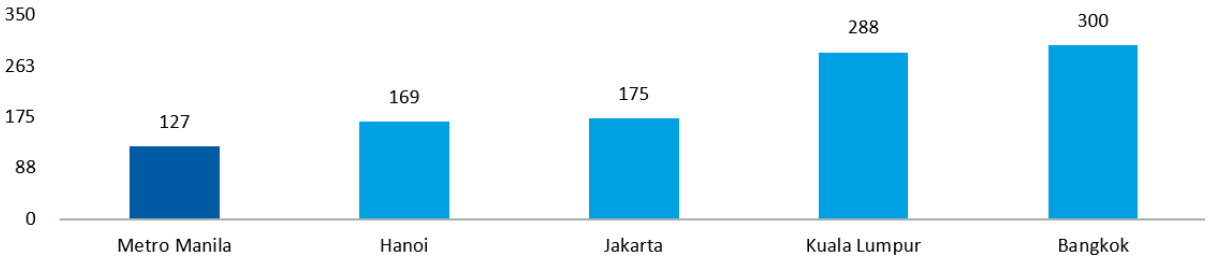
[2] No further update on the final number of projects

New Centennial Water Source-Kaliwa Dam	MWSS Philippines	Execution	231	Marine & inland water infrastructure	2022
Kanan Agos Project	MWSS Philippines	Planning	214	Water & sewerage infrastructure	2025
Bigte-Novaliches Aqueduct No. 7	MWSS Philippines	EPC Award	146	Water & sewerage infrastructure	2024
Source: GlobalData					

Despite Metro Manila's accelerated population and real GDP growth, which is among the highest in Southeast Asia, Metro Manila's water consumption per capita is below its peer cities in the Southeast Asia region. Metro Manila has an upside potential of around twice than its current capita water consumption.

Southeast Asia City Rankings by per Capita Water Consumption, 2024

Liters/day (L/d)



Source: Country Official Statistics, GlobalData
Note: The ranking is based on future growth potential. The lowest per capita consumption means the highest growth potential

The per capita water consumption is defined as average amount of water consumed by a person in a community per day. As compared to other peer cities in Southeast Asia, 127 liters/day in Metro Manila suggests the need for water supply infrastructure. Bangkok (300 liters/day) and Kuala Lumpur (288 liters/day) highlight the highest consumption levels, due to higher standards of living and abundant water resources.

Philippines' Wastewater Treatment Overview

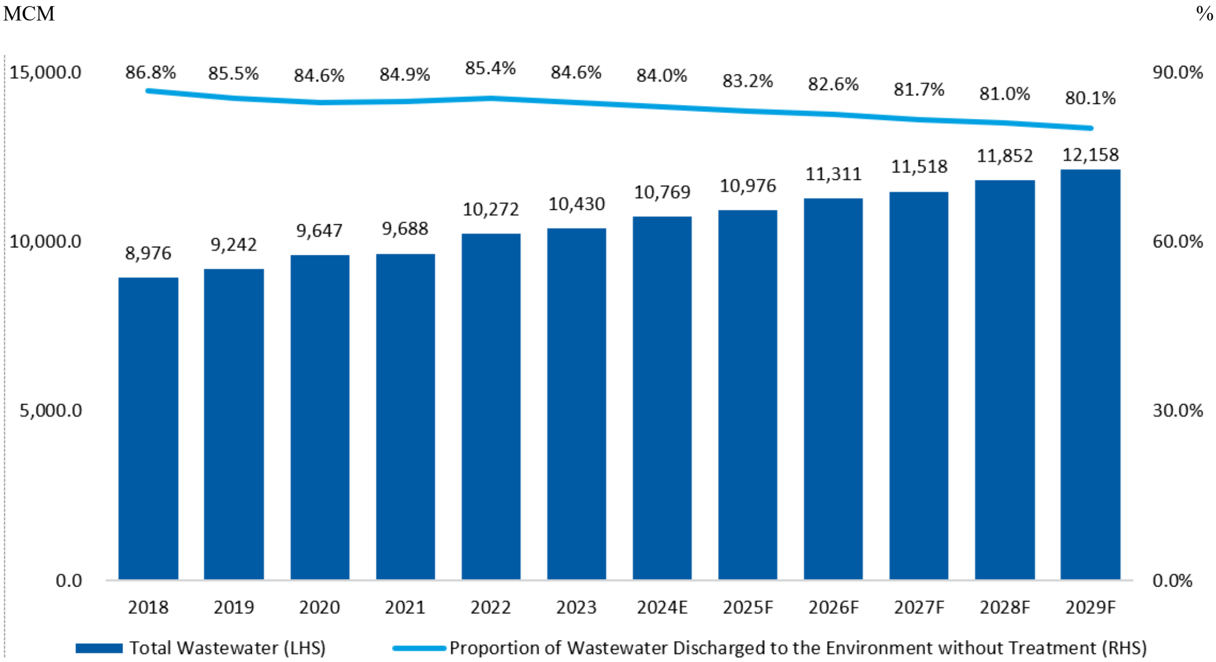
In 2024, the Philippines collected 10,768.7 MCM of wastewater, of which only 16.0% underwent treatment before being discharged into the environment. However, with investments in wastewater treatment infrastructure continuing, the proportion of treated wastewater is projected to rise to 19.9% of the total volume by 2029.

The development of the water treatment in the Philippines is driven by both private sector participation and national strategies like the PWSSMP. Regulatory oversight is decentralized, with local government units playing a significant role, alongside private concessionaires such as Maynilad and Manila Water.

Launched in 2021, the PWSSMP is a comprehensive national action plan aimed at achieving universal access to safe, sufficient, affordable, and sustainable water supply, hygiene, and sanitation by 2030. It incorporates Integrated Water Resources Management ("**IWRM**") principles, infrastructure upgrades, and institutional reforms to improve service delivery. Key reforms include addressing sector fragmentation, strengthening regulations, ensuring sustainable and effective services, balancing water supply and demand, improving climate adaptability, facilitating access to financing, managing reliable data, and driving research and innovation. The program is being implemented in three phases: pre-investment (2020-2023), investment (2024-2030), and post-2030. The PWSSMP requires annual investments, projected at ₱183.5 billion during the initial phase and ₱47.9 billion from 2024 to 2030.

Additionally, Manila Water aims to establish 53 wastewater treatment facilities with a combined capacity of 1,156 MLD to achieve 100% coverage of its concession area by 2037. Similarly, Maynilad announced a ₱163 billion (U.S.$2.8 billion) investment plan to develop wastewater projects through 2027, including constructing five new sewage treatment plants with an additional capacity of 314 MLD and laying 60 km of sewer lines. Maynilad plans to expand its sewerage systems until its concession ends in 2047 by constructing 10 more wastewater treatment facilities and laying over 300 km of sewer lines. This effort aims to meet its 76% sewer coverage commitment, while the remaining areas will be served through sanitation services. This would significantly boost the wastewater treatment percentage within Philippines.

Wastewater in the Philippines



Source: Philippine Statistics Authority and GlobalData

Wastewater Treated	2018	2019	2020	2021	2022	2023	2024
Entire Philippines (MCM)	1,183.8	1,340.2	1,483.2	1,462.8	1,503.6	1,608.9	1,721.5
Wastewater Treated by Maynilad (West Zone) (MCM)	64.0	69.9	72.1	69.9	66.5	68.9	75.2
% Proportion of Maynilad (West Zone)	5.4%	5.2%	4.9%	4.8%	4.4%	4.3%	4.4%
Wastewater Treated by Manila Water* (including East Zone and Non-East Zone) (MCM)	62.4	64.2	74.1	69.8	76.4	76.8	66.4
% Proportion of Manila Water (East Zone and Non-East Zone)	5.3%	4.8%	5.0%	4.8%	5.1%	4.8%	3.9%
Source: Company Annual Report, Sustainability Report, Philippine Statistics Authority and GlobalData *Data only for East Zone not available							

As of 2024, the proportion of wastewater discharged to the environment without treatment in the Philippines stood at 84.0%, compared to 93.3% in Indonesia, 79.3% in Vietnam, 75.2% in Thailand and 14.5% in Malaysia. While this proportion is projected to decrease to 80.1% in 2029 (showing an increasing portion of wastewater will be treated), this represents a large untapped market for further growth and investment, as evidenced in Maynilad's approved business plan to invest ₱55 billion (U.S.$0.93 billion) in wastewater related projects from 2023 to 2027, roughly ~34% of Maynilad's total approved capital expenditure program.

Due to limited access to piped sewerage systems, most people in the Philippines in 2024 rely on septic tanks for wastewater treatment. Only a small portion of the population is connected to sewage treatment plants, especially in urban areas like Metro Manila where businesses like Maynilad and Manilla Water are actively investing in expanding sewerage networks and building new sewage treatment plants to improve wastewater management. Nevertheless, there are still obstacles to regular desludging and sanitation services to prevent water body pollution. Exceptionally low proportion of wastewater treatment indicates a significant opportunity in the Philippines.

REGULATIONS & LEGISLATION

The Philippine water sector operates under various legal frameworks with multiple institutions overseeing it. The DENR leads environmental conservation and resource management, while water resource planning and management are shared across several agencies, reflecting a multi-agency approach to water challenges. Some of the key agencies include the following:

Table 1: Key agencies in the water sector and their function

Department/agency	Description/function
DENR	Responsible for the conservation, management, development, and proper use of the country's environmental and natural resources. It interacts with the NWRB for water resource management and with the Water Resources Management Office ("**WRMO**") to implement Integrated Water Resources Management ("**IWRM**").
NWRB	Regulates the utilization, exploitation, development, conservation, and protection of water resources. It coordinates with DENR for policy implementation and with LWUA for technical and economic regulation of water districts.
LWUA	A specialized lending institution for the development of provincial water districts that also exercises technical and economic regulation of water districts. It works with LGUs and water districts to ensure efficient water service delivery.
DPWH	Responsible for major infrastructure projects including flood control and water resources projects. It collaborates with DENR and NWRB on water-related infrastructure projects.
DOH	Sets standards for drinking water and monitor compliance. It works with MWSS and local water providers to ensure water quality standards are met.
National Irrigation Administration ("**NIA**")	Responsible for the development and management of irrigation systems. It coordinates with NWRB for water allocation and with DPWH for infrastructure development.
National Power Corporation ("**NAPOCOR**"), also known as NPC,	In charge of the development of hydroelectric generation of power
MWSS	MWSS is the government agency responsible for ensuring an uninterrupted and adequate supply of potable water and managing the sewerage system in Metro Manila and nearby provinces. MWSS facilitated the privatization of water services in Metro Manila, dividing the service area into East and West Zones, managed by Manila Water Company, Inc. and Maynilad Water Services, Inc., respectively. The agency provides water supply and sewerage services to Metro Manila, Rizal, and selected municipalities in Bulacan and Cavite through its two private concessionaires, Manila Water, and Maynilad.
MWSS-RO	The MWSS-RO was established to monitor and regulate the concession agreements between MWSS and the private concessionaires (Manila Water and Maynilad). It ensures that the concessionaires comply with service standards, including water quality, supply reliability, and customer service. The MWSS-RO also reviews and approves water rates, conducts audits, and imposes penalties for non-compliance.
MMDA	The MMDA is a government agency in the Philippines responsible for the planning, monitoring, and coordination of services within Metro Manila. Apart from traffic management, urban development, and public safety, it is also responsible for integrated flood control, drainage, and sewerage systems for Metro Manila. It collaborates with MWSS and LGUs for integrated urban water management.

Table 1: Key agencies in the water sector and their function	
Department/agency	Description/function
LLDA	Develops the Laguna Lake region through the management of water resources. The agency issues permit for activities that impact the lake, such as fish pen operations, and enforces regulations to ensure sustainable use of the lake's resources.
NEDA	NEDA is responsible for formulating long-term, medium-term, and short-term socioeconomic development plans and policies. This includes the Philippine Development Plan, which outlines the country's development goals and strategies. It works with all water-related agencies to align national development goals with water resource management.
Source: DENR, Supreme Court E-Library (Philippines), DOH.	

Water-related functions of key government agencies

Functions	NWRB	NEDA	DENR	DPWH	DOH	DA (BSWM)	DND (OCD)	DAR	DOST	DOF	DSWD	DILG	GFIs	DOE (NEA)	DOT	PRRC	LGUs	MWSS	LWUA/WDs	NIA	NPC	LLDA
Resource Assessment	●		●	●					●											●		
Policy	●	●	●	●	●																	
Resource Regulation	●																					
Water Supply				●			●				●	●					●	●	●			●
Sanitation				●	●							●					●	●	●			
Water Quality Management			●													●			●	●		●
Monitoring and Data Management	●		●	●	●	●	●	●	●		●	●		●	●	●	●	●	●	●	●	●
Research and Development						●			●													
Watershed Management			●			●											●	●		●	●	
Irrigation				●		●														●		
Flood Control and Drainage				●												●	●					
Integrated Area Development				●																		●
Recreation															●		●					
Financing				●						●		●	●					●	●			

Source: SEPO 2024

The Philippine water sector stands on the brink of transformative progress, driven by strong legislation, multi-agency collaboration, and commitment to sustainability. The establishment of the WRMO is a step towards unified governance and streamlined efforts, embodying the nation's dedication to safeguarding its water resources for future generations. With the implementation of IWRM and alignment with global sustainability goals, the Philippines is well-positioned to create a resilient, inclusive, and thriving water sector. For businesses operating in this space, the evolving legal landscape offers both challenges and opportunities. Compliance not only ensures adherence to regulatory mandates but also strengthens corporate responsibility, mitigates risks, and unlocks pathways for sustainable innovation. By embracing this dynamic environment, businesses can play a pivotal role in fostering water security, supporting economic growth, and championing environmental stewardship contributing to shared prosperity and a sustainable future.

Philippines Water Policies Support

The Philippines has a comprehensive set of policies that support the water and wastewater treatment sector. A selection of key policies is summarized below:

- Republic Act (RA) 9275, or the Philippine Clean Water Act was promulgated in 2004. As the **principal law guiding water quality management**, the Act **regulates water quality management** across all water bodies and is **concerned with prevention, control, and abatement of pollution of the water resources of the country**. The Act provides a **holistic approach to pollution control and quality**

management in water bodies, by establishing frameworks for quality management, promoting eco-friendly industrial processes, and advancing environmental strategies.

- Executive Order No. 279 (2004) institutes reforms in the financing policies for the Water Supply and Sewerage Sector and Water Service Providers ("**WSPs**"). The order is aimed at **strengthening the investor confidence and providing better financial support to water related projects.**
- Executive Order No. 816 (2009) declares the River Basin Control Office under the DENR as the lead government agency for the integrated planning, management, rehabilitation, and development of the country's river basins. The order is aimed at **promoting efficient use of natural resources including water resources. Some of the important objectives include to supply clean water and flood control.**
- Executive Order No. 860 (2010) establishes the new Composition and Powers of the NWRB and transfers its Secretariat to the DENR. The primary function of the Board shall be **to control and regulate the utilization, exploitation, development, conservation, and protection of water resources in accordance with the specific provisions of the Water Code.**
- Executive Order No. 200 (2021) was signed to create the WRMO to **integrate and harmonize all government efforts and regulatory activities to ensure available and sustainable water resources in the entire country.**
- House Bill 9663, filed in December 2023, aims to establish Department of Water Resources ("**DWR**") and the Water Regulatory Commission to **enhance the management, sustainability, and protection of the country's water resources.** It further seeks to **coordinate water resource development and manage risks.** Its counterpart bill in the Senate (Senate Bill 2771), also seeks to establish the DWR to serve as the primary policy making, planning, coordinating, implementing entity of the Executive Branch of the government responsible for sustainable, climate-resilient and integrated development and management of water resources. Both bills are pending before Congress.

Overview of the Regulatory Regime

Metropolitan Waterworks and Sewerage System (MWSS)

The obligation of MWSS is to cooperate with and facilitate the concessionaires' carrying out of their responsibilities under the concession agreements in Metro Manila, Rizal Province, and portions of Cavite Province. It is governed by MWSS Board of Trustees, which exercises the corporate powers of MWSS.

MWSS is mandated to ensure an uninterrupted and adequate supply and distribution of potable water at just and equitable rates, and the proper operation and maintenance of sewerage systems in its service area, which includes the whole of Metro Manila, Rizal, and portions of Cavite.

The retained functions of MWSS include facilitating the exercise by Maynilad of its agency powers; carrying out accounting and notification functions; monitoring, reporting and administering MWSS Loans, managing and/or disposing of retained assets; developing new water sources; managing and operating Umiray-Angat Transbasin Rehabilitation Project (An expansion project for the supply of the Angat Dam reservoir by connecting Sumag River to the Angat Reservoir through tunnels); providing other services or functions assigned by Revised Concession Agreement or by MWSS-RO.

MWSS Regulatory Office (MWSS-RO)

MWSS RO operates independently from MWSS and is mandated to monitor the implementation of concession agreements and regulate the performance of concessionaires.

Among its many functions, MWSS-RO enforces the Revised Concession Agreement and implements rate rebasing provisions; monitors and enforces standards of service to customers; responds to complaints received from customers and other interested groups; monitors reported and audited condition of water and sewerage service infrastructure assets; arranges for regular independent, technical and financial audit of activities of concessionaires; monitors preparation of audited financial information and rule on cost allocation and other accounting practices appropriate for rate-setting methodology; reviews and monitors water supply and sewerage rates; implements Extraordinary Price Adjustment provisions, etc.

Revised Concession Agreement and Franchise

Maynilad was granted a 25-year franchise by the Philippine Congress through R.A. No. 11600, effective from January 22, 2022, to January 21, 2047. The 2047 franchise was granted when the Original Concession Agreement came into force in 1997, extended once in 2010 and further extended to 2047 in December 2021, when the Philippine Congress enacted Maynilad's Franchise.

This franchise authorizes Maynilad to establish, operate, and maintain a waterworks and sewerage system in the West Zone of the Metro Manila Region under a concession from MWSS.

While the primary objective is to ensure consistent delivery of clean water and maintain proper sewerage and sanitation services, the franchise, via the rate-rebasing process every 5 years, allows Maynilad to reset tariffs and charges (subject to MWSS-RO and MWSS approval) based on various factors including the company's capital expenditure program, a 12% return on capital, and consumer willingness and ability to pay.

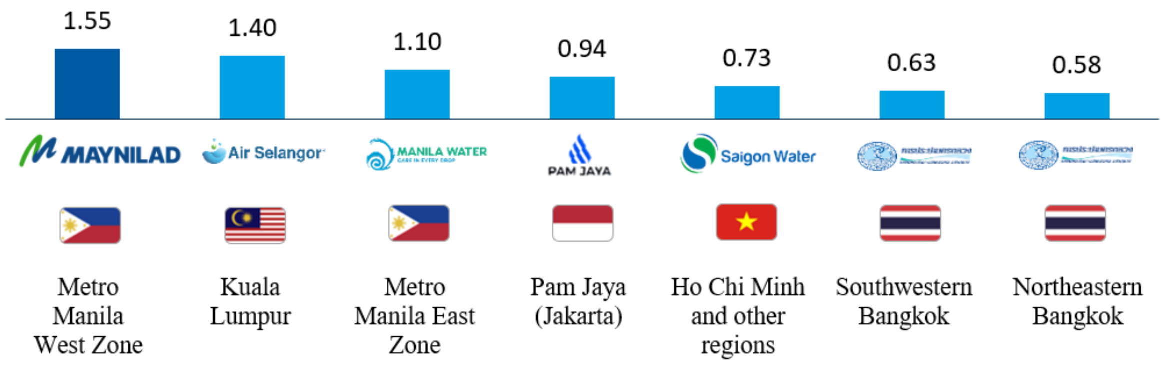
The franchise also includes several key provisions and requirements, for example, Maynilad is required to offer at least 30% of its outstanding capital stock to Filipino citizens through a public offering on the Philippines Stock Exchange by January 21, 2027. The franchise allows Maynilad to establish tariffs and charges (subject to MWSS-RO and MWSS approval) based on various factors including operational costs and efficiency considerations.

MAYNILAD MARKET POSITION

Southeast Asia water utility positioning

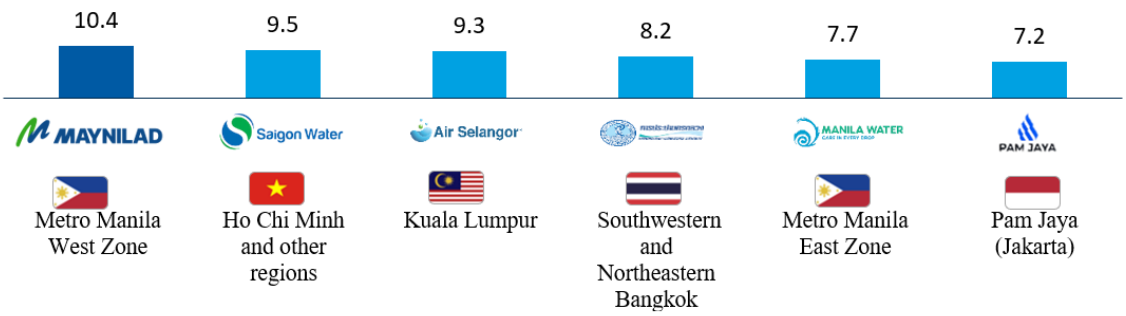
Among all operating Southeast Asia water utilities, as of 2024, Maynilad is the largest in terms of active connections (1.55 million in the West Zone) and population (10.4 million in the West Zone) served for a single concession. Maynilad's concession covers a denser, more urbanized area of Metro Manila, including major cities such as Manila, Quezon City (partly), Caloocan, Pasay, and Muntinlupa, where population growth and commercial activity drive higher demand. The company's proactive expansion into underserved communities and informal settlements has further increased active connections. Additionally, investments since its privatization, in reducing water losses and enhancing service reliability have encouraged adding new active connections to its network.

Number of active connections (by concession, millions), 2024



Note: Saigon Water does not disclose its number of active connections by concession, number shown represents total number of concessions for Saigon Water. The data for Air Selangor, Saigon Water, Southwestern Bangkok, and Northeastern Bangkok above reflects 2023 figures.

Population (by concession, millions), 2024



Note: Metropolitan Waterworks Authority (Bangkok noi, taksin, Phasi Charoen, Suksawat) in Thailand and Saigon Water do not disclose their numbers of active connections by concession, number shown represents total number of population served. The data for Air Selangor, Saigon Water, Southwestern Bangkok, and Northeastern Bangkok above reflects 2023 figures.

BUSINESS

OVERVIEW

We are 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. See "*—Competitive Strengths – We are a pure-play sustainable water and wastewater solutions provider, delivering positive environmental and social returns for stakeholders.*" As of March 31, 2025, the West Zone covered 540 sq. km with a population of over 10.5 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. As of March 31, 2025, we had a total of 1,556,603 billed connections consisting of domestic and non-domestic customers, collectively, covering 94.7% of the West Zone's population. 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 March 31, 2025, our key infrastructure and facilities included eight water treatment plants which connect to our customers through a 7,912.0-kilometer distribution network through 39 reservoirs and 40 pumping stations along with 21 serviceable deep wells that may be used as back-up. Wastewater from our customers is managed through a 653.7-kilometer sewerage pipeline, 129 wastewater pumping/lift stations, and 93 vacuum truck units that are used for desludging, all leading to 24 wastewater treatment plants. All these infrastructure 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 Prospectus, 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. See "*Material Agreements—Amendments to the Revised Concession Agreement.*"

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.

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 (U.S.$583.7 million), respectively, and net income of ₱5,874.9 million, ₱9,011.2 million and ₱12,781.4 million (U.S.$222.8 million), respectively. For the three months ended March 31, 2024 and 2025, we had total operating revenue of ₱8,101.0 million and ₱8,564.8 million (U.S.$149.3 million), respectively, and net income of ₱3,098.1 million and ₱3,618.9 million (U.S.$63.1 million), respectively.

As of December 31, 2024 and March 31, 2025, we had total assets of ₱198,170.6 million and ₱199,980.3 million (U.S.$3,485.2 million), respectively.

COMPETITIVE STRENGTHS

We believe that our key competitive strengths include the following:

We are a leading global water utility player operating the largest water concession by population served within a single concession area in Southeast Asia

We are 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 cover the West Zone, an area measuring 540 sq. km, with a population of over 10.5 million people and 1,556,603 billed connections as of March 31, 2025, serving domestic (residential and semi-business) and non-domestic (commercial and industrial) customers. We recorded a billed volume of approximately 526.9 MCM, 538.4 MCM, 553.5 MCM, 134.7 MCM and 133.0 MCM for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2024 and 2025, respectively, demonstrating a growth from a billed volume base of approximately 262.6 MCM in the year ended December 31, 2006. As a result, we recorded a total operating revenue of ₱27,323.2 million and ₱33,494.5 million (U.S.$583.7 million) for the years ended December 31, 2023 and 2024, respectively. In the three months ended March 31, 2024 and 2025, we recorded a total operating revenue of ₱8,101.0 million and ₱8,564.8 million (U.S.$149.3 million), respectively.

Compared to the concession area managed by Manila Water on the eastern portion of Metro Manila (the "**East Zone**"), the West Zone is larger both in terms of customer base and billed volume. As of December 31, 2023, we served approximately 10.3 million people in the West Zone, compared to approximately 7.7 million people in the East Zone as of the same period, according to GlobalData. Additionally, our water pipeline network extended to 7,914.6 km as of December 31, 2024 from our base of 4,576.0 km as of December 31, 2006, compared to 5,542.2 km for Manila Water in 2024. As of March 31, 2025, our water pipeline network was 7,912.0 km. We continue to focus on the natural expansion of our concession to adjacent provinces and upcoming reclamation areas rather than branching out to other local and international markets, which may require substantial CAPEX outlays. We continue to improve our services and seeking expansion opportunities while remaining vigilant about our debt coverage and ensuring ample returns for our shareholders.

Our OCP, which represents the net present value of our investments that we are allowed to recover over the life of the concession and is one of the key elements that forms part of our tariff-setting process, was approximately negative ₱100.4 billion in the beginning of 2023 compared to Manila Water's OCP of approximately negative ₱27.6 billion in the beginning of 2023 according to GlobalData. This significantly larger OCP resulted from our assumption of a substantial amount of MWSS's debt at the beginning of the concession term, higher accumulated concession fees, increased operating expenses to improve delivery of services in the West Zone, and inheriting facilities from MWSS. These facilities required extensive rehabilitation and replacement, necessitating additional capital expenditure spending due to minimal investments made during the first 10 years of the concession under previous management, which faced financial challenges. Our larger OCP at the start of 2023, on which we earn a 12% fixed nominal rate of return, makes it possible to increase our tariffs pursuant to the mechanism provided in the Revised Concession Agreement. See "*—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement*" and "*—The Revised Concession Agreement—Cash Position Post Rate Rebasing Exercise*" for further details.

We believe that our leadership in the industry is a testament to our strategic planning, strong financial metrics and robust infrastructure, supported by an extensive capital expenditure program, which we believe enables us to meet the growing demands of a densely populated service area. We have a deep understanding of the water supply and wastewater management value chain, enabling us to provide a comprehensive range of services for water management. These services include water treatment, distribution, consumer engagement, wastewater collection and conveyance, and wastewater treatment. We believe that this holistic approach ensures that we provide high-quality water services while addressing the lifecycle of water management. Our commitment to covering the wide water value chain allows us to deliver integrated solutions that meet the diverse needs of our customers, while also adhering to stringent regulatory standards and promoting sustainable practices.

We have established technical, operational, management and financial capabilities underpinned by support from our significant shareholder group

Our journey from the early years of privatization to becoming a leading provider of water and wastewater services underscores our commitment to resilience and strategic improvement.

Following the privatization of MWSS's operations in 1997, Maynilad – then controlled by the Benpres Holdings Corporation and Lyonnaise des Eaux of France consortium – was faced with a number of challenges including aging legacy infrastructure and pipelines, the Asian financial crisis in 1997 and the severe *El Niño* phenomenon from 1997 to 1998. For more information, please refer to "*—History and Corporate Milestones*."

The entry of our significant shareholder group provided us with strong technical, operational, management and financial support. In 2008, through MWHCI's initiative to negotiate an optimal funding structure with MWSS and local and foreign creditors, we successfully settled our outstanding loans and exited rehabilitation.

Since MWHCI (formerly DMCI-MPIC Water Company) assumed control and management of our Company in 2007, we expanded our water service coverage from 77.8% with a total population served of approximately 6.1 million in 2006 to 94.9% with a total population served of approximately 10.4 million as of December 31, 2024, ensuring that more customers have access to reliable water services. As of March 31, 2025, our water service coverage was 94.7% with a total population served of approximately 10.5 million. The availability of an average of 7 pounds per square inch ("**psi**") of water pressure increased from 45.0% as of December 31, 2006 to 98.1% as of December 31, 2024. Moreover, the 24-hour availability of our water supply has improved from 32.0% of our connections as of December 31, 2006 to 98.1% as of December 31, 2024. As of March 31, 2025, the 24-hour availability of water supply, which we aim to keep at an average of 7 psi, covered 96.8% of our connections.

Additionally, our efforts to reduce our non-revenue water ("**NRW**") have been successful, with improved water management and conservation practices, including district metered area splitting, diagnostics and leak repair, pipe replacement, use of leak detection technology, and meter management. We reduced our NRW from 66.4% for the year ended December 31, 2006 to 38.4% for the year ended December 31, 2024, which translates into a cumulative NRW reduction of 970.0 MLD from 2006 to 2024. For the three months ended March 31, 2025, we reduced our NRW to 36.2%, representing a cumulative reduction of 30.2 percentage points since 2006. Our target, as provided in our business plan, is to reduce our average NRW to 25.0% by 2027, with a goal of achieving 20.0% by 2030 and maintaining this level until the end of the concession period. The substantial reduction in our NRW, given the condition of the infrastructure that we inherited from MWSS and the numerous physical challenges unique to the West Zone that our Company addressed to improve NRW, reflects our focus on efficient water management practices.

These achievements highlight our commitment to overcoming past challenges and our dedication to providing high-quality water services to our customers, which has also resulted in the continuous growth in our operating revenue and net income. Our operating revenue grew by 46.4%, increasing from ₱22,874.7 million for the year ended December 31, 2022 to ₱33,494.5 million for the year ended December 31, 2024. Likewise, our net income grew by 117.6%, increasing from ₱5,874.9 million for the year ended December 31, 2022 to ₱12,781.4 million for the year ended December 31, 2024. In the three months ended March 31, 2024 and 2025, our operating revenue grew by 6.0%, increasing from ₱8,101.0 million to ₱8,564.8 million, with net income increasing by 16.8% from ₱3,098.1 million to ₱3,618.9 million during the same period. See "*Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations—Results of Operations.*"

Our business is able to generate defensive and predictable cash flows and total returns underpinned by the legislative Franchise until 2047

We operate within a regulatory framework that provides significant scarcity value, uniquely positioning us in the global water utility landscape. Scarcity value arises from the lack of direct competition in our principal areas of operation and unique regulatory conditions, which we believe are not easily replicated. According to the World Bank, we are one of the largest water public-private partnerships globally at the time of privatization, benefitting from a regulatory environment that is considered rare in Southeast Asia's water and wastewater sector. This environment features a "regulatory return" mechanism, which provides a structured approach to setting tariffs through scheduled rate rebasing exercises with the MWSS-RO and MWSS, ensuring that our operations remain financially viable while delivering essential services. See "*—The Revised Concession Agreement—Tariff Determination under the Revised Concession Agreement*." Our extensive track record, spanning over 27 years, makes us one of the longest-standing regulated utilities in the region, reflecting our commitment to operational excellence and regulatory compliance.

The implementation of increased tariffs for 2023, 2024, and 2025 during the current sixth Rate Rebasing Period under the Revised Concession Agreement provides support for our financial sustainability. In addition, our 25-year Franchise, which remains valid until January 21, 2047, along with the pending 10-year extension of our Revised Concession Agreement, both set to expire in the same year, provides long-term stability and clarity in our operational mandate. While MWSS has already approved the 10-year extension, it has to undergo the review and approval by the NEDA Board before the same is acknowledged by the Republic of the Philippines through the Secretary of Finance.

The Revised Concession Agreement includes a 12% fixed nominal rate of return. This feature allows us to address challenges such as volume fluctuation and cost inflation, thereby safeguarding our total return over the concession period. Moreover, our regulatory framework includes additional mechanisms that contribute to predictable near-term cash flows. The CPI passthrough mechanism, which is capped at 75%, ensures that our revenue adjusts substantially in line with inflation, while the FCDA and MFCDA help manage our foreign exchange risks on certain foreign currency-denominated loans. We believe that these mechanisms enhance our financial resilience and provide a stable revenue stream.

We believe that our direct interaction with our customers strengthens our financial position by reducing the number of days our receivables remain outstanding. This direct-to-customer revenue collection model not only enhances cash flow efficiency, but also fosters a closer relationship with our customers, allowing us to respond more effectively to their needs and maintain high service standards. Our billings are typically due seven days from the billing date and under the Revised Concession Agreement, our customers have a 60-day grace period to settle any unpaid bills before they can be issued a notice of disconnection, and another seven days' prior notice before their water service can be disconnected. We continually monitor our receivable balances to minimize exposure to bad receivables from unpaid bills. Through these strategic advantages, we believe we reinforce our leadership in the water utility sector, remaining committed to delivering sustainable and high-quality water services, while ensuring efficient management of working capital and generating consistent returns.

In addition, the duration and tenor of our existing debt facilities play an important role in providing protection against credit supply shocks and alleviating concerns related to refinancing. By securing long-term financing arrangements, we are able to lock in stable interest rates and favorable terms, which reduce our exposure to market volatility and the potential tightening of credit conditions. The extended tenor of these facilities ensures that we have a robust financial foundation, allowing us to allocate resources efficiently and focus on strategic initiatives without the immediate pressure of refinancing. Additionally, with all of our loans since 2022 bearing fixed interest rates and 94.0% of our indebtedness denominated in Philippine Pesos, our exposure to market and foreign exchange risks is effectively minimized. Furthermore, our maiden Blue Bonds issued in 2024, consisting of ₱9.0 billion five-year fixed rate bonds due 2029 and ₱6.0 billion 10-year fixed rate bonds due 2034, provide us with long-term funding that reduces refinancing risks and offers protection against credit supply shocks.

We are a trusted utility service provider with established experience in the industry

We believe that we are recognized as a trusted utility service provider and business partner, particularly by our commercial and industrial customers. We ensure that the water we supply complies with the prevailing PNSDW, which is based on the World Health Organization drinking water quality guidelines. This trust is foundational to our operations and opens up significant growth opportunities to cross-sell value-added services. We are actively exploring opportunities to expand our offerings beyond traditional water services, including industrial wastewater treatment and solid waste management services. These additional services not only enhance our value proposition but also align with our commitment to comprehensive environmental stewardship and sustainable business practices.

In 2011, we established the Maynilad Water Academy, collaborating with a group of industry experts to offer a variety of classroom and hands-on training courses designed to enhance the service delivery of water districts and operators to their customers. We believe that the Maynilad Water Academy is a globally-recognized institution for capacity building and training in the water industry, particularly in emerging markets where rapid urbanization and water resource challenges demand innovative and effective solutions. The Maynilad Water Academy underscores our strong position in global water stewardship, raising awareness about the critical need for water security and investment in the water sector. By promoting responsible management of natural resources, we aim to create a positive societal impact. It is dedicated to training and developing talent in the water sector, ensuring that future generations are equipped with the skills and knowledge necessary for effective water management. Since 2018, the Philippine Civil Service Commission has recognized and accredited the trainings provided by the Maynilad Water Academy, allowing Government employees to use these training hours to apply for promotions. Additionally, the Asian Development Bank has continually partnered with Maynilad Water Academy since 2016 as the preferred partner for training operational teams for their investment projects. This is a testament to our expertise and leadership in the field. Similarly, the United States Agency for International Development has also engaged the Maynilad Water Academy to support the improvement of water supply in its target areas in the Philippines. Furthermore, our engagement with attendees from various countries not only enhances our educational outreach, but also opens opportunities for potential geographical expansion and collaboration.

We are a pure-play sustainable water and wastewater solutions provider, delivering positive environmental and social returns for stakeholders

With a mission statement to "provide safe, affordable and sustainable water solutions that enable those we serve to lead healthier, more comfortable lives", our commitment to sustainability is a priority. As a pure-play sustainable water and wastewater solutions provider, we generate majority of our revenue from the following sustainable business activities:

- Water supply, including the construction, extension, operation and renewal of water collection, treatment and supply systems intended for human consumption; and

- Urban wastewater treatment, including the development, maintenance and operation of urban wastewater infrastructure including treatment plants, sewer networks, storm water management structures, connections to the wastewater infrastructure and decentralized wastewater treatment facilities.

We believe that our operations, strategies, and decision-making are designed to deliver positive environmental and social impact, as well as enhance our business by creating operational efficiencies. See "*—Corporate Social Responsibility and Sustainability.*"

We have substantially increased sewer coverage from 6.0% as of December 31, 2006 to 34.5% of our water-served population as of March 31, 2025, serving a population of over 3.6 million. Meanwhile, our sanitation coverage, which represents the number of people that have been offered desludging services over a five-year cycle, increased from 170,157 accounts as of December 31, 2006 for the 2001 to 2006 cycle to 877,286 accounts for the 2022 to 2026 cycle as of March 31, 2025. This expansion reduces the discharge of untreated water into the environment and underscores our dedication to providing essential infrastructure to support the nation's health and growth.

We have also broadened and optimized our water service coverage to ensure more people in the West Zone have access to potable water while minimizing NRW. Our investments in water infrastructure, such as water treatment plants that draw raw water from the Laguna Lake, and our NEW WATER treatment facilities, are designed to enhance reliability and resilience against natural disasters and disruptions, while effectively implementing our NRW strategies. See "*—Our Services and Facilities—Water Services and Facilities—Our Pipeline of Water Treatment Facility Projects,"* and "*—Our Services and Facilities —Water Services and Facilities—Non-Revenue Water (NRW)."*

We are likewise committed to providing sustainable and affordable water to our customers by optimizing our operations and improving our cost recovery. According to GlobalData, the Philippines maintains relatively low tariffs, compared to global averages, indicating a balance between affordability and infrastructure investment. As such, our tariffs remain competitive compared to our global industry peers, reflecting our commitment to deliver value to our customers coupled with allowing us to make further investments into infrastructure improvement. We are also developing social projects aimed at supporting disadvantaged communities, such as the "*Water for the Poor*" program, "*Samahang Tubig Maynilad*" and "*Better with Water*" partnership, and "*Mission Ginhawa*", impacting numerous beneficiaries. See "*—Corporate Social Responsibility and Sustainability.*" To advance customer welfare, we launched our Enhanced Lifeline Program in November 2023, which provides further discounted rates to lifeline accounts, or those qualified low-income and low-consuming residential customers whose monthly consumption do not exceed 10.0 cu. m. In December 2024, MWSS expanded the monthly consumption threshold from 10.0 cu. m. and below to accommodate 20.0 cu. m. and below. See "*—Recent Developments—MWSS Approval of Tariff Adjustments.*" These projects and programs reflect our commitment to mitigating risks associated with water supply, maintaining responsible water usage, and ensuring our customers have continuous access to potable water.

We are led by a seasoned and experienced management team, supported by a competent workforce, and backed by blue-chip and strategic shareholders with proven track record in large-scale, complex and/or regulated utility businesses

Our management team, board members, and executives bring a wealth of experience and expertise, having dedicated their careers to the Philippine water utility industry, with an average of 16 years of experience in the water sector. This deep industry knowledge and commitment are instrumental in guiding our strategic direction and operational excellence.

We are committed to training and developing key personnel throughout our organization, fostering a productive workforce in a safe environment. We partner with established educational institutions in the Philippines, international associations and key industry groups to provide trainings to our workforce. This commitment ensures the retention of strong talent and supports our goal of maintaining a high-performing team. Our workforce is highly competent, with 62% holding degrees in science, technology, or engineering, and 17% holding degrees in business, management, or finance as of March 31, 2025. This academically and technically skilled team is essential to driving our business forward and achieving our strategic objectives. Through these strengths, we continue to reinforce our leadership in the water utility sector, dedicated to delivering sustainable and high-quality services.

Our principal shareholder is MWHCI, which has an effective interest of 94.4% in our Company as of the date of this Prospectus. Through MWHCI, we enjoy the support and backing of large conglomerates in the Philippines and Japan, namely MPIC, DMCI and 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. These significant shareholders each bring extensive experience in managing large-scale, complex, and regulated utility businesses both in the Philippines and in international markets, providing us with a wealth of expertise across various disciplines and geographies.

MPIC is a leading infrastructure investment company in the Philippines, with a diverse portfolio that spans multiple utility and infrastructure businesses. MPIC's extensive experience in the Philippine market enhances our ability to navigate the regulatory landscape and optimize our operations within the local context.

DMCI is renowned for its expertise in engineering, procurement, and construction ("**EPC**") services, in addition to various other businesses in the Philippines. DMCI's strong foundation in EPC provides us with valuable insights and capabilities in project execution and infrastructure development, ensuring that we maintain high standards of quality and efficiency.

Marubeni, a global trading and investment company, brings a wealth of experience in EPC and the global water sector, including expertise in desalination projects for companies such as AGS Water Solutions in Portugal and CODELCO in Chile. Marubeni also has a presence in Southeast Asia through its involvement in providing water and wastewater services to industrial parks. Marubeni's international perspective and technical know-how in water management and treatment technologies are instrumental in supporting our strategic initiatives and expanding our capabilities.

By leveraging the collective strengths and experiences of our shareholders, we are well-positioned to enhance our operational and financial performance, drive innovation, maintain high corporate governance standards, and deliver sustainable value to our stakeholders.

BUSINESS STRATEGIES

Our key strategies are set out below:

Enhance our operations and efficiency in the West Zone

We are focused on enhancing our service delivery and operational efficiency, supported by a comprehensive CAPEX program totaling ₱163.3 billion (U.S.$2,845.9 million), as provided in our business plan for 2023 to 2027 approved by the MWSS-RO. The table below sets out the breakdown of our CAPEX requirements in accordance with our business plan which was approved in 2022.

	For the years ended 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
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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

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

(4) NRW management comprises 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 believe this strategy will help us grow our business sustainably by pursuing projects geared towards (i) diversifying our sources of raw water, including through the construction of additional NEW WATER treatment facilities utilizing treated effluent for direct potable use; (ii) expanding our water service coverage through the completion of additional water treatment plants, with the aim of reaching 95.1% water service coverage by 2026; (iii) operational enhancements, by extending our pipe network and rehabilitating and upgrading existing facilities to withstand extreme situations such as earthquakes; (iv) improved customer and information technology services; (v) expanding wastewater service capacity by increasing sewerage and sanitation coverage to 33.0% and 67.0%, respectively, by 2026; and (vi) improving our NRW management through district metered area splitting, diagnostics and leak repair, pipe replacement, use of leak detection technology, and meter management, to reduce NRW to 25.0% and 20.0% by 2027 and 2030, respectively.

We are dedicated to diversifying our raw water sources to enhance water security, exemplified by our NEW WATER initiative which we are in the process of scaling up. This diversification is essential for ensuring a continuous and reliable water supply, particularly in the face of water scarcity risks and environmental challenges. In response to the need for alternative water sources, MWSS is developing the Kaliwa Dam Project, scheduled to be completed in 2028, which is anticipated to provide us with 300 MLD raw water allocation through the construction of our associated water treatment plant and related conveyance in our project pipeline. We also intend to augment our water sources through our modular water treatment plants in our project pipeline. Our NEW WATER initiative demonstrates our capability to treat wastewater for potable use, which enables us to meet additional water consumption demand within the West Zone. Additionally, in order to reduce our NRW further and meet our targets, our robust NRW management strategies aim to enhance operational efficiency, drive higher return on investment, facilitate water conservation, expand our customer base, and meet various United Nations Sustainable Development Goals.

We also intend to upgrade our water treatment plants and distribution network, enabling us to deliver high-quality water services and accommodate future demand. We plan to continue building more water treatment plants, refurbishing existing infrastructure, and strategically interconnecting district metered areas to reduce supply disruptions. We also plan to construct additional sewage treatment facilities to enhance our wastewater management capabilities and support environmental sustainability. As modeled in our business plan, our target is to increase sewer coverage from 30.7% in 2023 to 58.0% by 2031, with significant investments in new wastewater facilities and sewer lines.

We aim to meet our sewerage coverage target by enhancing the operational efficiency of our sewer systems. We are in the process of implementing combined interceptor systems at our WRF in the pipeline. Instead of relying on individual households connected to our sewer network, this system is designed to intercept septage as it combines with storm water, and facilitate the treatment of water prior to its discharge into designated receiving bodies of water. Further, we are integrating new methodologies to minimize surface disruption during the construction of sewer pipelines which aims to facilitate the expansion of our sewer network. For example, we are employing the “trenchless method”, a type of subsurface construction work, that is designed to reduce excavation and surface disruption, necessitating minimal or no continuous trenches. As such this method is particularly advantageous for the installation of sewer pipelines in urban environments with high traffic density and in areas of environmental sensitivity. The trenchless construction methods we utilize include horizontal directional drilling, micro-tunneling, auger boring, pipe ramming, and pipe jacking.

Improving water availability is central to our strategy, ensuring that our customers have consistent access to water services. We plan to increase our total water storage capacity from 779.0 million liters in 2024 to 960.0 million liters by 2026 through the construction of two new reservoirs in Quezon City and one new reservoir in Valenzuela City. We intend to accomplish this by utilizing strategic cost management and process efficiency initiatives, such as through the utilization of renewable energy.

Looking ahead, we are exploring opportunities for additional growth within the West Zone, subject to regulatory review. This includes the potential construction of additional water treatment plants after 2037 to fill gaps in water demand and expansion to certain areas in Cavite which we have yet to include in our service coverage. These strategic initiatives are designed to position us for sustainable growth and long-term success alongside appropriate R Adjustments to be factored into our future tariffs.

Expansion to proximate areas of the West Zone

We aim to leverage improvements in our concession business to offer water and wastewater services where network expansion is feasible. While we continue to prioritize our capital spending to improve our concession business, prudent capital management in the medium term may enable us to explore business opportunities with adjacent water districts. We actively evaluate adjacent areas that offer natural growth prospects of our concession area. We believe that independent water districts in the neighboring provinces of Bulacan and Cavite, located in the north and south of Manila, respectively, may view us as an attractive utilities partner given our reputation and performance in the West Zone.

We also identify opportunities for additional growth within the West Zone. We are considering new reclamation activities along the coastal lines of Manila Bay, specifically in the cities of Navotas and Pasay. The Coastal Bay reclamation project in Navotas aims to expand the port area by 576.7 hectares, featuring a mix of commercial and industrial developments. Further south, the Harbor City development is part of ongoing reclamations in Pasay and Parañaque City, expanding the current area by 265.0 hectares with a mix of residential and commercial properties. Given our extensive network in the areas bordering these projects, we believe our geographical positioning enables us to facilitate the construction and operation of water and wastewater facilities in these areas.

As these areas do not currently form part of the West Zone concession, our involvement and eventual management of water and wastewater projects in these areas are subject to further discussions on risk and return. We are cognizant that each water district requires significant capital requirements to improve its service, alongside consistent operating expenditures to maintain operations. Our business development group is focused on analyzing these opportunities to ensure that these meet our risk and return requirements. While these opportunities may arise, we maintain our focus on supporting and funding the requirements of our current business.

Expand into value-added services and adjacent utility sectors by leveraging existing customer relationships

Our strategic focus includes expanding our value-added services to commercial and industrial customers by leveraging our existing service capabilities. This approach requires minimal incremental capital expenditure and maximizing the use of our current infrastructure and expertise. We intend to expand our offerings to include additional sanitation services, leak detection, and pipeline replacements. These initiatives are aligned with our commitment to sustainable practices, supported by our pipeline of projects.

In addition, we plan to offer industrial wastewater pre-treatment services to industrial customers to address market under-penetration and growing demand. According to GlobalData, the proportion of wastewater in the Philippines that is discharged to the environment without treatment stood at 84.0% as of 2024, representing a large untapped market for further growth and investment. Also, according to GlobalData, out of an estimated 10,768.7 cu. m. of total generated wastewater in 2024, 4,318.0 cu. m. was from industrial general wastewater. While we acknowledge the increasing demand and production from our industrial clients, we are unable to service industrial-grade wastewater with our existing facilities. This will involve acquiring and operating captive wastewater pre-treatment plants and upgrading the design and process of our existing wastewater treatment plants to be able to handle industrial waste, ensuring compliance with environmental standards, and enhancing operational efficiency. By managing these facilities, we aim to provide industrial customers with a seamless and effective solution for industrial wastewater management.

We are also exploring the possibility of offering solid waste management services to certain industrial customers. This initiative would complement our existing services and provide a comprehensive environmental management solution, addressing both water and waste needs. Through these strategic initiatives, we aim to strengthen our relationships with commercial and industrial clients, delivering tailored solutions that meet their specific needs while promoting environmentally responsible operations.

Maintain prudent financial management while supporting business growth and optimizing dividend payout to shareholders

Our financial strategy is focused on optimizing financial resources and managing financial risks to support our long-term growth and stability. For example, we issued our maiden ₱9.0 billion Series A Blue Bonds due 2029 and ₱6.0 billion Series B Blue Bonds due 2034, both of which were listed and traded on the Philippine Dealing & Exchange Corp. in July 2024. This is part of our plan to diversify our sources of funding by tapping into the local bond market, as well as exploring blue, green, or sustainability-linked financing opportunities. This diversification will complement our strong relationships with banks, ensuring a robust and flexible funding base. By leveraging a variety of funding sources, we seek to enhance our financial resilience and position ourselves to capitalize on favorable market opportunities.

To address challenges posed by foreign exchange risks, we intend to draw new borrowings in Philippine Pesos, aligning our debt profile with our revenue currency. We believe that this approach reduces our exposure to currency fluctuations and provides greater predictability in our financial planning. We are committed to adhering to our debt covenants. These metrics are carefully monitored to ensure we maintain a strong financial position. Additionally, we track our Debt-to-EBITDA Ratio, keeping it within our internal target of 4.5x, to ensure that we have sufficient cash to cover payment of existing debt. See "*Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations—Liquidity and Capital Resources—Key Performance Indicators.*"

We regularly declare and pay dividends from our unrestricted earnings, reflecting our commitment to delivering value to shareholders. Consistent with our dividend policy approved on March 14, 2025, as amended on May 14, 2025, we will maintain an annual dividend payout ratio equivalent to the higher of (i) 50% of our Net Income, or (ii) 40% of the Adjusted Net Income, capped at 100% the Net Income, both of which are based on our standalone financials, subject to certain requirements. See "*Dividends and Dividend Policy*." We believe that our available cash flow for dividend payouts may increase significantly after 2027 due to a lower capital expenditure requirement. This approach balances the need for reinvestment in our business with the return of capital to shareholders, supporting our strategic objectives and enhancing shareholder value.

Execution of our fully integrated sustainability strategy

We believe that the implementation of our sustainability strategy will drive positive business impact across our operations. By investing in initiatives that ensure a reliable and optimized water supply, we mitigate water security risk, which in turn secures long-term revenue. Our strategies relate to the execution of our NRW management strategies, procuring and generating renewable energy for operations, reducing our fuel-related operating expenses, upgrading our energy consumption mix, and minimizing our environmental footprint. These efforts are aligned with our commitment to sustainable practices and demonstrate our proactive approach to addressing environmental challenges.

Our growth initiatives and programs, such as our Enhanced Lifeline Program, are designed not only to expand our service offerings, but to reach underserved communities, including low-income customers. By providing access to essential water services, we enhance our collection and earnings and, at the same time, fulfill our commitment to social responsibility and community development. These initiatives reflect our dedication to making a positive impact on society and supporting the well-being of the communities we serve.

To address our emissions, we are actively pursuing initiatives to achieve carbon neutrality by 2037. Our strategies include implementing large-scale reforestation and afforestation projects for carbon sequestration, shifting towards renewable energy sources and transitioning our vehicle fleet to electric vehicles, not only to meet our carbon neutrality goals, but also to enhance business resilience and mitigate our exposure to volatile fuel prices. See "*—Corporate Social Responsibility and Sustainability—Emission Management.*"

Furthermore, we prioritize human capital development, recognizing that our employees are key to our success. Our strategies are guided by the 3M philosophy—*Makialam, Makiisa, Magmalasakit*, which focuses on employee engagement, unity, and care. By investing in training and development, we aim to enhance employee competence and improve service delivery quality. Our focus on employee growth and engagement helps us maintain a skilled and motivated workforce, reflected in our high retention rate of 94.1% in 2024, and capable of meeting the evolving needs of our customers. In the three months ended March 31, 2025, our retention rate was 96.3%. Additionally, we also emphasize customer engagement through our "*MyWaterBill*" program, which is designed to enhance transparency, streamline communications and provide user-friendly access to billing information. To gather feedback and increase customer satisfaction, we conduct satisfaction surveys to identify and address key issues our customers may have in connection with our services.

Through these strategic efforts, we aim to create a sustainable business model that delivers value to our stakeholders while contributing to environmental stewardship and social well-being. By integrating sustainability into our core operations, we position ourselves for long-term success and resilience in a rapidly changing world.

To ensure implementation of the foregoing initiatives, we have established our Corporate Governance & Sustainability Committee to uphold our corporate governance framework and ensure accountability and senior oversight of our sustainability strategy. Our emphasis on environmentally-responsible operations highlights our commitment to improving the environmental performance of our assets while addressing critical social needs. In recognition of our efforts in implementing our integrated sustainability strategy, we received the "*Excellence in Environment & Social Sustainability (Water Utilities*)" award for our "Plant for Life" program in the Triple P Sustainability Awards and as one of 28 "*climate smart utilities*" globally at the 2024 International Water Association Climate Smart Utilities Recognition, each in November 2024.

HISTORY AND CORPORATE MILESTONES

Restructuring and privatizing operations of MWSS

Republic Act No. 8041, otherwise known as the "National Water Crisis Act of 1995" ("**R.A. No. 8041**"), established the legal framework for the privatization of the operations of MWSS, the government agency responsible for providing water and wastewater services to Metro Manila, Rizal Province and parts of Cavite Province. R.A. No. 8041 empowered the President of the Republic of the Philippines to restructure MWSS's executive leadership and reorganize its operations and facilities, including the privatization of any or all segments, if necessary, to enhance effectiveness and innovation in addressing the then-impending water crisis. This directive acknowledged the critical situation of MWSS, characterized by significant debt, intermittent water supply, low service coverage, high NRW and low productivity. As part of the implementation of R.A. No. 8041, Executive Order Nos. 286 and 311 were issued on December 6, 1995 and March 20, 1996, respectively, to reorganize MWSS and facilitate private sector participation in any or all of its segments, operations and/or facilities through concession, privatization, or other arrangements.

The Original Concession Agreement, challenges and rehabilitation under previous management

Following a competitive public bidding process conducted by MWSS under R.A. No. 8041 and its charter, Republic Act No. 6234, as amended, Maynilad– then controlled by the Benpres Holdings Corporation and Lyonnaise des Eaux of France consortium – secured the West Zone concession, while the East Zone was awarded to Manila Water. The "East Zone" covered an area of 1,400 sq. km, spanning 24 cities and municipalities with a total population of over 7.7 million people according to Manila Water's 2023 Annual Report. On February 21, 1997, Maynilad signed the Original Concession Agreement with MWSS, granting it sole rights as agent and contractor to manage, operate, repair, decommission and refurbish certain fixed and movable assets necessary to provide water and sewerage services in the West Zone for 25 years, ending on May 6, 2022.

Under the Original Concession Agreement, Maynilad assumed 90% of the responsibility for servicing MWSS loans through concession fee payments, with Manila Water inheriting 10%. The loan repayment schedule was front-loaded, with substantial amounts due in the early years of the concession when revenues were projected to be lowest. The Asian financial crisis of 1997 and the severe *El Niño* phenomenon from 1997 to 1998, along with delays in completing major MWSS raw water supply projects, adversely affected Maynilad's operations, challenging its ability to meet its service and financial obligations under the Original Concession Agreement. This was compounded by disagreements over foreign currency rate adjustments to the MWSS-approved tariff, which Maynilad deemed necessary to be able to pay its concession fees, service the MWSS loans and sustain the concession's viability. Following denial of such adjustments, Maynilad struggled to cope with losses, suspended payment of its concession fees and was unable to secure loans to support operations. Consequently, our Company declared bankruptcy and filed a petition for corporate rehabilitation in 2003.

Financial recovery under new management

In 2005, the consortium of Benpres Holdings Corporation and Suez Lyonnaise de Eaux transferred management and control of Maynilad back to MWSS. Instead of converting its receivables from our Company into equity, MWSS publicly auctioned 83.96% of Maynilad's equity. After an open and competitive bidding, MWHCI (formerly DMCI-MPIC Water Company), then a joint venture between MPIC and DMCI, won the bid in December 2006, and on January 24, 2007, acquired 83.96% of Maynilad's shares and officially assumed the management and control of our Company. An aggressive investment campaign was launched to rehabilitate Maynilad, restore financial capacity, build new operational capabilities and most importantly, deliver service obligations under the Original Concession Agreement. At MWHCI's initiative, we began discussions with MWSS and our lenders on a rehabilitation exit plan. By January 2008, we fully prepaid U.S.$240.0 million to MWSS and all our lenders under a prepayment and settlement agreement. As a result, the rehabilitation court confirmed the termination of the rehabilitation proceedings in February 2008.

Following our exit from corporate rehabilitation, we launched an aggressive capital expenditure program to improve the delivery of services in the West Zone. Leveraging new technology, we became the first water utility to source water from Laguna Lake, a class C body of water[3], which is typically not suitable for direct human consumption unless properly treated, and converted into potable water supply. Since 2009, we constructed three water treatment plants with integrated membrane system processes, each with a capacity of 150 MLD, all sourcing raw water from Laguna Lake. Additionally, we pioneered the recycling of water from our wastewater treatment facilities into potable water through the use of NEW WATER treatment facilities.

In September 2009, MWSS approved a 15-year extension of the Original Concession Agreement extending the expiration date from May 6, 2022 to May 6, 2037. This amendment was acknowledged by the Republic of the Philippines, represented by the Secretary of Finance, through a Letter of Consent and Undertaking dated March 17, 2010.

In 2013, Marubeni, through MCNK JV Corporation, acquired a stake of 21.54% in MWHCI and became a strategic partner of MPIC and DMCI for our Company.

Since MWHCI assumed control and management of our Company, we have consistently improved our performance. Our customer base grew from 677,985 billed connections in 2006 to 1,551,904 billed connections in 2024, generating 262.6 MCM and 553.5 MCM of billed volume, respectively. This growth increased our operating revenue from ₱6,687.2 million in 2006 to ₱33,494.5 million in the year ended December 31, 2024. During the same period, our net income increased from ₱1,004.4 million to ₱12,781.4 million, along with an increase in net income margin from 15.0% to 38.2%, respectively. This also resulted in an increase in EBITDA from ₱3,350.7 million to ₱22,041.1 million, and in EBITDA Margin from 53.1% to 65.8%, respectively.

Our performance continues to improve with our customer base further growing to 1,556,603 billed connections as of March 31, 2025, which translated to year to date billed volume of 133.0 MCM. In the three months ended March 31, 2024 and 2025, our operating revenue increased from ₱8,101.0 million to ₱8,564.8 million, resulting in an increase in net income from ₱3,098.1 million to ₱3,618.9 million along with an increase in net income margin from 38.2% to 42.3%, respectively. Our EBITDA was ₱6,031.7 million, and our EBITDA Margin was 70.4% for the three months ended March 31, 2025.

The Revised Concession Agreement and the Franchise

On May 18, 2021, we entered into the Revised Concession Agreement with MWSS, governing our provision of water and wastewater services in the West Zone, effective from June 29, 2022. Among other things, the Revised Concession Agreement confirmed the continuation of our concession until 2037. On May 10, 2023, certain provisions of the Revised Concession Agreement were further amended, retroactive to June 29, 2022. In connection with these amendments, the Republic of the Philippines, through the Secretary of Finance, acknowledged them and issued a Letter of Undertaking which retroactively took effect on July 1, 2022.

[3] Under Administrative Order No. 34 Series of 1990 issued by the DENR, the Laguna Lake is designated as a Class C water body, supporting fisheries, recreational activities, and agriculture.

In December 2021, the Philippine Congress enacted the Franchise granting us the right to establish, operate and maintain a waterworks system and provide sewerage and sanitation services in the West Zone for 25 years, effective from January 22, 2022 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. The Franchise also provides that when public interest for affordable water security requires, and upon the grantee's application, MWSS is authorized to extend the term of the Revised Concession Agreement, as amended, (i.e., until July 2037) up to the term of the Franchise (i.e., until January 21, 2047), after the appropriate notice and hearing. Following compliance with all the requirements, we formally applied for a 10-year extension of the Revised Concession Agreement or until January 21, 2047 with MWSS in August 2022. On December 14, 2023, MWSS approved the 10-year extension, pending acknowledgment by the Republic of the Philippines, through the Secretary of Finance. This acknowledgment is required for all amendments of the Revised Concession Agreement. In a letter dated March 3, 2025, we were advised by MWSS that the Department of Finance recommended that MWSS adhere to the procedures under the PPP Code and its implementing rules and regulations. The Department of Finance considered the 10-year extension of the Revised Concession Agreement as a variation of an executed PPP contract, which, as a project that costs above ₱15.0 billion, requires the approval of the NEDA Board in accordance with the NEDA-ICC Procedures as of April 25, 2024. Consequently, on March 7, 2025, a technical working group, comprising representatives from both MWSS and our Company, was formed to prepare the necessary documentation for submission to the NEDA-ICC. On April 14 and April 25, 2025 and May 6, 2025, MWSS submitted the necessary documentation to the NEDA-ICC for their review. See "*Risk Factors—Risks Relating to Us and Our Business—Legislative and political risks to the Franchise and the Revised Concession Agreement may adversely affect our business and operations.*" As of the date of this Prospectus, we are awaiting the review and approval by the NEDA Board and the acknowledgment of the Republic of the Philippines through the Secretary of Finance of the 10-year extension of the Revised Concession Agreement.

Blue Bond Issuance

On July 12, 2024, we issued our maiden Blue Bonds, 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, which are listed and traded on the Philippine Dealing & Exchange Corp. See "*Management Discussion and Analysis of Consolidated Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness.*" In 2025, the Blue Bonds were recognized as the "Best Blue Bond in Southeast Asia & Most Innovative Deal of the Year 2024" at the 18th Annual Best Deal and Solution Awards by Alpha Southeast Asia. In May 2025, we received a special citation at the 2025 Philippine Dealing System Annual Awards for being the first issuer of the Blue Bonds in the Philippines.

The table below sets out our key milestones.

Year	Milestones
1997	• Maynilad was incorporated on January 22, 1997 by the consortium of Benpres Holdings Corporation and Lyonnaise des Eaux and won the bid for the operation of the privatized system of waterworks and wastewater services of MWSS in the West Zone. • Maynilad and MWSS entered into the Original Concession Agreement over the West Zone for a period of 25 years ending in May 2022.
2003	• Maynilad declared bankruptcy and went into corporate rehabilitation.
2005	• The consortium of Benpres Holdings Corporation and Suez Lyonnaise de Eaux ceded management and control of Maynilad to MWSS.
2007	• MWHCI (formerly DMCI-MPIC Water Company) acquired 83.96% of Maynilad's shares and took over the management and control of Maynilad.
2008	• Maynilad, under its new owners, successfully implemented its rehabilitation plan, fully prepaid all its debts and exited from corporate rehabilitation.

Year	Milestones
2010	• Maynilad entered into the Memorandum of Agreement and Confirmation, extending the term of the Original Concession Agreement for an additional 15 years or until the year 2037
2011	• Former Philippine President Benigno S. Aquino III led the formal unveiling of Maynilad's Putatan Water Treatment Plant 1, the first water treatment facility to utilize Laguna Lake as an alternative water source to Angat Dam. We believe that it is the largest membrane-based water treatment plant in the Philippines, and the first in the country to use large-scale microfiltration and reverse osmosis.
2013	• Marubeni, through MCNK JV Corporation, acquired a stake of 21.54% in MWHCI.
2019	• The Putatan Water Treatment Plant 2 was inaugurated. Similar to the Putatan Water Treatment Plant 1, this new facility also has a treatment capacity of 150 MLD and sources raw water from Laguna Lake.
2021	• Maynilad entered into the Revised Concession Agreement with MWSS, confirming the continuation of the concession term until July 31, 2037.
2022	• The Franchise granted by the Philippine Congress to Maynilad to establish, operate and maintain a waterworks system and provide sewerage and sanitation services to the West Zone until January 21, 2047 became effective.
2023	• After eight months of stringent monitoring by the DOH – Metro Manila Center for Health Development, we were granted a permanent operational permit for the NEW WATER treatment plant in Parañaque City, which converts treated effluent of the Parañaque water reclamation facility into potable water. • Philippine President Ferdinand Marcos, Jr. led the formal inauguration of our Poblacion Water Treatment Plant in Muntinlupa City. Designed to produce 150 MLD of potable water, the Poblacion Water Treatment Plant is our third facility using Laguna Lake as raw water source. • Certain provisions of the Revised Concession Agreement were amended on May 10, 2023, with retroactive effectivity to June 29, 2022. • The MWSS Board of Trustees approved Maynilad's application for a 10-year term extension of the Revised Concession Agreement until 2047.
2024	• Maynilad issued its maiden ₱9.0 billion Series A Blue Bonds due 2029 and ₱6.0 billion Series B Blue Bonds due 2034 which are listed and traded on the Philippine Dealing & Exchange Corp.
2025	• The Blue Bonds were recognized as the "Best Blue Bond in Southeast Asia & Most Innovative Deal of the Year 2024" at the 18th Annual Best Deal and Solution Awards by Alpha Southeast Asia. • Maynilad received a special citation at the 2025 Philippine Dealing System Annual Awards for being the issuer of the first ASEAN Blue Bonds in the Philippines. • Maynilad was the first water utility in the Philippines to have its laboratory, WATERLab, which earned the My Green Lab Certification - a globally recognized gold standard for sustainable laboratory practices from UK-based Impact Laboratories.

RECENT DEVELOPMENTS

MWSS Approval of Tariff Adjustments

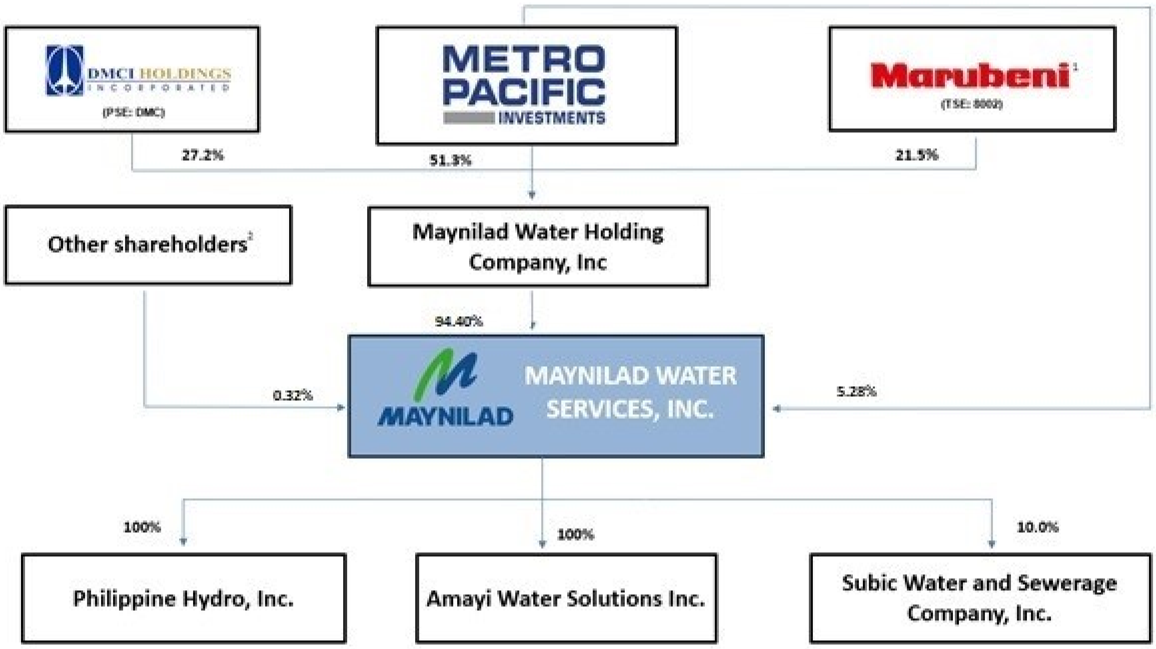
On December 5, 2024, MWSS approved several tariff adjustments for our customers within the West Zone, effective January 1, 2025 resulting in an average increase of 8.05% to our basic water charge. In addition, MWSS approved, (i) environmental charge increase from 20% to 25%, and (ii) a FCDA of -0.65%, applied to the basic water charge.

Furthermore, the monthly consumption threshold for low-income lifeline accounts expanded from 10.0 cu. m. and below to accommodate 20.0 cu. m. and below. Consequently, these accounts will receive a discount ranging from 40% to 51% on the regular basic water charge based on their monthly consumption levels.

We believe that the implementation of these tariff adjustments impact our financial performance by increasing operating revenue from our billings to our customers. Although the tariff system provides significant discounts for low-income lifeline accounts, which represent only a minor portion of our monthly production, a more substantial contributor to our financial performance is the consumption growth among our non-domestic customers, coupled with our ongoing expansion of sewerage services.

CORPORATE STRUCTURE

The chart below sets out Maynilad's corporate structure as of March 31, 2025.



Notes:

(1) Marubeni's shareholding in MWHCI is through its subsidiary, MCNK JV Corporation.

(2) Refers to (i) various employee shareholders previously under our Company's Employee Stock Option Plan and (ii) the Metropolitan Bank and Trust Company with shareholdings of 0.31% and 0.01%, respectively.

THE REVISED CONCESSION AGREEMENT

Our primary business is providing water and wastewater services in the West Zone.

We entered into the Original Concession Agreement with MWSS on February 21, 1997, initially for a term of 25 years, ending on May 6, 2022. Pursuant to the Memorandum of Agreement and Confirmation dated April 22, 2010, this term was subsequently extended by 15 years, expiring in 2037. The Original Concession Agreement sets out our and MWSS's rights and obligations within the West Zone and provides the mechanisms for adjusting the tariff that we are authorized to charge and collect from our customers.

In 2020, former Philippine President Rodrigo Duterte ordered a review of the Original Concession Agreement terms and established the Concession Agreements Review Committee ("**RevCom**"). We entered into the Revised Concession Agreement with MWSS on May 18, 2021, confirming the continuation of the concession until 2037. On May 10, 2023, certain provisions of the Revised Concession Agreement were further amended, with retroactive effectivity to June 29, 2022. See "*Material Agreements—Overview of the Revised Concession Agreement.*"

The key terms of the Revised Concession Agreement, as amended, are as follows:

- *Term and Service Area Concession*. The concession period commenced on August 1, 1997 and is due to expire on July 31, 2037 (or, pending the approval of the NEDA Board and acknowledgement by the Republic of the Philippines, through the Secretary of Finance, on January 21, 2047, or on an earlier date subject to the termination rights provided by the Revised Concession Agreement). By virtue of the Revised Concession Agreement, MWSS granted us the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the West Zone.

- *Ownership of Assets*. While we have the right to manage, operate, repair, decommission and refurbish specified MWSS facilities in the West Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets that we contribute to the system during the concession period remains with us until the expiration date (or an early termination date), at which time all rights, titles and interests in such assets will automatically vest in MWSS.

- *Ownership of our Company.* Under the Revised Concession Agreement, we represent and warrant to MWSS that, at all times, our (i) total number of outstanding capital entitled to vote in the election of directors; and (ii) total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, shall be at least 60% owned by citizens of the Philippines or by corporations that are themselves at least 60% owned by citizens of the Philippines.

- *Tariff Adjustments and Rate Regulation*. We are entitled to recover expenses efficiently and prudently incurred in connection with the provision of water and wastewater services which include our pre-operating, operating, capital maintenance and investment expenditures, working capital requirements, concession fees and Philippine business taxes (excluding corporate income tax) (the "**Expenditures**"). However, the Expenditures exclude penalties, interest charges on late payments, financing costs, bad debt provisions and depreciation provisions. The Revised Concession Agreement allows us to earn a 12% fixed nominal rate of return, before taxes, on the net Expenditures, i.e., after deducting our Receipts for the same period. Receipts, as defined in the Revised Concession Agreement, refer to all cash receipts from our customers and grants from third parties (including the Republic of the Philippines), but exclude interests and dividends received, and any form of collections or reimbursements arising from FCDA and MFCDA.

  During a Rate Rebasing exercise, we submit a business plan to the MWSS-RO for review, recommendation, and approval. This business plan includes our 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. See "*—2022 Approved Business Plan.*" The Revised Concession Agreement imposes rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the rate in the last year of the prior Rate Rebasing Period. See "*Risk Factors—Risks relating to us and our Businesses—The tariff that we charge our customers are subject to regulation, and our operating costs are subject to market conditions and other factors and can be volatile and disproportionate to the tariff adjustments.*" For the current Rate Rebasing Period, these rate caps are based on a pro-forma tariff that assumes an implementation of the originally approved tariff adjustments from 2020 to 2022, but which were not implemented due to a tariff freeze. Considering certain agreed assumptions, the MWSS-RO determines the tariff adjustment required for us to recover our investments plus the guaranteed return over the concession's remaining life. See "*Material Agreements—Overview of the Revised Concession Agreement*."

Prior to its implementation, the approved business plan and corresponding tariff adjustments 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. Adjustments to the water tariff are implemented on January 1 of each year following a Rate Rebasing exercise. Tariffs are adjusted annually to account for inflation, capped at 75% of the percentage change in the CPI, as published by the PSA referred to as the C Adjustment. To allow time for the review of adjustment proposals to be implemented in January of the Charging Year, MWSS uses the percentage change in CPI, as published by the PSA, between July of the previous Charging Year and July of the current Charging Year. Tariff adjustments also include R Adjustments, extraordinary price adjustment and the FCDA. The FCDA is a tariff mechanism that allows us to pass through to our customers (i.e., recover from or compensate them, as the case may be) fluctuations in the foreign exchange rate due to our foreign-currency denominated loans existing as of June 29, 2022, including the foreign-currency denominated loans of MWSS we currently service and expect to service. For loans contracted after June 29, 2022, an MFCDA applies, which can be utilized only in cases of extraordinary inflation or deflation of the Philippine Peso (i.e., more than a 20% change in the base exchange rate), subject to a recovery cap. The FCDA and MFCDA mechanisms are based on the principle of "no over or under recovery" and do not impact our revenue position. See also "*—Tariff Determination under the Revised Concession Agreement.*"

- *Concession Fees*. We are required to pay concession fees to MWSS equal to the sum of the following:

    - 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 Revised Concession Agreement; and

    - 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 ₱200,000,000.00, subject to C Adjustments.

    As of January 2021, the concession fee was ₱576,655,623.00.

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

    The concession fees consist of two major components: (i) our contributions for MWSS's maintenance and operating expenditures ("**MOE**"), and (ii) MWSS's borrowing costs from external creditors. The portion of the MOE that is indexed to the CPI is treated as an operating expenditure of the concession. In contrast, the non-CPI-linked MOE, along with our share of MWSS's loans, is capitalized as part of our service concession assets and amortized over the remaining term of the concession period. The loan component of our payment obligation is ranked at least *pari passu* with our unsecured payment obligations under our other debt instruments.

    As of March 31, 2025, the concession fees, including accrued interest, were ₱6,933.7 million (U.S.$120.8 million).

- *Early Termination.* MWSS has a right to terminate the Revised Concession Agreement under certain circumstances, including, but not limited to, (i) our 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, (ii) our insolvency, (iii) our failure to perform our service obligations under the Revised Concession Agreement 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 (iv) if the MWSS-RO determines that we are charging more than the prescribed fees.

In the case of an event of termination which we have caused, the concession may either (i) be assigned to a qualified replacement operator nominated by the lenders who have provided financing for our activities in the Revised Concession Agreement, or (ii) revert to MWSS, following an agreed procedure in the Revised Concession Agreement. In either event, MWSS may draw on our performance bond. If our lenders fail to nominate a qualified replacement operator in a timely manner, then we are entitled to receive an early termination payment from MWSS, pursuant to a formula provided in the Revised Concession Agreement. 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. See "*Material Agreements—Overview of the Revised Concession Agreement*."

MWSS is also entitled to terminate the Revised Concession Agreement "when the common good so requires." 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."

We also have the right to terminate the concession for, among other things, the failure of MWSS to perform a material obligation under the Revised Concession Agreement or upon occurrence of certain events that would impair our rights, subject to a curing period.

In the event that we are unable to perform our obligations under the Revised Concession Agreement directly as a result of material adverse government action ("**MAGA**"), we shall be excused from non-performance thereof, subject to specific conditions. However, certain events that may be considered as MAGA have been explicitly excluded therefrom, such as, but not limited to (i) the reorganization of MWSS or any other regulatory agency, (ii) any act or decision rendered by the MWSS-RO under the Revised Concession Agreement, or (iii) any claim or action initiated by the government in the exercise of its rights or remedies against the Concessionaire under the Revised Concession Agreement, any law, rules or regulations. In the case of early termination due to the fault of MWSS, we are entitled to an early termination payment pursuant to a formula in the Revised Concession Agreement. 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. See "*Material Agreements – Overview of the Revised Concession Agreement*."

Tariff Determination under the Revised Concession Agreement

We are mandated to deliver water and wastewater services to the West Zone until the end of the concession period under the Revised Concession Agreement. Our services require spending for both operational expenditures and capital expenditures for infrastructure development. To recover such expenditures, as well as our allowable return, we are also required to collect tariffs from our customers throughout the concession period. These tariffs and the adjustments thereto are determined by the MWSS-RO during a Rate Rebasing exercise which happens every five years.

The initial tariff that we charged our customers were set out in Schedule 5 of the Original Concession Agreement. These initial rates were based on the bids that were submitted by the winning bidders (who then organized themselves into the Concessionaires) in 1997 and formed part of the Original Concession Agreement. Article 9 of the Revised Concession Agreement provides for the mechanisms and procedures on how these initial tariffs would be adjusted from time to time to fulfill the following intentions: (i) that the tariff for water and sewerage services will be set at a level that will allow the Concessionaires to recover over the term of the concession its prudent and efficiently-incurred Expenditures and to earn a reasonable rate of return, also known as the Appropriate Discount Rate ("**ADR**"), thereon (now set at 12% nominal rate) for the remaining term of the concession; and (ii) that tariffs be set in such a way as to provide appropriate efficiency incentives to the Concessionaires, with a view to benefitting both the customers and the Concessionaires.

On or before March 31 preceding each Rate Rebasing Date, we provide the MWSS-RO information relating to the following:

a. *Service obligation performance*. This is a validation of our achievements against the service target obligation targets set in the previous Rate Rebasing Period.

b. *Historical Cash Flows*. These would include the following:

   (i) tariff collections from customers (also referred to as Receipts);
   (ii) operating expenditures; and
   (iii) capital expenditures.

c. *Proposed OCP for the next Rate Rebasing Period*. The opening cash position ("**OCP**") refers to the net present value of our allowable historical Receipts received and Expenditures incurred in the performance of our business obligations, subject to a 12% fixed nominal rate of return. The MWSS-RO conducts a detailed review of our operational performance and validates our OCP by auditing our historical Cash Flows, subject to applicable rules and regulations. Expenditures which the MWSS-RO does not deem prudent and efficient in the delivery of our services are disallowed, while difference in receipts or collections arising from such acts as incorrect or improper classification of accounts, or rebates given to customers on account of penalties imposed by the MWSS-RO are deemed Receipts. Both disallowed Expenditures and deemed Receipts will result in a reduction of our OCP.

d. *Updates regarding CAPEX projects*. These would refer to the approved projects in the previously-approved business plan, as well as additional or substituted projects not in the business plan including their costs, implementation status and operational outcomes.

e. *Proposed service obligation targets.* These would refer to our proposed service obligation targets for the next Rate Rebasing Period.

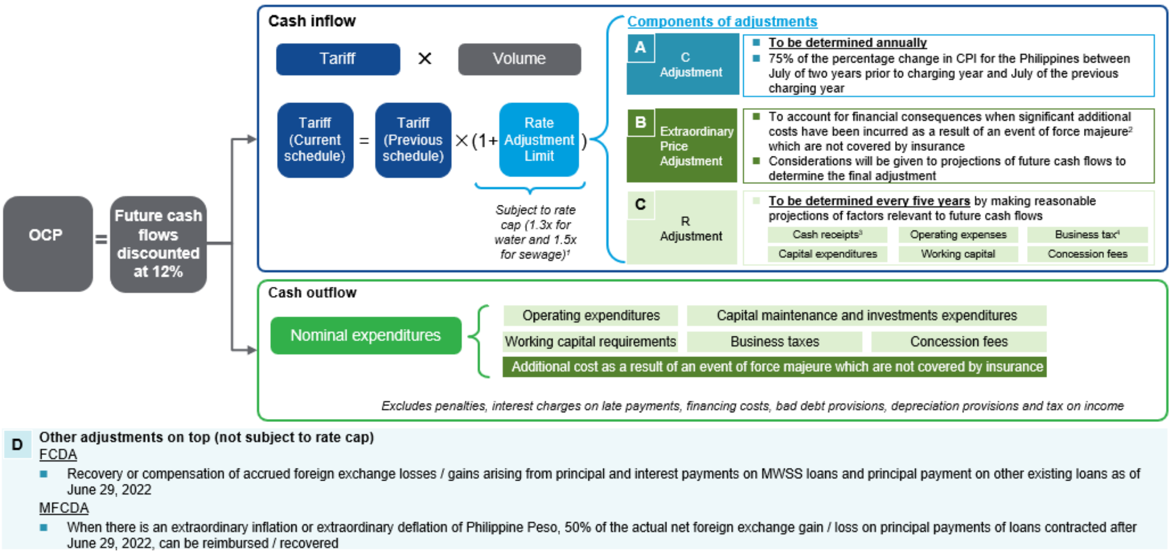
f. *Future Cash Flows.* Key Rate Rebasing planning assumptions concerning future Cash Flows in the next Rate Rebasing Period through the end of the concession period. These Rate Rebasing planning assumptions are required inputs to the determination of tariffs and tariff adjustments for the next Rate Rebasing Periods. However, unlike service obligation targets, these assumptions do not represent commitments and may be revised within, or at the end, of the next Rate Rebasing Periods. These key Rate Rebasing planning assumptions include:

   (i) water demand;
   (ii) billed volume;
   (iii) customer mix;
   (iv) operating expenditures;
   (v) CAPEX projects, project cost estimates, disbursement schedules; and
   (vi) concession fees.

For purposes of determining the Rate Adjustment Limit that will apply to the standard rates that will be implemented in the next Rate Rebasing Period, the MWSS-RO shall, by taking into account all information available at that time, make reasonable assumptions of all factors relevant to our Future Cash Flows beginning on the next Rate Rebasing Date until the Expiration Date (e.g., service coverage targets, service levels, anticipated Receipts, operating plans, capital expenditure program, anticipated Expenditures, etc.) to determine (i) the OCP as at June 30 following that Rate Rebasing Date, which may either be positive or negative; and (ii) the Rate Adjustment Limit, which could either be positive or negative, for the following Rate Rebasing Period, which would cause the NPV of our Future Cash Flows, as at June 30 following that Rate Rebasing Date, to be equal but opposite in sign, to our OCP. This adjustment, which could either be positive or negative, is staggered over the five-year Rate Rebasing Period to mitigate consumer concerns, particularly over sudden tariff increases. See "—*Tariff Adjustments and Rate Regulation.*" The Revised Concession Agreement imposes rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of previous standard rates.

Based on the most recent Rate Rebasing Period, our OCP as at the beginning of 2023, as determined by the MWSS-RO, stood at approximately negative ₱100.4 billion. See "—*Cash Position Post Rebasing Exercise*" for further details.

The following summarizes the calculation during Rate Rebasing of our tariff adjustment, NPV of Future Cash Flows, and OCP as a function of our Receipts (cash inflow) and Expenditures (cash outflow):



Notes*:*
(1) Rates for water / sewerage services in the current rebasing period are capped at 1.3x / 1.5x of that in the last year of the prior rate rebasing period and adjusted annually for CPI.
(2) Unforeseen events including hostilities, belligerence, blockade, revolution, insurrection, rot, fire, unusual flood, drought and earthquake, etc.
(3) Revenue adjusted for accrual accounting impact.
(4) Excludes corporate income tax.

We summarize below the breakdown of our tariff increases for the sixth Rebasing Period from 2023 to 2025 as approved by MWSS:

	Sixth Rate Rebasing Period		
	2023	**2024**	**2025**
Average basic charge (₱/cu.m.)(1)	35.10	39.70	47.57
Approved R Adjustments			
R factor (₱)	3.29	6.26	2.12
R factor (% of pre-rebased tariff)	9.37	16.3	4.75
C Adjustments			
C factor (₱)	1.31	1.40	1.57
C factor (% of pre-rebased tariff)	3.73	3.53	3.30
Environmental charge (2023/2024: 20%; 2025: 25%) (₱)	7.94	9.51	12.85
Total average tariff (₱/cu.m.)(2)	**47.64**	**57.08**	**64.25**

Note:
(1) Calculated as the previous period's basic water charge plus the Rate Adjustment Limit for the year.
(2) The average tariff in our consolidated financial statements include variations due to customer mix and the imposition of the environmental charge.

2022 Approved Business Plan

Our business plan, which was approved in 2022, outlines our plans and targets until the end of the concession in 2047. As part of the Rate Rebasing exercise, the business plan details our Company's (i) historical performance, (ii) proposed service obligation targets, (iii) key planning assumptions, including assumptions around future water demand, billed volume and Receipts, (iv) CAPEX and operating expenses program, and (v) project implementation and expenditure schedules.

In particular, the approved business plan sets forth the following objectives:

1. Install new water connections to enable us to reach up to 98.6% of the target population by the end of the concession period, with the remaining 1.4% being served by other private water utilities.

2. Sustain the trajectory of reaching 100% continuity of supply that depends on the following major supply augmentation efforts: (i) implementation of the NRW-reduction initiatives, (ii) completion of additional WTPs, mainly the Poblacion WTP and Teresa WTP.

3. Reach NRW levels of 25% by 2027 and 20% by 2030 that will be maintained until the end of the concession, in consideration of the economic trade-offs of further reductions.

4. Achieve full wastewater coverage (sewer and sanitation, accounts-based) by 2026 in compliance with the Revised Concession Agreement and the Writ of Continuing Mandamus issued by the Supreme Court of the Philippines in 2008. Notably, sewer and sanitation coverage will be added or combined to arrive at the wastewater coverage, which will be measured in five-year cycles.

By 2026, we aim to achieve 100% wastewater coverage, with 33% sewer coverage, and 67% sanitation coverage. Sanitation coverage is computed using the five-year cumulative coverage where the accomplishments during the year in review and the previous four years' accomplishments are considered. Every five years thereafter, as sewer coverage increases, sanitation coverage will cover the balance to attain 100% wastewater coverage.

To achieve our objectives, we developed a CAPEX disbursement schedule, alongside operating expenses and changes in working capital schedules, as outlined in our approved business plan. The CAPEX disbursement schedule was prepared based on the prevailing inflation, foreign exchange, and other relevant macroeconomic rates at the time of its preparation, and as such, is subject to adjustment as new data becomes available. The CAPEX disbursement schedule is designed to be executed in conjunction with the fulfillment of our service obligation targets for water, sewerage, and sanitation services, enhance customer service quality, improve service performance information delivery, and compliance with the PNSDW and the DAO-2021-19 effluent standards.

For the sixth Rate Rebasing Period, our CAPEX program for 2023 to 2027 of approximately ₱163.3 billion (U.S.$2,845.9 million) is allocated to projects in the following areas: (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. Our plans under the CAPEX program for the sixth Rate Rebasing Period are set out below:

	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
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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

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

(4) NRW management comprises 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.

While the CAPEX program represents our current CAPEX plans, such plans may change due to evolving circumstances. Moreover, the further into the future the projections extend, the actual capital expenditures may differ from the planned amounts for various reasons, including shifts in market conditions, competition, and other factors. As we continue to implement projects to meet our service obligation targets, additional capital expenditures may be necessary. See "*Risk Factors – Risks Relating to Us and Our Business – We may not successfully implement our capital expenditures program*."

The approved business plan outlines our service obligation targets through the end of our concession. Following our Company's current trajectory and based on our existing forecasts and targets, we expect to transition from the current period of accelerated investment to one of sustained growth. In particular, the completion of the MWSS Kaliwa Dam project and the 300 MLD Teresa Water Treatment Plant is expected to adequately address water demand, allowing us to utilize our capital towards achieving long-term stable NRW levels and expanding our wastewater program to enhance sewerage coverage.

Under the approved business plan, we have set out the following service obligation targets for the years 2026 and 2031:

	As of or for the year ended December 31,	
	2026	2031
Service Obligation Targets		
Water service coverage (%)	95.1	96.8
Continuity of supply (%)	94.1	100.0
Total NRW (Average) (%)	29.0	20.0
Total wastewater coverage (%)	100.0	100.0
Sewerage coverage (accounts-based)	33.0	49.0
Sanitation coverage (accounts-based)	67.0	51.0

In order to meet our service obligation targets, we are required to make CAPEX disbursements across several Rate Rebasing periods, which we set out in the approved business plan, including for the seventh Rate Rebasing Period as follows:

	Sixth Rate Rebasing Period	Seventh Rate Rebasing Period
	2023—2027	2028—2032
	(*in ₱ million*)	
CAPEX Schedule		
Water sources(1)	41,240.6	6,575.0
Wastewater treatment(2)	55,011.7	45,610.8
Operations support(3)	30,086.5	18,998.9
NRW management(4)	31,463.6	11,178.6
Customer service and information technology(5)	5,448.6	4,184.9
TOTAL	**163,251.0**	**86,548.2**

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 comprises projects that relate to installation of conveyance systems for sewage and treatment and transportation of septage.

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

(4) NRW management comprises 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.

Our forecasted capital expenditures for the sixth and seventh Rate Rebasing Periods outlined above represent our incremental investments. These incremental investments, together with the OCP which accounts for unrecovered historical outlays and is grown at a 12% fixed nominal rate of return, are key inputs for the R Adjustments reviewed and approved by the MWSS-RO every five years. See "*—Tariff Determination under the Revised Concession Agreement.*"

For the sixth Rate Rebasing Period, the MWSS-RO approved a one-time tariff increase of 35.61% on the pre-rebased tariff of ₱35.10 per cu. m. Our tariff increases are staggered to ensure the affordability of water services.

We summarize below the approved R Adjustment for the sixth Rebasing Period:

	Sixth Rate Rebasing Period				
	2023	2024	2025	2026	2027
Approved R Adjustments					
R factor (₱)	3.29	6.26	2.12	1.01	1.01
R factor (% of pre-rebased tariff)	9.37%	16.3%	4.75%	2.17%	2.12%

Cash Position Post Rate Rebasing Exercise

We believe that our OCP balance plays a crucial role in setting the appropriate rates that would allow us to recover costs and investments through tariff adjustments over the life of the concession. The next OCP determination is set to occur in the 2027 Rate Rebasing exercise for the seventh Rate Rebasing Period (2028-2032).

Because the Concessionaires are entitled to earn a 12% fixed nominal rate of return on the OCP, a negative balance represents under-recoveries of previous outlays and is a source of future earnings. At the start of 2023, Maynilad had negative ₱100.4 billion OCP and ₱43.1 billion in long-term debt, compared to Manila Water's negative ₱27.6 billion OCP, according to GlobalData, and ₱59.9 billion long-term debt as provided in Manila Water's disclosure of its 2022 Parent Company financials. A comparison of the OCP over long-term debt shows that our earning asset is 2.3 times the size of our long-term debt. Moreover, our comparatively higher OCP to long-term debt ratio indicates that the 12% fixed nominal rate of return earned over the OCP will sufficiently cover our interest expense for our relatively small long-term debt balance.

To ensure that the Concessionaires recover their investments at the end of the concession period, a significant negative OCP balance supports tariff increases in the next Rate Rebasing Periods, provided that service obligations are delivered with continued investments. The OCP will continue to accrue a 12% fixed nominal rate of return until it is fully recovered, even with minimal tariff increases. Conversely, if the OCP balance is only slightly negative but secures substantial tariff adjustments, revenues and EBITDA margins will improve in the short-term as the Concessionaires recover their investments. However, this scenario may lead to lower returns to cover long-term debt.

Following the conclusion of a Rate Rebasing exercise where the OCP is established, we continue to implement the plans and programs in the approved business plan. In the course of doing so, we realize Receipts and incur Expenditures in each of the years comprising the Rate Rebasing Period. The net effect of these Receipts and Expenditures is either added to or subtracted from the OCP, and this becomes the annual Interim Cash Position ("**ICP**"). The ICP, which earns a 12% fixed nominal rate of return, is essentially our internal approximation of the OCP (utilizing our audited financial statements and considering the differences between PFRS and the regulatory standards), until its final validation and determination by the MWSS-RO in the next Rate Rebasing exercise. Due to, among others, the difference between statutory and regulatory accounting, the new OCP for the ensuing Rate Rebasing Period and the ICP may differ.

Based on our estimate of the relevant Receipts and Expenditures allowed under the Revised Concession Agreement, and building on the OCP of ₱100.4 billion at the beginning of 2023, the ICP for the beginning of 2024 and 2025 were negative ₱125.1 billion and negative ₱144.8 billion, respectively.

The following table presents our ICP estimates for the beginning of 2024 and 2025 based on deficit cash flows of ₱11.3 billion and ₱4.2 billion in each prior year, which were accumulated with the latest OCP of negative ₱100.4 billion for the beginning of 2023 and annually adjusted by the fixed nominal return of 12%.

	For the years ended December 31,		
	2022	2023	2024
		(*in ₱ million*)	
Total receipts[1]		**27,068.0**	**33,145.4**
Less			
Cash operating expenses[2]		(10,231.5)	(10,725.4)
Change in adjusted working capital[3]		(800.7)	263.6
Capital expenditures – disbursements[4]		(26,031.1)	(25,746.0)
Concession fees[5]		(1,330.2)	(1,158.5)
Total expenditures		**(38,393.6)**	**(37,366.3)**
Deficit / surplus cash flows		**(11,325.6)**	**(4,220.9)**
Interim Cash Position (start of year)		**(100,354.5)**	**(125,081.7)**
Add: Deficit / surplus cash flows		(11,325.6)	(4,220.9)
Subtotal		**(111,680.1)**	**(129,302.6)**
Multiply: ADR (12.0%)		12.0%	12.0%
Accretion		**(13,401.6)**	**(15,516.3)**
Interim Cash Position (start of year)		(100,354.5)	(**125,081.7**)
Add: Deficit / surplus cash flows		(11,325.6)	(4,220.9)
Add: Accretion		(13,401.6)	(15,516.3)
Interim Cash Position (end of year)	**(100,354.5)**	**(125,081.7)**	**(144,818.9)**

Notes:

(1) Operating revenues and other income related to installation costs and other services related to the West Zone (See Note 14 to the consolidated audited financial statements).

(2) Cash operating expenses which excludes non-cash costs and expenses (e.g., amortization of service concession assets, depreciation and amortization and provision for the expected credit losses).

(3) Working capital changes as adjusted using the guidelines set by the MWSS-RO, which exclude recovery of items such as financing charges, corporate income tax and removed double-counted items already considered as capital expenditures.

(4) As reported to the MWSS-RO (See Liquidity and Capital Resources – Capital Expenditures).

(5) Derived from the sum of (a) "Service concession payable to MWSS" in the Cash Flow Statement and (b) payment for actual concession fees (See Note 7 to the consolidated audited financial statements).

The breakdown of the estimated change in working capital, to distinguish from the figures reported in our Statement of Cash Flows, is as follows:

	For the year ended December 31,	
	2023	2024
	(*in ₱ million*)	
Change in:		
Trade and other receivables[A]	634.1	(382.9)
Service contract assets	(204.1)	(181.4)
Other current assets[B]	300.6	(284.5)
Other noncurrent assets[B]	(65.8)	(264.9)
Additions to service concession assets[F]		
Change in:		
Trade and other payables[C]	(893.3)	528.7
Income tax payable	(100.7)	257.2
Contract liabilities – cost of new water service connections [D]	(141.0)	170.8
Long Term Incentive Plan (LTIP) Liabilities[E]	(330.5)	420.7
Adjusted working capital	**(800.7)**	**263.6**

Notes:

(A) *The guidelines established by the MWSS-RO do not account for changes resulting from provisions for ECL in trade and other receivables. See Note 5 to the consolidated audited financial statements to derive trade and other receivables as follows:*

	For the years ended December 31,		
	2022	**2023**	**2024**
	(*in ₱ million*)		
Customers.............................			
Residential.........................	2,549.6	2,165.3	2,322.5
Semi-business	291.8	249.2	257.3
Commercial.......................	856.6	693.6	685.3
Industrial	207.2	182.8	175.3
Bulk water supply	84.6	101.8	207.7
	3,989.8	3,392.7	3,648.1
Employees	57.0	47.0	46.3
Other......................................	446.8	419.8	548.0
	4,493.6	**3,859.5**	**4,242.4**

(B) *See Note 6 to the consolidated audited financial statements to derive other current assets and other noncurrent assets as follows:*

	For the years ended December 31,		
	2022	**2023**	**2024**
	(*in ₱ million*)		
Other current assets..............	1,819.2	1,862.5	2,130.7
Less:			
Advances to supplier/contractors...........	217.3	561.2	544.9
Adjusted other current assets	**1,601.9**	**1,301.3**	**1,585.8**
Other noncurrent assets			
Cost of new water service connections	387.4	457.2	537.0
Deposit – restoration works	305.9	301.9	487.0
Adjusted other noncurrent assets....................................	**693.3**	**759.1**	**1,024.0**

(C) *See Note 12 to the consolidated audited financial statements to derive trade and other payables as follows:*

	For the years ended December 31,		
	2022	**2023**	**2024**
	(*in ₱ million*)		
Total trade and other payables................................	22,116.2	20,567.7	24,157.1
Less:			
Accrued construction cost.	6,564.0	5,757.6	6,938.5
Retention of contract payables............................	2,841.4	3,396.3	4,933.0
Accrued interest expense ..	615.9	708.7	1,051.8
LTIP – current portion	496.5		

	For the years ended December 31,		
	2022	2023	2024
Adjusted Trade and other trade payables	**11,598.4**	**10,705.1**	**11,233.8**

(D) See Note 14 to the consolidated audited financial statements to derive contract liabilities — cost of new water service connections as follows:

	For the years ended December 31,		
	2022	2023	2024
		(*in ₱ million*)	
Contract liabilities – cost of new water service connections			
Current portion..................	40.0	48.0	58.0
Noncurrent portion............	918.4	1,051.4	1,212.2
	958.4	1,099.4	1,270.2

(E) See Note 17 to the consolidated audited financial statements to derive LTIP-related liabilities as follows:

	For the years ended December 31,		
	2022	2023	2024
		(*in ₱ million*)	
Movement in LTIP Liabilities			
LTIP – current portion	496.5	0.0	0.0
LTIP – noncurrent portion	0.0	166.0	586.7
Total LTIP Liabilities............	**496.5**	**166.0**	**586.7**

(F) In accordance with the guidelines established by the MWSS-RO, when reporting annual capital expenditures, we exclude additions to service concession assets from the calculation of adjusted working capital.

While the ICP remains an internal and independent value, we ensure that it closely approximates the OCP by utilizing, whenever possible, the accounting and auditing guidelines provided by the MWSS-RO, and considering all potential adjustments. For formal reporting, regulatory compliance, and tariff determination, the OCP that is audited and approved by the MWSS-RO at the end of the sixth Rate Rebasing Period, is the authoritative figure.

THE FRANCHISE

Under R.A. No. 11600, the Philippine Congress granted our Company a 25-year franchise effective from January 22, 2022, to January 21, 2047 to establish, operate, and maintain a waterworks and sewerage system in the West Zone, under a concession from MWSS, or through an appropriate certificate of public convenience, which is deemed to be the Revised Concession Agreement. The Franchise aims to ensure an uninterrupted and adequate supply of potable water for domestic, commercial, and other purposes, alongside the establishment and maintenance of sewerage and sanitation services.

A key requirement of the Franchise is the Public Offer Requirement to offer at least 30% of our Company's outstanding capital stock to Filipino citizens through a public offering on the PSE by January 21, 2027. See "*Risk Factors—Risks Relating to Us and Our Business—The Franchise requires us to offer at least 30% of our outstanding capital stock to Filipino citizens by January 21, 2027, and the Revised Concession Agreement also imposes a similar listing and public offering requirement with less stringent parameters. Our failure to comply with such requirements could materially and adversely affect our operating and financial performance.*"

The Franchise also allows us to establish tariffs and charges, subject to approval by the MWSS-RO and MWSS, that we may charge to our customers. These tariffs consider reasonable and prudent capital and recurrent costs, a reasonable rate of return on capital, service efficiency, and incentives for efficiency enhancement, while adhering to public utility limitations, consumer willingness to pay, equity considerations, and administrative simplicity.

The Franchise includes prohibitions on passing corporate income tax to customers and restricts the sale, lease, transfer, or assignment of the franchise or controlling interest without prior approval of the Philippine Congress. However, exceptions to this prohibition include the transfer or issuance of shares to comply with the public listing requirement, transfer or sale of shares to any investor, fundraising through share issuance for authorized services, and transfer or sale of shares to a holding company with the same controlling stakeholders as our Company. Additionally, we are granted the right of eminent domain, allowing our Company to acquire private property necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance, and operation of its services, subject to legal limitations and procedures.

Following the acceptance of the legislative franchise terms on March 21, 2022, charges for water and wastewater services are no longer subject to the 12% value added tax ("**VAT**"). Instead, they are subject to other percentage tax ("**OPT**"), which includes a 2% national franchise tax and local franchise taxes imposed by the local government units where we operate.

OUR SERVICES AND FACILITIES

Overview

We are a pure-play and integrated primary provider of sustainable water and wastewater services to the West Zone. The West Zone is comprised of (a) 11 cities in Metro Manila, including portions of Manila, Quezon City, Makati City, and the entirety of Caloocan, Pasay, Parañaque, Las Piñas, Muntinlupa, Valenzuela, Navotas and Malabon, and (b) the three cities of Cavite, Bacoor and Imus and the three municipalities of Kawit, Noveleta and Rosario in Cavite Province. We cover an area of 540 sq. km. with 1,556,603 billed connections as of March 31, 2025. As a pure-play sustainable water and wastewater solutions provider, we generate most of our revenue from sustainable business activities. See "*—Competitive Strengths—We are a pure-play sustainable water and wastewater solutions provider, delivering positive environmental and social returns for stakeholders.*"

The map below sets out the West Zone and the geographical areas covered in the concession area defined in the Revised Concession Agreement.

As of March 31, 2025, our key infrastructure and facilities included eight water treatment plants which connect to our customers through a 7,912.0-kilometer distribution network through 39 reservoirs and 40 pumping stations along with 21 serviceable deep wells that may be used as back-up. Wastewater from our customers is managed through a 653.7-kilometer sewerage pipeline, 129 wastewater pumping/lift stations, and 93 vacuum truck units that are used for desludging individual septic tanks, all leading to 24 wastewater treatment plants. To continue to improve our facilities, our total capital expenditure as of March 31, 2025 amounted to ₱4,852.9 million (U.S.$84.6 million), primarily used for our water source, NRW management, operational support, sewerage and sanitation, and customer service and information technology programs. See "*Management Discussion and Analysis of Consolidated Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures.*"

Through our subsidiaries and affiliate, we operate 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. See "*—Our Subsidiaries and Affiliate*."

Key Operational Data

Below is a summary of our key operational data for our services in the West Zone as of or for the years ended December 31, 2022, 2023 and 2024, and as of and for the three months ended March 31, 2024 and 2025:

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2022	2023	2024	2024	2025
Water Services					
Billed volume (MCM)	526.9	538.4	553.5	134.7	133.0
Domestic	435.8	439.3	451.1	109.9	108.9
Non-domestic	91.1	99.1	102.4	24.8	24.1
No. of billed connections	1,522,992	1,532,463	1,551,904	1,538,321	1,556,603
Water service coverage (%)	94.6	94.8	94.9	94.6	94.7
24-Hour water supply (% of billed water connections)	92.7	97.5	98.1	97.0	96.8
Average 7 psi water pressure (%)	92.7	97.5	98.1	97.0	96.8
Minimum 7 psi water pressure (%)	80.4	89.5	90.1	86.9	90.1
Non-Revenue Water (%)	44.2	42.3	38.4	41.3	36.2
Length of water pipes (km)	7,436.5	7,287.4	7,914.6	7,829.7	7,912.0
Leaks repaired	36,537	36,575	57,562	12,819	18,070
Sewerage and Sanitation Services					
Sewer coverage (%) (accounts base)(1)	16.4	22.9	25.4	22.7	25.1
Sewer coverage (population base)(1) (%)	22.6	30.7	35.0	30.7	35.0
Sewer pipes (km)	625.1	643.2	651.7	643.2	653.7
Sanitation coverage(2) (total number of accounts offered)	201,437	470,612	801,221	547,415	877,286
Tariffs					
Average tariff (₱/cu.m.)(3)	42.7	50.0	59.5	59.8	64.0

Notes:

(1) In 2022, during the fifth Rate Rebasing Period, the MWSS-RO instructed the Concessionaires to report sewer coverage using a new formula based on the account-based method, as opposed to a population-based approach used in previous years.

(2) Sanitation coverage refers to domestic accounts offered sanitation services within a five-year period – the latest between 2022 – 2026.

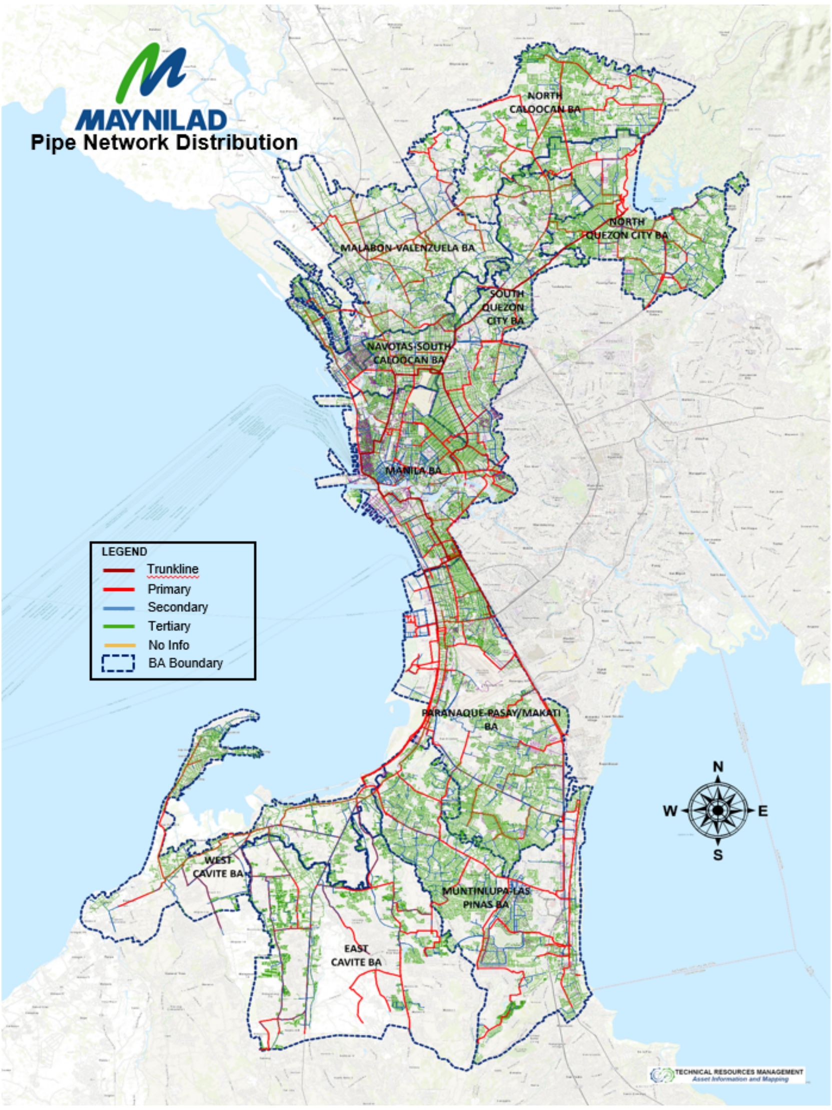
(3) Average tariff is computed by the sum of operating revenue from water services and wastewater services in the West Zone divided by billed volume

Water Services and Facilities

We supply water by abstracting from raw water sources and subsequently treating and distributing it to customers' premises. We aim to provide uninterrupted 24-hour water supply to the West Zone and are required to make sufficient connections (net of any disconnections) to meet coverage targets in designated locations. The water we supply is compliant with the prevailing PNSDW of the DOH up to the point of each household's meter.

We continue to undertake pipe-laying projects to expand our customer reach and improve service delivery within the West Zone. This includes replacing legacy pipelines dating back to pre-war Manila spanning 4,576.0 km, which we inherited from MWSS at the commencement of the concession, as well as extending our supply and sewer pipe system throughout the West Zone. As of March 31, 2025, we have cumulatively replaced 3,293.0 km of such pipes.

The map below sets out our pipe network distribution within the West Zone as of March 31, 2025.



Water Resources

Under the Revised Concession Agreement, MWSS is responsible for the supply of raw water to our distribution system and is required to supply to us with a minimum quantity of raw water in the amount of 2,400 MLD. Based on the production capacity of all our water treatment plants as of March 31, 2025, approximately 83.42% of our water supply originated from MWSS and the Angat Dam. See "—*Suppliers.*" In case MWSS fails to supply this quantity, we are required to distribute available water equitably. In instances where our water allocation from MWSS is reduced due to low water level volumes from the Angat Dam, we purchase bulk water to augment our water resources. For the three months ended March 31, 2025, our purchased treated bulk water was equivalent to an additional 0.05% of our daily production capacity.

We 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. The water sourced through both dams eventually pass through the Novaliches portal where the monitoring and the controlling of water flow is handled to ensure the accurate distribution of raw water to the treatment plants. The Angat Dam, Ipo Dam and the initial conveyance systems are Common Purpose Facilities which we neither own or are directly responsible for, but which we jointly manage with MWSS and Manila Water.

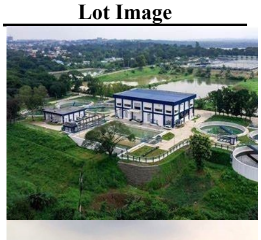
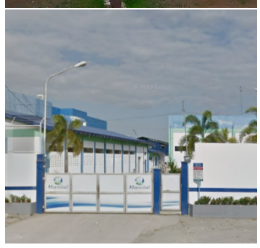
Apart from raw water allocations from the MWSS, we also source surface water from Laguna Lake, the largest lake in the Philippines. As of March 31, 2025, surface water that we abstract from Laguna Lake accounted for approximately 15.64% of our water supply, while the remaining 0.94% is sourced from the local river systems, NEW WATER, and deep wells. As of March 31, 2025, we have access to 21 serviceable deep wells, of which two are operational and 19 are on stand-by.

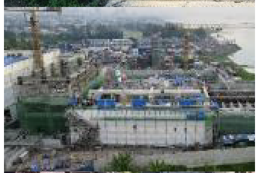
We expect to augment our raw water supply by approximately 338 MLD through our pipeline of water treatment facility projects that source surface water abstracted from the Cavite River system and impounded through the Julian Dam, Molino Dam, Ligas Dam, as well as the forthcoming Kaliwa Dam Project of MWSS.

We are diversifying water sources and mitigating water supply risk through our foray into NEW WATER, a technology which converts treated effluent into potable water. We constructed our inaugural NEW WATER Treatment Plant, which processes the treated effluent from our Parañaque Water Reclamation Facility through a rigorous purification process to make it potable and compliant with the PNSDW. We aim to expand our NEW WATER output by constructing similar treatment facilities to capture treated and used water from our other water reclamation facilities for conversion to potable water supply. Where facility premises allow, we intend to construct additional NEW WATER treatment plants to sustainably augment our water supply for the future. As of March 31, 2025, we have substantially completed the construction of a NEW WATER treatment plant utilizing wastewater effluent from the Pasay Water Reclamation Facility. See "—*Our Pipeline of Water Treatment Facility Projects.*"

Our Existing Water Treatment Facilities

As of March 31, 2025, we maintain and operate eight water treatment facilities with a total design and operational capacity of 2,877.0 MLD. These facilities produce water that meets the PNSDW. The table below summarizes our existing water treatment facilities as of March 31, 2025.

Facility	**Design Capacity (in MLD)**	**Operational Capacity as of March 31, 2025 (in MLD)**	**Technology**	**Location**	**Lot Image**
La Mesa Treatment Plant 1	1,500	1,500	Conventional Type Water Treatment	La Mesa Compound, Novaliches, Quezon City	
La Mesa Treatment Plant 2	900	900	Conventional Type Water Treatment	La Mesa Compound, Novaliches, Quezon City	
Putatan Water Treatment Plant 1	150	150	Ultrafiltration, and Reverse Osmosis	Putatan, Muntinlupa City	

Facility	Design Capacity (in MLD)	Operational Capacity as of March 31, 2025 (in MLD)	Technology	Location	Lot Image
Putatan Water Treatment Plant 2	150	150	Ultrafiltration, and Reverse Osmosis	Putatan, Muntinlupa City	
Poblacion Water Treatment Plant	150	150	Ultrafiltration, Reverse Osmosis	Muntinlupa City	
Anabu Modular Treatment Plant	16	16	Hydropaq Clarifier, Ultrafiltration, and Reverse Osmosis	Imus, Cavite	
Parañaque NEW WATER Treatment Plant	10	10	Pressurized Media Filtration, Ultrafiltration, and Reverse Osmosis	Parañaque City	
Valenzuela Modular Treatment Plant	1	1	Dissolved Air Flotation, Multimedia Filters, Ultrafiltration, and Reverse Osmosis	Valenzuela City	

- *The La Mesa Treatment Plant 1 and the La Mesa Treatment Plant 2*

  The La Mesa Treatment Plant 1 and the La Mesa Treatment Plant 2 are located inside the La Mesa Compound, drawing raw water from the Angat Dam. Using rapid-sand filtration, these plants treat 1,500 MLD and 900 MLD of water to supply potable water to approximately 6.0 million and 3.6 million people within the West Zone, respectively.

- *The Putatan Water Treatment Plant 1 and the Putatan Water Treatment Plant 2*

  The Putatan Water Treatment Plant 1 and the Putatan Water Treatment Plant 2 are located in Putatan, Muntinlupa City, drawing raw water from Laguna Lake. We believe 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*

The Poblacion Water Treatment Plant is located in Muntinlupa City, drawing raw water from Laguna Lake, and commenced treating water in December 2023. The plant had an initial output of 50 MLD as of December 31, 2023 and has since reached full capacity of 150 MLD as of March 31, 2025.

The Poblacion Water Treatment Plant was chosen as the "*Water Project of the Year*" in the 2024 Global Water Awards in recognition of its innovation in optimizing its physical and environmental footprint.

- *The Anabu Modular Treatment Plant*

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

- *The Parañaque NEW WATER Treatment Plant*

  The Parañaque NEW WATER Treatment Plant is a membrane-based water treatment plant with a design capacity of 10 MLD. This facility converts the treated effluent of the Parañaque Water Reclamation Facility into potable water that is directly blended with the water supply in the distribution system. This water treatment plant is our initial foray into "potable water reuse" – a process that converts used water into potable water supply. It is part of our effort to develop alternative raw water sources and to reduce reliance on Angat Dam, which remains as 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 the PNSDW. This multi-stage treatment process includes pressurized media filtration, ultrafiltration, reverse osmosis and post-chlorination. Reusing the treated effluent of our water reclamation facilities enables us to maximize this previously untapped resource to generate more water supply for distribution. In 2023, the DOH – Metro Manila Center for Health Development granted a permanent operational permit for the Parañaque NEW WATER Treatment Plant. We believe that the Parañaque NEW WATER Treatment Plant is the first implementation of "potable water reuse" in the Philippines, and the first in Asia to employ the "direct potable reuse" method for producing NEW WATER supply.

  The Parañaque NEW WATER Treatment Plant was cited as "*Water Reuse Project of the Year*" at the 2023 Global Water Awards and the Silver Stevie under *"Achievement in Product Innovation"* at the 2023 Asia-Pacific Stevie Award.

- *The Valenzuela Modular Treatment Plant*

  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, and supplies potable water to approximately 329 billed water service connections in Valenzuela City.

Our Pipeline of Water Treatment Facility Projects

We have five water facilities in the pipeline as of March 31, 2025, which are summarized in the table below.

Facility	**Design Capacity (in MLD)**	**Target Commissioning Year**	**% of Completion[(1)] as of March 31, 2025**	**Technology**	**Location**	**Water Sources**
Julian Modular Treatment Plant	3	2025	90%	Lamella Clarifier, MMF UF & RO	Imus, Cavite	Cavite River System
Pasay NEW WATER Treatment Plant	12	2025	82%	Chlorine Contact Tank, Ultrafiltration, Reverse Osmosis and UV	Pasay City	Wastewater effluent
Molino Modular Treatment Plant	5	2026	93%	Dissolved Air Flotation, Multimedia Filtration & Ultrafiltration	Bacoor, Cavite	Cavite River System
Ligas Modular Treatment Plant	18	2028	1%	Biological Aerated Filter, Ultrafiltration, and Reverse Osmosis	Bacoor, Cavite	Cavite River System

Facility	Design Capacity (in MLD)	Target Commissioning Year	% of Completion(1) as of March 31, 2025	Technology	Location	Water Sources
Teresa Water Treatment Plant	300	2028	17%	Conventional Type Water Treatment	Teresa, Rizal	Kaliwa Dam

Note:

(1) *Percentage of completion refers to the design and actual construction of the facility. This excludes the commissioning phase, which varies in duration based on the facility's size and capacity.*

- *Julian Modular Treatment Plant*

  The Julian Modular Treatment Plant is a membrane-based water treatment plant with a design capacity of 3 MLD, expected to be operational by 2025. This plant converts the raw water from the Julian Dam into potable water supply that is directly blended with water supply in the distribution system.

- *Pasay NEW WATER Treatment Plant*

  The Pasay NEW WATER Treatment Plant has a design capacity of 12 MLD, expected to be operational in 2025. This plant is designed to process raw water sourced from effluent of the Pasay Water Reclamation Facility. Once operational, the plant is expected to have the capacity to supply potable water to approximately 72,000 people.

- *Molino Modular Treatment Plant*

  The Molino Modular Treatment Plant is a membrane-based water treatment plant with a design capacity of 5 MLD, expected to be completed in 2025. The plant is designed to process raw water from the Molino Dam, sourced from the Don Celia River, into potable water supply that is expected to be directly blended with water supply in the distribution system.

- *Ligas Modular Treatment Plant*

  The Ligas MTP is a membrane-based water treatment plant with a design capacity of 18 MLD, expected to be completed in 2028, subject to being granted water rights by 2025. The plant is designed to convert the raw water from the Ligas Dam, sourced from the Zapote River, into potable water supply that is expected to be directly blended with water supply in the distribution system.

- *Teresa Water Treatment Plant*

  The Teresa Water Treatment Plant has a design capacity of 300 MLD and is expected to be completed in 2028. The plant is expected to be equipped with a 2.2-meter diameter pipeline extending 46 km and will deliver water supply sourced from the New Centennial Water Source – Kaliwa Dam Project of MWSS.

Water Distribution

As of March 31, 2025, we maintained and operated 7,912.0 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, ISO 14001:2015 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 over 10.5 million of our customers. Our capital investments in our water distribution system have resulted in improvements in our water service coverage from 77.8% in 2006 to 94.9% as of December 31, 2024. As of March 31, 2025, our water service coverage was 94.7%, and we ensure 24-hour availability to 96.8% of our customers at an average pressure of 7 psi. To implement our water distribution services, we divide the West Zone into two districts: the North District and the South District. The North District uses a combination of gravity and pump-fed distribution systems due to the high elevation in North Caloocan, Valenzuela, and Commonwealth and Novaliches in Quezon City. Large pumps in the La Mesa Pump Station boost the treated water to achieve the required water pressure. The South District uses a gravity-fed system, with water supply coming from the 200-MLD Bagbag reservoir. Major pump stations such as the PAGCOR, Pasay, and Villamor pump stations boost water to the southern-most portions of the concession area in Pasay, Parañaque, Las Piñas, and Cavite. Supply to the South District is then further augmented by the Putatan and Poblacion Water

Treatment Plants, which supply water to portions of Las Piñas and Muntinlupa through the Putatan water pump station.

Water distribution is managed through the Maynilad Central Control Room or Control Center ("**CCR**"). The CCR is a single point where water supply systems are allowed to remotely monitor the status of the relevant variables in our network, such as flow, pressure, quality as well as the automatic control of appurtenances like pumps and valves. With the establishment of the CCR, we gain the capability to monitor both water supply and wastewater operations in real time, 24/7. This enables rapid data analysis and prompt responses to operational changes or anomalies, enhancing efficiency and reliability.

The CCR plays an important role in managing and responding to the continuous and increasing demands and expectations of our customers. Through this advancement, we believe that we could provide better service and customer experience to customers in the West Zone efficiently. To mitigate potential threats, we have made investments in remote back-up systems, which limit disruptions from operations.

Non-Revenue Water ("NRW")

NRW refers to the volume of water lost in our distribution system due to physical loss (leakages), or commercial losses (i.e., theft from illegal connections and metering errors). As determined by the MWSS-RO, NRW is calculated as the percentage of water lost against the net volume of water that we supply. We believe that reducing NRW leads to cost savings. By optimizing water production requirements and minimizing losses, we can effectively lower downstream water distribution costs, such for light, power, chemical treatment for water, repairs and maintenance of our facilities, and contracted services for leak management and repair personnel, Additionally, this approach supports further mitigation measures to ensure consistent and reliable service. Consistent with the International Water Association's ("**IWA**") approach to assessing water distribution efficiency, known as "Water Balance", we apply this methodology up to the DMA level, which we update annually. At the end of 2024, 90% of our total NRW was from physical losses, while 10% was from commercial losses.

Our distribution network presents specific upkeep challenges. Initially, portions of the 4,576.0 km legacy pipeline inherited by our current ownership included Spanish-era infrastructure. Since 2006, we have replaced approximately 3,293.0 kilometers of these pipelines. Pipe replacement efforts, however, continue to be limited due to the population density of our service area. Some parts of the West Zone can only be accessed through narrow and congested roads, which, along with traffic and construction regulations imposed by LGUs, have contributed to gradual improvements since 2006. Additionally, the West Zone's proximity to bodies of water poses challenges to our pipe management, making them prone to rust and damage.

To manage our NRW, we established a DMA program, which ensures that piped water is properly metered and billed by having a single water entry point and a single water outflow point for each DMA to enable us to effectively monitor, control and distribute water. DMAs are small, isolated areas where the volume of water entering and leaving the system is measured. DMAs are further clustered into hydraulic systems ("**HS**"). The formation of DMAs and HS is necessary to quantify and distinguish the losses in primary mains and secondary lines. DMA NRW is the difference between the volume of treated water that enters the DMA and the billed volume. It represents the losses in the primary distribution system, and secondary and tertiary distribution systems. As of March 31, 2025, we had 1,643 DMAs, clustered into 165 HS, which represent approximately 100% coverage of the West Zone.

Aligned with the principles of the IWA, we maintain a four-type classification of our DMAs based on prevailing water pressures and volume of water lost for every connection. While we use this classification alongside international benchmarks, our approved business plan employs total NRW percentage as the final indicator. Below is the classification of our DMAs at the end of 2024:

	Type A(1)	Type B(2)	Type C(3)	Type D(4)
Count of DMAs.........	616	209	287	531
% of Total..............	37%	13%	17%	32%

Notes:

(1) Excellent performance. Efficient pressure and leakage management. Benchmark for developed utilities;
(2) Good performance. Moderate leakage with acceptable pressure levels;
(3) Average performance. Indicates a need for improvement in leakage and/or pressure control; and
(4)Poor performance. High leakage and/or excessive pressure. Requires urgent action.

Additionally, we prioritize pipe replacement based on potential water recovery, burst frequency, pipe age, maintenance costs, and materials. We manage pressure by installing pressure-regulating valves and variable frequency drives at key points. Complementing these approaches, our integrated meter management strategy seeks to enhance measurement accuracy and reliability through periodic meter replacement and testing, supported by data management systems which provide real-time data on water infrastructure and the status of job orders. Our enhanced focus on reducing our NRW facilitated the repair of 57,562 leaks in 2024, which represents a 57.4% increase compared to the 36,575 leaks repaired in 2023. As of March 31, 2025, we repaired 18,070 leaks, an increase of 41.0% against the same period in 2024.

We utilize advanced leak detection technologies to identify leaks and network anomalies. Among these technologies is the correlation equipment developed by Aliaxis, known as "Aquarius", which analyzes noise characteristics to estimate leak locations. Additionally, we collaborated with Asterra to employ satellite imagery for detecting treated drinking water signatures underground, indicating potential leak sites. Furthermore, we leverage the expertise of our shareholder, Marubeni, through AGS Water Solutions and Infrawise, an AI decision-making software that identifies critical areas and pipe segments with a high risk of failure or breakage.

As a result, our NRW, which represents the difference between the volume of treated water produced by the water treatment plants and the volume billed to customers, significantly decreased from 66.4% for the year ended December 31, 2006 to 38.4% for the year ended December 31, 2024. For the three months ended March 31, 2025, our NRW was 36.2%, which improved our 24-hour availability of water supply to 96.8% of billed connections. As part of our business plan, we aim to further reduce our average NRW to 25.0% by 2027 and to 20.0% by 2030 through projects to address both physical and commercial losses. Our target is to maintain our NRW levels at 20.0% through the end of our concession period in consideration of the economic trade-offs of further reductions. We expect to gain financial benefits from enhanced operational efficiency and improved facilitation of water conservation, including reduced NRW, through lower water production requirements, reduced water distribution costs, as well as lower mitigation cost requirements.

Water Quality

To ensure that water supplied at the tap is safe to drink, we strictly and continually monitor water quality in our treatment plants and throughout the distribution system.

Water at our treatment plants undergoes daily bacteriological and physio-chemical analysis. We conduct sampling on our ground water treatment works within the West Zone and undergoes 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 March 2025, our water samples achieved an average bacteriological compliance score of 100%, which surpassed the 95% threshold set by the Revised Concession Agreement. Our water quality surpasses the PNSDW set by the DOH, which is based on the World Health Organization's drinking water quality guidelines.

We are committed to maintain compliance with all environmental standards within the water circular economy. To support this commitment, we have invested in equipping our treatment plants with dedicated 24/7 process laboratories. These laboratories are staffed by technicians who conduct regular testing of our facilities' end-to-end products to ensure adherence to established standards. This is a two-fold process which involves (i) enabling the facilities to calibrate chemical dosing and treatment time when necessary and (ii) monitoring the efficacy of each process for any issues in the treatment plants. We also implement enhanced processes, including intensified pipe filling, accelerated pipe replacements, expedited leak repairs and closure of illegal connections which could contaminate our water supply. We conduct regular flushing of our pipelines to ensure our delivery of clean and safe water to our consumers.

Furthermore, in 2021, we launched our dedicated WATERLab (Water Analytics, Testing, Experimentation and Research Collaboration), which is equipped with analytical instruments to monitor and test water quality and wastewater effluents from several sampling points across the West Zone as well as for external clients. The WATERLab has both DOH and DENR accreditations for expanded scope testing for water and wastewater testing, respectively, allowing its results generated by the WATERLab recognized by Government agencies for compliance testing. It is ISO 17025:2017 accredited, IMS and BCMS-certified, and Biosafety Level II compliant and is able to identify 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. We plan to expand WATERLab's capabilities, with a second laboratory in the South District currently in the design phase, alongside initial research to broaden its testing scope for more chemicals, such as PFAS, which are persistent environmental pollutants used in various industrial applications. See "—*Corporate Social Responsibility—Product Governance.*"

Customer Management

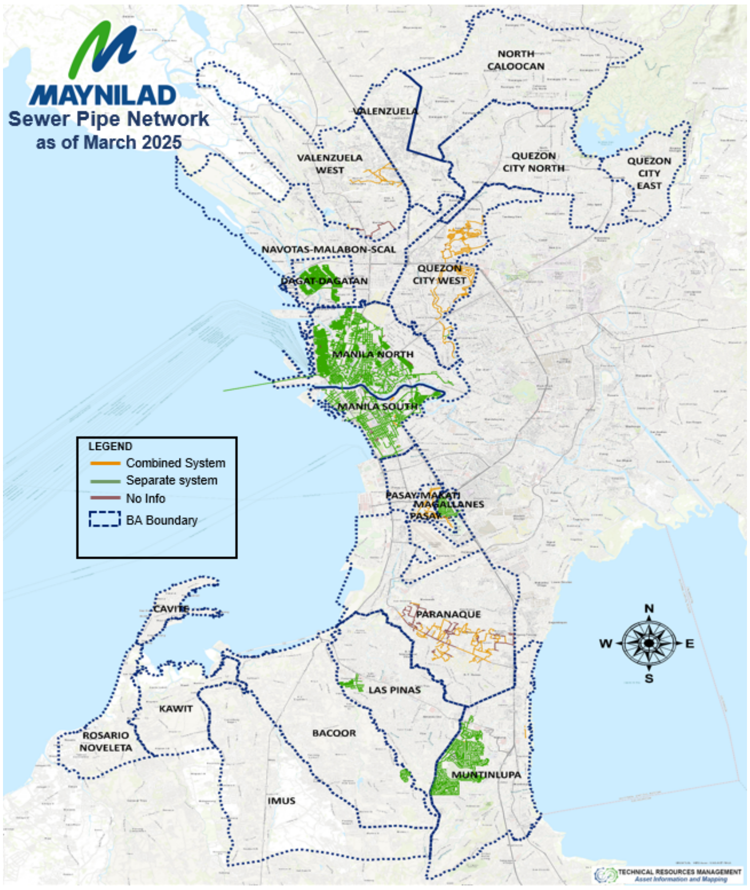
As part of our service obligations, we are committed to fulfilling our customer service responsibilities. To effectively manage these obligations, we divided our concession area into ten business areas across two separate districts. Each business area is further subdivided into zones, each managed by dedicated zone specialists, with an aggregate of 56 zones. As of March 31, 2025, we employed 249 zone specialists and 257 anti-illegal and technical personnel who are responsible for responding to and servicing customer requests, monitoring billed volume, ensuring revenue collection, maintaining compliance with regulatory standards, and managing supply and network operations.

In alignment with our obligations, we adhere to our Key Result Areas, which include addressing customer service and billing-related complaints, responding to disruptive breakages, and facilitating the installation of new water service connections. In addition, we offer our customers over 60 payment options to enhance their payment experience.

Our customer management team provides valuable customer insights and field intelligence to effectively address service requirements and issues within the area. Zone specialists stationed in their respective zones offer customers convenient touchpoints for inquiries and requests, while also managing commercial losses. Their responsibilities include identifying illegal connections, detecting meter tampering, conducting meter replacements, and ensuring accurate billing for our large consumer customers.

Sewerage Systems and Sanitation

We provide sewerage and sanitation services by operating new and existing sewerage systems and treatment facilities within the West Zone. As provided in the Revised Concession Agreement, total wastewater coverage is measured by a combination of sewerage and sanitation services. As of December 31, 2024, the total length of our active sewer network was 651.7 km, compared to a sewer network of 425.0 km as of December 31, 2006. As at March 31, 2025, our active sewer network was 653.7 km as set out in the map below. For customers who are not yet connected to our sewer network, we offer scheduled sanitation services through desludging services for their respective septic tanks.



We operate 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 March 31, 2025, 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 March 31, 2025, we also operated 93 vacuum truck units, of which 89 are used for desludging individual septic tanks and transport and four which are being 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 34.5% of our water-served population as of March 31, 2025, serving over 3.6 million customers. Meanwhile, sanitation coverage, representing the number of people that have been offered desludging services over a five-year cycle, increased from 170,157 accounts as of December 31, 2006 for the 2001 to 2006 cycle to 877,286 accounts as of March 31, 2025 for the 2022 to 2026 cycle. Beginning 2022, our wastewater service obligation has been 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. On a percentage basis, this may reflect fluctuations in sanitation coverage throughout the five-year cycle, as previous customers who were offered desludging services become part of the sewer network. This transition reduces our sanitation coverage while we simultaneously expand our domestic customer base.

While our service 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.

Our Existing Wastewater Facilities

The table below summarizes our existing wastewater facilities as of March 31, 2025. Our existing wastewater facilities consist of two sewer systems: (i) separate sewer system, where domestic wastewater and storm water are conveyed into two separate pipes, and (ii) combined sewer system, where domestic wastewater is combined with storm water in the same pipe. Given our service obligations, our existing wastewater facilities have been designed to treat domestic-grade wastewater, with additional investments required should its capability be expanded to also treat industrial-grade waste.

Facility	Daily Capacity (in cu.m)	Technology	Type of Sewer System	Location	Receiving Body of Water
Manila Catchment Facilities					
Tondo Sewage Pumping Plant (“**TSPP**”)	432,000	Grit Removal & Aeration System	Separate	Asuncion St. cor. C.M. Recto Ave., Tondo, Manila	Manila Bay
Paco WRF	410	Moving Bed Bioreactor (“**MBBR**”)	Combined	Cristobal St. cor. Athena St., Paco, Manila	Estero de Santibañez
Quezon City West Facilities					
Congressional WRF	567	Sequencing Batch Reactor (“**SBR**”)	Separate	Congressional Ave. cor. Hereford St., Brgy Bahay Toro, Project 8, Quezon City	Culiat Creek
Legal WRF	409	SBR	Separate	Legal cor. Premium St., GSIS Village, Project 8, Quezon City	Dario Creek
Grant WRF	621	SBR	Separate	Grant St., Brgy. Bahay Toro, Project 8, Quezon City	Dario Creek
Baesa WRF	390	STM Aerotor	Combined	Saint Paul St., Remerville Subd., Brgy. Baesa, Quezon City	Dario Creek
Tandang Sora WRF	1,200	STM Aerotor	Combined	Real Village, Tandang Sora, Quezon City	Dario Creek
Bahay Toro WRF	13,400	MBBR	Combined	Fema Rd., Bahay Toro, Quezon City	Dario Creek
Bagbag WRF	10,400	SBR	Combined	Homeland Townhomes, Tandang Sora Ave., Brgy. Tandang Sora, Quezon City	Dario Creek
Paltok WRF	4,900	MBBR	Combined	Lot 18 Blk 52 of PSD-1650, Bo. San Francisco Del Monte, Quezon City	Mariblo Creek
San Antonio WRF	3,310	MBBR	Combined	San Jose St. cor. West Riverside St., Brgy. San Antonio, Quezon City	San Juan River
Del Monte WRF	3,510	MBBR	Combined	Caragay St., Brgy. Damayan, Quezon City	San Juan River
Samson WRF	1,900	STM Aerotor	Combined	Lorraine St. cor. Cristine St., Parkway Village, Apolonio Samson, Quezon City	San Juan River
Tatalon WRF	8,100	SBR	Combined	G. Araneta Ave. cor. E. Rodriguez Blvd., Brgy. Tatalon, Quezon City	San Juan River
Kapiligan WRF	6,000	MBBR	Combined	37-A Kapiligan St., Brgy. Dona Imelda, Quezon City	San Juan River
Talayan WRF	15,400	Conventional Activated Sludge (“**CAS**”)	Combined	P. Florentino St., Brgy. Sto. Domingo, Quezon City	Talayan Creek
Muntinlupa Facility					
Alabang WRF	10,000	CAS	Separate	San Juanico St., Ayala Alabang Village, Alabang, Muntinlupa City	Pasong Diablo River
Tunasan WRF	20,000	CAS	Combined	Buendia St., Brgy. Tunasan, Muntinlupa City	Laguna Lake
Pasay - Makati Facility					
Pasay WRF	46,600	CAS	Combined	C. Jose St., Brgy 168, Malibay, Pasay City	Maricaban Creek
Parañaque Facility					

Facility	Daily Capacity (in cu.m)	Technology	Type of Sewer System	Location	Receiving Body of Water
Parañaque WRF	76,000	Conventional Activated Sludge - Modified Ludzack-Ettinger (“**CAS-MLE**”)	Combined	Sucat Road, Brgy. San Dionisio, Parañaque City	Malabon Creek
Valenzuela Facility					
Valenzuela WRRF	60,000	CAS-MLE	Combined	F. Bautista St., Brgy. Marulas, Valenzuela City	Tullahan River
Joint Sewerage and Septage					
Project 7 Sewage and Septage Treatment Plant (“**SSpTP**”)	Sewerage: 2,400 Septage: 240	Sewerage: SBR Septage: Volute (screw press)	Separate	11 Road A St., Veterans Village, Project 7, Quezon City	Culiat Creek
Dagat-Dagatan SSpTP	Sewerage: 26,000 Septage: 450	Sewerage: Waste Stabilization Pond Septage: Dewatering (screw press)	Separate	Dagat-Dagatan Ave., Sawata Area, Maypajo, Karangalan, Caloocan City	Maypajo Creek
Septage Treatment Plant					
South Septage Treatment Plant	Septage: 500	Septage: Screw Type Dewatering System	-	Alabang-Zapote Rd, Brgy. Pamplona Uno, Las Piñas City	Zapote River

- *Tondo Sewage Pumping Plant*

  The TSPP has a design capacity of 432,000 cubic meters per day (“**CMD**”) and serves the barangays in Tondo, Sta. Cruz and Legarda. Wastewater from the customers’ sewer service connections is conveyed to the separate sewer system and enters the TSPP from the following sources: (i) the joint flow from the southern and northern trunk sewers; (ii) the flow from the Tondo Foreshore and (iii) the flow from the Dagupan system. In this facility, wastewater undergoes preliminary treatment before it is pumped into Manila Bay through a 3.9-km outfall.

- *Paco WRF*

  The 410 CMD Paco WRF has a combined sewer system and is designed to collect storm water runoff, domestic sewage, and commercial wastewater in the same pipe. The facility uses Johkasou technology utilizing a MBBR system. This system uses specially-designed plastic biofilm carriers that are suspended and continually moving within the reactor before discharging the treated wastewater to Estero de Santibañez.

- *Congressional WRF*

  This WRF serves portions of Bahay Toro and was upgraded from a communal septic tank (“**CST**”) to a WRF in 2010. The Congressional WRF was the first WRF commissioned by Maynilad utilizing the SBR system, and has a capacity of 567 CMD. While the Congressional WRF is designed to treat domestic-quality waste from residential customers, commercial establishments may connect to our sewerage systems, provided that their wastewater meets the domestic wastewater quality or standards. The treated effluent is discharged to Culiat Creek.

- *Legal WRF*

  This WRF began operations in October 2012. It is one of the former CSTs upgraded into a full-blown WRF, and is located in a 288 sq. m. lot in Project 8, Quezon City. It utilizes the SBR system and has a capacity of 409 CMD. This sub-catchment uses the existing 4.7 km of separate sewer lines, which collect and convey the sewage from the households to the WRF for treatment. The treated effluent is discharged to Dario Creek.

- *Grant WRF*

  This WRF was turned over to Maynilad in August 2013. The Grant WRF is one of the former CSTs upgraded into a full-blown WRF. It utilizes an SBR system, and has a capacity of 621 CMD. It is situated in a 458 sq. m. lot. This sub-catchment uses 4.6 km of separate sewer lines, which collect and convey the sewage from the households to the WRF for treatment. The treated effluent is discharged to Dario Creek.

- *Baesa WRF*

  This was completed in July 2011. The Baesa WRF is situated on a 605 sq. m. lot in Project 8, Quezon City. It utilizes STM Aerotor technology and has a capacity of 390 CMD. It discharges effluent to Dario Creek.

- *Tandang Sora WRF*

  This WRF is a 1,200 CMD plant utilizing STM-Aerotor technology. STM-Aerotor technology uses the Integrated Fixed Film and Activated Sludge ("**IFAS**") system. Treated effluent is discharged to Dario Creek.

- *Bahay Toro WRF*

  This WRF is located at Fema Road, Bahay Toro, Quezon City. It has a design capacity of 13,400 CMD, and uses the MBBR technology. Treated effluent is discharged to Dario Creek.

- *Bagbag WRF*

  This WRF started operations in December 2014. It is located in a 3,516 sq. m. lot in Brgy. Tandang Sora, Quezon City. It has a capacity of 10,400 CMD, and uses the SBR technology. Treated effluent is discharged to Dario Creek.

- *Paltok WRF*

  This WRF started operations in September 2013. It utilizes the MBBR technology, and has a capacity of 4,900 CMD. It is located in a 1,091 sq. m. lot in Paltok, Quezon City, and discharges treated effluent to Mariblo Creek.

- *San Antonio WRF*

  This WRF started operations in May 2013. The facility is in a 605 sq. m. lot in Project 8, Quezon City. It utilizes MBBR technology, and has a capacity of 3,310 CMD. It discharges treated effluent to the San Juan River.

- *Del Monte WRF*

  This WRF started operations in October 2013. It is located in a 574 sq. m. lot in Project 8, Quezon City. It utilizes MBBR technology, and has a capacity of 3,510 CMD. This WRF discharges treated effluent to the San Juan River.

- *Samson WRF*

  This WRF is a 1,900 CMD plant located at Parkway Village, Brgy. A. Samson, Quezon City. It utilizes STM-Aerotor technology. The STM-Aerotor technology uses the IFAS system. Treated effluent is discharged to San Juan River.

- *Tatalon WRF*

  This WRF is located at E. Rodriguez Sr. Ave. corner Araneta Ave., Tatalon, Quezon City. It has a design capacity of 8,100 CMD, and uses the SBR technology. Treated effluent is discharged to San Juan River.

- *Kapiligan WRF*

  This WRF is located at Kapiligan St., Brgy. Doña Imelda, Quezon City. It has a design capacity of 6,000 CMD, and uses the MBBR technology. Treated effluent is discharged to San Juan River.

- *Talayan WRF*

  This WRF is located at P. Florentino St., Brgy. Santo Domingo, Quezon City. It has a design capacity of 15,400 CMD, and uses CAS as its mode of treatment process. Treated effluent is discharged to the Talayan Creek.

- *Alabang WRF*

  The Alabang WRF serves this sub-catchment area and was constructed by Ayala Land, Inc. in 1983 on a three-hectare lot inside the Ayala Alabang Village. It was turned over to Maynilad in 2009. The Alabang WRF has a capacity of 10,000 CMD serving the residents of Ayala Alabang Village, Alabang Town Center and Madrigal Business Park through a 70-km separate sewer system.

- *Tunasan WRF*

  The Tunasan sub-catchment covers a slightly smaller land area of 998 hectares and caters to the population of Barangay Tunasan. The Tunasan WRF has a capacity of 20,000 CMD and started its commissioning phase in December 2024.

- *Pasay WRF*

  The 46,600 CMD Pasay WRF is the recently-built facility located in the Pasay-Makati South sub-catchment. It uses CAS as its mode of treatment process and the treated effluent is discharged to the Maricaban Creek.

- *Parañaque WRF*

  The Parañaque WRF, located in the Parañaque south sub-catchment area, operates with a capacity of 76,000 CMD, and is presently the largest WRF of Maynilad. It utilizes Biological Nutrient Removal technology which enables it to comply with the newest effluent standards by DENR. It was inaugurated in 2019 and was turned over to Maynilad in 2020.

- *Valenzuela WRRF*

  Located at the Valenzuela West sub-catchment, the Valenzuela WRRF was partially completed in 2022. The ongoing development of this catchment will consist of a 60,000 CMD WRF and a 28-km sewer network. The project will cover a land area of approximately 1,600 hectares, serving the population of Karuhatan, Gen T. de Leon, Marulas, Maysan, and certain portions of adjacent barangays. In June 2024, we completed the first phase of this project, laying of an initial 11.6 km of new sewer lines in Valenzuela City.

  Following the issuance of DENR DAO-2021-19, the Valenzuela WRRF is undergoing testing and commissioning to ensure compliance with the updated effluent standards.

Below is a summary of our upgrading and retrofitting project for our existing WRFs to comply with DENR DAO 2021-19, which details updated coverage for ammonia, boron, copper, fecal coliform, phosphate, and sulfates, as of March 31, 2025, which we target to complete between 2025 and 2026:

- *DAO Upgrading Project (Lot D)*

  We are upgrading the following WRFs: (i) 46.6-MLD Pasay and (ii) 10-MLD Alabang.

- *DAO Upgrading Project (Lot A)*

  We are also upgrading the following WRFs: (i) 10.4-MLD Bagbag,(ii) 8.1-MLD Tatalon, (iii) 2.4-MLD Project 7, (iv) 0.567-MLD Congressional, and (v) 0.41-MLD Paco.

Sanitation Programs

We offer the following sanitation services to residential and semi-business customers at no additional cost:

- *Programmed Desludging*

  We offer pro-active desludging service in an identified programmed area (or a geographical area consisting of clusters of customers usually delineated by a barangay boundary). We schedule the desludging activities in the programmed areas in coordination with the head of the barangay or homeowners' association to maximize information dissemination.

- *De-sludging-on-Demand*

  This refers to the reactive desludging service rendered upon the request of customers. Upon request, we will check and verify a customer's desludging history. We will also conduct an inspection prior to scheduling the desludging service to ensure its feasibility for execution.

The desludging operations of our Company require the use of vacuum truck units with capacities of 10 cu. m. and 4 cu. m. to collect septage from septic tanks, and we have installed desludging equipment to siphon septage and transport it to the nearest septage treatment facility to separate the solid from the liquid and further reduce the pollutants. The liquid component of the septage will undergo treatment before disposal to bodies of water, while the solid component or sludge is eventually hauled and disposed of in a fertilizer-processing plant by a service provider. As of March 31, 2025, we operated 93 vacuum truck units, of which 89 are dedicated to desludging individual septic tanks and transporting the collected septage to the nearest wastewater treatment plant. The remaining four units are allocated for sewerage and emergency support services. The following are the existing sanitation facilities of our Company where the collected septage is transported, discharged, and processed:

- *Project 7 Sewage and Septage Treatment Plant*

  The Veterans Village WRF, also known as Project 7 Sewage and Septage Treatment Plant is located at the former Project 7 Imhoff tank and has a design sewage treatment capacity of 2,400 CMD and septage treatment capacity of 240 CMD (at 16 hours operation). It has two acceptance units with screening and grit removal capabilities and screw-type dewatering processes to treat the septage collected from the customers.

- *Dagat-Dagatan SSpTP*

  The Dagat-Dagatan Sewage and Septage Treatment Plant was completed in 1981 by the National Housing Authority and was then handed to MWSS in 1991, before it was turned over to Maynilad in August 1997.

- *South Septage Treatment Plant*

  The 500 CMD Septage Treatment Plant began operating in March 2016. It was built to collect septage from septic tanks of customers in the southern portion of the West Zone. It is one of the projects funded by a World Bank loan. This facility uses a flocculation and coagulation treatment processes to cluster particles from septage, followed by a dewatering mechanism to leave behind solid residue.

Our Pipeline of Wastewater Facility Projects

We have a pipeline of eight wastewater facility projects, including five WRFs and three Conveyance System Projects. The table below sets out a summary of our pipeline of wastewater facility projects as of March 31, 2025.

a. WRF Projects

Facility	**Daily Capacity (in cu.m)**	**Target Commissioning Year**	**% of Completion as of March 31, 2025(1)**	**Technology**	**Type of Sewer System**	**Location**	**Receiving Body of Water**
			Muntinlupa Facility				
Cupang WRF	46,000	2025	99%	CAS	Combined	M. L. Quezon Rd., Brgy. Cupang, Muntinlupa City.	Laguna Lake
			CAMANA Facility				
CAMANA WRF	205,000	2026	86%	CAS-MLE	Combined	Dagat-Dagatan Ave., Sawata Area, Maypajo, Karangalan, Caloocan City	Maypajo Creek
			Manila Facilities				
Manila North WRF	180,000	2027	19%(2)	SBR	Separate	Brgy. 101 Vitas, Tondo Manila	Manila Bay
			Las Piñas Facility				
Las Piñas WRF	88,000	2026	25%	CAS-A2O	Combined	Alabang Zapote Road, Brgy. Pamplona Uno, Las Piñas City	Zapote River
			Bacoor Facility				
Ayala Southvale Village (ASV) WRF	710	2025	55%(2)	SBR	Separate	Along M. Gawaran Ave., Bacoor City, Cavite Province	Zapote River

***Notes**:*

(1) Unless otherwise indicated, percentage of completion refers to the design and actual construction of the facility. This excludes the commissioning phase, which varies in duration based on the facility's size and capacity.

(2) SBR is the proposed technology for the Manila North WRF and the Ayala Southvale Village WRF. As of March 31, 2025, these facilities are in the design and review stage.

i. Muntinlupa Catchment

In addition to the Alabang sub-catchment, our expansion of the sewerage system in Muntinlupa involves the development of the Cupang and Tunasan sub-catchments. This project is expected to involve (i) the construction of two WRFs and (ii) the installation of combined interceptor systems. Upon completion, the sewerage system is expected to cover more than 200,000 of the water-served population, helping protect Laguna de Bay from untreated wastewater.

- *Cupang WRF*

  The Cupang sub-catchment covers approximately 1,300 hectares of land and serves the barangays of Alabang, Bayanan, Buli, Cupang and Sucat in Muntinlupa City. The 46,000 CMD Cupang WRF and the combined interceptor system projects are under construction and nearing completion.

ii. <u>CAMANA Catchment</u>

The CAMANA (South Caloocan, Malabon and Navotas) catchment is one of the largest catchment areas in the West Zone, composed of three cities with 199 barangays, and a combined catchment land area of 4,455 hectares.

- *CAMANA WRF*

  The wastewater project aims to upgrade the capacity of the existing Dagat-Dagatan SSpTP from 26,000 to 205,000 CMD. From serving small portions of the three cities, the plant is expected to fully cater to the combined cities of South Caloocan, Malabon and Navotas. Aside from capacity upgrade, the facility is also expected to undergo a technology upgrade from waste stabilization ponds to a Modified Ludzack-Ettinger ("**MLE**") process to comply with the DENR DAO 2021-19 standards or the Updated Water Quality Guidelines and General Effluent Standards for Selected Parameters.

iii. <u>Manila Catchment</u>

The TSPP under the Manila North sub-catchment is designed to comply with the DAO 1990-35 effluent standards. With the updating of these standards, further treatment processes are required and the facility must be upgraded to comply with the Class SB effluent standard stated in the newly-implemented DAO 2021-19.

- *Manila North WRF*

  A new WRF with a capacity of 180,000 CMD is planned for construction downstream of the TSPP prior to discharge into Manila Bay. A new conveyance system to connect the TSPP to the new WRF is also planned for construction.

iv. <u>Las Piñas Catchment</u>

The Las Piñas catchment has a land area of 3,214 hectares. Half of its land area is residential while the remaining half is used for commercial and industrial purposes.

- *Las Piñas WRF*

  The 88,000 CMD Las Piñas WRF is the sole wastewater facility planned for construction in the Las Piñas catchment. While the original plan was to construct three WRFs in this catchment area, as recommended in the facility study conducted by Original Engineering Consultants Co. Ltd., and validated by Nippon Koei Co. Ltd., leading Japanese engineering consultants, we opted for a centralized sewerage system instead as our acquired lot is capable of accommodating the wastewater flow for the entire Las Piñas catchment.

v. <u>Bacoor Catchment</u>

The Bacoor Catchment has a total land area of 4,318 hectares.

- *Ayala Southvale Village ("ASV") WRF*

  In August 2009, we took over the operations and maintenance of the waterworks and sewerage systems of the ASV in Bacoor City from Ayala Waterworks. The ASV has a separate 3,755-meter sewer network. The ongoing project in this catchment is the ASV WRF which has a design capacity of 710 CMD. The on-going rehabilitation is geared towards compliance with DENR DAO 2021-19 effluent standards.

b. <u>Conveyance System Projects</u>

Alongside WRF projects, we are implementing projects related to conveyance of the combined sewerage system to ensure that wastewater generated by our catchment systems is intercepted and transported to the facilities for treatment prior to disposal. The table below summarizes our combined sewer system projects as of March 31, 2025.

Facility	Type of Sewerage System	Areas Covered
Parañaque South Conveyance System (Flow Enhancement Project)	Combined	Brgy. San Dionisio and Brgy. La Huerta
Las Piñas Conveyance System	Combined	Las Piñas
Manila North Rehabilitation Project (formerly "**CMSS Rehabilitation Project**")	Separate	Sta. Cruz and Malate
CAMANA Conveyance System Project	Combined	South Caloocan and parts of Manila

The following is a summary of each of our conveyance systems projects:

- *Parañaque South Conveyance System (Flow Enhancement Project)*

  The flow enhancement project is expected to cover a land area of 106 hectares and cater to the barangays of San Dionisio and La Huerta. The project involves the construction of five km of sewer lines, interceptor systems and pump/lift stations. The project is expected to convey a maximum of 5,000 CMD of wastewater to the 76,000-CMD Parañaque WRF.

- *Las Piñas Conveyance System*

  The wastewater generated in the Las Piñas catchment is expected to be conveyed to the treatment facility through a network of 74 km of sewer lines, three pump stations, and 39 lift stations, distributed across four packages, namely 1A, 1B, 2 and 3.

  Package 1A is expected to cover barangays B.F. International Village, Manuyo Dos, Manuyo Uno, Pamplona Tres, Pulang Lupa Dos, Pulang Lupa Uno, Talon Tres and Talon Uno, while Package 1B is expected to cover barangays Daniel Fajardo, Elias Aldana, Manuyo Dos, Manuyo Uno, Pamplona Uno, Pulang Lupa Dos, Pulang Lupa Uno, and Zapote. Package 2 is expected to cover barangays Almanza Dos, Almanza Uno, Pamplona Dos, Pulang Lupa Dos, Talon Dos**,** Talon Kuarto, Talon Singko and Talon Tres. Package 3 is expected to cover barangays Almanza Dos, Almanza Uno, B.F. International Village, Ilaya, Manuyo Dos, Manuyo Uno, Polar, Pulang Lipa Uno, Talon Dos, Talong Singko and Talon Tres.

- *Manila North Rehabilitation Project (former "CMSS Rehabilitation Project")*

  The sewerage system of the Manila North catchment has existed since the 1900s, and we believe rehabilitation is necessary to ensure the reliability of the sewer network and accommodate additional wastewater from the increasing population of domestic customers and commercial establishments. The project comprises five packages that are expected to cover portions of Sta. Cruz and Malate. The project involves approximately 7,000 linear meters of sewer lines, ranging in diameter from 200 millimeters to 1,200 millimeters. The project is expected to benefit 30 barangays and cater to more than 3,900 unsewered domestic and commercial accounts.

- *CAMANA Conveyance System Project*

  The CAMANA Conveyance System Project, which comprises several packages, is a combined sewerage system that covers areas of South Caloocan, Malabon, Navotas, and some portions of Manila and Quezon City. Based on the latest design, it will comprise 82 km of sewer lines and 18 pump/lift stations. Once completed, the CAMANA Conveyance System will convey wastewater to the CAMANA WRF, which is expected to serve more than 1.3 million people.

c. Integrated Sludge Management System ("**ISMS**")

Sludge is a semi-solid, nutrient-rich by-product of wastewater treatment, which undergoes further treatment to remove pollutants and to reduce volume to an acceptable level to ensure safe and proper disposal of waste materials. The total volume of sludge produced is directly proportional to the number of treatment facilities and the capacity of each facility. The volume is also affected by our treatment processes, such as the nutrient removal process, which are required to comply with the latest effluent standard or DAO 2021-19. Sludge disposal is very costly, which incentivizes us to look for alternative solutions for sludge management. While we have conducted a feasibility study on how to manage and treat the increasing volume of sludge produced by the WRFs, we are prioritizing our retrofitting projects and sewer coverage and are looking to implement ISMS at a later stage.

OUR SUBSIDIAIRES AND 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 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.

For the years ended December 31, 2022, 2023, and 2024, PhilHydro had total revenue of ₱239.8 million, ₱259.8 million and ₱349.1 million (U.S.$6.01 million), respectively, and total comprehensive net loss of ₱2.7 million and net income of ₱0.8 million and ₱41.9 million (U.S.$0.7 million), respectively. For the three months ended March 31, 2024 and 2025, PhilHydro had total revenue of ₱78.5 million and ₱87.0 million (U.S.$1.5 million), respectively, and total comprehensive net income of ₱12.9 million and ₱6.8 million (U.S.$0.1 million), respectively.

As of December 31, 2024 and March 31, 2025, PhilHydro had total assets of ₱1,221.7 million and ₱1,249.5 million (U.S.$21.8 million), respectively.

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 March 31, 2025, 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.

For the years ended December 31, 2022, 2023, and 2024, Maynilad Boac had total revenue of ₱27,305.0, ₱23,814.0 and ₱123,967.0 (U.S.$2,160.5), respectively, and total comprehensive net loss of ₱6.1 million, ₱7.0 million and ₱13.6 million (U.S.$0.2 million), respectively. For the three months ended March 31, 2024 and 2025, Maynilad Boac had total revenue of nil and ₱2.4 million (U.S.$0.04 million), respectively, and total comprehensive net loss of ₱1.6 million and ₱0.5 million (U.S.$0.01 million), respectively.

As of December 31, 2024 and March 31, 2025, Maynilad Boac had total assets of ₱202.1 million and ₱200.6 million (U.S.$3.5 million), respectively.

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. On March 20, 2025, the Subic Bay Metropolitan Authority and Subic Water signed the third amendment to its franchise agreement, which approved the extension of Subic Water's franchise for 22 years, ending on March 31, 2047. This enables Subic Water to re-allocate its revenues to capitalize key projects in the Subic Bay Metropolitan Authority and Olongapo City, such as the expansion of its sewerage coverage in both areas as well as water sourcing and security. As of March 31, 2025, Subic Water had 50,668 billed connections while its NRW was 20.7%. In the three months ended March 31, 2025, Subic Water's gross revenues amounted to ₱249.6 million, while its net income was at ₱73.1 million. Our 10% investment in Subic Water is carried at cost less any impairment losses.

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	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 logo	*4/2024/00503933*	December 8, 2024	December 8, 2034

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 March 31, 2025, the patent remains pending with the IPOPHL.

INSURANCE

We maintain comprehensive property insurance against fire, all industrial risks and business interruption, which includes coverage of our real and personal property, including our facilities and equipment. Our liability insurance policies have coverage features and insured limits that we believe are consistent with market practice in the industry.

We are the beneficiary of our insurance policies. In addition, under some of our debt agreements, we are required to name the lenders under such debt agreements as a beneficiary or a loss payee under some of our insurance policies, or assign the benefit of various insurance policies to the lenders.

As of March 31, 2025, the total amount covered under these insurances policies was ₱37.3 billion, which we believe is sufficient to compensate for costs associated with our operating projects in case of total loss.

To determine the appropriate insurance policies and levels of insurance coverage, we conduct regular risk analysis initiatives.

SUPPLIERS

MWSS is responsible for the supply of raw water to our distribution system and is required to supply us with a minimum quantity of raw water in the amount of 2,400 MLD. We rely substantially on surface water from the Umiray, Angat and Ipo river systems, which are collected and impounded through the Angat Dam, conveyed subsequently through the Ipo Dam. We also source surface water from Laguna Lake, the largest lake in the

Philippines. Only a minimal portion of our water supply is ground-sourced through deep wells. See "*—Our Services—Water Services—Water Resources*."

In connection with our water and wastewater operations, we also enter into supply contracts and contracted services with various third parties. Vendors are required to undergo a vetting process to ensure that they satisfy our minimum qualification standards, and have the required credentials and qualifications. Our suppliers provide us with specialized equipment, treatment chemicals, electricity, security services and janitorial services. We also engage contractors providing services for technically complex projects based on specific contract specifications.

Over the years, we have cultivated relationships with multiple vendors per input, and we are not dependent on a single or limited number of our vendors.

CUSTOMERS AND COLLECTIONS

We generate all our revenues from customers within the Philippines. Due to the nature of our business, we have a fixed customer base for 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.

From a customer base of 0.4 million billed connections in 1997, our billed connections in the West Zone grew to 1,556,603 billed connections, comprising 1,483,283 domestic and 73,320 non-domestic connections and serving over 10.5 million people as of March 31, 2025.

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, which is the tariff mechanism 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, as applicable, and (iii) maintenance service charge, the amount of which varies depending on the meter size and 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. See "*—Recent Developments—MWSS Approval of Tariff Adjustments.*"

As a public utility operator that provides essential services, our historical collections are relatively high. Our billings are typically due seven days from the billing date and under the Revised Concession Agreement, our customers have a 60-day grace period to settle any unpaid bills before they can be issued a notice of disconnection, and another seven days' prior notice before their water service can be disconnected. We continually monitor our receivable balances to minimize exposure to bad receivables from unpaid bills. Accordingly, our credit risk exposure is widely dispersed.

In the three months ended March 31, 2025, our average tariff was ₱64.0 per cu. m., inclusive of environmental, sewerage and other charges.

EMPLOYEES AND LABOR RELATIONS

As of March 31, 2025, we had 2,264 employees located in the Philippines, comprising 531 executives and managerial employees, 414 supervisory employees and 1,319 rank-and-file employees. As of March 31, 2025, we had 2,137 regular employees, 127 probationary employees and 436 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 2,264 employees, 1,449 are between the ages of 30 and 50, while 603 are under the age of 30. The table below sets forth the breakdown of our employees by function as of March 31, 2025.

Types of Employees	Number of Employees
Executives	76
Managerial	455
Supervisory employees	414
Rank-and-file employees	1,319
Total(1)	**2,264**

Note:

(1) *Our total employees exclude 436 contractual employees as of March 31, 2025.*

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. As of March 31, 2025, we renewed the economic provisions of our CBA with MWSA covering the period between December 1, 2025 to November 30, 2026. 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. *See "Board of Directors and Senior Management—Employee Stock Option Plan."*

As for our subsidiaries, the tables below set forth the breakdown of their employees by function as of March 31, 2025:

Philippine Hydro, Inc.

Types of Employees	Number of Employees
Administrative	4
Analyst	3
Engineer	5
Maintenance	10
Manager	5
Operator	20
Supervisory	4
Total	**51**

Amayi Water Solutions Inc. (Maynilad Boac)

Types of Employees	Number of Employees
Administrative	2
Commercial	2
Maintenance	4
Supervisory	4
Total(1)	**12**

Note:

(1) *Maynilad Boac's total employees exclude two contractual employees as of March 31, 2025.*

The employees of our subsidiaries are not subject to CBAs and have not been on strike in the past three years, nor are they threatening to strike. The employees of PhilHydro receive variable bonus once a year, with the amount depending on the company's performance, while the employees of Maynilad Boac have not received supplemental benefits yet as they have just started their commercial operations last year.

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.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

We are subject to environmental and labor laws and regulations in the conduct of our business. See "*Regulatory and Environmental Laws.*" These laws and regulations generally require that government permits and approvals are obtained. We incur costs in the ordinary course of business to comply with these laws, regulations and permit requirements.

As part of our day-to-day operations, we incur regular costs to comply with environmental laws, regulations, and permit requirements set by agencies such as the DENR, LLDA, and the DOH. These compliance-related expenses, with a total estimated amount of approximately ₱13.0 million, are a necessary part of conducting business responsibly and reflect our commitment to minimizing our environmental impact. Environmental compliance is a key component of our sustainability efforts, and continuously work to align our operations with regulatory standards while supporting long-term environmental protection goals.

We are dedicated to fostering sustainable growth and contributing positively to the economy, society and the environment. Our comprehensive sustainability policy integrates environmental, social, and governance ("**ESG**") principles into all aspects of our business operations, ensuring compliance with regulatory requirements and alignment with both local and international best practices.

We prioritize providing access to safe and clean water, recognizing that it is a fundamental human right and a cornerstone of public health. Our responsible wastewater and sewerage management efforts further demonstrate our dedication to environmental stewardship. By investing in advanced treatment technologies and infrastructure in our pipeline of projects, we aim to minimize environmental impact and promote sustainable water resource management. Our comprehensive approach ensures that we not only comply with regulatory requirements, but also make a positive contribution to the communities we serve. Through these initiatives, we strive to create a lasting positive impact on both the environment and society, reinforcing our position as a leader in sustainable water utility services.

Through our ESG initiatives, we aim to deliver long-term value to our stakeholders while navigating the challenges and opportunities of a rapidly evolving global landscape. Our dedication to sustainability is evident in our (i) governance framework, (ii) carbon neutrality and emission management, (iii) product governance, (iv) waste management, (v) human capital management, (vi) occupational safety and health ("**OSH**") standards, (vii) supply chain management, (viii) procurement process for CAPEX projects, (ix) cybersecurity risk management and (x) stakeholder management, which we set out below.

Sustainability Journey

Year	Milestones
2009	• Our baseline year, we began to track and report emission data, and marked this year as a baseline year.
2011	• We published our first sustainability report. • We established the Maynilad Water Academy.
2021	• We inaugurated our improved and upgraded dedicated water laboratory facility, WATERLab.
2023	• After a pilot run for eight months of stringent monitoring by the DOH – Metro Manila Center for Health Development, our temporary operational permit was converted into an operational permit for the NEW WATER treatment plant in Parañaque City, which converts treated effluent of the Parañaque water reclamation facility into potable water. • Philippine President Ferdinand Marcos, Jr. led the formal inauguration of our Poblacion Water Treatment Plant in Muntinlupa City. Designed to produce 150 MLD of potable

Year	Milestones
	water, the Poblacion Water Treatment Plant is our third facility using Laguna Lake as raw water source.
2024	• We established a Sustainable Finance Framework in February 2024, aligned with the United Nations' Sustainable Development Goals, to outline our approach in issuing green, social, sustainable and blue bonds or loans, that are designed to provide financing to upcoming projects that aim to deliver positive environmental and/or social outcomes.
2025	• WATERLab became the first water utility in the Philippines to earn the My Green Lab Certification.

Governance Framework

Our governance framework is designed to ensure oversight and accountability in our sustainability efforts, demonstrating our dedication towards business sustainability and continuous expansion of sustainable service. The Board of Directors comprises 15 members, including three independent directors, in compliance with R.A. No. 11600. We established a Corporate Governance and Sustainability Committee that oversees impacts on the economy, environment and people. This Committee, which meets at least semi-annually, works alongside the Executive, Audit, Finance, and Nomination and Compensation Committees.

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee has five members, composed of two non-executive directors and three independent directors and meets at least semi-annually. The committee is chaired by Ma. Assunta C. Cuyegkeng, with Fortunato T. de la Peña, Gil S. Jacinto, June Cheryl A. Cabal-Revilla and Nagahito Miyoshi as members. The committee has the following responsibilities:

- develop and implement corporate governance principles and policies;
- review our compliance with legal and regulatory requirements;
- training and development of directors and senior management;
- implement the Board's performance evaluation process;
- establish and review of sustainability goals and strategies; and
- identify and manage of signifcant economic, environmental, social, and governance issues.

Office of the Chief Sustainability Officer

The Office of the Chief Sustainability Officer ("**CSO**") reports directly to the Corporate Governance and Sustainability Committee and is led by Atty. Roel S. Espiritu. The office has the following repsonsibilities:

- spearheading the development and regular review of our Sustainability Framework;
- leading our Sustainability Council;
- assessing policies and processes for sustainability improvements;
- aligning specific sustainability initiatives with our framework;
- conducting sustainability research, identifying innovative sustainability projects;
- initiating stakeholder engagement process; and
- preparing our sustainability reports.

We employ a top-down approach to risk management, with board-level oversight. Risks are identified and assessed at operational and strategic levels through our risk registry, adhering to ISO 31000. Our top 10 focused risk areas include water supply, climate change, health and safety, environmental risks, political and regulatory, project delivery, asset and equipment, third party, procurement and inventory and revenue.

We have developed a comprehensive set of corporate governance policies to ensure ethical business conduct, including a Code of Business Ethics, Whistleblowing Policy, Conflict of Interest Policy, Anti-Fraud Policy, and Anti-Bribery and Anti-Corruption Policy. Our policies aim to uphold stakeholder standards with senior accountability, covering employee conduct, succession planning, land acquisition, information security, and vendor management. Human Resource ("**HR**") policies address talent management and development.

In compliance with laws and regulations, we have obtained Environmental Compliance Certificates for all facilities and conducted Environmental Impact Assessments, in line with the DENR. In 2024, we developed our Sustainability Finance Framework aligning with the United Nations Sustainable Development Goals and issued our maiden ₱9.0 billion Series A Blue Bonds due 2029 and ₱6.0 billion Series B Blue Bonds due 2034, marking the first Philippine SEC-registered Blue Bond in the Philippines. We expect to continue to fund more projects in future with the aim to deliver positive environmental and/or social outcomes.

Carbon Neutrality and Emission Management

We are dedicated to achieving our carbon neutrality by 2037 target for scope 1 and 2 emissions. Our strategies include implementing large-scale reforestation and afforestation projects for carbon sequestration, shifting towards renewable energy sources, and transitioning our vehicle fleet to electric vehicles, not only to meet our carbon neutrality goals, but also to enhance business resilience and mitigate our exposure to volatile fuel prices.

Our strategy for achieving carbon neutrality by 2037 includes a shift to renewable energy and the creation of a carbon sink of 180,000 tons of carbon dioxide ("**tCO_2**"). In 2021, we installed a solar power farm in our La Mesa Pump Station and in 2023, we commissioned our second solar farm, increasing our solar energy use to [3,129.5] gigajoules in March 2025. As of March 2025, we aim to increase our power requirements from renewables to 15% to be within a range of 35% to 50% by 2037. Moreover, we aim to transition 50% of our fleet to electric vehicles from our current six units, which we expect to translate to at least ₱50.0 million in cost savings per year due to reduced fuel consumption.

Our work in large-scale reforestation and afforestation began in 2007 when we established the "*Plant for Life*" program, aimed to rehabilitate watersheds around the Angat, Ipo, and La Mesa watersheds, as well as the coastlines of Laguna Lake and Manila Bay. As of March 31, 2025, over 1.4 million trees and mangroves have been planted, covering approximately 1,968 hectares of land. With our carbon neutrality plan, we aim to create a carbon sink of 180,000 tCO_2 with the aid of reforesting 2,615 hectares of land. Between 2023 and March 31, 2025, we have reforested 1,213 hectares, contributing to the creation of a 48,683 tCO_2 carbon sink through reforestation.

Since 2009, designated as our baseline year for emission tracking, we have been tracking and reporting our greenhouse gas ("**GHG**") emissions. We conduct an annual GHG and Air Pollutants Inventory to quantify our GHG and take measures to minimize it. This process received an ISO 14064:2006 certification, meeting the international standard for GHG accounting and verification.

To enhance our energy efficiency targets, we have upgraded equipment across our facilities, including replacing motor controllers and drives with variable frequency drives and adopting inverter-type air conditioning units. We have also implemented comprehensive energy usage policies, such as "No Air Conditioning" policy during weekends and holidays, unplugging unused appliances, switching off unnecessary lights and avoiding idling of service vehicles. Regular maintenance practices, including cleaning lights and air-conditioning units, are conducted to ensure optimal performance. Comprehensive systems are in place to track energy consumption and monitor reductions. Reflecting our commitment to energy efficiency, we have expanded our energy management system-certified sites from 10 to 14 facilities, all in line with ISO 50001:2018 certifications. Additionally, substantially all of our sites and offices align with ISO 14001:2015 standards.

Product Governance

We are dedicated to delivering high-quality services, with 96.8% of our customers receiving 24-hour water supply availability at an average 7 psi pressure as of March 31, 2025.

Our quality monitoring processes are designed to maintain high standards across our operations. As of March 31, 2025, substantially all of our sites and offices, including the La Mesa treatment plants and the Dagat-Dagatan SSpTP in Caloocan City, comply with Quality Management ISO 9001:2015 standards. All of our water treatment plants meet the PNSDW, ensuring adherence to health-based standards for water supply. Our QSR-WATER

Laboratory and CNRW Meter Laboratory align with PNS ISO/IEC 17025:2017 standards, supporting accuracy and reliability in water quality testing.

Our dedicated water laboratory, WATERLab (Water Analytics, Testing, Experimentation and Research Collaboration), plays a key role in water quality monitoring, conducting in-house assessments of disinfection by-products, such as trihalomethanes, chlorates, and bromates. In 2021, we expanded WATERLab and equipped it with analytical instruments to monitor and test water quality and wastewater effluents from several sampling points across the West Zone. It is IMS and BCMS-certified and Biosafety Level II compliant and is licensed to handle regulated chemicals by the PNP and the PDEA. In 2023, WATERLab passed the DENR - Environmental Laboratory Recognition audits, obtained necessary licenses, and expanded its ISO/IEC 17025:2017 scope of accreditation. WATERLab engages in research collaborations, and provides mentorship and capacity-building activities, contributing to sustainable water management and provision of water services, including through partnerships with the University of the Philippines Diliman and the Samoa Water Authorities. In 2025, WATERLab became the first water utility in the Philippines to earn the My Green Lab Certification.

We have gained industry recognition for our innovation, exemplified by our NEW WATER initiative, which was awarded the "*Water Reuse Project of the Year*" at the 2023 Global Water Awards and a Gold Stevie under Achievement in Product Innovation at the 2023 International Business Awards. Our Poblacion Water Treatment Plant was chosen as the "*Water Project of the Year*" in the 2024 Global Water Awards in recognition of its innovation in optimizing its physical and environmental footprint. We believe that these accolades highlight our commitment to pioneering solutions that address water scarcity and promote sustainable resource management. Through these efforts, we continue to reinforce our leadership in the water utility sector, dedicated to delivering innovative and sustainable services that meet the evolving needs of our customers and communities.

Our comprehensive approach ensures that we not only comply with regulatory requirements, but also make a positive contribution to the communities we serve. Through these initiatives, we strive to create a lasting positive impact on both the environment and society, reinforcing our position as a leader in sustainable water utility services.

Waste Management

We promote circular practices through initiatives such as repurposing plastic containers, reusing paper and office supplies, and implementing paperless billing systems. For waste disposal, we manage non-hazardous wastes through local government services, while hazardous wastes are handled by DENR-accredited transporters and treaters, in compliance with R.A. No. 6969, otherwise known as the "*Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990*" and its implementing rules and regulations.

Our commitment to responsible wastewater management is demonstrated by our adherence to stringent effluent quality standards set by the DENR. Effluents from our facilities, including wastewater treatment plants, are routinely sampled and tested against DENR standards using international quality sampling and testing procedures. As of March 31, 2025, approximately 22.0% of the total nonhazardous biosolid wastes we generated has been diverted from disposal, underscoring our ongoing efforts to enhance waste management and reduce our ecological footprint. We diligently monitor our waste generation and storage data, providing transparent quarterly reports to regulators.

Human Capital Management

Our human capital management framework is centered on fostering employee engagement, unity, and care through the 3M philosophy—*Makialam, Makiisa, Magmalasakit*. Our HR policies are comprehensive, covering respect for rights, succession planning, diversity, inclusiveness, employee welfare, mental health, anti-violence measures, maternity/paternity leave, anti-violence against women and children, fair recruitment, HIV prevention, and anti-sexual harassment issues. Our Workforce Planning Committee plays a crucial role in ensuring that our workforce aligns with organizational objectives.

We uphold our employees' freedom of association, with two recognized unions representing approximately 43% of our rank-and-file and supervisory employees. See "—*Employees and Labor Relations.*" Our benefits package is robust, offering all employees (regular, probationary, and project-based) access to SSS, PhilHealth, Pag-IBIG, parental leaves, medical benefits, and life insurance. Regular employees additionally receive vacation and sick leaves, a retirement fund, and company stock options, while project-based employees are entitled to service incentive leave.

We are committed to continual development, providing 67,586 hours of leadership, technical, anti-corruption, and health and safety training delivered in the year ended December 31, 2024. On average, each employee received 24.9 hours of training. We ensure equal growth opportunities, with all employees undergoing regular performance reviews. In the three months ended March 31, 2025, we have been able to provide a total of 19,675 training hours.

As of March 31, 2025, women constituted 26% of our workforce, with 25% female representation at the Top Management Team ("**TMT**") level, reflecting our commitment to gender diversity.

Upholding OSH Standards

Our dedication to occupational health and safety is reflected in several measures, including annual Work Environment Measurements across all facilities. Our ISO 45001:2018 certified Occupational Health and Safety Management System ("**OHSMS**") is thoroughly audited and covers all sites and business segments, encompassing all of our employees. For the year ended December 31, 2024, 94.1% of our employees and service providers completed a mandatory 8-hour OSH orientation, totaling 19,687 hours. We further strengthened our emergency preparedness by conducting 12 safety drills throughout the year.

We had two recordable work-related injuries for employees and contractors since 2023, a decline compared to the three injuries recorded in 2022 alone, demonstrating our continued commitment to safety. Work-related hazards that pose a risk of high-consequence injuries (i.e., those that may cause fatalities or extensive injuries) include vehicular accidents, electric shocks from energized lines or electrically charged equipment, contact with sharp or pointed objects, being caught in between moving equipment, exposure to hazardous chemicals, and slip, trip, and fall incidents at the same level. These hazards are systematically identified and assessed through our Environmental, Safety, and Health Risk Registry. We established the Central Safety & Heal Committee and Workforce Planning Committee to provide regular updates and action plans supported by Hazard Identification, Risk Assessment and Control protocols and an Incident Reporting, Emergency Preparedness, and Response System. We enhance safety for our employees through warning signs, work environment monitoring, vaccination programs, annual physical exams, and use of personal protective equipment across all our facilities.

Supply Chain Management

We place a strong emphasis on supplier management by diligently monitoring vendors' credentials, qualifications, and quality of work. To ensure integrity and transparency in our procurement processes, all vendors are required to submit an anti-fraud declaration. As of March 31, 2025, our supply chain included 607 suppliers, with 575 local-based suppliers and 32 overseas suppliers; out of these, 408 suppliers, representing 67.2% of our total suppliers, have been assessed against environmental and sustainability criteria. Furthermore, approximately ₱1.1 billion, equivalent to approximately 97.5% of our procurement budget, was spent on local procurement as of March 31, 2025, enabling us to support the local economy and contribute to reducing our indirect emissions associated with product transportation.

Procurement Process for CAPEX Projects and Disbursements

Our Supply Chain Management Division ("**SCM**") manages the processes of accreditation, shortlisting, bidding, and award of CAPEX projects.

- *Accreditation*

  We undertake various infrastructure expenditure projects. Therefore, it is necessary that contractors and consultants ("**Vendors**"), who are technically, financially capable, and with management system standards and sustainability capabilities, are accredited by us to implement these projects.

  We regularly monitor the accredited contractors' and consultants' qualifications, quality of work, and performance to ensure their compliance with our standards. All accredited contractors and consultants are required to submit their accreditation requirements for renewal and to update their information annually.

- *Shortlisting*

  For direct invitation bidding, SCM shortlists from accredited Vendors based on the following criteria: financial contracting capacity, past performance and relevant experience.

For open competitive bidding, SCM advertises the invitations to bid in various platforms such as newspapers of general circulation, LinkedIn, Maynilad website, and Dun & Bradstreet. The bidding process is patterned after the international competitive bidding procedures of multilateral developmental banks which use the following major criteria in determining the qualified vendors:

i. Eligibility (historical contract non-performance, pending litigation);
ii. Financial soundness and capacity (available cash flow, annual construction turnover, long-term profitability); and
iii. General and specific experience.

- *Bidding*

The default mode of procurement is through competitive bidding where sealed bids from competing bidders will be submitted based on the scope, specifications, and terms and conditions of a proposed project, among other requirements. The two types of competitive bidding are:

i. direct invitation in which only accredited contractors may participate, and
ii. open invitation in which any interested and qualified vendor may participate. This is usually applied for design-build projects, consultancy services, and other specialty works. Participating Vendors are subject to eligibility check whenever required in the bidding documents.

Direct award of projects is only done under exceptional circumstances, such as emergency or urgent projects, take-over projects, or unique or proprietary services.

- *Evaluation*

There are two selection methods in evaluating bids submitted by prequalified or invited bidders based on the type of project as follows:

i. *Pass-Fail Method*

Bids are evaluated on a "pass" or "fail" basis per criterion or against the minimum requirements specified in the bidding documents. Only the proposals that pass this evaluation proceed to the financial evaluation, where the lowest bidder is then recommended for award.

ii. *Weighted Scoring Method*

This method is generally used for design-build and other specialty projects. The submissions are rated based on a set of criteria with a passing rate stated in the bidding documents. Only the proposals with passing technical ratings merit financial evaluation. The bidder that obtains the highest combined technical and financial rating will be recommended for award.

- *Post-Qualification.*

The winning vendor shall undergo post-qualification to validate if it continues to meet the qualification requirements at the time of award. If the result of such validation proves otherwise, the contract shall be awarded to the next highest-rated bidder (quality-cost based) or next lowest complying bidder (cost-based).

- *Award.*

Projects are subject to the following approval requirements:

Amount (in ₱)	**Approval of Award**
≤10 million	SCM Division Head
>10 million to ≤50 million	Contracts Award Committee

Amount (in ₱)	Approval of Award
>50 million to ≤250 million	Contracts Award Committee and Finance Committee
>250 million	Board of Directors

Cybersecurity Risk Management

We have established a framework for data privacy and accountability by appointing a designated Data Privacy Officer and forming a Data Privacy Committee. The Data Privacy Officer regularly updates top management on data privacy-related information from the National Privacy Commission. The Data Privacy Committee, which includes representatives from all divisions known as Data Privacy Compliance Champions, assists in implementing and monitoring data privacy initiatives.

To protect customer data and address cybersecurity risks, we have implemented a comprehensive set of policies, including those governing service desk operations, computer peripherals and information technology equipment, software management, and internet usage. Our cybersecurity strategy focuses on five key areas: (i) system patching and hardening, (ii) authentication and access control, (iii) incident response, (iv) network security, and (v) employee training and awareness. As of March 31, 2025, we have not received any substantiated complaints regarding breaches of customer privacy or losses of customer data, demonstrating the effectiveness of our cybersecurity measures.

Stakeholder Management

We are committed to fostering sustainable development and enhancing the quality of life in the communities we serve. Our stakeholder management initiatives are designed to address critical issues in water accessibility, sanitation, and community empowerment. Through strategic partnerships and innovative programs, we aim to create lasting social, environmental, and economic impacts.

Below is an overview of our key initiatives that demonstrate our dedication to community and social impact, water sanitation and hygiene, sustainability, and customer satisfaction.

Community and Social Impact

- Maynilad Water Academy: We have established a capacity-building and learning hub dedicated to enhancing the quality of water and sanitation professionals in the Philippines and Asia. It offers a range of classroom and practical training courses aimed at elevating the operational standards of water districts and operators.

- Sining Ipo: Through this social enterprise initiative, we work with the Dumagats, an indigenous community inhabiting the Ipo watershed. This program provides alternative livelihoods through the creation of driftwood crafts, highlighting their role in the preservation and rehabilitation of the watershed.

- Green Badge: Run by members of *Samahang Tubig Maynilad – Riverview*, this initiative upcycles old company uniforms into items used for disaster relief and corporate giveaways, reflecting our commitment to environmental protection and support for marginalized communities.

- Kapwa Community Initiative: After establishing a water cooperative in Tondo, Manila, we organized women leaders into a group that produces hygiene and sanitation products, thereby sustaining their families' needs beyond water access.

- Social Enterprise Partnership with Caloocan City: In collaboration with the Office of the Vice Mayor of Caloocan City, we support mothers in two communities through financial literacy seminars and jewelry-making workshops, ensuring long-term business sustainability.

Water Sanitation and Hygiene (W.A.S.H.) Initiatives

- Rainwater Harvesting Facility: We have installed facilities that serve as alternative raw water sources for irrigation, cleaning, and watering ornamental plants, promoting sustainable water use.

- WASH Up Program: Our W.A.S.H. Up Program is a health and wellness initiative that combines vital services with education and community empowerment, promoting overall health and wellness alongside water and sanitation services.

- GinhaWASH Program: We believe that our umbrella program on W.A.S.H. is aligned with the United Nations' Sustainable Development Goals. It includes donations of portable lavatories, drinking fountains, and bidets to increase access to essential services.

- Daloy Dunong: Is an education program under the W.A.S.H. program that teaches life skills including handwashing to the youth.

- GAD Partnership with MWSS-RO: We partner with MWSS-RO to promote gender and development ("**GAD**") initiatives for effective implementation of our W.A.S.H. Program

Capacity-Building Programs

- Bigkis-Tubig Capacity Building Program: We focus on the protection, rehabilitation, and management of watersheds, water sources, and waterways, including the provision of necessary materials and equipment.

Sustainability and Environmental Stewardship

- Effluent for Clean and Green: We donate effluent water from our WRFs to local government units and national government agencies for environmental purposes such as watering plants, cleaning roadways, and firefighting.

- Ginhawa Gardening: We install vegetable gardens and rainwater harvesting facilities in community spaces, coupled with workshops on urban gardening and environmental conservation to encourage sustainable living.

Community Water Systems and Partnerships

- Water for the Poor Program: We collaborate with civil society groups to address water inaccessibility and poor sanitation in indigent communities, empowering residents to manage their own water systems. Under the pro-poor schemes of "*Samahang Tubig Maynilad*" and "*Better With Water*", residents and community partners are empowered to manage their own community water systems. As of March 31, 2025, we have established 12 *Samahang Tubig Maynilad* communities, and partnered with *Better With Water* for 11 communities with 4,202 households.

- Mission Ginhawa: We work with the Government and other private organizations to provide calamity aid by providing clean water, compact microfiltration systems, and technical assistance, ensuring aid reaches those in need. As of March 31, 2025, we reached approximately 42,000 households with hydration and in-kind donations, two towns with mobile treatment plants, and 400 individuals with W.A.S.H. Up mobile showers.

Customer Experiences

- Customer Satisfaction and Communication: Our "*MyWaterBill*" program is designed to streamline and enhance communication with our customers by incorporating paperless billing. We provide a more efficient, eco-friendly, and user-friendly way for customers to receive and manage their billing information.

DESCRIPTION OF PROPERTY

See *"Description of Property"* on page 198 of this Prospectus.

LEGAL PROCEEDINGS

We, including our subsidiaries, are involved in various legal proceedings in connection with our business operations. In addition, we are contingently liable for various claims arising in the ordinary conduct of business, which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. See "*Risk Factors—Risks Relating to us and our Business—We face litigation risks and tax disputes in the course of our business that may impact our cash flows, results of operations and financial condition.*" The cases which we, including our subsidiaries, 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. 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's 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 February 6, 2008 order confirmed the termination of the rehabilitation proceedings on account of our successful implementation of its rehabilitation plan, and stated that all outstanding amounts due to MWSS on account of our 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 our 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 Prospectus.

3. Expropriation cases against certain landowners

In May 2024, we filed eight expropriation cases against the owners of, and other parties who have interests in, the properties located in Teresa, Rizal that are affected by our Teresa Water Treatment Plant project. In our complaints, we prayed, among others, for the issuance of writs of possession ("**WOP**") over the subject properties and provisionally deposited to the courts the amount equivalent to 100% of the current and relevant BIR zonal value of the land, and current market value of the affected crops and/or structures, as applicable. The courts have already issued the corresponding WOP for each case.

Raemulan Lands, Inc. ("**RLI**"), a defendant in all of the aforesaid expropriation cases, filed its answer to the complaints and claims to have acquired the properties through contracts to sell/deed of absolute sale with the owners and/or heirs of the registered owners, and claims that a special power of attorney was issued in its favor for purposes of authorizing it to represent the owners/heirs with all government or private agencies in processing any and all transactions concerning the subject properties.

The expropriation cases are still pending in court concurrently while we are discussing possible settlement through mediation. In case numbers (i) to (iv) below, the branch sheriff had submitted the certificate of turn-over of possession to the court. In case numbers (v) to (viii), the summonses are in the process of being served on the respondents. The following are the relevant details of each case:

(i) Maynilad v. Dorcas Espiritu Santo, et al. SCA No. 24-151-M

The case involves a lot with an area of 4,634 sq.m.

The court referred the case to mediation. In the meantime, Maynilad and RLI are negotiating the possible settlement of RLI's claims.

(ii) Maynilad v. The Estate of or the Heirs of the late spouses Filomena C. Garrovillas and David SJ Garrovillas, et al. SCA No. 24-145-M

The case involves three lots with respective areas of 23,200 sq. m., 8,797 sq. m., and 9,753 sq. m.

The respondents filed separate answers to our complaint. The court referred the case to mediation. In the meantime, Maynilad and RLI are negotiating the possible settlement of RLI's claims.

(iii) Maynilad v. Rolando C. Pantaleon et al. SCA No. 24-149-M

The case involves a lot with an area of 11,999 sq. m.

The respondents (other than RLI and the public respondents) interposed no objection to the taking of the property subject to the payment of just compensation. The court referred the case to mediation. In the meantime, Maynilad and RLI are negotiating the possible settlement of RLI's claims.

(iv) Maynilad v. Ma. Cecilia R. Sabino et al. SCA No. 24-148-M

The case involves a lot with an area of 5,728 sq. m.

The court referred the case to mediation. In the meantime, Maynilad and RLI are negotiating the possible settlement of RLI's claims.

(v) Maynilad v. Minerva Ramirez Sabino and Estate of, or the Heirs of the late Abelardo C. Sabino et al. SCA No 24-146-M

The case involves three lots with respective areas of 4,511 sq. m., 23,200 sq. m., and 25,720 sq. m.

Pending the service of summonses on the respondents and the implementation of the WOP and notice to vacate, RLI reached out to us, and Maynilad and RLI have been in discussions for a possible settlement of RLI's claims.

(vi) Maynilad v. Catalina T. Lorete, et al.

The case involves a lot with an area of 17,710 sq. m.

Pending the service of summonses on the respondents and the implementation of the WOP and notice to vacate, RLI reached out to us, and Maynilad and RLI have been in discussions for a possible settlement of RLI's claims.

(vii) Maynilad v. Emilia Espiritu Santo San Jose et al. SCA No. 24-144-M

The case involves a lot with an area of 5,659 sq. m

Pending the service of summonses on the other respondents and the implementation of the WOP and notice to vacate, RLI reached out to us, and Maynilad and RLI have been in discussions for a possible settlement of RLI's claims.

(viii) Maynilad v. Filomina F. Geronimo, et al. SCA No. 24-147-M

The case involves a lot with an area of 11,999 sq. m.

Pending the service of summonses on the respondents and the implementation of the WOP and notice to vacate, RLI reached out to us, and Maynilad and RLI have been in discussions for a possible settlement of RLI's claims.

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

PhilHydro was assessed tax deficiency of ₱425,142,892.82. The CIR assessed PhilHydro for deficiency taxes in the absence of adequate documentation and relied on the best evidence obtainable rule pursuant to Section 6 (B) of the National Internal Revenue Code, as amended. 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.

5. Cavite Ideal International Construction and Development Corporation (Cavdeal) vs. Manila Water Company, Inc. and Maynilad Water Services, Inc. acting as Joint Venture partners under Common Purpose Facilities (CIAC Case No. 22-2025)

On April 21, 2025, Cavdeal filed with the Construction Industry Arbitration Commission a Complaint/Request for Arbitration against Manila Water and Maynilad as joint venture partners of an unincorporated joint venture for the Common Purpose Facilities ("**CPF JV**").

This case stems from the "procure and build contract" entered into on March 31, 2014 by the CPF JV, as employer, and Cavdeal, as contractor, for the Sumag River Diversion Project. The contract price is ₱717,447,296.84. The Sumag River Diversion Project aimed to construct a water diversion tunnel connecting the Sumag River to the existing UATP thereby increasing the flow of water into Angat Dam.

Cavdeal alleges that the CPF JV's (i) delayed release of the advance payment and (ii) failure to secure the necessary permits caused delays in the implementation of the Sumag River Diversion Project.

Subsequently, the CPF JV terminated the contract on January 18, 2022, confirming the mutual agreement between the parties and citing the aggressive progression of the COVID-19 pandemic that severely affected the resumption of the works. Despite the termination of the contract and the CPF JV's alleged non-payment of the billing charges and demobilization costs, Cavdeal continued to maintain the project site. Cavdeal further avers that the CPF JV unilaterally terminated the contract, highlighting the absence of an effective date of termination and claiming that two conditions for effective termination remained unmet: (i) the demobilization of materials, equipment, and manpower and (ii) the evaluation and approval of Cavdeal's final claim.

While Cavdeal acknowledges that the CPF JV had the right to unilaterally terminate the contract, it asserts that the CPF JV must indemnify Cavdeal for all the expenses incurred, work done, and damages suffered.

Thus, Cavdeal is claiming for the following amounts from the CPF JV:

(i) Recurring costs for site maintenance from August 1, 2020 to March 31, 2025 amounting to ₱291,493,014.67 (₱144,433,475.74 is charged to Maynilad);
(ii) Retention money amounting to ₱16,930,428.28 (₱10,159,199.29 is charged to Maynilad);
(iii) Maintenance of explosives and materials on-site amounting to ₱31,164,395.80 (₱15,582,197.90 is charged to Maynilad);

(iv) Finance charges amounting to ₱116,843,144.37 (₱60,560,005.86 is charged to Maynilad) allegedly arising from the CPF's delayed payment of progress billings despite numerous follow-ups;

(v) Demobilization of equipment and explosives costs amounting to ₱81,968,275.20 (₱40,984,137.60 is charged to Maynilad);

(vi) Unrealized expected profits amounting to ₱19,316,868.58 (solidarily liable with Manila Water);

(vii) Exemplary damages amounting to not less than ₱500,000.00 (solidarily liable with Manila Water); and

(viii) Cost of arbitration, legal fees, and other incidental expenses amounting to not less than ₱2,500,000.00 (solidarily liable with Manila Water).

DESCRIPTION OF PROPERTY

As of the date of this Prospectus, we obtained the writs of possession for the following properties which are subject of pending expropriation proceedings:

	Lot No.	Location	TCT No.	Lot Area (sq.m.)	Area to be acquired (sq.m.)
1.	5015-B	Brgy. Dalig, Teresa, Rizal	M-45454	23,200	23,200
2.	3328	Brgy. Dalig, Teresa, Rizal	M-52045	26,815	25,720
3.	5041	Brgy. Dalig, Teresa, Rizal	M-45455	4,511	4,511
4.	3330	Brgy. Dalig, Teresa, Rizal	M-81189	22,212	5,728
5.	5012	Brgy. Dalig, Teresa, Rizal	56738	9,753	9,753
6.	5015-A	Brgy. Dalig, Teresa, Rizal	68379	23,200	23,200
7.	5013	Brgy. Dalig, Teresa, Rizal	56536	8,797	8,797
8.	5042	Brgy. Dalig, Teresa, Rizal	91465	17,170	17,170
9.	5043-B	Brgy. Dalig, Teresa, Rizal	100371-PART	11,999	11,999
10.	5040-B	Brgy. Dalig, Teresa, Rizal	M-147649	5,659	5,659
11.	5040-A	Brgy. Dalig, Teresa, Rizal	M-147648	4,634	4,634
12.	5040-C	Brgy. Dalig, Teresa, Rizal	M-128141	11,999	11,999

The properties we expect to acquire in the next twelve (12) months are the following:

Commitment Year / Lot Requirement Year	Description	Acquisition for Facility Type	Location	Cost of Acquisition	Mode of Acquisition
2025	Anabu ModTP Lot Acquisition	ModTP	Imus, Cavite	20,000,000.00	By purchase
2025	Muntinlupa Stage 2 Sewerage System Pump/ Lift Stations Lot Acquisition	Pump Station (PS)	Muntinlupa, City	12,268,735.21	By purchase

2025	Bacoor Stage 1 Sewerage System Pump/ Lift Stations Lot Acquisition	Pump Station (PS)	Bacoor, Cavite	117,174,581.04	By purchase
2025	Imus North Sewerage System Pump/ Lift Stations Lot Acquisition	Pump Station (PS)	Imus, Cavite	84,885,055.10	By purchase
2025	Lot Acquisition for Pasay–Parañaque–Makati (PPM) Business Area (BA)	BA Office	Parañaque City	180,000,000.00	By purchase
2025	Additional lot for Molino ModTP	ModTP	Bacoor, Cavite	44,681,868.60	By purchase
2025	Lot Acquisition for the construction of the reservoir at Merville, Parañaque	PSR	Parañaque City	100,196,096.01	By purchase
2025	Lot Acquisition for Valenzuela New Water	New Water TP	Valenzuela City	63,000,000.00	By purchase
2025	Lot Acquisition for Yellowbell/Camarin ILB	In-Line Booster/ PS	Caloocan City	10,000,000.00	By purchase
2025	Lot Acquisition for ILB for 06-C0M01C	In-Line Booster/ PS	Quezon City	2,000,000.00	By purchase

The properties above will be acquired using the proceeds from the initial public offering.

The locations of the principal properties used for our business are as follows:

Type of Facility	Location	Ownership	Number
1. Water Production Facility	Muntinlupa City, Pasay City, Bacoor, Cavite, Teresa, Rizal	Maynilad	Active – 3 Ongoing Construction – 3
	Quezon City	MWSS and others	Active – 2
2. Modular Treatment Plant	Parañaque City, Valenzuela City, Imus City, Bacoor City	Maynilad	Active – 3 Ongoing Construction – 2
3. Pump Station - Water	Quezon City, Las Piñas City, Caloocan City, City of Manila, Makati City, Pasay City, Parañaque City,	Maynilad	Active – 8 Ongoing Construction – 2

Type of Facility		Location	Ownership	Number
	Pump Station - Wastewater	Valenzuela City, Imus City, Bacoor City, Muntinlupa City, Malabon City	Maynilad	Active – 104 Ongoing Construction – 25
		Caloocan City	MWSS and others	Active – 1
4.	Pump Station and Reservoir	Quezon City, Caloocan City, Pasay City, Muntinlupa City, Parañaque City, Bacoor City, Imus City, Municipality of Kawit Cavite, Sangley Point, Cavite	Maynilad	Active – 14 Standby – 2
		Quezon City, Caloocan City, City of Manila, Pasay City, Las Piñas City, Municipality of Noveleta Cavite	MWSS and others	Active – 16
5.	Pumping Station with Weir	Quezon City	Maynilad	Active – 3
6.	Inline Booster	Quezon City, Valenzuela City, Caloocan City, Malabon City, Parañaque City, Makati City,	Maynilad	Active – 26 Standby – 6

Type of Facility	Location	Ownership	Number
	Muntinlupa City, Bacoor City		
7. Inline Booster and Reservoir	Parañaque City, Cavite City	Maynilad	Active – 3
8. Reservoir	Caloocan City, Quezon City	Maynilad	Active – 1 Standby – 2
	Quezon City	MWSS and others	Active – 1
9. Deepwell Station	Muntinlupa City, Quezon City, Imus City, Bacoor City, Las Piñas City, Sangley Point, Cavite, Caloocan City, Parañaque City, Municipality of Kawit Cavite, Valenzuela City	Maynilad	Active – 1 Standby – 18 Ongoing Construction – 26
	Quezon City, Valenzuela City, Cavite City, Imus City, Municipality of Noveleta Cavite Rosario, Cavite	MWSS and others	Active – 1 Standby - 1 Ongoing Improvement – 3
10. Laboratory (e.g., Process Laboratory, Meter Laboratory, Training Laboratory, Water	Las Piñas City, Quezon City, Parañaque City, Pasay City,	Maynilad	Active – 8

Type of Facility	Location	Ownership	Number
Laboratory and Other Laboratory)	City of Manila		
	Muntinlupa City, Quezon City	MWSS and others	Active – 3
11. Water Reclamation Facility	Quezon City, Pasay City, Muntinlupa City Parañaque City, City of Manila, Caloocan City, Valenzuela City, Las Piñas City Bacoor City	Maynilad	Active – 20 Ongoing Construction – 5
	City of Manila	MWSS and others	Active – 1
12. Sewage and Septage Treatment Plant	Quezon City	Maynilad	Active – 1
	Caloocan City	MWSS and others	Active – 1
13. Septage Treatment Plant	Las Piñas City	Maynilad	Active – 1
14. Lift Station	Quezon City, City of Manila Muntinlupa City Las Piñas City Parañaque City	Maynilad	Active – 15 Ongoing Construction - 22
	City of Manila	MWSS and others	Active – 6
15. Depot	Las Piñas City	Maynilad	Active – 1
	Pasay City, Caloocan City, Malabon City, Quezon City,	MWSS and others	Active – 8

Type of Facility	Location	Ownership	Number
	Valenzuela City, Imus City		
16. Business Area	Las Piñas City, Caloocan City, Quezon City	Maynilad	Active – 3
	Quezon City, Malabon City, Caloocan City, Parañaque City, City of Manila, Imus City	MWSS and others	Active – 7
17. Building Office	Muntinlupa City, City of Manila, Quezon City, Bacoor City, Pasay City	Maynilad	Active – 10
	Quezon City, Caloocan City, City of Manila, Pasay City, Imus City, Municipality of Angat, Bulacan, Municipality of Norzagaray, Bulacan	MWSS and others	Active – 28
18. Other Facilities (Communal Septic Tank)	Las Piñas City	MWSS and others	Active – 1

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

As of March 31, 2025, out of the 418 facilities, we are actively operating 301 facilities, 29 facilities are either not yet operational or on standby, while the remaining 88 facilities are still under construction.

For facilities owned by MWSS, we were granted the right to operate and manage such under the Revised Concession Agreement.

Locations of principal properties of Maynilad's subsidiaries are as follows:

Type of Facility	Location	Ownership	Number
1. Water Treatment Plant	Bogtong, Legazpi City, Albay	PhilHydro	Active – 1
2. Water Treatment Plant	Partida, Norzagaray, Bulacan	PhilHydro	Active – 1
3. Pumping Station	Matictic, Norzagaray, Bulacan	PhilHydro	Active – 1
4. Water Treatment Plant	Bambang, Nueva Vizcaya	PhilHydro	Active – 1
5. Water Treatment Plant	Poblacion Norte, Rizal, Nueva Ecija	PhilHydro	Active – 1
6. Administrative Office	Santol, Boac, Marinduque	Boac LGU	Active – 1
7. Production Well	Santol, Boac, Marinduque	Boac LGU	Active – 1
8. Production Well	Santol, Boac, Marinduque	Boac LGU	Active – 1
9. Production Well	Bangbangalon, Boac, Marinduque	Boac LGU	Active – 1
10. Production Well	Mercado, Boac, Marinduque	Boac LGU	Active – 1
11. Production Well	Ihatub, Boac, Marinduque	Boac LGU	Inactive – 1
12. Production Well	Isok 2, Boac, Marinduque	Boac LGU	Inactive – 1
13. Concrete Reservoir	Santol, Boac, Marinduque	Boac LGU	Inactive – 1
14. Concrete Reservoir	Daig, Boac, Marinduque	Boac LGU	Active – 1

Lease Agreements

Pipeline Lease Agreements

For properties occupied by Maynilad's pipelines within the Philippine National Railways' ("**PNR**") right-of-way, Maynilad has entered into several lease agreements with PNR, as follows:

Date	Leased Area	Location	Consideration (per annum) & other fees	Term of lease
December 2, 2024	443.83 sq.m.	Between TP 137 1/2 - 144 1/2 R/S, Brgy. 630, Manila	₱8,201,978.40, subject to increase	August 5, 2024 to August 4, 2025
December 2, 2024	123.30 sq.m.	Between TP 639-640 B/S, Brgy. Poblacion, Muntinlupa City	₱1,035,720.00, subject to increase	July 14, 2024 to July 13, 2025
July 30, 2010	4.4 km.	Parcels of land from alongside or adjoining the railways from Cattleya to Montillano Streets in Muntinlupa City	₱5,060,000.00, subject to increase of 10% every five years on a compounded basis	July 30, 2010 to September 30, 2034
September 14, 2009	3.24 km.	From Montillano to Rizal Streets in Muntinlupa City	₱3,726,000.00, subject to increase by 10% every five years on a compounded basis; additional consideration of ₱10,000,000.00 upon execution of the lease agreement and ₱1,000,000.00 from 2010-2015	25 years

Office and Other Property Lease Agreements

For properties occupied by our offices and other properties necessary for our operations, we have entered into several lease agreements with various lessors, as follows:

Date	Lessor	Leased Area	Location	Consideration & other fees	Term of lease
January 1, 2025	MWSS	8,453 sq.m.	Basement and first to third floor of the Engineering Building within the MWSS Complex in Katipunan Road, Balara, Quezon City	₱1,087.09 per sq.m. monthly rental rate or for a total monthly fee of ₱9,189,171.77, exclusive of the 12% EVAT thereon, subject to annual escalation rate of 5%	January 1, 2025 to December 31, 2029
February 6, 2024	MWSS	3,050 sq.m. comprising of 1,731 sq.m. original leased area and 1,319 sq.m.	Balara, Quezon City	₱79.60 per sq.m., or a total monthly rental fee of ₱242,780.00 exclusive of 12% VAT subject to an annual escalation rate of 10% commencing at the start of the second year.	Five years from execution of the contract or until February 5, 2029

Date	Lessor	Leased Area additional area	Location	Consideration & other fees	Term of lease
May 10, 2024	MWSS	58 Parking Lot Slots numbers: 1-06 to 1-10, 1-29 2-01 to 2-09, 2-11 to 2-20, 2-22 to 2-26, 2-34 3-20 to 3-46	First, Second, and Third Levels of the MWSS Multi-Level Parking Building	Monthly rental of ₱880.00 per parking space or for a total monthly fee of ₱51,040.00, exclusive of additional fees for overnight parking and parking on weekends.	May 10, 2024 to December 31, 2026
January 3, 2023	MWSS	13 parking slots	"Open parking space A"	Monthly rental of ₱880.00 per parking space or for a total consideration of ₱11,400.00	January 3, 2023 to December 31, 2023[4]
May 12, 2015	Heirs of Julita Concepcion Paras namely: Augusto C. Paras and Troy C. Paras; Jovita Concepcion; and Rodolfo Concepcion Represented by their Atty-in-Fact, Norberto T. Concepcion Jr.	119 sq.m.	Brgy. Marulas, Valenzuela City	Upon the signing of the Contract of Lease, the Lessee shall deliver to the Lessors advance rental payments equivalent to the total rental fee due for the entire term or the equivalent amount of ₱472,000.00 exclusive of VAT and withholding tax	99 years from date of signing on May 12, 2015 or until May 11, 2114
November 25, 2014	United Asia Weaving & Trimming MFG. Corporation	Units 2,3, and 4	Ponciana Center, MacArthur Highway cor. Del Monte Avenue, Potrero, Malabon City	Range from ₱138,611.13 to ₱204,791.77	October 1, 2015 to September 30, 2025
February 22, 2023	Seacom Inc.	1,400 sq.m.	Warehouse Building, JG Sanvictores St., Seacom Compound, Brgy. San Antonio, Sucat, Parañaque City	₱182,000.00 per month, subject to annual escalation clause of 3%	February 1, 2023 to January 31, 2025[5]

[4] Currently in the process of renewal.
[5] Currently in the process of renewal.

Date	Lessor	Leased Area	Location	Consideration & other fees	Term of lease
April 11, 2023	FSS Realty Corporation	4,917 sq.m.	Barrio, San Dionisio, Parañaque City	Range from ₱17,387.50 to ₱17,909.12 per month, inclusive of VAT or 10% of the stipulated rental on the property covered by TT No. 45654-A	February 1, 2023 to January 31, 2025[6]
June 3, 2015 (440 sq.m.) November 9, 2015 (42.25 sq.m.)	Edward Li	440 sq.m. with additional area of 42.25 sq.m.	Regis Plaza Building located at 8390 Dr. A. Santos Avenue, Brgy. BF, Parañaque City	₱274,400.00 monthly rental rate with additional rent of ₱28,392.00 inclusive of VAT and withholding taxes, subject to escalation rate of 5% per year following the 2nd year	July 1, 2015 to June 30, 2025
November 6, 2023	Pedro W. Madarang	750 sq.m.	Banana St., Brgy. Potrero, Malabon City	Range from ₱127,430.04 to ₱133,801.54 monthly rent	January 1, 2024 to December 31, 2025

[6] Currently in the process of renewal.

DESCRIPTION OF PERMITS AND LICENSES

As of the date of this Prospectus, our Group has obtained, or is in the process of obtaining, all governmental approvals, permits and licenses issued by the appropriate Government agencies or authorities necessary to operate their respective businesses.

We believe that we have all the permits and licenses necessary to operate our businesses as currently conducted, and that such permits and licenses are valid, subsisting, or pending renewal, as confirmed by Adarlo Caoile & Associates Law Offices in a legal opinion dated [●].

As of March 31, 2025, the relevant material permits our Company obtained are as follows:

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
Aguinaldo Pump Station	Permit to Operate	DENR	05/17/2021	05/17/2026
	ERC-COC	ERC	10/28/2022	10/27/2027
	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	06/07/2024	No expiry
	DENR Discharge Permit	DENR	02/01/2025	02/01/2026
Alabang Water Reclamation Facility	Hazardous Waste ID	DENR	01/18/2021	No expiry
	Permit to Operate (Generator Set)	DENR	03/27/2024	10/27/2028
	Permit to Operate	DENR	06/05/2022	06/05/2027
	LLDA Discharge Permit	LLDA	06/04/2024	06/03/2026
	ECC/CNC	DENR	02/07/2023	No expiry
	LLDA Clearance	LLDA	03/17/2014	No expiry
	ERC-COC	ERC	10/16/2023	10/15/2028
Alabang-Zapote Pump Station	Hazardous Waste ID	DENR	12/31/2020	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	08/28/2024	08/27/2029
	ERC-COC	ERC	12/23/2022	12/22/2027
	Discharge Permit	DENR	03/05/2025	03/05/2026
Algeciras Reservoir and Pumping Station	Hazardous Waste ID	DENR	12/31/2020	No expiry
	Permit to Operate	DENR	10/07/2021	10/07/2026
	ERC-COC	ERC	03/08/2022	03/07/2027
	ECC/CNC	DENR	06/11/2007	No expiry
	LLDA Clearance	LLDA	06/10/2024	No Expiry
	LLDA Discharge Permit	LLDA	06/28/2024	07/07/2027
Anabu Modular Treatment Plant	ECC/CNC	DENR	07/07/2023	No expiry
	DENR Discharge Permit	DENR	09/08/2023	09/08/2024[7]
Arroceros Compound (covers Manila Business Area, Leak Detection Management, and Water Network Office)	Permit to Operate	DENR	02/28/2025	02/28/2030
	Hazardous Waste ID	DENR	11/26/2020	No expiry
	ERC-COC	ERC	10/18/2024	No expiry
	LLDA Clearance	LLDA	07/21/2022	No expiry

[7] Pending application with the DENR.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	ECC/CNC	DENR	08/04/2014	No expiry
	LLDA Discharge Permit	LLDA	06/17/2024	07/01/2026
Ayala Alabang R1 Pump Station	ERC-COC	ERC	02/28/2020	02/27/2025[8]
	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	10/09/2023	No expiry
	LLDA Clearance	LLDA	05/27/2024	No Expiry
	LLDA Discharge Permit	LLDA	06/14/2024	06/03/2026
Ayala Alabang R2 Pump Station	ERC-COC	ERC	10/18/2024	No expiry
	Hazardous Waste ID	DENR	08/10/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	03/22/2024	03/22/2029
	LLDA Clearance	LLDA	05/27/2024	No Expiry
	LLDA Discharge Permit	LLDA	07/05/2024	06/03/2026
Ayala Southvale Pump Station and Reservoir	ECC/CNC	DENR	06/11/2007	No expiry
	Discharge Permit	DENR	03/23/2025	03/23/2026
Bacoor Pump Station and Reservoir	ERC-COC	ERC	10/18/2024	No expiry
	Hazardous Waste ID	DENR	04/22/2016	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	08/23/2024	08/23/2029
	Discharge Permit	DENR	03/12/2025	03/11/2026
Baesa Pumping Station and Reservoir	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	09/02/2019	No expiry
	ERC-COC	ERC	04/28/2023	04/27/2028
	LLDA Clearance	LLDA	03/06/2024	No Expiry
	LLDA Discharge Permit	LLDA	04/15/2024	08/05/2026
Baesa Water Reclamation Facility	LLDA Discharge Permit	LLDA	07/26/2024	08/04/2027
	Hazardous Waste ID	DENR	04/07/2021	No expiry
	ECC/CNC	DENR	08/26/2010	No expiry
	LLDA Clearance	LLDA	01/30/2012	No expiry
Bagbag Pump Station and Reservoir	Hazardous Waste ID	DENR	04/04/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	LLDA Clearance	LLDA	05/27/2024	No Expiry
	LLDA Discharge Permit	LLDA	09/02/2024	08/04/2027
Bagbag Water Reclamation Facility	Hazardous Waste ID	DENR	12/31/2020	No expiry
	ECC/CNC	DENR	04/04/2011	No expiry
	ERC-COC	ERC	02/28/2020	02/27/2025[9]
	LLDA Discharge Permit	LLDA	07/26/2024	08/06/2025

[8] Currently in the process of renewal.
[9] Currently in the process of renewal.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	LLDA Clearance	LLDA	08/24/2012	No expiry
Bahay Toro Water Reclamation Facility	Hazardous Waste ID	DENR	11/26/2020	No expiry
	ERC-COC	ERC	02/28/2020	02/27/2025[10]
	Permit to Operate (Generator Set)	DENR	09/06/2021	09/06/2026
	Permit to Operate	DENR	09/06/2021	09/06/2026
	LLDA Discharge Permit	LLDA	07/26/2024	08/04/2027
	ECC/CNC	DENR	07/19/2011	No expiry
	LLDA Clearance	LLDA	01/11/2013	No expiry
Binuksuk Reservoir	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	02/22/2021	02/22/2026
	Hazardous Waste ID	DENR	05/31/2021	No expiry
	ERC-COC	ERC	10/28/2022	10/27/2027
	LLDA Clearance	LLDA	07/03/2024	No Expiry
	LLDA Discharge Permit	LLDA	09/05/2024	08/06/2025
Caloocan Pump Station and Reservoir	ERC-COC	ERC	03/08/2022	03/07/2027
	Hazardous Waste ID	DENR	07/18/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	07/28/2022	07/28/2027
	LLDA Clearance	LLDA	12/06/2017	No expiry
	LLDA Discharge Permit	LLDA	09/23/2022	09/03/2025
CAMANA Water Reclamation Facility (under rehab)	LLDA Clearance	LLDA	10/19/2020	No expiry
	Hazardous Waste ID	DENR	03/22/2021	No expiry
	ERC-COC	ERC	01/31/2022	01/30/2027
	ECC/CNC	DENR	05/23/2019	No expiry
	LLDA Discharge Permit	LLDA	09/19/2022	09/03/2025
	Environmental Sanitation Clearance	DOH	10/16/2009	No expiry
Cavite Business Area	Hazardous Waste ID	DENR	12/14/2020	No expiry
	ERC-COC	ERC	02/28/2020	02/27/2025[11]
	ECC/CNC	DENR	01/08/2016	No expiry
	Permit to Operate	DENR	03/01/2024	03/01/2029
	DENR Discharge Permit	DENR	05/09/2024	05/09/2025[12]
Cavite City Water Reclamation Facility (under construction)	ECC/CNC	DENR	10/03/2017	No expiry
Central Material Depot	Hazardous Waste ID	DENR	08/15/2022	No expiry
	ERC-COC	ERC	08/26/2021	08/25/2026
	LLDA Clearance	LLDA	07/21/2022	No expiry

[10] Currently in the process of renewal.
[11] Pending application with the ERC.
[12] Pending application with the DENR.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	ECC/CNC	DENR	04/19/2013	No expiry
	Permit to Operate	DENR	02/20/2024	02/20/2029
	LLDA Discharge Permit	LLDA	08/15/2024	08/05/2026
Commonwealth Pump Station	Hazardous Waste ID	DENR	01/08/2021	No expiry
	ERC-COC	ERC	03/08/2022	03/07/2027
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	11/22/2024	11/22/2029
	LLDA Clearance	LLDA	11/28/2022	No expiry
	LLDA Discharge Permit	LLDA	07/15/2024	08/06/2025
Congressional Water Reclamation	Hazardous Waste ID	DENR	03/06/2023	No expiry
	LLDA Discharge Permit	LLDA	08/15/2022	08/06/2025
	ECC/CNC	DENR	02/16/2024	No expiry
	LLDA Clearance	LLDA	02/06/2012	No expiry
Cordillera Material Depot	Hazardous Waste ID	DENR	11/24/2022	No expiry
	ECC/CNC	DENR	03/07/2013	No expiry
	LLDA Clearance	LLDA	06/08/2023	No expiry
	LLDA Discharge Permit	LLDA	08/15/2024	08/05/2026
Cupang Water Reclamation Facility (under construction)	Hazardous Waste ID	DENR	01/08/2021	No expiry
	ECC/CNC	DENR	10/28/2014	No expiry
	Shoreland Development Clearance	LLDA	11/27/2015	No expiry
D. Tuazon Pump Station	ERC-COC	ERC	03/08/2022	03/07/2027
	Hazardous Waste ID	DENR	05/01/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	03/29/2022	03/29/2027
	LLDA Clearance	LLDA	05/31/2024	No expiry
	LLDA Discharge Permit	LLDA	06/14/2024	08/04/2027
Daang Hari Pump Station	Permit to Operate	DENR	11/03/2020	04/27/2025[13]
	Hazardous Waste ID	DENR	05/10/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	ERC-COC	ERC	08/24/2023	08/23/2028
	DENR Discharge Permit	DENR	04/24/2025	04/24/2026
	DENR Discharge Permit	DENR	04/28/2025	04/28/2026
Del Monte Water Reclamation Facility	ERC-COC	ERC	12/20/2024	No expiry
	Hazardous Waste ID	DENR	05/26/2021	No expiry
	Permit to Operate	DENR	11/08/2024	11/08/2029
	LLDA Discharge Permit	LLDA	07/26/2024	08/04/2027
	ECC/CNC	DENR	04/04/2011	No expiry
	LLDA Clearance	LLDA	03/05/2012	No expiry

[13] Pending application with the DENR.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
Ermita Pump Station	Hazardous Waste ID	DENR	05/01/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	08/08/2024	08/07/2029
	LLDA Clearance	LLDA	11/02/2022	No expiry
	ERC-COC	ERC	04/28/2023	04/27/2028
	LLDA Discharge Permit	LLDA	06/14/2024	07/02/2025
Espiritu Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	05/15/2019	No expiry
	ERC-COC	ERC	05/09/2018	05/08/2023[14]
	Permit to Operate	DENR	02/03/2025	02/03/2030
	LLDA Clearance	LLDA	05/27/2024	No expiry
	LLDA Discharge Permit	LLDA	09/02/2024	07/07/2027
Grant Water Reclamation Facility	Hazardous Waste ID	DENR	04/07/2021	No expiry
	LLDA Discharge Permit	LLDA	07/26/2024	08/04/2027
	ECC/CNC	DENR	10/16/2009	No expiry
	LLDA Clearance	LLDA	03/20/2012	No expiry
Integrated Meter Management	Hazardous Waste ID	DENR	04/30/2022	No expiry
	LLDA Clearance	LLDA	07/21/2022	No expiry
	ECC/CNC	DENR	05/16/2013	No expiry
	LLDA Discharge Permit	LLDA	01/20/2023	01/07/2026
JP Ramoy Reservoir	ECC/CNC	DENR	06/11/2007	No expiry
	LLDA Clearance	LLDA	07/03/2024	No expiry
	LLDA Discharge Permit	LLDA	08/22/2024	08/06/2025
Julian Modular Treatment Plant	ECC/CNC	DENR	07/07/2023	No expiry
	DENR Discharge Permit	DENR	03/04/2024	03/04/2025[15]
Kapiligan Water Reclamation Facility	ERC-COC	ERC	02/28/2020	02/27/2025[16]
	Hazardous Waste ID	DENR	03/05/2021	No expiry
	Permit to Operate	DENR	10/20/2024	10/20/2029
	LLDA Discharge Permit	LLDA	07/26/2024	08/04/2027
	ECC/CNC	DENR	12/07/2012	No expiry
	LLDA Clearance	LLDA	07/31/2013	No expiry
Kawit Water Reclamation Facility (project on-hold)	ECC/CNC	DENR	01/08/2020	No expiry
La Mesa Pump Station	Permit to Operate	DENR	10/07/2021	10/07/2026
	Permit to Operate	DENR	05/16/2022	05/16/2027
	Hazardous Waste ID	DENR	07/09/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry

[14] Pending application with the ERC. Notice of Violation settled for Application.
[15] Pending application with the DENR.
[16] Pending application with the ERC.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	ERC-COC	ERC	09/05/2019	09/04/2024[17]
La Mesa Water Treatment Plant 1	Hazardous Waste ID	DENR	11/26/2020	No expiry
	Permit to Operate	DENR	03/16/2023	03/16/2028
	Permit to Operate	DENR	03/02/2023	03/02/2028
	Permit to Operate	DENR	08/04/2023	08/04/2028
	ECC/CNC	DENR	06/11/2007	No expiry
	ERC-COC	ERC	09/05/2019	09/04/2024[18]
	LLDA Clearance	LLDA	12/15/2008	No expiry
	LLDA Discharge Permit	LLDA	07/15/2024	08/04/2027
La Mesa Water Treatment Plant 2	ERC-COC	ERC	09/05/2019	09/04/2024[19]
	ERC-COC	ERC	06/07/2022	06/06/2027
	Permit to Operate	DENR	06/13/2022	06/13/2027
	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	06/23/2009	No expiry
	LLDA Clearance	LLDA	12/15/2008	No expiry
	LLDA Discharge Permit	LLDA	07/15/2024	08/04/2027
Laguna Lake Water Treatment Plant	ECC/CNC	DENR	01/28/2021	No expiry
	Permit to Operate	DENR	10/18/2024	10/18/2029
	Shoreland Development Clearance	LLDA	05/18/2021	No expiry
	Surface Water Permit	LLDA	01/29/2020	12/31/2037
Las Piñas Water Reclamation Facility (under construction)	ECC/CNC	DENR	01/07/2019	No expiry
Legal Water Reclamation Facility	LLDA Discharge Permit	LLDA	07/31/2024	08/04/2027
	LLDA Clearance	LLDA	11/26/2012	No expiry
	Hazardous Waste ID	DENR	04/07/2021	No expiry
	ECC/CNC	DENR	10/16/2009	No expiry
Litex Pump Station and Reservoir	Permit to Operate	DENR	03/19/2025	03/19/2030
	ERC-COC	ERC	10/18/2024	No expiry
	Hazardous Waste ID	DENR	04/04/2022	No expiry
	ECC/CNC	DENR	06/11/2007	No expiry
	LLDA Clearance	LLDA	03/04/2024	No expiry
	LLDA Discharge Permit	LLDA	04/15/2024	08/05/2026
Ligas Modular Treatment Plant (under construction)	ECC/CNC	DENR	08/16/2022	No expiry
Magdiwang Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	05/17/2021	05/17/2026
	DENR Discharge Permit	DENR	10/04/2024	10/04/2025
	ERC-COC	ERC	10/28/2022	10/27/2027

[17] Currently in the process of renewal.
[18] Currently in the process of renewal.
[19] Currently in the process of renewal.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
Malabon-Valenzuela Business Area	ECC/CNC	DENR	08/09/2021	No expiry
	Hazardous Waste ID	DENR	11/24/2022	No expiry
Marcos Alvarez Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	07/28/2022	No expiry
	ERC-COC	ERC	08/09/2018	08/08/2023[20]
	Permit to Operate	DENR	01/27/2025	01/27/2030
	Discharge Permit	DENR	03/05/2025	03/05/2026
Maynilad Main Office	ECC/CNC	DENR	09/18/2014	No expiry
	Hazardous Waste ID	DENR	10/22/2020	No expiry
	ERC-COC	ERC	02/24/2025	No expiry
	Permit to Operate	DENR	10/20/2024	10/20/2029
	LLDA Discharge Permit	LLDA	10/10/2023	08/06/2025
	LLDA Clearance Exemption - Main Office	LLDA	09/25/2023	No expiry
	LLDA Clearance (MWCI -BALARA Treatment Plant Facilities)	LLDA	04/27/2017	No expiry
	DENR Discharge Permit	DENR	10/20/2023	08/06/2025
Molino Modular Treatment Plant (under construction)	ECC/CNC	DENR	10/13/2023	No expiry
Molino-Paliparan Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	DENR Discharge Permit	DENR	05/02/2024	05/02/2025[21]
Muntinlupa - Las Piñas Business Area	ECC/CNC	DENR	08/30/2022	No expiry
	Permit to Operate	DENR	11/17/2023	11/17/2028
	ERC-COC	ERC	02/28/2020	02/27/2025[22]
	Hazardous Waste ID	DENR	09/21/2021	No expiry
Navotas-South Caloocan Business Area	ECC/CNC	DENR	07/23/2021	No expiry
	Hazardous Waste ID	DENR	10/09/2022	No expiry
	LLDA Clearance	LLDA	12/14/2022	No expiry
North Caloocan Business Area	ECC/CNC	DENR	03/14/2011	No expiry
	LLDA Clearance	LLDA	04/29/2022	No expiry
	LLDA Discharge Permit	LLDA	06/13/2023	09/02/2026
	Permit to Operate	DENR	09/29/2023	09/29/2028
	Hazardous Waste ID	DENR	11/25/2022	No expiry
North Quezon City Business Area	ECC/CNC	DENR	11/17/2021	No expiry
	Hazardous Waste ID	DENR	10/11/2024	No expiry
	Permit to Operate	DENR	02/20/2024	02/20/2029
	LLDA Clearance	LLDA	04/29/2022	No expiry
	LLDA Discharge Permit	LLDA	08/15/2024	08/06/2025

[20] Pending application with the ERC. Permit to Operate in process, applied on August 23, 2023.
[21] Pending application with the DENR.
[22] Pending application with the ERC.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
Novaliches Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	01/19/2021	No expiry
	Permit to Operate	DENR	10/04/2022	10/04/2027
	ERC-COC	ERC	01/31/2023	01/30/2028
	LLDA Clearance	LLDA	05/27/2024	No expiry
	LLDA Discharge Permit	LLDA	09/05/2024	08/06/2025
Noveleta Reservoir and Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	09/21/2020	09/21/2025
	Hazardous Waste ID	DENR	03/28/2022	No expiry
	ERC-COC	ERC	03/08/2022	03/07/2027
	Discharge Permit	DENR	03/18/2025	03/18/2026
Paco Water Reclamation Facility	ECC/CNC	DENR	02/18/2021	No expiry
	Hazardous Waste ID	DENR	04/07/2021	No expiry
	LLDA Discharge Permit	LLDA	06/28/2024	07/01/2026
	LLDA Clearance	LLDA	10/26/2012	No expiry
PAGCOR Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	01/18/2021	No expiry
	Permit to Operate	DENR	03/27/2024	03/27/2029
	ERC-COC	ERC	04/28/2023	04/27/2028
Paltok Water Reclamation	ECC/CNC	DENR	04/14/2011	No expiry
	Hazardous Waste ID	DENR	12/31/2020	No expiry
	Permit to Operate	DENR	03/29/2024	03/29/2029
	LLDA Clearance	LLDA	04/24/2012	No expiry
	LLDA Discharge Permit	LLDA	08/15/2022	08/06/2025
	ERC-COC	ERC	10/16/2023	10/15/2028
Parañaque Water Reclamation and NEW WATER Facility	ECC/CNC	DENR	06/27/2022	No expiry
	Hazardous Waste ID	DENR	04/07/2021	No expiry
	DENR Discharge Permit	DENR	04/04/2025	04/04/2026
	Permit to Operate	DENR	07/13/2022	07/13/2027
	ERC-COC	ERC	09/05/2019	09/04/2024[23]
Paranaque-Pasay-Makati Business Area	ECC/CNC	DENR	07/23/2021	No expiry
	Hazardous Waste ID	DENR	07/15/2022	No expiry
	Permit to Operate	DENR	09/27/2022	09/27/2027
	ERC-COC	ERC	03/30/2023	03/29/2028
Pasay Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	07/30/2022	No expiry
	Permit to Operate	DENR	01/27/2025	01/27/2030
	ERC-COC	ERC	02/28/2020	02/27/2025[24]

[23] Pending application with the ERC.
[24] Pending application with the ERC.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	LLDA Clearance	LLDA	03/08/2024	No expiry
	LLDA Discharge Permit	LLDA	01/16/2025	01/07/2026
Pasay Water Reclamation Facility	ECC/CNC	DENR	11/20/2012	No expiry
	Hazardous Waste ID	DENR	12/18/2020	No expiry
	ERC-COC	ERC	08/26/2021	08/25/2026
	Permit to Operate	DENR	08/28/2024	08/28/2029
	LLDA Clearance	LLDA	10/14/2015	No expiry
	LLDA Discharge Permit	LLDA	12/03/2024	01/05/2028
Patindig Araw Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	04/22/2016	No expiry
	Permit to Operate	DENR	03/01/2024	03/01/2029
	DENR Discharge Permit	DENR	02/01/2025	02/01/2026
	ERC-COC	ERC	08/09/2018	08/08/2023[25]
Project 7 Sewage and Septage Treatment Plant	ECC/CNC	DENR	10/16/2006	No expiry
	Hazardous Waste ID	DENR	12/18/2020	No expiry
	Permit to Operate	DENR	03/29/2024	03/29/2029
	LLDA Clearance	LLDA	07/11/2013	No expiry
	LLDA Discharge Permit	LLDA	08/15/2022	08/06/2025
	ERC-COC	ERC	08/24/2023	08/23/2028
	Environmental Sanitation Clearance	DOH	11/15/2013	No expiry
Putatan Water Treatment Plant	ECC/CNC	DENR	01/03/2024	No expiry
	Hazardous Waste ID	DENR	12/01/2020	No expiry
	Permit to Operate	DENR	08/10/2021	08/10/2026
	Permit to Operate	DENR	01/24/2022	01/24/2027
	Surface Water Permit	LLDA	07/15/2009	No expiry
	LLDA Discharge Permit	LLDA	05/31/2023	06/03/2026
	LLDA Clearance	LLDA	09/01/2016	No expiry
	ERC-COC	ERC	10/28/2022	10/27/2027
Sacred Heart Pump Station and Reservoir	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	08/10/2022	No expiry
	ERC-COC	ERC	02/28/2020	02/27/2025[26]
	Permit to Operate	DENR	10/20/2024	10/20/2029
	LLDA Clearance	LLDA	11/02/2022	No expiry
	LLDA Discharge Permit	LLDA	07/15/2024	08/06/2025
Samson Water Reclamation Facility	ECC/CNC	DENR	04/04/2011	No expiry
	Hazardous Waste ID	DENR	05/26/2021	No expiry
	Permit to Operate	DENR	03/02/2022	03/01/2027

[25] Pending application with the ERC.
[26] Pending application with the ERC.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	LLDA Discharge Permit	LLDA	08/02/2024	08/04/2027
	LLDA Clearance	LLDA	02/22/2013	No expiry
	ERC-COC	ERC	09/30/2022	09/29/2027
San Antonio Water Reclamation Facility	ECC/CNC	DENR	03/03/2011	No expiry
	Hazardous Waste ID	DENR	03/05/2021	No expiry
	Permit to Operate	DENR	11/27/2024	11/26/2029
	LLDA Clearance	LLDA	03/05/2012	No expiry
	LLDA Discharge Permit	LLDA	08/15/2022	08/06/2025
	ERC-COC	ERC	02/28/2020	02/27/2025[27]
South Quezon City Business Area	ECC/CNC	DENR	07/22/2021	No expiry
	Hazardous Waste ID	DENR	08/20/2022	No expiry
	Permit to Operate	DENR	10/05/2022	10/05/2027
	LLDA Clearance	LLDA	10/11/2022	No expiry
	LLDA Discharge Permit	LLDA	01/20/2023	08/06/2025
	ERC-COC	ERC	03/30/2023	03/29/2028
South Septage	ECC/CNC	DENR	12/18/2023	No expiry
	Hazardous Waste ID	DENR	03/15/2021	No expiry
	Permit to Operate	DENR	07/22/2021	03/22/2026
	DENR Discharge Permit	DENR	08/05/2024	08/05/2025
	Environmental Sanitation Clearance	DOH	10/28/2020	No expiry
	ERC-COC	ERC	01/31/2022	01/30/2027
Southvale WRF (under construction)	ECC/CNC	DENR	08/12/2016	No expiry
Talayan Water Reclamation Facility	ECC/CNC	DENR	12/07/2012	No expiry
	Permit to Operate	DENR	01/25/2025	01/25/2030
	Hazardous Waste ID	DENR	12/31/2020	No expiry
	LLDA Clearance	LLDA	08/07/2013	No expiry
	LLDA Discharge Permit	LLDA	07/26/2024	08/04/2027
	ERC-COC	ERC	01/13/2025	No expiry
Tandang Sora Water Reclamation Facility	ECC/CNC	DENR	12/20/2023	No expiry
	Hazardous Waste ID	DENR	04/07/2021	No expiry
	LLDA Clearance	LLDA	09/02/2013	No expiry
	LLDA Discharge Permit	LLDA	08/25/2022	08/06/2025
Tatalon Water Reclamation Facility	ECC/CNC	DENR	04/14/2011	No expiry
	Hazardous Waste ID	DENR	12/18/2020	No expiry
	LLDA Clearance	LLDA	10/17/2012	No expiry
	LLDA Discharge Permit	LLDA	08/09/2024	08/06/2025
	ERC-COC	ERC	02/28/2020	02/27/2025[28]

[27] Pending application with the ERC.
[28] Currently in the process of renewal.

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
Toclong Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Permit to Operate	DENR	05/17/2021	05/17/2026
	Hazardous Waste ID	DENR	02/23/2024	No expiry
	DENR Discharge Permit	DENR	02/01/2025	02/01/2026
	ERC-COC	ERC	10/28/2022	10/27/2027
Tondo Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	04/04/2022	No expiry
	LLDA Clearance	LLDA	05/27/2024	No expiry
	LLDA Discharge Permit	LLDA	09/02/2024	07/07/2027
Tondo Sewage Pumping Plant	ECC/CNC	DENR	10/10/1996	No expiry
	Hazardous Waste ID	DENR	03/08/2021	No expiry
	LLDA Discharge Permit	LLDA	10/02/2024	08/06/2025
	ERC-COC	ERC	05/13/2024	No expiry
Tunasan Water Reclamation Facility (under construction)	ECC/CNC	DENR	10/28/2014	No expiry
	Hazardous Waste ID	DENR	03/08/2021	No expiry
	Shoreland Development Clearance	LLDA	11/27/2015	No expiry
Valenzuela Water Reclamation Facility and NEW WATER Treatment Plant	ECC/CNC	DENR	08/04/2014	No expiry
	ECC/CNC (Amendment)	DENR	06/27/2022	No expiry
	Hazardous Waste ID	DENR	08/12/2021	No expiry
	DENR Discharge Permit	DENR	01/25/2025	01/25/2026
	DENR Discharge Permit	DENR	02/08/2025	02/08/2026
Victoria Homes Pump Station	ECC/CNC	DENR	03/23/2016	No expiry
	Hazardous Waste ID	DENR	01/18/2021	No expiry
	Permit to Operate	DENR	07/15/2022	07/15/2027
	ERC-COC	ERC	12/23/2022	12/22/2027
Villamor Pump Station	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	12/06/2016	No expiry
	Permit to Operate	DENR	02/06/2025	02/06/2030
	LLDA Clearance	LLDA	03/08/2024	No expiry
	LLDA Discharge Permit	LLDA	04/15/2024	01/06/2027
WATERLab	ECC/CNC	DENR	06/11/2007	No expiry
	Hazardous Waste ID	DENR	06/08/2024	No expiry
	Permit to Operate	DENR	08/07/2023	08/06/2028
	Permit to Operate	DENR	01/03/2022	01/03/2026
	Permit to Operate	DENR	11/18/2020	07/17/2025
	ERC-COC	ERC	08/26/2021	08/25/2026
	Chemical Control Order	DENR	05/18/2022	No expiry
	Chemical Control Order	DENR	06/01/2022	No expiry
	Chemical Control Order	DENR	11/30/2010	No expiry
	Chemical Control Order	DENR	09/09/2020	No expiry

Facility Name	Permit Type	Issuing Government Agency	Issued Date	Expiry Date
	Chemical Control Order	DENR	10/07/2020	No expiry
	Chemical Control Order	DENR	07/25/2014	No expiry
	Chemical Control Order	DENR	10/19/2021	No expiry

As of March 31, 2025, the relevant material permits our subsidiaries obtained are as follows:

Facility Name	Permit Type	Issuing Government Agency	Issue Date	Expiry Date
Philippine Hydro, Inc.				
Water Treatment Facility, Legazpi City, Albay	Water Permit	NWRB	06/28/2013	No Expiry
	ECC/CNC	DENR	03/05/2013	No Expiry
	Permit to Operate	DENR	For Filing of Application	
	Discharge Permit	DENR	For Filing of Application	
Water Treatment Facility, Norzagaray, Bulacan	Water Permit	NWRB	09/02/2009	No Expiry
	ECC/CNC	DENR	12/06/2017	No Expiry
	Permit to Operate	DENR	For Filing of Application	
	Discharge Permit	DENR	For Filing of Application	
Water Treatment Facility, Bambang, Nueva Vizcaya	Water Permit	NWRB	Pending with NWRB	
	ECC/CNC	DENR	06/11/2009	No Expiry
	Permit to Operate	DENR	07/01/2024	07/01/2029
	Discharge Permit	DENR	For Filing of Application	
Water Treatment Facility, Rizal, Nueva Ecija	Water Permit	NWRB	Pending with NWRB	
	CPC	NWRB	For Filing of Application	
	ECC/CNC	DENR	03/27/2009	No Expiry
	Permit to Operate	DENR	09/30/2024	12/30/2028
	Discharge Permit	DENR	For Filing of Application	
Amayi Water Solutions, Inc. (Maynilad Boac)				
Boac Operations	Water Permit	NWRB	For Assignment of Water Permits	
	CPC	NWRB	For Filing of Application	
	ECC/CNC	DENR	Filed and Under Review	

Facility Name	Permit Type	Issuing Government Agency	Issue Date	Expiry Date
	Permit to Operate	DENR	For Filing of Application	
	Discharge Permit	DENR	For Filing of Application	

Our Group has also secured, or in the process of securing, business permits from the relevant local government units where their facilities are located, except for the Cavite City Water Reclamation Facility[29], Grant Water Reclamation Facility[30] and Legal Water Reclamation Facility[31]. These business permits will expire on December 31, 2025.

We have pending applications with the EMB for Permit to Operate Air Pollution Source Installation of Ayala Alabang R1 Pump Station (**"PS"**), Bagbag WRF, La Mesa Treatment Plant 1 and 2, Tandang Sora WRF, Tatalon WRF, Tondo PS, and Valenzuela WRF. There are also pending applications for Hazardous Waste Generator's Registration for Anabu Modular Treatment Plant (**"ModTP"**), Ayala Southvale PS, JP Ramoy Reservoir, and Molino-Paliparan PS. There are also pending applications for discharge permit for Anabu ModTP, Julian ModTP, Navotas-South Caloocan Business Area, PAGCOR PS, and Paranaque-Pasay Business Area.

We have submitted all requirements for, and have been following up with EMB the status of the foregoing applications.

We are constantly coordinating with the relevant regulatory authorities for the resolution of any issues with each pending application. However, if we are unable to retain, obtain or renew our permits and licenses, it could adversely affect our business, financial condition and results of operations. See "*Risk Factors—Risks Relating to Us and Our Business—We are subject to significant and extensive regulation and supervision. Our failure to obtain and maintain regulatory licenses and permits, or failure to comply with the terms of our regulatory licenses and permits, could materially and adversely affect our business, results of operations, financial condition and prospects.*"

29 This will be operational by 2031.
30 MWSS-turned over facility. For filing of application.
31 MWSS-turned over facility. For filing of application.

MATERIAL AGREEMENTS

Concession Agreement / Revised Concession Agreement

Pursuant to MWSS's mandate under R.A. No. 8041 to enter into arrangements that will result in the involvement or participation of the private sector in any or all of the segments of its operations and/or facilities, MWSS determined to grant the concessions to private corporations, with at least 60% of their outstanding capital stock owned and controlled by Philippine nationals. The concession relates to the right, for 25 years, to manage, operate, repair, decommission, and refurbish the system of waterworks and sewerage services in MWSS service area, including the right to bill and collect for water and sewage services for a specified area and for a specified period.

Following a process of selection through open and competitive public bidding, Maynilad, in February 1997, was awarded the right to enter into the Original Concession Agreement with MWSS with respect to the West Zone.

On May 18, 2021, the Original Concession Agreement between MWSS and Maynilad was amended resulting to the Revised Concession Agreement.

OVERVIEW OF THE REVISED CONCESSION AGREEMENT

On February 21, 1997, Maynilad entered into the Original Concession Agreement with MWSS. Under the Original Concession Agreement, MWSS granted Maynilad, as contractor to perform certain functions and as agent for the exercise of certain rights and powers under MWSS's Charter, 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 Zone.

The Original Concession Agreement sets out in detail the rights and obligations of Maynilad, as a Concessionaire, and of MWSS and the MWSS-RO. The Original Concession Agreement also prescribed in detail the mechanisms for adjusting the water rates and fees that will be charged and collected by Maynilad to its customers in the West Zone.

In the latter part of 2019, the then President Rodrigo R. Duterte ordered the review of the terms of the Original Concession Agreement, and in January 2020, formed the RevCom to review the Concession Agreement as well as the concession agreement of Manila Water 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.

On May 10, 2023, MWSS and Maynilad signed the Amendments to the Revised Concession Agreement, the effectivity of which retroacts to June 29, 2022.

On December 4, 2023, MWSS-RO and Maynilad conducted a public consultation in connection with Maynilad's application for the extension of the term of the Revised Concession Agreement until 2047, to align it with the term under the Franchise.

On December 14, 2023, MWSS approved the 10-year extension, pending acknowledgment by the Republic of the Philippines through the Secretary of Finance.

In a letter dated March 3, 2025, we were advised by MWSS that the Department of Finance recommended that MWSS adhere to the procedures under the PPP Code and its implementing rules and regulations. The Department of Finance considered the 10-year extension of the Revised Concession Agreement as a variation of an executed PPP contract, which, as a project that costs above ₱15.0 billion, requires the approval of the NEDA Board in accordance with the NEDA-ICC Procedures as of April 25, 2024. Consequently, on March 7, 2025, a technical working group, comprising representatives from both MWSS and our Company, was formed to prepare the necessary documentation for submission to the NEDA-ICC. On April 14 and April 25, 2025 and May 6, 2025, MWSS submitted the necessary documentation to the NEDA-ICC for their review. See "*Risk Factors—Risks Relating to Us and Our Business—Legislative and political risks to the Franchise and the Revised Concession Agreement may adversely affect our business and operations.*"

The key terms of the Revised Concession Agreement are provided below:

Key Terms	Details
Term	The concession, which commenced on August 1, 1997, was initially for a period of 25 years or until the Early Termination Date. Pursuant to the Memorandum of Agreement and Confirmation dated April 22, 2010, the term of the concession was extended for 15 years, or until May 6, 2037 from its original expiration date of May 6, 2022. The Revised Concession Agreement confirmed the term of the concession until July 31, 2037.
Service Area	The service area is the West Zone, which comprise (i) 11 cities in Metro Manila, including (a) the entire Caloocan, Malabon, Navotas, Valenzuela, Pasay, Parañaque, Las Piñas, Muntinlupa and (b) parts of Quezon City, Manila, and Makati City, and (ii) three cities and three municipalities in Cavite Province, specifically, Bacoor, Imus, Kawit, Rosario, Noveleta, and Cavite City.
Ownership of Assets	While the Company has the right to manage, operate, repair, decommission and refurbish certain specified MWSS facilities, the legal title to these assets remains with MWSS. The legal title to all property, plant and equipment contributed to the existing MWSS system by the Company during the concession period remains with the Company until the expiration date of the Revised Concession Agreement or an early termination date at which time, all rights, titles and interest in such assets will automatically vest in MWSS.
Tariff Adjustments	The Company is entitled to charge its customers standard rates, which is calculated to enable Maynilad to recover during the life of the concession all Expenditures, and payments corresponding to debt service on MWSS loans' (i.e., concession fees), and to earn a 12% fixed nominal rate of return. Under the Revised Concession Agreement, the MWSS-RO shall perform a detailed review of the Company's operational performance and historical cash flows, in compliance with applicable Commission on Audit rules and regulations, to achieve the following objectives: • assess whether the agreed service obligation standards and targets have been met, and determine if penalties should be imposed for any non-compliance; • verify the accuracy of declared revenues and assess the accuracy, reasonableness, prudence, and efficiency of declared expenditures; and • determine necessary adjustments to the projections from the previous period and evaluate the Company's OCP. The standard rate is adjusted each year due principally to: • an annual standard rate adjustment equal to 3/4 of the percentage change in CPI;

Key Terms	Details
	• an extraordinary price adjustment to account for the financial consequences of the occurrence of certain unforeseen events as stipulated in the Revised Concession Agreement; and • a rate rebasing mechanism, which allows rates to be adjusted every five years. The Revised Concession Agreement, as amended, imposed rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous Standard Rate. The FCDA is a tariff mechanism granted to Maynilad to recover or compensate for fluctuations, as the case may be, in the foreign exchange rate of foreign-currency denominated loans. The FCDA mechanism is based on the principles of "no over or under recovery" and has no impact on the revenue position of the Company. The FCDA was reinstated when the Amendments to the Revised Concession Agreement was executed. It applies only to (a) MWSS loans that are being and will be serviced by the Company, and (b) principal payments for drawn and undrawn amounts of the Company's foreign currency denominated loans existing as of June 29, 2022. For loans contracted after June 29, 2022, an MFCDA will apply which 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), subject to a recovery cap.
Concession Fees	The Company is required to pay MWSS concession fees equal to the sum of the following: • The percentage of the aggregate peso equivalent due under any MWSS loan which has been disbursed during the concession period, including MWSS loans for existing projects and the UATP on the relevant payment date set forth on the pertinent schedule of the Revised Concession Agreement; and • 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 ₱200,000,000.00 (as at 1997), subject to annual C Adjustments. If the concession fees are not paid within the time specified above, the U.S. dollar equivalent of such unpaid amount may be drawn on the Company's performance bond. In addition, the unpaid amount shall be subject to penalties or default interest. The concession fee shall be treated as an Expenditure of the concession and the Concessionaire's payment obligation in respect thereof shall rank at least *pari passu* with its unsecured payment obligations under all other debt instruments that may be executed by the Concessionaire.
Termination Events	The Revised Concession Agreement may be terminated ahead of the Termination Date and the relevant party may receive payment for such early termination ("**Early Termination Amount**") as defined for each event:

Key Terms	Details
	i) MWSS Events of Default The Company has a right to terminate the Revised Concession Agreement at any time before the end of the concession period should any of the enumerated MWSS Events of Default, e.g. dissolution of MWSS, expropriation of all or any material part of or shares in the Concessionaire, and failure to perform obligations under the Revised Concession Agreement, occur and upon failure of MWSS to remedy the same within the prescribed grace period. Following a termination due to MWSS's fault, the Concession shall revert to MWSS for an Early Termination Amount to the Concessionaire equal to (i) the value of assets which have not been transferred to MWSS, capped at Net Debt plus breakage cost for Concessionaire loans, plus (ii) the shareholders' equity as determined by an appraiser based on the Concessionaire's latest reported audited financial statements for the service area, adjusted for the net book value of fixed assets contributed to the MWSS system in the service area by the Concessionaire, costs of which have been approved by the MWSS-RO as an expenditure, without prejudice to MWSS demanding payment for penalties and liquidated damages which the Concessionaire is liable for. ii) Concessionaire Events of Default MWSS has a right to terminate the Revised Concession Agreement at any time before the end of the concession period should any of the enumerated Concessionaire Events of Default, i.e., insolvency, abandonment, and failure to meet and perform its service obligations and maintain insurance coverage reasonable and customary for the industry, unauthorized charging of tariffs, among others, occur and upon failure of the Company to remedy the same within the prescribed grace period. In the case of an event of termination due to Concessionaire default, the Concessionaire shall forfeit the full amount of the Performance Bond in favor of MWSS, and all of the Company's rights, title and interest in the concession may be assigned to a qualified replacement operator or revert to MWSS. MWSS shall pay the Concessionaire an Early Termination Amount equal to (i) 75% of the value of assets left behind which has not been transferred to MWSS, capped at Net Debt plus (ii) 75% of book value of the shareholders' equity as determined by an Appraiser based on the Concessionaire's latest audited financial statements, adjusted for the net book value of fixed assets contributed to MWSS system in the service area by the Concessionaire, costs of which have been approved by the RO as an expenditure and has been recovered by the Concessionaire through tariff as at the relevant date, without prejudice to MWSS demanding payment for penalties and liquidated damages which the Concessionaire is liable for.

Key Terms	Details
	In the event that the concessionaire lenders do not nominate a qualified replacement operator, the Company would be entitled to receive an early termination payment. iii) Force Majeure or Upon Mutual Agreement of Parties The Revised Concession Agreement provides MWSS and the Concessionaire the right to terminate the agreement if the parties are unable to resolve issues arising from an event of force majeure which prevents one of the parties from performing any of its material obligations under the Revised Concession Agreement for a period of one hundred and eighty (180 days). Upon termination of the Revised Concession Agreement due to a prolonged event of force majeure, MWSS shall return to the Concessionaire the performance bond net of amounts drawn, and the Concession shall revert to MWSS following its payment to the Concessionaire an Early Termination Amount equal to (i) the value of assets left behind which have not been transferred to MWSS, as determined by an appraiser, capped at net debt plus 50% of breakage cost for concessionaire loans plus (ii) the 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 which the Concessionaire is liable for. iv) MWSS Additional Termination Right Under the Revised Concession Agreement, MWSS is entitled to terminate the Revised Concession Agreement "when the common good so requires." 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." Upon termination of the Revised Concession Agreement by MWSS for "common good", the Early Termination Amount shall be computed in the same manner as termination under Force Majeure or termination Upon Mutual Agreement of Parties described above. Any Early Termination Amount shall be applied by the Concessionaire to repay the outstanding Concessionaire Loans, and the value of the assets that have already been transferred to MWSS are not included in the Early Termination Amount.

Concession Fees

As consideration for the concession, we shall pay MWSS a concession fee. As of March 31, 2025, the Concession Fees, including the accrued interest, is at ₱6,933.7 million (U.S.$120.8 million). This amount includes MOE payment, equivalent to half of the annual budget for maintaining and operating expenses of MWSS for that year, with the other half being paid for by the East Zone concessionaire.

Service Obligations in the West Zone

Particularly, our service obligations under the Revised Concession Agreement include the following:

a. Offer water supply services to all existing customers;
b. Make sufficient connections to meet the coverage target percentages of the population;
c. Ensure the availability of an uninterrupted 24-hour supply of water to all connected customers;
d. Ensure supply of water at a minimum of 16 psi[32];
e. Ensure that the water supplied complies with the PNSDW;
f. Make available an adequate supply of water for public purposes, as determined by the MWSS-RO;
g. Provide water supply other than through the water main in circumstances where supplies through the water main have been or will be interrupted for more than 24 hours[33] or have been or will be subject to contamination;
h. Maintain non-revenue water at the acceptable industry standard and as provided in the approved business plan;
i. Offer to supply sewerage services to all customers and provide connection to a public sewer;
j. Comply with all national and local environmental laws and standards relating to treated wastewater;
k. Offer sanitation and desludging services;
l. Operate and manage the assets comprising the water and sewerage system; and
m. At all times provide the highest quality services to its customers such as (i) giving prompt responses to customer inquiries and complaints; (ii) giving notices to customers at least 48 hours in advance of any planned interruptions in water supply; (iii) making alternative water supplies available for planned interruptions in service to schools, hospitals and key public buildings, and to all customers for interruptions in service of more than 24 hours; (iv) effecting urgent restoration (i.e., within six hours from notice of interruption) of water supplies for any unplanned interruptions in service and informing customers on progress in making necessary repairs and treatment of potentially contaminated supplies; (v) taking measures to prevent sewage flooding from the sewerage network; and (vi) providing invoices to customers which clearly identify services, charges, period covered, forms of payment and penalties for late or non-payment.

Our failure to meet any service obligation which continues for more than 15 days (or three days in cases where the failure could adversely affect public health or welfare) from written notice from the MWSS-RO entitles the MWSS-RO to assess the following penalties, the amount of which shall be equal to the highest of:

a. 25% of the costs that, in the reasonable opinion of the MWSS-RO, Maynilad will incur in order to meet the service obligation in question, in respect of each of the following obligations:

   (i) Water availability – average water tariff x two CMD for each affected connection x number of days;

   (ii) Water quality – Fifty percent (50%) of average water tariff x volume of water discharged by the affected water distribution center;

   (iii) Water pressure – Twenty percent (20%) of average water tariff x volume of water discharged by the affected water distribution center;

   (iv) Effluent Quality – Fifty percent (50%) of average sewerage tariff x volume of wastewater received by the affected plant;

   (v) Non-Revenue Water – Fifty percent (50%) of average water tariff x volume of water computed to be lost due to leakages; or

b. Liquidated Damages equal to one-tenth of one percent (equivalent to 0.1%) of the cost of the underperformed portion for every day of delay of the work or satisfaction of obligation, from the date of notice by the MWSS-RO. The approved expenditure for the project not completed or implemented as contained in the spending plan shall be the basis in computing the liquidated damages.

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[32] Current target allowed in the business plan: 7 psi.
[33] Current target allowed in the business plan: 12 hours.

c. Introduction of an MFCDA for Maynilad loans contracted after June 29, 2022, the Concessionaire may elect to apply an MFCDA mechanism 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 (up to 50% of actual net forex gain over a period of at least one year from May 1 of the succeeding calendar year). If there is an actual net forex gain arising from cash payment of principal amounts of concessionaire loans, MWSS may require the Concessionaire to reimburse its customers; but if there is an actual net forex loss, the Concessionaire shall not be allowed to recover such.

The penalties are payable within 10 days from demand by the MWSS-RO. In the event that we fail to make timely payment of an assessment, the MWSS-RO may draw the equivalent of such unpaid amount on the performance bond, or may treat such non-payment as a basis for downward adjustment in the rates.

In addition, MWSS can consider such failure as a Concessionaire Event of Default (as defined under the Revised Concession Agreement), which entitles MWSS to terminate the Revised Concession Agreement.

AMENDMENTS TO THE REVISED CONCESSION AGREEMENT

In a subsequent letter dated September 14, 2022, Maynilad proposed to MWSS certain amendments to the Revised Concession Agreement, which include: (a) reinstatement of the FCDA mechanism; (b) reinstatement of the full C Adjustment; and (c) review of the exclusions from the MAGA 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 Philippine 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 to guarantee the continuity of service to its customers.

On May 10, 2023, Maynilad and MWSS signed the Amendments to the Revised Concession Agreement ("**Amendments to the Revised Concession Agreement**"), the effectivity of which retroacts to June 29, 2022. The amendments were intended, in part, to align some of the Revised Concession Agreement provisions with the revised implementing rules and regulations of the Build Operate Transfer Law (Republic Act No. 6957, as amended by Republic Act No. 7718), consistent with the government's efforts to reinvigorate public-private partnerships.

The Amendments to the Revised Concession Agreement include the following:

a. Adjustment in the CPI factor or "C" from 2/3 to 3/4 of the percentage change in the CPI;

b. Reinstatement of the FCDA, but only with respect to the (a) MWSS loans that are being and will be serviced by Maynilad, (b) principal payments for drawn and undrawn amounts of Maynilad's foreign currency-denominated loans existing as of June 29, 2022; and (c) Introduction of an MFCDA for Maynilad loans contracted after June 29, 2022, but which 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 (up to 50% of actual net forex gain over a period of one year). If there is an actual net forex gain arising from cash payment of principal amounts of concessionaire loans, MWSS may require the Concessionaire to reimburse its customers; but if there is an actual net forex loss, the Concessionaire shall not be allowed to recover such;

c. Exclusion of certain events from what may not be considered as MAGA such as the reorganization of MWSS or any other regulatory agency, amendment of existing rules, regulations, and other issuances resulting from acts of the legislative and judicial branches of government and the MWSS-RO's delay or inaction on applications relating to rate adjustments filed by the Concessionaire; and

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

Along with the Amendments to the Revised Concession Agreement, the Philippine Secretary of Finance issued on May 17, 2023 the Undertaking Letter in recognition of the mutual agreement of the parties that any and all claims that have, may have arisen, or may arise pursuant to previous Undertaking Letters were deemed waived, abandoned, and to have no legal basis. The Undertaking Letter's effectivity retroacted to July 1, 2022.

Undertaking Letter by the Department of Finance

The Republic of the Philippines issued in favor of Maynilad on May 10, 2023 an undertaking ("**Undertaking Letter**") in relation to the executed Amendments to the Revised Concession Agreement. Pursuant to the Undertaking Letter, the Republic of the Philippines guarantees the payment when due of all amounts for Expiration Payment or Early Termination Amount which MWSS may become liable to Maynilad pursuant to the Revised Concession Agreement. The Undertaking Letter applies exclusively to Maynilad's existing loan obligations and the undrawn amount under the Credit Agreement dated June 7, 2017 executed between Maynilad and Japan International Cooperation Agency.

The Undertaking Letter's effectivity retroacts to July 1, 2022.

Other Material Contracts

<u>Agreements with Manila Water</u>

Common Purpose Facilities Agreement

On March 3, 2022, our Company, Manila Water and MWSS signed the Revised Common Purpose Facilities Agreement ("**Revised CPF Agreement**"). Under the Revised CPF Agreement, MWSS and the Concessionaires shall jointly manage the Common Purpose Facilities pursuant to, and in accordance with, the provisions of the Revised Concession Agreement, equally sharing in the management and operating responsibilities of the Common Purpose Facilities.

The Common Purpose Facilities include the following MWSS Assets:

a. the Umiray-Angat Transbasin Facilities including the Sumag River Diversion Project and Alia River;

b. the Angat Dam's Bypass Units 1&2 and Low-Level Outlet;

c. the Ipo Dam and Ipo-Bigte Tunnels;

d. the Bigte Compound, Bigte-Novaliches Aqueducts Right-of-Way, Aqueducts and its appurtenances;

e. the Novaliches Junction, Portal and Open Channels;

f. the La Mesa Dam & Reservoir and Alat Dam;

g. the Dam, Reservoir, Tunnel and Portals of the New Centennial Water Source – Kaliwa Dam Project once the same has been turned over to the Common Purpose Facilities for operations; and

h. all other raw water meters and connections including Bulacan Bulk and San Jose Del Monte Water District connection.

Construction Contract for the Angat Water Transmission Project

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 Angat Water Transmission Project (Tunnel 5). The Angat Water Transmission Project (Tunnel 5) is part of MWSS's water security program which aims to provide (i) additional 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.

<u>Agreement with DMCI</u>

Framework Services Agreement between Maynilad Water Services Inc. and DMCI

On December 29, 2023, Maynilad and D.M. Consunji Inc. entered into the third renewal of the January 13, 2015 Framework Services Agreement, which relates to the provision of construction services by D.M. Consunji Inc. to Maynilad. The renewal is valid from January 1 2024 until close of business December 31, 2026.

<u>Loan Agreements</u>

Maynilad has loan agreements with certain local lenders ("**domestic loans**"), and in particular:

1. Loan Agreement with Development Bank of the Philippines (DBP) dated February 24, 2014;
2. Notes Facility Agreement with various local banks dated February 22, 2018;
3. Loan Agreement with BDO Unibank, Inc. dated November 26, 2019;
4. Loan Agreement with Land Bank of the Philippines dated August 10, 2022;
5. Loan Agreement with Land Bank of the Philippines dated November 7, 2022;
6. Loan Agreement with BDO Unibank, Inc. dated November 15, 2022;
7. Loan Agreement with Bank of the Philippine Islands dated May 10, 2023;
8. Loan Agreement with Land Bank of the Philippines dated December 11, 2023;
9. Loan Agreement with Metropolitan Bank & Trust Company dated March 22, 2024;
10. Loan Agreement with BPI dated March 7, 2025; and
11. Loan Agreement with Land Bank of the Philippines dated March 17, 2025.

These domestic loans provide that prior lender consent is not required in the event of an increase of authorized capital stock provided that it is in relation to an IPO, among other exceptions.

Additionally, Maynilad also has loan agreement with Japanese banks ("**Japan loans**"), in particular:

1. Japanese Yen and Philippine Peso Credit Agreement with Japan International Cooperation Agency dated June 7, 2017; and
2. Credit Agreement with Bank of Tokyo-Mitsubishi-UFJ Ltd., Mizuho Bank Ltd., and Sumitomo Mitsui Banking Corporation dated June 7, 2017

These Japan loans provide that any amendment to Maynilad's Articles of Incorporation, By-Laws, or other constitutive documents to increase or decrease authorized capital stock, requires prior consent of the Japanese banks. As of March 31, 2025, the necessary consents required under the Japan loans have been obtained.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain laws and regulations in the Philippines, which are applicable to us. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

REPUBLIC ACT NO. 11600, MAYNILAD'S LEGISLATIVE FRANCHISE

Under R.A. No. 11600, Maynilad was granted a franchise to establish, operate and maintain, for commercial purposes and in the public interest: (i) waterworks system to ensure an uninterrupted and adequate supply, and distribution of potable water for domestic, commercial, and other purposes; and (ii) a sewerage system and sanitation services in the West Zone, under a concession from MWSS, or under an appropriate certificate of public convenience.

The law took effect on January 22, 2022, or 15 days after its publication in the Official Gazette on January 7, 2022. The 25-year term will end on January 21, 2047, unless sooner cancelled or revoked by the Philippine Congress when public interest so requires or when the grantee fails to reasonably comply with the regulatory standards set forth under the Franchise.

Under the Franchise, MWSS was granted the authority to amend the Revised Concession Agreement to extend its term to coincide with the term of the Franchise (*i.e.*, until 2047). The Franchise also provided that the Revised Concession Agreement shall serve as the Certificate of Public Convenience and Necessity, License or Permit of Maynilad for the operation of its waterworks and sewerage system, and that should the waterworks and sewerage system assets of MWSS pertaining to the Franchise area be privatized by law, Maynilad shall have the right to match the highest compliant bid after a public bidding. The law provides that the Revised Concession Agreement between MWSS and Maynilad shall remain valid unless otherwise terminated pursuant to the terms of such Revised Concession Agreement, or invalidated when national security, national emergency, or public interest so requires.

Under the terms of the Franchise, the Company, it is required to offer at least 30% of its outstanding capital stock to Filipino citizens, or such other percentage that may hereafter be required by law, through any securities exchange in the Philippines, which would include the PSE. Compliance with this requirement is a condition for the continued effectivity of the Franchise and under its terms, the Company is given a five-year period for such compliance, or until January 21, 2027. The Company expects to comply with this obligation that would result in a public offer and listing of the Company's capital stock on the PSE within the time required under the terms of its Franchise. Considering that the processes, approvals and conditions necessary for the success of any public offering require significant preparation, the Company has commenced preparations for such a public offer and listing. The Company aims to be in a position to successfully execute such a transaction and has initiated measures that would address the governance requirements applicable to a listed company and a public utility. The completion of such an offer and listing will depend on a number of factors outside of the Company's control, including the receipt of applicable regulatory approvals and favorable market conditions.

The Franchise also provides for the establishment of tariff and charges which Maynilad may charge, as the MWSS-RO may allow, after consideration, among others, of the reasonable and prudent capital and recurrent, efficient and prudent costs of providing the service, including a reasonable rate of return on capital, efficiency of the service, and incentives for enhancement of efficiency, subject to the limitations for public utilities, willingness to pay of consumers, equity considerations, administrative simplicity, the methodology provided under the Revised Concession Agreement, and requirements under applicable law and jurisprudence.

Other highlights of the Franchise include the following:

1. Prohibition on the passing on of corporate income tax to customers;

2. Prohibition on the sale, lease, transfer, grant of usufruct, assignment of franchise, or transfer of the controlling interest of the grantee, unless prior approval is obtained from the Philippine Congress. However, the following shall be exempted from such prohibition but shall be subject to compliance with any applicable constitutional limitation and report to the Philippine Congress within 60 days from the completion of such transaction:

- Transfer or issuance of shares as compliance with the requirement to publicly list at least 30% of its outstanding capital stock after five years from R.A. No. 11600's effectivity;
- Transfer or sale of shares to any investor;
- Any transfer, sale, or issuance of shares for fundraising for the provision of any of the services authorized by R.A. No. 11600;
- Sale, transfer, or assignment by the stockholders of the grantee in favor of a holding company whose controlling stakeholders are the same as of the grantee.

3. 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; and

4. A special right reserved for the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and order, to temporarily take over and operate the waterworks and sewerage system of the Company; to temporarily suspend the operation of any portion thereof in the interest of public safety, security, and public welfare; or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation to the Company, for the use of said waterworks and sewerage system during the period when they shall be so operated.

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

As abovementioned Maynilad, under the Franchise, was granted the right of eminent domain. Eminent domain in the Philippines is enshrined under the 1987 Constitution which provides that "private property shall not be taken for public use without just compensation." The Court, in *Manosca v Court of Appeals*[34], has described the power of eminent domain as the right to take over property within the state for public use. The Court has also stated that while the power of eminent domain is primarily lodged in the government, this power may be granted to public utility corporations provided there has been a valid delegation to exercise the power of eminent domain or pursue expropriation proceedings over a particular private property, such as delegation through a Franchise[35].

The Court has laid down the guidelines for a valid exercise of the power of eminent domain as follows: (1) there is a public necessity, (2) it involves the taking of private property by the government, (3) the taking is for public use, (4) there is just compensation, and (5) due process is observed in the taking of the property. Furthermore, the Rules of Court, under Rule 67, provides the procedures to follow in expropriation proceedings, which are lodged in the courts by filing a verified complaint.

On March 21, 2022, the MWSS Board of Trustees passed Resolution No. 2022-025-RO, Series of 2022 (the "**MWSS Resolution**") which deals with the tax implications following the effectivity of the legislative franchise granted to the Concessionaires. The MWSS Resolution confirmed that beginning March 21, 2022, the date 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 OPT. The OPT, which shall be reflected as "Government Tax" in the customers' statement of account, shall 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.

ORGANIZATION AND OPERATION OF THE WATER INDUSTRY

Water resource and governance in the Philippines generally covers the following activities: water collection, treatment, and waste management, and is undertaken by multiple agencies.

On a national level, planning is performed by the country's independent economic development and planning agency, the NEDA, the agency for policy formation and planning in the water supply sector, specifically in relation to sector policies and strategies and the monitoring and implementation of such national development plans and investment programs.

[34] Manosca v Court of Appeals, GR No. 106440, January 29, 1996.
[35] MORE Electric and Power Corporation v Republic, GR No. 248061, September 15, 2020.

Other agencies include the NWRB, responsible for policy formation, administration, and enforcement of the Water Code of the Philippines; the DPWH for flood control and drainage, which supervision was later transferred to the MMDA; the DOH through its Environmental and Occupational Health Office for sanitation; the DENR through the EMB for watershed protection and water quality; the National Solid Waste Management Commission ("**NSWMC**") for waste management programs and policies and sustaining environmental responsibility; the National Irrigation Administration ("**NIA**") and Bureau of Soils and Water Management ("**BSWM**") for irrigation development and utilization of water sources; the Department of Interior and Local Government ("**DILG**") for frontline water supply, sewerage, and sanitation systems; the MWSS for water supply, sewerage and sanitation in Metro Manila and partially in its neighbouring provinces, and the Local Water Utilities Administration ("**LWUA**") for the development of water supply systems in provincial cities and municipalities outside of Metro Manila.

Lawmakers have expressed their support for Senate Bill No. 2771 (the "**Bill**") or the National Water Resources Act, which seeks to establish the Department of Water Resources ("**DWR**"). Under said Bill, the DWR shall be the "primary policy, planning, coordinating, implementing, monitoring, and administrative entity of the Executive Branch of the government responsible for the comprehensive, sustainable, climate-resilient, and integrated development and management of the water resources of the Philippines." It is envisaged that it will also be in charge of determining the "optimal allocation and use for domestic and municipal water supply, sanitation, irrigation, hydropower, industry, navigation, flood management, and recreation, as well as water utilization aspects of fisheries or aquaculture."

As of the date of this Prospectus, the Bill remains pending. Once passed, the National Water Resources Act, through the DWR, aims to consolidate the various government offices under different departments that play significant roles in water management.

WATER LAWS

Water Code of the Philippines

Presidential Decree No. 1067, otherwise known as the Water Code of the Philippines (the "**Water Code**") and its Implementing Rules and Regulations ("**IRR**"), establish the basic principles and framework relating to the appropriation, control, and conservation of water resources, to achieve their optimum development and rational utilization. The Water Code states that waters may be appropriated and used for domestic, municipal, and industrial purposes, such as, but not limited to, the utilization of water in factories, industrial plants, and mines, and the use of water as an ingredient of a finished product.

The Water Code imposes nationality restrictions for the application for water permit for appropriation of water resources and no person, including government instrumentalities or government-owned or controlled corporations, shall be allowed to appropriate water without such permit.

Only corporations organized under the laws of the Philippines, at least 60% of the capital of which is owned by citizens of the Philippines, may apply for a permit to appropriate water with the NWRB, the agency vested with the authority to administer and enforce the provisions of the Water Code, including the issuance of water permits.

Sanitation Code of the Philippines

Presidential Decree No. 856, otherwise known as the Code on Sanitation of the Philippines (the "**Sanitation Code**") and its IRR, provide for the sanitary and structural requirements for the operation of certain establishments, and cover the standards and guidelines for the proper handling and treatment of water, as well as the requirements for sanitary sewage collection and disposal.

The Sanitation Code prescribes the standards for drinking water and procedures for its treatment, including the types of water examination required, suitable examining laboratories, and other protective measures to ensure the integrity of the water supplied. It also prescribes the standards for operating sewage treatment plants and disposing of effluents, as well as for the design and capacity of septic tanks, and the proper disposal of wastewater.

The Sanitation Code requires that a sanitary permit be obtained before a person, firm, corporation or entity operates any industrial establishment. Industrial establishments are allowed to operate only in places or zones assigned for the kind of industry by existing zoning laws, ordinances, or policies. In the event that no zoning law, ordinance, or policy exists, the local health authority shall determine the suitability of the location.

Philippine Clean Water Act

Republic Act No. 9275, otherwise known as the Philippine Clean Water Act of 2004 (the "**Philippine Clean Water Act**") and its IRR, were enacted to streamline the processes and procedures in the prevention, control, and abatement of pollution of water resources of the country and provide for a comprehensive water pollution management program focused on pollution prevention. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked to identify existing sources of water pollutants and strictly monitor pollution sources that do not comply with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

Moreover, the Philippine Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR. Such permit authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities, into a body of water or land resource for a specified period of time.

Philippine National Standards for Drinking Water

DOH Administrative Order No. 2017-0010, otherwise known as the PNSDW, prescribes the standards for the quality of drinking water to protect the health of consumers and the general public. It applies to all drinking water service providers that supply and serve drinking water. The PNSDW also provides the guidelines for the development of a Water Safety Plan, which shall be observed by suppliers of drinking water.

Laguna Lake Development Authority Board Resolutions

Republic Act No. 4850 created the LLDA, which is mandated to promote and accelerate the development and balanced growth of the Laguna Lake region ("**Region**"), which includes the cities of Quezon, Caloocan, Manila, Pasay, and Muntinlupa. The LLDA has issued board resolutions ("**BR**") that shall apply to the Region. Among the resolutions relevant to Maynilad's operations are the following:

- BR 33, series of 1996 – Implementing an Environmental User Fee System in the Laguna de Bay Region to reduce the pollution loading into the Laguna de Bay by enjoining all dischargers of liquid waste to internalize the cost of environmental degradation and enhancement into their business decisions or actions;
- BR 113, series of 1999 – Providing guidelines on the lease of Laguna de Bay Shoreland Areas including the setting of appropriate lease rates based on existing/proposed uses, systems and procedures for leasing the shoreland areas, and responsibilities of agencies/divisions concerning the operationalization of such systems and procedures;
- BR 248, series of 2005 - Providing guidelines on the lease of Laguna de Bay Shoreland Areas by private individuals and entities;
- BR 362, series of 2008 –Establishing a water permitting, registration, and monitoring system for the abstraction of the lake waters of Laguna de Bay and other bodies of water within the Laguna de Bay region;
- BR 408, series of 2011 – Approving the revised definition of "Developmental Activities" required to secure LLDA clearance; and
- BR 523, series of 2017 – Adoption of Department Administrative Order No. 2016-08 of the DENR as the new effluent standards for the continuous implementation of the environmental user fee system and the water quality guidelines for surface waters within the Laguna de bay Region, and for other purposes.

ENVIRONMENTAL LAWS

Philippine Environmental Impact Statement System

Presidential Decree No. 1586, otherwise known as the *Philippine Environmental Impact Statement System* (the "**EIS System**") and its IRR, provide an integrated approach to environmental impact assessment to ensure a balance between socio-economic development and environmental protection, for the benefit of present and future generations. Under this law, all proposed projects by all agencies and instrumentalities of the national government, including government-owned or controlled corporations, as well as private corporations, firms, and entities, must include an Environmental Impact Assessment to determine the significant negative environmental impacts and the vulnerability of environmental resources in the project area. The law also requires the conduct of public participation throughout the entire assessment process.

The DENR, the agency in charge of implementing the law, issues an Environmental Compliance Certificate ("**ECC**") as proof that the proponent has satisfied the requirements of environmental impact assessment for projects covered by the EIS System. Otherwise, if the project is not subject to these requirements, a Certificate of Non-Coverage is issued. Water supply projects and wastewater treatment facilities with capacities of more than 30 CMD are required to secure an ECC. The law also requires projects with ECCs to prepare and submit a Compliance Monitoring Report semi-annually to DENR, detailing the compliance of the project to the conditions of the ECC, and the environmental management and monitoring plan submitted as part of the impact assessment. Moreover, if the project is not implemented within five years from the issuance of the ECC, the ECC will be deemed expired. Should the proponent wish to pursue the project, the proponent will have to apply for a new ECC. The reckoning date of the project implementation is the date of the ground-breaking, as stated on the work plan submitted to the Environmental Management Bureau.

On November 23, 2023, the DENR issued DENR Memorandum Circular No. 2023-04 which requires additional clearance from the agency's Office of the Secretary for projects applying for ECCs, which are within or with close proximity to protected areas, as defined under said department issuance, or sites covered under the Ramsar List of Wetlands of International Importance dated 01 July 1994.

Philippine Clean Air Act

Republic Act No. 8749, otherwise known as the *Philippine Clean Air Act of 1999* and its IRR, require entities that operate or use air pollution sources to obtain a Permit to Operate ("**PTO**") from the DENR. The issuance of the permit defines the emission limit of air pollution sources, reportorial requirements, and frequency of testing. Under said law, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and set up a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking.

Toxic Substances and Hazardous and Nuclear Wastes Control Act

Republic Act No. 6969, otherwise known as the *Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990* and its IRR, aim to monitor and regulate chemicals being imported, manufactured, used, and disposed in the country. In particular, it regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes. The law requires importers, manufacturers, and users of certain chemicals to secure a Chemical Control Order from the DENR. In addition, all entities generating hazardous wastes, as defined by the law, need to register as a Hazardous Waste Generator.

Under Republic Act No. 6969, hazardous waste is defined as substances that are without any safe commercial, industrial, agricultural or economic usage and are shipped, transported, or brought from the country of origin for dumping or disposal into or in transit through any part of the territory of the Philippines. It also refers to by-products, side-products, process residue, spent reaction media, contaminated plant or equipment or other substances from manufacturing operations, and as consumer discards of manufactured products.

Ecological Solid Waste Management Act

Republic Act No. 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, provides guidelines for the proper management of solid waste, which includes discarded commercial waste and non-hazardous institutional and industrial waste. Such management includes waste segregation at source, collection, storage, transport, and disposal. Such law prohibits, among others, littering in public areas, open burning of wastes, and the establishment and operation of open dump sites. The same law mandates all, especially, the local government units, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste.

The NSWMC, together with other government agencies and the different local government units, is responsible for the implementation and enforcement of the said law.

LABOR LAWS

The Philippine Constitution

The Philippine Constitution provides that the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. The seven basic rights of workers that are specifically guaranteed by the Philippine Constitution are as follows:

(a) right to organize;

(b) right to conduct collective bargaining or negotiation with management;

(c) right to engage in peaceful concerted activities, including strikes in accordance with law;

(d) right to enjoy security of tenure;

(e) right to work under humane conditions;

(f) right to receive a living wage; and

(g) right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

Labor Code of the Philippines

The Department of Labor and Employment ("**DOLE**") is the Philippine Government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines ("**Labor Code**") and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE. All doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor. The Labor Code and other statutory laws specify the minimum statutory benefits that employers are required to grant to their employees.

Labor Code Provision on Retirement Pay

The Labor Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive retirement pay as provided by the Labor Code. The retirement pay is equivalent to a minimum of one-half month's salary for every year of service, with a fraction of at least six months being considered as a whole year.

For purposes of computing the retirement pay, "one-half month's salary" shall include: (i) fifteen days' salary based on the latest salary rate; (ii) one-twelfth of the thirteenth month pay; and (iii) the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and employee or if provided in a collective bargaining agreement.

Contracting and subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out to a contractor the performance or completion of a specific job, work, or service within a definite or predetermined period, regardless of whether such job, work, or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work, or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, Department Order No. 174 (2017) ("**D.O. No. 174-17**") was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

D.O. No. 174-17 provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislation, to the extent of the work performed under the employment contract.

On May 2, 2018, then President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker's right to security of tenure, self-organization, and collective bargaining and peaceful concerted activities.

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors, or subcontractors and any person who manages, controls or supervises the work being undertaken, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires providing complete job safety instructions or orientation and informing workers of all hazards associated with their work, health risks involved or to which they are exposed to, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

The Rules for Occupational Safety and Health Standards ("**OSHS**") issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values ("**TLV**") for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV also pertains to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS, or must not exceed the eight-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation, or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided under DOLE Department Order No. 198-18 and imposable upon any employer, contractor, or subcontractor who wilfully fails or refuses to comply with the OSHS standards or a compliance order issued by the Secretary of Labor and Employment or his/her authorized representative.

Depending on the size of the workforce and the nature of the workplace as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries with workers of 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay on the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic within 25 minutes of travel, and ensure that it has facilities readily available for transporting its workers to the hospital or clinic in case of an emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must provide to DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

In 2023, the DOLE issued Department Order No. 238, Series of 2023 or the Rules on the Administration and Enforcement of Labor Standards pursuant to Article 128 of the Labor Code of the Philippines, as renumbered, and Republic Act No. 11058, strengthening the exercise of the visitorial and enforcement power of the Secretary of Labor and Employment and outlining the procedure for the conduct of occupational safety and health investigations.

Social Security System, PhilHealth, and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation, are mandatory as long as there is employer-employee relationship. The law provides that a member should have paid his contributions for at least three months within the six months prior to the first day of availment, including those of his dependents, to be entitled to the benefits of the program.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

OTHER LABOR-RELATED LAWS AND REGULATIONS

Employment of Foreign Nationals

Under Department Order No. 186, Series of 2017 ("**D.O. No. 186-17**"), issued by the DOLE, all foreign nationals who intend to engage in gainful employment in the Philippines shall apply for an Alien Employment Permit ("**AEP**"). However, D.O. No. 186-17 clarifies that an AEP is not an exclusive authority for a foreign national to work in the Philippines. It is just one of the requirements in the issuance of a work visa (9g) to legally engage in gainful employment in the country. The foreign national must obtain the required special temporary permit from the Professional Regulation Commission in case the employment involves practice of profession and Authority to Employ Alien from the Department of Justice where the employment is in a nationalized or partially nationalized industry, as well as from the DENR in case of employment in a mining company. D.O. No. 186-17 also provides for the list of foreign nationals who are exempt and excluded from securing an AEP.

Under D.O. No. 186-17, the Regional Director shall impose a fine of ₱10,000.00 for every year or a fraction thereof to foreign nationals found working without a valid AEP. Employers found employing foreign nationals without a valid AEP shall also pay a fine of ₱10,000.00 for every year or a fraction thereof. Further, an employer who is found to have failed to pay the penalty provided under D.O. No. 186-2017 shall not be allowed to employ any foreign national for any position in the employer's company.

On January 6, 2021, the DOLE has issued Department Order No. 221, Series of 2021, or the Revised Rules and Regulations for the Issuance of Employment Permits to Foreign Nationals. One of the notable revisions in the new Rules with respect to the processing of the AEP application is the requirement of a publication in a newspaper of general circulation by the employer of the job vacancy to which the foreign national is intended to be hired at least 15 calendar days prior to the application for an AEP. An additional requirement in the AEP application is a duly notarized affidavit stating that no applications were received or no Filipino applicant was considered for the position. Moreover, foreign nationals providing consultancy services were removed from the list of categories excluded from the AEP.

DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel. All private workplaces are also required to establish policies and programs on solo parenting, breastfeeding, alcohol-free workplace, mental health, safe spaces, Hepatitis B, and tuberculosis prevention and control.

INTELLECTUAL PROPERTY LAWS

Intellectual Property Code

Under the Intellectual Property Code of the Philippines (the "**IP Code**"), the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal Government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten years and may be renewed for periods of ten years at its expiration.

The IP Code applies to license agreements which generally fall within the definition of technology transfer arrangements ("**TTAs**"). The IP Code defines TTAs as contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for mass market. TTAs must comply with Sections 87 and 88 of the IP Code, i.e., TTAs cannot contain the provisions which are prohibited under Section 87 and must contain the mandatory provisions under Section 88. Failure to comply with these provisions of the IP Code will automatically render the entire arrangement unenforceable.

OTHER LAWS

Nationality Restrictions

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities.

The ownership of private lands in the Philippines is reserved for Philippine Nationals and Philippine corporations at least 60% of whose capital stock is owned by Philippine Nationals. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Furthermore, the Foreign Investments Act ("**FIA**") and the Twelfth Regular Foreign Investment Negative List (the "**Negative List**") categorize the ownership of private lands as a partly-nationalized activity, such that the operation, ownership, or both thereof is partially reserved for Filipinos. Thus, landholding companies may have a maximum of 40% foreign equity.

As of the date of this Prospectus, we own parcels of land in the Philippines and we have plans to acquire parcels of land in the ordinary course of our business activities. This is reflected in our Amended Articles of Incorporation, which authorizes us to acquire land; thus, our foreign shareholdings may not exceed 40% of our total issued and outstanding capital stock.

The Philippine Constitution provides that the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens.

Property Registration Decree

The Philippines has implemented a land registration system that serves as proof of land ownership and is legally binding for all parties involved. Once a land is registered, the title to that registered land becomes indisputable after a year from the decree of registration, except in cases where specific claims are noted on the certificate of title. Ownership of registered lands cannot be lost through adverse possession or legal prescription. Presidential Decree No. 1529, also known as the Property Registration Decree, has consolidated the laws related to land registration and is based on the widely recognized principles underlying the Torrens System.

After conducting a survey and following the necessary steps of application, publication, service of notice, and a hearing, unregistered land can be brought under this system through either judicial or administrative proceedings. The act of registration serves as the pivotal action to convey or impact the land concerning third parties. Registration must be completed in the office of the Register of Deeds for the province or city where the land is located. Any conveyance, mortgage, lease, lien, attachment, court order, judgment, instrument, or entry that affects registered land and is filed or recorded in the Register of Deeds' office for the province or city where the land is located, serves as constructive notice to all individuals from the time it is officially registered, filed, or recorded in the Register of Deeds' records.

All interests in registered land that are less than full ownership, like liens created by mortgages and leases, must be registered by submitting the document that establishes, transfers, or claims these interests to the Register of Deeds. An annotation of these transactions will be made by the Register of Deeds on the certificate of title, and it will be duly signed by the Register of Deeds. An annotation will also be added to the owner's duplicate.

For any subsequent transfer or encumbrance of the land, it is essential to complete the registration process to bind third parties. Upon the presentation of the required documents and the payment of applicable fees and taxes, a new Transfer Certificate of Title in the name of the transferee will be issued.

The Indigenous Peoples' Rights Act of 1997

Republic Act No. 8371, otherwise known as the Indigenous Peoples' Rights Act, establishes the state's mandate to recognize, promote, and protect the rights of Indigenous Cultural Communities and Indigenous Peoples. In order to achieve this, the law established the National Commission on Indigenous Peoples ("**NCIP**"), a government agency tasked with, among others, the protection of the ancestral lands and domains of Indigenous Peoples.

Corporations with large-scale projects for the development, exploitation, and utilization of land, water, air, and other natural resources within ancestral lands must undergo the NCIP's Free Prior and Informed Consent ("**FPIC**") process. The NCIP shall send representatives to hold community assemblies with the affected Indigenous Peoples. After the assemblies, the NCIP will allow the affected communities to independently hold their own decision-making processes. Only consents which are given from these independent decision-making processes will be deemed valid by the NCIP and will allow the corporation to execute its large-scale projects.

Additionally, when there is doubt as to whether or not the large scale project is within ancestral lands, the corporation can ask for the issuance of a Certificate of Non-Overlap as proof that the project is not being undertaken on ancestral lands, provided that it must be executed with an undertaking that should it later be found out that there is encroachment into ancestral lands, the FPIC process must be conducted.

Local Government Code

Republic Act No. 7160, as amended, otherwise known as the Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that local government units shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

Local government units exercise police power through their respective legislative bodies. Specifically, the local government unit, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of prosperity, and the promotion of morality, peace, good order, comfort, convenience, and general welfare for the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the local government unit.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a component city council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Anti-Money Laundering Act

On January 29, 2021, Republic Act No. 11521 was enacted, amending certain provisions of Republic Act No. 9150, otherwise known as the Anti-Money Laundering Act ("**AMLA**"). The necessary changes were likewise incorporated in the 2018 Implementing Rules and Regulations through the Anti-Money Laundering Council's ("**AMLC**") Regulatory Issuance A, B, and C No. 1 Series of 2021 which took effect on January 31, 2021. In particular, R.A. No. 11521 revised the list of "Covered Persons" under the AMLA to include real estate brokers and developers. As such, real estate brokers and developers are now required to submit a covered transaction report involving any single cash transaction exceeding ₱7,500,000 or its equivalent in any other currency.

Further, R.A. No. 11521 provides the following suspicious transactions with Covered Persons, regardless of the amounts involved, where any of the following circumstances exist:

(a) there is no underlying legal or trade obligation, purpose or economic justification;

(b) the client is not properly identified;

(c) the amount involved is not commensurate with the business or financial capacity of the client;

(d) taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Act;

(e) any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;

(f) the transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being or has been committed; or

(g) any transaction that is similar or analogous to any of the foregoing.

Under the AMLA, Covered Persons shall submit covered transaction and suspicious transaction reports to the AMLC, and shall identify and record the true identity of their customers, whether permanent or occasional, and whether natural or juridical persons, or legal arrangements based on official documents. To comply with this, such Covered Persons are obligated to implement appropriate systems of collecting and recording identification information and identification documents, and shall implement and maintain a system of verifying the true identity of their clients, including validating the truthfulness of the information and confirming the authenticity of the identification documents presented, submitted, and provided by the customer, using reliable and independent sources, documents, data, or information. All records of transactions and records of closed accounts are required to be maintained and stored for five years from the date of a transaction or after their closure, respectively.

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 ("**DPA**"), was signed into law on August 15, 2012, to govern the processing of all types of personal information (*i.e.,* personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

To this end, the appointment of a Data Protection Officer ("**DPO"**) is a legal requirement for all personal information controllers ("**PICs**") and personal information processors ("**PIPs**"). The DPO is accountable for ensuring the Company's compliance with all data privacy and security laws and regulations.

A PIC may be a natural or juridical person who exercises control over the processing of personal data and furnishes instructions to another person or entity to process personal data on its behalf. A PIP on the other hand, refers to a person or body instructed or outsourced by a PIC to engage in the processing of the personal data of a data subject.

The PIC or PIP that employs fewer than 250 persons shall not be required to register its DPO and its Data Processing System ("**DPS**") unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, or the processing includes sensitive personal information of at least 1,000 individuals. A DPS processing personal or sensitive personal information involving automated decision-making or profiling shall, in all instances, be registered with the National Privacy Commission.

The DPA seeks to protect the confidentiality of "personal information," which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors." It also provides for penal and monetary sanctions for violations of its provisions.

Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act ("**PCA**") came into effect August 5, 2015 and is the primary competition law in the Philippines.

The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

(a) anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(b) practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(c) mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

The PCA, as amended effective March 1, 2025, provides for mandatory notification to the PCC where the value of such transaction exceeds ₱3.5 billion ("**Size of Transaction**"), and where the size of the ultimate parent entity of either party exceeds ₱8.5 billion ("**Size of Party**"). Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱3.5 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱3.5 billion.

On November 22, 2017, the PCC published the 2017 Rules on Merger Procedures ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCA. The Merger Rules provides, among others, that parties to a merger that meet the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to the notifiable merger.

In the event that transactions do not meet the thresholds, the PCC may nonetheless launch a *motu proprio* investigation in the interest of consumer protection. Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules.

Under the PCA and its IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

Merger or acquisition agreements that substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services as may be determined by the PCC are prohibited. Parties and their ultimate parent entities found to have entered into prohibited mergers may be imposed fines of up to ₱110 million to ₱275 million.

Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱110 million to ₱275 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On January 19, 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the Merger Rules. Administrative fines may now amount to up to ₱275 million. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

Philippine Revised Corporation Code

The Philippine Revised Corporation Code was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Philippine Revised Corporation Code are:

(a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

(b) The Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only a natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws.

(c) Material contracts between the corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least 2/3 of the entire membership of the board of directors, with at least a majority of the independent directors voting to approve the same.

(d) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia,* the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

(e) In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the rules of the Philippine SEC.

The Philippine Revised Corporation Code refers to the PCA in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the PCA thresholds.

FOREIGN INVESTMENTS AND LAWS AND REGULATIONS RELATING TO RESTRICTIONS ON FOREIGN EQUITY

Philippine Constitution

Section 11, Article XII of the 1987 Philippine Constitution (the "**Philippine Constitution**") provides that a franchise, certificate, or any other form of authorization for the operation of a public utility must be granted only to corporations organized under the laws of the Philippines, at least 60% of the capital of which is owned by Filipino citizens. Furthermore, the participation of foreign investors in the governing body of the public utility enterprise is to be limited to their proportionate share in its capital, and all the executive and managing officers of the corporation must be Philippine citizens.

Public Service Act

Commonwealth Act No. 146, otherwise known as the Public Service Act, as amended by Republic Act No. 11659 (the "**Public Service Act**"), encourages private enterprise and the expansion of investment in the country, with the goal of providing efficient, reliable, and affordable basic services to all. One of the key changes introduced by the amendment is defining the term, "public utility," which was not defined under the Philippine Constitution, despite the Constitution's mandate to reserve the operation of public utilities to Filipino citizens or corporations organized under Philippine laws where at least sixty percent (60%) of such capital is owned by Filipino citizens.

The Public Service Act, as amended, rationalized foreign equity restrictions, applying the forty percent (40%) foreign equity limitation only to services that are considered as (i) public utilities (*i.e.*, (a) distribution and transmission of electricity; (b) petroleum and petroleum products pipeline transmission systems; (c) water pipeline distribution systems, (d) wastewater and sewerage pipelines systems, (e) seaports and (f) public utility vehicles), and (ii) critical infrastructure. An entity controlled or acting on behalf of a foreign government shall be prohibited from owning capital in public utilities or critical infrastructure. In the interest of national security, the President, after review, evaluation, and recommendation of relevant government agencies, may suspend or prohibit a proposed merger or acquisition or any investment on a public service that effectively results in the grant of direct or indirect control to a foreigner or a foreign corporation.

Foreign Investments Act

The FIA liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Negative List signed on June 27, 2022. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities as the term is defined under the Public Service Act, as amended. The FIA was amended by Republic Act No. 8179, which was signed into law on March 28, 1996, and was again amended by Republic Act No. 11647, which was signed into law on March 2, 2022 and took effect on March 17, 2022.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years. However, under Republic Act No. 7652, otherwise known as the Investors' Lease Act, a corporation with more than 40% foreign equity investing in the Philippines may be allowed to lease private lands for a period of 50 years, renewable once for a period of not more than 25 years, provided that the lease is for purposes of and in connection with the establishment of industrial estates, factory, assembly or processing plant, agro-industrial enterprises, land development for tourism, industrial, or commercial use and/or other similar priority productive endeavors.

Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the FIA, and other existing laws, amendments thereto, and implementing rules and regulations of said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Cor*p (G.R. No. 195580) and its corresponding motions for reconsideration (the "**Narra Nickel Case**"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied. For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a wholly Filipino-owned corporation. Restrictions under the Philippine Constitution require corporations engaged in the operation of public utilities to ensure at least 60% of its capital is owned by Filipinos.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor within two banking days of actual settlement or submission of proof of funding and actual investment. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. On April 11, 2024, the Monetary Board approved amendments to the Manual of Regulations on Foreign Exchange Transactions ("**FX Manual**") to facilitate access to FX resources and streamline procedures. The amendments under BSP Circular No. 1192 includes, among others, allowing foreign investments registerable with registering authorized agent banks (e.g., non-resident investments in government securities, securities listed at the Philippine Stock Exchange) to be registered upon reporting by the registering authorised agent bank to the BSP, subject to compliance with the applicable guidelines under FX Manual, dispensing with the issuance of the *Bangko Sentral* Registration Document ("**BSRD**") for the aforesaid foreign investments registered with the BSP through the registering authorized agent banks; and streamlining the reporting forms/procedures pertaining to these foreign investments.

Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The deadline on the report on outstanding balances for foreign investments registered with the BSP through authorized agent banks is quarterly, within 15 banking days after the end of the reference quarter. For the report on foreign direct investments registered with the BSP through authorized agent banks, the deadline is monthly, within five banking days after the end of the reference month.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

Maynilad operates as a public utility and also owns certain real estate and, as such, it is subject to certain nationality restrictions found under the Philippine Constitution and other laws limiting ownership to Philippine Nationals.

As of March 31, 2025, Filipino shareholders owned 99.99% of the outstanding capital stock of the Issuer, with only two foreign shareholders holding 2,000 Common Shares following our stock split.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Company's overall management and supervision are undertaken by the Board of Directors. Our executive 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	73	Director	Filipino
Jorge A. Consunji	73	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	44	Director	Filipino
Ramoncito S. Fernandez	69	Director	Filipino
Randolph T. Estrellado	59	Director	Filipino
Kazuaki Shibuya	53	Director	Japanese
Nagahito Miyoshi	52	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

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. 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.

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. 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. 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.

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.

The following table sets forth our key executive and corporate officers ("**Senior Management**"):

Name	**Age**	**Position**	**Citizenship**
Ramoncito S. Fernandez	69	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	72	Corporate Secretary	Filipino
Kristina Joyce C. Gangan	43	Assistant Corporate Secretary	Filipino
Lourdes Marivic K. Punzalan-Espiritu	57	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel / Compliance Officer	Filipino
Ronaldo C. Padua	50	Vice President and Head, Water Supply Operations	Filipino

Name	Age	Position	Citizenship
Ryan B. Jamora	45	Vice President and Head, Central Non-Revenue Water Management	Filipino
Apollo C. Tiglao	45	Vice President and Head, Program Management	Filipino
Christopher Jaime T. Lichauco	58	Senior Vice President and Head, Customer Experience & Retail Operations	Filipino
Zmel D. Grabillo	45	Senior Assistant Vice President and Head, Wastewater Management	Filipino
Francisco C. Castillo	57	Senior Vice President, and Chief Information Officer	Filipino
Ma. Cherry S. Marilla	45	Senior Assistant Vice President and Head, Technical Resources Management	Filipino
Roel S. Espiritu	53	Vice President and Head, Quality, Sustainability and Resiliency	Filipino
Cybele Martha L. Regalado	51	Vice President and Head, Supply Chain Management	Filipino
Martin Inocencio B. de Guzman	57	Vice President and Head, Human Resources	Filipino
Jose Rizal O. Batiles	58	Senior Assistant Vice President and Head, Enterprise Risk Management & Internal Audit	Filipino
Marie Antonette H. De Ocampo	56	Vice President and Head, Corporate Affairs & Communication	Filipino

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.

Mr. Ronaldo C. Padua has served as the Head of Water Supply Operations since 2012 and has been a Vice President since 2016. His prior positions at Maynilad include Head of Water Network Department (2009 to 2012) and Head of South Manila Business Area (2006 to 2009). He is a licensed civil engineer, and he obtained his Bachelor's Degree in Civil Engineering from the University of Sto. Tomas.

Mr. Ryan B. Jamora has serves as the Vice President and Head of Central NRW Management Division and was previously Senior Assistant Vice President and Head of the same division. His prior positions at Maynilad include head of Central NRW Engineering and Construction (2012 to 2021), Senior Manager of Central NRW Analysis Department (2008 to 2012), and North and South Business Region Technical Assistant (2006 to 2008). He is a licensed civil engineer, and he obtained his Post Graduate Diploma in Water Resources from the University of the Philippines and Bachelor's Degree in Civil Engineering from New Era University.

Mr. Apollo C. Tiglao began acting as the Vice President and Head of Program Management in 2024. He previously served as the head of Wastewater Management from 2019 to 2024. He is also currently a Director of Subic Water and Sewerage Co., Inc. (since 2016) and Director of Philippine Hydro, Inc. (since 2019). He was formerly President and CEO of Subic Water and Sewerage Co., Inc. (2013 to 2016). Mr. Tiglao has also held several positions in Maynilad, including as Technical Assistant to the COO, Zone Management Head, and AVP for Customer Care. He is a licensed civil engineer, and he obtained his Bachelor's Degree in Civil Engineering from Holy Angel University. He has also attended the Leadership and Management Development Program from Ateneo De Manila University – Graduate School of Business.

Mr. Christopher Jaime T. Lichauco has served as the Senior Vice President and Head of Customer Experience & Retail Operations since 2013. He is also currently President and Director of Amayi Water Services, Inc. His former positions in Maynilad include Business Area Operations Head (2008 to 2013), Large Accounts Head (2006 to 2007), Northeast Business Area Head (2004 to 2006), and Central Business Area Marketing Manager (1999 to 2000). Mr. Lichauco obtained his Master's Degree in International Management from the Thunderbird School of Global Management in Phoenix, Arizona, and Bachelor's Degree in Legal Management from the Ateneo de Manila University.

Mr. Zmel D. Grabillo has served as the Senior Assistant Vice President and Head of Wastewater Management since 2024. He has been with Maynilad since 2002, was most recently the South Business District Head, and has held various business and operations positions within the Company. He obtained his Bachelor's Degree in Civil Engineering from New Era University and has attended the Leadership and Management Development Program from Ateneo De Manila University – Graduate School of Business.

Mr. Francisco C. Castillo has served as the Senior Vice President, and Chief Information Officer since 2011. Prior to joining Maynilad, he worked at Indra as Managing Consultant of Utilities, Energy and Telecommunications Practice Head (Asia-Pacific) from 2003 to 2011, and as Managing Consultant of Services and Industry Sector Head at Soluziona (Philippines) from 1998 to 2002. He was also the Country Manager of Soluziona (Malaysia) from 2002 to 2004. He also served as an Assistant to the Senior Executive Vice President of the Philippine Investments and Management Consultants from 1996 to 1998. He also worked at Universitat Politecnica de Catalunya (Barcelona, Spain) as Associate Director (1995 to 1996) and Associate Professor (1991 to 1996). From 1988 to 1996, he was a Consultant at the Centro de Transferencia de Tecnologia (Barcelona, Spain). Mr. Castillo is also an Adjunct Professor at the Asian Institute of Management, and his accolades include Best ASEAN CIO 2016 at the ASEAN IT Strategy Forum in Singapore. He is a Founding Member of the Certified Information Systems Security Professional Philippine Chapter. He obtained his PhD in Electronics and Telecommunications Engineering from the Universidad Politecnica de Cataluña in Barcelona, Spain, and Bachelor's Degree in Electronics and Communication Engineering from De La Salle University.

Ms. Ma. Cherry S. Marilla has served as the Senior Assistant Vice President and Head of Technical Resources Management (formerly Technical Services) since 2024. She has been with Maynilad since 2002, was previously the Planning and Support Head of Technical Resources Management (2023 to 2024), and has held various business and operations positions within the Corporation. She also served as Engineer 1 of the Special Projects Office of the Polytechnic University of the Philippines in 2002. She obtained her Bachelor's Degree in Civil Engineering at Polytechnic University of the Philippines – Sta. Mesa.

Atty. Roel S. Espiritu has served as the Vice President and Head of Quality, Sustainability and Resiliency since 2017. His former positions within the Company include Head of South Caloocan and Fairview Commonwealth Business Areas (2012 to 2017) and Head of Administration and Labor Relations (2008 to 2012). A member of the Philippine Bar, Atty. Espiritu obtained his Bachelor's Degree in Laws from Lyceum of the Philippines University and Bachelor's Degree in Political Science from the University of the Philippines - Diliman.

Ms. Cybele Martha L. Regalado serves as the Vice President and Head, Supply Chain Management and was previously the Senior Assistant Vice President and Head of the same division. Prior to this role, she was the Head of Corporate and Financial Planning under the Finance Division of Maynilad for 12 years. Before joining the Company, she worked at Lopez Holdings as AVP-Finance, and at ABS-CBN Broadcasting Corp. as Manager for Financial Analysis and Investor Relations. Ms. Regalado is a member of the Philippine Institute for Supply Management, a professional association of supply management practitioners. She obtained her Bachelor's Degree in Sociology, and Masters of Science in Finance from the University of the Philippines.

Mr. Martin Inocencio B. de Guzman has served as the Vice President and Head of Human Resources since 2018. Prior to joining Maynilad, he worked for Colgate-Palmolive Phils., Inc. as Human Resources Director (2009 to 2018). Mr. De Guzman is also a certified Professional Coach for Benchmark Consulting. He obtained his Bachelor's Degree in Psychology from De La Salle University.

Mr. Jose Rizal O. Batiles has served as the Senior Assistant Vice President and Head of Enterprise Risk Management since 2018. Prior to joining Maynilad, he was the Chief Finance Officer of Manila Integrated Aviation Services Corp. (2017 to 2018), Finance Manager of The Generics Pharmacy, Inc. (2016 to 2017), and held several Group Manager positions at Procter & Gamble International Operations, Procter & Gamble Asia Pte. Limited, Procter & Gamble Tech. Centres (UK), and Procter & Gamble Philippines, Inc. Mr. Batiles is a Certified Public Accountant, Certified Fraud Examiner, and Certified Internal Auditor. He obtained his Bachelor's Degree in Accountancy from the Polytechnic University of the Philippines.

Ms. Marie Antonette H. De Ocampo serves as the Vice President and Head of Corporate Affairs & Communication and was previously Senior Assistant Vice President and Head of the same division. Her previous positions at Maynilad include Head of Government Relations (2017 to 2021) and Head of Business Solutions and Sales (2014 to 2016). Before joining Maynilad, she worked for Shangri-la Hotels and Resorts as Director for Sales and Director for Events. She obtained her Bachelor's Degree in Tourism at University of the Philippines - Diliman.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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.

We believe that due to the dormancy of the case, which has been pending before the DOJ for almost two decades, the likelihood that it will be pursued is minimal. We emphasize that there is no actual case pending before the court at this time due to the withdrawal of information that transpired, and that the only pending incident is the Petition for Review with the DOJ.

Furthermore, we do not expect any material impact from this case because: (i) it does not involve the Company as a party, (ii) it is completely unrelated to our business, and (iii) it does not involve any of our assets or operations.

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.

   Similar to the case immediately preceding, the subject case has been pending before the DOJ for almost two decades. Thus, we are of the position that due to its dormancy, the likelihood that it will be pursued is minimal.

   We emphasize that there is no actual case pending before the court at this time, due to the pendency of the preliminary investigation.

   Furthermore, we do not expect any material impact from this case because: (i) it does not involve the Company as a party, (ii) it is completely unrelated to our business, and (iii) it does not involve any of our assets or operations.

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 executive 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 officers and shareholders.

BOARD COMMITTEES

Specific responsibilities of the Board of Directors are delegated to its duly established Board Committees. A brief description of the functions and responsibilities of the key committees are set out below:

A. Audit, Risk Oversight and Related Party Transactions Committee

The Audit, Risk Oversight and Related Party Transactions Committee performs oversight functions over our Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It also performs risk oversight functions, oversees the implementation of related party policies and procedures, and ensures that any related party transaction occurs at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

The committee is composed of five members, majority of whom are independent directors, including the Chairperson.

The members of this committee are Fortunato T. de la Peña (Chairperson), Ma. Assunta C. Cuyegkeng, Gil S. Jacinto, June Cheryl A. Cabal-Revilla and Nagahito Miyoshi.

B. Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee ensures our Company's compliance with corporate governance principles and practices and oversees the development of our Company's sustainability framework and policies, with a view of creating value not only for us, but also for the nation at large. The committee also periodically reviews and recommends trainings and partnerships to aim in practicing the industry best-practices.

The committee is composed of five members, majority of whom are independent directors, including the Chairperson and meets at least semi-annually.

The members of this committee are Ma. Assunta C. Cuyegkeng (Chairperson), Fortunato T. de la Peña, Gil S. Jacinto, June Cheryl A. Cabal-Revilla and Nagahito Miyoshi.

C. The Nomination and Compensation Committee

The Nomination and Compensation Committee ensures that all the directors that will be nominated to the Board have all the qualifications and none of the disqualifications provided in the Manual of Corporate Governance, in R.A. No. 11600 insofar as the independent directors are concerned, and under existing laws and regulations. It reviews with the Board the appropriate skills and characteristics required of members of the Board within the context of our Company's strategic direction. It also establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the directors.

The committee is composed of five members, two of whom are independent directors, and three non-executive directors including the Chairperson.

The members of this committee are Manuel V. Pangilinan (Chairperson), Jose Ma. K. Lim, Isidro A. Consunji, Ma. Assunta C. Cuyegkeng and Gil S. Jacinto.

D. Executive Committee

The Executive Committee acts upon matters affecting the general policy of the Corporation and such matters as the Board may entrust to it in between meetings of the Board.

The Executive Committee has five members, namely, the Chairperson of the Board or the Vice Chairperson who act as chairperson of all meetings of the committee, two members of the Board and such other persons or offices as the Board may designate.

The members of the Executive Committee are Isidro A. Consunji (chairperson), Ramoncito S. Fernandez, Jose Ma. K. Lim, June Cheryl Cabal-Revilla and Nagahito Miyoshi.

E. Finance Committee

The Finance Committee provides oversight and guidance on the Corporation's financial policies and strategies, including the Corporation's capital structure, dividend policy, acquisitions and divestments, treasury management, tax strategy and compliance, and financing proposals.

The committee is composed of five directors, with at least one independent director.

The members of the Finance Committee are June Cheryl A. Cabal Revilla (Chairperson), Jose Ma. K. Lim, Herbert M. Consunji, Nagahito Miyoshi, and Ma. Assunta C. Cuyegkeng.

CORPORATE GOVERNANCE FRAMEWORK

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.

<u>Corporate Governance Manual</u>

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.

<u>Distribution and Communication Process</u>

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

<u>Training Process</u>

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

<u>Monitoring and Assessment</u>

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 Prospectus, 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.

EXECUTIVE COMPENSATION

The Corporation's President and the four (4) most highly compensated executive 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

Name	Position
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 executive officers of the Corporation in fiscal years 2022, 2023 and 2024:

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	2024	77,064,012.65	39,452,681.04	Not applicable
	2023	85,322,043.35	143,910,665.30	Not applicable
	2022	69,049,927.86	32,650,176.45	Not applicable
All other unnamed directors and officers in aggregate	2024	48,945,397.31	22,701,024.77	Not applicable
	2023(1)	64,105,229.47	110,853,721.21	Not applicable
	2022	49,872,812.10	21,486,259.09	Not applicable

Note:

(1) *The indicated amount includes the terminal/last pay of two members of the TMT who have retired from the Corporation, and the pro-rated salaries and benefits of the outgoing/retired TMT members and the successor of each TMT member.*

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.

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.

PRINCIPAL SHAREHOLDERS

As of March 31, 2025, 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%
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%
21	Other Ex-ESOP Shareholders (390)	Filipino	10,964,000[36]	10,964,000.00	10,964,000.00	0.20%

[36] The Company had a total of 88,500 ESOP Shares which was created from Class A Common Shares. Out of such ESOP Shares, only 17,400 were not bought back by the Company and retained by their respective ESOP Beneficiary. These ESOP Shares have been converted to Common Shares following the amendment of the Company's Articles of Incorporation.

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percentage of Ownership
22	Other Filipino Directors (12)	Filipino	12,000	12,000.00	12,000.00	0.00%
23	Kazuaki Shibuya	Japanese	1,000	1,000.00	1,000.00	0.00%
24	Nagahito Miyoshi	Japanese	1,000	1,000.00	1,000.00	0.00%
	TOTAL		5,612,627,500	5,612,627,500.00	5,612,627,500.00	100.00%

PSE LOCK-UP REQUIREMENT

Under the PSE Consolidated Listing and Disclosure Rules, subject to any exemptions provided by the PSE, an applicant company shall cause its existing shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

(a) 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or

(b) 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

Further, if there is any issuance or transfer of shares (i.e. private placement, asset for share swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares (i.e. convertible bonds, warrants, or similar instrument) done and fully paid for within 180 days prior to the start of the offering period, or, prior to the listing date in the case of applicant companies by way of introduction, and the transaction price is lower than that of the offer price in the initial public offering or than that of the listing price in the case of applicant companies listing by way of introduction, all shares availed of shall be subject to a lock-up period of at least 365 days from the full payment of the aforesaid shares.

The following shareholder is covered by the 180-day lock-up requirement from Listing Date [(if the Upsize Option is not exercised)]:

Shareholder	No. of Shares
Maynilad Water Holding Company, Inc.	5,298,510,289 Common Shares
TOTAL	5,298,510,289 Common Shares

[The following shareholder is covered by the 180-day lock-up requirement from Listing Date (if the Upsize Option is fully exercised):]

Shareholder	No. of Shares
Maynilad Water Holding Company, Inc.	[4,943,806,089] Common Shares
TOTAL	[4,943,806,089] Common Shares

To implement this lock-up requirement, the Issuer and the Selling Shareholder shall enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of March 31, 2025 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 Management

As of March 31, 2025, the following are the shareholdings of our Senior Management:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Record Ownership	Percentage of Ownership
Common Share	Ramoncito S. Fernandez	Director [37]; President / Chief Executive Officer	Filipino	1,316,000 Common Shares (direct)[38]	0.02%
Common Share	Lourdes Marivic K. Punzalan-Espiritu	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel / Compliance Officer	Filipino	816,000 Common Shares (direct)	0.01%
Common Share	Christopher Jaime T. Lichauco	Senior Vice President and Head, Customer Experience & Retail Operations	Filipino	745,000 Common Shares (direct)	0.01%
Common Share	Francisco C. Castillo	Senior Vice President, and Chief Information Officer	Filipino	717,000 Common Shares (direct)	0.01%
Common Share	Ricardo F. de los Reyes	Treasurer / Chief Finance Officer	Filipino	440,000 Common Shares (direct)	0.01%

[37] Previously, each director held one (1) Common Share in their own name and as a nominee director of MWHCI. Following the Company's stock split on December 27, 2024, each director now holds 1,000 Common Shares.
[38] Ramoncito S. Fernandez directly owns 1,315,000 Common Shares, and an additional 1,000 Common Shares as a nominee director of MWHCI.

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Record Ownership	Percentage of Ownership
Common Share	Roel S. Espiritu	Vice President and Head, Quality, Sustainability and Resiliency	Filipino	241,000 Common Shares (direct)	0.00%
Common Share	Marie Antonette H. de Ocampo	Vice President and Head, Corporate Affairs & Communication	Filipino	234,000 Common Shares (direct)	0.00%
Common Share	Martin Inocencio B. de Guzman	Vice President and Head, Human Resources	Filipino	224,000 Common Shares(direct)	0.00%
Common Share	Apollo C. Tiglao	Vice President and Head, Program Management	Filipino	219,000 Common Shares (direct)	0.00%
Common Share	Ryan B. Jamora	Vice President and Head, Central Non-Revenue Water Management	Filipino	196,000 Common Shares (direct)	0.00%
Common Share	Ma. Cherry S. Marilla	Senior Assistant Vice President and Head, Technical Resources Management	Filipino	108,000 Common Shares (direct)	0.00%
Common Share	Jose Rizal O. Batiles	Senior Assistant Vice President and Head, Enterprise Risk Management & Internal Audit	Filipino	106,000 Common Shares(direct)	0.00%
Common Share	Manuel V. Pangilinan	Director; Chairman	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Jose Ma. K. Lim	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	June Cheryl A. Cabal-Revilla	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Randolph T. Estrellado	Director; Chief Operating Officer	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Joseph Ian G. Gendrano	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Ricardo M. Pilares III	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Isidro A. Consunji	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Jorge A. Consunji	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Herbert M. Consunji	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Kazuaki Shibuya	Director	Japanese	1,000 Common Shares (direct)	0.00%
Common Share	Nagahito Miyoshi	Director	Japanese	1,000 Common Shares (direct)	0.00%
Common Share	Fortunato T. de la Peña	Director	Filipino	1,000 Common Shares (direct)	0.00%
Common Share	Gil S. Jacinto	Director	Filipino	1,000 Common Shares (direct)	0.00%

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Record Ownership	Percentage of Ownership
Common Share	Ma. Assunta C. Cuyegkeng	Director	Filipino	1,000 Common Shares (direct)	0.00%

Except for the foregoing, no other members of the Board of Directors or Senior Management own any shares in the Company.

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, there has been no change in control of Maynilad since it was incorporated in 1997.

RELATED PARTY 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 three months ended March 31, 2025:

(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 and of the consolidated audited interim financial statements for the three months ended March 31, 2024 and 2025.

EFFECT OF THE CHANGE IN PAR VALUE OF THE COMPANY

On November 8, 2024, our Board of Directors approved amendments to our Articles of Incorporation to, among others, reduce the par value of Maynilad's shares from ₱1,000.00 to ₱1.00 per share ("**Change in Par Value**") and increase our authorized capital stock from ₱4,564,982,000 to ₱9,093,964,000.00 ("**Increase in Capital Stock**") in preparation for the Offer. Our shareholders approved the Change in Par Value, Increase in Capital Stock, and other amendments to our Articles of Incorporation on December 12, 2024 and the Philippine SEC approved such amendments on December 27, 2024.

Before the amendments to our Articles of Incorporation, our authorized capital was ₱4,564,982,000 divided into 4,222,482 Class A common shares par value ₱1,000 per share; 236,000 Class B common shares par value ₱1,000 per share; and 88,500 ESOP shares par value ₱1,000 per share. Following the amendments to our Articles of Incorporation, our authorized capital was increased to ₱9,093,964,000.00 divided into 9,093,964,000 shares par value ₱1.00 per share. As part of the amendments to our Articles of Incorporation, the Class A common shares, Class B common shares and ESOP shares were reclassified into a single class of "Common Shares" and the par value of such shares was reduced from ₱1,000 to ₱1.00 per share.

Below is a breakdown of our shareholdings before the Change in Par Value and Increase in Capital Stock:

Stockholders	Nationality	No. of Common Shares Subscribed	Amount Subscribed(₱)	Amount Paid-Up (₱)	Percentage of Ownership
Maynilad Water Holding Company, Inc.	Filipino	4,221,943	4,221,943,000.00	4,221,943,000.00	94.33%
Metro Pacific Investments Corporation	Filipino	236,000	236,000,000.00	236,000,000.00	5.27%
Ramoncito S. Fernandez	Filipino	1,316	1,316,000.00	1,316,000.00	0.03%
Lourdes Marivic K. Punzalan-Espiritu	Filipino	816	816,000.00	816,000.00	0.02%
Christopher Jaime T. Lichauco	Filipino	745	745,000.00	745,000.00	0.02%
Francisco C. Castillo	Filipino	717	717,000.00	717,000.00	0.02%
Metropolitan Bank and Trust Company	Filipino	524	524,000.000	524,000.000	0.01%
Ricardo F. De los Reyes	Filipino	440	440,000.00	440,000.00	0.01%
Nancy D. Espenilla	Filipino	253	253,000.00	253,000.00	0.00%
Roel S. Espiritu	Filipino	241	241,000.00	241,000.00	0.00%
Marie Antonette H. De Ocampo	Filipino	234	234,000.00	234,000.00	0.00%
Rodora N. Gamboa	Filipino	226	226,000.00	226,000.00	0.00%
Martin Inocencio B. De Guzman	Filipino	224	224,000.00	224,000.00	0.00%
Apollo C. Tiglao	Filipino	219	219,000.00	219,000.00	0.00%
Ryan B. Jamora	Filipino	196	196,000.00	196,000.00	0.00%
Enrique G. De Guzman	Filipino	172	172,000.00	172,000.00	0.00%
Enrico Roy A. Lopez	Filipino	167	167,000.00	167,000.00	0.00%

Stockholders	Nationality	No. of Common Shares Subscribed	Amount Subscribed(₱)	Amount Paid-Up (₱)	Percentage of Ownership
Marie Angelique L. Estrella	Filipino	164	164,000.00	164,000.00	0.00%
Edgardo S. Dimapilis	Filipino	159	159,000.00	159,000.00	0.00%
Enrique M. Eguia	Filipino	148	148,000.00	148,000.00	0.00%
Other Ex-ESOP Shareholders	Filipino	10,964[39]	10,964,000.00	10,964,000.00	0.24%
Other Directors	Filipino	12	12,000.00	12,000.00	0.00%
Kazuaki Shibuya	Japanese	1	1,000.00	1,000.00	0.00%
Nagahito Miyoshi	Japanese	1	1,000.00	1,000.00	0.00%
TOTAL		4,475,882	4,475,882,000.00	4,475,882,000.00	100.00%

Below is a breakdown of our shareholdings after the Change in Par Value and Increase in Capital Stock:

Stockholders	Nationality	No. of Common Shares Subscribed	Amount Subscribed (₱)	Amount Paid-Up (₱)	Percentage of Ownership
Maynilad Water Holding Company, Inc.	Filipino	5,298,510,289	5,298,510,289.00	5,298,510,289.00	94.40%
Metro Pacific Investments Corporation	Filipino	296,178,211	296,178,211.00	296,178,211.00	5.28%
Ramoncito S. Fernandez	Filipino	1,316,000	1,316,000.00	1,316,000.00	0.02%
Lourdes Marivic K. Punzalan-Espiritu	Filipino	816,000	816,000.00	816,000.00	0.01%
Christopher Jaime T. Lichauco	Filipino	745,000	745,000.00	745,000.00	0.01%
Francisco C. Castillo	Filipino	717,000	717,000.00	717,000.00	0.01%
Metropolitan Bank and Trust Company	Filipino	524,000	524,000.00	524,000.00	0.01%
Ricardo F. De los Reyes	Filipino	440,000	440,000.00	440,000.00	0.01%
Nancy D. Espenilla	Filipino	253,000	253,000.00	253,000.00	0.00%
Roel S. Espiritu	Filipino	241,000	241,000.00	241,000.00	0.00%
Marie Antonette H. De Ocampo	Filipino	234,000	234,000.00	234,000.00	0.00%
Rodora N. Gamboa	Filipino	226,000	226,000.00	226,000.00	0.00%

[39] The Company had a total of 88,500 ESOP Shares which was created from Class A Common Shares. Out of such ESOP Shares, only 17,400 were not bought back by the Company and retained by their respective ESOP Beneficiary. These ESOP Shares have been converted to Common Shares following the amendment of the Company's Articles of Incorporation.

Stockholders	Nationality	No. of Common Shares Subscribed	Amount Subscribed (₱)	Amount Paid-Up (₱)	Percentage of Ownership
Martin Inocencio B. De Guzman	Filipino	224,000	224,000.00	224,000.00	0.01%
Apollo C. Tiglao	Filipino	219,000	219,000.00	219,000.00	0.00%
Ryan B. Jamora	Filipino	196,000	196,000.00	196,000.00	0.00%
Enrique G. De Guzman	Filipino	172,000	172,000.00	172,000.00	0.00%
Enrico Roy A. Lopez	Filipino	167,000	167,000.00	167,000.00	0.00%
Marie Angelique L. Estrella	Filipino	164,000	164,000.00	164,000.00	0.00%
Edgardo S. Dimapilis	Filipino	159,000	159,000.00	159,000.00	0.00%
Enrique M. Eguia	Filipino	148,000	148,000.00	148,000.00	0.00%
Other Ex-ESOP Shareholders	Filipino	10,964,000[40]	10,964,000.00	10,964,000.00	0.20%
Other Filipino Directors	Filipino	12,000	12,000.00	12,000.00	0.00%
Kazuaki Shibuya	Japanese	1,000	1,000.00	1,000.00	0.00%
Nagahito Miyoshi	Japanese	1,000	1,000.00	1,000.00	0.00%
TOTAL		5,612,627,500	5,612,627,500.00	5,612,627,500.00	100.00%

For illustration, the following table shows the impact of the amendments on the earnings per share and book value per share as of March 31, 2025. Aside from the impact on earnings per share and book value per share, such changes have no other impact on our financial ratios.

	As of March 31, 2025			
	Original Par Value of ₱1,000.00		**As Adjusted to Give Effect to the Change in Par Value (reducing the Par Value to ₱1.00 and Increase in Capital Stock)**	
	No. of Shares	**Amount (₱)**	**No. of Shares**	**Amount (₱)**
Authorized capital stock	9,093,964	9,093,964,000	9,093,964,000	9,093,964,000
Issued and outstanding capital stock	5,612,627.5	4,723,172,917	5,612,627,500	4,723,172,917
Additional subscription	1,136,745.5	1,136,745,500	1,136,745,500	1,136,745,500
Less: Treasury Shares	(71,100)	(960,554,583)	(71,100,000)	(960,554,583)
Total subscribed capital stock	6,678,273	4,899,363,834	6,678,273,000	4,899,363,834
Weighted average number of shares at end of year[(1)]	5,612,628	N/A	5,612,628,000	N/A
Total equity (₱ millions)	N/A	72,598.6	N/A	72,598.6
Book value per share[(2)]	N/A	₱12,934.87	N/A	₱12.93
Net income (₱ millions)	N/A	3,618.9	N/A	3,618.9
Basic earnings per share[(3)]	N/A	₱644.80	N/A	₱0.64

***Notes**:*
(1) The weighted average number of shares takes into account the effect of changes in treasury shares during the period.
(2) Book value per share is computed by dividing total stockholders' equity of the Company by the total number of outstanding shares.
(3)Basic earnings per share is computed by dividing net income by the weighted average number of shares.

[40] The Company had a total of 88,500 ESOP Shares which was created from Class A Common Shares. Out of such ESOP Shares, only 17,400 were not bought back by the Company and retained by their respective ESOP Beneficiary. These ESOP Shares have been converted to Common Shares following the amendment of the Company's Articles of Incorporation.

DESCRIPTION OF THE SHARES

The following is general information relating to our capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of our Articles of Incorporation and By-Laws.

The Offer Shares shall be offered at a price of up to ₱[20.00] per Offer Share (the "**Offer Price**"). The determination of the Offer Price is further discussed on page 75 of this Prospectus. A total of [7,546,897,300] Common Shares will be outstanding after the Offer and the Offer Shares will comprise up to [30.33]% of the outstanding Shares after the Offer, assuming the full exercise of the Overallotment Option and the Upsize Option.

SHARE CAPITAL INFORMATION

Pursuant to our amended Articles of Incorporation to implement the Offer, as approved by the Board of Directors and stockholders on December 12, 2024 and approved by the Philippine SEC on December 27, 2024, Maynilad has an authorized capital stock of ₱9,093,964,000.00 divided into 9,093,964,000 Common Shares with a par value of ₱1.00 per common share. As of the date of this Prospectus, Maynilad had 5,612,627,500 issued and outstanding Common Shares.

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and by-laws. A Philippine corporation may also increase or decrease its authorized capital stock, provided that the increase or decrease is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose and is duly approved by the Philippine SEC.

We may acquire our own shares for a legitimate corporate purpose as long as we have unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired, such as in the following instances: (i) elimination of fractional shares arising out of stock dividends, (ii) the purchase of shares of dissenting shareholders exercising their appraisal right and (iii) the collection or compromise of an indebtedness arising out of an unpaid subscription in a delinquency sale or to purchase delinquent shares during such sale. Upon repurchase of our own shares, the shares become treasury shares, which may be resold at a reasonable price fixed by the Board of Directors.

The Board of Directors is authorized to issue shares from the treasury from time to time.

RIGHTS RELATING TO SHARES

A. Voting Rights of Shares

Each Common Share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in our books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

Our Common Shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

B. Dividend Rights of Common Shares

We are allowed to declare dividends out of our unrestricted retained earnings at such times and in such percentages as may be determined by the Board of Directors. Such determination will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things. The PDTC has an established mechanism for distribution of dividends to beneficial owners of the shares which are traded through the PSE and lodged with the PDTC as required for scripless trading.

Under Philippine law, we can only declare dividends to the extent that hawse have unrestricted retained earnings that represent the amount of accumulated profits and gains realized out of our normal and continuous operations after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (1) not appropriated by the Board of Directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; and (3) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingencies. We may pay dividends in cash, property or by the issuance of shares. Dividends may be declared by the Board of Directors except for stock dividends which may only be declared and paid with the approval of shareholders representing at least two-thirds of our issued and outstanding capital stock voting at a shareholders' meeting duly called for the purpose.

A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of our outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See "*Dividends and Dividend Policy*" on page 71 of this Prospectus.

C. Rights of Shareholders to Assets of the Company

Each holder of a common share and preferred share is entitled to a pro rata share in our assets available for distribution to the shareholders in the event of dissolution, liquidation and winding up.

D. Pre-emptive Rights

The Philippine Revised Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation entitling such shareholders to subscribe for all issues or other dispositions of equity-related securities by the Issuer in proportion to their respective shareholdings, regardless of whether the equity-related securities proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

Under Article Twelve of the Company's latest amended Articles of Incorporation (as approved by the Philippine SEC on December 27, 2024), no stockholder of the Company shall, because of his/its ownership of stock have pre-emptive right to purchase, subscribe for or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Company. Any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Company pursuant to a resolution of its Board of Directors, to any person, whether or not such person is a stockholder of the Corporation and upon such terms and conditions as such Board may deem proper without first offering such stock or securities or any part thereof to existing or other stockholders.

E. Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

(a) in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

(b) in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

(c) in case of merger or consolidation;

(d) in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and

(e) in case of extension or shortening of the term of corporate existence.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. The appraisal rights may be exercised by the dissenting stockholder by making a written demand within thirty (30) days after the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be available if the Company has unrestricted retained earnings to cover such purchase. From the time the shareholder makes a demand for payment until the Issuer purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

F. Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

G. Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

H. Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the Board of Directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

I. Change in Control

There are no existing provisions in our amended Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

SHAREHOLDERS' MEETINGS

A. Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. Our by-laws provide for annual meetings on the fourth Tuesday of April of each year, and if a legal holiday, then on the day following.

B. Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock; or (b) President; or (c) such number of shareholders of the Corporation in accordance applicable law and regulations.

C. Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Notices of meetings of the stockholders shall be sent by the Secretary (i) by personal delivery; (ii) by mail; or (iii) electronic message at least twenty-one (21) calendar days for regular meetings and seven (7) business days for special meetings, or such other period as may be allowed by applicable regulations, prior to the date of the meeting to each stockholder of record at his last known address or electronic mail address. This notice period applies in the case of a special meeting of shareholders. In case of regular meetings of shareholders, written notice must be sent at least 21 days prior to the scheduled regular meeting, in accordance with Philippine SEC Memorandum Circular No. 6, series of 2020. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

D. Quorum

Unless otherwise provided by law, shareholders who own or hold a majority of the outstanding capital shares must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-a-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented. At all meetings of stockholders, a stockholder may vote in person or by proxy or *in absentia*.

Upon approval of and upon notice by the Board of Directors, meetings may be attended by the stockholders either in person or by remote communication through video or teleconference or such other means as may subsequently be permitted by applicable law or regulation.

E. Voting

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

F. Fixing Record Dates

Pursuant to the Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the Philippine SEC and shall be indicated in the Philippine SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the Philippine SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

G. Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

ISSUE OF SHARES

Subject to otherwise applicable limitations, we may issue additional shares to any individual for consideration deemed fair by the Board of Directors, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to our Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

TRANSFER OF COMMON SHARES

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation ("**PCD Nominee**"). A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "*The Philippine Stock Market*" on page 276 of this Prospectus.

Under Philippine law, transfer of the Common Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Philippine Taxation*" on page 282 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

SHARE REGISTER

Our share register is maintained at the principal office of our share transfer agent, Philippine National Bank Trust Banking Group.

SHARE CERTIFICATES

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to our stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" beginning on page 276 of this Prospectus.

MANDATORY TENDER OFFER

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

(a) 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board of directors in a public company in one or more transactions within a period of 12 months;

(b) 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board of directors in a public company directly from one or more stockholders; or

(c) equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required on:

(a) purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the board of directors;

(b) purchases from an increase in the authorized capital shares of the target company;

(c) purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;

(d) purchases in connection with a privatization undertaken by the government of the Philippines;

(e) purchases in connection with corporate rehabilitation under court supervision;

(f) purchases through an open market at the prevailing market price; or

(g) purchases resulting from a merger or consolidation.

The exemptions from mandatory tender offer will not apply if the acquisition of equity securities is intended to circumvent or defeat the objectives of the tender offer rules.

CHANGE IN CONTROL

There are no existing provisions in our amended Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board of Directors is required to present to shareholders at every annual meeting a financial report of our operations for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Underwriters, or any of their respective subsidiaries, affiliates or advisors in connection with the sale of the Offer Shares.

THE EXCHANGE

The Philippine Stock Exchange, Inc. (the "**PSE**") is the only stock exchange in the Philippines. It is one of the oldest stock exchanges in Asia, having been in continuous operation since the establishment of the Manila Stock Exchange in 1927. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated on July 14, 1992 as a non-stock corporation by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 3, 2001, the PSE completed its demutualization and converted from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member-broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. On April 13, 2013, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of its Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component stocks.

The PSE has an index, referred to as the PSEi (previously "**PHISIX**"), which, as of the date thereof, reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective as of April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and enhance access to such reports by the investing public. In December 2013, the PSE replaced its Online Disclosure System ("**OdiSy**") with a new disclosure system, the PSE EDGE, which was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors' disclosure searching and viewing experience and (iii) enhance overall issuer transparency in the market.

In January 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City. On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 common shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering were used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million composed of 106 million common shares with a par value of ₱1.00 per share and 14 million preferred shares with a par value of ₱1.00 per share, of which 85,683,717 shares are issued. Out of this total, 82,169,765 shares are outstanding, and 3,513,952 are treasury common shares.

The table below indicates the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	6,840.6	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,960.0
2018	7,466.0	267	16,150.0	1,740.0
2019	7,815.3	268	16,710.0	1,770.0
2020	7,139.7	271	15,890.0	1,770.0
2021	7,122.6	276	18,081.1	2,233.1
2022	6,566.4	286	16,560.0	1,790.0
2023	6,540.0	283	16,740.0	1,474.9
2024	6,528.8	283	20,007.6	1,494.9

Source: PSE and PSE Annual Reports.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon for the morning session, and resumes at 1:00 p.m. and ends at 3:00 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed and such other days as may be declared by the Philippine SEC or the PSE, to be a non-trading day.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for our Common Shares is 10 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

(a) in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;

(b) in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

As of March 21, 2025, there are 122 active PSE Trading Participants.

NON-RESIDENT TRANSACTIONS

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (a) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE trading participants; (b) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund, and; (c) performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a two-day rolling settlement environment, which means that settlement of trades takes place two days after transaction date (T+2). The deadline for settlement of trades is 12:00 noon of T+2. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the ten (10) existing Settlement Banks of SCCP which are Asia United Bank Corporation ("**AUB**"), BDO Unibank, Inc. ("**BDO Unibank**"), China Banking Corporation ("**Chinabank**"), Deutsche Bank ("**DB**"), East West Banking Corporation ("**EW**"), The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), Maybank Philippines, Inc. ("**Maybank**"), Metropolitan Bank & Trust Company ("**Metrobank**"), Rizal Commercial Banking Corporation ("**RCBC**") and Union Bank of the Philippines ("**Unionbank**"). Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, AUB, BDO Unibank, Chinabank, DB, EW, HSBC, Maybank, Metrobank, RCBC and Unionbank.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee, a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+2) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

AMENDED RULE ON LODGMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

(a) the offer shares/securities of the applicant company in the case of an initial public offering;

(b) the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;

(c) new securities to be offered and applied for listing by an existing listed company;

(d) and additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

(a) for a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date;

(b) on the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer's registry as of confirmation date.

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the Rule on MPO, shares held by the following are generally considered "held by the public": (a) individuals (for as long as the shares held are not of a significant size (i.e., less than 10.0%)) and are non-strategic in nature; (b) trading participants (for as long as the shares held are nonstrategic in nature); (c) investment and mutual funds; (d) pension funds; (e) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (f) social security funds.

Listed companies that become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the Philippine SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on companies that undertake initial public offerings or a backdoor listing was increased from 10.0% to 20.0%, while existing publicly listed companies as of December 2017 remain to be subject to the 10.0% MPO. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares.

The Philippine SEC is also looking at increasing the MPO requirement of existing listed companies to 25.0% for all listed companies; however, such proposed rules on increasing the MPO have yet to be adopted.

SHORT SELLING RULES

On October 2, 2023, the PSE announced that the PSE Guidelines for Short Selling Transactions shall take effect immediately and that it would officially launch its short selling program on October 23, 2023. However, the planned launch and implementation of the PSE Guidelines for Short Selling Transactions was eventually postponed to November 6, 2023.

Under the PSE Guidelines for Short Selling Transactions, as amended, securities that are eligible for short selling are limited to PSEi constituents, MidCap Index constituents, Dividend Yield Index constituents, and exchange traded funds. An eligible security must maintain a ratio of short interest to outstanding shares at less than or equal to 10% or as may be prescribed by the PSE. The "short interest" or the "outstanding short position" refers to the cumulative number of shares of a security sold short that have not yet been closed out, adjusted for corporate actions as may be applicable.

The PSE trading system shall not accept short selling orders for ineligible securities. Only PSE trading participants are allowed to enter short selling orders. Clients who want to place short selling orders must course these orders through their respective trading participants. Prior to entering the short selling order, the trading participant is required to determine that the client has entered into the necessary borrowing arrangements for the eligible securities subject of the short sale. Trading participants must also comply with the uptick rule under Section 3 of SRC Rule 24.2-2 and Section 5.2(b) of the Revised Trading Rules of the Exchange, or relevant revisions thereto. The requirements of the PSE and the Philippine SEC on securities borrowing and lending should be complied with by the short seller for purposes of complying with the PSE Trading Rules prohibition against "naked short sales."

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this prospectus and is subject to any changes occurring after such date. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE COMMON SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

*The following is a general description of certain Philippine tax aspects of the investment in the Common Shares. It is based on the present provisions of the Tax Code, as amended by the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**"), Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy Act ("**CREATE MORE**"), and the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Prospectus, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.*

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who comes and stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who comes and stays in the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business in the Philippines. The term "non-resident holder" means a holder of the shares of stock:

(a) who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and

(b) should an income tax treaty be applicable, whose ownership of the shares of stock is not effectively connected with a fixed base or a permanent establishment in the Philippines.

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took effect. The TRAIN Law, which contained an initial package of the tax reforms, amended various provisions of the National Internal Revenue Code of 1997 ("**Philippine Tax Code**"), including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax ("**DST**"). On April 11, 2021, the second package of the Comprehensive Tax Reform Program ("**CTRP**") became effective. While the first package of the TRAIN Law brought about extensive changes to individual income taxation, the second package, Republic Act No. 11534, or CREATE, lowered corporate income tax rates for micro-, small-, and medium-sized enterprises, from 30% to 20%; while Large Corporations are now taxed at a lowered rate of 25%. CREATE also provided other forms of tax relief and a new tax incentive system. On November 11, 2024, Republic Act No. 12066, or the CREATE MORE was signed into law, further amending the CREATE. The CREATE MORE established a simplified value-added tax ("**VAT**") refund system which aims to reduce delays in tax processes and to streamline procedures for projects that are eligible for incentives, by raising the investment capital thresholds for approval by investment promotion agencies, from ₱1 billion to ₱15 billion. Significantly, the CREATE MORE extended the maximum duration of availment of tax incentives from 17 years to 27 years. It also amended Section 32(B) of the Tax Code, which now provides that income of any kind, to the extent required by any treaty obligation, shall not be included in the gross income and shall be exempt from income taxation under the Tax Code.

A. Corporate Income Tax

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction ("**OSD**") equivalent to an amount not exceeding 40% of the corporation's gross income. Under the CREATE MORE, corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at the rate of 20%. Additionally, under the same law, domestic corporations and resident foreign corporations that are registered business enterprises under the enhanced deductions scheme provided under the Tax Code shall be taxed at 20% of their taxable income derived from registered projects or activities during each taxable year.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years.

SALE, EXCHANGE OR DISPOSITION OF SHARES AFTER THE IPO

A. Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%), 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. A value-added tax ("**VAT**") of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client, the seller or transferor. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the MPO which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies issued and outstanding shares at all times. In accordance with Philippine SEC Memorandum Circular No. 13, Series of 2017 (the "**SEC 2017 Circular**") which took effect on December 5, 2017, the MPO requirement on companies that undertake initial public offerings was increased from 10.0% to 20.0%. Under the SEC 2017 Circular, existing publicly listed companies as of December 2017 remain to be subject to the 10.0% MPO. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20.0%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares. The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor's tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor's tax under Section 100 of the Tax Code.) Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and DST. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

B. Capital Gains Tax, if the Sale Was Made Outside the PSE

Pursuant to the TRAIN Law, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized, beginning January 1, 2018.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000	5%
On any amount in excess of ₱100,000	10%

Unless an applicable treaty exempts such gains from tax or provides for preferential rates, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation, other than a dealer in securities, during each taxable year from the sale, exchange or disposition of shares of stock (i.e., secondary sale of common shares by the holder to another party) outside the facilities of the PSE are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year. Capital gains tax will also apply if the publicly listed company that issued the shares sold does not comply with the MPO.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.)

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**") which certifies that all applicable taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

C. Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to tax, while those received by a non-resident foreign corporation are generally subject to a final withholding tax at the rate of the 25%. The 25% tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15% if tax sparing applies, which is when:

(a) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends; or

(b) the country of domicile of the non-resident foreign corporation allows at least 10% credit equivalent for taxes deemed to have been paid in the Philippines.

The tax rate above is without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder.

Through the issuance of Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021), as clarified by Revenue Memorandum Circular No. 77-21 (Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021), the BIR revised its procedures for the availment of tax treaty relief. Under these regulations, all income items derived by non-resident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through the filing of either: (a) a request for confirmation ("**RFC**") by the withholding agent, or (b) a tax treaty relief application ("**TTRA**") by the non- resident taxpayer, with the required supporting documents in either case. In cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state, most tax treaties to which the Philippines is a party provide for a preferential tax rate of either 15% or 25%.

(a) RFC relating to dividend income

The preferential tax treaty rate may be applied by the withholding agent/income payor on the dividend income of the non-resident foreign shareholder by relying on the submission by such shareholder of the following documents before the dividend income is paid: (a) an application form for treaty purposes, (b) an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied, the withholding agent/income payor must file with the BIR ITAD, a request for confirmation of the use of the tax treaty rate. The RFC must be filed after the payment of the withholding tax and in no case later than the last day of the fourth month following the close of the relevant taxable year. In addition, Revenue Memorandum Circular No. 77-21 prescribes the filing of one consolidated request for confirmation per non-resident income recipient, regardless of the number and type of income payments during the year. The list of all documentary requirements that have to be submitted in support of the request for confirmation is provided under Revenue Memorandum Circular No. 14-2021. The RFC will be denied if the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits. The BIR will also require the withholding agent/income payor to pay the deficiency taxes plus surcharge, interest and penalties.

(b) TTRA relating to dividend income

If the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may, at any time after its receipt of the dividend income, file a TTRA with BIR ITAD. Like the RFC, the TTRA must also be supported by the documents specified in Revenue Memorandum Circular No. 14-2021. The BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code, if the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied. The claim for refund of the shareholder may also be filed simultaneously with the TTRA. Since the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue such refund.

(c) Applications relating to capital gains tax or stock transaction tax

In case a non-resident holder who is a resident of a country that has such a tax treaty seeks to avail of exemption from capital gains tax or stock transaction tax, it has to file a request for the BIR to issue a ruling confirming such exemption, along with the required supporting documents, including an application form for treaty purposes, and an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the seller. Revenue Memorandum Circular No. 77-21 provides that such application can be filed after the sale "but shall not be later than the last day of the fourth month following the close of the taxable year when the income is paid or when the transaction is consummated" in case of capital gains. The favorable ruling of the BIR has to be secured before the CAR can be applied for, in case of an application relating to capital gains tax.

D. Preferential Rates under Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)[9]	Capital Gains tax due on disposition of Shares outside the PSE (%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

***Notes**:*

(1) 15% if recipient company controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Philippine Tax Code as amended by the Section 39 of the TRAIN Law.

(10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.

(12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

E. Documentary Stamp Tax

The original issuance of shares is subject to a documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued.

The sale, barter or exchange of shares of stock listed and traded at the PSE (provided that publicly listed company that issued the shares sold complies with the MPO requirement) is not subject to DST. The secondary transfer of shares of stock outside of the facilities of the PSE (or if the publicly listed company that issued the shares sold does not comply the MPO requirement) is subject to DST at the rate of ₱1.50 on each ₱200.00, or a fractional part thereof, of the par value of the shares of stock transferred.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares. As mentioned previously, the transfer of shares shall not be recorded in the books of a company, unless the BIR issues a CAR.

F. Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's taxes.

The transfer by a deceased Philippine resident to his heirs of the shares of stock shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6.0%. A holder of the shares of stock who is a Philippine resident shall be subject to donor's tax based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year on the transfer of the shares of stock by donation at a rate of 6.0%.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock:

(a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or

(b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the shares of stock are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the shares of stock exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the shares of stock, based on Section 100 of the Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

G. Taxation Outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax, unless an exemption from tax in the Philippines is provided under the law or a tax treaty.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

PLAN OF DISTRIBUTION

Up to [1,162,222,100] Firm Shares, or [70]% of the Firm Shares (the "**Institutional Offer Shares**") are (subject to reallocation as described below) being offered for sale (i) outside the United States by the International Underwriters in offshore transactions in reliance on Regulation S under the U.S. Securities Act, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) within the Philippines by the Domestic Lead Underwriter to local qualified buyers as defined in Section 10.1(l) of the SRC and Rule 10.1.3 of the SRC IRR, as amended. At least [498,095,300] Firm Shares (the "**Trading Participants and Retail Offer Shares**"), or [30]% of the Firm Shares, of which [20]% of the Firm Shares shall be allocated to all of the PSE Trading Participants and [10]% of the Firm Shares shall be allocated to local small investors ("**LSIs**"), are (subject to reallocation as described below) being offered by the Domestic Lead Underwriter at the Offer Price to all of the PSE Trading Participants and LSIs in the Philippines (the "**Trading Participants and Retail Offer**"). Notwithstanding the International Underwriters being named in this Prospectus, offers or sales by the International Underwriters of Offer Shares outside the Philippines are not governed by Philippine laws. The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to any reallocation, clawback, clawforward or any other such mechanisms as described below, and pursuant to the terms of the International Purchase Agreement and Domestic Underwriting Agreement by and between the Issuer and the Joint Global Coordinators and Joint Bookrunners.

No Offer Shares are designated to be sold to specified persons apart from the Trading Participants and Retail Offer Shares and the Reserved Shares.

ROLES AND RESPONSIBILITIES OF THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

The Joint Global Coordinators and Joint Bookrunners are responsible for the coordination of the various execution workstreams relating to the Offer.

The Joint Global Coordinators and Joint Bookrunners are assisting the Issuer in the book-building process, which includes marketing and allocation of the Offer to potential investors as described in this Plan of Distribution.

None of the activities of the International Underwriters has been or will be conducted in the Philippines, or would constitute licensable activities in the Philippines. The offers or sales by the International Underwriters of Offer Shares will be made to persons located outside the Philippines and therefore would not be governed by Philippine laws. As such, the type and level of due diligence that is conducted by the International Underwriters, and any conflict of interest considerations to which they may be subject, may be different from those applicable to the Domestic Lead Underwriter. There is, therefore, no assurance that the due diligence conducted by the International Underwriters and the standard of avoidance of conflict of interest maintained by the same as regards the Issuer would be the same as the Domestic Lead Underwriter, which are subject to the supervision of the Philippine SEC. In the case of the Domestic Lead Underwriter, the potential investors will be based in the Philippines and the offers or sales by the Domestic Lead Underwriter will be governed by Philippine laws.

The Domestic Lead Underwriter has undertaken to underwrite a portion of the Offer on a firm commitment basis. The offers or sales by the Domestic Lead Underwriter will be governed by Philippine laws as such offers or sales will be made to PSE Trading Participants and local small investors in the Philippines in addition to certain qualified buyers as defined under the SRC and other investors in the Philippines.

Each International Underwriter and its affiliates have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with the Issuer, the Selling Shareholder or their respective subsidiaries and affiliates. Each International Underwriter may have received and expects to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, each International Underwriter and its affiliates may trade the Issuer's securities, the Selling Shareholder's securities, or the securities of the subsidiaries or affiliates of any of the Issuer or the Selling Shareholder or derivatives relating to the foregoing securities for its or its affiliates' own account or for the accounts of customers, and may at any time hold a long or short position in such securities. Each International Underwriter does not have any right to designate or nominate a member of the Board of Directors. Each International Underwriter has no direct relationship with the Issuer in terms of share ownership and, other than as International Underwriter for the Offer, does not have any material relationship with the Issuer or the Selling Shareholder.

The Domestic Lead Underwriter has engaged in transactions with, and has performed various investment banking, commercial banking and other services for the Issuer or the Selling Shareholder in the past, and may do so for the Issuer, the Selling Shareholder and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Domestic Lead Underwriter, including in connection with the Offer, has been provided as an independent contractor and not as a fiduciary to the Issuer or the Selling Shareholder. The Domestic Lead Underwriter does not have any right to designate or nominate a member of the Board of Directors. The Domestic Lead Underwriter has no direct relationship with the Issuer in terms of share ownership and, other than as a Domestic Lead Underwriter for the Offer and as a lender (see Note 11 of the consolidated audited financial statements), does not have any material relationship with the Issuer or the Selling Shareholder.

The Domestic Lead Underwriter does not have a contract or other arrangement with the Issuer whereby it may put back or return to the Issuer or the Selling Shareholder any unsold Firm Shares and Upsize Option Shares to the extent exercised.

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December 1994, BPI Capital is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. The firm operates as a wholly owned subsidiary of the Bank of the Philippine Islands.

HSBC provides a comprehensive range of domestic and international banking and related financial services, principally in the Asia-Pacific region. It is a principal subsidiary of HSBC Holdings plc, one of the largest banking and financial services organisations in the world.

Morgan Stanley, together with its affiliates, is a leading global financial services firm providing a wide range of investment banking, securities, wealth management and investment management services. With offices in more than 41 countries, the firm's employees serve clients worldwide including corporations, governments, institutions and individuals.

UBS is a leading and truly global wealth manager and the leading universal bank in Switzerland. It also provides diversified asset management solutions and focused investment banking capabilities. With the acquisition of Credit Suisse, UBS manages U.S.$6.2 trillion of invested assets as per October 2024. UBS helps clients achieve their financial goals through personalized advice, solutions and products. Headquartered in Zurich, Switzerland, the firm is operating in more than 50 markets around the globe. UBS Group shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

CO-MANAGER

Maybank Securities provides a comprehensive range of financial services which include securities broking, derivatives trading, prime brokerage, research and investment banking. A licensed financial institution in Singapore, Maybank Securities is part of Maybank Investment Banking Group, the investment banking arm of Malayan Banking Berhad, the largest banking group and the largest public listed company by market capitalisation in Malaysia.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to reallocation as described below) initially be offered by the Domestic Lead Underwriter to all of the PSE Trading Participants and LSIs in the Philippines. At least [332,063,500] Trading Participants and Retail Offer Shares, or [20]% of the Firm Shares, shall be allocated among the [122] PSE Trading Participants. Each PSE Trading Participant shall initially be allocated [2,721,800] Firm Shares and subject to reallocation as may be determined by the Domestic Lead Underwriter. Based on the initial allocation for each PSE Trading Participant, there will be [3,900] residual Firm Shares to be allocated as may be determined by the Domestic Lead Underwriter to the PSE Trading Participants. At least [166,031,800] Retail Offer Shares, or [10]% of the Firm Shares, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or "PSE EASy." An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot and whose subscription does not exceed ₱[●] provided, however, that the PSE's management may increase the maximum subscription amount for the LSI, on a case to case basis, taking into account the offer size of the IPO consistent with the objective of facilitating and achieving maximum participation and subscription to the LSI allocation. In the case of this Offer, the minimum subscription of LSIs shall be [●] Common Shares or ₱[●] while the maximum subscription shall be [●] Common Shares or up to ₱[●]. The LSI Allocation will be increased to up to [●] Offer Shares if the total amount of Offer Shares in Applications to Purchase submitted by LSIs is five (5) times or more than the LSI Allocation. In the event that the total demand by LSIs for the Offer Shares exceed the maximum allocation of up to [●], the Joint Global Coordinators and Joint Bookrunners shall allocate the Offer Shares by balloting. The Offer Shares allocated to the LSIs will be distributed following the procedures indicated in the LSI Guidelines to be announced in the PSE EDGE website by the PSE. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Issuer's LSI Guidelines to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Lead Underwriter shall satisfy first the applications of LSI Applicants with the smallest orders.

Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be added to the Underwriting Commitments of the Domestic Lead Underwriter and International Underwriters and shall be distributed by the Domestic Lead Underwriter to its clients or the general public in the Philippines or as otherwise agreed with the International Underwriters. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer, or taken up by the clients of the Domestic Lead Underwriter, or the general public, shall be deemed underwritten by the Domestic Lead Underwriter and the International Underwriters pursuant to the terms and conditions of the Domestic Underwriting Agreement and International Purchase Agreement, respectively, and shall be added to their respective Underwriting Commitments. Nothing herein or in the Domestic Underwriting Agreement and International Purchase Agreement shall limit the rights of the Domestic Lead Underwriter and the International Underwriters from purchasing the Offer Shares for their own accounts.

To facilitate the Trading Participants and Retail Offer, the Issuer and the Selling Shareholder have appointed BPI Capital to act as the Domestic Lead Underwriter.

Allocation is given by the Receiving Agent to the PSE Trading Participants in accordance with the allocation procedures as laid out in the TP Guidelines. The PSE Trading Participants, in turn, shall submit their respective allocation from the Trading Participants and Retail Offer Shares and supporting documents to the Receiving Agent on or before 12 noon on the last day of the Offer Period.

With respect to the LSIs, all applications to purchase or subscribe for the Trading Participant and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. An application to purchase for the Trading Participant and Retail Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all required relevant information and applicable supporting documents to the Receiving Agent. Payment for the Trading Participant and Retail Offer Shares may be made in cash or via over-the-counter check deposit in any BPI branch or via BPI Mobile Banking App or BPI Internet Banking following the payment instructions generated through PSE EASy. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.

PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.0%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Issuer via the Receiving Agent to the PSE Trading Participants within [ten] business days from the Listing Date.

Apart from the said selling commission of the PSE Trading Participants on the final take-up of the Firm Shares, there are no other discounts and commissions, either in cash, securities, contracts or other considerations, which will be paid to or received by any broker-dealer in connection with the Offer.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. Investors may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date. Costs or fees relating to such upliftment shall be for the account of the investor.

All Firm Shares not taken up by the PSE Trading Participants, the LSIs, the general public and the Domestic Lead Underwriter's clients shall be purchased by the Domestic Lead Underwriter and the International Underwriters on a firm commitment basis pursuant to the terms and conditions of the Domestic Underwriting Agreement and the International Purchase Agreement, respectively. Nothing herein or in the Domestic Underwriting Agreement and the International Purchase Agreement shall limit the rights of the Domestic Lead Underwriter and the International Underwriters from purchasing the Offer Shares for their own accounts.

The Trading Participants and Retail Offer is subject to certain conditions and may be subject to termination by the International Underwriters and the Domestic Lead Underwriter if certain circumstances, including force majeure, occur on or before the Listing Date.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale (subject to re-allocation as described below) (i) outside the United States in offshore transactions in reliance on Regulation S of the U.S. Securities Act by the International Underwriters, (ii) within the United States through the International Underwriters' U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) within the Philippines by the Domestic Lead Underwriter to local qualified buyers as defined in Section 10.1(l) of the SRC and Rule 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC IRR, as amended.

Investors in the Institutional Offer will be required to pay, in addition to the Offer Price, a brokerage fee of up to [1.00]% of the Offer Price.

The Institutional Offer is subject to certain conditions and may be subject to termination by the International Underwriters if certain circumstances, including force majeure, occur on or before the Listing Date.

[CORNERSTONE INVESTMENT AGREEMENTS

Concurrently with and as part of the Institutional Offer, each of the entities listed below (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**") has entered into a cornerstone investment agreement with the Issuer, the Selling Shareholder and the International Underwriters to purchase Offer Shares (the "**Cornerstone Shares**") from the Issuer and the Selling Shareholder at the Offer Price. Assuming an Offer Price of ₱[20.00], the Cornerstone Shares represent approximately [●]% of the Offer Shares (assuming full exercise of the Overallotment Option) and approximately [●]% of the Offer Shares (assuming the Overallotment Option is not exercised). Cornerstone Investors will not be subject to a lock-up requirement on the Cornerstone Shares.

The Offer is not conditional on the completion of the purchase of the Cornerstone Shares by any of the Cornerstone Investors. Cornerstone Investors may also participate in the Offer by purchasing Offer Shares through the book building process for the Offer Shares in addition to their Cornerstone Shares. The purchase of Cornerstone Shares will not limit the number of Offer Shares which the Cornerstone Investors may purchase as part of the Offer.

The Cornerstone Investors

A brief description of the Cornerstone Investors is provided below.

[●]

REALLOCATION

The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be determined by the Joint Global Coordinators and Joint Bookrunners in consultation with the Issuer. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Global Coordinators and Joint Bookrunners, the reallocation shall not apply in the event of over-application in both the Trading Participants and Retail Offer and the Institutional Offer. In the event of under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand, allocation not taken up in either the Trading Participants and Retail Offer or the Institutional Offer shall be divided amongst the Joint Global Coordinators and Joint Bookrunners on a pro rata basis for which the Domestic Lead Underwriter will underwrite on a firm commitment basis and the International Underwriters will procure purchasers for, and failing which to purchase, and reallocation shall apply accordingly.

UNDERWRITING COMMITMENTS

The Issuer and the Domestic Lead Underwriter [entered] into a Domestic Underwriting Agreement [to be] dated on or about [●], 2025 (the "**Domestic Underwriting Agreement**"), whereby the Domestic Lead Underwriter has agreed to underwrite on a firm commitment basis, the public offering, distribution and sale in the Philippines, within the Offer Period, of the Firm Shares to the extent and in the amount of its underwriting commitment as set out in the table below, subject to agreement between the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism relating to the reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

	Number of Firm Shares	% of Firm Shares
BPI Capital Corporation	[415,079,350][41]	[25]%

Under the terms and conditions of the international purchase agreement [to be] dated on or about [●], 2025 (the "**International Purchase Agreement**"), entered into between the Issuer, the Selling Shareholder and the International Underwriters, each of the International Underwriters has agreed to procure purchasers for or failing which to purchase the portion of Institutional Offer Shares opposite its name indicated in the following table, subject to agreement among the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer. The International Purchase Agreement is subject to certain conditions and may be subject to termination by the International Underwriter if certain circumstances, including force majeure, occur on or before the Listing Date.

	Number of Firm Shares	% of Firm Shares
The Hongkong and Shanghai Banking Corporation Limited	[415,079,350]	[25]%
Morgan Stanley Asia (Singapore) Pte.	[415,079,350]	[25]%
UBS AG, Singapore Branch	[415,079,350]	[25]%

The foregoing tables do not reflect (i) the Preferential Offer, (ii) the exercise of the Overallotment Option that may or may not be exercised by UBS AG, Singapore Branch and its relevant affiliates, as Stabilizing Agent, to purchase up to [249,047,600] Overallotment Option Shares from the Issuer or (iii) the exercise of the Upsize Option that may or may not be exercised by the Joint Global Coordinators and Joint Bookrunners to sell up to an additional [354,704,200] Common Shares from the Selling Shareholder.

The estimated underwriting and selling fees shall be equivalent to up to [2.5]% of the gross proceeds from the Offer, excluding the Preferential Offer.

THE PREFERENTIAL OFFER

Pursuant to paragraph 3(f) of PN15, FPCL must have due regard to the interests of its shareholders by providing them with an assured entitlement to shares of the Issuer being offered in the Offer, either by way of a distribution of Common Shares in specie or by way of preferred application for the Common Shares in the Offer by the shareholders of FPCL. FPCL or its designated entity will subscribe for the Reserved Shares in the Preferential Offer for onward distribution to its shareholders. The Reserved Shares are not subject to reallocation. In the event that the Overallotment Option or the Upsize Option is not is exercised, the number of Reserved Shares will not change.

The documents to be issued in connection with the Offer and the Preferential Offer will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than the Philippines.

THE UPSIZE OPTION

The Joint Global Coordinators and Joint Bookrunners, in consultation with the Issuer and the Selling Shareholder, have the option to increase the total number of Common Shares offered in the Offer by up to [354,704,200] Common Shares to be sold by the Selling Shareholder, which may be exercised at any time during the Offer Period (the "**Upsize Option Period**"). The Upsize Option may be exercised through the Joint Global Coordinators and Joint Bookrunners' submission of an irrevocable request to the Issuer specifying the number of Upsize Option Shares proposed to be offered, which shall not exceed [354,704,200] Common Shares and shall be in accordance with the allocation agreed upon by the Joint Global Coordinators and Joint Bookrunners, with the Issuer's agreement evidenced through subsequent written confirmation to the Joint Global Coordinators and Joint Bookrunners.

[41] The Domestic Lead Underwriter's underwriting commitment is applied pro rata (i.e., 25% of the final number of Firm Shares) across the Institutional Offer Shares and Trading Participants and Retail Offer Shares.

In the event that the Upsize Option is exercised, the Joint Global Coordinators and Joint Bookrunners shall have exclusive right and priority toward the allocation, offer and sale of any Upsize Option Shares. The distribution or allocation of the Upsize Option Shares among the Joint Global Coordinators and Joint Bookrunners shall be determined by mutual agreement among them, with notice to the Issuer.

The Upsize Option Shares, once the Upsize Option is exercised, shall be divided amongst the Joint Global Coordinators and Joint Bookrunners on a pro rata basis and (i) deemed underwritten by the Domestic Lead Underwriter on a firm commitment basis with respect to its portion and (ii) purchased by purchasers procured by the International Underwriters, or failing which purchased the International Underwriters, in each case in addition to the amounts set out opposite the names of the Joint Global Coordinators and Joint Bookrunners indicated table above.

Upon completion of the Offer, and assuming full exercise of the Overallotment Option but no exercise of the Upsize Option, a total of [7,546,897,300] Common Shares will be issued and outstanding, with the Firm Shares representing [22.00]% of the Company's issued and outstanding capital stock and, assuming full exercise of the Overallotment Option, the Offer Shares representing [25.63]% of the Company's issued and outstanding capital stock. If the Upsize Option is fully exercised, an additional [354,704,200] Common Shares will be offered and the public float, which excludes any Reserved Shares held by FPCL, will be [30.00]%. To the extent that the Upsize Option is not fully exercised, the unexercised portion of the Upsize Option shall not be sold by the Selling Shareholder.

THE OVERALLOTMENT OPTION AND STABILIZATION

In connection with the Offer, the Issuer has granted UBS AG, Singapore Branch and its relevant affiliates as the Stabilizing Agent an Overallotment Option, exercisable in whole or in part, to purchase up to [249,047,600] Overallotment Option Shares at the Offer Price and on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. In connection therewith, the Issuer has entered into a Greenshoe Agreement with the Stabilizing Agent to, among other things, utilize up to [249,047,600] Overallotment Option Shares to cover over-allocations under the Institutional Offer and the Trading Participants and Retail Offer. The Overallotment Option Shares may be over-allotted and the Stabilizing Agent may affect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 calendar days from and including the Listing Date. Thus, the grant to the Stabilizing Agent of the Overallotment Option may be exercised over any, some or for all of the Overallotment Option Shares.

Any Common Shares that may be delivered to the Stabilizing Agent under the Greenshoe Agreement will be re-delivered to the Issuer either through the purchase of Common Shares in the open market by the Stabilizing Agent in the conduct of stabilization activities or through the exercise of the Overallotment Option by the Stabilizing Agent. The Stabilizing Agent may purchase Common Shares in the open market only if the market price of the Common Shares falls below the Offer Price. The initial stabilization action shall be at a price below the Offer Price. After the initial stabilization action, (i) if there has not been an independent trade (i.e., a trade made by a person other than the Stabilizing Agent for itself or on behalf of its clients) in the market at a higher price than the initial stabilization trade, the subsequent trade shall be below the initial stabilization price, or (ii) if there has been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price (For this purpose, independent trade shall mean any trade made by any person other than the Stabilizing Agent.). Such activities may stabilize, maintain or otherwise affect the market price of the Common Shares, which may have the effect of preventing a decline in the market price of the Common Shares and may also cause the price of the Common Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If the Stabilizing Agent commences any of these transactions (which would include thereafter disposing of or selling the Common Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. Consequently, the Stabilizing Agent may conduct stabilization activities by repurchasing Common Shares from the market at up to the number of Overallotment Option Shares sold under the Overallotment Option; hence, stabilization activities and the funds available therefor will necessarily be limited by the number of Overallotment Option Shares actually sold or purchased. There is also no assurance that the price of the Common Shares will not decline significantly after any such stabilizing activities end.

The Stabilizing Agent will be the legal and beneficial owner of the Common Shares that it purchased within the Stabilization Period, and hence, economic, voting, and full ownership rights over such shares will belong to it, including, but not limited to the following:

(1) right to vote;

(2) right to receive dividends; and

(3) right to dispose.

Any rights relating to conversion, sub-division, consolidation, pre-emption, rights arising under a takeover offer or other rights, including those requiring election by the holder for the time being of such shares. The Stabilizing Agent shall divest the Common Shares that it may have purchased during the Stabilization Period within a certain period after the end of the Stabilization Period. The Issuer is obligated to reimburse on demand all reasonable costs and out-of-pocket expenses incurred by the Stabilizing Agent in the performance of its stabilization activities. The Issuer is also required to indemnify the Stabilizing Agent for the difference between the total amount of stabilization fund used and the total net proceeds from the sale the Common Shares after the Stabilization Period such that the Stabilizing Agent is made whole for any loss incurred in performing stabilizing activities, provided that if the stabilization fund used for stabilization activities is less than the net proceeds from the sale of the Common Shares, the Stabilizing Agent shall remit to the Issuer such excess proceeds, net of applicable withholding taxes. Applicable taxes shall also be for the account of the Issuer.

As discussed under the section "*Dilution*," if the Overallotment Option is fully exercised, the number of shares held by new investors and the public float, excluding any Reserved Shares held by FPCL and any onward distribution of such Reserved Shares to FPCL's shareholders (to the extent elected by such shareholders), will be:

	Assuming the Upsize Option is fully exercised	**Assuming the Upsize Option is not exercised**
Number of Shares held by new investors…………………....	[2,264,069,200]	[1,909,365,000]
Public Float…………………………………………………	[30.0]%	[25.3]%

To the extent the Overallotment Option is not exercised, the same shall be deemed cancelled and the relevant Overallotment Option Shares shall be redelivered to the Company and form part of its treasury shares. If the Overallotment Option is not exercised, excluding any Reserved Shares held by FPCL and any onward distribution of such Reserved Shares to FPCL's shareholders (to the extent elected by such shareholders), will be:

	Assuming the Upsize Option is fully exercised	**Assuming the Upsize Option is not exercised**
Number of Shares held by new investors…………………....	[2,015,021,600]	[1,660,317,400]
Public Float…………………………………………………	[27.6]%	[22.8]%

WITHDRAWAL OF THE OFFER

[●]

LOCK-UP

Under the PSE Consolidated Listing and Disclosure Rules, as amended (the "**PSE Listing Rules**"), existing shareholders who own an equivalent of at least 10% of the issued and outstanding Common Shares as of the Listing Date cannot sell, assign or in any manner dispose of their shares for a minimum period of 180 calendar days, or if the Issuer is exempt from the track record and operating history requirements, a minimum period of 365 calendar days, after the Listing Date.

In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for share swaps, or similar transactions) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 calendar days prior to the offering period, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 calendar days from full payment of the aforesaid shares.

The following stockholder is covered by the 180-day lock-up requirement from Listing Date (if the Upsize Option is not exercised):

Shareholder	No. of Shares
Maynilad Water Holding Company, Inc.	5,298,510,289 Common Shares
TOTAL	5,298,510,289 **Common Shares**

The following stockholder is covered by the 180-day lock-up requirement from Listing Date (if the Upsize Option is fully exercised):

Shareholder	No. of Shares
Maynilad Water Holding Company, Inc.	4,943,806,089 Common Shares
TOTAL	**4,943,806,089 Common Shares**

The Issuer and the Selling Shareholder have agreed with the Joint Global Coordinators and Joint Bookrunners that, except in connection with the Overallotment Option, they will not, without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of [180] calendar days after the Listing Date, subject to certain exceptions in the underwriting agreements (without prejudice to the applicability of the regulatory lock-up under the PSE rules as the PSE may determine on the following transfers), including:

with respect to the Issuer,

- [any sale of Common Shares pursuant to the Offer (including pursuant to the Overallotment Option);
- sales of treasury shares upon request of any holder of fractional shares / shares below the minimum board lot;
- issuances to the Issuer's employees and directors of up to 5% of the shares in issue at the relevant time (or the equivalent amount of stock acquisition rights), provided that such recipient enters into a lock-up agreement with the Joint Global Coordinators and Joint Bookrunners on substantially the same terms;
- issuances of shares pursuant to a stock split or free share distribution;
- transfers required by applicable law or by any competent authority;
- transfers made in respect of the Offer structure, which have been disclosed to the Joint Global Coordinators and Joint Bookrunners in writing prior to the execution of the agreement; and
- any agreement, undertaking or commitment to do any of the actions set out; and]

with respect to the Selling Shareholder,

- [any sale of Common Shares pursuant to the Offer (including pursuant to the Overallotment Option);
- transfers as may be required by applicable law or by any competent authority;
- transfers to any affiliate of the Selling Shareholder, provided that such affiliate transferee enters into a lock-up undertaking with the Issuer and the Joint Global Coordinators and Joint Bookrunners on substantially the same terms as set forth in the underwriting agreements;
- transfers with the prior written consent of the Joint Global Coordinators and Joint Bookrunners;
- transfers of all Common Shares held by the Selling Shareholder to a strategic purchaser, provided that such transferee enters into a lock-up undertaking with the Joint Global Coordinators and Joint Bookrunners on substantially the same terms set forth in the underwriting agreements;
- acceptance of a general or public tender offer for the Common Shares of the Issuer made in accordance with the relevant public takeover rules, the provision of an irrevocable undertaking to accept such an offer, a sale to an offeror (or potential offeror) which is named in a public announcement of a firm intention to make an offer (or possible intention to make such an offer) or a sale of shares to an offeror (or potential offeror) during an offer period (as defined by the relevant public takeover rules);
- transfer of Common Shares pursuant to any scheme of compromise or arrangement providing for the acquisition, by any person or group of persons acting in concert, of 50.0% or more of the equity share

capital of the Issuer, or any disposal of Common Shares in connection with a scheme of reconstruction under laws applicable to the Issuer;

- transfers made pursuant to an offer by the Issuer to repurchase its own Shares, as long as this is executed on a pro-rata basis;
- a disposal of Common Shares to raise monies to meet any claim under the agreement, or any expenses or other liabilities (including tax) incurred or suffered in meeting or defending any such claim or arising in consequence of any such disposal;
- (A) mortgage, charge, hypothecation, encumbrance, pledge or control agreement granted over any Common Shares of the Issuer by the Selling Shareholder to one or more third parties (the "**Secured Parties**") as collateral for any loan or financing (as amended, modified, supplemented or refinanced, the "**Loan**"), including any sale, transfer, foreclosure or exercise of other rights or remedies over such Common Shares under such mortgage, charge, hypothecation, encumbrance, pledge, or control agreement relating to such Loan or (B) any arrangement under such Loan which transfers the synthetic exposure of the equity price risk of the Lock-up Securities following an event of default under the Loan or enforcement of such mortgage, charge, hypothecation, encumbrance, pledge, or control agreement from the Secured Parties to the Selling Shareholder;
- transfers made in respect of the Offer structure, which have been disclosed to the Joint Global Coordinators and Joint Bookrunners in writing prior to the execution of the agreement; and
- any agreement, undertaking or commitment to do any of the actions set out above.]

To implement this lock-up requirement, the PSE requires, among others, to lodge the shares with the PDTC through a participant of the PDTC system for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. For this Offer, the appointed Escrow Agent shall be Metropolitan Bank & Trust Company – Trust Banking Group.

INDEMNITY

The underwriting agreements provides that the Issuer will indemnify the Joint Global Coordinators and Joint Bookrunners against certain liabilities, including under the U.S. Securities Act.

REGISTRATION OF FOREIGN INVESTMENTS

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See the section entitled "*Regulatory and Environmental Matters – Registration of Foreign Investments and Exchange Controls*" in this Prospectus.

Philippine Foreign Exchange Controls and Foreign Ownership Considerations

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. Foreign exchange dealers and money changers, in compliance with BSP regulations, require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose ("**Authority to Disclose**") in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Following registration, capital repatriation of investments in listed securities is permitted upon presentation of the proof of receipt of the report submitted by the registering bank to the BSP or the Letter Advice from the registering bank, and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) proof of receipt of the report submitted by the registering bank to the BSP or the Letter Advice from the registering bank; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

The Issuer and its subsidiaries operate as public utilities and also own certain real estate and, as such, we are subject to certain nationality restrictions found under the Philippine Constitution and other laws limiting ownership to Philippine Nationals. As of the date of this Prospectus, approximately [●]% of the total outstanding capital stock of the Company is held by Philippine Nationals. After completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

Foreign Investments and Laws and Regulations Relating to Restrictions on Foreign Equity

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

The Philippine Constitution also requires franchises, certificates, or other forms of authorization for the operation of a public utility to be granted only to citizens of the Philippines, or to corporations or associations organized under the laws of the Philippines, at least sixty percent (60%) of whose capital is owned by Filipinos. The participation of foreign investors in the governing body of any public utility enterprise shall be limited to their proportionate share in its capital, and all the executive and managing officers of such corporation or association must be citizens of the Philippines. In determining compliance with the nationality restrictions imposed upon public utilities, the Philippine SEC issued Memorandum Circular No. 08 (2013), mandating Filipino ownership in both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Under Commonwealth Act No. 146 or the Public Service Act, as amended (the "**Public Service Act**"), public utilities include every individual, co-partnership, association, corporation, or joint-stock company, whether domestic or foreign, that own, operate, manage or control in the Philippines, gas, electric light, heat, power, water, oil, telephone, wire or wireless telegraph system, plant or equipment and broadcasting stations, when owned, operated, managed, or controlled for public use or service within the Philippines, among others.

Since the Issuer and its subsidiaries are considered a public utility companies under the Public Service Act, and because the Issuer owns land, at least sixty percent (60%) of its capital must be owned by Filipinos.

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 or Republic Act No. 7042 liberalized the entry of foreign investments into the Philippines.

A Philippine National is defined under the law to mean any of the following: (i) a citizen of the Philippines; (ii) a domestic partnership or association wholly owned by citizens of the Philippines; (iii) a corporation organized under the laws of the Philippines of which at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; (iv) a corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or (v) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippines national and at least sixty percent (60%) of the fund will accrue to the benefit of the Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least sixty percent (60%) of both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors., the corporation shall be considered as a Philippine National.

Land Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

SELLING RESTRICTIONS

Philippines

No securities, except for a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the Philippine SEC on Form 12-1 and the registration statement has been declared effective by the Philippine SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, our legal counsel, Romulo Mabanta Buenaventura Sayoc & de los Angeles, legal counsel to the Joint Global Coordinators and Joint Bookrunners, and Adarlo Caoile & Associates Law Offices, the independent legal counsel that issued the opinions on the Offer's legality, the Company's tax matters, and the Group's material permits and licenses.

Certain legal matters as to United States federal law will be passed upon by Latham & Watkins LLP, our legal counsel, and Milbank (Hong Kong) LLP, legal counsel to the Joint Global Coordinators and Joint Bookrunners. In rendering their opinions, Milbank (Hong Kong) LLP and Latham & Watkins LLP may rely upon the opinions of Picazo Buyco Tan Fider & Santos and Romulo Mabanta Buenaventura Sayoc & de los Angeles as to all matters of Philippine law.

Each of the foregoing legal counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. None of the legal counsel will receive any direct or indirect interest in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS AND OTHER EXPERTS

INDEPENDENT AUDITORS

The financial statements of the Company as of and for the years ended December 31, 2022, 2023 and 2024 and as of and for the three months ended March 31, 2025 were audited by SGV, independent auditors, as stated in their report attached to this Prospectus.

SGV has acted as the Company's external auditor since 2018. Mr. Meynard A. Bonoen is the current audit partner for the Company and has served as such since 2019. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period.

SGV has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees paid to SGV for professional services rendered in respect of the audit of our historical financial statements and other non-audit services, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

	2023	2024
Audit Services (in ₱)		
December 31 Audit	11,650,000	12,150,000
September 30 Special Audit	-	10,000,000
Non-Audit Services (in ₱)		
Bond offering	-	5,000,000
Other assurance services	5,250,000	695,000
Tax services	2,185,000	3,100,000
Total	**19,085,000**	**30,945,000**

SGV does not have shareholdings in our Company or any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in our Company. SGV will not receive any direct or indirect interest in our Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT MARKET RESEARCH CONSULTANT

GlobalData, an independent market research consultant, was responsible for preparing the industry report entitled "*Market Assessment on the Water and Wastewater Sectors in the Philippines*" and dated as of May 2025, portions of which have been presented in this Prospectus and the full version of which is attached to this Prospectus as Appendix 1. GlobalData provides a total market research solution to both local and multinational corporations across all sectors worldwide. The professional fees billed by GlobalData for such work amounted to U.S.$0.04 million.

GlobalData does not have shareholdings in our Company or any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in our Company. GlobalData will not receive any direct or indirect interest in our Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. Moreover, GlobalData is not an affiliate, director or senior executive of our Company.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 March 31, 2025 and December 31, 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three-month periods ended March 31, 2025 and 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 March 31, 2025 and December 31, 2024, and its financial performance and its cash flows for the three-month periods ended March 31, 2025 and 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.

Revenue recognition for Manila Concession (West Zone)

About 99% of the Company's consolidated revenues comprises water and sewerage service revenue 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 revenue 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

April 29, 2025

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 March 31, 2025 and 2024, 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 March 31, 2025 and 2024, 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

APR 29 2025

Signed this 29th day of April 2025.

SUBSCRIBED AND SWORN to before me this ________________ 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. 441 ;
Page No. 90 ;
Book No. VIII ;
Series of 2025.

ATTY. MANNY V. GRAGASIN
NOTARY PUBLIC
COMMISSION NO. 07 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
TIN NO. 243-085-918

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 24 and 25)	**₱5,398,180**	₱10,519,541
Trade and other receivables (Notes 3, 5, 14, 24 and 25)	**2,717,973**	2,722,872
Contract assets (Notes 7, 14, 24 and 25)	**1,311,288**	1,386,458
Other current assets (Notes 6, 14, 24 and 25)	**2,606,698**	2,130,695
Total Current Assets	**12,034,139**	16,759,566
Noncurrent Assets		
Service concession assets (Notes 3, 7, 10, 11, 15 and 22)	**175,570,408**	168,339,382
Property and equipment (Notes 3 and 8)	**1,898,715**	1,963,230
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)	**10,352,138**	10,983,572
Total Noncurrent Assets	**187,946,125**	181,411,048
	₱199,980,264	₱198,170,614
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 3, 12, 14, 15, 17, 23, 24 and 25)	**₱25,964,283**	₱24,157,077
Current portion of interest-bearing loans (Notes 7, 11, 24 and 25)	**2,612,590**	4,186,065
Current portion of service concession obligation payable to MWSS (Notes 7, 10, 24 and 25)	**1,036,162**	1,027,255
Income tax payable	**945,566**	787,944
Total Current Liabilities	**30,558,601**	30,158,341
Noncurrent Liabilities		
Interest-bearing loans - net of current portion (Notes 7, 11, 24 and 25)	**84,216,639**	79,461,471
Service concession obligation payable to MWSS - net of current portion (Notes 7, 10, 24 and 25)	**5,897,516**	6,294,526
Deferred tax liabilities - net (Note 16)	**1,840,652**	1,737,595
Deferred credits (Note 3)	**1,149,704**	1,379,554
Retirement liability (Notes 3 and 17)	**825,987**	870,805
Customers' deposits (Notes 24 and 25)	**630,298**	605,611
Other noncurrent liabilities (Notes 2, 14 and 17)	**2,262,227**	2,307,761
Total Noncurrent Liabilities	**96,823,023**	92,657,323
Total Liabilities	**127,381,624**	122,815,664

(Forward)

	March 31, 2025	December 31, 2024
Equity		
Capital stock (Notes 1 and 13)	**₱5,683,728**	₱5,683,728
Additional paid-in capital (Note 13)	**10,030,294**	10,030,294
Treasury shares (Note 13)	**(960,555)**	(960,555)
Other comprehensive loss (Notes 9 and 17)	**(582,728)**	(607,544)
Other equity adjustments (Note 13)	**(309,220)**	(309,220)
Retained earnings (Note 13)		
Unappropriated	**18,188,121**	20,969,247
Appropriated	**40,549,000**	40,549,000
Total Equity	**72,598,640**	75,354,950
	₱199,980,264	₱198,170,614

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 THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands, Except Earnings per Share Value)

	March 31	
	2025	2024
OPERATING REVENUE (Note 14)		
Water services:		
West zone	**₱6,669,910**	₱6,762,762
Outside west zone	**86,965**	78,493
Wastewater services:		
West zone	**1,751,908**	1,207,299
Others	**55,968**	52,482
	8,564,751	8,101,036
COSTS AND EXPENSES		
Amortization of service concession assets (Notes 3 and 7)	**745,219**	689,526
Salaries, wages and benefits (Notes 3, 15 and 17)	**689,109**	798,275
Utilities	**364,370**	381,498
Contracted services	**339,448**	284,009
Taxes and Licenses	**256,329**	441,507
Repairs and maintenance	**158,984**	166,381
Materials and supplies	**133,999**	199,410
Depreciation and amortization (Notes 3, 8 and 22)	**115,236**	124,123
Regulatory costs	**75,521**	70,433
Rental (Notes 22 and 23)	**58,215**	17,158
Business meetings and representations	**49,599**	39,825
Collection charges	**41,990**	42,469
Advertising and promotion	**37,966**	13,194
Purchased water	**37,175**	176,200
Transportation and travel	**23,389**	36,862
Provision for (reversal of) expected credit losses (Notes 3 and 5)	**(18,138)**	3,221
Insurance	**17,659**	21,357
Others	**56,861**	35,787
	3,182,931	3,541,235
INCOME BEFORE OTHER INCOME (EXPENSES)	**5,381,820**	4,559,801
OTHER INCOME (EXPENSES)		
Revenue from rehabilitation works	**6,946,464**	3,925,841
Cost of rehabilitation works	**(6,946,464)**	(3,925,841)
Interest expense and other financing charges (Notes 5, 10, 11, 18 and 22)	**(595,389)**	(615,206)
Foreign exchange losses (Note 24)	**(350,073)**	(359,529)
Foreign currency differential adjustments (FCDA) (Note 3)	**350,235**	363,484
Interest income (Note 4)	**65,210**	23,573
Dividend income	**–**	16,000
Others - net (Notes 8, 9 and 20)	**(210,709)**	48,303
	(740,726)	(523,375)
INCOME BEFORE INCOME TAX	**4,641,094**	4,036,426
PROVISION FOR INCOME TAXES (Note 16)		
Current	**933,397**	827,276
Deferred	**88,823**	111,071
	1,022,220	938,347
NET INCOME	**₱3,618,874**	₱3,098,079
Basic Earnings Per Share (Note 19)	**₱0.64**	₱0.70
Diluted Earnings Per Share (Note 19)	**₱0.64**	₱0.69

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 THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands)

	March 31	
	2025	2024
NET INCOME	**₱3,618,874**	₱3,098,079
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period (Note 17):		
Remeasurement income (loss) on retirement plan	**39,051**	(593,446)
Income tax effect	**(14,235)**	55,191
	24,816	(538,255)
TOTAL COMPREHENSIVE INCOME	**₱3,643,690**	₱2,559,824

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(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)		Total
						Unappropriated	Appropriated	
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**
Total comprehensive income	**–**	**–**	**–**	**24,816**	**–**	**3,618,874**	**–**	**3,643,690**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(6,400,000)**	**–**	**(6,400,000)**
At March 31, 2025	**₱5,683,728**	**₱10,030,294**	**(₱960,555)**	**(₱582,728)**	**(₱309,220)**	**₱18,188,121**	**₱40,549,000**	**₱72,598,640**
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	–	–	–	(538,255)	–	3,098,079	–	2,559,824
Acquisition of treasury shares	–	–	(21,708)	–	–	–	–	(21,708)
Dividends declared	–	–	–	–	–	(4,505,000)	–	(4,505,000)
At March 31, 2024	₱4,546,982	₱10,041,662	(₱413,627)	(₱646,682)	(₱309,220)	₱24,234,301	₱28,750,000	₱66,203,416

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands)

	March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,641,094**	₱4,036,426
Adjustments for:		
Amortization of service concession assets (Note 7)	**745,219**	689,526
Interest expense and other financing charges (Note 18)	**595,389**	615,206
Depreciation and amortization (Note 8)	**115,236**	124,123
Interest income (Note 4)	**(65,210)**	(23,573)
Retirement cost (Note 17)	**56,325**	31,133
Provision for (reversal of) expected credit losses	**(18,138)**	3,221
Unrealized foreign exchange gains	**(965)**	(2,849)
Loss (gain) on sale of property and equipment (Note 8)	**40**	(31)
Dividend income (Note 9)	–	(16,000)
Operating income before working capital changes	**6,068,990**	5,457,182
Decrease (increase) in:		
Trade and other receivables	**5,060**	(274,999)
Contract assets	**75,170**	(294,014)
Other current assets	**(476,002)**	58,514
Additions to service concession assets (Notes 7 and 26)	**(7,055,657)**	(3,932,134)
Increase (decrease) in:		
Trade and other payables	**2,007,872**	110,888
Customers' deposits	**37,437**	10,213
Other noncurrent liabilities	**(330,210)**	759,528
Cash generated from operations	**332,660**	1,895,178
Contributions to pension fund (Note 17)	**(62,092)**	(38,848)
Interest received	**83,186**	17,843
Income taxes paid	**(775,775)**	(514,701)
Net cash flows from (used in) operating activities	**(422,021)**	1,359,472
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	**631,434**	(276,528)
Acquisitions of property and equipment (Note 8)	**(85,428)**	(87,170)
Proceeds from sale of property and equipment (Note 8)	**10**	31
Dividends received (Note 9)	–	16,000
Net cash flows from (used in) investing activities	**546,016**	(347,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the availment/drawdown of interest-bearing loans (Notes 11 and 27)	**4,962,500**	10,000,000
Payments of:		
Dividends (Notes 13 and 27)	**(6,399,665)**	–
Interest-bearing loans (Notes 11 and 27)	**(2,043,574)**	(392,819)
Service concession obligation payable to MWSS (Notes 10 and 27)	**(465,060)**	(436,440)
Lease liability (Notes 22 and 27)	**(18,860)**	(40,187)
Interest paid (Note 27)	**(1,280,697)**	(865,477)
Acquisition of treasury shares (Note 13)	–	(21,708)
Net cash flows from (used in) financing activities	**(5,245,356)**	8,243,369
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,121,361)**	9,255,174
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,519,541**	4,902,556
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,398,180**	₱14,157,730

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 March 31, 2025 and December 31, 2024, 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 March 31, 2025 and December 31, 2024, respectively.

Metro Pacific Holdings, Inc. (MPHI) owns 46.28% and 46.27% of the total issued common shares of MPIC as at March 31, 2025 and December 31, 2024. 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 March 31, 2025 and December 31, 2024, 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 29, 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 14, 2023, MWSS approved the 10-year extension from 2037 to 2047, pending the acknowledgment by the Republic of the Philippines through the Secretary of Finance. This acknowledgment is required for all amendments to the Revised Concession Agreement. In a letter dated March 3, 2025, the Company advised by MWSS that the Department of Finance recommended that MWSS adhere to the procedures under Republic Act No. 11966, or the Public-Private Partnership Code of the Philippines (the "PPP Code") and its implementing rules and regulations. The Department of Finance considered the 10-year extension of the Revised Concession Agreement as a variation of an executed public-private partnership ("PPP") contract, which, as a project that costs above ₱15.0 billion, requires the approval of the National Economic Development Authority ("NEDA") Board in accordance with the General NEDA-Investment Coordination Committee (the "NEDA-ICC") Procedures as of April 25, 2024. Consequently, MWSS has informed Maynilad that a technical working group, comprising representatives from both MWSS and the Company, will be formed to prepare the necessary documentation for submission to the NEDA-ICC. Thereafter, Maynilad expect the NEDA-ICC to review the submission. There is no assurance that Maynilad will receive the approval by the NEDA Board and acknowledgement of the Republic of the Philippines through the Secretary of Finance to align the expiration dates of the Franchise and the Revised Concession Agreement.

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 an 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 (ICP). The ICP 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.

<u>Rate Rebasing Exercise</u>

<u>Fourth Rate Rebasing (2013-2017)</u>

- *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.

<u>Fifth Rate Rebasing (2018-2022) and the Supreme Court Decision on the Consolidated Cases</u>
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 precedents 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.

<u>Sixth Rate Rebasing (2023-2027)</u>
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.

On November 22, 2024, the MWSS BOT, through Resolution No. 2024-20-CA, approved Maynilad's new standard rates table with a Rate Adjustment Limit ("RAL") of 8.05%, composed of 3.30% "C" factor and 4.75% "R" factor. The RAL, as applied to the 2024 basic charge of ₱47.57/cu.m., resulted in an average adjustment of ₱3.83/cu.m. to the basic charge. On December 12, 2024, Maynilad caused the publication of its Tariff Table, with the tariff adjustments taking effect on January 1, 2025.

<u>RA 11600 – Maynilad's Legislative Franchise</u>
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 Material 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, 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise stated, the amendments did not have any material impact to the Group.

- Amendments to PAS 21, *Lack of exchangeability*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2026
- *Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments*
- *Annual Improvements to PFRS Accounting Standards—Volume 11*
  - *Amendments to PFRS 1, Hedge Accounting by a First-time Adopter*
  - *Amendments to PFRS 7, Gain or Loss on Derecognition*
  - *Amendments to PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price*
  - *Amendments to PFRS 10, Determination of a 'De Facto Agent'*
  - *Amendments to PAS 7, Cost Method*

Effective beginning on or after January 1, 2027
- *PFRS 18, Presentation and Disclosure in Financial Statements*
- *PFRS 19, Subsidiaries without Public Accountability*
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 March 31, 2025 and December 31, 2024.

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 March 31, 2025 and December 31, 2024.

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 March 31, 2025 and December 31, 2024.

Derecognition of Financial Assets and Liabilities

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.

<u>Impairment of Financial Assets</u>
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”.

Service Concession Assets and Service Concession Obligation Payable

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 SCA also include as the present value of the "Service Concession Obligation Payable" assumed by the Parent Company at drawdown date and other local component cost and cost overruns by the Group, as well as cost of rehabilitation works incurred. 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).

Othe equity adjustments represents redemption of preferred shares and movement related to the Parent Company's share-based payment (refer to 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.

<u>Provisions</u>
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.

<u>Share-based Payments</u>
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.

Judgment

In the process of applying the Group’s accounting policies, management has made the judgment as indicated below, 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.

     ii. 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.

As at December 31, 2024, the Parent Company made an assessment of its trade receivables for demolished accounts. Consequently, outstanding receivables amounting to ₱34.3 million were written off in 2024 (see Note 5). As at March 31, 2025, no outstanding receivables were written off (see Note 5).

Trade and other receivables, net of allowance for ECL of ₱1,501.4 million and ₱1,519.6 million, amounted to ₱2,718.0 million and ₱2,722.9 million as at March 31, 2025, and December 31, 2024, respectively (see Notes 5 and 24). Reversal of and provision for ECL amounted to ₱18.1 million and ₱3.2 million for the three-month periods ended March 31, 2025, and 2024, respectively.

Fair Value of Financial Assets and Financial Liabilities. PFRS Accounting Standards require 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 ₱46,313.6 million and ₱45,568.3 million, amounted to ₱175,570.4 million and ₱168,339.4 million as at March 31, 2025, and December 31, 2024, respectively. Amortization of service concession assets amounted to ₱745.2 million and ₱689.5 million for the three-month periods ended March 31, 2025 and 2024, 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 2025 and 2024.

Property and equipment, net of accumulated depreciation and amortization of ₱5,015.0 million and ₱5,088.7 million, amounted to ₱1,898.7 million and ₱1,963.2 million as at March 31, 2025 and December 31, 2024, respectively. Depreciation and amortization of property and equipment amounted to ₱115.2 million and ₱124.1 million for the three-month periods ended March 31, 2025 and 2024, 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) in computing its taxable income in 2025 and 2024, respectively. Phil Hydro used itemized deduction in computing its taxable income in 2025 and 2024 (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 ₱530.3 million and ₱484.5 million as at March 31, 2025 and December 31, 2024, 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).

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:

	2025	2024
Service concession assets (see Note 7)	**₱175,570,408**	₱168,339,382
Property and equipment (see Note 8)	**1,898,715**	1,963,230
	₱177,469,123	₱170,302,612

As at December 31, 2024 and for the three months period ended March 31, 2025, there have been no substantive impairment indicators that necessitated further impairment assessment on these assets.

Determination of Other Long-term Incentive Benefits.
Long-term Incentive Plan (LTIP) for cycle 2023, 2024 and 2025 was approved by the Maynilad BOD 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 ₱632.8 million and ₱586.7 million as at March 31, 2025, and December 31, 2024. 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 ₱46.1 million and ₱164.2 million for the three-month periods ended March 31, 2025, and 2024, 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 March 31, 2025, and December 31, 2024 is considered as contingent liability. The outstanding provision amounted to ₱607.2 million as at March 31, 2025, and December 31, 2024 (see Notes 7, 10 and 20).

4. Cash and Cash Equivalents

Cash and cash equivalents account consists of:

	March 31 2025	December 31 2024
Cash on hand and in banks	**₱2,598,481**	₱3,044,842
Cash equivalents	**2,799,699**	7,474,699
	₱5,398,180	₱10,519,541

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 ₱65.2 million and ₱23.6 million for the three-month periods ended March 31, 2025 and 2024, respectively.

5. Trade and Other Receivables

This account consists of receivables from:

	March 31 2025	December 31 2024
Customers (Note 14):		
Residential	**₱2,293,606**	₱2,322,515
Semi-business	**260,315**	257,305
Commercial	**645,247**	685,345
Industrial	**166,910**	175,285
Bulk water supply (Note 14)	**219,489**	207,676
	3,585,567	3,648,126
Employees	**41,870**	46,328
Others	**591,961**	547,981
	4,219,398	4,242,435
Less allowance for ECL	**1,501,425**	1,519,563
	₱2,717,973	₱2,722,872

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 as at March 31, 2025 and December 31, 2024 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:

	March 31, 2025					
	Receivables from Customers				**Other**	
	Residential	**Semi-Business**	**Commercial**	**Industrial**	**Receivables**	**Total**
January 1	**₱869,424**	**₱142,494**	**₱366,946**	**₱85,278**	**₱55,421**	**₱1,519,563**
Reversal	**(12,976)**	**(1,235)**	**(3,256)**	**(671)**	**–**	**(18,138)**
At March 31	**₱856,448**	**₱141,259**	**₱363,690**	**₱84,607**	**₱55,421**	**₱1,501,425**

	December 31, 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

The management recognized reversal of and provision for ECL amounting to ₱18.1 million and ₱3.2 million for the three-month periods ended March 31, 2025 and 2024, respectively.

6. Other Current Assets and Other Noncurrent Assets

Other Current Assets

This account consists of:

	March 31 2025	December 31 2024
Prepayments (Note 22)	**₱724,376**	₱400,948
Input VAT	**641,754**	562,238
Advances to supplier/contractors	**558,023**	544,892
Deposits	**220,619**	238,427
Others (Note 14)	**461,926**	384,190
	₱2,606,698	₱2,130,695

Prepayments mainly pertain to insurance, performance bond and local taxes (see Note 22).

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.

Advances to suppliers pertain to purchase of raw water while advances to contractors are normally applied within a year against billings.

Deposits mainly consist of bill deposits to Meralco.

As at March 31, 2025 and December 31, 2024, "Others" consist mainly of materials and supplies amounting to ₱355.4 million and ₱317.6 million, respectively; creditable withholding tax amounting to ₱79.6 million and ₱40.9 million, respectively; and cost of new water service connections amounting to ₱26.9 million and ₱25.7 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:

	March 31 2025	December 31 2024
Mobilization fund	**₱9,151,169**	₱9,796,828
Cost of new water service connection (Note 14)	**556,146**	536,986
Deposits	**565,246**	565,246
Others (Note 14)	**79,577**	84,512
	₱10,352,138	₱10,983,572

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 which are refunded upon completion of the project. As at March 31, 2025 and December 31, 2024, deposits for restoration works amounted to ₱487.0 million.

As at March 31, 2025 and December 31, 2024, 'Others' pertains to Parent Company's deferred employee benefits amounting to ₱77.0 million and ₱81.9 million, net of accumulated amortization of ₱60.4 million and ₱53.6 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:

	March 31 2025	December 31 2024
Cost:		
Balance at beginning of year	**₱213,907,718**	₱183,462,264
Additions	**7,941,488**	30,448,478
Reclassification	**34,757**	(3,024)
Balance at end of year	**221,883,963**	213,907,718
Accumulated amortization:		
Balance at beginning of year	**45,568,336**	42,542,787
Amortization	**745,219**	3,028,573
Reclassification	**–**	(3,024)
Balance at end of year	**46,313,555**	45,568,336
	₱175,570,408	₱168,339,382

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 ₱108.7 million and ₱317.0 million as at March 31, 2025 and December 31, 2024, 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 ₱920.0 million and ₱497.34 million for the three-month periods ended March 31, 2025, and 2024 respectively, while general borrowing cost capitalized as part of service concession assets amounted to ₱0.56 million and ₱2.2 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 11).

The rate used to determine the amount of general borrowing costs eligible for capitalization were 5.3% and 5.4% for the three-month periods ended March 31, 2025 and 2024, 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 as at March 31, 2025.

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 ₱465.1 million and ₱436.4 million for the three-month periods ended March 31, 2025 and 2024, respectively, and the Regulatory Costs reported in the consolidated statements of income amounting to ₱75.5 million and ₱70.4 million for the three-month periods ended March 31, 2025 and 2024, respectively, the Parent Company paid actual concession fees of ₱133.0 million and ₱205.5 million for the three-month periods ended March 31, 2025 and 2024, 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 ₱83.4 billion and ₱77.5 billion as at March 31, 2025 and December 31, 2024, respectively, are considered as contract assets under PFRS 15.

8. Property and Equipment

The roll forward analysis of this account follows:

	March 31, 2025						
	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**	**₱2,072,654**	**₱2,680,166**	**₱1,042,683**	**₱508,888**	**₱702,933**	**₱7,051,941**
Additions	**–**	**36,628**	**36,209**	**12,591**	**–**	**–**	**85,428**
Reclassification	**–**	**(2,779)**	**2,856**	**23**	**–**	**(34,757)**	**(34,657)**
Disposals	**–**	**(162,357)**	**(3,629)**	**(1,916)**	**–**	**(21,096)**	**(188,998)**
At March 31	**44,617**	**1,944,146**	**2,715,602**	**1,053,381**	**508,888**	**647,080**	**6,913,714**
Accumulated Depreciation and Amortization							
At January 1	**4,093**	**1,287,009**	**2,023,186**	**887,065**	**424,655**	**462,703**	**5,088,711**
Depreciation and amortization	**61**	**23,032**	**52,583**	**19,916**	**3,312**	**16,332**	**115,236**
Reclassification	**–**	**210**	**(210)**	**–**	**–**	**–**	**-**
Disposals	**–**	**(162,357)**	**(3,579)**	**(1,916)**	**–**	**(21,096)**	**(188,948)**
At March 31	**4,154**	**1,147,894**	**2,071,980**	**905,065**	**427,967**	**457,939**	**5,014,999**
Net Book Value at March 31	**₱40,463**	**₱796,252**	**₱643,622**	**₱148,316**	**₱80,921**	**₱189,141**	**₱1,898,715**

	December 31, 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

The Parent Company sold items of property and equipment for a total consideration of ₱0.01 million and ₱0.03 million as at March 31, 2025 and December 31, 2024, respectively.

Loss and gain on disposals of property and equipment amounting to ₱0.04 million and ₱0.03 million for the three-month periods ended March 31,2025 and 2024, 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 March 31, 2025 and December 31, 2024 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 March 31, 2025 and December 31, 2024 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 nil and ₱16.0 million for the three-month periods ended March 31, 2025 and 2024, respectively.

10. Service Concession Obligation Payable to MWSS

This account consists of:

	March 31, 2025	December 31, 2024
Concession fees payable (Note 7)	**₱6,326,461**	₱6,714,564
Accrued interest	**607,217**	607,217
	6,933,678	7,321,781
Less current portion	**1,036,162**	1,027,255
	₱5,897,516	₱6,294,526

Interest accretion on service concession obligation amounted to ₱144.2 million and ₱146.6 million for the three-month periods ended March 31, 2025 and 2024, 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 March 31, 2025 and December 31, 2024. 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 March 31, 2025 and December 31, 2024, 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	$6.0	432.9	778.4
2026	9.7	801.4	1,353.9
2027	11.0	827.1	1,454.6
2028-2037	76.4	9,862.7	14,236.4
	$103.1	₱11,924.1	₱17,823.3

**Translated using the March 31, 2025, exchange rate of ₱57.21: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:

	March 31 2025	December 31 2024
₱18.5 billion Corporate Notes	**₱15,787,530**	₱17,514,135
₱15.0 billion Blue Bonds	**15,000,000**	15,000,000
₱10.0 billion Term Loan Facility (MBTC)	**10,000,000**	10,000,000
₱10.0 billion Term Loan Facility (BPI)	**9,937,500**	9,937,500
₱6.0 billion Term Loan Facility (BDO)	**5,925,000**	5,925,000
₱6.0 billion Term Loan Facility (LBP)	**5,250,000**	5,400,000

(Forward)

	March 31 2025	December 31 2024
₱5.0 billion Term Loan Facility (LBP)	**₱5,000,000**	₱5,000,000
¥13.1 billion Facility Loan (JICA)	**4,663,992**	4,465,757
₱4.0 billion Term Loan Facility (LBP)	**3,950,000**	3,950,000
₱4.8 billion Term Loan Facility (DBP)	**3,180,000**	3,339,000
₱5.0 billion Term Loan Facility (BDO)	**2,777,778**	2,777,778
¥7.9 billion Facility Loan (JCB)	**1,009,883**	966,960
₱2.5 billion Term Loan Facility (BPI)	**2,500,000**	−
₱2.5 billion Term Loan Facility (LBP)	**2,500,000**	−
Peso-denominated Bank Loan (LBP)	**7,969**	15,937
	87,489,652	84,292,067
Less unamortized debt issuance costs	**660,423**	644,531
	86,829,229	83,647,536
Less current portion	**2,612,590**	4,186,065
	₱84,216,639	₱79,461,471

₱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 ₱3.8 million and ₱3.6 million for the three-month periods ended March 31, 2025 and 2024, 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 ₱263.7 million and nil for the three-month period ended March 31, 2025, and 2024 respectively. (see Note 7).

₱10.0 billion Term Loan Facility (Metropolitan Bank & Trust Co.)
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 ₱163.9 million and ₱6.11 million for the three-month periods ended March 31, 2025, and 2024, respectively. (see Note 7).

₱10.0 billion Term Loan Facility (Bank of the Philippine Islands)
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 ₱168.0 million and ₱170.9 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

₱6.0 billion Term Loan Facility (BDO Unibank Inc.)
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 18th 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 ₱108.1 million and ₱110.5 million for the three-month periods ended March 31, 2025, and 2024, 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 6^{th} 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 ₱1.2 million and ₱1.3 million for the three-month periods ended March 31, 2025 and 2024, 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 ₱83.2 million and ₱83.6 for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

Total general borrowing costs amounted to ₱0.5 million and ₱2.2 million for the three-month periods ended March 31, 2025, and 2024, 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 ₱1.8 million and ₱1.6 million for the three-month periods ended March 31, 2025 and 2024, 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 ₱70.7 million and ₱72.3 million for the three-month periods ended March 31, 2025, and 2024, 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 ₱48.4 million and ₱53.6 million for the three-month periods ended March 31, 2025, and 2024, 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 ₱0.9 million and ₱1.1 million for the three-month periods ended March 31, 2025 and 2024, 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 36^{th} 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 ₱1.1 million and ₱0.01 million for the three-month periods ended March 31, 2025, and 2024 respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18)

₱2.5 billion Term Loan (Bank of the Philippine Islands)
On March 7, 2025, the Parent Company entered into a credit agreement with the Bank of the Philippine Islands whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱2.5 billion. A drawdown of ₱2.5 billion were drawn on March 12, 2025. The loan shall be payable in semi-annual installments within ten years to commence on September 15, 2025. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱18.7 million were recognized in 2025 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 ₱8.8 million and nil for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

₱2.5 billion Term Loan (Land Bank of the Philippines)
On March 17, 2025, the Parent Company entered into a credit agreement with the Land Bank of the Philippines whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱2.5 billion. A drawdown of ₱2.5 billion were drawn on March 19, 2025. The loan shall be payable in semi-annual installments within ten years to commence on September 20, 2025. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱18.7 million were recognized in 2025 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 ₱5.2 million and nil for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

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 March 31, 2025 and December 31, 2024, the Parent Company has complied with these covenants.

<u>₱255.0 million Peso-denominated Loan of Phil Hydro (Land Bank of the Philippines)</u>
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 ₱0.03 million for the three-month periods ended March 31, 2025, and 2024, 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 March 31, 2025 and December 31, 2024, Phil Hydro has complied with these covenants

<u>Unamortized Debt Issuance Cost</u>
The movements in the balance of unamortized debt issuance costs related to all interest-bearing loans are as follows:

	March 31, 2025	December 31, 2024
Balance at beginning of year:		
Peso Loans	**₱427,885**	₱401,083
Japanese Yen-denominated	**44,952**	58,457
Peso Bonds	**171,694**	–
	644,531	459,540

(Forward)

	March 31, 2025	December 31, 2024
Additions during the year:		
Peso Loans	**₱37,500**	₱75,088
Japanese Yen-denominated	**–**	–
Peso Bonds	**–**	183,611
	37,500	258,699
Amortization during the year*:		
Peso Loans	**12,509**	48,286
Japanese Yen-denominated	**3,007**	13,505
Peso Bonds	**6,092**	11,917
	21,608	73,708
Balance at ending of year:		
Peso Loans	**452,876**	427,885
Japanese Yen-denominated	**41,945**	44,952
Peso Bonds	**165,602**	171,694
	₱660,423	₱644,531

**Debt issue cost amortization amounting to ₱12.6 million and ₱35.6 million as at March 31,2025 and December 31, 2024, respectively, were capitalized to service concession asset.*

The repayments of loans based on existing terms are scheduled as follows:

	March 31, 2025			
Year	**Japanese Yen-Denominated***	**Peso Loans**	**Peso Bonds**	**Total Peso Equivalent**
2025	**¥2,269.5**	**₱1,742.2**	**₱–**	**₱2,612.6**
2026	**2,269.5**	**1,765.5**	**–**	**2,635.9**
2027	**1,742.8**	**3,450.7**	**–**	**4,119.0**
2028	**1,216.2**	**1,777.2**	**–**	**2,243.6**
2029 onwards	**7,297.0**	**58,080.2**	**15,000.0**	**75,878.6**
	¥14,795.0	**₱66,815.8**	**₱15,000.0**	**₱87,489.7**

**Translated using the March 31, 2025 exchange rate of ₱0.3835: JPY*

	December 31, 2024			
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:

	March 31 2025	December 31 2024
Accrued expenses (Notes 17 and 20)	**₱10,528,325**	₱10,442,948
Accrued construction costs (Note 15)	**7,676,417**	6,938,546
Trade and other payables	**7,301,802**	6,550,398
Due to a related parties (Note 15)	**309,399**	94,788
Lease liabilities (Note 22)	**87,950**	72,401
Contract liabilities (Note 14)	**60,390**	57,996
	₱25,964,283	₱24,157,077

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 Notes 11 and 18) amounting to ₱998.7 million and ₱1,051.8 million as at March 31, 2025 and December 31, 2024, 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 ₱166.5 million and ₱171.0 million as at March 31, 2025 and December 31, 2024, 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 ₱5,265.1 million and ₱4,933.0 million as at March 31, 2025 and December 31, 2024, 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 as at March 31, 2025 and December 31, 2024.

13. **Equity**

a. The Parent Company's authorized and issued shares as at March 31, 2025 and December 31, 2024 are presented below:

	March 31, 2025		December 31, 2024	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized common shares – ₱1 par value	**9,093,964,000**	**₱9,093,964,000**	9,093,964,000	₱9,093,964,000
Authorized common shares – ₱1000 par value				

	March 31, 2025		December 31, 2024	
	Number of Shares	**Amount**	Number of Shares	Amount
Issued and outstanding – common shares:				
Beginning of year – *₱1 par value*	**5,683,727,500**	**₱5,683,727,500**		
Class A – ₱1,000 par value	–	–	4,222,482	₱4,222,482,000
Class B – ₱1,000 par value	–	–	236,000	236,000,000
ESOP shares –₱1,000 par value	–	–	88,500	88,500,000
Total	**5,683,727,500**	**5,683,727,500**	4,546,982	4,546,982,000
Stock split on 2024 *(1:1,000)*	–	–	1,000	–
Total	**5,683,727,500**	**5,683,727,500**	4,546,982,000	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**	5,683,727,500	5,683,727,500
Less: Treasury shares	**71,100,000**	**960,554,583**	71,100,000	960,554,583
End of year	**5,612,627,500**	**₱4,723,172,917**	5,612,627,500	₱4,723,172,917
Treasury shares:				
Beginning of year	**71,100,000**	**960,554,583**	34,607	₱391,918,720
Reacquisition	–	–	36,493	568,635,863
Total	**71,100,000**	**960,554,583**	71,100	960,554,583
Stock split on 2024 *(1:1,000)*	–	–	1,000	–
Total	**71,100,000**	**960,554,583**	71,100,000	960,554,583
End of year	**71,100,000**	**₱960,554,583**	71,100,000	₱960,554,583

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 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

Alongside with the new subscription, cost directly incurred upon issuance of new shares were capitalized and deducted to equity particularly to APIC amounting to ₱11.4 million.

b. 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, amounted to ₱960.6 million as at March 31, 2025 and December 31, 2024, were presented as treasury shares.

c. Dividends

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 February 18, 2025, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends amounting to ₱6.4 billion (₱1.14 per common share) to all shareholders of record as at February 29, 2025 for payments made not later than March 15, 2025.

d. 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 March 31, 2025, 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 March 31, 2025, 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 March 31, 2025, 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 as at March 31, 2025 and December 31, 2024 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 ₱1,840.7 million, respectively as at March 31, 2025.

e. 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.

No ESOP-related expense was recognized in 2025 and 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 March 31, 2025.

14. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	March 31, 2025	March 31, 2024
Geographical areas:		
West zone	**₱8,477,786**	₱8,022,543
Outside west zone	**86,965**	78,493
	₱8,564,751	₱8,101,036

Contract balances:

	March 31, 2025	December 31, 2024
Trade receivables (gross of allowance for ECL) (Note 5)	**₱3,585,567**	₱3,648,126
Contract assets	**1,311,288**	1,386,458
Cost of new water service connections (Note 6)	**583,043**	562,653
	₱5,479,898	₱5,597,237
Contract liabilities (Notes 7)	**₱1,307,847**	₱1,270,202
Less current portion	**60,390**	57,996
	₱1,247,457	₱1,212,206

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 March 31, 2025 and December 31, 2024 consist of the following:

	March 31 2025	December 31 2024
Customers:		
Residential	**₱618,498**	₱656,041
Semi-business	**97,158**	100,173
Commercial	**454,215**	471,488
Industrial	**141,417**	158,756
	₱1,311,288	₱1,386,458

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 amounting to ₱60.4 million and ₱58.0 million for the current portion and ₱1,247.5 million and ₱1,212.2 million for the noncurrent portion under the "Other noncurrent liabilities" account in the consolidated statements of financial position as at March 31, 2025 and December 31, 2024, respectively.

Cost of new water service connections recognized amounting to ₱26.9 million and ₱25.7 million under "Other current assets" and ₱556.1 million and ₱537.0 million under "Other noncurrent asset" account in the consolidated statements of financial position as at March 31, 2025 and December 31, 2024, respectively, since these costs are recoverable and is directly associated with the contract with customers (Note 6).

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	**2025**	**₱17.9 million**	**₱2.5 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	₱76.0 million	₱2.8 million		
Construction costs (see Note 12)	**2025**	**852.4 million**	**(540.0) million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	4,039.7 million	(124.0) million		
Rental	**2025**	**–**	**(1.9 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(1.9 million)		
Training Fees	**2025**	**3.9 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.4 million	–		
Training Fees	**2025**	**3.9 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.4 million	–		
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	**2025**	**2.2 million**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	10.0 million	0.3 million		
Electricity costs	**2025**	**305.3 million**	**186.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	1,216.2 million	226.6 million		
Meralco Industrial Engineering Services Corporation					
Construction costs (Note 12)	**2025**	**–**	**0.9 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	0.9 million		
Miescor Logistics, Inc					
Repairs and maintenance	**2025**	**1.4 million**	**(1.9 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(1.8 million)		
Meralco Energy, Inc.					
Construction costs (Note 12)	**2025**	**68.4 million**	**68.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	–		
MIESCOR Builders Incorporated					
Construction Costs (Note 12)	**2025**	**–**	**0.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	–		
Indra Philippines, Inc.					
Revenue from trade and non-trade services	**2025**	**–**	**40.0 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	–	40.0 thousand		
Commercial outsourcing of information technology and system services	**2025**	**26.9 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	346.4 million	–		

(Forward)

Category	Year*	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
PLDT, Inc.					
Revenue from trade and non-trade service	**2025** 2024	**₱2.8 million** 10.6 million	**₱25.0 thousand** 67.7 thousand	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Communication expense	**2025** 2024	**1.6 million** 16.3 million	**(69.1 thousand)** (0.2 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Ecosystem Technologies International Inc.					
Revenue from trade and non-trade service	**2025** 2024	**4.6 thousand** 14.8 thousand	**0.3 million** 0.3 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Construction costs (Note 12)	**2025** 2024	**26.0 million** 131.9 million	**(9.1 million)** 5.8 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Others					
Revenue from trade and non-trade services	**2025** 2024	**10.7 million** 42.1 million	**29.4 million** 29.5 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Management fees	**2025** 2024	**22.3 thousand** 0.3 million	**6.3 million** 6.3 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Communication expenses	**2025** 2024	**6.2 million** 45.8 million	**(6.1 million)** (6.5 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Insurance	**2025** 2024	**2.5 million** 24.5 thousand	**(14.2 thousand)** (14.2 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Sponsorship fees	**2025** 2024	**–** –	**(43.0 thousand)** (43.0 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Donations	**2025** 2024	**12.1 million** 60.8 million	**–** –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Dividends	**2025** 2024	**337.7 million** 295.9 million	**–** –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Advertising and promotions	**2025** 2024	**12.8 thousand** 9.5 million	**(4.3 thousand)** (4.3 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Professional fees	**2025** 2024	**86.5 thousand** 0.8 million	**(103.5 thousand)** (103.5 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Supplies and materials	**2025** 2024	**–** 24.8 thousand	**–** –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Outsourced services	**2025** 2024	**17.6 million** 94.6 million	**(3.8 million)** (3.8 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Transportation equipment	**2025** 2024	**14.6 million** 31.5 million	**(2.4 million)** (7.1 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Training fees	**2025** 2024	**–** 4.2 million	**–** –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Repairs and maintenance	**2025** 2024	**–** –	**(14.2 thousand)** (14.2 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Meetings and Conferences	**2025** 2024	**–** 99.3 thousand	**–** –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Total					
Due to related parties (Note 12)	**2025** 2024	**₱1,639.4 million** ₱6,294.1 million	**(₱309.4 million)** ₱94.8 million		
Due from related parties	**2025** 2024	**₱33.7 million** ₱139.1 million	**₱38.8 million** ₱39.3 million		

**The balances and transactions presented in this table were incurred/realized as at March 31, 2025 and December 31, 2024 and for the three-month periods ended March 31, 2025 and 2024.*

Terms and Conditions of Transactions with Related Parties
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:

	March 31, 2025	March 31, 2024
Compensation	**₱52,282**	₱60,289
Pension costs	**14,843**	3,931
Short-term benefits	**13,264**	4,663
	₱80,389	₱68,883

16. **Income Taxes**

Provision for current income tax represents the total regular corporate income tax for Group for the three-month periods ended March 31, 2025 and 2024.

The components of the Group's net deferred tax liabilities as at March 31, 2025 and December 31, 2024, respectively shown in the consolidated statements of financial position are as follows:

	2025	2024
Deferred tax assets:		
Allowance for ECL	**₱164,536**	₱164,536
Revenue from contracts with customers – net	**132,208**	128,807
Pension liability and unamortized past service cost	**124,442**	109,573
Allowance for inventory obsolescence	**38,914**	38,914
Accrued expenses	**36,758**	36,998
Lease liabilities	**5,638**	5,626
	502,496	484,454
Deferred tax liabilities:		
Service concession assets – net	**(2,268,169)**	(2,150,567)
Unamortized debt issuance costs	**(74,788)**	(71,290)
ROU assets	**(83)**	(84)
Others	**(108)**	(108)
	(2,343,148)	(2,222,049)
Deferred tax liabilities – net	**(₱1,840,652)**	(₱1,737,595)

For the three-month periods ended March 31, 2025 and 2024, provision for deferred income tax on retirement liability recognized in other comprehensive income amounted to ₱14.2 million and ₱55.2 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:

	2025	2024
Income tax at statutory tax rate based on effective tax rate	**₱1,157,343**	₱1,004,753
Add (deduct) the tax effects of:		
Benefit under OSD method	**(204,438)**	(120,031)
Tax impact on change of method of deduction and other	**(34,452)**	30,814
Interest income already subjected to final tax	**(16,303)**	(5,893)
Non-deductible expenses and others	**120,070**	28,704
Provision for income tax	**₱1,022,220**	₱938,347

For the three-month period ended March 31, 2025, 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 2023, 2024 and 2025 was approved by the Maynilad BOD on December 10, 2024.

As at March 31, 2025 and December 31, 2024, the LTIP payable is as follows:

	March 31, 2025	December 31, 2024
Balance at beginning of year	**₱586,667**	₱166,000
Addition	**46,121**	420,667
Noncurrent portion	**₱632,788**	₱586,667

The total costs of the LTIP amounted to ₱46.1 million and ₱164.2 million for the three-month periods ended March 31, 2025 and 2024, 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 ₱632.8 million and ₱586.7 million as at March 31, 2025 and December 31, 2024.

Retirement Plan

The pension liabilities for the noncontributory retirement plan of the Group as at March 31, 2025 and December 31, 2024 are as follows:

	March 31, 2025	December 31, 2024
Maynilad Water Services, Inc.	**₱824,136**	₱868,954
Philippine Hydro, Inc.	**1,751**	1,751
Amayi Water Services, Inc.	**100**	100
	₱825,987	₱870,805

Maynilad - Defined Benefit Plan
The Parent Company has a funded, noncontributory and actuarially computed retirement 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 retirement liability in 2025 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Retirement Liability**
At December 31, 2024	**₱2,023,641**	**₱1,154,687**	**₱868,954**
Retirement cost in the consolidated statements of income:			
Current service cost	**45,028**	–	**45,028**
Net interest cost	**28,989**	**17,692**	**11,297**
Total	**74,017**	**17,692**	**56,325**
Remeasurements in other comprehensive income (loss):			
Loss on return on plan assets	**–**	**(35,136)**	**35,136**
Actuarial changes due to experience adjustment	**(17,037)**	**–**	**(17,037)**
Actuarial changes arising from changes in financial assumptions	**(57,150)**	**–**	**(57,150)**
Total	**(74,187)**	**(35,136)**	**(39,051)**
Benefits paid	**(31,233)**	**(31,233)**	**–**
Actual contributions	**–**	**62,092**	**(62,092)**
At March 31, 2025	**₱1,992,238**	**₱1,168,102**	**₱824,136**

	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
Retirement 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

The components of net pension cost included under "Salaries, wages and benefits" account in the consolidated statements of income in 2025 and 2024 are as follows:

	March 31, 2025	March 31, 2024
Current service cost	**₱45,028**	₱27,541
Net interest cost	**11,297**	3,592
	₱56,325	₱31,133

The Parent Company recognized remeasurement gain (loss) arising on pension plan in other comprehensive loss. The movements in the remeasurement loss are as follows:

	March 31, 2025	March 31, 2024
Remeasurement gain (loss) on defined benefit obligation:		
Actuarial gain (loss) due to:		
Changes in financial assumptions	**₱57,150**	(₱550,741)
Experience adjustments	**17,037**	(89,530)
Gain (loss) on return on plan assets	**(35,136)**	46,825
Remeasurement gain (loss) on retirement plan	**₱39,051**	(₱593,446)

Actual return on plan assets amounted to ₱17.4 million loss for the three-month period ended March 31, 2025 and ₱92.1 million gain for the three-month period ended March 31, 2024, respectively.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	March 31, 2025	December 31, 2024
Investments in:		
Government securities	**₱513,467**	₱587,577
Equity securities	**326,247**	375,505
Unit trust funds	**216,141**	87,920
Bonds	**85,265**	85,054
Cash and cash equivalents	**20,558**	10,080
Receivables and others	**6,424**	8,551
	₱1,168,102	₱1,154,687

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 March 31, 2025 and December 31, 2024, 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 in the next page:

	March 31, 2025	March 31, 2024
Discount rate	**6.36%**	6.27%
Salary increase rate	**8.00%**	8.00%
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:

	March 31, 2025	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Amount**
Discount rate	**100**	**(₱213,704)**
	(100)	**256,257**
Salary increase rate	**100**	**259,652**
	(100)	**(220,694)**
Turnover rate	**100**	**(18,280)**
	(100)	**19,136**

	March 31, 2024	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Amount
Discount rate	100	(₱214,276)
	(100)	257,661
Salary increase rate	100	260,875
	(100)	(221,190)
Turnover rate	100	(15,090)
	(100)	15,863

Shown below are the maturity analyses of the undiscounted benefit payments:

	March 31, 2025		
	Normal Retirement	**Other than Normal Retirement**	**Total**
Less than one year	**₱143,292**	**₱45,287**	**₱188,579**
More than one year to five years	**324,223**	**179,739**	**503,962**
More than 5 years to 10 years	**229,327**	**406,609**	**635,936**
More than 10 years to 15 years	**804,215**	**775,107**	**1,579,322**
More than 15 years to 20 years	**1,415,164**	**1,139,220**	**2,554,384**
More than 20 years	**8,193,530**	**2,806,748**	**11,000,278**
	₱11,109,751	**₱5,352,710**	**₱16,462,461**

	March 31, 2024		
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱133,050	₱57,506	₱190,556
More than one year to five years	397,660	194,839	592,499
More than 5 years to 10 years	192,263	390,462	582,725
More than 10 years to 15 years	594,813	753,968	1,348,781
More than 15 years to 20 years	1,443,613	1,127,351	2,570,964
More than 20 years	8,002,094	2,718,653	10,720,747
	₱10,763,493	₱5,242,779	₱16,006,272

Actual contributions to the defined benefit pension plan amounted to ₱62.1 million and ₱28.8 million for the three-month periods ended March 31, 2025 and 2024, respectively. The Parent Company expects to contribute ₱209.2 million to the defined benefit pension plan in the period April 1 to December 31, 2025.

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 ₱0.1 million as at March 31, 2025 and December 31, 2024. 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. There were no pension income recognized in 2025 and 2024, were included under "Salaries, wages and benefits" account in the consolidated statements of income.

18. Interest Expense and Other Financing Charges

	March 31, 2025	March 31, 2024
Interest-bearing loans (Note 11)	**₱427,697**	₱443,455
Accretion on service concession obligation payable to MWSS (Note 10)	**144,176**	146,623
Amortization of debt issuance costs (Note 11)	**9,036**	9,698
Accretion of customers' deposits	**9,513**	8,122
Accretion on lease liability (Note 22)	**4,967**	7,308
	₱595,389	₱615,206

19. **Basic/Diluted Earnings Per Share**

	March 31, 2025	March 31, 2024
Net income (a)	**₱3,618,874**	₱3,098,079
Weighted average number of shares at end of year for basic earnings per share (b)*	**5,612,628**	4,404,316
Effect of dilution from ESOP shares	−	35,390
Weighted average number of shares at end of year for diluted earnings per share (c)	**5,612,628**	4,439,706
Basic earnings per share (a/b)	**₱0.64**	₱0.70
Diluted earnings per share (a/c)	**₱0.64**	₱0.69

**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 March 31, 2025 and December 31, 2024:

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 March 31, 2025 and December 31, 2024. 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. As at April 29, 2025, 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. 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.

d. 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.

e. 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.

f. Provisions recognized in 2025 and 2024, 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 ₱40.99 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.

f. 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 installments 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 March 31, 2025, 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 presented as part of "Interest expense and other financing charges", "Depreciation and amortization", and "Rental":

	March 31, 2025	March 31, 2024
Expense relating to short-term leases	**₱55,240**	₱8,784
Depreciation expense of ROU assets	**19,644**	38,131
Interest expense on lease liabilities	**4,967**	7,308
Expense relating to low-value assets	**2,974**	8,374
	₱82,825	₱62,597

Lease liabilities represent payments to be made over the remaining lease term. Movements of the lease liabilities during the year are as follows:

	March 31, 2025	December 31, 2024
Balance at the beginning of the period	**₱372,787**	₱436,438
Additions during the period	**–**	83,862
Payments (Note 23)	**(18,860)**	(167,521)
Termination	**(35,009)**	(5,638)
Accretion of interest (Note 18)	**4,967**	25,646
Balance at end of the period	**323,885**	372,787
Less current lease liabilities	**87,950**	72,401
Noncurrent lease liabilities (Note 24)	**₱235,935**	₱300,386

As at March 31, 2025 and December 31, 2024, 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 follows:

	March 31, 2025	December 31, 2024
	(In Millions)	
1 year	**₱105.0**	₱136.9
more than 1 years to 2 years	**102.9**	102.9
more than 2 years to 3 years	**68.5**	86.4
more than 3 years to 4 years	**26.5**	31.3
more than 4 years to 5 years	**11.9**	11.8
more than 5 years	**57.7**	60.8

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. No renewal was made in 2025. Lease payments amounted to ₱18.9 million and ₱20.9 million as at March 31, 2025, and March 31, 2024, respectively (see Note 22).

24. Financial Risk Management Objectives and Policies

The Group principal financial instruments are its debts to the local banks and concession fees payable to MWSS per Concession Agreement. Other financial instruments of the Group are cash and Cash equivalents, and Trade and other receivables. The main purpose of those financial instruments is to finance the Group's operations.

The main risks arising from the Group'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 Group's financial risks. The Group 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 Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing loans.

The following table shows the Group'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 - 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 - 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)
¥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)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (5.4992%, August 12, 2022 to August 12, 2037)
₱4.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (7.0036%, November 10, 2022 to November 10, 2032)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.65% (7.1581%, November 17, 2022 to November 17, 2032)
₱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)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (6.4959%, March 24, 2024-March 24, 2034)
₱15.0 billion Blue Bonds Series A: 9.0 billion Series B: 6.0 billion	Fixed rate benchmark (6.7092%, July 12, 2024 to July 12, 2029) (7.9031%, July 12, 2024 to July 12, 2034)
₱2.5 billion Term Loan Facility	Fixed rate benchmark (6.2528%, March 12, 2025 to Mar 12, 2035)
₱2.5 billion Term Loan Facility	Fixed rate benchmark (6.2279%, March 20, 2025 to Mar 20, 2035)
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.

	March 31, 2025	
	Within 1 Year	**Total**
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	**₱5,394,085**	**₱5,394,085**

**Excludes cash on hand amounting to ₱4.1 million.*

	December 31, 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 ₱4.4 million.*

	March 31, 2025				
	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**	**₱870,355**
Current – local	**₱1,742,234**	**–**		**–**	**1,742,235**
Noncurrent – foreign	**–**	**¥12,525,476**		**12,525,476**	**4,803,520**
Noncurrent – local	**–**	**₱79,413,119**		**–**	**79,413,119**
					86,829,229
Service concession obligation payable to MWSS:					
Interest rate	**2.28%**				
Current – foreign	**$1,850**	**–**	**$1,850**	**–**	**₱105,851**
Current – local	**₱930,311**	**–**	**–**	**–**	**930,311**
Noncurrent – foreign	**–**	**$66,127**	**$66,127**	**–**	**3,783,128**
Noncurrent – local	**–**	**₱2,114,388**	**–**	**–**	**2,114,388**
					6,933,678
					₱93,762,907

The spot exchange rates used were ₱57.21:US$1 and ₱0.3835: JPY1 as at March 31, 2025

	December 31, 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	¥2,269,504	–	–	¥2,269,504	₱833,362
Current – local	₱3,352,703	–	–	–	3,352,703
Noncurrent – foreign	–	¥12,525,477	–	12,525,477	4,599,355
Noncurrent – local	–	₱74,862,116	–	–	74,862,116
					83,647,536

(Forward)

	December 31, 2024				
	Within 1 Year	More than 1 Year	Total (In US$)	Total (In ¥)	Total (In ₱)
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.

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 Group'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 Group's foreign currency-denominated monetary assets and liabilities and the Philippine Peso equivalent of each as at March 31, 2025 and December 31, 2024 is presented as follows:

	March 31, 2025		
	US Dollar	**JPY**	**Total Peso Equivalent**
Asset			
Cash and cash equivalents and restricted cash	**$1,683**	**¥11,125**	**₱100,551**
Liabilities			
Interest–bearing loans	**$–**	**(¥14,794,981)**	**(₱5,673,875)**
Service concession obligation payable to MWSS	**(67,977)**	**–**	**(3,888,980)**
	(67,977)	**(¥14,794,981)**	**(9,562,855)**
Net foreign currency denominated liabilities	**($66,294)**	**(¥ 14,783,856)**	**(₱9,462,304)**

The spot exchange rates used were ₱57.21:US$1 and ₱0.3835: JPY1 as at March 31, 2025.

	December 31, 2024		
	US Dollar	JPY	Total Peso Equivalent
Asset			
Cash and cash equivalents and restricted cash	$1,719	¥11,125	₱103,521
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)	(₱9,480,862)

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as at March 31, 2025 and December 31, 2024. 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**
2025			
U.S Dollar	**+1**	**57.21**	**(₱37,927)**
JPY	**+1**	**0.38**	**(56,696)**
U.S Dollar	**-1**	**57.21**	**37,927**
JPY	**-1**	**0.38**	**56,696**

	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	(₱39,336)
JPY	+1%	0.37	(64,434)
U.S Dollar	-1%	57.85	39,336
JPY	-1%	0.37	64,434

The Group recognized net foreign exchange losses of ₱350.1 million and ₱359.5 million for the three-month periods ended March 31, 2025 and 2024, respectively, mainly arising from the translation of the Group'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 Group's trade only with recognized, creditworthy third parties. Because of the basic need service, it provides, historical collections of the Group 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 Group, consisting of cash and cash equivalents, deposits and restricted cash and deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group 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 Group has unquoted equity shares measured at fair value through other comprehensive income amounting to ₱124.9 million as at March 31, 2025 and December 31, 2024 (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):

	March 31, 2025	December 31, 2024
Cash and cash equivalents* (Note 4)	**₱5,394,085**	₱10,515,179
Trade and other receivables – net (Note 5)	**2,717,973**	2,722,872
Contract assets (Note 14)	**1,311,288**	1,386,458
Deposits**	**558,957**	558,957
Deposits (Note 6)	**220,619**	238,428
Total credit risk exposure	**₱10,202,922**	₱15,421,894

**Excludes cash on hand amounting to ₱4.1 million and ₱4.4 million as at March 31, 2025 and December 31, 2024, respectively.*
***Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6.3 million as at March 31, 2025 and December 31, 2024, 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).

	March 31, 2025				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
High grade	**₱5,621,595**	**₱–**	**₱–**	**₱4,797,509**	**₱10,419,104**
Standard grade	**1,159,294**	**26,602**	**–**	**99,347**	**1,285,243**
Gross carrying amount	**6,780,889**	**26,602**	**–**	**4,896,856**	**11,704,347**
Loss allowance	**–**	**–**	**–**	**(1,501,425)**	**(1,501,425)**
Carrying amount	**₱6,780,889**	**₱26,602**	**₱–**	**₱3,395,431**	**₱10,202,922**

	December 31, 2024				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱10,766,180	₱–	₱–	₱4,895,625	₱15,661,805
Standard grade	1,114,091	26,602	–	138,959	1,279,652
Gross carrying amount	11,880,271	26,602	–	5,034,584	16,941,457
Loss allowance	–	–	–	(1,519,563)	(1,519,563)
Carrying amount	₱11,880,271	₱26,602	₱–	₱3,515,021	₱15,421,894

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 Group's trade and other receivables and contract assets using a provision matrix as at March 31, 2025 and December 31, 2024, the table below summarizes the financial assets of the Group (amounts in thousands):

	March 31, 2025				
		Days past due			
	Current	**1 to 180 days**	**181-360 days**	**More than 360 days**	**Total**
Expected credit loss rate	**1.91%**	**4.71%-26.51%**	**30.58%-50.86%**	**54.69%-100%**	
Estimated total gross carrying amount at default*	**₱ 1,480,955**	**₱1,679,123**	**₱190,165**	**₱1,880,135**	**₱5,230,378**
Expected credit loss	**27,833**	**142,740**	**85,320**	**541,844**	**797,737**
Credit-impaired receivables	**–**	**–**	**–**	**703,688**	**703,688**
Total	**₱27,833**	**₱142,740**	**₱85,320**	**₱1,245,532**	**₱1,501,425**

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱300.30 million as at March 31, 2025.*

	December 31, 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%-100%	
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	555,369	807,019
Credit-impaired receivables	–	–	–	712,544	712,544
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.*

Excessive risk concentration
Given the Group'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 Group 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 Group 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 Group also monitors loans written-off and any recoveries made. Outstanding receivables of demolished accounts were written off amounting to nil and ₱34.3 million for the three-month periods ended March 31, 2025 and 2024 (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 Group 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 Group'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 March 31, 2025 and December 31, 2024 based on contractual undiscounted payments.

	March 31, 2025				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due after 12 Months**	**Total**
Financial Assets					
Cash and Cash Equivalents*	**₱2,594,386**	**₱2,799,699**	**₱–**	**₱–**	**₱5,394,085**
Trade Receivables:					
Customers	**1,879,114**	**1,486,965**	–	–	**3,366,079**
Bulk	**71,456**	**148,033**	–	–	**219,489**
Non-trade Receivables:					
Employees	–	**41,870**	–	–	**41,870**
Others	**202,953**	**389,008**	–	–	**591,961**
Contract Assets	–	**1,311,288**	–	–	**1,311,288**
Deposits**	–	–	**493,543**	**65,414**	**558,957**
Financial assets at FVOCI	**124,864**	–	–	–	**124,864**
Deposits and restricted cash	–	–	**220,619**	–	**220,619**
	4,872,773	**6,176,863**	**714,162**	**65,414**	**11,829,212**
Financial Liabilities					
Interest-bearing loans***	–	**(2,071,818)**	**(5,945,129)**	**(120,116,228)**	**(128,133,175)**
Trade and other payables****	**(1,013,273)**	**(6,496,769)**	**(9,212,129)**	**(7,768,380)**	**(24,490,551)**
Service concession obligation payable to MWSS	–	**(348,718)**	**(429,676)**	**(17,044,878)**	**(17,823,272)**
Customers' deposits	–	–	–	**(630,298)**	**(630,298)**
Lease liabilities*****	–	**(27,333)**	**(79,635)**	**(267,544)**	**(374,512)**
	(1,013,273)	**(8,944,638)**	**(15,666,569)**	**(145,827,328)**	**(171,451,808)**
Liquidity position (gap)	**₱3,859,500**	**(₱2,767,775)**	**(₱14,952,407)**	**(₱145,761,914)**	**(₱159,622,596)**

	December 31, 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

(Forward)

	December 31, 2024				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
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)	(7,995,581)	(7,719,745)	(22,613,508)
Service concession obligation payable to MWSS	–	(697,436)	(674,775)	(17,220,518)	(18,592,729)
Customers' deposits	–	–	–	(1,355,612)	(1,355,612)
Lease liabilities*****	–	(57,607)	(79,295)	(293,218)	(430,120)
	(587,206)	(15,424,585)	(14,639,260)	(155,214,531)	(166,330,412)
Liquidity position (gap)	₱4,895,910	(₱4,638,765)	(₱14,400,832)	(₱154,655,574)	(₱149,264,091)

**Excludes cash on hand amounting to ₱4,065 and ₱4,362 as at March 31, 2025, and December, 31, 2024, respectively.*
***Included as part of "Other noncurrent assets" in the consolidated statements of financial position.*
****Principal plus interest payment*
*****Excludes taxes payable, interest payable, current portion of lease and contract liabilities.*
****** Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6.3 million as at March 31, 2025 and December 31, 2024, in the consolidated statements of financial position.*

Capital Management

The primary objective of the Group'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 Group 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 Group's target gearing ratio is not to exceed 75%. This target is to be maintained over the next five years by managing the Group's level of borrowings and dividend payments to shareholders.

For purposes of computing its net debt, the Group 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 Group uses total equity.

	March 31, 2025	December 31, 2024
Interest-bearing loans and service concession obligation payable to MWSS (Notes 10 and 11)	**₱93,762,907**	₱90,969,317
Trade and other payables (Note 12)	**25,964,283**	24,157,077
Less cash and cash equivalents and deposits (Notes 4 and 6)	**(5,618,799)**	(10,757,968)
Net debt (a)	**114,108,391**	104,368,426
Total equity	**72,627,110**	75,354,950
Total equity and net debt (b)	**₱186,735,501**	₱179,723,376
Gearing ratio (a/b)	**61%**	58%

For the purposes of monitoring debt ratio covenants, the Group computes using both interest-bearing debt and total liabilities. The Group's closely monitor 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 March 31, 2025 and December 31, 2024:

	March 31, 2025			
	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**	**–**	**–**	**492,065**
	₱683,821	**₱–**	**₱–**	**₱616,929**
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	**₱86,829,229**	**₱–**	**₱–**	**₱85,597,764**
Service concession obligation payable to MWSS	**6,933,678**	**–**	**–**	**7,668,381**
Customers' deposits	**1,393,049**	**–**	**–**	**365,837**
Lease liabilities	**323,886**	**–**	**–**	**324,700**
	₱95,479,842	**₱–**	**₱–**	**₱93,956,682**

	December 31, 2024			
	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)	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

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 March 31, 2025, and December 31, 2024, 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:

	March 31, 2025	December 31, 2024
Deposits	**5.62%-6.32%**	6.09%-6.18%
Interest bearing loans	**1.73%-6.22%**	3.98%-6.11%
Interest bearing bonds	**2.07%-6.15%**	5.87%-6.11%
Service concession obligation payable to MWSS	**2.5%-8.67%**	2.5%-8.53%
Customers' deposits	**6.32%**	6.09%
Lease liabilities	**5.18%-6.16%**	5.71%-6.18%

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 nil and ₱146.9 million as at March 31, 2025 and December 31, 2024, respectively. Borrowing costs capitalized as part of service concession assets amounted to ₱920.6 million and ₱499.6 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 7).

27. Changes in Liabilities Arising from Financing Activities

	January 1, 2025	**Cash Flows**	**Foreign Exchange Movement**	**Other***	**March 31, 2025**
Short-term and current portion of interest-bearing loans (Note 11)	**₱4,186,065**	**(₱2,043,574)**	**₱–**	**₱470,099**	**₱2,612,590**
Noncurrent portion of interest-bearing loans and bonds (Note 11)	**79,461,471**	**4,962,500**	**241,158**	**(448,490)**	**84,216,639**
Current portion of service concession obligation payable to MWSS (Note 10)	**1,027,255**	**(465,060)**	**(24,084)**	**498,051**	**1,036,162**
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,294,526**	**–**	**(43,135)**	**(353,876)**	**5,897,515**
Interest payable	**1,051,763**	**(1,280,697)**	**(128,070)**	**1,355,712**	**998,708**
Lease liabilities (Notes 2 and 22)	**372,787**	**(18,860)**	**–**	**(30,042)**	**323,885**
Dividends payable (Note 13)	**3,642**	**(6,399,665)**	**–**	**6,400,000**	**3,977**
Total liabilities from financing activities	**₱92,397,509**	**(₱5,245,356)**	**₱45,869**	**₱7,891,454**	**₱95,089,476**

**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, 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 (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.*

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. In addition, the Group consider its concession agreement operating in West Zone Service Area of Metro Manila and Province of Cavite as one geographical location.

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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.

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

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

MAYNILAD WATER SERVICES, INC.
MWSS Complex, Katipunan Avenue, Balara, Quezon City
Head Office Trunkline: 8981-3333 www.mayniladwater.com.ph

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)		Total
						Unappropriated	Appropriated	
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)		Total
						Unappropriated	Appropriated	
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.

<u>Sixth Rate Rebasing (2023-2027)</u>
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.

Derecognition of Financial Assets and Liabilities

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).

<u>Revenue Adjustments</u>
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.

<u>Contract Balances</u>

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).

<u>Disputes with MWSS</u>
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

<u>₱18.5 billion Corporate Notes (Various Lenders)</u>
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).

<u>₱15.0 billion Blue Bonds</u>
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).

₱10.0 billion Term Loan Facility (Metropolitan Bank & Trust Co.)
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).

₱10.0 billion Term Loan Facility (Bank of the Philippine Islands)
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).

₱6.0 billion Term Loan Facility (BDO Unibank Inc.)
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 18^{th} 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** 2023	**₱76.0 million** ₱74.0 million	**₱2.8 million** ₱4.0 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Construction costs (see Note 12)	**2024** 2023	**4,039.7 million** 3,168.9 million	**(124.0) million** 890.1 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Rental	**2024** 2023	**–** –	**(1.9 million)** (1.9 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Training Fees	**2024** 2023	**0.4 million** –	**–** –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	**2024** 2023	**10.0 million** 8.6 million	**0.3 million** 0.3 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Electricity costs	**2024** 2023	**1,216.2 million** 1,668.4 million	**226.6 million** 335.1 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Meralco Industrial Engineering Services Corporation					
Construction costs (see Note 12)	**2024** 2023	**–** 2.3 million	**0.9 million** 0.9 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Revenue from trade and non-trade services	**2024** 2023	– –	– 1.0 thousand	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Miescor Logistics, Inc					
Repairs and maintenance	**2024** 2023	**–** –	**(1.8 million)** (1.8 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Indra Philippines, Inc.					
Revenue from trade and non-trade services	**2024** 2023	**–** –	**40.0 thousand** 72.0 thousand	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Commercial outsourcing of information technology and system services	**2024** 2023	**346.4 million** 229.1 million	**–** 21.0 thousand	Noninterest-bearing, settlement in cash and payable on demand	Unsecured

(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	–	–		

Terms and Conditions of Transactions with Related Parties

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.

APPENDIX 1

FULL INDUSTRY REPORT PREPARED BY GLOBALDATA

GlobalData.

GlobalData

May 2025

Market Assessment on the Water and Wastewater Sectors in the Philippines.

A Report for Maynilad Water Services, Inc. MAYNILAD

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1 Executive Summary

Macroeconomic indicators

The Southeast Asia (SEA) region is on a growth trajectory, with its real GDP expected to grow from US$3,091.2 billion in 2024 to US$3,941.6 billion by 2029, driven by strong domestic demand, expanding labor forces, rising consumer spending, and increasing foreign direct investment (FDI) inflows. The growth in the region is also attributed to its strategic position in global supply chains, improving investment conditions, and opportunities in digital infrastructure, renewable energy, and tourism revival. The region is driven by economies such as the Philippines and Vietnam, which are expected to grow at 6.3% and 6.0% compound annual growth rate (CAGR) from 2024-2029, respectively. Indonesia remains the largest economy with projected real GDP of US$1,421.5 billion in 2024 growing at a 5.2% CAGR from 2024-2029.

The infrastructure sector covers water and sewerage infrastructure, land reclamation, power infrastructure (related to water), and marine and inland water infrastructure. Over the next five years, based on the announced projects, infrastructure investments in the Philippines are projected to award over US$16.6 billion in projects, with more than US$6.5 billion allocated to water and sewerage infrastructure, including major projects like the Davao City Sewerage Management System and Pampanga Bulk Water Supply. Indonesia’s infrastructure investments are set to grow US$11.8 billion between 2024 and 2029, with US$9 billion directed towards water and sewerage projects, including the Jakarta Sewerage Development Program, Jakarta Integrated Tunnel: Ulujami to Tanah Abang (US$0.9 billion), and Musi III River Underwater Tunnel Development (US$0.6 billion). Malaysia plans to invest US$8.8 billion, with nearly half focused on water and sewerage infrastructure, such as the Sabah Water Treatment Plants Program, and the Musi III River Underwater Tunnel Development (US$0.6 billion). Vietnam is expected to witness infrastructure investments of US$6.4 billion during 2024-2029, driven by large-scale projects like the Binh Tan Modern Wastewater Treatment Plant, Yen Xa Wastewater Treatment Plant, and Ho Chi Minh City Wastewater and Drainage System Improvement Program, among others. Thailand's water and sewerage infrastructure investments are expected to decline to US$5.0 billion by 2029.

Urbanization is witnessing continued growth, with the Philippines expected to witness a 1.8% CAGR from 2024 to 2029. This growth is driven by economic opportunities and government initiatives like the "“Build, Better, More" program and the Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (Pag-IBIG) Affordable Housing Program (AHP), addressing urban infrastructure and housing needs. These efforts position the Philippines as a key urban and economic hub in Southeast Asia.

The Philippines is a prime destination for infrastructure investments, particularly in water and sewerage, driven by urbanization, industrial growth, and high-value projects. The country is projected to become Southeast Asia's third-largest economy by 2029, fueled by factors like Regional Comprehensive Economic Partnership (RCEP) participation, liberalized foreign ownership regulations, remittances contributing 8.5% of GDP (in 2023), and the “Build, Better, More” (BBM) infrastructure program. Additionally, its young population supports a growing labor force and consumer market, strengthening its appeal as an investment hub.

The real GDP of Metro Manila is expected to witness 6.3% CAGR during 2024-2029 driven by factors like declining inflation, strong domestic demand, and increased infrastructure investments under government programs like BBM. Meanwhile, Jakarta and Bangkok benefit from larger populations and diversified economies, and Hanoi's growth is fueled by Vietnam's industrialization and export-driven strategy. The population of five Southeast Asian cities—namely Jakarta, Kuala Lumpur, Hanoi, Bangkok, and Metro Manila—is projected to grow from 50.3 million in 2018 to 55.2 million by 2029, representing a 9.8% increase. Metro Manila, Kuala Lumpur, and Hanoi are expected to lead this growth due to urbanization, economic expansion in sectors like technology and manufacturing, and improved living standards, attracting both domestic and international talent.

From 2024 to 2029, Metro Manila is projected to lead infrastructure investments among Southeast Asian cities, with US$11.0 billion in projects, followed by Jakarta (US$6.2 billion) and Bangkok (US$1.2 billion). Metro Manila stands out with its high-value projects, particularly in marine, inland water, and water & sewerage sectors, making it a prime destination for investment.

Philippines Water & Wastewater Treatment Sector

The National Water Resources Board (NWRB) has identified nine urban centers in the Philippines as high-priority water-critical areas due to intensive consumption, including Metro Manila, Metro Cebu, and Davao. Water availability in the country is increasingly impacted by climate change, economic development, urbanization, and population growth, with the Philippine Water Supply and Sanitation Master Plan (PWSSMP) 2019-2030 document highlighting potential water shortages by 2040. To address this, the government aims for universal access to clean water and sanitation by 2030. Efforts also include constructing advanced water treatment facilities like the Lima Water Corporation project and partnering with the U.S. Agency for International Development (USAID) to improve climate-resilient water services, strengthen water resource management, and address financing gaps for a sustainable water supply.

In the Philippines, water distribution demand is projected to grow at a CAGR of 4.0% from 2024 to 2029, while the volume of wastewater collected, treated, and discharged is expected to increase at a higher CAGR of 7.0% during the same period. In 2024 (estimates), the country collected 10,768.7 million cubic meters (m^3) of wastewater, but only 16% of it underwent treatment. With increased investments in wastewater infrastructure, the proportion of treated wastewater is anticipated to rise to 19.9% by 2029. Although access to clean water has significantly improved - achieving nearly 95% water service coverage - wastewater treatment coverage remains low—approximately 20% for sewer systems and 60% for sanitation services[1]. However, in the coming years, significant investments in wastewater infrastructure are expected to enhance sewer and sanitation coverage to address the country's growing environmental and public health challenges. Private water companies are leading these efforts, with Maynilad investing a total PHP163 billion[2] (US$2.8 billion) to construct new water and wastewater projects for the period 2023 to 2027 while Manila Water aims to invest PHP105 billion (US$1.8 billion) in the same timeframe. The government, in partnership with the private sector, is supporting water and sanitation initiatives under the PWSSMP (2019–2030). Maynilad plans to allocate PHP163 billion (US$2.8 billion) for water projects, including new sources and upgrades, and wastewater projects, such as 10 more wastewater treatment facilities with a combined treatment capacity of 1,450 MLD by 2047and sewer network expansion. Furthermore, Manila Water is planning to add 11 sewage treatment facilities,

[1] All statistics related to coverage mentioned are related to Metro Manila (West Zone).

[2] Exchange rate used for currency conversion include US$1=PHP58.97 as of 2024

totaling 53 wastewater (sewage and septage) treatment facilities until the end of the franchise period, i.e., 2047. These initiatives reflect the Philippines' commitment to improving wastewater management and sustainable water use.

In comparison with other Southeast Asian countries, Malaysia leads in wastewater management for 2024, with an 85% treatment rate and a continued positive outlook due to its favorable policies, and consistent investment in infrastructure. Other countries, Vietnam (20.7% of wastewater treatment) and Thailand (24.8% of wastewater treatment), show promise with ambitious plans but still lag behind Malaysia in current performance. Indonesia, at 6.7% of wastewater treatment, continues to face challenges and requires substantial progress to achieve comparable levels of wastewater management.

Compared globally, the Philippines, with 15.4% of wastewater treatment, is still catching up with advanced economies such as Japan, Australia, France, and the UK. Japan treats 91% of its wastewater, while Australia treats on average 96.7%, supported by government and private sector investments. France has a 93% wastewater treatment rate and is focusing on wastewater recycling. The UK, with a treatment rate of 98.8%, has implemented stringent regulations and a comprehensive environmental plan to address future wastewater challenges, including storm overflow reduction and wastewater reuse. Meanwhile, the Philippines is making significant strides in infrastructure investments and has substantial growth potential in wastewater treatment. While current treatment rates are lower compared to some other countries, this presents an opportunity for the nation to expand its capacity, demonstrating a strong commitment to environmental sustainability and future development.

Water Tariffs Analysis

According to the New International Benchmarking Network for Water and Sanitation Services (New IBNet), the water tariff in the Philippines has shown a steady increase from PHP17.8 per m^3 (US$0.34 per m^3) in 2018 to PHP32.2 per m^3 (US$0.55 per m^3) in 2024. The increases reflect efforts to improve water and wastewater infrastructure and service quality. Despite the increase, the Philippines maintains relatively low tariffs, compared to global averages, indicating a balance between affordability and infrastructure investment. As of October 2024, the Metropolitan Waterworks and Sewerage System (MWSS) implemented water tariff adjustments[3] under its quarterly-reviewed foreign currency adjustment mechanism, designed to recover losses or give back gains arising from fluctuations in foreign exchange rates, as payments are made for certain foreign currency-denominated loans that are used to fund the expansion and improvement of water and sewerage services. Manila Water customers are subject to a tariff increase of PHP0.86 per m^3, translating to monthly bill increases of PHP3.65, PHP8.10, and PHP16.54 for households consuming 10, 20, and 30 m^3, respectively. Low-income households consuming 10 m^3 or less remain exempt from these increases under lifeline rates. In contrast, Maynilad customers benefit from a tariff reduction of PHP0.29 per m^3, leading to monthly bill decreases of PHP0.83, PHP3.14, and PHP6.43 for the same consumption levels.

Labor Cost Analysis

According to the Philippines’ Occupational Wages Survey (OWS) statistics, from 2018 to 2022, wages in the Philippine water sector increased by an average of 14.6%, with the highest growth seen in unskilled labor (20.1%) and skilled roles such as

[3]The FCDA is a tariff adjustment mechanism that allows Maynilad to address changes in foreign exchange rates when paying foreign currency-based Concession Fees to MWSS and loans taken for service improvement projects. It ensures Maynilad neither gains nor loses from these fluctuations. Most of the company’s interest-bearing loans (Concession Loans) are in local currency, not foreign currency, though a larger portion of its Service Concession Payable to MWSS (Concession Fees Payable) is denominated in foreign currency. However, not all foreign currency transactions are recoverable under the FCDA. Only the MWSS loans that Maynilad is currently paying and will continue to pay, along with principal payments (excluding interest, commitment, and other fees) for both drawn and undrawn amounts of foreign currency-denominated loans as of June 29, 2022, are eligible for recovery.

production supervisors and general foremen (19.2%), reflecting rising demand and efforts to uplift lower-income workers. This is driven by factors such as inflation, increasing industry demand, and the growing importance of water management in national development. Skilled roles, such as production supervisors and foremen, show the highest wages, while unskilled labor exhibits the most substantial percentage growth, reflecting efforts to uplift wages for lower-income workers.

The Philippine government has launched initiatives to improve the labor market, such as the "Build, Better, More" program, which increase demand for skilled labor in infrastructure. The Philippine Development Plan (PDP) 2023-2028 aims to enhance wages and create quality jobs through investments in digital infrastructure and education. The Technical Education and Skills Development Authority (TESDA) in the Philippines oversees technical education and launched the TESDABest initiative in October 2024 to improve access, standards, and digital skills. In 2024, PHP15.2 billion (US$257.8 million) was allocated to TESDA programs, including free Technical-Vocational Education and Training (TVET) and Supporting Innovation in the Philippine TVET System (SIPTVETS). TESDA is collaborating on the National Technical Education and Skills Development Plan and partnering with IBM to enhance skill development. These efforts aim to address skill gaps, raise wages, and boost global competitiveness.

Competitive Landscape

As of 2024, Maynilad is a leading player in the Southeast Asian water utility industry, based on a large population of 10.4 million and managing the highest number of active connections in a single concession area—1.55 million, that showcase its broad service reach and substantial customer base. Within the Philippines, the water supply and wastewater treatment sector are characterized by major players such as Maynilad, Manila Water, PrimeWater Infrastructure Corporation (PrimeWater), and other service providers like Aboitiz InfraCapital (through Apo Agua and Lima Water Corporation), San Miguel Corporation (SMC), and Tubig Pilipinas Group Inc.

Maynilad stands out with its PHP163 billion (US$2.8 billion) investment plan for 2023-2027, focusing on large-scale infrastructure and wastewater management. Looking ahead, Maynilad has a US$14 billion long-term investment plan to enhance water and wastewater services, targeting 95.5% water service coverage, and 33% sewer coverage by 2027, and 2026, respectively; by 2046, the Company aims to achieve 76% sewer coverage with the balance to be covered by sanitation services. The Company utilizes advanced technologies like ceramic ultrafiltration membranes and Infrawise AI, a technology solution using artificial intelligence and machine learning to evaluate the condition of pipelines, predict deterioration and prioritize areas for maintenance and replacement, to optimize operations, reduce non-revenue water (NRW), and promote environmental sustainability. Furthermore, Maynilad launched NEW WATER technology in June 2022. The technology recycles treated used water into potable water, providing a sustainable alternative to traditional water sources. It also enhances water supply during shortages, supports environmental conservation, and promotes a circular economy through advanced treatment processes like microfiltration and reverse osmosis. Its long-standing partnership with MWSS and focus on Metro Manila further strengthens its competitive position. This is further reinforced by its industry recognition and the contributions of the Maynilad Water Academy

Conclusion

The Philippines' favorable economic environment and government commitment to infrastructure development, supported by programs like "Build, Better, More," create strong growth prospects for the water, wastewater, and solid waste sectors. Wastewater treatment coverage is projected to grow from approximately 16% in 2024 to 20% by 2029, among the fastest rates in Southeast Asia. The country's progressive legislative framework, compared to its Southeast Asian peers, drives the rapid expansion of Sanitary Landfills (SLFs), and promotes investments in solid waste, water, and wastewater infrastructure.

In the Philippines, Maynilad is the largest concessionaire in terms of population served. As of 31st December 2024, Maynilad has 39 reservoirs with a storage capacity of 779 million liters, expected to increase to 962 million liters (a 22% increment) by 2026. Given these factors, Maynilad represents a significant investment opportunity, offering growth potential for long-term operational optimization and contributing to the nation's sustainability goals. In terms of operating revenue growth, Maynilad registered a 33.5% increase in 2024 compared to 27.3% in 2023, which is notably high compared to its peers. Maynilad's substantial investment plans, including US$2.8 billion for 2023-2027 and a long-term US$14 billion strategy, demonstrate the company’s commitment to expanding and modernizing its operations, is expected to drive its revenue growth. Furthermore, its long-standing partnership with the MWSS further bolsters its regulatory stability. For solid waste management, Maynilad is exploring innovative solutions, particularly in converting biosolids (a byproduct of wastewater treatment) into renewable energy. In partnership with the Department of Science and Technology (DOST), Maynilad is developing waste-to-energy technologies to transform biosolids into biogas. This initiative not only addresses the challenge of biosolid disposal but also provides opportunities for energy generation, supporting Maynilad's commitment to environmental stewardship and the promotion of a circular economy.

2 Macroeconomic Environment

2.1 Southeast Asian Macroeconomic Indicators - Country Level

2.1.1 Real Gross Domestic Product (GDP)

The five Southeast Asian economies are on a strong growth path, with GDP expected to rise from US$ 3,091.2 billion in 2024 to US$3,941.6 billion by 2029. Key drivers of this expansion include the increasing growth in the Philippines and Vietnam with a CAGR of 6.3% and 6.0% for the 2024-2029 period, while Indonesia, the region's largest economy, is projected to maintain its position with a 5.2% CAGR from 2024 to 2029. This growth is fueled by strong domestic demand across emerging economies further strengthened by an expanding labor force and increased consumer spending. A gradual recovery in global exports and Southeast Asia's strategic position in global supply chains make the region an increasingly attractive destination for FDI. Improving investment conditions, coupled with opportunities in digital infrastructure and renewable energy, enhance Southeast Asia's appeal. According to UN Trade and Development (UNCTAD), the target countries' FDI increased from nearly US$1,076 billion in 2022 to US$1,126 billion in 2023. The region's young and growing population provides a substantial labor workforce while driving consumer demand across diverse sectors. Further, the anticipated revival of tourism adds to the region's economic momentum, presenting compelling opportunities for business growth and investment in this dynamic environment.

Table 1: SEA real GDP, GDP growth & real GDP per capita by targeted countries (2018-2029F)

Country	Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F	CAGR (2024-2029)
Philippines	Real GDP per capita (US$)	3,217.1	3,364.9	3,009.1	3,142.2	3,339.3	3,484.0	3,644.1	3,823.9	4,022.8	4,235.8	4,459.3	4,688.4	5.2%
	Real GDP total (US$B)	340.2	361.0	327.3	346.3	372.6	393.3	416.0	441.2	469.1	499.1	530.7	563.6	6.3%
	Real GDP growth (%)	4.7%	4.6%	-10.6%	4.4%	6.3%	4.3%	4.6%	4.9%	5.2%	5.3%	5.3%	5.1%	
	Real GDP per capita growth (%)	6.3%	6.1%	-9.3%	5.8%	7.6%	5.6%	5.8%	6.0%	6.3%	6.4%	6.3%	6.2%	
Indonesia	Real GDP per capita (US$)	4,341.7	4,512.6	4,375.3	4,493.2	4,686.7	4,877.7	5,077.6	5,291.1	5,519.1	5,758.9	6,013.2	6,284.0	4.4%
	Real GDP total (US$B)	1,146.9	1,204.5	1,179.6	1,223.3	1,288.2	1,353.2	1,421.5	1,494.5	1,572.4	1,654.4	1,741.5	1,834.3	5.2%
	Real GDP growth (%)	4.1%	3.9%	-3.0%	2.7%	4.3%	4.1%	4.1%	4.2%	4.3%	4.3%	4.4%	4.5%	
	Real GDP per capita growth (%)	5.2%	5.0%	-2.1%	3.7%	5.3%	5.0%	5.0%	5.1%	5.2%	5.2%	5.3%	5.3%	
Malaysia	Real GDP per capita (US$)	11,820.0	12,288.2	11,595.9	11,952.1	12,968.3	13,171.7	13,667.5	14,160.0	14,652.4	15,132.2	15,623.7	16,124.9	3.4%
	Real GDP total (US$B)	382.8	399.6	377.8	390.3	424.1	439.7	461.1	482.6	504.3	525.9	548	570.7	4.4%
	Real GDP growth (%)	3.7%	4.0%	-5.6%	3.1%	8.5%	1.6%	3.8%	3.6%	3.5%	3.3%	3.2%	3.2%	
	Real GDP per capita growth (%)	4.8%	4.4%	-5.5%	3.3%	8.7%	3.7%	4.9%	4.7%	4.5%	4.3%	4.2%	4.1%	

Thailand	Real GDP per capita (US$)	6,340.6	6,443.8	6,027.9	6,095.2	6,233	6,333.1	6,474.2	6,645.5	6,831.2	7,017.2	7,206.5	7,399	2.7%
	Real GDP total (US$B)	443.1	452.4	425	431.3	442.5	450.9	462.1	475.3	489.4	503.4	517.5	531.7	2.8%
	Real GDP growth (%)	3.8%	1.6%	-6.5%	1.1%	2.3%	1.6%	2.2%	2.6%	2.8%	2.7%	2.7%	2.7%	
	Real GDP per capita growth (%)	4.2%	2.1%	-6.1%	1.5%	2.6%	1.9%	2.5%	2.9%	3.0%	2.9%	2.8%	2.7%	
Vietnam	Real GDP per capita (US$)	2,553.1	2,709.8	2,756.0	2,799.9	2,998.2	3,120.1	3,262.2	3,420.5	3,596.6	3,785.5	3,984.2	4,188.7	5.1%
	Real GDP total (US$B)	243.5	261.4	268.9	275.8	298.2	313.3	330.5	349.5	370.5	393.1	416.8	441.3	6.0%
	Real GDP growth (%)	6.2%	6.1%	1.7%	1.6%	7.1%	4.1%	4.6%	4.9%	5.1%	5.3%	5.2%	5.1%	
	Real GDP per capita growth (%)	7.5%	7.4%	2.9%	2.6%	8.1%	5.0%	5.5%	5.8%	6.0%	6.1%	6.0%	5.9%	

Source: Country's Official Statistics accessed on November 2024 and GlobalData

Note: The data has been gathered from the official statistics of each country in November and the GlobalData forecast

The Philippines, in particular, is expected to outpace other Southeast Asian economies with a projected 6.3% CAGR from 2024-2029. It is poised to overtake Thailand as the region's third-largest economy by 2029. Participation in the Regional Comprehensive Economic Partnership (RCEP) is also attracting foreign investments, especially in manufacturing and infrastructure, as recent regulatory reforms allow up to 100% foreign ownership in key sectors like manufacturing and renewable energy. Government initiatives, particularly the BBM infrastructure program, are enhancing national connectivity and stimulating economic activity, supported by PPPs that boost productivity. Additionally, remittances from overseas personnel, which contributed approximately 8.5% to GDP in 2023, is expected to increase in the future which would strengthen household consumption and economic stability. With a young, growing population, the Philippines offers both a large labor workforce and a burgeoning consumer market, creating sustained demand across sectors and reinforcing its position as a prime investment destination in Southeast Asia.

2.1.2 Population and Housing

The overall population of the targeted five Southeast Asian economies is projected to rise from 568 million in 2018 to 625 million in 2029. While Indonesia will maintain its position as the most populous country in the region, the Philippines will be the key driver of population growth. With a notable growth rate of 1.03%, the Philippines' population is expected to rise from 114.2 million in 2024 to 120.2 million by 2029, making it the fastest-growing nation in Southeast Asia over this period. The Philippines' robust population growth, combined with its median age of 24.5—the youngest among the five Southeast Asian countries—presents a compelling opportunity for businesses targeting the region.

As the population expands, the country is poised to benefit from a larger, more dynamic labor force, which can significantly bolster productivity and economic growth. Additionally, the increase in population will lead to higher domestic consumption, an essential driver of GDP expansion. Consumer spending has already played a crucial role in the recent economic recovery of the Philippines. Additionally, Malaysia is expected to see growth, though at a slower pace compared to the Philippines, further emphasizing the latter's prominence in the region's demographic landscape.

Table 2: SEA population & demography indicators by targeted countries (2018-2029F)													
Country	**Indicators**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
Philippines	Population (people in millions)	105.8	107.3	108.8	110.2	111.6	112.9	114.2	115.4	116.6	117.8	119.0	120.2
	Population growth (%)		1.4%	1.4%	1.3%	1.3%	1.2%	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%
	Proportion of urban population (%)	46.9%	47.1%	47.4%	47.7%	48.0%	48.3%	48.6%	49.0%	49.3%	49.7%	50.1%	50.5%
	Urban population (people in millions)	49.6	50.6	51.6	52.5	53.5	54.5	55.5	56.5	57.5	58.5	59.6	60.7
	Urbanization rate (%)	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%
Indonesia	Population (people in millions)	264.2	266.9	269.6	272.2	274.9	277.4	280.0	282.5	284.9	287.3	289.6	291.9
	Population growth (%)		1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	1.0%
	Proportion of urban population (%)	55.3%	56.0%	56.6%	57.3%	57.9%	58.6%	59.2%	59.8%	60.4%	61.1%	61.7%	62.3%
	Urban population (people in millions)	146.1	149.4	152.7	156.0	159.2	162.5	165.8	169.0	172.2	175.4	178.6	181.7
	Urbanization rate (%)	1.2%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%
Malaysia	Population (people in millions)	32.4	32.5	32.6	32.7	32.7	33.4	33.7	34.1	34.4	34.8	35.1	35.4
	Population growth (%)		0.3%	0.3%	0.3%	0.0%	2.1%	0.9%	1.2%	0.9%	1.2%	0.9%	0.3%
	Proportion of urban population (%)	76.0%	76.6%	77.2%	77.7%	78.2%	78.7%	79.2%	79.7%	80.1%	80.6%	81.0%	81.4%
	Urban population (people in millions)	24.6	24.9	25.1	25.4	25.6	26.3	26.7	27.2	27.6	28.0	28.4	28.8
	Urbanization rate (%)	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
Thailand	Population (people in millions)	69.9	70.2	70.5	70.8	71.0	71.2	71.4	71.5	71.6	71.7	71.8	71.9
	Population growth (%)		0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
	Proportion of urban population (%)	49.9%	50.7%	51.4%	52.2%	52.9%	53.6%	54.3%	55.0%	55.7%	56.4%	57.1%	57.8%
	Urban population (people in millions)	34.9	35.6	36.3	36.9	37.6	38.2	38.8	39.4	39.9	40.5	41.0	41.5
	Urbanization rate (%)	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%
Vietnam	Population (people in millions)	95.4	96.5	97.6	98.5	99.5	100.4	101.3	102.2	103	103.8	104.6	105.4
	Population growth (%)		1.2%	1.1%	0.9%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%
	Proportion of urban population (%)	35.9%	36.6%	37.3%	38.1%	38.8%	39.5%	40.2%	40.9%	41.6%	42.3%	43.0%	43.8%
	Urban population (people in millions)	34.3	35.3	36.4	37.5	38.6	39.6	40.7	41.8	42.9	44.0	45.0	46.1
	Urbanization rate (%)	2.0%	2.0%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%

Source: Country's Official Statistics accessed on November 2024 and GlobalData

Note: The data has been gathered from the official statistics of each country in November and forecasts by GlobalData

The urban population within these five economies is expected to increase from 289.5 million in 2018 to 358.8 million by 2029. By the end of this period, urban dwellers will account for 71.8% of the region's total population, emphasizing the shift toward urban living. Indonesia is set to lead the region with 181.7 million people living in urban areas, followed by Malaysia with 81.4

million and the Philippines with 60.7 million. This migration from rural areas to cities is driven by the pursuit of better living standards and economic opportunities, increasing the demand for essential services like drinking water, wastewater treatment, and solid waste management.

The Philippines, with the urbanization CAGR of 1.8% from 2024 to 2029, is a key player in this urbanization wave. Several factors contribute to the growth of urban households in the country, economic opportunities in cities, population growth, and key government initiatives. The Philippine government has taken decisive steps to promote sustainable urbanization through infrastructure and housing programs. One of the cornerstone initiatives is the "Build, Better, More" program, which focuses on enhancing transportation networks, including roads, bridges, and public transport systems, to improve urban accessibility and connectivity. To address housing needs driven by urbanization, the government has launched the Pag-IBIG Affordable Housing Program (AHP), offering subsidized loans for low- to moderate-income families. Additionally, private sector participation is encouraged under the Urban Development Housing Act, further expanding housing options for urban dwellers. As cities continue to develop, the combination of supportive policies, infrastructure development, and private sector engagement will drive the country's urban transition, reinforcing its position as a critical urban hub in Southeast Asia.

2.1.3 Real Infrastructure Construction Output for Water & Sewerage

The real construction output for sewerage and water Infrastructure in Southeast Asia is projected to increase from US$12,651.1 million in 2018 to US$19,725.3 billion in 2029. This growth is driven by connected factors, creating many opportunities for businesses and investors in this field. The region's rapid economic growth and accelerated urbanization are reshaping its infrastructure landscape. As urban migration intensifies, population densities in cities are increasing, driving an urgent demand for enhanced wastewater management and reliable clean water supply systems. Simultaneously, projected population growth is putting additional strain on already limited resources, requiring the modernization and expansion of existing infrastructure. Environmental challenges, including the escalating impacts of climate change and widespread pollution, further amplify the need for comprehensive water management solutions.

Table 3: SEA real industrial construction output* by targeted countries (2018-2029F) (US$M)

Country	Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F	CAGR (2024-29)
Philippines	Sewerage infrastructure	550.7	509.4	734.4	681.6	593.5	648.2	705.8	736.0	772.1	807.0	841.6	877.2	**4.4%**
	Water infrastructure	601.2	551.8	801.5	719.8	652.9	670.0	718.1	745.6	763.9	794.4	818.6	843.0	**3.3%**
Indonesia	Sewerage infrastructure	3,294.8	3,503.8	3,490.1	3,589.7	3,643.1	3,846.0	4,061.4	4,233.6	4,460.4	4,687.0	4,930.7	5,181.0	**5.0%**
	Water infrastructure	5,736.9	6,098.8	6,041.0	6,123.3	6,368.1	6,705.8	7,045.6	7,336.6	7,659.7	7,961.3	8,259.4	8,526.0	**3.9%**
Malaysia	Sewerage infrastructure	422.6	440.8	344.2	308.6	299.1	327.8	404.4	416.6	434.6	453.3	471.2	489.8	**3.9%**
	Water infrastructure	575.7	598.2	462.2	418.4	403.6	458.1	579.0	604.3	636.5	675.8	718.6	765.5	**5.7%**
Thailand	Sewerage infrastructure	183.9	187.2	194.3	197.5	198.9	197.5	177.9	204.7	211.7	217.5	225.7	234.4	**5.7%**
	Water infrastructure	250.8	254.9	268.3	275.9	277.5	276.2	248.8	285.3	296.1	311.7	327.8	342.1	**6.6%**

Vietnam	Sewerage infrastructure	454.3	503.8	563.0	564.1	644.3	706.3	764.8	819.2	884.4	950.8	1,020.0	1,093.0	**7.4%**
	Water infrastructure	580.2	636.0	712.0	712.8	810.7	874.6	1,052.4	1,097.3	1,157.7	1,224.1	1,294.1	1,373.3	**5.5%**

Source: Country's Official Statistics accessed on November 2024 and GlobalData

Note: The data has been gathered from the official statistics of each country in November and forecasts by GlobalData

*Real construction output refers to the total value of construction activities within a specific period, adjusted for inflation. It encompasses the costs associated with materials, equipment, and services used in construction, and is synonymous with measures such as "construction value put in place" or "value of construction work done." Unlike nominal data, real construction output—also called constant prices data—excludes price changes, providing a time series that reflects only the actual changes in construction activity. This metric is essential for accurately assessing the sector's contribution to the economy and trends in investment levels.

Governments in the region are responding decisively, adopting progressive policies to stimulate investment through public spending and PPP models. These initiatives are attracting foreign capital and collaboration between domestic and international players. The sector is also witnessing a transformation in financing mechanisms. For businesses and investors, these trends highlight a strong landscape for growth, innovation, and strategic partnerships. Companies positioned to deliver cutting-edge solutions, leverage advanced technologies, and align with sustainability goals stand to benefit from the region's infrastructure evolution.

Among the nations, Indonesia will continue to dominate the sewerage and water infrastructure market (followed by Vietnam and the Philippines) due to urbanization. It is projected that over two-thirds of its population will live in urban areas by 2035. The Indonesian government has implemented the National Medium-Term Development Plan aimed at achieving universal access to clean water and sanitation by 2024.

The Philippines is emerging as a critical market and is expected to become the third-largest sewerage and water infrastructure construction market in Southeast Asia with CAGRs of 5.0% and 3.3%, respectively, for 2024-2029. To address these pressures, the Philippine government has outlined a PHP1,069.3 billion (US$18.9 billion) Water Supply and Sanitation Master Plan, aimed at achieving universal access to safe water and sanitation by 2030. Environmental challenges, including pollution in rivers and water bodies, are further amplifying the need for modern treatment solutions to safeguard public health and comply with regulations such as the Clean Water Act of 2004. Additionally, rising industrialization is contributing to increased waste generation, necessitating the deployment of advanced treatment and recycling systems. The combination of these factors creates a fertile landscape for growth and innovation in the sector.

For businesses and investors, the Philippines sewerage and water infrastructure market presents several opportunities. Companies offering scalable, cost-effective, and sustainable solutions are well-positioned to thrive in this evolving market. Overall, the Philippines' strong government initiatives, coupled with increasing urban and industrial demands, highlight the sector as a key area for strategic investments and partnerships.

2.1.4 Infrastructure Investments - Country Level

The infrastructure investments are based on publicly announced contract awards and include projects at all stages, from announcement to completion, covering 2018–2029. Investments from 2018–2023 are classified as executed or completed projects, while those from 2024–2029 are categorized as pre-execution or execution.

This section outlines investments in four main areas: water and sewerage infrastructure, land reclamation, power infrastructure, and marine and inland water infrastructure. The water and sewerage infrastructure category includes components such as pumping stations, sewerage tunnels, storm sewers, treatment plants, desalination plants, distribution lines, filtration plants, irrigation systems, reservoirs, storage tanks, water towers, water tunnels, and other related infrastructure. The marine and inland water infrastructure includes projects such as jetties, port facilities, canals, channels, dams, drainage systems, and flood control and protection systems. The power infrastructure category specifically includes hydroelectric construction projects and excludes energy storage, coal, geothermal, nuclear, gas, oil, alternative technologies, solar energy, Concentrated Solar Power (CSP), solar PV, biomass, biofuels, wind energy, overhead lines, underground, underwater, switching stations & substations, transformer stations & substations, and electricity transmission tunnel. These are not part of the scope of the study.

Table 4: SEA infrastructure investments by targeted countries (2018-2029F), (US$M)

Country	Sectors/infrastructure	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Philippines	Marine & inland water	-	-	-	-	231	-	350	155	82	-	7,885	-
	Land reclamation	-	-	-	-	2,947	1,000	-	500	-	1,194	-	-
	Power infrastructure	-	-	-	-	220	-	-	-	-	-	-	-
	Water & sewerage	492	334	509	1,148	1,139	114	397	349	2,251	3,476	0	-
	Total	**492**	**334**	**509**	**1,148**	**4,537**	**1,114**	**747**	**1,004**	**2,333**	**4,670**	**7,885**	**-**
Indonesia	Marine & inland water	-	-	-	-	-	-	269	1,122	846	622	-	-
	Land reclamation	-	-	-	-	-	-	-	-	-	-	-	-
	Power infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
	Water & sewerage	83	230	680	226	743	1,317	5,694	227	940	1,072	1,074	-
	Total	**83**	**230**	**680**	**226**	**743**	**1,317**	**5,963**	**1,349**	**1,786**	**1,694**	**1,074**	**-**
Malaysia	Marine & inland water	-	-	-	-	-	42	-	637	50	-	-	-
	Land reclamation	-	-	-	-	-	-	234	-	-	-	-	-
	Power infrastructure	-	-	-	-	-	-	373	1,395	-	-	-	-
	Water & sewerage	25	360	54	10	210	1,252	3,016	148	703	200	111	-
	Total	**25**	**360**	**54**	**10**	**210**	**1,294**	**3,623**	**2,180**	**753**	**200**	**111**	**-**
Thailand	Marine & inland water	300	-	60	2,449	18	4,478	87	285	485	470	585	-
	Land reclamation	-	-	-	-	-	-	-	-	-	-	-	-
	Power infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
	Water & sewerage	90	170	95	274	105	505	110	777	652	754	844	-
	Total	**390**	**170**	**155**	**2,723**	**123**	**4,983**	**197**	**1,062**	**1,137**	**1,224**	**1,429**	**-**
Vietnam	Marine & inland water	-	0	1,126	399	2,426	-	257	41	573	0		-
	Land reclamation	-	-	-	-	-	-	-	-	-	-	-	-
	Power infrastructure	20	-	-	-	-	-	-	-	-	-	-	-
	Water & sewerage	-	1,096	100	-	-	232	248	727	423	4,164		-
	Total	**-**	**1,096**	**1,226**	**399**	**2,426**	**232**	**505**	**768**	**996**	**4,164**	**-**	**-**

Source: GlobalData.
Note: The above data is based on announced projects. Blank cells have no projects. Projects for 2029 are yet to be announced

Infrastructure investments in the Philippines were valued at over US$8.1 billion during 2018–2023 and are projected to exceed US$16.6 billion for projects expected to be awarded between 2024 and 2029. Over US$6.4 billion worth of projects in the water and sewerage category are anticipated to be awarded between 2024 and 2029. Notable projects include the Davao City Sewerage Management System Program (US$3.0 billion), Pampanga Bulk Water Supply (US$0.33 billion), Kanan Agos Project (US$0.21 billion), and Parañaque Spillway Tunnel (US$1.74 billion), among others. Additionally, some of the key projects for marine and inland water infrastructure projects include the Manila Bay Integrated Flood Control Coastal Defense and

Expressway Program (US$7.8 billion), and the National Irrigation Administration (NIA) Norte Irrigation Stage II (US$0.30 billion), among others.

In Indonesia, infrastructure investments were valued at US$3.2 billion during 2018–2023 and are expected to reach US$11.8 billion for projects awarded between 2024 and 2029. Out of US$11.8 billion, around US$9.0 billion—accounting for 76.9% of total investments—was allocated to water and sewerage infrastructure. Key projects in this category include the Jakarta Sewerage Development Program (US$4.9 billion), Jakarta Integrated Tunnel: Ulujami to Tanah Abang (US$0.9 billion), and Musi III River Underwater Tunnel Development (US$0.6 billion). The remaining 23.7% is expected to account for the Marine & inland water segment.

Malaysia is projected to see US$8.8 billion worth of projects awarded between 2024 and 2029. Of this, 47.8%—valued at US$4.1 billion—is expected to go toward water and sewerage infrastructure. Key projects in this category include the Sabah Water Treatment Plants Program (US$2.8 billion), the Industrial Wastewater Plant (US$0.1 billion), and the Musi III River Underwater Tunnel Development (US$0.6 billion). The remaining investments will focus on marine and inland water infrastructure, land reclamation, and power infrastructure. Notable projects in these categories include the Linear Waterfront – Penang (US$0.23 billion), Sungai Jernih Dam Development (US$0.042 billion), and the Malaysia Sabo Dams Development Program (US$0.05 billion).

Based on the announced projects, in Vietnam, infrastructure investments were valued at US$5.4 billion during 2018–2023, with US$6.4 billion worth of projects expected to be awarded between 2024 and 2029. The surge in investment is largely attributed to the announcement of the Binh Tan Modern Wastewater Treatment Plant project, valued at US$4.1 billion, which is anticipated to be awarded in 2027. In addition to water and sewerage treatment projects, US$0.87 billion worth of investments are expected to be allocated to marine and inland water infrastructure projects during 2024–2029.

In Thailand, construction activity for water and sewerage infrastructure totaled US$8.5 billion during 2018–2023 but is expected to decline to US$5.0 billion in the coming years. This slowdown is primarily due to the low-value marine and inland water infrastructure projects. Between 2024 and 2029, the country is expected to see US$5.0 billion worth of overall infrastructure projects awarded. Of this, over US$3.1 billion will be allocated to water and sewerage infrastructure, while the remaining investments will focus on marine and inland water infrastructure projects.

Considering the other SEA countries, the Philippines' infrastructure momentum aligns with urbanization and industrial needs, offering a stable pipeline of projects. This consistency and diversity, combined with high-value projects and growing demand, position the Philippines as one of the attractive options to invest in water and sewerage infrastructure development in the region.

2.1.5 List of SEA Key Water Infrastructure Projects - Country Level

2.1.5.1 Philippines

Table 5: Key water infrastructure projects in the Philippines

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Davao City Sewerage Management System Program	Davao City/ MWSS Philippines	Study	3,000	Water & sewerage infrastructure	2027
Cordova Reclamation Development	Cordova Mun/ Philippine Reclamation/ SM Prime Hldgs	Execution	2,947	Land reclamation	2022
Paranaque Spillway Tunnel	DPWH Philippines	Study	1,740	Water & sewerage infrastructure	2026
Pasay Harbor City Reclamation	Pasay City Government / SM Prime Hldgs	Execution	1,280	Land reclamation	2023
Navotas Coastal Bay Reclamation	Navotas/ SMC	Planning	1,194	Land reclamation	2027
Manila Wastewater Development	Manila Water	Execution	684	Water & sewerage infrastructure	2022
Sewage Treatment Plants Development Program	Maynilad	Execution	605	Water & sewerage infrastructure	2019
Teresa Water Treatment Plant	Maynilad	Planning	511	Water & sewerage infrastructure	2026
Metro Manila Flood Management Program	DPWH Philippines/ MMDA	Execution	500	Water & sewerage infrastructure	2021
Bulacan Bulk Water Supply	MWSS Philippines	Execution	467	Water & sewerage infrastructure	2017
Wawa Bulk Water Supply Development	Manila Water/ Prime Infra/ San Lorenzo Ruiz Bldrs & Dev	Execution	448	Water & sewerage infrastructure	2020
Pampanga Bulk Water Supply	Pampanga Government	Planning	330	Water & sewerage infrastructure	2027
Laguna Lake East Bay Water Treatment Plant	Manila Water	Execution	300	Water & sewerage infrastructure	2022
Maynilad Capital Improvement Program	Maynilad	Execution	262	Water & sewerage infrastructure	2017
New Centennial Water Source-Kaliwa Dam	MWSS Philippines	Execution	231	Marine & inland water infrastructure	2022
Kanan Agos Project	MWSS Philippines	Planning	214	Water & sewerage infrastructure	2025
Bigte-Novaliches Aqueduct No. 7	MWSS Philippines	EPC Award	146	Water & sewerage infrastructure	2024

Source: GlobalData

Kanan Dam Development is awating confirmation as there are no developments on the project as per NEDA

2.1.5.2 Indonesia

Table 6: Key water infrastructure projects in Indonesia

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Jakarta Sewerage Development Program	Ministry of Public Works (MoPW)Indonesia	Execution	4,927	Water & sewerage infrastructure	2024
Manyar Smelter Seawater Desalination Plant	Freeport Indonesia	Construction Complete	3,000	Water & sewerage infrastructure	2023
Jakarta Integrated Tunnel: Ulujami to Tanah Abang	Jakarta Government	Design	940	Water & sewerage infrastructure	2026

Jakarta Sewerage Development Project: Zone-1	Jakarta Government	Execution	819	Water & sewerage infrastructure	2023
Jatigede Water Supply System	BPPSPAM/ MoPW Indonesia	Planning	688	Water & sewerage infrastructure	2027
Musi III River Under Water Tunnel Development	Sumatra Government	Study	665	Water & sewerage infrastructure	2028
Pluit Reservoir Wastewater Treatment Plant	DPUDKIJ/ MoPW Indonesia	Execution	556	Water & sewerage infrastructure	2023
Karian-Serpong Water Conveyance System	BPPSPAM/ MoPW Indonesia	Execution	501	Water & sewerage infrastructure	2022
Djuanda Regional Drinking Water Supply System	MoPW Indonesia	Study	409	Water & sewerage infrastructure	2028
Jakarta Sewerage Development Project: Zone-6	MoPW Indonesia	Planning	403	Water & sewerage infrastructure	2024
Source: GlobalData					

2.1.5.3 Malaysia

Table 7: Key water infrastructure projects in Malaysia

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Sabah Water Treatment Plants Program	Sabah State Water Department	Execution	2,840	Water & sewerage infrastructure	2024
Sungai Rasau Water Supply Scheme	Pengurusan Air	Execution	1,235	Water & sewerage infrastructure	2023
Broga Water Treatment Plant	Negeri Sembilan Government	Construction Complete	940	Water & sewerage infrastructure	2021
Kuching Water Treatment Plant	Kuching Water Board	Planning	361	Water & sewerage infrastructure	2026
Kuala Terengganu Water Treatment Plant	Terengganu Government	Construction Complete	360	Water & sewerage infrastructure	2019
Penang Desalination Water Supply Scheme: Phase 1	PBAPP	Study	305	Water & sewerage infrastructure	2026
Linear Waterfront	Penang Dev	EPC Award	234	Other infrastructure	2024
Sungai Perai Water Supply Scheme	PBAPP	Study	200	Water & sewerage infrastructure	2027
Sungai Dua Water Treatment Plant: Package 12A	PBAPP	Construction Complete	140	Water & sewerage infrastructure	2022
Sidam Kiri Water Treatment Plant	Kedah Government	Planning	111	Water & sewerage infrastructure	2028
Kelantan Water Treatment Plants Program	Pengurusan Aset	Planning	108	Water & sewerage infrastructure	2025
Sungai Ngoi-Ngoi Water Treatment Plant: Phase II	SAINS Water	Execution	70	Water & sewerage infrastructure	2022
Layang II Water Treatment Plant	Johor Work Department	Execution	54	Water & sewerage infrastructure	2020
Source: GlobalData					

2.1.5.4 Thailand

Table 8: Key water infrastructure projects in Thailand

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Ninth Bangkok Water Supply Improvement Project	Metropolitan Waterworks Authority (MWA)	Execution	1,295	Water & sewerage infrastructure	2023

Thonburi Wastewater Treatment Plant	Bangkok Metropolitan Admin	EPC Award	367	Water & sewerage infrastructure	2025
Nong Bon Swamp Wastewater Treatment Plant	Bangkok Metropolitan Admin	Planning	344	Water & sewerage infrastructure	2028
Yom River Lower Reservoir	Ministry of Natural Resources and Environment (MONRE) Thailand	Planning	300	Water & sewerage infrastructure	2028
Yom River Upper Reservoir	MONRE Thailand	Planning	250	Water & sewerage infrastructure	2027
Khlong Phraya Ratchamontri Drainage Tunnel	National Water Resource Committee (NWRC)	Planning	200	Water & sewerage infrastructure	2028
Don Muang Drainage Tunnel	Bangkok Metropolitan Admin	Planning	165	Water & sewerage infrastructure	2027
Lam Nam Chi Reservoir	Royal Irrigation Thailand	Execution	163	Water & sewerage infrastructure	2021
Klong Toei Wastewater Treatment Plant	Bangkok Metropolitan Admin	Planning	159	Water & sewerage infrastructure	2026
Source: GlobalData					

2.1.5.5 Vietnam

Table 9: Key water infrastructure projects in Vietnam

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Binh Tan Modern Wastewater Treatment Plant	Ho Chi Minh City	Planning	4,164	Water & sewerage infrastructure	2027
Yen Xa Wastewater Treatment Plant	Hanoi City People's Com	Execution	800	Water & sewerage infrastructure	2019
Tay Saigon Wastewater Treatment Plant	SII	Planning	331	Water & sewerage infrastructure	2026
Ministry of Agriculture and Rural Development (MARD) Water Management Program	MARD Vietnam	Tender	286	Water & sewerage infrastructure	2025
Vinh Phuc Flood Risk and Water Management Program	Vinh Phuc People's Committee	Execution	220	Water & sewerage infrastructure	2018
Krong Pach Thuong Irrigation Reservoir	MARD Vietnam	Execution	187	Water & sewerage infrastructure	2023
Binh Hung Hoa Wastewater Treatment Plant	Ho Chi Minh City	Planning	170	Water & sewerage infrastructure	2025
Dan Phuong Red River Surface Water Plant	Hanoi Water/ Thanh Long Corp.	Execution	148	Water & sewerage infrastructure	2019
Ha Long City Drainage and Wastewater Treatment Plant	Ha Long Government	Planning	138	Water & sewerage infrastructure	2024
Mekong Delta Water Storage System	An Giang ProvIncial Government	Planning	135	Water & sewerage infrastructure	2025
Hoa Lien Water Treatment Plant	Da Nang City	Construction Complete	100	Water & sewerage infrastructure	2020
Vinh Tan Wastewater Treatment Plant	Le Delta	Study	92	Water & sewerage infrastructure	2026
Source: GlobalData					

2.1.6 SEA Macroeconomic Country Ranking

Table 10: Country rankings by macroeconomic indicator, 2024E

Indicators	Country	Values	Rankings
Population forecast CAGR (2024-2029)	**Philippines**	**1.0%**	**1**
	Malaysia	1.0%	2
	Indonesia	0.8%	3
	Vietnam	0.8%	4
	Thailand	0.1%	5
Real GDP per capita forecast CAGR (2024-2029)	**Philippines**	**5.2%**	**1**
	Vietnam	5.1%	2
	Indonesia	4.4%	3
	Malaysia	3.4%	4

	Thailand	2.7%	5
Real GDP forecasts CAGR (2024-2029)	**Philippines**	**6.3%**	**1**
	Vietnam	6.0%	2
	Indonesia	5.2%	3
	Malaysia	4.4%	4
	Thailand	2.8%	5
Infrastructure investment (US$M) (2024-2028)	**Philippines**	**16,639**	**1**
	Indonesia	11,866	2
	Malaysia	6,867	3
	Vietnam	6,433	4
	Thailand	5,049	5
Source: GlobalData			

2.2 Southeast Asian Macroeconomic Indicators - City Level

2.2.1 Real Gross Domestic Product (GDP)

Kuala Lumpur is projected to retain the highest real GDP per capita among target Southeast Asian (SEA) cities, with a compound annual growth rate (CAGR) of 3% from 2024 to 2029. Following Kuala Lumpur's economic performance are Jakarta, Bangkok, Metro Manila, and Hanoi.

Table 11: SEA real GDP, GDP growth & real GDP per capita by target cities (2018-2029F)

Country	City	Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F	CAGR (2024-2029)
Philippines	Metro Manila	Real GDP total (US$B)	105.1	112.5	101.2	105.6	113.3	118.8	125.8	133.5	142.0	151.1	160.8	170.8	**6.3%**
		Real GDP growth (%)	5.6%	7.0%	-10.0%	4.4%	7.2%	4.9%	5.9%	6.1%	6.4%	6.4%	6.4%	6.2%	
		Real GDP per capita (US$)	7,935.6	8,417.6	7,505.2	7,763.4	8,249.2	8,575.5	9,001.9	9,473.9	9,998.8	10,562.3	11,155.4	11,766.5	**5.5%**
Indonesia	Jakarta	Real GDP total (US$B)	190.9	202	197.2	204.2	214.9	225.6	235.6	246.3	257.2	268.5	280.4	292.9	**4.5%**
		Real GDP growth (%)	6.1%	5.8%	-2.4%	3.6%	5.3%	5.0%	4.5%	4.5%	4.4%	4.4%	4.4%	4.5%	
		Real GDP per capita (US$)	18,235.5	19,132.5	18,667.0	19,243.8	20,121.4	21,135.8	21,930.1	22,775.4	23,644.7	24,536.9	25,485.6	26,491.1	**3.9%**
Malaysia	Kuala Lumpur	Real GDP total (US$B)	255.9	278.2	238.8	248.6	277.8	288.7	302.3	316.2	330.1	343.8	357.8	372.2	**4.2%**
		Real GDP growth (%)	9.1%	8.7%	-14.1%	4.1%	11.7%	3.9%	4.7%	4.6%	4.4%	4.2%	4.1%	4.0%	
		Real GDP per capita (US$)	32,918.8	34,944.3	29,313.2	29,813.3	32,628.1	33,186.2	34,205.5	35,281.1	36,371.4	37,454.7	38,549.6	39,688.0	**3.0%**
Thailand	Bangkok (BMR)	Real GDP total (US$B)	134.7	138.8	128.0	127.1	130.3	132.8	136.1	140.5	144.6	148.8	153.3	157.8	**3.0%**
		Real GDP growth (%)	4.2%	3.0%	-7.8%	-0.7%	2.6%	1.9%	2.5%	3.2%	2.9%	2.9%	3.0%	3.0%	

		Real GDP per capita (US$)	12,372.1	12,684.9	11,740.6	11,688.8	11,998.3	12,206.0	12,492.0	12,873.3	13,230.0	13,591.4	13,966.9	14,351.7	**2.8%**
Vietnam	Hanoi	Real GDP total (US$B)	36.2	39.0	40.7	42.0	45.7	48.3	51.1	54.3	57.7	61.4	65.2	69.2	**6.3%**
		Real GDP growth (%)	7.3%	7.7%	4.2%	3.2%	9.0%	5.6%	6.0%	6.2%	6.3%	6.4%	6.2%	6.1%	
		Real GDP per capita (US$)	4,577.8	4,821.8	4,930.2	5,036.0	5,418.9	5,620.3	5,868.5	6,145.4	6,448.3	6,774.9	7,111.1	7,459.3	**4.9%**

Source: Country's Official Statistics accessed on November 2024 and GlobalData
Note: The data has been gathered from the official statistics of each country in November and forecasts by GlobalData

Aligned with the Philippines' national growth trajectory, Metro Manila is forecast to experience accelerated growth between 2024 and 2029, driven by declining inflation, strong domestic demand, and increased infrastructure investments supported by government policies and programs such as BBM. Strategic initiatives in urban redevelopment, digital transformation, and public transportation investments are expected to address existing challenges, fostering more balanced and sustainable economic growth in the long term.

In comparison, cities like Jakarta and Bangkok leverage their larger populations and diversified economies to sustain higher absolute GDP levels, while Hanoi's growth is underpinned by Vietnam's rapid industrialization and export-driven economic strategy. These varying growth dynamics highlight the diverse economic development trajectories of SEA capitals, each shaped by unique demographic, structural, and policy factors.

2.2.2 Population and Housing (Number of Households)

Table 12: SEA population & demography indicators by target cities (2018-2029F)

City	Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F	CAGR (2024-2029)
Metro Manila	Household density* (Household per Km^2)	5,388.0	5,518.4	5,648.8	5,718.0	5,787.3	5,856.5	5,925.7	5,995.0	6,064.4	6,134.0	6,203.8	6,273.9	1.1%
	Population (M)	13.2	13.4	13.5	13.6	13.7	13.9	14.0	14.1	14.2	14.3	14.4	14.5	0.8%
Jakarta	Household density* (Household per Km^2)	4,133.9	4,165.6	4,163.4	4,191.8	4,219.5	4,246.3	4,296.9	4,346.4	4,396.5	4,447.2	4,498.5	4,550.3	1.2%
	Population (M)	10.5	10.6	10.6	10.6	10.7	10.7	10.7	10.8	10.9	10.9	11.0	11.1	0.6%
Kuala Lumpur	Household density* (Household per Km^2)	744.0	764.8	785.6	812.4	838.0	848.1	861.3	873.1	884.1	894.6	905.5	916.1	1.2%
	Population (M)	7.8	8.0	8.1	8.3	8.5	8.7	8.8	9.0	9.1	9.2	9.3	9.4	1.2%
Bangkok (BMR)	Household density* (Household per Km^2)	722.5	741.7	758.2	771.7	786.1	804.9	824.5	845.0	866.5	889.2	913.1	938.5	2.6%
	Population (M)	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	11.0	11.0	11.0	0.2%
Hanoi	Household density*	647.8	662.0	678.2	688.7	700.5	716.1	729.4	742.1	754.2	765.7	776.9	787.5	1.5%

	(Household per Km²)													
	Population (M)	7.9	8.1	8.2	8.3	8.4	8.6	8.7	8.8	9.0	9.1	9.2	9.3	1.3%

Source: Country's Official Statistics accessed on November 2024 and GlobalData

Note: The data has been gathered from the official statistics of each country in November and the GlobalData forecast

*The figures presented refer to household density, not population density. Population density can be calculated by multiplying the average household size by household density.

The population in the five selected Southeast Asia cities is projected to increase from 50.3 million in 2018 to 55.2 million in 2029 with a growth rate of 9.8%. Metro Manila, Kuala Lumpur, and Hanoi are expected to lead this growth due to rapid urbanization, economic expansion in sectors like technology, manufacturing, and services, and improved living standards. These cities attract individuals seeking better opportunities, healthcare, and education, drawing domestic and international talent. This ensures a sustained workforce, providing a strong talent pool that supports key industries and drives economic development.

Metro Manila's population is projected to grow from 13.2 million in 2018 to 14.5 million by 2029, maintaining its position as the most populous among the selected cities. This growth fuels innovation and entrepreneurship, particularly in technology, as seen in the Philippines' rise as a global startup hub, with technology-based startup valuations doubling to US$6.4 billion in 2024. Government initiatives like the Innovative Startup Act and infrastructure programs such as "Build Better More" support this dynamic ecosystem by addressing bottlenecks and improving public services like transportation, healthcare, and education. This combination of population growth, improved infrastructure, and an expanding labor market positions Metro Manila as a key driver of economic development in the region.

Metro Manila is projected to maintain the highest household density among target Southeast Asian cities through 2029, rising from 5,925.7 household per Km² in 2024 to 6,273.9 household per Km², with a CAGR of 1.1%.

2.2.3 Infrastructure Investments - City Level

During 2024–2029, infrastructure investments in targeted cities will be led by Metro Manila, with US$11.0 billion worth of projects expected to be awarded during this period, followed by Jakarta with US$6.2 billion and Bangkok with US$1.2 billion. In Metro Manila, around US$3.6 billion worth of infrastructure projects were awarded between 2018 and 2023. This figure is expected to see an increase to US$11.1 billion over the next four years. The growth is attributed to the announcement of key projects, including the Manila Bay Integrated Flood Control Coastal Defense and Expressway Program (US$7.8 billion), Kanan Agos Project (US$0.21 billion), and Parañaque Spillway Tunnel (US$1.74 billion), among others.

Table 13: SEA infrastructure investments by targeted cities (2018-2029F) (US$M)

Country	City	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Philippines	Metro Manila	81	231	-	803	1,215	1,280	-	264	1,740	1,194	7,885	-
Indonesia	Jakarta	-	1,096	-	-	-	-	5,330	-	940	-	-	-
Malaysia	Kuala Lumpur	-	-	-	-	-	-	100	-	-	-	-	-
Thailand	Bangkok	-	-	-	-	-	400	-	367	159	165	544	-
Vietnam	Hanoi	0	1,096	-	-	-	-	-	-	-	-	-	-

Source: GlobalData
Note: Blank cells have no projects. Projects for 2029 are yet to be announced.

Jakarta recorded approximately US$1.1 billion in infrastructure investments during 2018–2023 and is projected to increase to US$6.2 billion over the next four years. This growth is driven by a combination of ongoing and upcoming projects, such as the Jakarta Sewerage Development Program (US$5.3 billion) and the Jakarta Integrated Tunnel: Ulujami to Tanah Abang (US$0.9 billion). The Ministry of Public Works and Housing (MoPWH) is implementing the Jakarta Sewerage Program in Indonesia, spanning 15 Zones, and divided into short, medium, and long-term plans under a PPP model. Short-term plans include Zone-1, and Zone-6. The mid-term plan covers Zones 5, 10, 8, and 4 to be completed by 2030, while the remaining Zones are part of the long-term plan and yet to be announced which are set for completion by 2050. These investments aim to enhance Jakarta's water infrastructure through the implementation of a sewerage system, improving urban sanitation, living conditions, and the overall urban environment for its residents.

Bangkok is set to witness US$1.2 billion in infrastructure investments, driven by the announcement of upcoming projects such as the Thonburi Wastewater Treatment Plant (US$0.37 billion), Klong Toei Wastewater Treatment Plant (US$0.15 billion), Don Muang Drainage Tunnel (US$0.16 billion), Nong Bon Swamp Wastewater Treatment Plant (US$0.34 billion), and Khlong Phraya Ratchamontri Drainage Tunnel (US$0.20 billion).

Kuala Lumpur is expected to witness a US$100 million project in 2024 to build an industrial wastewater plant in Malaysia. For this, Exyte Group has been appointed as the main contractor and has awarded a US$49 million contract to H+E Technologies, a subsidiary of Chip Eng Seng Corporation. The contract covers the supply, installation, testing, and commissioning of wastewater treatment systems for the project. However, in Hanoi, there are hardly any projects announced during the 2024-2028.

In comparison to other targeted cities, Metro Manila stands out due to its concentration of high-value, large-scale projects. In contrast to Jakarta's US$6.2 billion and Bangkok's US$1.2 billion of expected infrastructure investments, Metro Manila's planned US$11.1 billion in projects during 2024-2029 positions it as one of the prime destinations for investment, particularly led by marine and inland water and water & sewerage infrastructure sectors. Metro Manila's projects, such as the Manila Bay Integrated Flood Control Program and Manila Wastewater Development, align with its urgent need for flood management and sewage treatment solutions, creating a promising environment for investment in these sectors.

2.2.4 List of SEA Key Water Infrastructure Projects - City Level

2.2.4.1 Metro Manila

Table 14: Key water infrastructure projects in Metro Manila

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Paranaque Spillway Tunnel	DPWH Philippines	Study	1,740	Water & sewerage infrastructure	2026
Manila Wastewater Development	Manila Water	Execution	684	Water & sewerage infrastructure	2022
Manila Flood Management Program	DPWH Philippines/ MMDA	Execution	500	Water & sewerage infrastructure	2021
Laguna Lake East Bay Water Treatment Plant	Manila Water	Execution	300	Water & sewerage infrastructure	2022
New Centennial Water Source-Kaliwa Dam	MWSS Philippines	Execution	231	Marine & inland water infrastructure	2022
Sewerage Treatment Plants Development Program	Maynilad	Execution	216	Water & sewerage infrastructure	2021
Kanan Agos Project	MWSS Philippines	Planning	214	Water & sewerage infrastructure	2025

Novaliches-Balara Aqueduct 4 Water Supply Project	Manila Water	Construction Complete	109	Water & sewerage infrastructure	2019
Source: GlobalData					

2.2.4.2 *Jakarta*

Table 15: Key water infrastructure projects in Jakarta

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Jakarta Sewerage Development Program	MoPW Indonesia	Execution	4,927	Water & sewerage infrastructure	2024
Jakarta Integrated Tunnel: Ulujami to Tanah Abang	Jakarta Gov	Design	940	Water & sewerage infrastructure	2026
Jakarta Sewerage Development Project: Zone-1	Jakarta Gov	Execution	819	Water & sewerage infrastructure	2023
Pluit Reservoir Wastewater Treatment Plant	DPUDKIJ/ MoPW Indonesia	Execution	556	Water & sewerage infrastructure	2023
Jakarta Sewerage Development Project: Zone-6	MoPW Indonesia	Planning	403	Water & sewerage infrastructure	2024
Buaran III Water Treatment Plant	Aetra Air Jakarta/ PD Pam Jaya	Execution	230	Water & sewerage infrastructure	2023
Krukut Wastewater Treatment Plant	MoPW Indonesia	Construction Complete	100	Water & sewerage infrastructure	2019
Jakarta Wastewater Pipe Network Zone 1 Package 6	MoPW Indonesia	Execution	42	Water & sewerage infrastructure	2023
Source: GlobalData					

2.2.4.3 *Bangkok*

Table 16: Key water infrastructure projects in Bangkok

Project name	Project Owner	Project stage	Value (US$M)	Sector	Construction Start year
Ninth Bangkok Water Supply Improvement Project	MWA	Execution	1,295	Water & sewerage infrastructure	2023
Thonburi Wastewater Treatment Plant	Bangkok Metropolitan Admin	EPC Award	367	Water & sewerage infrastructure	2025
Nong Bon Swamp Wastewater Treatment Plant	Bangkok Metropolitan Admin	Planning	344	Water & sewerage infrastructure	2028
Khlong Phraya Ratchamontri Drainage Tunnel	NWRC	Planning	200	Water & sewerage infrastructure	2028
Don Muang Drainage Tunnel	Bangkok Metropolitan Admin	Planning	165	Water & sewerage infrastructure	2027
Klong Toei Wastewater Treatment Plant	Bangkok Metropolitan Admin	Planning	159	Water & sewerage infrastructure	2026
Source: GlobalData					

2.2.4.4 *Kuala Lumpur and Hanoi*

Table 17: Key water infrastructure projects in Kuala Lumpur and Hanoi

Project name	Project Owner	City	Project stage	Value (US$M)	Sector	Construction Start year
Industrial Wastewater Plant	Unknown	Kuala Lumpur	EPC Award	100	Water & sewerage infrastructure	2024
Yen Xa Wastewater Treatment Plant	Hanoi City People's Com	Hanoi	Execution	800	Water & sewerage infrastructure	2019
Dan Phuong Red River Surface Water Plant	Hanoi Water/ Thanh Long Corp	Hanoi	Execution	296	Water & sewerage infrastructure	2019
Source: GlobalData						

2.2.5 SEA Macroeconomic City Ranking

Table 18: City rankings by macroeconomic indicator, 2024

Indicators	City	Values	Rankings
Population (millions)	**Metro Manila**	**14.0**	**1**
	Bangkok (BMR)	10.9	2
	Jakarta	10.7	3
	Kuala Lumpur	8.8	4
	Hanoi	8.7	5
Real GDP forecasts CAGR (2024-2029)	**Metro Manila**	6.3%	**1**
	Hanoi	6.2%	2
	Jakarta	4.4%	3
	Kuala Lumpur	4.2%	4
	Bangkok (BMR)	3.0%	5
Household density (Household per Km^2)	**Metro Manila**	**5,925.7**	**1**
	Jakarta	4,296.9	2
	Kuala Lumpur	861.3	3
	Bangkok (BMR)	824.5	4
	Hanoi	729.4	5
Infrastructure investment (US$M) (2024-2028)	**Metro Manila**	**11,083**	**1**
	Jakarta	6,270	2
	Kuala Lumpur	100	4
	Bangkok	1,235	3
	Hanoi	0	5

Source: GlobalData

3 Philippines Water Sector Overview

3.1 Introduction

According to the Senate Economic Planning Office (SEPO) report dated August 2023, the Philippines has abundant water resources, including 421 rivers, 221 lakes, and extensive groundwater reserves, supported by an average annual rainfall of 2,400 mm, which yields approximately 146 billion m³ of freshwater annually. Despite these natural advantages, the country faces persistent challenges in managing its water resources due to geographic disparities, fluctuating rainfall patterns, rising water demand, and the recurrent impacts of El Niño events, leading to frequent shortages.

Since 2017, the Philippines has been classified as water-stressed, with per capita water availability declining to 1,300 m³ by 2020, below the 1,700 m³ per capita threshold for water stress as reported by SEPO. As of August 2023, the NWRB has flagged 21 groundwater-stressed zones and 15 water-stressed river basins, where factors such as urbanization, tourism growth, climate change, and deteriorating water quality exacerbate water scarcity. These areas are home to approximately 27% of the population, underscoring the urgency for sustainable water resource management. Addressing these issues has been hindered by fragmented and inadequately coordinated investments in water infrastructure. According to the National Economic and Development Authority's (NEDA) Philippine Water Supply and Sanitation Master Plan (PWSSMP) 2019-2030 report, to achieve universal access to water supply and sanitation (WSS) by 2030 the country needs an estimated investment of (US$18.1 billion) PHP1.07 trillion, requiring comprehensive planning and stronger institutional collaboration. While an additional PHP0.33 trillion (US$5.6 billion) is necessary to ensure universal access by 2030, the budget also includes PHP1.13 billion (US$19.2 million) for non-physical investments, such as implementing reforms under the PWSSMP. These measures underscore the government's commitment to enhancing WSS across the Philippines.

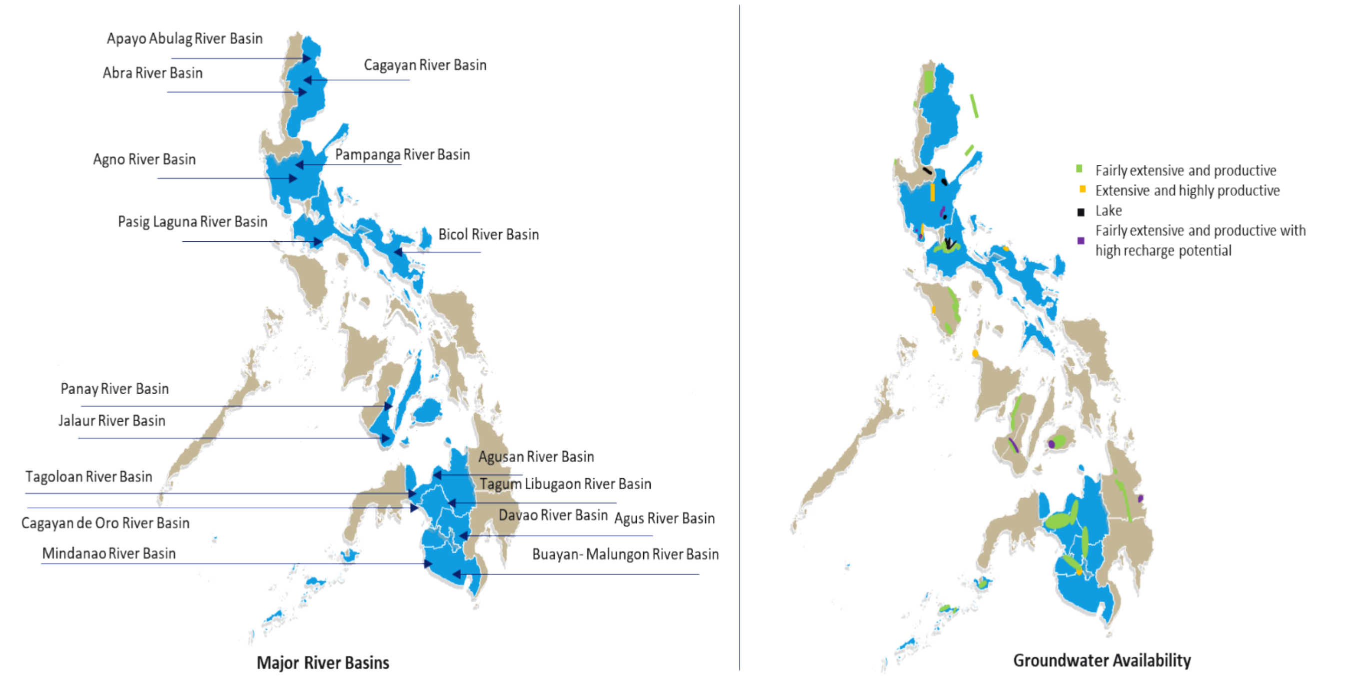
3.2 Surface and Ground Water Availability in the Philippines

According to the Philippines Development Plan 2023-2028, the Philippines faces constraints in its water resources, with an annual freshwater availability estimated at 146 billion cubic meters (billion m^3). This comprises around 125.8 billion m^3 from surface water and 20.2 billion m^3 from groundwater sources.

Surface water sources consist of around 421 river basins, with 18 of these basins having drainage areas exceeding 1,000 km² classifying them as major basins. Seven river basins are located in Luzon, three in Visayas, and eight in Mindanao. The smallest river basins measure less than 50 km², while five principal river basins span more than 5,000 km², including the Cagayan, Mindanao, Agusan, Pampanga, and Agno River Basins.

Rivers have long been a vital and primary source of water for irrigation and can serve as a more sustainable option for water supply. In urban areas where water demand is rising and groundwater may no longer be sufficient, river water can provide a critical supplementary source. Additionally, the country has 59 natural lakes and over 100,000 hectares of freshwater swamps as other surface water sources. Small mountain streams, which can expand up to three times their average size during the rainy season, are not included in these estimates.

Figure 1: Surface and groundwater availability in the Philippines per PSWSSMP



Sources: National Economic and Development Authority's (NEDA) Philippine Water Supply and Sanitation Master Plan (PWSSMP)2019-2030 report and GlobalData

Groundwater resources span approximately 50,000 km², with areas located in Cagayan (10,000 km²), Central Luzon (9,000 km²), Agusan (8,500 km²), and Cotabato (6,000 km²). Groundwater availability depends on the storage capacity of aquifers, which varies based on the type and classification of the aquifer beneath each area. Major aquifers, which are highly permeable, typically yield between three and 100 liters per second (lps) and are considered "fairly extensive" to "highly productive." Minor aquifers, with variable permeability, yield between two and 20 lps and are described as "fairly to less extensive" and "less productive." Non-aquifers, characterized by negligibly permeable rocks, yield less than one lps and offer limited or no groundwater potential. With the reliance on surface water sources, Maynilad can explore and develop new surface water treatment facilities, especially in urban areas where groundwater may be insufficient.

Figure 2: Water resources potential per administrative regions per PSWSSMP

Sources: NEDA PWSSMP 2019-2030 and GlobalData

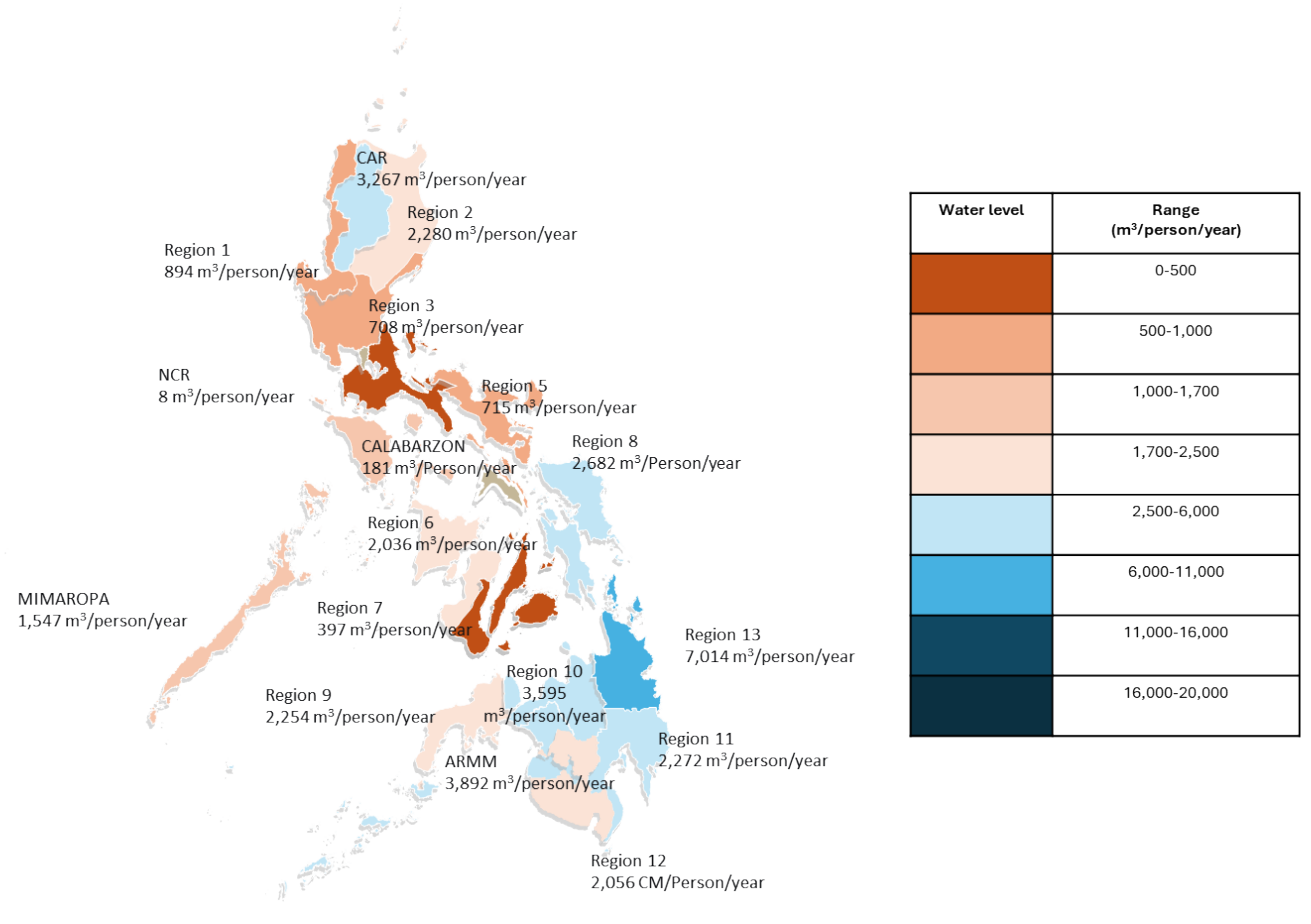
Table 19: Total water resources potential per administrative region				
Region	**Region Number**	**Surface water (million m^3/year)**	**Groundwater (million m^3/year)**	**Total Water Resources Potential (million m^3/year)**
Caraga	Region 13	16,705	1,509	18,214
Northern Mindanao	Region 10	15,687	1,172	16,859
Western Visayas	Region 6	14,200	1,143	15,343
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)	13,471	1,245	14,716
Eastern Visayas	Region 8	9,350	2,557	11,907
Davao	Region 11	9,187	1,931	11,118
SOCCSSKARGEN	Region 12	8,541	803	9,344
Zamboanga Peninsula	Region 9	7,508	671	8,179
Central Luzon	Region 3	6,520	1,423	7,943
Cagayan Valley	Region 2	5,908	1,961	7,869
Cordillera	Cordillera Administrative Region (CAR)	4,163	1,463	5,626
MIMAROPA	Region 4– B	3,753	831	4,584
Ilocos	Region 1	3,457	1,034	4,491
Bicol	Region 5	3,060	1,085	4,145
CALABARZON	Region-4 A	2,138	475	2,613
Central Visayas	Region 7	2,060	879	2,939
Metro Manila	National Capital Region (NCR)	81	18	99
Sources: NEDA PWSSMP 2019-2030 and GlobalData				

Caraga holds the largest share, with 12.5% of the country's total, equating to 18,214 million m^3 per year. In contrast, Metro Manila, being the most urbanized, has the smallest water resources potential, contributing less than 0.5% of the total, or about 99 million m^3 per year.

According to NEDA, based on data from the 2015 population, water availability in the Philippines is 1,446 m^3 per capita per year, placing the nation under conditions of water stress. As shown by the map below, MIMAROPA region (comprising five provinces - Mindoro (Occidental Mindoro and Oriental Mindoro), Marinduque, Romblon, and Palawan) has water availability that is slightly higher at 1,547 m^3/person/year but still classified as water stressed. Regions I, III, and V face water scarcity, with availability levels of 894, 708, and 715 m^3/person/year, respectively. More critical conditions are observed in Metro Manila, CALABARZON, and Region VII, with water availability at just 8, 181, and 397 m^3/person/year, falling under the category of absolute water scarcity. These values encompass water allocated for domestic, agricultural, industrial, commercial, and power-related uses.

Additionally, the NWRB has identified nine urban centers as high-priority water-critical areas due to intensive consumption. These include Metro Manila, Metro Cebu, Davao, Baguio City, Angeles City, Bacolod City, Iloilo City, Cagayan de Oro City, and Zamboanga City. Based on the document PWSSMP 2019-2030, NEDA indicates that the country's water availability will be increasingly influenced by factors such as climate change, economic development, urbanization, and population growth. A study by the World Resources Institute estimates that if current trends continue, the Philippines could experience acute water shortages by 2040.

Figure 3: Water availability per capita per annum (using 2015 values for population) per PSWSSMP



Sources: NEDA PWSSMP 2019-2030 and GlobalData

To address water scarcity and enhance water security, the Philippine government has implemented various measures through collaborative initiatives and strategic planning. Notable efforts include the PWSSMP, which aims to achieve universal access to clean water and sanitation by 2030. This plan emphasizes institutional strengthening, regulatory improvements, climate resilience, and access to funding.

Investments in advanced water treatment facilities, such as the Lima Water Corporation project in Batangas, have been made to combat groundwater pollution and support residential and industrial needs. In addition, a 2021 partnership with USAID focuses on improving climate-resilient Water Supply, Sanitation, and Hygiene (WASH) services, strengthening water resource management, and addressing financing gaps.

The PDP prioritizes unified governance, streamlined water permit processes, sustainable water management, and watershed protection. It also emphasizes developing new water sources, expanding sewerage infrastructure, and promoting eco-friendly infrastructure to ensure reliable and sustainable water access nationwide. By fostering coordination and enhancing institutional capacities, the PDP seeks to address challenges in the water resources and WSS sectors, ensuring long-term water security and sustainability.

Some of the upcoming water & sewerage projects include:

Project name	Project Owner	Funding Mode	Project stage	Value (US$M)	Sector	Construction Start year
Kanan Agos Project	MWSS	Public	Planning	214	Other Water & Sewerage Infrastructure	2025
Metro Manila Reservoirs Program	Maynilad	Private	Planning	50	Reservoirs	2025
Tanauan City Water Supply System and Sanitation Services Program	Tanauan Water District	Public	Design	30	Other Water & Sewerage Infrastructure	2025
Asbang Small Reservoir Impounding Project	National Irrigation Administration	Public/Private	Planning	28	Irrigation Systems	2025
San Jose City Water Supply System and Sanitation Services Program	San Jose City Water District	Public	Design	27	Other Water & Sewerage Infrastructure	2025
Paranaque Spillway Tunnel	Department of Public Works and Highways	Public	Study	1,740	Water Tunnel	2026
Teresa Water Treatment Plant	Maynilad	Private	Planning	511	Water & Sewerage Infrastructure	2026
Davao City Sewerage Management System Program	Davao City Council & MWSS	Public	Study	3,000	Other Sewerage Infrastructure	2027
Pampanga Bulk Water Supply	Provisional Government of Pampanga	Public/Private	Planning	330	Other Water Infrastructure	2027
Iloilo Bulk Water Supply System	Aboitiz InfraCapital, Inc & City of Iloilo	Public/Private	Planning	146	Distribution Lines	2027

Table 20: Key Upcoming Water Projects (yet to be awarded) in the Philippines

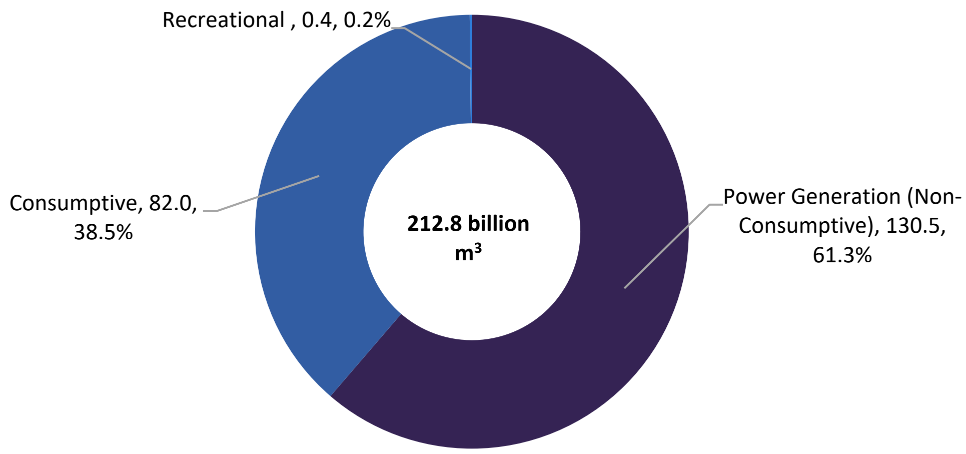
Source: GlobalData

Note: Kaliwa Dam construction is in execution and hence not included in the list

3.2.1 Water Allocation

According to data from the NWRB, water usage in the Philippines was estimated at 212.8 billion m^3 annually as of 2017. Of this total, around 130.5 billion m^3 (61.3 %) was allocated for power generation, classified as non-consumptive use, (where water is returned promptly to its source after use, maintaining its availability), along with about 0.35 billion m^3 designated for recreational purposes. The remaining 82.0 billion m^3 was allocated for consumptive purposes. The irrigation sector accounted for most of the water consumption, utilizing 76 % of the allocation for consumptive use, while the domestic or municipal sector consumed only 8%.

Figure 4: Water allocation by sector (NWRB water rights, as of 2017), based on PWSSMP



Sources: NEDA PWSSMP 2019-2030 and GlobalData

In 2022, based on water permits, the NWRB reported that approximately 52% of water resources, equivalent to 76 billion m^3, were allocated for various purposes. Of this, 59% (44.8 billion m^3) was allocated for hydropower, which uses water non-consumptively. For consumptive purposes, irrigation accounted for the largest share, consuming 80% (60.8 billion m^3) of water. This was followed by municipal/domestic use at 7.4 billion m^3, industrial use at 6.2 billion m^3, and other uses at 0.8 billion m^3.

3.3 Water Distribution Demand & Forecast

Historically, the household sector, which includes residential water consumption, make up the largest share of total water use at approximately 40% of the total water distribution. The sector showed steady growth from 896 million m^3 in 2018 to 1,166 million m^3 in 2024, an increase of 30.1%. This is likely driven by urbanization, population growth, and increasing standards of living, with greater demand for water due to more households and improved access to water supply. The "Other Industries" category follows closely, contributing around 38% of total water distribution. Agriculture, Forestry and Fishing and Mining and Quarrying, Manufacturing, and Construction sectors have smaller shares in total water distribution, with agriculture, forestry and fishing at 5.0%, mining and quarrying, manufacturing, and construction at 15.4%.

Table 21: The Philippines water distribution demand & forecast, by sector, (million m^3)

Source	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F	CAGR (2024-2029)
Agriculture, Forestry and Fishing	122	116	133	137	142	146	151	157	163	169	175	181	**3.7%**
Mining and quarrying, manufacturing, and Construction	470	465	452	466	505	449	466	477	483	490	493	496	**1.3%**
Other Industries	757	829	904	947	1,009	1,139	1,187	1,258	1,329	1,401	1,472	1,544	**5.4%**
Total Industries	**1,349**	**1,410**	**1,489**	**1,550**	**1,656**	**1,744**	**1,804**	**1,892**	**1,975**	**2,060**	**2,140**	**2,221**	**4.2%**
Household	896	954	1,000	970	1,037	1,165	1,166	1,211	1,257	1,302	1,347	1,392	**3.6%**
Total Water Distribution	**2,245**	**2,364**	**2,489**	**2,520**	**2,693**	**2,909**	**2,970**	**3,103**	**3,232**	**3,361**	**3,487**	**3,613**	**4.0%**

Source: Philippine Statistics Authority and GlobalData
Note: Water Demand for Metro Manila level not available in the public domain

Total distributed water is expected to witness 4.0% CAGR from 2024 to 2029, rising from 2,970 million m^3 in 2024 to 3,613 million m^3 in 2029. The market growth is attributed to favorable government initiatives such as the PWSSMP, launched in September 2021 by the NEDA. The initiative aims to achieve universal access to safe, sufficient, affordable, and sustainable water supply and sanitation by 2030. Aligned with national WSS goals, the PWSSMP is built on a comprehensive understanding of regional contexts, shaped by contributions from over 1,000 stakeholders nationwide. The PWSSMP outlines the key activities, responsible agencies, and budgetary allocations required to advance the WSS sector and address the country's needs effectively. It integrates policy recommendations along with economic, environmental, and engineering solutions tailored to varying levels of regional development.

Table 22: Market Proportion of Distributed Water Demand, 2018-2024

	2018	2019	2020	2021	2022	2023	2024
Philippines Total (million m^3)	2,245	2,364	2,489	2,520	2,693	2,909	2,970
Water Distributed by Maynilad (West Zone) (million m^3)	527.2	535.3	536.4	519.6	526.9	538.4	553.5
% Proportion of Maynilad (West Zone)	23.5%	22.6%	21.6%	20.6%	19.6%	18.5%	18.6%
Water Distributed by Manila Water (East Zone) (million m^3)	503.3	493.9	506.4	488.5	501.3	516.4	523.7
% Proportion of Manila Water (East Zone)	22.4%	20.9%	20.3%	19.4%	18.6%	17.8%	17.6%

Source: Company Annual Report, Sustainability Report, Philippine Statistics Authority and GlobalData

The Philippine government is also actively addressing water management challenges by encouraging private sector involvement in upgrading and expanding water supply infrastructure. PPPs have become a common strategy, supported by the Build-Operate-Transfer Law, which incorporates best practices to enhance ease of doing business, reduce transaction costs, and simplify procedures. According to DENR, in 2023, 135 PPP water projects were announced, with an additional 112 expected in 2024[4]. Some of the key projects under PPP include Bulacan Bulk Water Supply (US$467 million), Pampanga Bulk Water Supply (US$330 million) and Iloilo Bulk Water Supply System (US$146 million). These initiatives aim to strengthen the country's water infrastructure and ensure sustainable management of this vital resource. Maynilad has outlined several strategic plans for 2023-2027, underpinned by its long-standing partnership with MWSS. This collaboration is expected to contribute positively to Maynilad's growth and operational success in the coming years.

3.4 Total Government Budget and Water Expenditure (2018-2025)

The Philippine government's growing investment in water resources development and flood control underscores its commitment to infrastructure resilience and disaster preparedness. The sharp rise in funding for 2025 not only reflects the strategic prioritization of this sector within the broader economic framework but also signals a shift towards addressing climate-related risks more comprehensively. The budget for water resources development and flood control includes funding for the NWRB, the Local Water Utilities Administration, and the DPWH.

[4] No further update on the final number of projects

According to the Department of Budget and Management (DBM), the expenditure on economic services increased from US$20.7 billion in 2018 to US$31.4 billion proposed for 2025, displaying its consistent priority within the national budget. The sector's share of total expenditure fluctuated but averaged around 25–30% across the years. For 2025, economic services are projected to account for 29.2% of the total budget, with an incremental rise of US$1.3 billion over 2024, indicating a focus on growth-oriented spending.

Table 23: The Philippines government expenditure, 2018-2025

Indicators	Units	FY2018	FY2019	FY 2020	FY 2021	FY2022	FY2023	FY2024	FY2025 (Proposed)
Total budget expenditure	**US$B**	73.1	75.8	107.6	99.9	99.3	91.3	97.8	107.7
Economic services expenditure	US$B	20.7	19.2	24.2	24.5	24.3	24.6	30.1	31.4
Water resources development and flood control	US$B	1. 1	1.3	1.7	1.7	1.6	1.7	2.2	4.4
Y-O-Y growth observed	%		-21.7%	33.8%	2.1%	-6.2%	5.1%	15.9%	96.3%
Water resources as a % of economic expenditure	%	7.8%	6.6%	7.0%	7.0%	6.7%	6.9%	7.4%	13.9%
Water resources as % of economic services	%	2.2%	1.7%	1.6%	1.7%	1.6%	1.9%	2.3%	4.0%

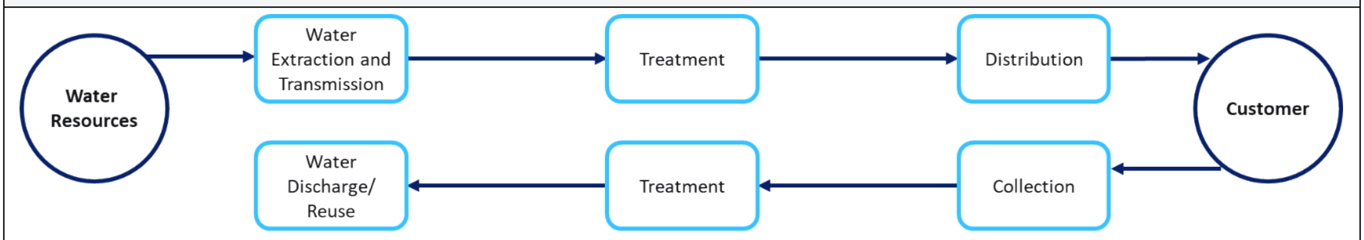
Source: The Department of Budget and Management and Philippine Statistics Authority
Note: Water resources development and flood control is a part of economic services in the public expenditure in the Philippines

Allocation for water resources development and flood control grew from US$1.1 billion in 2018 to a proposed US$4.4 billion in 2025, with a dramatic 96.3% year-on-year increase in 2025 nearly doubling from 2024, attributed to the Flood Management Program under the DPWH. The share of water resources within economic services expenditure fluctuated but increased from 7.8% in 2018 to a proposed 13.9% in 2025, signaling the growing importance of flood mitigation and water infrastructure. Similarly, its share within total economic services rose from 2.2% in 2018 to 4.0% in 2025.

3.5 Value Chain Analysis

The water value chain in the Philippines encompasses critical stages, including water source development, treatment, transmission, distribution, and wastewater collection and treatment. Key players, such as Maynilad, Manila Water and PrimeWater play major roles in ensuring water availability and sustainability.

Figure 5: Value chain analysis



Sources: GlobalData

The value chain begins with the development and management of water sources to secure a reliable raw water supply, followed by treatment and transmission to utility providers and end users. Notable developments include Maynilad's medium- and short-term projects approved by the MWSS such as the rehabilitation of deep wells, operationalization of the Putatan Water Treatment Plant 2 to treat water from Laguna Lake, and the Parañaque New Water Treatment Plant, which converts treated effluent into potable water. These efforts address the growing demand for sustainable water solutions while complying with strict regulatory requirements.

Furthermore, concessionaires are responsible for wastewater collection and treatment, ensuring its environmentally sustainable release. The increasing demand for Zero Liquid Discharge systems underscores the sector's response to regulatory mandates on water conservation and discharge. For instance, in April 2024, Maynilad awarded to Suez International the contract to spearhead the Central Manila Sewerage System (CMSS) project. This project involves the construction of a state-of-the-art wastewater treatment facility designed to treat up to 180 million liters of wastewater per day, ensuring compliance with stringent environmental regulations. These initiatives are crucial for achieving water sustainability through pollution abatement, fostering economic growth, advancing technological innovations, and enhancing resilience to climate challenges.

3.6 Water Tariffs Benchmarking

The section covers a comparative analysis of average water tariffs across several countries from 2018 to 2024. This dataset includes countries from Southeast Asia, such as the Philippines, Thailand, Malaysia, Indonesia, and Vietnam, as well as global counterparts like the UK, Japan, France, and Australia. According to The New International Benchmarking Network for Water and Sanitation Services (New IBNet), the water tariff in the Philippines has shown a steady increase from US$0.34 per m³ (PHP17.8 per m³) in 2018 to US$0.55 per m³ (PHP32.2 per m³) in 2024. The increases reflect efforts to improve water infrastructure and service quality. Despite the increase, except in Vietnam and Malaysia, the Philippines maintains relatively low tariffs, among the SEA and global averages, indicating a balance between affordability and infrastructure investment.

Table 24: Average water tariffs, by country (US$ per m³)

Country	2018	2019	2020	2021	2022	2023	2024
Philippines	0.34	0.52	0.46	0.52	0.55	0.54	0.55
Thailand	0.69	0.69	0.69	0.69	0.69	0.69	0.70
Malaysia	0.30	0.30	0.30	0.30	0.30	0.30	0.31
Indonesia	0.23	NA	0.31	NA	NA	0.24	0.25
Vietnam	0.39	0.32	0.36	0.41	NA	NA	0.33
UK	1.25	1.35	1.30	1.48	1.47	1.45	1.55
Japan	NA	1.50	NA	1.78	1.60	1.60	1.64
France	2.16	2.06	1.96	2.10	1.85	NA	1.98
Australia	2.34	2.25	2.24	2.32	2.40	2.50	2.57

Source: The New International Benchmarking Network for Water and Sanitation, Secondary Research, and GlobalData
Note: The average tariff is for 100m³ consumption volume
NA= Not Available

In Thailand, the water tariff remained stable at US$0.69 per m³ (PHP1.12 per m³) from 2018 to 2023, with a slight increase to US$0.70 per m³ (PHP1.18 per m³) in 2024. Similarly, Malaysia experienced a comparable trend. The stable tariffs in these two countries reflect efficient water management practices and government subsidies aimed at keeping water affordable for consumers. In contrast, Indonesia experienced fluctuations in water tariffs, accompanied by gaps in available data for certain years. However, there was a general increase from US$0.23 per m³ in 2018 to US$0.25 per m³ in 2024. These fluctuations and increases likely stem from varying regional policies and efforts to enhance water infrastructure. Initiatives such as the National Dialogue on Water have emphasized the importance of water tariffs to finance infrastructure improvements and reduce disaster risks. Recommendations from the dialogue include uniform water tariffs, independent economic regulation, and pollution charges to support the financial sustainability of water services. Vietnam, on the other hand, displayed variable tariffs, with a peak of US$0.41 per m^3 in 2021, followed by a decline to US$0.33 per m^3 in 2024.

Globally, countries such as the UK, Japan, France, and Australia reported higher water tariffs, reflecting increased production costs and investments in extensive water infrastructure. These higher tariffs, compared to those in Southeast Asia, underscore ongoing construction efforts, system upgrades, and responses to inflation. According to GlobalData's findings, the water sector witnessed an increase in water tariffs worldwide, driven by rising costs, infrastructure upgrades, and investments in climate resilience. Southeast Asia, including the Philippines, has experienced moderate tariff increases, reflecting a careful balance between maintaining affordability and funding essential water infrastructure improvements.

Table 25: Tariff as a % of annual household expenditure, by country (per m^3)

Country	2018	2019	2020	2021	2022	2023	2024
Philippines	0.004%	0.005%	0.005%	0.005%	0.005%	0.005%	0.004%
Thailand	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
Malaysia	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%
Indonesia	0.003%	NA	0.004%	NA	NA	0.002%	0.002%
Vietnam	0.005%	0.004%	0.004%	0.005%	NA	NA	NA
UK	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%
Japan	NA	0.003%	NA	0.004%	0.004%	0.004%	0.004%
France	0.004%	0.004%	0.004%	0.004%	0.004%	NA	0.003%
Australia	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%

Source: The New International Benchmarking Network for Water and Sanitation, Secondary Research and GlobalData

Note: Household Expenditure has been referenced from GlobalData's Intelligence Centre database and consists of food, housing, clothing, education and recreation, transport and communication and health

GlobalData has used its intelligence centers to get the annual household expenditure data for the countries which is then divided by the average number of households in the country to get the per capita household expenditure. The number of households is estimated based on the average number of people per household. The tariffs have been divided by the per capita household to get the required result.

NA= Not Available

There is negligible variation in the percentage of annual household expenditure on water and remained stable from 2019 to 2024 for all the countries, except for a slight fluctuation in 2024 for the Philippines. The fluctuation can be attributed to increase in household consumption which increased from US$382.7 billion in 2023 to US$ 413.8 billion in 2024. This indicates effective efforts to maintain affordability, despite potential cost increases in water production and infrastructure improvements. While Southeast Asian countries emphasize subsidization to ensure low household impact, global countries maintain slightly higher tariffs to fund advanced infrastructure and regulatory compliance.

3.7 Metro Manila Zone Tariffs

The Metropolitan Waterworks and Sewerage System (MWSS) is a government agency in the Philippines responsible for ensuring an uninterrupted and adequate supply of potable water at affordable rates within its service area. Established by Republic Act 6234 on June 19, 1971, MWSS oversees waterworks and sewerage systems in Metro Manila, the entire province of Rizal, and parts of Cavite.

In 1997, MWSS privatized the retail distribution of water through concession agreements with Manila Water Company, Inc. (East Zone) and Maynilad Water Services, Inc. (West Zone). This move aimed to improve efficiency and service quality by involving the private sector in water management. The MWSS-Regulatory Office approved a rate hike for water concessionaires

Maynilad and Manila Water effective January 2025. This increase is to cover costs for projects aimed at securing water supply in anticipation of the El Niño phenomenon.

As of January 2025, based on the new rates in Metro Manila, a comparison of water tariffs reveals that Maynilad (West Zone) charges higher rates than Manila Water (East Zone) across all customer categories and consumption brackets. For residential customers, low-income households consuming 10 m^3 or less pay PHP116.51 per connection in the West Zone, which is 66.3% higher than the East Zone's PHP70.07. For regular consumption, the West Zone charges 22.9% to 23.5% more per m^3 across various tiers, with rates increasing progressively from PHP240.39 for the first 10 m^3 to PHP101.92 per m^3 for consumption exceeding 200 m^3. Similarly, semi-business rates in the West Zone are approximately on an average 23.1% higher, with differences observed across all consumption brackets. Business Group 1 and 2 customers also face higher tariffs in the West Zone, with first 10 m^3 rates being 23.0% more expensive and consumption beyond 10,000 m^3 seeing up to on an average 23.1% difference. As of January 2024, the environmental charge in the East Zone was set at 25% of the water charge, compared to 20% in the West Zone. Beginning January 2025, Maynilad has been allowed to charge 25% of the basic water charge as Environmental Charge. Maintenance and government taxes are consistent in both Zones. The disparity in water tariffs between Metro Manila's West and East Zones can be traced to differences in bidding outcomes during privatization, with the East Zone's lower bid leading to a more competitive initial tariff structure.

Furthermore, effective January 1, 2025, MWSS approved the following tariff adjustments for Maynilad's West Zone customers that include an average increase of 8.05% in the basic water charge, an increase in the environmental charge from 20% to 25% (computed as a percentage of the basic water charge), and FCDA of -0.65%. Similarly, for Manila Water's East Zone customers, the standard rates table for 2025 has been approved, which includes the introduction of new consumption bands (First 10 m^3 and 11-20 m^3) for low-income lifeline customers and an FCDA of 1.29% of the 2025 average basic charge, equivalent to PHP47.10 per m^3 or PHP0.61 per m^3. These adjustments is effective on January 1, 2025, as outlined in the amended RCA

Upon privatization of MWSS's operations, Maynilad assumed 90% of MWSS's foreign currency-denominated loans, thus, contributing to higher costs. The West Zone's operational requirements, including serving areas with higher infrastructure needs and denser populations, also necessitated significant investments. While regulatory adjustments over time have brought the average rates closer, the East Zone's tariffs remain lower due to differences in the tariff adjustments set by the MWSS-RO.

At the start of 2023, Maynilad's Opening Cash Position (OCP) stood at a negative PHP100.4 billion (US$1.7 billion), while Manila Water reported a negative PHP27.6 billion (US$0.47 billion). Maynilad is anticipated to explore innovative revenue streams, including wastewater treatment and technology-driven services, to enhance its cash flow.

Table 26: Metro Manila Zone tariffs, (PHP)

1. Basic charge

Zone	**Manila Water (East Zone)**			**Maynilad (West Zone)**			**Unit**
Indicators	**2023**	**2024**	**2025**	**2023**	**2024**	2025	
				Residential			
Low-income household consuming 10 m^3. or less	65.52	67.83	70.07	108.94	112.79	116.51	per connection
				Consumption			
First 10 m^3.	148.8	175.41	195.49	185.66	222.48	240.39	per m^3

Next 10 m^3.	18.13	21.37	23.82	22.65	27.14	29.32	per m^3
Next 20 m^{3}m.	34.38	40.53	45.17	43.08	51.62	55.78	per m^3
Next 20 m^{3}m.	45.32	53.42	59.54	56.58	67.80	73.26	per m^3
Next 20 m^{3}m.	52.93	62.39	69.42	66.11	79.22	85.60	per m^3
Next 20 m^{3}m.	55.48	65.4	72.89	69.14	82.85	89.52	per m^3
Next 50 m^3.	57.96	68.32	76.14	72.30	86.64	93.61	per m^3
Next 50 m^3.	60.45	71.26	79.42	75.53	90.51	97.80	per m^3
Over 200 m^3.	62.93	74.18	82.67	78.72	94.33	101.92	per m^3
Semi Business							
First 10 m^3.	148.8	175.41	195.49	185.66	222.48	240.39	per connection
Next 10 m^3	30.37	35.8	39.90	38.02	45.56	49.23	per m^3
Next 20 m^3	37.46	44.16	49.22	46.88	56.18	60.70	per m^3
Next 50 m^3 (After 100 m^3.)	60.45	71.26	79.42	75.53	90.51	97.50	per m^3
Over 200 m^3.	65.57	77.29	86.14	81.82	98.04	105.93	per m^3
Business Group 1							
First 10 m^3.	676.22	797.13	888.40	843.78	1,011.10	1,092.5	per connection
Next 90 m^3	67.69	79.79	88.93	84.77	101.58	109.76	per m^3
Next 100 m^3	68.08	80.25	89.44	84.99	101.84	110.04	per m^3
Over 10000 m^3	75.53	89.03	99.22	94.39	113.11	122.22	per m^3
Business Group 2							
First 10 m^3	731.68	862.5	961.26	913.02	1,094.07	1,182.14	per connection
Next 90 m^3	73.62	86.78	96.72	91.89	110.11	118.97	per m^3
Next 100 m^3	74.01	87.24	97.23	92.45	110.78	119.70	per m^3
Over 10000 m^3	89.3	105.27	117.32	111.4	133.49	144.24	per m^3
2. Environmental Charges	25% of water charge			20% to 25% of water charge			
3. Maintenance Charges	Varies from 1.5 per connection to 50 per connection and meter size			Varies from 1.5 per connection to 50 per connection and Meter Size			
4. Government Taxes	2% + actual local franchise tax of charges 1,2 3 & 4			2% + actual local franchise tax of charges 1,2, 3 & 4			

Source: MWSS

FCDA is a percentage of basic water charge subject to periodic review and adjustment. For the first quarter 2025, the approved figures are -0.65% for Maynilad and 1.29% for Manila Water. Low-income lifeline customers consuming 20m^3 and below will be exempted from FCDA.

Note: All the values are in Philippine Pesos

In October 2024, the MWSS implemented water tariff adjustments pursuant to the foreign currency adjustment mechanism under the Revised Concession Agreement (RCA). The FCDA was designed to recover losses or give back gains arising from fluctuations in foreign exchange rates, as payments are made for foreign currency-denominated loans that are used to fund the expansion and improvement of water and sewerage services. Manila Water customers were subjected to a tariff increase of PHP0.86 per m^3, translating to monthly bill increases of PHP3.65, PHP8.10, and PHP16.54 for households consuming 10, 20, and 30 m^3, respectively. Low-income households consuming 10 m^3 or less remain exempt from these increases under lifeline rates. In contrast, Maynilad customers benefitted from a tariff reduction of PHP0.29 per m^3, leading to monthly bill decreases of PHP0.83, PHP3.14, and PHP6.43 for the same consumption levels.

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3.8 Per Capita Water Consumption for the other Targeted Cities in the Philippines (excluding Metro Manila)

The analysis of per capita water consumption in selected Philippine cities from 2022 to 2023 is based on the data gathered from the NWRB's KPI Dashboard. The analysis of these datasets showcases certain variations influenced by a range of socio-economic and environmental factors.

Davao's water consumption rose from 164 liters per capita per day (lpcd) in 2022 to 206 lpcd in 2023, an increase of 25.6%. This growth is linked to urbanization and a 1.9% population rise during the same period, driving higher water demand. Future projects like the Davao City Bypass and the Public Transport Modernization Project are expected to further stimulate urban and economic growth, likely impacting water consumption. Angeles City saw an 8.4% increase in water consumption, rising from 178 lpcd to 193 lpcd, driven by economic growth and industrial activity. Developments like the Clark International Airport Expansion and New Clark City are poised to enhance regional connectivity and economic activity, potentially raising future water demand.

Naga recorded a 10% rise in water consumption, from 130 to 143 lpcd, primarily due to growing tourism and commercial activities. The upcoming Naga Airport Development Project aims to boost tourism and economic growth, which may further influence water usage. Batangas experienced a sharp increase in water consumption, climbing 36% from 100 to 136 lpcd. This growth reflects a well-managed balance of supply and demand, supported by local authorities and water utilities. The Batangas International Port Expansion is expected to bolster regional economic activities and connectivity, potentially affecting future water consumption.

Table 27: Populations of selected cities, thousands (2018-2029F)

Cities	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Cebu	2,691.2	2,746.0	2,800.8	2,856.9	2,914.1	2,971.8	3,029.6	3,087.5	3,145.5	3,203.6	3,261.8	3,320.2
Davao	2,589.8	2,639.2	2,688.7	2,739.2	2,790.7	2,842.5	2,894.3	2,946.0	2,997.7	3,049.4	3,101.1	3,152.8
Cagayan de Oro	1,446.2	1,469.5	1,492.8	1,516.5	1,540.7	1,564.9	1,588.9	1,612.7	1,636.4	1,659.9	1,683.2	1,706.4
Angeles	1,233.0	1,266.3	1,299.7	1,334.0	1,369.2	1,405.0	1,441.3	1,478.0	1,515.2	1,552.9	1,591.0	1,629.6
Zamboanga	931.1	954.1	977.2	1,000.9	1,025.2	1,049.9	1,074.8	1,099.9	1,125.2	1,150.7	1,176.5	1,202.6
Naga	835.0	846.7	858.4	870.3	882.4	894.4	906.3	918.1	929.7	941.2	952.5	963.7
Bacolod	820.5	830.3	840.2	850.2	860.3	870.3	880.2	889.9	899.4	908.7	917.8	926.8
Iloilo-Guimaras	646.8	654.0	661.2	668.6	676.0	683.3	690.5	697.6	704.4	711.2	717.7	724.2
Calamba	505.6	522.6	539.7	557.3	575.5	594.2	613.2	632.7	652.6	672.9	693.6	714.8
Batangas	501.4	506.3	511.3	516.3	521.4	526.3	531.2	535.9	540.5	545.0	549.3	553.6

Source: Philippine Statistics Authority

Note: The data mentioned above covers all the cities under Metropolitan area. **For Angeles Metropolitan**, it covers Angeles City, Bacolor, Mabalacat, Porac, San Fernando; **Bacolod Metropolitan Area** includes Bacolod, Silay City, Talisay City; **Batangas** Metropolitan Area which includes Batangas City, Bauan, and San Pascual; **Cagayan de Oro** Metropolitan Area which includes Alubijid, Baungon, CDO City, Claveria, El Salvador, Gitagum, Jasaan, Laguindingan, Libona, Malilbog, Manolo Fortihc, Opol, Sumilao, Tagoloan, Talakag, Vilanueva; **Calamba Metropolitan Area** which includes only Calamba; **Cebu Metropolitan Area** which includes Cebu City, Compostela, Consolacion, Cordova, Lapu-Lapu City, Liloan, Mandaue City, Minglanilla, Naga, and Talisay; **Davao Metropolitan Area** which includes Davao City, Digos City, Panabo City, Island Garden City of Samal, Sta Cruz, and Tagum City; **Iloilo-Guimaras Metropolitan Area** which includes Iloilo City, Leganes, Oton, Pavia; **Zamboanga Metropolitan Area** which includes Zamboanga; **Naga Metropolitan Area** which includes Bombon, Bula, Calabanga, Camaligan, Canaman, Gainza, Magarao, Milaor, Minalabac, Naga City, Ocampo, Pamplona, Pasacao, Pili, San Fernando.

In Zamboanga, data for 2023 is unavailable, but historical trends indicate that water shortages and infrastructure challenges have shaped consumption patterns. Key stakeholders, including the local government, water utilities, and infrastructure developers, play a vital role in tackling these issues to promote sustainable water usage. Future projects, such as the New Zamboanga Airport and the San Ramon New Port, are expected to enhance regional connectivity and economic activities, potentially impacting water demand in the years ahead.

Table 28: Per capita water consumption, 2022-2023, (lpcd)

Cities	2022	2023
Cebu	107	111
Davao	164	206
Cagayan de Oro	206	168
Angeles	178	193
Zamboanga	110	Not Available
Naga[1]	130	143
Bacolod	120	104
Iloilo-Guimaras	261	156
Calamba	195	82
Batangas	100	135

Source: National Water Resource Board's KPI Dashboard
1 The values depicted in the table are at the province/regional level. City-level consumption is not available

Cities such as Cagayan de Oro experienced a noticeable decline in per capita water consumption, decreasing from 206 lpcd to 168 lpcd. These reductions are attributed to severe rains during July, August, and September 2023, which caused frequent flooding and landslides, disrupting water supply in these areas. However, upcoming developments such as the Seaside Arena and the Emerald Bay Mactan Resort and Casino in Cebu, along with the Cagayan de Oro Coastal Road and the Mindanao Railway Project, are expected to further drive economic growth and tourism in these cities, potentially influencing future water consumption patterns.

Bacolod experienced a decrease in water consumption, dropping from 120 lpcd in 2022 to 104 lpcd in 2023—a decline of 13.3%. This reduction can be attributed to the implementation of effective water conservation programs. For instance, the Provincial Integrated Water Security Plan (PIWSP) 2023-2030 emphasized increased investments in water infrastructure, capacity building for water service providers, long-term water source development, and watershed conservation. These measures improved water use efficiency across the city. Additionally, the partnership between PrimeWater and the Bacolod City Water District (BACIWA) in 2022, introduced innovative strategies to enhance water supply management and promote sustainable consumption, further contributing to the decline in usage.

Iloilo-Guimaras registered a drop of 40.2% in 2023 in water consumption from 261 lpcd in 2022 to 156 lpcd in 2023. This decrease is likely due to efforts by the Metro Iloilo Water District and Metro Pacific Water to enhance water distribution and reduce non-revenue water (NRW). Initiatives like GIS technology and water loss reduction programs have improved efficiency and minimized wastage. To improve water consumption management, the city is implementing several initiatives. The Jalaur River Multipurpose Project Stage II will add 86 million liters per day (MLPD) of bulk water. Additionally, Metro Pacific Iloilo Water (MPIW) is introducing the SAHARA mobile leak detection system to enhance non-revenue water (NRW) reduction by quickly identifying and repairing leaks. Combined with public awareness campaigns, these efforts aim to optimize water usage and strengthen water security in the region.

Calamba registered a drop of 57.9% in water consumption from 195 lpcd to 82 lpcd in 2023. This decline resulted from several factors, including the Calamba Water District's promotion of water-saving appliances, public education on conservation, and advanced leak detection technologies. Additionally, the semiconductor industry, particularly STMicroelectronics, reduced its water usage by increasing recycling rates from 30% to 60% by 2026, further contributing to the reduction in industrial water consumption. To further enhance consumption, the Calamba Water District is also investing in new water sources and expanding treatment facilities, including deep wells and enhanced water processes, to ensure a sustainable supply.

Table 29: List of water service providers by selected cities

Cities	Water Service Providers (WSP)
Cebu	BP Waterworks Abejo Waters Corp (Part of AWC Group) Cebu Manila Water Development, Inc. (CMWD) (joint investment agreement between the Manila Water Consortium and the Provincial Government of Cebu (PGC) Manila Water Consortium, composed of Manila Water Company, Inc., Metro Pacific Water Investments, Corp., and Vicsal Development Company, Inc.
Davao	Apo Agua (Subsidiary of Aboitiz InfraCapital (AIC))
Cagayan de Oro	Cagayan de Oro Bulk Water Inc.(COBI) (JV of COWD and Metropac)
Angeles	BP Waterworks, Luzon Clean Water Development Corp. (LCWDC) (Subsidiary of San Miguel Corporation (SMC))
Zamboanga	PrimeWater
Naga	Metropolitan Naga Water District (MNWD)
Bacolod	Tubig Pilipinas Group Inc. (TPGI) and Bacolod Bulk Water Inc. (BBWI),(Subsidiary of Pure Water Corporation (PWC)) and PrimeWater
Iloilo-Guimaras	Metro Iloilo Bulk Water Supply Corporation (MIB); (JV of Metro Pacific Water and the Metro Iloilo Water District (MIWD))
Calamba	Laguna Water (a Subsidiary of the Provincial Government of Laguna and Manila Water Philippine Ventures (MWPV), a subsidiary of the Manila Water Company)
Batangas	Manila Water (Manila Water Philippine Ventures, Inc.)

Source: National Water Resource Board's KPI Dashboard

3.9 Per Capita Consumption - Country Level Ranking

3.9.1 Southeast Asia Ranking

Table 30: Southeast Asia country rankings by per capita water consumption, 2024

Region	Country	Country per capita water consumption (l/d)	Rankings
Southeast Asia	Malaysia	245	5
	Philippines	**123**	**1**
	Vietnam	143	2
	Thailand	193	4
	Indonesia	163	3

Source: Country Official Statistics, GlobalData

Note: The ranking is based on future growth potential. The lowest per capita consumption means the highest growth potential.

3.9.2 Southeast Asia Ranking -City level

Table 31: Southeast Asia City rankings by per capita water consumption, 2024

Region	Country	City level	Country per capita water consumption (l/d)	Rankings

Southeast Asia	**Philippines**	**Metro Manila**	**127**	**1**
	Vietnam	Hanoi	169	2
	Indonesia	Jakarta	175	3
	Malaysia	Kuala Lumpur	288	4
	Thailand	Bangkok	300	5

Source: Country Official Statistics, GlobalData

Note: The ranking is based on future growth potential. The lowest per capita consumption means the highest growth potential.

4 Wastewater Treatment Overview

As of 2024 estimates, the proportion of wastewater discharged to the environment without treatment in the Philippines stood at 84.0%, compared to 93.3% in Indonesia, 79.3% in Vietnam, 75.2% in Thailand and 14.5% in Malaysia. While this proportion is projected to decrease to 80.1% in 2029 (showing an increasing portion of wastewater will be treated), this represents a large untapped market for further growth and investment, as evidenced in Maynilad's approved business plan to invest PHP55 billion (US$0.93 billion) in wastewater related projects from 2023 to 2027, roughly ~34% of Maynilad's total approved capital expenditure program.

The Philippines, with a 15.4% wastewater treatment rate, lags behind advanced economies like Japan (91%), France (93%), Australia (96.7%), and the UK (98.8%). These countries achieve high treatment levels through strong regulations, investments, and recycling initiatives. While the Philippines is still developing its infrastructure, its ongoing investments present a significant opportunity to expand capacity and enhance environmental sustainability.

4.1 Wastewater Generation & Treatment (The Philippines Vs Other SEA Countries)

In 2024 (estimates), the Philippines collected 10,768.7 million m³ of wastewater, of which only 16% underwent treatment before being discharged into the environment. However, with investments in wastewater treatment infrastructure, the proportion of treated wastewater is projected to rise to almost 20% of the total volume by 2029. Key projects such as the Davao City Sewerage Management System Program (US$3.0 billion), Tanauan City Water Supply System and Sanitation Services Program (US$0.03 billion), and San Jose City Water Supply System and Sanitation Services Program (US$0.027 billion) are anticipated to present significant growth opportunities for Maynilad to bid on in the coming years.

Table 32: Wastewater in the Philippines, (million m³)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Total generated wastewater	8,976.0	9,241.5	9,646.7	9,688.0	10,272.2	10,430.4	10,768.7	10,976.0	11,311.2	11,518.4	11,851.5	12,158.2
Total domestic/ municipal generated wastewater	2,944.1	3,049.7	3,193.1	3,226.1	3,461.7	3,459.8	3,572.0	3,640.7	3,751.9	3,820.6	3,931.2	4,032.9
Total industrial generated wastewater)	3,619.1	3,715.1	3,872.2	3,877.1	4,086.3	4,182.4	4,318.0	4,401.2	4,535.6	4,618.6	4,752.2	4,875.2
Other generated wastewater	2,412.8	2,476.7	2,581.4	2,584.8	2,724.2	2,788.3	2,878.7	2,934.1	3,023.7	3,079.1	3,168.2	3,250.1
Total volume of wastewater collected, treated, and discharged to the environment after treatment	1,183.8	1,340.2	1,483.2	1,462.8	1,503.6	1,608.9	1,721.5	1,842.0	1,970.9	2,108.9	2,256.5	2,414.5
Total volume of wastewater discharged to the environment without treatment	7,792.2	7,901.3	8,163.6	8,225.1	8,768.5	8,821.6	9,047.3	9,134.0	9,340.3	9,409.5	9,595.0	9,743.7

Source: Philippine Statistics Authority and GlobalData

Private companies are leading efforts to expand wastewater infrastructure. For instance, Manila Water aims to establish 53 wastewater treatment facilities with a combined capacity of 1,156 million liters per day (MLD) to achieve 100% coverage of its concession area by 2037. Similarly, Maynilad announced a PHP163 billion (US$2.8 billion) investment plan, which includes the development of wastewater projects through 2027 to achieve 100% wastewater coverage. This plan includes the construction of five STPs with an additional capacity of 314 MLD, and the installation of around 60 kilometers of sewer lines. Until the end of its concession in 2047, Maynilad will continue to expand its sewerage systems by adding 10 wastewater treatment facilities and installing over 300 km sewer lines to achieve its committed target of 76% sewerage coverage by 2046, with the balance to be served by sanitation services.

Table 33: Market Proportion of Wastewater Treatment, 2018-2024

	2018	2019	2020	2021	2022	2023	2024
Entire Philippines (million m^3)	1,183.8	1,340.2	1,483.2	1,462.8	1,503.6	1,608.9	1,721.5
Wastewater Treated by Maynilad (West Zone) (million m^3)	64.0	69.9	72.1	69.9	66.5	68.9	75.2
% Proportion of Maynilad (West Zone)	5.4%	5.2%	4.9%	4.8%	4.4%	4.3%	4,4%
Wastewater Treated by Manila Water* (East Zone and Non-East Zone) (million m^3)	62.4	64.2	74.1	69.8	76.4	76.8	66.4
% Proportion of Manila Water (East Zone and Non-East Zone)	5.3%	4.8%	5.0%	4.8%	5.1%	4.8%	3.9%

Source: Company Annual Report, Sustainability Report, Philippine Statistics Authority and GlobalData
*East Zone/Standalone parent only is not available.

The Philippine government, in collaboration with the private sector, is also focusing on water and sanitation initiatives in alignment with the PWSSMP (2019–2030). For example, under Maynilad's 2023–2027 business plan, the company has committed to a total planned CAPEX of PHP163.3 billion (US$2.8 billion), with Wastewater Treatment and Water Sources accounting for the largest shares at PHP55.0 billion (US$932.7 million) and PHP41.2 billion (US$698.7 million), respectively. Investments are also allocated to NRW (Non-Revenue Water) Management, which accounts for PHP31.4 billion (US$532.5 million), and Operation Support, receiving PHP30.1 billion (US$510.4 million). Meanwhile, Customer Service and Information is allocated a relatively modest PHP5.4 billion (US$91.6 million). For 2024, the total CAPEX allocation was PHP31.3 billion (US$530.8 million). Wastewater Treatment received the largest share at PHP11.4 billion (US$193.3 million), followed by Water Sources at PHP8.7 billion (US$147.5 million). Together, these two categories account for 66.3% of the 2024 budget, reflecting the company's priorities in securing water supply and improving wastewater infrastructure. Other allocations include PHP6.3 billion (US$106.4 million) for Operation Support and PHP4.0 billion (US$67.8 million) for NRW Management. Customer Service and Information receives the smallest allocation at PHP959.8 million (US$16.3 million). These investments highlight the Philippines' commitment to improving wastewater management and achieving sustainable water resource use.

Table 34: Wastewater in Malaysia, 2018-2029F, (million m^3)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Total generated wastewater	4,589.0	4,262.5	3,959.3	4,048.1	4,138.9	4,225.0	4,269.7	4,313.6	4,356.5	4,398.6	4,439.5	4,483.0
Total domestic/municipal generated wastewater	2,147.7	2,003.4	1,864.8	1,914.7	1,957.7	2,002.6	2,028.1	2,053.3	2,078.1	2,102.5	2,126.5	2,147.4
Total industrial generated wastewater	2,065.1	1,918.1	1,781.7	1,821.6	1,862.5	1,901.2	1,921.4	1,941.1	1,960.4	1,979.4	1,997.8	2,017.3

Other generated wastewater	376.3	341.0	312.8	311.7	318.7	321.1	320.2	319.2	318.0	316.7	315.2	318.3
Volume of wastewater collected, treated, and discharged to the environment after treatment	3,550.8	3,383.9	3,222.8	3,354.5	3,490.5	3,591.2	3,650.6	3,709.7	3,768.4	3,826.7	3,884.6	3,922.6
Total volume of domestic treated wastewater	1,661.8	1,590.4	1,517.9	1,586.6	1,651.0	1,702.2	1,734.0	1,765.8	1,797.5	1,829.2	1,860.7	1,878.9
The volume of wastewater discharged to the environment without treatment	1,038.3	878.7	736.5	693.6	648.4	633.7	619.1	603.9	588.1	571.8	554.9	560.4
Total volume of industrial + agriculture+ others treated wastewater	1,889.0	1,793.4	1,704.8	1,767.8	1,839.5	1,889.0	1,916.6	1,943.9	1,970.9	1,997.6	2,023.9	2,043.7
Total industrial treated wastewater	1,597.8	1,522.7	1,450.2	1,509.5	1,570.7	1,616.1	1,642.8	1,669.4	1,695.8	1,722.0	1,748.1	1,765.2

Source: OECD, UNWater and GlobalData

In Malaysia, domestic sources accounted for 46% of total wastewater generated in 2023, with this volume expected to grow to 2.1 billion cubic meters by 2029, representing 48% of the country's total wastewater generation. Malaysia's wastewater treatment infrastructure is among the most advanced in Southeast Asia, with 84.3% of wastewater treated in 2022, a figure projected to increase to 87.5% by 2029. The country's progress in wastewater management can be attributed to sustained governmental efforts, including the centralization of national water services in 1994 under the Indah Water Konsortium (IWK), which was granted the concession for a nationwide sewerage network. Investments in advanced technology, such as the Moving Bed Biofilm Reactor (MBBR) project initiated in 2020, have also contributed to improvements. These initiatives helped Malaysia achieve a 2023 Environmental Performance Index (EPI) score of 64 for wastewater treatment.

The Malaysian government continues to prioritize the expansion and improvement of sewer services in alignment with the 12th Malaysia Plan (RMKe-12), aiming for 90% coverage by 2030. In 2022, an allocation of US$0.4 billion (MYR 1.37 billion) was made for developing and upgrading sewerage infrastructure. These efforts highlight Malaysia's commitment to enhancing wastewater management and achieving its environmental and sustainability goals.

Table 35: Wastewater in Vietnam, 2018-2029F, (million m^3)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Total generated wastewater	4,132.1	4,521.0	4,946.4	5,371.9	5,833.9	6,238.4	6,650.3	7,057.8	7,461.1	7,859.9	8,254.3	8,745.8
Total domestic/municipal generated wastewater	2,395.4	2,620.9	2,867.5	3,114.1	3,382.0	3,616.4	3,855.2	4,091.4	4,325.2	4,556.4	4,785.0	5,069.9
Total industrial generated wastewater	1,197.7	1,310.4	1,433.8	1,557.1	1,691.0	1,808.3	1,927.7	2,045.8	2,162.7	2,278.3	2,392.6	2,535.1
Other generated wastewater	539.0	589.7	645.2	700.7	760.9	813.7	867.5	920.6	973.2	1,025.2	1,076.7	1,140.8
Total volume of domestic treated wastewater	299.4	327.6	529.4	574.9	624.4	637.9	799.9	834.3	996.3	1,030.6	1,192.6	1,276.1

Total volume of wastewater collected, treated, and discharged to the environment after treatment	516.5	565.1	913.2	991.8	1,077.1	1,100.3	1,379.8	1,439.1	1,718.6	1,777.8	2,057.3	2,201.3
Total volume of industrial + agriculture+ others treated wastewater	217.1	237.5	383.8	416.8	452.7	462.5	579.9	604.9	722.3	747.2	864.7	925.2
Total industrial treated wastewater	149.7	163.8	264.7	287.5	312.2	318.9	400.0	417.1	498.2	515.3	596.3	638.1
Source: OECD, UNWater and GlobalData												

Vietnam's wastewater generation is projected to grow at a compound annual growth rate (CAGR) of 5.6% between 2024 and 2029, reaching an estimated 8.7 billion cubic meters by 2029. Domestic wastewater is expected to remain the largest contributor, accounting for 58% of the total wastewater volume by the end of the forecast period. Despite this growth, Vietnam currently faces challenges in wastewater management. The country has a limited number of wastewater treatment facilities, with only 15% of wastewater being treated on average. As a result, 82% of total wastewater generated in 2023 was discharged untreated into the environment, highlighting the critical need for infrastructure development.

The Vietnamese government, supported by international organizations, is taking steps to address these issues. Under the Master Plan for Wastewater Management (2021–2030), approved by the Prime Minister, 51 wastewater treatment plants are planned for urban areas categorized as third tier and above, with a combined capacity of 4.2 million cubic meters per day by 2030. International development partners such as the World Bank (WB), International Finance Corporation (IFC), Japan International Cooperation Agency (JICA), Agence Française de Développement (AFD), Asian Development Bank (ADB), Netherlands Development Organization (SNV), and United Nations Development Programme (UNDP) continue to play a critical role in financing and providing technical support to Vietnam's water and sanitation sector.

With ongoing investments and international collaboration, Vietnam's wastewater treatment capacity is poised to improve, aligning with national sustainability goals, and reducing environmental impact. However, efforts will still be needed to expand infrastructure, enforce environmental regulations, and encourage private sector participation to meet the growing demand effectively.

Table 36: Wastewater in Thailand, 2018-2029F, (million m³)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Total generated wastewater	11,633.3	11,729.2	11,826.0	11,922.8	12,020.3	12,087.5	12,155.5	12,212.4	12,260.4	12,300.1	12,331.8	12,384.4
Total domestic/municipal generated wastewater	3,482.8	3,511.5	3,540.5	3,569.5	3,598.7	3,617.8	3,638.1	3,655.2	3,669.5	3,681.4	3,690.9	3,706.7
Total industrial generated wastewater	6,390.2	6,442.9	6,496.0	6,549.2	6,602.7	6,639.7	6,677.0	6,708.3	6,734.6	6,756.4	6,773.8	6,802.8
Other generated wastewater	1,760.3	1,774.8	1,789.5	1,804.1	1,818.9	1,830.0	1,840.3	1,849.0	1,856.2	1,862.2	1,867.0	1,875.0
Total volume of domestic treated wastewater	842.6	853.2	864.0	874.7	885.6	896.3	907.0	917.9	928.9	940.1	951.3	962.8

Total volume of wastewater collected, treated, and discharged to the environment after treatment	2,814.3	2,849.8	2,885.8	2,921.8	2,958.2	2,985.6	3,014.6	3,040.9	3,065.1	3,087.3	3,107.6	3,120.9
Total volume of industrial + agriculture+ others treated wastewater	1,971.8	1,996.6	2,021.9	2,047.1	2,072.6	2,089.3	2,107.5	2,123.0	2,136.2	2,147.3	2,156.3	2,158.1
Total industrial treated wastewater	1,545.9	1,565.4	1,585.2	1,604.9	1,624.9	1,640.0	1,655.9	1,670.4	1,683.7	1,695.9	1,707.0	1,714.3
Source: OECD, UNWater and GlobalData												

Thailand's wastewater generation is expected to grow modestly, with a compound annual growth rate (CAGR) of 0.4% from 2024 to 2029, reaching approximately 12.4 billion m^3 by 2029. As the second-largest economy in ASEAN, Thailand has become a favored hub for industrial investment, particularly benefiting from the relocation of industrial activities from China in recent years. Consequently, industrial activities remain the largest contributor to wastewater generation, accounting for 54.9% of total wastewater volume in 2022.

Despite its economic stature, Thailand faces challenges in wastewater treatment, with only 25% of the total wastewater volume being treated as of 2023. The remaining untreated wastewater poses environmental risks and underscores the urgent need for improved treatment infrastructure.

To address these issues, the Thai government, in collaboration with international organizations, is making efforts to enhance wastewater treatment capacity. The initiatives are aligned with the 20-Year Water Resources Management Master Plan (2018–2037), which aims to improve water resource sustainability. A notable development in this regard was the signing of a Memorandum of Understanding (MoU) with the International Finance Corporation (IFC) in October 2023 to support the expansion of wastewater treatment infrastructure.

With continued government support, international collaboration, and private sector involvement, Thailand's wastewater management sector is expected to gradually improve, paving the way for enhanced environmental sustainability and industrial growth. However, substantial investments and policy measures will be necessary to accelerate progress and achieve comprehensive wastewater treatment coverage.

Table 37: Wastewater in Indonesia (million m^3)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Total generated wastewater	60,372.5	61,272.8	62,191.7	62,570.8	63,524.4	64,198.5	64,900.1	65,587.8	66,260.4	66,916.5	67,555.6	68,200.7
Total domestic/municipal generated wastewater	6,580.6	6,740.0	6,903.3	7,070.5	7,241.8	7,415.6	7,593.6	7,775.8	7,962.4	8,153.5	8,349.2	8,549.6
Total industrial generated wastewater	28,978.8	29,411.0	29,852.0	30,034.0	30,491.7	30,815.3	31,152.0	31,482.1	31,805.0	32,119.9	32,426.7	32,736.3
Other generated wastewater	24,813.1	25,121.9	25,436.4	25,466.3	25,790.9	25,967.6	26,154.5	26,329.8	26,493.0	26,643.1	26,779.7	26,914.8
The volume of wastewater collected, treated,	3,018.6	3,247.5	3,544.9	3,816.8	3,938.5	4,151.2	4,375.4	4,611.6	4,860.7	5,123.1	5,399.8	5,691.4

and discharged to the environment after treatment												
Total volume of domestic treated wastewater	1,611.4	1,651.0	1,691.6	1,732.6	1,774.6	1,817.1	1,860.8	1,905.4	1,951.1	1,998.0	2,045.9	2,095.0
Total volume of industrial + agriculture+ others treated wastewater	1,407.2	1,596.4	1,853.3	2,084.2	2,164.0	2,334.0	2,514.6	2,706.2	2,909.5	3,125.2	3,353.8	3,596.3
Total industrial treated wastewater	942.8	1,069.6	1,241.7	1,396.4	1,449.8	1,563.8	1,684.8	1,813.2	1,949.4	2,093.9	2,247.1	2,409.5
The volume of wastewater discharged to the environment without treatment	57,353.9	58,025.4	58,646.8	58,754.0	59,585.9	60,047.3	60,524.7	60,976.2	61,399.7	61,793.4	62,155.8	62,509.3

Source: OECD, UNWater and GlobalData

In Indonesia, wastewater generation is dominated by the industrial sector, which contributed 48% of the total wastewater volume in 2023, while the domestic sector accounted for 40%. However, the country faces challenges in wastewater management due to a lack of sanitation infrastructure. Only 2% of the population is connected to a sewerage system, and 89% rely on on-site sanitation systems.

The absence of centralized sewerage treatment facilities has led to the discharge of 93.5% of untreated wastewater into the environment in 2023, highlighting the urgent need for investment in wastewater management. Recognizing this critical gap, Indonesia has set ambitious goals to provide 45% of the population with safe drinking water and 30% with safe sanitation services by 2030.

The government, in collaboration with international organizations, is actively working to improve the wastewater treatment sector through investments, private sector participation, and technical assistance. Key initiatives include:

- Japan International Cooperation Agency (JICA): Loan and technical support for sewer and wastewater treatment plant construction in Jakarta.
- United States Agency for International Development (USAID): A US$300 million program (2022–2027) to support water, sanitation, and hygiene projects.

These collaborative efforts aim to address Indonesia's pressing wastewater management issues, develop centralized treatment infrastructure, and improve access to sanitation services.

In summary, Malaysia leads in wastewater management and outlook due to its high treatment rates, favorable yet stringent policies, and consistent investment in infrastructure. Other countries, particularly the Philippines, Vietnam, and Thailand, show promise with ambitious plans but still lag behind Malaysia in current performance. Indonesia faces the most significant challenges and requires substantial progress to achieve comparable levels of wastewater management.

4.1.1 Wastewater Generation & Treatment (Japan, Australia, the UK and France)

Table 38: Wastewater in Japan, (million m³)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Domestic wastewater generated	12,940.5	12,023.0	12,023.0	11,105.5	10,258.0	10,138.1	9,893.2	8967.9	8,723.1	7,797.9	7,553.0	7,401.9
Domestic wastewater treated (%)	98.8%	98.3%	97.8%	94.6%	91.6%	91.4%	91.3%	91.2%	91.1%	91.0%	91.0%	91.0%
Domestic wastewater treated	12,785.2	11,818.6	11,758.5	10,511.3	9,396.3	9,266.2	9,032.5	8,178.7	7,946.7	7,096.1	6,873.2	6,735.8

Source: OECD, UNWater and GlobalData

Japan has established a highly efficient wastewater management system, supported by stringent policies and advanced infrastructure. As of 2022, the country operates nearly 2,000 sewerage treatment plants, ensuring the effective treatment of wastewater to meet strict water quality standards. In 2023, approximately 91% of domestic wastewater was treated before being discharged into the environment, reflecting Japan's commitment to environmental sustainability and public health. This high treatment rate is among the best globally, showcasing the country's leadership in wastewater management.

Japan’s wastewater infrastructure is the result of decades of collaborative efforts between the government and private sector entities. Continuous investment in technological advancements and policy enforcement has ensured effective wastewater management. Looking forward, wastewater generation in Japan is expected to decline due to the country's population decrease, which stood at a -1% annual rate in 2021-2023. This demographic trend will reduce the volume of domestic wastewater, potentially enabling the system to operate more efficiently while maintaining high treatment standards.

Table 39: Wastewater Australia, (million m³)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Domestic wastewater generated	834.9	854.7	875.0	895.3	916.0	936.7	957.0	977.4	997.7	1,018.1	1,038.4	1,058.1
Domestic wastewater treated (%)	93.0%	94.0%	95.0%	96.0%	97.0%	97.3%	97.5%	98.0%	98.1%	98.2%	98.3%	98.4%
Domestic wastewater treated	776.5	803.1	831.3	859.5	888.5	910.9	933.1	957.8	978.8	999.7	1,020.8	1,041.2

Source: OECD, UNWater and GlobalData

Australia has established an advanced and highly efficient wastewater management system, characterized by continuous investment in the construction and upgrading of wastewater treatment facilities. This proactive approach is reflected in the very low proportion of untreated wastewater discharged into the environment, which was just 2.8% in 2023, underscoring the country’s commitment to environmental sustainability. The country operates nearly 300 urban wastewater treatment plants (as of 2022), with 22 large facilities catering to approximately 70% of the urban population. This concentration of treatment capacity in major facilities ensures effective management of domestic wastewater in densely populated areas.

Some of the investments by both government and private entities highlight Australia’s dedication to improving wastewater infrastructure. For example:

- SA Water, a government-owned company, has planned an investment of US$534 million (2020–2024) to expand and upgrade sewerage systems.

- The Water Corporation is undertaking an upgrade of the Woodman Point Water Resource Recovery Facility, with an estimated cost of US$238.5 million, set for completion in 2024.

To further strengthen the sector, the Australian government has launched the National Water Grid Fund, which supports technological improvements, infrastructure expansion, and the construction of new water facilities.

Australia's advanced wastewater management system, coupled with its forward-looking investments, positions it as a global leader in sustainable water infrastructure and environmental protection.

Table 40: Wastewater in France, (million m^3)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Domestic wastewater generated	2,906.8	2,873.2	2,840.0	2,806.8	2,774.0	2,741.2	2,708.0	2,674.9	2,641.8	2,608.6	2,575.5	2,549.8
Domestic wastewater treated (%)	91.7%	92.1%	92.5%	92.8%	93.1%	93.2%	93.4%	93.6%	93.8%	94.0%	94.2%	94.4%
Domestic wastewater treated	2,665.5	2,649.0	2,627.0	2,605.0	2,583.1	2,554.8	2,529.3	2,503.7	2,478.0	2,452.1	2,426.1	2,407.0

Source: OECD, UNWater and GlobalData

France has established a well-developed and efficient wastewater management system, as reflected in the 93% of total wastewater treated before being discharged into the environment in 2023. The sector benefits from strong financial support and collaboration with international institutions. For instance, in 2019, the European Investment Bank (EIB) provided US$37.9 million (EUR 35 million) to the City Council of Mariupol for upgrading water supply systems, sewerage networks, and wastewater treatment facilities. Such investments enhance the capacity and resilience of wastewater infrastructure in France. Recent extreme weather events and droughts have further highlighted the importance of wastewater reuse in the country. The Jourdain Programme, a flagship initiative, aims to bolster efforts to recycle wastewater for non-potable purposes, ensuring water security in the face of climate challenges. Private sector participation is also a key driver in the development of the wastewater sector in France. The involvement of innovative companies is expected to lead to increased investment in technological upgrades, helping the country achieve even higher efficiency in wastewater treatment and reuse.

France's proactive approach to managing domestic wastewater through advanced infrastructure, financial collaboration, and technological advancements positions it as a leader in sustainable wastewater management.

Table 41: Wastewater in the UK, (million m^3)

Indicators	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F	2027F	2028F	2029F
Total generated wastewater *	4,117.7	4,070.1	4,023.1	4,364.1	4,733.9	4,795.7	4,962.5	5,129.3	5,296.1	5,462.9	5,629.7	5,801.6
Domestic wastewater generated	2,434.7	2,406.5	2,378.7	2,580.3	2,799.0	2,835.5	2,934.1	3,032.8	3,131.4	3,230.0	3,328.7	3,430.3
Industrial wastewater	1,598.9	1,580.4	1,562.2	1,694.6	1,838.2	1,862.1	1,926.9	1,991.7	2,056.5	2,121.2	2,186.0	2,252.8
Domestic wastewater treated (%)	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%	99.0%	99.0%	99.0%	99.2%	99.3%
Domestic wastewater treated	2405.4	2150.6	2350.2	2549.7	2766.3	2802.3	2899.8	3002.4	3100.1	3197.7	3302.0	3406.3
Industrial wastewater treated	1,579.7	1,561.5	1,543.4	1,674.2	1,816.1	1,840.4	1,904.4	1,971.8	2,035.9	2,100.0	2,168.5	2,237.0

Source: OECD, UNWater and GlobalData
*Total wastewater includes water from domestic and industrial premises and urban pollution from surface water run-off

The United Kingdom has a well-established and stringent policy framework for wastewater treatment, ensuring effective management and minimal environmental impact. As of 2023, only 1.2% of total wastewater was discharged without treatment, reflecting the country's strong commitment to wastewater treatment and environmental protection. This low proportion of untreated discharge is a result of stringent regulations and the operational efficiency of its wastewater treatment facilities.

The UK government has set forth a strategic vision for the future of its wastewater infrastructure, as outlined in the updated 25-Year Environment Plan, which was reinforced in 2023. This plan includes investments aimed at the upgradation of wastewater treatment facilities and improving the overall water infrastructure across the country. These efforts are designed to enhance the capacity, efficiency, and sustainability of the nation's wastewater management systems, addressing challenges such as population growth, climate change, and environmental protection. In addition to the environmental plan, the UK has been taking several other initiatives to improve wastewater management:

- **Storm Overflow Taskforce**: The government has launched initiatives to tackle storm overflows, which result from excessive rainfall overwhelming the sewer systems. The government's new legal commitment requires water companies to reduce storm overflows by 80% by 2050.
- **Water Industry National Environment Programme (WINEP)**: This program has been established to help water companies deliver on environmental objectives, including reducing wastewater pollution in rivers and improving water quality.
- **Wastewater Reuse and Recycling**: As part of its response to water scarcity, particularly in areas prone to drought, the UK has been exploring the reuse of treated wastewater for non-potable applications such as agricultural irrigation and industrial processes. The Jourdain Programme is a major initiative promoting wastewater recycling.
- **Collaboration with Private Sector**: The UK government is also working with private companies to implement innovative technologies in wastewater treatment, such as advanced filtration and nutrient recovery technologies, to improve efficiency and environmental impact.

As part of its ongoing initiatives, the UK government is working in collaboration with private entities to ensure that wastewater systems are technologically advanced, resilient, and capable of meeting future demands.

4.1.2 Wastewater Treatment (Philippines) Sewerage and Sanitation%

Due to limited access to piped sewerage systems, the majority of people in the Philippines in 2024 rely on septic tanks for wastewater treatment. Only a small portion of the population is connected to sewerage treatment plants, especially in urban areas like Metro Manila where businesses like Maynilad and Manila Water are actively investing in expanding sewerage networks and building new sewage treatment plants to improve wastewater management. Nevertheless, there are still obstacles to regular desludging and proper septic tank maintenance to prevent water body pollution.

Table 42: Wastewater in the Philippines, million m³

Indicators	2018	2019	2020	2021	2022	2023	2024E
Total generated wastewater	8,976.0	9,241.5	9,646.7	9,688.0	10,272.2	10,430.4	10,768.7

Total domestic/municipal generated wastewater	2,944.1	3,049.7	3,193.1	3,226.1	3,461.7	3,459.8	3,572.0
Total volume of wastewater collected, treated, and discharged to the environment after treatment	1,183.8	1,340.2	1,483.2	1,462.8	1,503.6	1,608.9	1,721.5
Proportion of domestic water safely treated in septic tanks	72.0%	73.0%	74.0%	75.0%	76.0%	77%	77.8%
Domestic water safely treated in septic tank	681.9	782.7	878.1	877.7	914.2	991.1	1071.4
Proportion of domestic water safely treated in sewers	28.0%	27.0%	26.0%	25.0%	24.0%	23.0%	22.2%
Source: OECD, UNWater, and GlobalData							

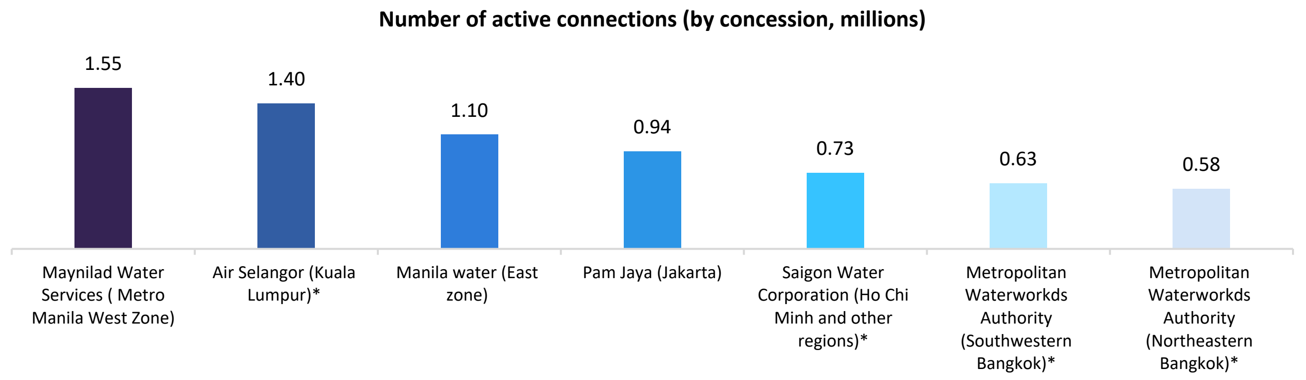
Maynilad also intends to invest over PHP178 billion (US$3.07 billion) in its wastewater treatment program between 2023 and 2047. The goal of this project is to control water body pollution and increase sewer coverage. With this investment, approximately 300 kilometers or more of new sewer lines will be installed to transport wastewater from homes to 14 new STPs that will be built across the West Zone, and 17 of Maynilad's existing wastewater facilities will be upgraded to meet the updated effluent standards set by the DENR under DAO 2021-19.

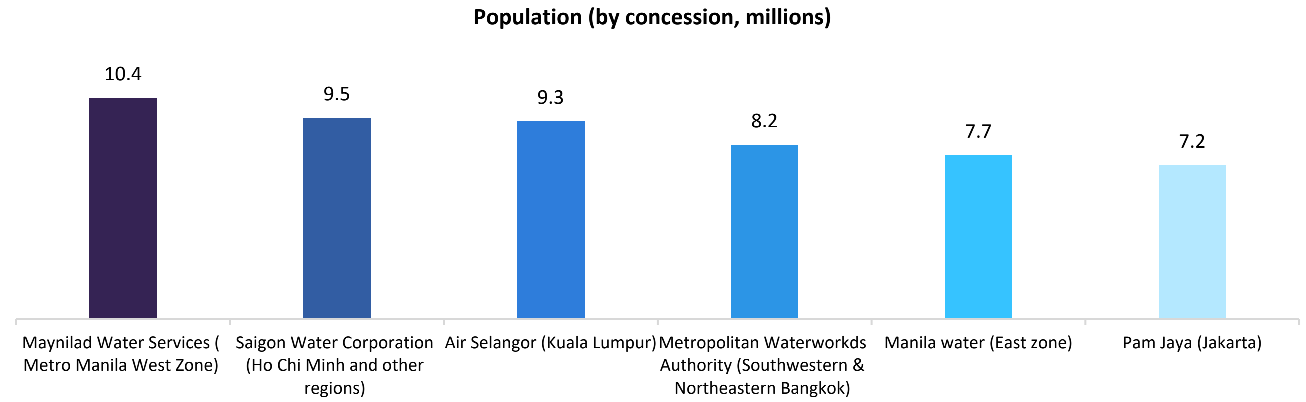
5 Competitive Landscape

5.1 SEA Positioning Water Utility Positioning

Maynilad stands out in the Southeast Asian water utility sector with its ability to cater to the largest population (10.4 million) and maintain the highest number of active connections (1.55 million), per service concession area, reflecting its extensive service coverage and customer base.

Figure 6: Number of active connections and Population (by concession, millions), 2024





Source: Company Website and GlobalData

Note: Saigon Water does not disclose its number of active connections by concession, number shown represents total number of concessions for Saigon Water
Southwestern Bangkok-includes Service 4 branch office Bangkok Noi, Taksin, Phasi Charoen, and Suksawat
Northeastern Bangkok-includes Service 3 branch office Prachachuen, Bang Khen, Min Buri, and Suvarnabhumi
**The data for Air Selangor, Saigon Water, Southwestern Bangkok, and Northeastern Bangkok above reflects 2023 figures.*

Table 43: SEA Competitive Dynamics, 2023

Company	Country	Distribution Line (Km)	Production Capacity	Population Catered (Million)	Sewage Treatment Capacity (MLD)	CAPEX (US$ Million)	Number of Active Connections (Million)
Maynilad Water Services	Philippines	11,468 (11,878 as of 2024)	2,777 (2,873 as of 2024)	10.3[1] (10.4 as of 2024)	684 (743.5 as of 2024)	440.9* (877.6 as of 2024)	1.53 (1.55 as of 2024)
Manila Water (East Concession)	Philippines	8,231[2]	4,007[2]	7.7	NA[2]	326.0 (445.8 as of 2024)	1.09 (1.10 as of 2024)

Manila Water (Non-East and International Business Concession)	Philippines	(8,229.4 as of 2024)		5.1		40.3 (44.6 as of 2024)	0.15
Pam Jaya	Indonesia	12,146	1,798	7.2[3]	NA	24.3	0.93 (0.94[4] as of June 2024)
Air Selangor	Malaysia	30,734	5,227	9.3	NA	823.1	1.4
Saigon Water Corporation	Vietnam	3,800	360	9.5	NA	NA	0.73[5]
Metropolitan Waterworks Authority	Thailand	40,878	6,385	8.0	NA	289.7[6]	0.63[7] 0.58[8]

Source: Company Website and GlobalData

NA= Data Not Available

1 Includes West Concession Area (as of 2024 population =10.4 million)

2 Latest Concessionwise data not available. 410 MLD for East Zone as of 2022 and 530.4 MLD as of 2021.

3-Estimates based on Jakarta's population and service coverage

4- As of June 2024

5- Refers to total connections and not concession-wide

6- includes Direct Operating Expenses

7-includes Service 4 branch office Bangkok Noi, Taksin, Phasi Charoen, and Suksawat

8-includes Service 3 branch office Prachachuen, Bang Khen, Min Buri, and Suvarnabhumi

*Maynilad disbursed PHP51.78 billion: 2023: PHP26.03 billion + 2024: PHP25.75 billion (US$877.6 million, at PhP59=1US$, out of the PHP163 billion CAPEX Disbursement Plan for 2023-2027).

Maynilad ranks first in wastewater treatment capacity (743.5 MLD), that highlights operational efficiency despite having fewer sewerage treatment plants (24) compared to Manila Water (42 treatment plants with treatment capacity 410 MLD in east zone as of 2022). With a robust distribution network of 11,878 km (7,914.1 km of pipelines in its active network as of December 2024) and the CAPEX (US$877.6 million for 2023-2024), Maynilad showcases a strong commitment to infrastructure development and modernization. These factors collectively position Maynilad as a leader in the region, balancing scale, efficiency, and investment to meet growing water demands effectively.

6 Water and Wastewater Treatment Coverage of Maynilad

6.1 Water Service Coverage

According to Maynilad's 2023-2027 business plan, the company's total water coverage area target is set to improve from 94.7% in 2022 to 95.1% by 2026. This growth is driven by steady improvements in underserved areas, particularly within Cavite Province, while NCR sustains its near-universal service levels. NCR showcases exceptional performance, maintaining near-universal water coverage target at 99.9% across all monitored years. Cities such as Caloocan, Las Piñas, Makati, and Quezon City consistently achieve target 100% coverage. The only minor fluctuations are observed in Muntinlupa and Navotas, where coverage approaches 98.1% target by 2026. For Maynilad's service areas in Cavite Province, while some areas, such as Cavite City and Kawit, already have 100% coverage, others like Bacoor, Imus, and Rosario are currently lagging but exhibit significant improvement over time. By 2026, coverage target will rise from 65.2% in 2022 to 68.8% in 2026 for the remaining towns in Cavite Province within Maynilad's service area. In Muntinlupa, the target is expected to decline by 1% due to the presence of PrimeWater's water service connections.

Table 44 Maynilad Water Services, Inc. Coverage Targets (2022-2026)

NCR	2022	2023	2024	2025	2026
Caloocan	100.0%	100.0%	100.0%	100.0%	100.0%
Las Pinas	100.0%	100.0%	100.0%	100.0%	100.0%
Makati	100.0%	100.0%	100.0%	100.0%	100.0%
Malabon	100.0%	100.0%	100.0%	100.0%	100.0%
Manila	100.0%	100.0%	100.0%	100.0%	100.0%
Muntinlupa	99.0%	98.8%	98.8%	98.1%	98.2%
Navotas	97.8%	98.0%	98.6%	98.9%	99.1%
Parañaque	100.0%	100.0%	100.0%	100.0%	100.0%
Pasay City	100.0%	100.0%	100.0%	100.0%	100.0%
Quezon City	100.0%	100.0%	100.0%	100.0%	100.0%
Valenzuela	100.0%	100.0%	100.0%	100.0%	100.0%
Subtotal	**99.9%**	**99.9%**	**99.9%**	**99.9%**	**99.9%**
Cavite Province					
Bacoor	64.3%	66.0%	67.6%	67.6%	69.0%
Cavite City	100.0%	100.0%	100.0%	100.0%	100.0%
Imus	55.3%	55.0%	54.7%	57.9%	57.7%
Kawit	100.0%	100.0%	100.0%	100.0%	100.0%
Noveleta	69.5%	71.1%	73.0%	89.6%	91.6%
Rosario	51.7%	52.5%	53.1%	57.4%	58.3%
Subtotal	**65.2%**	**65.8%**	**66.4%**	**68.3%**	**68.8%**
Total	**94.7%**	**94.8%**	**94.8%**	**95.0%**	**95.1%**

Source: Maynilad Business Plan 2023-2027

6.2 Sewer Service Coverage

According to Maynilad's approved business plan, the total sewer coverage target will increase from 18% in 2022 to 33% by 2026. This growth is driven solely by NCR, emphasizing its role as the primary focus area. The target improvements in cities like Las Piñas and Caloocan reflect Maynilad's plans to expand operations in densely populated urban areas. However, cities like Malabon and Navotas need more aggressive interventions to bridge coverage gaps, as sewer coverage in these areas is less than 10%. Both Malabon and Navotas are highly susceptible to flooding due to their low-lying geographical locations and proximity to bodies of water. This triggers the need for efficient sewerage and wastewater management crucial to prevent contamination and health hazards during floods.

Table 45 Maynilad Sewer Service Coverage Targets (2022-2026)

NCR	2022	2023	2024	2025	2026
Caloocan	0%	0%	0%	0%	33%
Las Pinas	0%	0%	0%	0%	60%
Makati	41%	65%	64%	64%	63%
Malabon	1%	0%	0%	0%	9%
Manila	40%	43%	44%	45%	49%
Muntinlupa	35%	21%	30%	30%	30%
Navotas	5%	4%	4%	4%	10%
Parañaque	17%	25%	25%	39%	38%
Pasay City	30%	45%	45%	44%	44%
Quezon City	27%	31%	31%	31%	34%
Valenzuela	7%	39%	38%	38%	38%
Subtotal	**20%**	**24%**	**24%**	**25%**	**37%**
Cavite Province					
Bacoor	0%	0%	0%	0%	0%
Cavite City	0%	0%	0%	0%	0%
Imus	0%	0%	0%	0%	0%
Kawit	0%	0%	0%	0%	0%
Noveleta	0%	0%	0%	0%	0%
Rosario	0%	0%	0%	0%	0%
Subtotal	0%	0%	0%	0%	0%
Total	**18%**	**21%**	**21%**	**22%**	**33%**

Source: Maynilad Business Plan 2023-2027

As part of Maynilad's service obligations, the company is expected to continue to install 2,000 new sewer connections annually until 2040. This initiative is expected to augment the use of the existing sewerage network and expand sewer coverage. As a result, more wastewater from customers is expected to be directed to treatment facilities before being safely discharged into receiving bodies of water. Furthermore, between 2023 and 2027, Maynilad plans to install 106,074 new water service connections in the West Zone. This includes approximately 1,051 accounts from private subdivisions, which are expected to be converted into open communities, and 243 accounts that will be upgraded from meter banking to individual tapping connections.

6.3 Sanitation Service Coverage

Sanitation coverage is measured as a five-year rolling figure during the Rate Rebasing period, and it exhibits an inverse relationship with sewerage coverage. The sanitation targets are expected to decrease as some areas are integrated into the sewerage network. Conversely, sanitation coverage may increase as Maynilad expands its services to new areas within its service territory.

Maynilad's total sanitation coverage target is expected to rise modestly from 61% in 2022 to 67% in 2026. NCR's sanitation performance target trends are expected to show mixed progress from 2022 to 2026, with overall target coverage fluctuating between 61% and 65% before settling at 63%. Meanwhile, cities like Caloocan, Malabon, and Navotas are anticipated to demonstrate improvements, reaching sanitation target coverage levels of 67%, 91%, and 90%, respectively. In contrast, Maynilad's service areas within Cavite Province are anticipated to show growth, with all municipalities achieving 100% sanitation coverage target by 2026, up from a starting average of 52% in 2022. Cities such as Bacoor, Imus, and Rosario are expected to make particularly sharp progress, driving Cavite's rapid transformation and highlighting successful strategies that could inform future efforts across NCR.

Table 46 Maynilad Sanitation Coverage Targets, (2022-2026)

NCR	2022	2023	2024	2025	2026
Caloocan	64%	44%	44%	54%	67%
Las Pinas	61%	59%	55%	54%	40%
Makati	58%	122%	117%	115%	80%
Malabon	44%	28%	45%	68%	91%
Manila	63%	75%	70%	71%	51%
Muntinlupa	45%	32%	50%	67%	70%
Navotas	61%	54%	62%	76%	90%
Parañaque	56%	81%	80%	76%	62%
Pasay City	63%	81%	92%	89%	56%
Quezon City	55%	63%	53%	60%	66%
Valenzuela	84%	85%	93%	65%	62%
Subtotal	**61%**	**62%**	**62%**	**65%**	**63%**
Cavite Province					
Bacoor	50%	49%	66%	85%	100%
Cavite City	31%	26%	49%	77%	100%
Imus	56%	38%	64%	76%	100%
Kawit	69%	47%	73%	73%	100%
Noveleta	106%	101%	90%	98%	100%
Rosario	20%	18%	53%	78%	100%
Subtotal	**52%**	**43%**	**65%**	**80%**	100%
Total	**61%**	**60%**	**62%**	**66%**	**67%**

Source: Maynilad Business Plan 2023-2027

6.4 Non-Revenue Water (NRW) Targets

In the RCA, the reduction of Non-Revenue Water (NRW) was added as a Service Obligation (SO) for the Concessionaires. In 2021, Maynilad's NRW was 45%. The company has set clear targets to reduce NRW to 29.4% by 2026 and to 20% by 2030, maintaining the 20% level until the end of the concession.

Table 47 Maynilad NRW Targets and New Water and Sewer Service Connections, (2022-2027)

Indicators	2022	2023	2024	2025	2026	2027
NRW	44%	42%	39%	34%	29%	25%
New Water Service Connections	20,316	14,805	19,503	22,633	12,386	22,196
New Sewer Service Connections (Separate)	2,000	2,000	2,000	2,000	2,000	2,000
New Sewer Service Connections (Combined System)	39,632	39,961	9,562	18,901	206,608	16,704

Source: Maynilad Business Plan 2023-2027

6.5 Maynilad Blue Bond Net Proceeds

Maynilad's credit standing highlights its capacity to undertake large-scale, ambitious projects, reinforcing its financial strength and operational foresight. The company intends to allocate the net proceeds from its Blue Bonds, amounting to PHP14.8 billion (US$0.25 billion) assuming the full exercise of its Oversubscription Option, toward funding sustainable water and wastewater management projects. This allocation aligns with Maynilad's Sustainable Finance Framework and reflects its ongoing commitment to improving water security, advancing environmental sustainability, and optimizing operational efficiency.

During the deployment phase, the company plans to invest the proceeds in short-term, liquid assets, such as government securities, bank deposits, and money market placements, which are expected to generate returns at current market rates. Should these investments experience any losses, Maynilad anticipates covering the shortfall with funds generated internally, ensuring financial stability and continued progress in its sustainability initiatives.

Table 48 Maynilad Net Proceeds for Sustainable Water & Wastewater Management, as of June 2024

Project Description and Location	Net Proceeds from the Offer (in PHP millions)		Disbursement Schedule	Status of Development	Estimated Completion Base Date
	Base Date Offer	Assumes Oversubscription Option is Fully Exercised			
2023 Primary Pipelaying of 1800mm along Bilibid Road and within NBP, Poblacion, Muntinlupa, City	639.1	799.0	Q2 2024 - Q4 2026	Ongoing	July-2025
Proposed Construction of Parada Pump Station and 40ML Reservoir in Valenzuela City	1,026.3	1,283.0	Q2 2024 - Q4 2026	Ongoing	July-2025
2023 Primary Pipelaying of 1800mm along M. Gawaran Ave., Queens Ave., Area "A" Road., Queen's Park Rotonda, West Side Road, Dela Costa St. and Madrid St., Bacoor City, Cavite	695.9	870.0	Q2 2024 - Q4 2026	Ongoing	June-2025
2023 Primary Pipelaying of 1800mm along Rizal St., Katihan Road and Bilibid Road, Poblacion, Muntinlupa City	909.5	1,137.0	Q2 2024 - Q4 2026	Ongoing	November-2025
2023 Primary Pipelaying of 1800mm along Molino Road and Daang Hari Road, Bacoor City, Cavite	935.9	1,170.0	Q2 2024 - Q2 2027	Ongoing	April-2026
Construction of Las Piñas Package 2 Conveyance	1,443.0	1,804.0	Q2 2024 -	Newly	January-2027

			Q2 2027	Awarded	
2023 Primary Pipelaying of 1400mm, 1200mm & 1000mm along Daang Hari Road, Aguinaldo Highway and Daang Hari Extension (Open Canal), Imus City, Cavite	813.5	1,017.0	Q2 2024 - Q2 2027	Ongoing	March-2027
Design and Construction of the Conveyance System for Central Manila Sewerage System Water Reclamation Facility	713.5	892.0	Q2 2024 - Q2 2027	Ongoing	January-2027
Proposed Process, Electro-Mechanical and Instrumentation Works for the Design and Construction of Central Manila Sewerage System Water Reclamation Facility and Rehabilitation of Tondo Sewage Pumping Plant	1,801.4	2,252.0	Q2 2024 - Q2 2027	Ongoing	June-2027
Proposed Civil Works for the Design and Construction of Central Manila Sewerage System Water Reclamation Facility and Rehabilitation of the Tondo Sewage Pumping Plant	1,691.0	2,114.0	Q2 2024 - Q2 2027	Ongoing	June-2027
Design and Build of Ligas, Modular TP	895.9	1,120.0	Q2 2024 - Q4 2026	Newly Awarded	December-2025
Construction of Las Piñas Conveyance Package 2 (Sub-Package)	287.6	361.9	Q2 2024 - Q2 2027	Newly Awarded	February-2027
Total	11,852.6	14,819.9			

Source: Maynilad Blue Bond Prospectus, 2024

7 Solid Waste Management (SWM) in the Philippines

According to the Commission on Audit (CoA) of the Philippines, solid waste generation increased at a CAGR of 3.1% from 2000 to 2020 with the main issues including the uneven application of trash diversion and segregation, which resulted in a notable amount of mixed waste being discovered in landfills. Due to the Material Recovery Facilities' diminished capacity for diversion, landfill waste volumes surpassed their capacity, and useful lifespans were shortened. Furthermore, there weren't enough landfills or garbage facilities to serve all of the LGUs and barangays (a unit of local government in the Philippines that is similar to a city council in the United States) across the country. As of CY 2022, there are 290 operating Sanitary Landfills (SLFs) in the nation, which serve 478 (29.25%) of 1,634 LGUs, and 11,779 Material Recovery Facilities, which serve 16,418 (39.05 %) of 42,046 barangays. Because there are not enough disposal facilities, the operation of the illegal dumpsites could not be avoided in some LGUs.

Table 49: Solid waste generation in the Philippines (in million metric tons)

Indicators	2000	2010	2020	2030F	2045F
Reported waste generation	9.07	13.48	16.63	19.76	24.50

Source: Audit Commission Report 2023

The Solid Waste Management Fund, a separate account in the National Treasury meant to finance the authorized solid waste management plans of LGUs, was not established, which was another of the issues mentioned in the COA Report. Finally, program implementation (SEPO) reports crucial interventions that would have produced correct and dependable data and guaranteed appropriate operationalization. Therefore, it is particularly noteworthy that the government has not yet recorded or evaluated progress toward achieving Sustainable Development Goal (SDG) 12.5, which calls for a reduction in waste generation through prevention, reduction, recycling, and reuse by CY 2030. The waste generation is also expected to increase in the near future at a CAGR of 2.2%.

Table 50: Solid waste generation per capita in the Philippines

Scope/coverage	Sample size (as % of demographics)	Range	Weighted average
		Kg/capita/day	
Philippines	79%	0.10-0.79	0.40
Metro Manila (NCR)	100%	0.27-1.00	0.61
Metro Manila and some HUCs	-	0.27-1.00	0.69
Other cities and provincial capitals (excluding NCR/HUCs)	-	0.29-0.64	0.50
All LGUs in the country, excluding Metro Manilla	76%	0.10-0.71	0.34
Municipalities (cities and some capital towns excluded)	-	0.10-0.64	0.31

Source: DENR

In Metro Manila alone, the estimated waste generation (according to MMDA), was 16.5 million m^3 in 2014-2015. After five years, in 2020, it had increased to 22.0 million m^3. Based on the 2014 to 2020 period, the total estimated waste generation grew by 33.36 %, or at a rate of 5.56% annually.

The Philippines government has mandated the development of a 10-year SWM plan in the Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003 or RA 9003). However, even after two decades of adopting the law, gaps remain in various areas, starting with the delay in the submission, review, and approval of the 10-year SWM Plans, and the absence of active

SWM Boards at the provincial, city/municipal, and barangay levels. However, the government is trying to address these issues wholeheartedly and this also makes it a very opportunistic area for companies to invest in.

Materials Recovery Facilities (MRFs) have increased by 69.3 %, going from 6,957 to 11,779 MRFs from 2010 to 2022. On a larger scale, while there are 11,779 MRFs all over the country servicing 16,418 (39.05%) barangays by the end of 2022, there are still 25,628 (60.95%) barangays nationwide that do not have access to an MRF. Even though DENR-EMB extends financial assistance to LGUs for MRF establishment, this covers only a fraction of the targets. Thus, there is still a long way to go to meet the goals of RA 9003. The 10-year SWM plan is trying to address this.

Table 51: No. of MRFs from 2010-2023

Indicators	2010	2015	2018	2019	2020	2021	2022	2023
No. of MRFs	6,957	9,335	10,340	10,722	11,546	11,637	11,779	11,823

Source: DENR-EMB (2024)

Further, the SLFs are also increasing due to the LGU's are transitioning from the use of dumpsites to SLFs, and an upward trend is observed for it while there is a downward trend for illegal dumpsites. After almost more than 20 years following the enforcement of Republic Act 9003, also known as the Ecological Solid Waste Management Act of 2000, the Department of Environment and Natural Resources (DENR) in the Philippines has finally shut down all of the illegal dumping sites across the country. This law prohibits the establishment and operation of open dumpsites, which are sites where solid waste is deposited without proper planning or consideration for environmental and health standards.

Table 52: No. of Disposal Facilities

Indicators	2012	2015	2018	2019	2020	2021	2022	2023
Illegal Dumpsites	945	553	304	331	261	0	0	43
Sanitary Landfills	45	101	165	187	237	245	290	299

Source: DENR-EMB (2024)

Despite the upward trend, the coverage remains largely insufficient, encompassing only 29.25% (478 out of 1,634 LGUs). However, the future outlook is promising, with an increase of a CAGR of 20.5% observed in the years 2012 to 2022.

Table 53: LGUs with SLF Access (2022)

Region	No. of LGUs	No. of Operational SLFs	No. of LGU served by SLFs	% of LGU Served
CAR	77	9	15	19.5%
NCR (Metro Manila)	17	1	17	100%
I (Ilocos)	125	51	65	52%
II (Cagayan Valley)	93	41	47	50.5%
III (Central Luzon)	130	15	114	87.7%
IV – A (Calabarzon)	142	44	102	71.8%
IV – B (MIMAROPA)	73	13	13	17.8%
V (Bicol)	114	9	34	29.8%
VI (Western Visayas)	133	15	32	24.1%
VII (Central Visayas)	132	16	48	36.4%
VIII (Eastern Visayas)	143	10	11	7.7%
IX (Zamboanga Peninsula)	72	2	2	2.8%

X (Northern Mindanao)	93	20	24	25.8%
XI (Davao)	49	8	8	16.3%
XII (SOCCSKSARGEN)	50	21	29	58%
XIII (Caraga)	73	4	4	5.5%
BARMM	118	1	1	0.9%
Source: NSWMC and DENR-EMB Data (2024)				

Except Metro Manila, no area has 100% of LGU coverage. 82.1% of the regions have fewer than 70% coverage while 25% of the regions (4 out of 16) have fewer than 10% coverage and requires significant efforts.

Waste-to-Energy (WtE) initiatives in the Philippines highlight their dual role in generating renewable energy and addressing solid waste challenges. Such projects contribute to the nation’s energy supply, promote environmental sustainability, and support economic development. For example, the Metro Clark Waste Management Corporation (MCWMC) is developing a WtE project in the Clark Freeport Zone, expected to be operational by 2025. This facility aims to generate 35 MW of electricity from solid waste. The project will reduce landfill waste while providing renewable energy to support the region's energy needs and waste management objectives.

8 Key Trends of Value-Added Services & Adjacent Utilities

The utility sector in the Philippines, including water services, electricity, and telecommunications, has been evolving to offer value-added services (VAS) to customers. These services go beyond the core utility offerings, which envisage the businesses to enhance customer satisfaction, improve efficiency, and generate additional revenue streams. Following is some of the key trends.

Smart Metering and Digital Solutions: Many utilities are adopting Advanced Metering Infrastructure (AMI) to enable real-time monitoring, improve billing accuracy, and detect leaks or anomalies. For instance, Maynilad has embraced digital solutions by integrating smart meters and a comprehensive data management system. The adoption of this has improved operational efficiency. The company reported a reduction in NRW from 66.4% in 2006 to 38.4% in 2024. This reduction translates to substantial cost savings and improved water availability for consumers.

Bundled Services: Bundled services involve integrating multiple utilities—such as water, electricity, and internet—into a single package, providing consumers with greater convenience, potential cost savings, and streamlined billing. In the Philippines, this approach is gaining momentum as utilities explore cross-sectoral bundles to enhance customer experience and operational efficiency. For instance, Globe Telecom has progressively integrated utility payment systems into its GCash platform, starting in 2019. By 2021, GCash had evolved into a comprehensive platform, enabling seamless payment of water, electricity, and internet bills. Maynilad and Manila Water have collaborated with digital payment platforms such as GCash and Maya to offer customers the ease of online water bill payments. These partnerships reflect a broader strategy to unify utility services, fostering seamless transactions and customer-centric solutions. These integrations are reshaping the water and waste management sectors by boosting operational efficiency, enhancing user experience, and advancing financial inclusion.

Sustainability, Innovation, and Community Engagement: VAS in SWM improves the efficiency, sustainability, and economic viability of waste management processes. These services encompass recycling, composting, waste-to-energy (WtE) conversion, and digital solutions for waste tracking and management. For instance, in 2023, Quezon City launched a comprehensive waste segregation program featuring door-to-door collection and community-based initiatives. This program increased the city's recycling rate by 20% by ensuring the proper management of different waste types, reducing contamination, and improving recycling efficiency. Similarly, Project Strengthening Urban Communities Capacity to Endure Severe Shocks (SUCCESS), implemented by Catholic Relief Services (CRS) in partnership with USAID from 2021 to 2023, focused on improving solid waste management in flood-prone barangays in Metro Manila. The project incorporated value chain analysis, market-based solutions, and skills development for waste pickers and junk shop operators. It enhanced livelihoods by creating economic opportunities in the waste management sector while reducing solid waste accumulation and mitigating flood risks in targeted areas.

Sanitation Services: Maynilad offers additional sanitation services as a key value-added offering, addressing both regulatory obligations and commercial demands. For residential customers, Maynilad ensures septage cleaning at least once every five years to maintain hygiene and environmental standards. In contrast, commercial and industrial clients, who generate higher waste volumes, require monthly septage cleaning to comply with stricter regulations. This tailored approach not only supports public health and sustainability but also creates a consistent revenue stream by catering to the high-frequency needs of non-residential customers. By integrating these services into its portfolio, Maynilad strengthens its position as a customer-focused utility provider while balancing societal and financial objectives.

9 Cost Analysis

9.1 Raw Material Prices

Chemicals used in wastewater treatment are essential for removing contaminants, neutralizing harmful substances, and ensuring water quality meets environmental standards. Key chemicals include liquid chlorine (sodium hypochlorite), widely used for disinfection and pathogen control, and sodium hydroxide and potassium hydroxide, which adjust pH levels. Activated carbon is employed for adsorbing organic impurities and odors, while aluminum chloride and aluminum hydroxide aid in coagulation to separate solids from liquids. Phosphoric acid is used to prevent corrosion in pipes, and sodium metabisulfite acts as a dechlorination agent, neutralizing residual chlorine. Potassium permanganate is effective in oxidation and controlling organic matter. These chemicals, sourced from global markets like China, India, and Northeast Asia, are influenced by fluctuations in raw material availability, energy costs, and industrial demand, which impact their pricing and availability in wastewater treatment operations.

Table 54: Chemical prices, 2022-2024, US$/Kg

Chemicals	2022	2023	2024	%Change (2023 to 2024)
Liquid Chlorine/Sodium hypochlorite	0.53	0.43	0.33	-23.3%
Activated Carbon	1.55	1.58	1.56	-1.2%
Potassium Hydroxide	1.16	1.12	0.95	-15.0%
Sodium Hydroxide	0.34	0.30	0.25	-15.3%
Aluminum Chloride	0.49	0.41	0.41	0.00%
Sodium Hypochlorite	0.22	0.33	0.38	13.5%
Potassium Permanganate	2.02	1.95	NA	NA
Aluminum Hydroxide	0.53	0.60	0.29	-51.3%
Phosphoric Acid	1.44	1.01	0.96	-5%
Sodium MetaBisulfite	0.40	0.34	0.48	38.1%

Source:Business AnaltiQ and GlobalData

Note: The Philippines imports the majority of chemicals from China and North East Asia; hence, their FOB prices have been taken for reference.

NA= Not Available

Prices for Liquid Chlorine, Sodium Hydroxide, Potassium Hydroxide, and Aluminum Hydroxide have declined in 2024 by 23.3%, 15.3%, 15.0%, and 51.3% y-o-y, respectively. The declines have been attributed to oversupply issues in the Chinese chemical industry. For instance, according to Atradius's report on the chemical sector in July 2024, China's chemical production witnessed a substantial increase of 10.6% in 2023 from 2022 but is expected to slow down to 4.7% in 2024. Despite the slower growth, the production levels remain high, leading to an excess supply in the market. This oversupply has impacted the prices of various chemicals, contributing to the downward trend observed in the prices of chemicals like liquid chlorine/sodium hypochlorite, potassium hydroxide, and sodium hydroxide.

A 5% decline in phosphoric acid, with prices dropping from US$1.01 per kg to US$0.96 per kg, from 2023 to 2024 is attributed to declining phosphate rock prices supported by lower production costs. Phosphoric acid prices have declined due to reduced sourcing costs, particularly from Moroccan suppliers, and an excess of inventories in the market. Despite steady demand, these factors have contributed to a decrease in prices.

The price of activated carbon is expected to decline by 1.2% in 2024 due to a slowdown in China's activated carbon market, which has faced challenges from depleting inventories and rising coal prices. However, demand for activated carbon is set to grow in the coming years. Evoqua Water Technologies Corp (Evoqua), one of the mission-critical water treatment solutions providers, has integrated activated carbon filters into systems for industrial applications, including food and beverage, water treatment, and pharmaceuticals. Stricter environmental regulations in regions like Europe and North America, including the U.S. Environmental Protection Agency's (EPA's) mercury standards, are driving the increased use of activated carbon filters.

Aluminum chloride is estimated to remain stable in 2024 due to the prices of aluminum and chlorine, the primary raw materials for aluminum chloride, which remained relatively stable throughout the year. This stability helps in maintaining consistent production costs.

On the contrary, sodium hypochlorite witnessed a slight increase from US$0.33/Kg in 2023 to US$0.38/Kg in 2024. This price rise was driven by a combination of factors. In Germany, the cost of key raw materials, such as chlorine gas and caustic soda, increased by approximately 13-14%, contributing directly to higher production costs for sodium hypochlorite. Additionally, seasonal demand for sodium hypochlorite surged during the summer months due to increased water treatment needs and heightened hygiene requirements, further pushing prices up. This seasonal demand was coupled with supply constraints caused by plant shutdowns and technical issues. Meanwhile, in China, environmental factors such as Typhoon Bebinca and Tropical Storm Prasan led to port congestion, disrupting the supply of sodium hypochlorite. Overall, these supply-side challenges, compounded by ongoing geopolitical tensions and economic slowdowns, contributed to the cautious price increase observed across the market.

Similarly, in 2023 sodium metabisulfite prices declined due to easing supply chain challenges in some regions, influenced by the Russia-Ukraine conflict in Europe and seasonality factors in China, such as the Lunar New Year. Despite consistent global demand, prices remained low. However, in 2024 prices rose due to increased demand from industries like textiles, paper, and pharmaceuticals. Geopolitical tensions, such as the Red Sea crisis, along with logistical disruptions and rising raw material and energy costs, led to higher production expenses, pushing prices upward across multiple regions.

Over the coming years, chemical prices are expected to remain volatile due to multiple factors. Slowing growth in China's chemical sector is anticipated to suppress prices for certain products, particularly hydroxides. Fluctuating global energy prices are also likely to impact production costs, especially for energy-intensive chemicals. Adding to the uncertainty, the potential inclusion of Southeast Asian countries such as Indonesia, Thailand, Vietnam, and Malaysia in BRICS may lead to shifts in trade dynamics. This could result in higher tariffs and trade barriers, further increasing the cost of importing raw materials and chemicals. Between 2025 and 2026, the market for chemicals is expected to experience moderate pricing fluctuations. While some chemicals may see stabilization or slight price increases due to rising demand and energy costs, others, particularly those impacted by oversupply, are likely to face continued downward pressure.

Steel and copper are crucial materials in water supply construction. Steel is used for large-diameter pipes, water storage tanks, valves, and fittings due to its strength, durability, and ability to withstand high pressure and external stresses. It is also used in reinforcing concrete structures. Copper, on the other hand, is commonly used for residential water supply pipes and fittings because of its resistance to corrosion, antimicrobial properties, and non-toxic nature, making it ideal for drinking water systems. Copper is also used in heat exchangers for its excellent thermal conductivity.

Table 55: Steel and Copper prices, 2022-2024, $/MT			
Raw Material Prices	**2022**	**2023**	**2024**
LME Steel HRC North America	808	928	796
China Stainless Steel	2,230.0	1,952.5	1,930.0
Indian Stainless Steel	3,212.5	2,922.5	2,724.8
Copper	8,822.4	8,490.3	8,700
Source: LME, S&P Platts and GlobalData			

GlobalData expects that steel and stainless prices is expected to decrease from 2024 onwards. The major reason for this decline is due to a reduction in the steel demand from Chinese construction and infrastructure. It is expected that Chinese demand will be cut by 270 million tons in 2025 or a reduction of 4% compared to 2024. This is expected to increase the material availability in the global market. Furthermore, steel prices are positively correlated with iron ore prices. According to Fitch Ratings, iron ore prices are expected to decline by 20% (from 2023 levels) until the next few years due to an increase in supply from countries like Brazil and Australia, which would also affect steel prices. As steel becomes more affordable, the cost of large-diameter pipes, water storage tanks, and other steel-based infrastructure components could decrease, making these projects more cost-effective. Additionally, the reduction in iron ore prices, which influences steel prices, will further support this trend.

GlobalData expects copper prices to increase from 2024 to 2029 due to rising demand from decarbonization and increased energy consumption. As renewable energy and power infrastructure investments grow, copper demand in the electrical industry is expected to rise by 4-4.5% by 2030. Copper output from Chile, the largest producer, fell by 2.3% in 2023 due to mining challenges, and global copper supply is expected to decline by 4% in 2024. This, combined with rising demand for green energy, is likely to create a supply-demand gap, driving prices higher in the long term. This could lead to higher costs for copper-based materials, such as residential pipes and fittings. This price increase, combined with reduced copper supply from major producers like Chile, could raise construction costs for water supply systems that rely on copper.

9.2 Technology Landscape

The wastewater treatment sector in the Philippines presents a promising investment opportunity as the country prioritizes sustainable water resource management amid rapid urbanization and population growth. With strong government support and a clear regulatory framework, including the Clean Water Act of 2004, the Philippines is committed to improving sanitation, protecting water quality, and fostering environmental sustainability. The growing demand for efficient wastewater treatment systems, coupled with rising public and private sector collaboration, signals a favorable business environment. Opportunities abound for companies offering cutting-edge solutions, operational expertise, and sustainable practices to play a pivotal role in transforming the nation's water management landscape. Moving forward, a sustainable and integrated approach to wastewater treatment will be essential. By leveraging modern technologies and fostering greater cooperation between government agencies, private enterprises, and local communities, the Philippines can enhance water quality, safeguard public health, and support long-term environmental sustainability. The key technologies employed can be categorized into traditional and advanced systems, each with its unique advantages and applications.

Traditional wastewater treatment technologies

- **Activated Sludge Process:** Conventional systems like the activated sludge process are widely adopted in the Philippines. This method employs aerobic bacteria to break down organic matter in the wastewater. Using aeration tanks, microorganisms are activated, allowing them to decompose pollutants present in the sewage.
- **Sedimentation and Filtration:** This process involves allowing suspended solids to settle at the bottom of a tank, followed by filtering the remaining liquid to remove finer particles, thus clarifying the effluent.

Advanced wastewater treatment technologies

- **Membrane Bioreactors (MBRs):** This technology integrates biological treatment with membrane filtration, delivering high-quality effluent with reduced pollutant concentrations. Membrane Bioreactors (MBRs) are particularly advantageous in urban environments with limited space, as they combine both treatment and filtration in a single system. Maynilad have implemented the MBR technology which encompasses a combination of activated sludge process and membrane separation.
- **Moving Bed Biofilm Reactor (MBBR):** A Moving Bed Biofilm Reactor (MBBR) is also a wastewater treatment process that utilizes an aeration tank containing plastic carriers where biofilm grows. This system is particularly effective for removing high levels of pollutants. Key components of MBBR systems include biofilm carriers, an aeration system, and a mixing mechanism. During treatment, wastewater flows into the MBBR tank and interacts with the biofilm carriers, where microorganisms break down organic matter, reducing Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), nitrogen, and phosphorus levels. The aeration system provides oxygen essential for the microorganisms, while the mixing mechanism ensures continuous movement of the carriers to maximize treatment efficiency. Once the process is complete, clean water is separated from the carriers and discharged. The Aglipay Sewerage Treatment Plant in the Philippines exemplifies the use of advanced methods, such as the Moving Bed Biofilm Reactor (MBBR), to enhance wastewater treatment efficiency. Maynilad currently employs MBBR technology in several of its Water Reclamation Facilities (WRFs), including Bahay Toro, Kapiligan, Paltok, Del Monte, San Antonio, and Paco.
- **Sequencing Batch Reactor (SBR):** Another common method is the sequencing batch reactor (SBR), which operates on a fill-and-draw basis. SBRs treat wastewater in stages within a single reactor, making them efficient for facilities with varying wastewater flow rates. This compact design suits small communities or specific industrial applications, successfully removing contaminants and providing a reliable treatment solution. The Bagbag, Tatalon, Congressional, Legal, Grant, and Project 7 STP facilities utilize SBR technology, which treats wastewater in batches, providing both flexibility and efficiency in the treatment process.
- **Cyclic Activated Sludge System (CASS) process:** The whole process is recycled through the four stages of water inlet, precipitation, drainage, and idle, eliminating the use of a secondary sedimentation tank in the traditional activated sludge method and the setting of sludge reflux pipeline, thus simplifying the process flow. It is a process system that can include a continuous water inlet and intermittent drainage. The CASS process is widely used due to its low construction cost, small footprint, easy sludge expansion, and stable water quality.

- **Anaerobic-Anoxic-Aerobic (AAO) Process:** The AAO process is composed of an anaerobic pool, an anoxic pool, an aerobic pool, etc., which can make the process of nitrogen and phosphorus removal in sewerage proceed simultaneously, among which polyphosphoric bacteria play an important role. The Las Piñas Water Reclamation Facility (WRF) is designed to leverage advanced A2O technology for efficient pollutant removal. The facility is built to ensure full compliance with the Water Quality Guidelines and General Effluent Standards of 2016 (DAO 2016-08), as amended by DAO 2021-19.
- **Modified Ludzack Ettinger (MLE) :** The MLE process is a continuous-flow system based on suspended growth, consisting of an initial anoxic stage followed by an aerobic stage. It is designed for the removal of total nitrogen (TN). This process incorporates an anoxic tank placed upstream of the ditch, with mixed liquor being recirculated from the aerobic zone to support denitrification. This technology is currently utilized at the Parañaque WRRF and is planned for implementation in the ongoing CAMANA WRF project.

Innovative technologies and technological upgrades

- **Thermal Hydrolysis:** Thermal hydrolysis is an advanced wastewater treatment process that uses heat and pressure to break down sludge, enhancing its biodegradability. This process facilitates the production of biogas during subsequent anaerobic digestion, with the methane generated serving as a renewable energy source for electricity or heat generation. By improving sludge management efficiency, reducing odors, and producing a stable material suitable for fertilizer or safe disposal, thermal hydrolysis offers a sustainable, cost-effective solution that turns wastewater byproducts into valuable resources, contributing to both environmental sustainability and energy generation.
- **Microbial Fuel Cells (MFCs):** MFCs leverage bacteria to convert organic matter in wastewater into electricity through the metabolic activities of the microbes. While still in its early stages of development, this innovative technology offers the potential to simultaneously treat wastewater and generate clean energy, presenting a promising solution for sustainable resource management in the future.
- **Integrated Fixed film Activated Sludge (IFAS):** This upgrade can be implemented efficiently, as most wastewater treatment facilities in the Philippines currently use conventional activated sludge systems, which are well-suited for transitioning to IFAS systems. IFAS technology enhances the treatment process by introducing fixed or free-floating media into the activated sludge basin, promoting the growth of additional biomass. This increase in biomass improves the system's capacity to treat wastewater, making it a cost-effective and practical solution for upgrading existing facilities.
- **Reverse Osmosis (RO):** The use of Reverse Osmosis in combination with existing wastewater treatment technologies offers a highly effective solution for achieving superior water quality. RO systems utilize semi-permeable membranes to remove dissolved solids, contaminants, and impurities, making them ideal for advanced treatment and water reclamation. Maynilad has implemented a new treatment plant to transform treated wastewater into a potable supply known as NEW WATER. This treatment plant facility employs a multi-stage treatment process that includes Pressurized Media Filtration, Ultrafiltration, Reverse Osmosis, and Chlorine Disinfection. The resulting NEW WATER meets the Philippine National Standards for Drinking Water, regarded as one of the world's most stringent drinking water standards.
- **Microfiltration (MF):** Microfiltration (MF) technology is a highly cost-effective water filtration method that complements other water treatment processes. MF membranes can filter and disinfect water in a single step, eliminating the need for chemical alternatives. This not only reduces operational costs by removing expenses for chemicals and additional

equipment but also streamlines the treatment process, making it an efficient and sustainable solution for water purification. Maynilad's Putatan Water Treatment Plant is utilizing MF and RO technologies. It is also the first facility in the country to source its raw water from Laguna Lake.

Capital Expenditure (CAPEX)

CAPEX for industrial wastewater treatment plants can increase when dealing with highly polluted wastewater or stricter discharge standards. For large-scale facilities, costs typically range between US$20,000-US$40,000 per cubic meter per hour (m^3/h) of capacity. As a general benchmark, an average CAPEX of US$25,000/$m^3/h$ can be used for standard plants. For more complex systems handling heavily polluted wastewater and stringent compliance requirements, costs may rise to US$40,000–US$45,000/m^3/h. Conversely, simpler facilities may see CAPEX in the lower range of US$15,000–US$20,000/m^3/h. For instance, the capital cost for an industrial wastewater treatment plant with a capacity of 4,000 m^3/h could be roughly estimated at US$100 million.

Aerobic Wastewater Treatment Systems

There are various types of industrial aerobic wastewater treatment systems, each with distinct capital and operating costs. For example, a 175,000 GPD (gallons per day) Fixed-Bed Bioreactor (FBBR) system, designed to treat 2,600 kg/day biochemical oxygen demand (BOD) with 90% removal, typically has a capital cost of around US$2.5 million. This cost includes engineering, key equipment, installation, and startup, with operating costs averaging US$5 per 1,000 gallons treated.

In comparison, MBBRs generally have lower capital costs—around 20% less than FBBRs but their operating costs are higher, approximately US$6.25 per 1,000 gallons treated. This increase is due to the higher power requirements for mixing air and maintaining solids.

MBRs, on the other hand, have similar capital costs to FBBRs but incur higher operating costs, roughly double, or about US$10 per 1,000 gallons treated. This is largely due to the need for additional chemicals, membrane maintenance, labor, and membrane replacement.

Anaerobic Wastewater Treatment Systems

Anaerobic treatment systems for industrial applications, such as Upflow Anaerobic Sludge Blanket (UASB) reactors (which handle over 60% of the load) or anaerobic filters, are highly temperature-sensitive and require high BOD influent levels to sustain complete microbial populations. Consequently, anaerobic systems generally have higher capital costs compared to most aerobic alternatives. For example, when treating 2,600 kg/day BOD with 90% removal, a fully installed anaerobic system with aerobic polishing will typically require twice the footprint and cost between US$3 million and US$4 million.

On the operational side, anaerobic systems tend to have lower chemical and energy costs, and they may offer energy recovery if biogas is utilized. Additionally, they produce fewer solids, leading to reduced solids disposal costs. As a result, operating costs for anaerobic treatment systems are typically around US$3 to US$4 per 1,000 gallons treated.

Classical Activated Sludge (CAS)

A Classical Activated Sludge (CAS) system utilizes an aerobic tank to biodegrade organic material and is often part of a broader purification process. With a treatment cost of approximately US$0.20 per cubic meter, it remains a highly economical and efficient option for wastewater treatment.

Activated Sludge Process (ASP)

An activated sludge process (ASP) treatment plant is similar to a CAS plant. ASP uses oxygen to encourage microbial digestion of pollutants. It is a common treatment method for sewage, not usually more expensive than CAS.

The Philippines has considerable potential for improving wastewater treatment. Strategic investments in advanced technologies, along with long standing partnerships between the private sector and government, can drive infrastructure development. Additionally, community-based solutions and awareness initiatives are key to promoting sustainable practices and enhancing overall water quality across the country.

In summary, while the Philippines has made notable progress in wastewater treatment, continued efforts to upgrade existing systems, implement innovative technologies, and enforce regulatory standards will be essential for ensuring cleaner water sources and safeguarding public health and ecosystems.

Emerging Water Supply Technologies in Philippines

Desalination technologies are being adopted in the Philippines to address water scarcity, particularly in coastal and island communities. These technologies convert seawater into potable water, providing a reliable source where freshwater is limited. For instance, in June 2024, Maasin Island received its first water desalination system through the Community Empowerment through Science and Technology (CEST) Program by DOST-MIMAROPA. This system improved the water quality for over 200 households by reducing the Total Dissolved Solids (TDS) from 2600 parts per million (ppm) to 3-4 ppm. The Philippine government has been actively promoting desalination projects, particularly targeting small island communities. The Department of Environment and Natural Resources (DENR) has initiated projects to implement modular desalination plants capable of serving up to 500 families. While desalination offers a viable solution to water scarcity, challenges include high initial investment costs, energy consumption, and potential environmental impacts from brine disposal. Advancements in technology, such as solar-powered systems, are being explored to mitigate these issues and promote sustainable implementation.

Maynilad's NEW WATER Technology

Maynilad officially launched the "NEW WATER" project on June 2022. The technology focuses on recycling treated used water into potable water. This initiative aims to augment water supply, especially during shortages, by providing an alternative raw water source. NEW WATER technology reduces reliance on traditional raw water sources, which are under increasing strain from population growth and climate change. By utilizing treated used water as a sustainable raw water source, Maynilad supports environmental conservation and promotes a circular economy. The technology involves multiple treatment processes, including microfiltration, reverse osmosis, and disinfection, to ensure the water meets stringent potable standards. In 2023, Maynilad announced that the company has allocated PHP5.7 billion (US$0.10 billion) for the construction of five NEW WATER treatment plants in Pasay, Valenzuela, Manila, and Parañaque cities by 2027. These facilities aim to augment water supply and cater to the growing demand. The current Parañaque NEW WATER Treatment Plant produces 5 MLD, serving nearly 13,000 customers in Barangays San Isidro and San Dionisio. Following its success and the Department of Health's grant of a permanent operational permit, Maynilad is expanding this facility and constructing new plants. Once all five facilities are operational, the combined capacity is expected to reach 97 MLD, sufficient to meet the water needs of approximately 400,000 customers.

9.3 Monthly Labor Cost for Water Collection, Treatment, and Supply, by Occupation

According to the Philippines' Occupational Wages Survey (OWS) statistics, the monthly labor cost for water sectors from 2018 to 2022 witnessed a consistent upward trend in wages for most occupations, driven by factors such as inflation, increasing industry demand, and the growing importance of water management in national development. Skilled roles, such as production supervisors and foremen, show the highest wages, while unskilled labor exhibits the most substantial percentage growth, reflecting efforts to uplift wages for lower-income workers.

Table 56: Monthly labor cost by occupation for water collection, treatment, and supply, 2018-2022, (US$/month)

Occupation	2018	2019	2020	2021	2022
Production supervisors and general foremen	631.5	646.0	660.8	705.3	752.7
Incinerator and water treatment plant operators	283.2	302.1	322.3	327.9	333.6
Environmental and occupational health inspectors and associates (quality assurance/control/inspectors)	450.2	443.2	436.2	445.9	455.9
Elementary occupations (unskilled workers)	201.9	205.1	208.3	224.8	242.5

Source: Philippine Statistics Authority and Occupational Wages Survey, 2022

Between 2018 and 2022, production supervisors and general foremen experienced the highest wage increases, rising from US$631.5 to US$752.7, reflecting the growing demand for skilled leadership. Incinerator and water treatment plant operators saw moderate wage increases from US$283.2 to US$333.6, aligned with infrastructure expansion. Environmental and occupational health inspectors showed stable wages with slight growth from US$450.2 to US$455.9, indicating steady demand for compliance roles. Elementary occupations exhibited notable percentage growth, with wages rising from US$201.9 to US$242.5, driven by inflation and efforts to uplift lower-income workers.

The Philippine government has implemented several initiatives to enhance the labor market, focusing on improving labor costs and expanding job opportunities. One such initiative is the "Build, Better, More" program, an infrastructure development plan launched in 2019 to accelerate economic growth, reduce poverty, and alleviate congestion in Metro Manila. This program prioritizes large-scale infrastructure projects, driving demand for skilled labor in the construction, engineering, and project management sectors. As a result, compensation for supervisory roles, such as production supervisors and foremen, has increased due to the growing need for experienced personnel to support infrastructure expansion. Another key initiative is the PDP 2023-2028, which aims to create high-quality jobs by investing in digital infrastructure, education, and workforce competitiveness. This effort is expected to improve wages and generate more employment opportunities across various industries.

Additionally, skill development programs like JobStart Philippines, the Philippine Skills Framework (PSF), and Overseas Filipino Workers (OFWs) Training Programs, further emphasize the government's commitment to labor market improvement. The Technical Education and Skills Development Authority (TESDA) is a government agency in the Philippines responsible for overseeing technical education and skills development. It aims to enhance quality through policies, programs, and standards. TESDA's recent TESDABest initiative launched in October 2024, seeks to transform the Technical and Vocational Education and Training (TVET) system with an eight-point agenda focused on improving access, updating competency standards, and integrating digital skills. The Philippine government has allocated PHP15.2 billion (US$257.8 Million) for TESDA programs in

2024, including funding for Free TVET, the Supporting Innovation in the Philippine TVET System (SIPTVETS) program, and the Training for Work Scholarship program. TESDA is also collaborating on the National Technical Education and Skills Development Plan (NTESDP) to align workforce skills with global industry needs, reflecting its commitment to preparing the workforce for the changing job market. In 2024, the government of the Philippines partnered with IBM to integrate existing platforms such as DOLE's PhilJobNet and TESDA's online programs with IBM's SkillsBuild platform to create a seamless ecosystem for skill enhancement and job matching. Collectively, these efforts aim to raise wages, address skill gaps, and ensure the Philippines remains competitive in a rapidly evolving global economy.

9.4 Energy Costs and Transition to Renewable Energy Sources

According to a Bloomberg NEF report, the average electricity prices for industrial sectors increased by 31.0% from US$124.8.MWh 2018 to US$163.5.MWh in 2023. GlobalData estimates that average electricity prices to cost US$167.6 MWh in 2024. The increase in prices is attributed to the transition to renewables, geopolitical factors, and other macroeconomic factors such as inflation and currency fluctuations. Forecasting electricity prices is challenging due to their high volatility and dependence on various factors. These include the demand for electricity, the number of market participants, and their willingness to trade. Other influencing factors are the adequacy of generating reserve margins, scheduled and unscheduled outages of generating facilities, the availability of stream flow for hydroelectric generation, the price and availability of fuel for thermal generating plants, and disruptions or constraints on transmission facilities.

Given these complexities, accurate forecasting is often infeasible and uncertain. However, based on current developments and market conditions, the average electricity prices for industrial sectors are expected to increase over the next five years.

Table 57: Average electricity prices for the industrial sector, 2018-2024 (US$/MWh)

Indicator	2018	2019	2020	2021	2022	2023	2024E
Industrial Power	124.8	113.7	125.2	138.7	140.7	163.5	167.6

Source: Climatescope by BloombergNEF and GlobalData

In 2023, electricity rates for the industrial sector for the distribution utility MERALCO (Manila Electric Railroad and Light Company (MERALCO) is the electricity distributor in the Metro Manila and some nearby provinces) started at PHP10.94/kWh in January and declined to PHP7.46/kWh in December. In 2024, rates remained relatively stable, ranging between PHP5.98/kWh (June) and PHP8.77/kWh (August). As of April 2025, the rate stood at PHP8.88/kWh.

Table 58: Electricity Rates in NCR for the Industrial Sector, January-December 2023 -2025 (PHP/kWh)

DU Name	Year	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
MERALCO	2023	10.94	11.52	11.57	11.07	11.14	11.47	10.24	8.36	7.88	8.22	8.30	7.46
MERALCO	2024	7.72	8.18	7.82	7.4	7.9	5.98	8.11	8.77	7.87	7.56	7.88	8.08
MERALCO	2025	7.92	8.13	8.22	8.88	NA	NA	NA	NA	NA	NA	NA	NA

Source: Department of Energy, Philippines
NA = Data Not Available

The decline in electricity rates presents a cost-saving opportunity for the Water Supply and Sanitation (WSS) sector, potentially lowering operating expenses and reducing the financial burden on utilities. This downward trend supports infrastructure improvements enhancing long-term service sustainability. However, given past volatility surrounding rates, WSS providers are expected to implement energy-efficient technologies and renewable energy integration to mitigate risks associated with potential price fluctuations.

The Philippines relies heavily on imported oil and coal for electricity generation, as its fossil fuel reserves are modest. According to the International Energy Agency (IEA) and GlobalData Power Intelligence Center, domestic natural gas production meets the needs of gas-fired plants, but gas accounted for only 12.8% of installed capacity in 2023, compared to coal's 42.6% and oil's 14.9%. To reduce import dependence, the government is promoting renewable energy through Feed-in Tariffs (FiT) and investing in fossil fuel exploration.

From the geopolitical perspective, rising energy demand is pushing the Philippines to seek new fossil fuel reserves. The resource-rich South China Sea has become a focal point, intensifying competition among regional players, including the Philippines, China, Taiwan, Malaysia, and Vietnam. Thus, the government turned to renewable energy to reduce the dependence on conventional resources.

The Philippines' Malampaya offshore gas field is expected to be depleted by 2027, compelling the country to accelerate its transition to renewable energy and explore new fossil fuel deposits. Although the ongoing Russia-Ukraine war has no direct impact on the Philippines, the resulting global energy crisis and economic slowdown have adversely affected the nation.

Table 59: Power consumption & demand and new investment opportunities in the Philippines, (2024-2029)

Indicator	2024	2025E	2026F	2027F	2028F	2029F	CAGR (2025-2029)
Total power investment (US$M)	3,283.2	3,388.9	3,325.6	4,216.7	4,680.2	4,985.6	**10.1%**
Conventional sources (US$M)	1,508.8	1,081.4	695.8	1,117.1	972.5	813.4	**-6.9%**
Renewable sources (US$M)	1,774.3	2,307.5	2,629.8	3,099.6	3,707.6	4,172.2	**16.0%**
Total consumption & demand (GWh)	3,283.2	3,388.9	3,325.6	4,216.7	4,680.2	4,985.6	**5.7%**
Industrial (GWh)	1,508.8	1,081.4	695.8	1,117.1	972.5	813.4	**5.7%**

Source: GlobalData

The total investment in the power sector in the Philippines is expected to grow at a CAGR of 10.1%, increasing from US$3,283 million in 2024 to US$4,986 million in 2029 attributed to the surge in investment in renewable energy sources which is expected to grow at a CAGR of 10.1%, from US$1,774.3 million in 2024 to US$4,172.2 million in 2029. The government focuses on sustainability and the transition to low-carbon energy systems, driven by government policies and technological advancements. For instance, the development of the National Renewable Energy Program (NREP) was technically aided by the US Agency for International Development (USAID). It aims to achieve a cumulative installed capacity of 15.3 Gigawatts (GW) of renewable power by 2030 – three times that of 2010. In July 2022, the Philippines' Department of Energy (DOE) published NREP for the period 2020 to 2040. It has set a target of 35% renewable energy generation by 2030 and 50% by 2040. The Philippine government has decided to stop accepting new proposals for coal-based power projects. This policy shift is aimed at encouraging investments in alternative energy sources such as natural gas and renewables. As a result, the investment in conventional sources is projected to decline, from US$1508.8 in 2021 to US$813.4 million by 2029.

Such long-term goals are expected to have profound implications for electricity prices, energy-intensive industries like water and wastewater treatment, and the broader sustainability goals of the nation. For instance, Maynilad is actively pursuing its Climate Neutrality Targets by reducing carbon emissions through initiatives such as carbon sequestration, the adoption of clean energy, and enhanced power management practices. To decrease reliance on fossil fuels, the company integrates renewable energy into its operations, including the successful deployment of two 1-MW solar farms at the La Mesa compound. These facilities have significantly reduced grid electricity usage by approximately 90,000 kWh monthly, cutting carbon emissions by 21 tons and generating annual cost savings of PHP7 million to PHP10 million (US$0.12 Million to US$0.17 million). Building on this success, Maynilad is planning to expand solar energy usage across its facilities through Power Purchase Agreements (PPAs). In line with its decarbonization goals, Maynilad is also transitioning its vehicle fleet to Electric Vehicles (EVs), targeting 50% EV adoption (about 413 units) by 2037. As of Q3 2023, the company has acquired three EVs, with an additional 41 units to be introduced over the next five years. These initiatives are part of Maynilad's Energy Management Program, which received the Energy Management Insight Award from the Clean Energy Ministerial in both 2021 and 2022. Between 2022 and 2023, the program achieved total savings of over 9.35 million kWh of grid electricity, equivalent to PHP56 million (US$0.95 million) in cost reductions, while reducing carbon emissions by approximately 6,707 metric tons of CO2e.

Similarly, in November 2023, Manila Water entered into a 15-year agreement with Malaysia-based Ditrolic Energy to construct and manage 2.5 MW of solar projects across three facilities: the East La Mesa water treatment plant (0.5 MW), the San Juan reservoir (1 MW), and the Cardona treatment plant (1 MW). This initiative aims to lower electricity costs, reduce carbon emissions, and blend solar energy into the company's current energy mix. By transitioning to renewable energy, Manila Water expects to reduce daytime peak energy demand from conventional sources and further its commitment to global climate goals. In 2022, the company reduced its carbon emissions by 16,960 tons through renewable energy procurement.

LLDA aligns its operations with sustainability goals by collaborating with renewable energy developers such as ACEN Corp. (ACEN) in 2023 to integrate large-scale renewable energy solutions, such as floating solar projects, into its operations. This initiative addresses climate change, promotes clean energy adoption, and enhances environmental stewardship.

ACEN's renewable energy contract with LLDA involves leasing 800 hectares of Laguna Lake for a 1,000 MW floating solar project, demonstrating the potential for utilizing water surfaces to overcome land scarcity issues. Such projects allow for co-use of the lake's resources, balancing renewable energy development with fishing, transportation, and other activities. By facilitating such projects, LLDA underscores its commitment to sustainability, helping ensure that renewable energy solutions contribute to energy self-sufficiency, economic growth, and environmental protection in the Philippines.

9.5 Government Investment/Incentives

The cost of infrastructure investments is based on anticipated demand, factoring in projected population growth, economic trends, and necessary upgrades to existing systems. This approach ensures the continuous delivery of WSS services. The calculations include service level improvements, such as transitioning from Level I to Level II or III and upgrading basic or limited sanitation to improved sanitation.

Table 60 : Total Investment Requirements from 2020–2030 (US$B)

Investment Requirements	2020–2023	2024–2030	Total
Physical (A)	**13.24**	**5.67**	**18.92**
Water Supply	5.02	3.95	8.97
Level III	4.23	3.68	7.90
Level II	0.68	0.26	0.94

Level I	0.12	0.01	0.13
Sanitation	8.22	1.72	9.94
Improved	6.31	1.42	7.73
Septage	0.88	0.10	0.98
Sewerage	1.03	0.20	1.23
Non-Physical (B)	**0.01**	**0.01**	**0.02**
Eight KRA	0.01	-	0.01
Project Management	0.01	0.01	0.01
Total (A+B)	**13.25**	**5.68**	**18.94**

Source: PWSSMP

Note: Year-on-year investment data is not available in the public domain

Eight KRA include Establishing Effective WSS Sector Institutions, Strengthening Regulatory Environment, Creating and Ensuring Effective WSS Institutions, Balancing Water Supply and Demand, Building Climate Resiliency, Enabling Access to Funding and Financing, 7 Managing Data and Information and Driving Research and Development

Level III: This water supply system includes a water source, a reservoir, a network of pipes for distribution, and individual taps for each household. It is typically designed for urban areas with high population density where households are capable of affording direct connections to the water system.

Level II: This system consists of a water source, a reservoir, a piped distribution network, and shared public taps, usually serving four to six households within 25 meters of each other. Users need to collect water from these communal taps. This system is commonly used in rural or peri-urban areas where housing is sufficiently concentrated to support a simpler distribution system.

Level I: This service level provides a protected water source, such as a well or spring, but does not include a distribution network. Users must travel to the source to collect water. Level I systems are generally suited for rural areas with scattered households, typically serving about 15 households within a 250-meter radius.

According to PDP 2023 to 2028, for the next six years (i.e. 2024-2030), PPPs will play a key role in developing water supply and sanitation (WSS) infrastructure and services. To address the sector's fragmented and weak regulatory environment, reforms are expected to be made with focus on consolidation and harmonizing tariff-setting methods, establishing performance and technical standards, and creating clear policies for licensing. These measures aim to strengthen the regulatory framework, encourage private sector participation, enhance service quality, protect consumers, and resolve conflicts of interest within regulatory agencies.

Additionally, a resource allocation framework will be implemented to support WSS projects. Government support will include viability gap funding for economically viable but financially unfeasible projects, performance-based grants to ensure equitable access, and subsidies to facilitate access to market-based financing and private equity investments. This provides opportunity for private players such as Maynilad to expand its services and infrastructure.

10 Regulations & Legislation

10.1 Legislation in the Philippines

The regulation and management of water supply and wastewater in the Philippines play a vital role in promoting environmental sustainability, safeguarding public health, and supporting economic growth. Recognizing the urgency of addressing issues such as pollution, inadequate sanitation, and water scarcity, the Philippine government has established a legislative framework anchored on the Philippine Clean Water Act of 2004 (also known as Republic Act (RA) No. 9275). This law aims to protect water bodies from pollution and implement a comprehensive wastewater management strategy, emphasizing collaboration among government agencies, local government units (LGUs), non-government organizations (NGOs), and the private sector. In addition to the Clean Water Act, various regulations and local ordinances govern sanitation and water supply systems. These cover areas such as domestic and industrial wastewater management, sewage treatment, and the protection of water resources, ensuring compliance with international standards while addressing local needs.

Key laws and regulations include:

Table 61: Key regulations

Name of regulations	Description/function
Presidential Decree 198: Provincial Water Utilities Act of 1973	The decree authorizes the formation of local water districts to manage and operate water supply and wastewater disposal systems. It establishes a national administration to support these local districts with technical advisory services and financing. The main objective of the decree is to ensure reliable, economically viable, and sound water supply systems, and to improve public service in water utility operations.
Republic Act 7160: Local Government Code of 1991.	The act transfers certain powers, responsibilities, and resources from the national government to LGUs to enable them to become more self-reliant and effective in governance. It ensures that LGUs have the authority to create their own sources of revenue, levy taxes, and manage their resources to support local development. LGUs are tasked with delivering basic services and facilities, including health, education, infrastructure, and environmental management.
Republic Act 7586: National Integrated Protected Area System (NIPAS) Act of 1992	The act provides for the creation of a comprehensive system of protected areas to preserve the country's natural biological and physical diversity It emphasizes the importance of protecting areas with unique ecological features and promotes cooperation among national and local governments, as well as private organizations.
Republic Act 8371: Indigenous People's Rights (IPRA) Act of 1997	The act aimed at recognizing, protecting, and promoting the rights of Indigenous Cultural Communities/Indigenous Peoples (ICCs/IPs). It ensures the participation of ICCs/IPs in decision-making processes affecting their rights and welfare, and mandates their representation in local and national legislative bodies
1987 Philippine Constitution (Article XIV, Section 8)	Declared all water resources as state-owned, granting exclusive authority over their access, utilization, and development.
Water Code of the Philippines (Presidential Decree (PD) No. 1067)	Governs water appropriation, development, conservation, and dispute resolution.
Executive Order (EO) 22 of 2023	Established the Water Resources Management Office (WRMO) under the Department of Environment and Natural Resources (DENR) to streamline water resource management. WRMO ensures the implementation of Integrated Water Resources Management (IWRM) in line with the UN Sustainable Development Goals. The WRMO collaborates with all relevant government agencies, LGUs, civil society, and the private sector
DOH Administrative Order No. 2017-0010	Revised the Philippine National Standards for Drinking Water to protect public health.
DENR DAO 2016-08	Implemented the Water Quality Guidelines and General Effluent Standards for all pollution point sources and promoted wastewater reuse in agriculture. Section 10: Grants wastewater treatment facilities a five-year grace period for compliance upon submission of a Compliance Action Plan (CAP).
DOH Administrative Order 2014-0027	Requires all drinking-water providers to develop and implement Water Safety Plans
EO 860 of 2010	Reorganized the National Water Resources Board (NWRB) under the DENR and redefined its powers, including transferring water tariff regulation of Water Districts to the Local Water Utilities Administration (LWUA).

MWSS-RO 2023 Implementing Rules and Regulations on the Imposition of Fines and Penalties (IRR)	The IRR outlines the imposition of fines and penalties for failure to meet Service Obligations (SO) under the RCA. It aims to ensure that concessionaires meet their service obligations by imposing fines and penalties for non-compliance and applies to all concessionaires under the MWSS, including Maynilad and Manila Water. MWSS-RO is responsible for monitoring compliance and enforcing the IRR.
EO 279 of 2004	Executive Order No. 279, issued on February 2, 2004, instituted Reforms in the Financing Policies for the Water Supply and Sewerage Sector and Water Service Providers (WSPs). The order is aimed at strengthening the investors' confidence and providing better financial support to water-related projects. WSPs are given the freedom to choose their sources of financing, whether from government financial institutions (GFIs), private financial institutions (PFIs), or local government units (LGUs). The implementation of EO 279 involves close coordination among various government agencies to ensure that the reforms are effectively carried out. The LWUA plays a central role in this process, focusing on the institutional development of local water districts and other WSPs.
EO 387 of 2004	The Local Water Utilities Administration (LWUA) had been transferred from the Office of the President to the Department of Public Works and Highways (DPWH) which aimed at strengthening the supervision by the DPWH over the Metropolitan Waterworks and Sewerage System (MWSS). The DPWH Secretary is authorized to initiate measures to promote efficiency and effectiveness within the LWUA and MWSS. This includes conducting management audits, performance evaluations, and inspections.
EO 738 of 2008	Transferring the LWUA from DPWH to the Department of Health. The Secretary of Health is authorized to oversee the administrative functions of the LWUA and coordinate with the Secretary of Public Works and Highways and the MWSS. This collaboration aims to ensure unified efforts in developing policies, as well as planning and implementing programs and projects for the water sector.
EO 816 of 2009	Declaring the River Basin Control Office (RBCO) under the DENR as the lead government agency for the integrated planning, management, rehabilitation, and development of the country's river basins. The order is aimed at promoting efficient use of natural resources including water resources. Some of the important objectives include supplying clean water and flood control.
EO 860 of 2010	This Executive Order establishes the new Composition and Powers of the National Water Resources Board (NWRB) and transfers its Secretariat to the Department of Environment and Natural Resources. The primary function of the Board shall be to control and regulate the utilization, exploitation, development, conservation, and protection of water resources as per the specific provisions of the Water Code. The NWRB shall desist from regulating the water tariffs of Water Districts, which shall be undertaken by the Local Water Utilities Administration per Presidential Decree No. 198 as amended by Executive Order 124-A, series of 1987.
DOH Administrative Order 2014-0027	National Water Policy on Water Safety Plans for all Drinking WSPs. The order mandates all drinking water service providers to develop and implement a water safety plan.
EMB MC 2016-012	This shall be used as a reference for laboratories in the conduct of testing of water (freshwaters, groundwater, marine waters) and wastewater per the latest edition of the "Standard Methods for the Examination of Water and Wastewater" published by the American Public Health Association/American Water Works Association/Water Environment Federation (APHA/AWWA/WEF), the latest edition of the United States Environmental Protection Agency (US EPA) test methods contained in SW-846: Test Methods for evaluating Solid Wastes, Physical/Chemical Methods, and/or following such other methods of analysis as the EMB may prescribe.
DOH Administrative Order No. 2017-0010	This order has repealed the Philippine National Standards for Drinking Water of 2017 Administrative Order No. 2007-0012 (2007 PNSDW). This Administrative Order prescribes the standards and procedures for drinking water quality to protect public/consumer health.
Changes to DAO 2021-19	In 2021, the DENR issued DAO 2021-19 to update and amend specific provisions of DAO 2016-08. Key changes included the relaxation of effluent standards for certain parameters, such as ammonia (NH_3-N), boron, copper, fecal coliform, phosphorus, and sulfate. For example, the permissible levels for ammonia were increased across various water classifications. Additionally, DAO 2021-19 introduced a requirement for establishments with influent Biochemical Oxygen Demand (BOD) levels of 3,000 mg/L or higher to submit data on influent values.
Source: Department of Environment and Natural Resources (Philippines), Supreme Court E-Library (Philippines), Department of Health (DOH).	

The water sector in the Philippines operates under multiple legal frameworks and involves several institutions with distinct mandates and sectoral interests. The DENR serves as the primary agency overseeing the conservation, management, and sustainable use of environmental and natural resources. However, responsibility for water resource planning and management is shared among various departments, bureaus, and attached agencies, reflecting a multi-agency approach to addressing the country's water-related challenges.

Table 62: Key agencies in the water sector and their function	
Department/agency	**Description/function**
Department of Environment and Natural Resources (DENR)	Responsible for the conservation, management, development, and proper use of the country's environmental and natural resources
National Water Resources Board (NWRB)	Regulates the utilization, exploitation, development, conservation, and protection of water resources
Local Water Utilities Administration (LWUA)	A specialized lending institution for the development of provincial water districts that also exercises technical and economic regulation of water districts
Department of Public Works and Highways (DPWH)	Responsible for major infrastructure projects including flood control and water resources projects
Department of Health (DOH)	Sets standards for drinking water and monitor compliance
National Irrigation Administration (NIA)	Responsible for the development and management of irrigation systems
National Power Corporation (NAPOCOR), also known as NPC,	In charge of the development of hydroelectric generation of power
Metropolitan Waterworks and Sewerage System (MWSS)	MWSS is the government agency responsible for ensuring an uninterrupted and adequate supply of potable water and managing the sewerage system in Metro Manila and nearby provinces. MWSS facilitated the privatization of water services in Metro Manila, dividing the service area into East and West Zones, managed by Manila Water Company, Inc. and Maynilad Water Services, Inc., respectively. The agency provides water supply and sewerage services to Metro Manila, Rizal, and selected municipalities in Bulacan and Cavite through its two private concessionaires, Manila Water, and Maynilad.
MWSS-Regulatory Office (RO)	The MWSS-RO was established to monitor and regulate the concession agreements between MWSS and the private concessionaires, Manila Water and Maynilad. It ensures that the concessionaires comply with service standards, including water quality, supply reliability, and customer service. The MWSS-RO also reviews and approves water rates, conducts audits, and imposes penalties for non-compliance.
Metropolitan Manila Development Authority (MMDA)	The MMDA is a government agency in the Philippines responsible for the planning, monitoring, and coordination of services within Metro Manila. Apart from traffic management, urban development, and public safety, it is also responsible for integrated flood control, drainage, and sewerage systems for Metro Manila.
Laguna Lake Development Authority (LLDA)	Develops the Laguna Lake region through the management of water resources. The agency issues permit for activities that impact the lake, such as fish pen operations, and enforces regulations to ensure sustainable use of the lake's resources.
National Economic and Development Authority (NEDA)	NEDA is responsible for formulating long-term, medium-term, and short-term socioeconomic development plans and policies. This includes the PDP, which outlines the country's development goals and strategies.
Source: Department of Environment and Natural Resources (Philippines), Supreme Court E-Library (Philippines), Department of Health (DOH).	

The Philippine water sector involves a range of regulatory bodies, including the NWRB, LWUA, MWSS, and LGUs. These entities oversee resource management, operational standards, and economic regulation, reflecting the sector's complexity. However, the lack of unified authority has led to fragmented governance. While the NWRB has a broad mandate under the Water Code, it cannot fulfill its role effectively. To address this, Executive Order No. 22 (2023) established the Water Resources Management Office (WRMO) under the DENR. The WRMO aims to implement IWRM, align efforts with UN Sustainable Development Goals, and develop an Integrated Water Resources Master Plan (IWRMP). It also seeks to streamline governance by unifying water-related agencies under the DENR and advancing legislation to establish a Department of Water and/or a Water Regulatory Commission.

Figure 7: Water-related functions of key government agencies

Functions	NWRB	NEDA	DENR	DPWH	DOH	DA (BSWM)	DND (OCD)	DAR	DOST	DOF	DSWD	DILG	GFIs	DOE (NEA)	DOT	PRRC	LGUs	MWSS	LWUA/WDs	NIA	NPC	LLDA
Resource Assessment	●		●	●					●											●		
Policy	●	●	●	●	●																	
Resource Regulation	●																					
Water Supply				●			●				●	●					●	●	●			●
Sanitation				●	●							●					●	●	●			
Water Quality Management			●													●			●	●		●
Monitoring and Data Management	●		●	●	●	●	●	●	●		●	●		●	●	●	●	●	●	●	●	●
Research and Development						●			●													
Watershed Management			●			●											●	●		●	●	
Irrigation				●		●														●		
Flood Control and Drainage				●												●	●					
Integrated Area Development				●																		●
Recreation															●		●					
Financing				●						●		●	●					●	●			

Sources: GlobalData

The Philippine water sector stands on the brink of transformative progress, driven by strong legislation, multi-agency collaboration, and commitment to sustainability. The establishment of the WRMO is a step towards unified governance and streamlined efforts, embodying the nation's dedication to safeguarding its water resources for future generations. With the implementation of IWRM and alignment with global sustainability goals, the Philippines is well-positioned to create a resilient, inclusive, and thriving water sector. For businesses operating in this space, the evolving legal landscape offers both challenges and opportunities. Compliance not only ensures adherence to regulatory mandates but also strengthens corporate responsibility, mitigates risks, and unlocks pathways for sustainable innovation. By embracing this dynamic environment, businesses can play a pivotal role in fostering water security, supporting economic growth, and championing environmental stewardship contributing to shared prosperity and a sustainable future.

10.1.1 Key Programs

Table 63: Key programs

Name of program	Description/function
Philippine Water Security Roadmap	• As of 2024, the Philippine Water Security Roadmap was awaiting approval from the NEDA Board. The roadmap is set to be led by the WRMO under the DENR. Its core objectives are to implement IWRM principles for coordinated water, land, and resource development; ensure reliable water supply and distribution across sectors like domestic, agricultural, and industrial; and enhance the resilience of water infrastructure to withstand climate change impacts. • Some of the key components of the roadmap focus on water supply projects, which include developing new water sources, rehabilitating existing ones and constructing water-impounding facilities to manage floods and optimize water use. Additionally, it prioritizes the improvement of water distribution systems to achieve equitable access and the implementation of advanced wastewater treatment facilities to protect water bodies and facilitate safe reuse. • The implementation strategy emphasizes public-private partnerships (PPP) to leverage resources and expertise, policy reforms to strengthen the regulatory framework, and community engagement to promote local involvement and sustainable practices. These approaches are designed to mobilize stakeholders and create a more integrated water management system. The expected outcomes of the roadmap include enhanced water security, improved public health through better water quality and sanitation, and support for sustainable economic growth, ensuring a coordinated response to increasing water demand and climate change impacts.

Project Local Adaptation to Water Access (LAWA)	• Project LAWA launched in August 2023 and is a strategic initiative spearheaded by the Philippines' Department of Social Welfare and Development (DSWD) to address the pressing challenges of water scarcity brought about by the El Niño phenomenon. As part of the Risk Resiliency Program, the project focuses on empowering vulnerable communities through sustainable water solutions and creating temporary livelihood opportunities. • One of the primary objectives of Project LAWA is the construction of small farm reservoirs in regions heavily impacted by drought. These reservoirs ensure the availability of water for agriculture and other essential needs, safeguarding food production and supporting economic stability in rural areas. Pilot provinces, including Ifugao, Antique, and Davao de Oro, were selected based on their high vulnerability to drought conditions. Residents in these areas are actively engaged in constructing these reservoirs through cash-for-work programs, providing immediate financial relief while fostering climate adaptation initiatives. • Project LAWA's success is built on long standing partnerships with key stakeholders, including the Department of Agriculture, local government units, and the United Nations World Food Programme (UN-WFP). These partners contribute essential resources such as tools, technical expertise, and funding, enabling efficient project implementation. By promoting water efficiency, enhancing food security, and building climate resilience, Project LAWA stands as a testament to collaborative efforts in tackling climate-related challenges while uplifting vulnerable communities.
Philippine Water Supply and Sanitation Master Plan (PWSSMP)	• The Philippine Water Supply and Sanitation Master Plan (PWSSMP) launched in 2021, is a comprehensive national action plan aimed at achieving universal access to safe, sufficient, affordable, and sustainable water supply, hygiene, and sanitation by 2030. • It incorporates IWRM principles, infrastructure upgrades, and institutional reforms to improve service delivery. Key reforms include addressing sector fragmentation, strengthening regulations, ensuring sustainable and effective services, balancing water supply and demand, improving climate adaptability, facilitating access to financing, managing reliable data, and driving research and innovation. • The program is implemented in three phases—pre-investment (2020-2023), investment (2024-2030), and post-2030. The PWSSMP requires annual investments, projected at PHP183.5 billion during the initial phase and PHP47.9 billion from 2024 to 2030.
Sagana at Ligtas na Tubig para sa Lahat (SALINTUBIG)	• The program, launched in 2011, aims to contribute to the attainment of the goal of providing potable water to the entire country and the targets defined in the PDP 2011-2016, Millennium Development Goals (MDG), and the Philippine Water Supply Sector Roadmap and the Philippine Sustainable Sanitation Roadmap. • It is designed to provide water supply systems for waterless municipalities and intends to enhance/improve local capacities of the LGUs/Water Supply Service providers in the planning, implementation and operation, and management of water supply facilities in a sustainable manner. • SALINTUBIG targets 455 waterless municipalities identified based on criteria such as low water service coverage, high incidence of water-borne diseases, and high poverty rates. The program is funded by the national government and involves collaboration between the Department of the Interior and Local Government (DILG), the National Anti-Poverty Commission (NAPC), and the Department of Health (DOH). It includes the development of water supply systems and infrastructure, ensuring that these systems are sustainable and can be effectively managed by local communities.
National Sewerage and Septage Management Program (NSSMP)	• The National Sewerage and Septage Management Program (NSSMP) was launched in 2010. It is a key initiative under the Clean Water Act (Republic Act No. 9275) in the Philippines. It aims to improve the collection, treatment, and disposal of sewerage and septage to protect public health and the environment. • The primary objectives of the program include enhancing sanitation systems, preventing the pollution of water bodies, and supporting LGUs in developing and implementing effective sewerage and septage management plans. These efforts seek to protect both public health and the environment from the adverse impacts of untreated wastewater. • The NSSMP focuses on several key components to achieve these goals. This includes infrastructure development for the construction and upgrade of sewerage systems and septage treatment facilities. The program also emphasizes capacity building by providing LGUs and water service providers with the necessary training and technical assistance. Additionally, public awareness campaigns are integral to the program, aiming to educate citizens about the importance of proper wastewater management and the benefits of improved sanitation for their communities. • Through this initiative, the program ensures that wastewater is properly treated before being discharged, the NSSMP helps protect the country's water bodies from pollution, preserving vital water resources. It also improves public health by reducing the incidence of waterborne diseases, thereby enhancing the overall quality of life. Moreover, the program supports sustainable urban development by ensuring that sanitation infrastructure keeps pace with population growth and urbanization, helping to accommodate the increasing demand for wastewater management solutions.

Source: Department of Environment and Natural Resources (Philippines), Supreme Court E-Library (Philippines), and Department of Health (DOH).

10.1.2 Tariff Mechanism

Table 64: Tariff mechanism

Indicators	Description/function
Revised Concession Agreement (RCA)	• The Revised Concession Agreement (RCA) was signed in May 2021 as an update to the original concession agreements between the MWSS Maynilad Water Services, Inc. (Maynilad). • The original agreements were signed in 1997 when MWSS privatized its water and sewerage services to improve efficiency and service delivery in Metro Manila. Over time, certain terms in the original agreements were revised pursuant to the recommendations of the Inter-Agency Committee on the Review of the Concession Agreements formed by then President Duterte. Manila Water's Revised Concession Agreement was signed on March 31, 2021, while Maynilad's Revised Concession Agreement was signed on May 18, 2021. • Some of the key provisions in the RCA are as follows: ○ Measures to protect consumers, such as the removal of the provision that allowed concessionaires to pass on their corporate income tax to consumers. ○ The concessionaire shall implement a rate adjustment to recover or compensate for accrued FOREX losses or gains on a current basis, with quarterly reviews and adjustments conducted by the Regulatory Office. This adjustment accounts for fluctuations arising from principal and interest payments on all MWSS loans, as well as principal payments on both drawn and undrawn amounts of concessionaire loans, including the JPY-denominated loan from the Japan International Cooperation Agency (dated June 7, 2017), the MWMP Loan (dated October 25, 2012[5]), and the JCB Loan (dated June 7, 2017). ○ Modified tariff adjustment mechanism based on the Consumer Price Index (CPI), with annual tariff adjustments set at 75% of inflation (for July of the current vs. prior year). ○ All future debts and expenditures of the concessionaires must be reviewed and approved by the MWSS Regulatory Office. ○ The non-interference clause, which barred government from interfering in the rate-setting process, in the 1997 Undertaking Letters issued by the Republic of the Philippines, was taken out. On May 10, 2023, the Republic of the Philippines, acting through the Secretary of Finance, issued revised letters of undertaking (retroactive to July 1, 2022) that included the following: ○ Removal of the National Government (NG)'s performance undertaking for future debt. Consequently, this means the taxpayers will not pay for any future contingent liabilities. ○ Mandating that all succeeding debt and expenditures of the concessionaire must be reviewed and approved by the MWSS Regulatory Office. Inclusion of a provision that prohibits the concessionaire from charging its corporate income tax to the consumer.
FCDA (Foreign Currency Differential Adjustment)	• The FCDA is a tariff mechanism designed to recover or compensate for fluctuations in foreign exchange rates. This mechanism addresses payments of foreign currency-denominated concession fees and loans obtained for service improvement projects. It operates on the principle of "no over or under recovery". Maynilad Water Services has been granted a Foreign Currency Differential Adjustment (FCDA) of negative 0.62% of the Average Basic Charge of P47.57/cubic meter., resulting in an average rebate of P0.29/m^3 (for 1st Quarter 2025 effective January 1, 2025, negative 0.65% of the Average Basic Charge of P51.40/cubic meter, resulting in an average rebate of P0.33/ m^3).This adjustment was effective fifteen (15) days after publication or on October 1, 2024. Notably, Low-Income Lifeline customers consuming 10 cubic. meters or less (starting January 1, 2025, low-income lifeline customers consuming 20 cubic meters or less) are exempt from this adjustment.
Rate rebasing	• In 2023, the MWSS approved a rate rebasing for the 2023-2027 period. Rate rebasing is a periodic performance review and tariff adjustment process conducted every five years. It establishes the maximum rates concessionaires can charge, enabling them to recover their investments, operating costs, and CAPEX while ensuring the financial sustainability of their operations. • The approved rate rebasing for this period supports substantial infrastructure and operational investments to enhance water and wastewater services. Manila Water plans to allocate approximately PHP105 billion (US$1.8 billion) for construction and upgradation of water and wastewater infrastructure over the next five years, while Maynilad has committed around PHP163 billion (US$2.8 billion) toward expansion and service improvement initiatives during the same period. This rate rebasing mechanism is primarily designed to ensure the continuous supply of safe drinking water and to expand environmentally compliant wastewater services within concession areas, driving improvements in public health and environmental sustainability.
Source: Department of Finance, MWSS-RO and GlobalData	

5 The FCDA guidelines still reference this obligation, but it was refinanced with a PHP 6 billion loan from the Land Bank of the Philippines (LBP) in August 2022

10.1.3 Philippines Water Projects Approval Process

To commission a water treatment plant (WTP) in the Philippines, an entity must navigate a complex approval process involving multiple regulatory bodies and compliance requirements. This begins with conducting feasibility studies and securing stakeholder support, followed by environmental compliance through an Environmental Impact Assessment and obtaining an Environmental Compliance Certificate from the DENR. Regulatory approvals are required from agencies such as the National Water Resources Board (NWRB) for water permits, the Metropolitan Waterworks and Sewerage System (MWSS) for project endorsement, and local government units (LGUs) for alignment with local development plans. Financing must be secured, and if public-private partnerships (PPP) are involved, further approvals from the PPP Center are necessary. Entities also needs to conduct competitive bidding, resolve right-of-way issues, and obtain construction permits before starting project implementation. The project is closely monitored by regulators, with periodic progress reports and inspections to ensure compliance. Finally, the WTP undergoes rigorous testing before operational permits are granted. While necessary to ensure sustainability and compliance, this multi-step process is often time-consuming and can pose challenges such as bureaucratic delays, community resistance, and complex coordination with multiple stakeholders**.**

11 Appendix

11.1 Methodology and Assumption

11.1.1 Historical Data

11.1.1.1 The Philippines – Wastewater Generation & Treatment

- GlobalData gathered information and insights from various government sources including but not limited to the Philippine Statistics Authority, AQUASTAT, Food, Agriculture and Renewable Natural Resources Legislation Database (FAOLEX), World Bank, Senate of Philippines, the Organization for Economic Co-operation and Development (OECD), National Economic and Development Authority (NEDA), Metropolitan Waterworks and Sewerage System (MWSS), National Water Resources Board (NWRB), and various regional water districts and among others.
- GlobalData obtained annual data for the total volume of wastewater produced in Metro Manila from 2018 to 2023. Additionally, the company has also sourced information on the total domestic wastewater generated in the Philippines for the years 2020 and 2022.
- The ratio of total wastewater generated in Manila to the total domestic wastewater produced in the Philippines for the years 2020 and 2022 was calculated. From this, GlobalData inferred an annual decline of 1% in the ratio. This pattern was then extrapolated to derive the ratios for the remaining years from 2018 to 2022.
- The ratios were employed retrospectively to compute the annual statistics of domestic wastewater generated for the remaining years (2018, 2019, and 2021)
- The annual statistics for domestic wastewater generation were subsequently utilized to estimate the total wastewater production. Based on insights derived from secondary sources, it was inferred that approximately 33% of the total wastewater produced was attributable to municipal sources.
- The segmental split of treated vs non-treated wastewater was inferred basis the treatment pattern in Manila.

11.1.1.2 Malaysia

- Based on insights obtained from secondary sources, GlobalData has assumed that approximately 80% of the total wastewater generated is collected and treated.
- Based on the information obtained from secondary sources, it is assumed that domestic sources contribute approximately 47% to the total wastewater.

11.1.1.3 Vietnam

- The domestic wastewater generated in Vietnam is sourced for the years 2020 and 2022.
- The ratio of domestic wastewater was determined, from secondary sources, to be 57.9% of the total wastewater generated, which was then used to calculate the overall wastewater volume. Similarly, industrial wastewater was found to account for 29% of the total wastewater generated, and this percentage was applied accordingly.

- The domestic wastewater for the years 2020 and 2022 has been sourced from secondary sources which are then used to determine the domestic wastewater treatment for other years.

11.1.1.4 Thailand

- The domestic/municipal wastewater data for the years 2018, 2019, and 2021 has been estimated using CAGR of the 2020 and 2022 values.
- The data for industrial wastewater has been derived from the ratio of industrial wastewater to total wastewater in 2020, which was 54.93%.
- The percentage of treated wastewater typically ranges between 24% and 25%, according to various secondary sources, and this range has been used to calculate the total treatment volume.

11.1.1.5 Indonesia

- Based on insights gathered from secondary sources, we have considered that approximately 5% of the total wastewater generated is collected and treated.
- According to secondary sources, it is assumed that domestic sources contribute approximately 11% to the total wastewater generated.

11.1.1.6 Global Companies

- GlobalData gathered the annual statistics for domestic wastewater generation and treatment in the countries for the years 2020 and 2022 from reliable secondary sources. Industrial wastewater generation data for these years has been based on the figures from 2020.
- The Compound Annual Growth Rate (CAGR) between 2020 and 2022 was calculated for each of the global countries. The CAGR is then applied to retrospectively calculate the data for the years 2018, 2019, and 2021.

11.1.2 Wastewater Forecasts (2024-2029)

- GlobalData has conducted estimation analysis through different parameters such as historical wastewater generated, Population and GDP, Number of STPs (Sewerage Treatment Plants), and Capacity of Sewerage Treatment Plants which were showed correlation with that of the historical values. Other parameters, such as GDP per capita and water consumption per capita, were not deemed significant and, therefore, were not considered for estimation.
- GlobalData has extensively used the Excel forecasting function as well as secondary research for the estimation of wastewater generation. The wastewater treatment percentages have been determined through the historical trend and the insights generated through secondary research.

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