

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

M	A	Y	N	I	L	A	D		W	A	T	E	R		S	E	R	V	I	C	E	S	,		I	N	C	.	
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		(A		S	u	b	s	i	d	i	a	r	y
	o	f		M	a	y	n	i	l	a	d		W	a	t	e	r		H	o	l	d	i	n	g		C	o	m
p	a	n	y	,		I	n	c	.)																			

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

M	a	y	n	i	l	a	d		B	u	i	l	d	i	n	g	,		M	W	S	S		C	o	m	p	l	e
x	,		K	a	t	i	p	u	n	a	n		A	v	e	n	u	e	,		P	a	n	s	o	l			
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Form Type	Department requiring the report	Secondary License Type, if Applicable
A A F S	S E C	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corpsec@mayniladwater.com.ph	8920-5485	09985305923
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
21	4 th Tuesday of April	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS
Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol, 1119 Quezon City

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

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



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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2025 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), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of the financial statements of public interest entities 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 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.

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, 2025, 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, 2025 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.

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

SEC Partner Accreditation No. 110259-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765021, January 2, 2026, Makati City

February 23, 2026



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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 24 and 25)	₱26,792,759	₱10,519,541
Trade and other receivables (Notes 3, 5, 14, 24 and 25)	3,121,557	2,722,872
Contract assets (Notes 7, 14, 24 and 25)	1,546,060	1,386,458
Other current assets (Notes 6, 14, 24 and 25)	2,235,572	2,130,695
Total Current Assets	33,695,948	16,759,566
Noncurrent Assets		
Service concession assets (Notes 3, 7, 10, 11, 15 and 22)	200,373,499	168,339,382
Property and equipment (Notes 3 and 8)	2,530,754	1,963,230
Financial asset at fair value through other comprehensive income (Notes 9, 24 and 25)	210,583	124,864
Other noncurrent assets (Notes 3, 5, 6, 14, 22, 24 and 25)	10,549,471	10,983,572
Total Noncurrent Assets	213,664,307	181,411,048
Total Assets	₱247,360,255	₱198,170,614
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 3, 12, 14, 15, 17, 23, 24 and 25)	₱29,035,755	₱24,157,077
Short-term and current portion of interest-bearing loans (Notes 7, 11, 24 and 25)	2,642,939	4,186,065
Current portion of service concession obligation payable to MWSS (Notes 7, 10, 24 and 25)	1,472,856	1,027,255
Income tax payable	911,038	787,944
Total Current Liabilities	34,062,588	30,158,341
Noncurrent Liabilities		
Interest-bearing loans - net of current portion (Notes 7, 11, 24 and 25)	89,914,700	79,461,471
Service concession obligation payable to MWSS - net of current portion (Notes 7, 10, 24 and 25)	6,922,708	6,294,526
Deferred tax liabilities - net (Note 16)	2,334,142	1,737,595
Deferred credits (Note 3)	1,240,613	1,379,554
Retirement liability (Notes 3 and 17)	424,751	870,805
Customers' deposits (Notes 24 and 25)	669,983	605,611
Other noncurrent liabilities (Notes 2, 14, 17 and 22)	2,023,333	2,307,761
Total Noncurrent Liabilities	103,530,230	92,657,323
Total Liabilities	137,592,818	122,815,664

(Forward)



	December 31	
	2025	2024
Equity		
Capital stock (Notes 1 and 13)	₱7,617,997	₱5,683,728
Additional paid-in capital (Note 13)	35,555,863	10,030,294
Treasury shares (Note 13)	(3,115,230)	(960,555)
Other comprehensive income (loss) (Notes 9 and 17)	(319,485)	(607,544)
Other equity adjustments (Note 13)	(309,220)	(309,220)
Retained earnings (Note 13)		
Unappropriated	29,601,292	20,969,247
Appropriated	40,736,220	40,549,000
Total Equity	109,767,437	75,354,950
Total Liabilities and Equity	₱247,360,255	₱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 YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Thousands, Except Earnings per Share Value)

	Years Ended December 31		
	2025	2024	2023
OPERATING REVENUE (Note 14)			
Water services			
West zone	₱28,543,455	₱27,143,464	₱22,169,809
Outside west zone	372,740	349,147	255,291
Wastewater services			
West zone	7,496,638	5,785,440	4,727,116
Others	232,291	216,464	171,049
	36,645,124	33,494,515	27,323,265
COSTS AND EXPENSES			
Salaries, wages and benefits (Notes 3, 15 and 17)	3,279,819	2,893,449	2,525,069
Amortization of service concession assets (Notes 3 and 7)	3,176,436	3,028,573	2,744,831
Contracted services	1,750,293	1,642,111	1,458,707
Utilities	1,486,068	1,535,445	1,665,086
Taxes and licenses	1,094,712	1,026,052	834,058
Repairs and maintenance	1,044,334	873,926	900,059
Depreciation and amortization (Notes 3, 8 and 22)	595,531	527,324	524,326
Materials and supplies	588,533	869,304	832,128
Regulatory costs	302,083	280,457	242,203
Collection charges	192,699	197,918	182,165
Provision for expected credit losses (Notes 3 and 5)	187,219	112,368	600,524
Transportation and travel	181,305	220,562	191,252
Business meetings and representations	174,397	174,759	159,701
Rental (Notes 22 and 23)	137,729	148,664	89,117
Purchased water	106,989	294,803	619,525
Advertising and promotion	97,704	74,283	57,550
Insurance	66,851	64,021	62,227
Others	460,639	429,664	412,651
	14,923,341	14,393,683	14,101,179
INCOME BEFORE OTHER INCOME (EXPENSES)	21,721,783	19,100,832	13,222,086
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works	29,176,153	27,081,306	19,175,281
Cost of rehabilitation works	(29,176,153)	(27,081,306)	(19,175,281)
Interest expense and other financing charges (Note 18)	(2,227,705)	(2,414,395)	(2,503,388)
Foreign exchange gains (losses) - net (Note 24)	(1,153,683)	(1,643,393)	(1,167,582)
Foreign currency differential adjustments (FCDA) (Note 3)	1,156,499	1,656,317	1,129,029
Interest income (Note 4)	306,500	404,839	221,664
Others - net (Notes 8, 9 and 20)	(203,561)	(628,589)	1,021,230
	(2,121,950)	(2,625,221)	(1,299,047)
INCOME BEFORE INCOME TAX	19,599,833	16,475,611	11,923,039
INCOME BEFORE INCOME TAX	19,599,833	16,475,611	11,923,039
PROVISION FOR INCOME TAXES (Note 16)			
Current	3,922,700	3,430,220	2,409,324
Deferred	457,868	263,977	502,536
	4,380,568	3,694,197	2,911,860
NET INCOME	₱15,219,265	₱12,781,414	₱9,011,179
Basic and Diluted Earnings Per Share (Note 19)	₱2.57	₱2.85	₱2.00

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 DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
NET INCOME	₱15,219,265	₱12,781,414	₱9,011,179
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive loss not to be reclassified to profit or loss in subsequent period (Note 17):			
Remeasurement income (loss) on retirement plan	426,738	(550,295)	(159,034)
Income tax effect	(138,679)	51,178	14,790
	288,059	(499,117)	(144,244)
TOTAL COMPREHENSIVE INCOME	₱15,507,324	₱12,282,297	₱8,866,935

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 YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(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	–	–	–	288,059	–	15,219,265	–	15,507,324
Issuance of new common shares	1,934,269	25,525,569	–	–	–	–	–	27,459,838
Acquisition of treasury shares	–	–	(2,154,675)	–	–	–	–	(2,154,675)
Appropriation for capital expenditures	–	–	–	–	–	(502,155)	502,155	–
Reversal of appropriation	–	–	–	–	–	314,935	(314,935)	–
Dividends declared	–	–	–	–	–	(6,400,000)	–	(6,400,000)
At December 31, 2025	₱7,617,997	₱35,555,863	(₱3,115,230)	(₱319,485)	(₱309,220)	₱29,601,292	₱40,736,220	₱109,767,437
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



	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

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 YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱19,599,833	₱16,475,611	₱11,923,039
Adjustments for:			
Amortization of service concession assets (Note 7)	3,176,436	3,028,573	2,744,831
Interest expense and other financing charges (Note 18)	2,227,705	2,414,395	2,503,388
Depreciation and amortization (Note 8)	595,531	527,324	524,326
Interest income (Note 4)	(306,500)	(404,839)	(221,664)
Retirement cost (Note 17)	222,675	152,875	102,808
Provision for expected credit losses (Note 5)	187,219	112,368	600,524
Reversal of impairment loss (Note 9)	(85,720)	–	–
Dividend income (Note 9)	(5,000)	(28,000)	(16,000)
Unrealized foreign exchange losses (gains)	102	(1,079)	(703)
Gain on sale of property and equipment (Note 8)	(50)	(31)	(1,998)
Cost of share-based payment	–	–	116,725
Others	–	–	(30,312)
Operating income before working capital changes	25,612,231	22,277,197	18,244,964
Increase in:			
Trade and other receivables	(482,391)	(398,415)	(185,601)
Contract assets	(159,602)	(181,418)	(204,116)
Other current assets	(104,876)	(268,198)	(299,031)
Additions to mobilization fund (Note 6)	(3,453,714)	–	–
Additions to service concession assets (Notes 7 and 26)	(25,246,483)	(27,273,014)	(19,564,546)
Increase (decrease) in:			
Trade and other payables	3,182,398	2,559,315	(1,483,302)
Customers' deposits	90,621	61,909	(31,064)
Other noncurrent liabilities	137,043	898,384	104,424
Cash used for operations	(424,773)	(2,324,240)	(3,418,272)
Income taxes paid	(3,799,606)	(3,173,028)	(2,513,388)
Contributions to pension fund (Note 17)	(242,092)	(118,848)	(127,803)
Interest received	202,991	386,084	219,729
Net cash used in operating activities	(4,263,480)	(5,230,032)	(5,839,734)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other noncurrent assets	(188,689)	(602,266)	(6,564,072)
Acquisitions of property and equipment (Note 8)	(676,447)	(522,910)	(523,990)
Dividends received (Note 9)	5,000	28,000	16,000
Proceeds from sale of property and equipment (Note 8)	50	65	15,181
Net cash used in investing activities	(860,086)	(1,097,111)	(7,056,881)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the availment/drawdown of interest-bearing loans (Note 11 and 27)	12,902,332	24,741,300	18,829,316
Payments of:			
Dividends (Notes 13 and 27)	(6,399,665)	(5,654,209)	(3,599,723)
Interest-bearing loans (Notes 11 and 27)	(4,222,127)	(2,565,306)	(3,804,755)
Service concession obligation payable to MWSS (Notes 10 and 27)	(932,166)	(952,976)	(927,222)
Lease liability (Note 22)	(189,879)	(167,521)	(209,808)
Proceeds from share issuance (Note 13)	27,459,838	1,136,746	–
Interest paid (Note 27)	(5,066,874)	(4,025,270)	(2,805,164)
Acquisition of treasury shares (Note 13)	(2,154,675)	(568,636)	(122,137)
Net cash provided by financing activities	21,396,784	11,944,128	7,360,507
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,273,218	5,616,985	(5,536,108)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,519,541	4,902,556	10,438,664
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱26,792,759	₱10,519,541	₱4,902,556

See accompanying Notes to Consolidated Financial Statements.



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

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).

The Parent Company's common shares are listed and traded in the Philippine Stock Exchange beginning November 7, 2025 (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 stock 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, 2025 and 2024, Maynilad is a 66.78% and 94.40% owned subsidiary of MWHCI, respectively. In addition, MPIC directly owns 4.00% and 5.28% of the Company, resulting in an effective ownership interest of 38.24% and 53.68% as at December 31, 2025 and 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 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 February 23, 2026.

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 corporate income tax (CIT) 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 (ADR) 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 MOA 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 or "C" from $\frac{2}{3}$ to $\frac{3}{4}$ 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 RoP through the Secretary of Finance. This acknowledgment is required for all amendments to the RCA. In a letter dated March 3, 2025, the Company was 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 RCA 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 (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 RoP through the Secretary of Finance to align the expiration dates of the Franchise and the RCA.

On November 17, 2025, the Company received the duly executed Memorandum of Agreement on and Confirmation of the Amendment to the Revised Concession dated October 10, 2025, signed and acknowledged by the Secretary of the Department of Finance.

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 United States (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 prudence 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, in 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 (SC) on December 7, 2021, which was received by Maynilad on May 17, 2023, the SC, 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 CIT, in accordance with the SC's ruling in the Meralco case. This ruling, together with Maynilad's legislative franchise, has finally put to rest all of Maynilad's claims for inclusion of the CIT as a recoverable expense pursuant to the First Award.

Sixth Rate Rebasing (2023-2027)

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

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 to its terms, or invalidated when national security, national emergency or public interest so requires;
- ii. The prohibition on the passing on 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 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% Value Added Tax (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 (LGUs) 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 and Sustainability Reporting Standards Council (FSRSC) 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.

<u>Subsidiaries</u>	<u>Nature of Business</u>
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 were 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 (MOA) with certain provincial municipalities for the construction and operation of water treatment facilities for water distribution services.

Amayi. Amayi was 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 in 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*
The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.



Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2026

- *Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, Disclosures about Uncertainties in the Financial Statements*

The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation.

The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis

The Group is currently assessing the impact of these amendments.

- *Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments*
- *Amendments to PFRS 9 and PFRS 7, Contracts Referencing Nature-dependent Electricity*
- *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*

The standard replaces PAS 1 Presentation of Financial Statements and responds to investors' demand for better information about companies' financial performance. The new requirements include:

- Required totals, subtotals and new categories in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

The Group is currently assessing the impact of this new standard.



- *IFRS 19, Subsidiaries without Public Accountability*
- *IFRS 17, Insurance Contracts*
- *Amendments to PAS 21, Translation to a Hyperinflationary Presentation Currency*

Deferred effectivity

- *Amendments to IFRS 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 December 31, 2025 and 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 (OCI) 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 OCI 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 are their unquoted equity investments that are included in Note 9 as at December 31, 2025 and 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 December 31, 2025 and 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.

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”.

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 (SCA) are recognized to the extent that the Group receives a license or right to charge the users of the public service. The SCA 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 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 SCA are



amortized using the 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 SCA using the 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 the 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 SCA 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 the 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, they are 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 expenses in the period in 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 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 from the 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 SCA), 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 cash generating unit's (CGU) 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 amounts 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 it 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 the "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 the "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 judgments 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 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 are 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, the amounts of which 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 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. They include 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 dividends (Note 13).

Other equity adjustments represent the redemption of preferred shares and the 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.

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 Standards 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 has the most significant effect on the amounts recognized in the consolidated financial statements:

Amortization of 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 SCA 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 SCA using the straight-line method over the terms of each Bulk Water Supply Agreement 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 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 a 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 historically observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) that are expected to deteriorate over the next year 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 historically 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 macroeconomic 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 is 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 macroeconomic variables and credit risk and credit losses.

Predicted relationships between the key macroeconomic indicators and default and loss rates on various portfolios of financial assets have been developed by analyzing historical data over the past three to nine 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 ECL 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 among historically observed default rates, forecasted economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Trade receivables from demolished accounts amounting to ₱16.6 million and ₱34.3 million were written off in 2025 and 2024, respectively. (see Note 5).

Trade and other receivables, net of allowance for ECL of ₱1,690.2 million and ₱1,519.6 million, amounted to ₱3,121.6 million and ₱2,722.9 million as at December 31, 2025 and 2024, respectively (see Notes 5 and 24). Provision for ECL amounted to ₱187.2 million, ₱112.4 and ₱600.5 million for the years ended December 31, 2025, 2024, and 2023, 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 ₱48,744.8 million and ₱45,568.3 million, amounted to ₱200,373.5 million and ₱168,339.4 million as at December 31, 2025 and 2024, respectively (see Note 7). Amortization of SCA amounted to ₱3,176.4 million, ₱3,028.6 million and ₱2,744.8 million in 2025, 2024 and 2023, 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 ₱5,465.3 million and ₱5,088.7 million, amounted to ₱2,530.8 million and ₱1,963.2 million as at December 31, 2025 and 2024, respectively. Depreciation and amortization of property and equipment amounted to ₱595.5 million, ₱527.3 million and ₱524.3 million in 2025, 2024 and 2023, 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 either 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 amounting to ₱571.9 million and ₱484.5 million as at December 31, 2025 and 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 are 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 CGU 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, which are 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)	₱200,373,499	₱168,339,382
Property and equipment (see Note 8)	2,530,754	1,963,230
	₱202,904,253	₱170,302,612

In 2025 and 2024, there have been no substantive impairment indicators that necessitated further impairment assessment on these assets.

Determination of Other Long-term Incentive Benefits.

The 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 the “Other noncurrent liabilities” account in the consolidated statements of financial position, amounted to ₱908.2 million and ₱586.7 million as at December 31, 2025 and 2024, respectively. The total cost of the LTIP recognized by the Company presented as part of the “Salaries, wages and benefits” account in the consolidated statements of income amounted to ₱321.5 million, ₱420.7 million and ₱166.0 million in 2025, 2024 and 2023, 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, 2025 and 2024, is considered as contingent liability. The outstanding provision amounted to ₱607.2 million as at December 31, 2025 and 2024 (see Notes 7, 10 and 20).

4. Cash and Cash Equivalents

The cash and cash equivalents account consists of:

	2025	2024
Cash on hand and in banks	₱3,153,060	₱3,044,842
Cash equivalents	23,639,699	7,474,699
	₱26,792,759	₱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 ₱306.5 million, ₱404.8 million and ₱221.7 million in 2025, 2024 and 2023, respectively.

5. Trade and Other Receivables

This account consists of receivables from:

	2025	2024
Customers (Note 14):		
Residential	₱2,493,786	₱2,322,515
Semi-business	295,453	257,305
Commercial	720,731	685,346
Industrial	208,683	175,285
Bulk water supply (Note 14)	281,293	207,676
	3,999,946	3,648,127
Employees	30,174	46,328
Others	781,643	547,980
	4,811,763	4,242,435
Less allowance for ECL	1,690,206	1,519,563
	₱3,121,557	₱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 a 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 three to five years. The portion of advances for water reticulation systems expected to be collected beyond one year amounted to ₱6.3 million as at December 31, 2025 and 2024, and is presented as part of "Others" in the "Other noncurrent assets" account in the consolidated statements of financial position.



The movements in the Company's allowance for ECL, which were determined individually and collectively, are as follows:

	2025					
	Receivables from Customers				Other	Total
	Residential	Semi-Business	Commercial	Industrial	Receivables	
At January 1	₱869,424	₱142,494	₱366,946	₱85,278	₱55,421	₱1,519,563
Provisions	129,702	14,211	33,811	9,495	–	187,219
Write-off	(11,925)	(605)	(2,219)	(210)	(1,617)	(16,576)
At December 31	₱987,201	₱156,100	₱398,538	₱94,563	₱53,804	₱1,690,206

	2024					
	Receivables from Customers				Other	Total
	Residential	Semi-Business	Commercial	Industrial	Receivables	
At 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 provisions for ECL amounting to ₱187.2 million, ₱112.4 million and ₱600.5 million in 2025, 2024 and 2023, respectively.

6. Other Current Assets and Other Noncurrent Assets

Other Current Assets

This account consists of:

	2025	2024
Prepayments (Note 22)	₱504,522	₱400,948
Input VAT	303,765	562,238
Advances to supplier/contractors	733,041	544,892
Deposits	272,619	231,696
Others (Note 14)	421,625	390,921
	₱2,235,572	₱2,130,695

Prepayments mainly pertain to insurance and local taxes that are expected to be consumed or utilized within the next financial year (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, 2022, 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 OPT. 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 turnover of the completed project.

Deposits mainly consist of bill deposits to Meralco.

Advances to suppliers pertain to purchase of raw water, while advances to contractors are normally applied within a year against billings.



As at December 31, 2025 and 2024, “Others” consists mainly of materials and supplies amounting to ₱349.9 million and ₱317.6 million, respectively; creditable withholding tax amounting to ₱40.0 million and ₱40.9 million, respectively; and cost of new water service connections amounting to ₱31.7 million and ₱25.7 million, respectively, which 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:

	2025	2024
Mobilization fund	₱9,174,039	₱9,796,828
Cost of new water service connection (Note 14)	631,149	536,986
Deposits	658,585	565,246
Others (see Note 14)	85,698	84,512
	₱10,549,471	₱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 are directly associated with the contract with customers under PFRS 15.

Deposits consist mainly of payments to LGUs as restoration deposits, which are refunded upon completion of the project. As at December 31, 2025 and 2024, deposits for restoration works amounted to ₱579.4 million and ₱487.0 million, respectively.

As at December 31, 2025 and 2024, “Others” pertains to Parent Company’s deferred employee benefits amounting to ₱85.7 million and ₱81.9 million, net of accumulated amortization of ₱63.7 million and ₱53.6 million, respectively.

7. Service Concession Assets

The movements in this account are as follows:

	2025	2024
Cost:		
Balance at beginning of year	₱213,907,718	₱183,462,264
Additions	33,618,898	30,448,478
Effect of the extension of RCA (Note 1)	1,591,655	–
Reclassification	–	(3,024)
Balance at end of period	249,118,271	213,907,718
Accumulated amortization:		
Balance at beginning of period	45,568,336	42,542,787
Amortization	3,176,436	3,028,573
Reclassification	–	(3,024)
Balance at end of period	48,744,772	45,568,336
	₱200,373,499	₱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 ₱169.9 million and ₱317.0 million in 2025 and 2024, respectively, mainly pertaining to various rehabilitation projects and UATP-related local component costs, which were capitalized as service concession assets (see Note 10).

In 2025, the Parent Company recognized additional service concession assets amounting to ₱1,591.7 million as a result of the term extension of the Revised Concession Agreement (see Notes 1 and 10).

In 2025 and 2024, specific borrowing costs capitalized as part of service concession assets of the Parent Company amounted to ₱4,155.3 million and ₱2,975.7 million, respectively, while general borrowing cost capitalized as part of service concession assets amounted to ₱140.6 million and ₱52.9 million, respectively (see Note 11).

The rate used to determine the amount of general borrowing costs eligible for capitalization were 5.4% and 5.5% in 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 U.S. Dollar, applicable to concession fee payments starting January 1, 2023. The effect of change in rebased rate amounting to ₱841.7 million was accounted for as an adjustment of the “Service concession assets” and “Deferred credits” accounts to adjust their carrying values based on the newly determined and approved rebased rate 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 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 ₱932.2 million and ₱953.0 million as at December 31, 2025 and 2024, respectively, and the regulatory costs reported in the consolidated statements of income amounting to ₱302.1 million, ₱280.5 million and ₱242.2 million in 2025, 2024 and 2023, respectively, the Parent Company paid actual concession fees of ₱214.1 million and ₱205.5 million as at December 31, 2025 and 2024, respectively.



Phil Hydro accounts for each of its BWSAs (except the BWSA with New Era University) and MOA with the Municipal Government of Rizal, Nueva Ecija 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 an impairment loss on service concession assets of Phil Hydro amounting to ₱93.2 million 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 ₱94.0 billion and ₱77.5 billion as at December 31, 2025 and 2024, respectively, are considered as contract assets under PFRS 15.



8. Property and Equipment

The roll forward analysis of this account follows:

	2025						Total
	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	
Cost							
At January 1	₱44,617	₱2,072,654	₱2,680,166	₱1,042,683	₱508,888	₱702,933	₱7,051,941
Additions	579	270,139	262,485	143,244	519,232	–	1,195,679
Reclassification	–	(445,022)	445,022	–	–	–	–
Disposals	–	(174,103)	(14,993)	(8,661)	–	(55,370)	(253,127)
At December 31	45,196	1,723,668	3,372,680	1,177,266	1,028,120	647,563	7,994,493
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	291	89,982	250,805	73,726	107,834	72,893	595,531
Reclassification	–	(937)	937	–	–	–	–
Disposals	–	(174,103)	(14,993)	(8,661)	–	(22,746)	(220,503)
At December 31	4,384	1,201,951	2,259,935	952,130	532,489	512,850	5,463,739
Net Book Value at December 31	₱40,812	₱521,717	₱1,112,745	₱225,136	₱495,631	₱134,713	₱2,530,754
	2024						Total
	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	
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 ₱0.05 million, ₱0.07 million and ₱15.2 million in 2025, 2024 and 2023, respectively.

Loss and gain on disposals of property and equipment amounting to ₱0.05 million, ₱0.03 million and ₱2.0 million in 2025, 2024 and 2023, respectively, are presented as part of the “Others - net” account under “Other income (expenses)” in the consolidated statements of income.

No property and equipment as at December 31, 2025 and 2024 have been pledged as security or collateral.

9. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The financial assets at FVOCI amounting to ₱210.6 million and ₱124.9 million as at December 31, 2025 and 2024, pertain to the Parent Company’s investments in unquoted equity shares in a local water distribution company. In 2025, the Parent Company reversed an impairment loss amounting to ₱85.7 million that was recognized from this investment prior to the adoption of PFRS 9, *Financial Instruments*, and presented as part of the “Others – net” account under “Other income (expenses)” in the consolidated statements of income

Dividend income on financial assets at FVOCI presented as part of the “Others – net” account under “Other income (expenses)” in the consolidated statements of income amounted to ₱5.0 million, ₱28.0 million, and ₱16.0 million in 2025, 2024 and 2023, respectively.

10. Service Concession Obligation Payable to MWSS

This account consists of:

	2025	2024
Concession fees payable	₱7,788,347	₱6,714,564
Accrued interest	607,217	607,217
Total Concession Fee Payable	8,395,564	7,321,781
Less: current portion	1,472,856	1,027,255
Noncurrent portion	₱6,922,708	₱6,294,526

Interest accretion on service concession obligation amounted to ₱597.9 million, ₱605.9 million and ₱640.2 million in 2025, 2024 and 2023, respectively (see Note 18).

Disputes with MWSS

The Parent Company has been contesting certain charges billed by MWSS relating to: (a) the basis of the computation of interest; (b) MWSS cost of borrowings; and (c) additional penalties.

Consequently, the Parent Company has not provided for these additional charges. These disputed charges were effectively reflected and recognized by the Parent Company as Tranche B Concession Fees amounting to US\$30.1 million by virtue of the DCRA entered in 2005. The Parent Company also paid US\$6.8 million in 2005 as an additional amount of Tranche B Concession Fees determined by the Receiver (see Note 7).



The Parent Company reconciled its liability to MWSS with the confirmation and billings from MWSS. The difference between the amount confirmed by MWSS and the amount recognized by the Parent Company amounted to ₱5.1 billion as at December 31, 2025 and 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 had 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. This already amounted to ₱985.3 million as at December 31, 2011 and had been charged to interest expense in prior years. The Parent Company maintained that the accrued interest on its payable to MWSS had been adequately replaced by the Tranche B Concession Fees discussed above. The Parent Company's position was 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, 2025 and 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.

In 2025, in relation to the approval of the extension of the Concession Agreement as discussed in Note 1, the Parent Company assumed additional obligations, representing MWSS loan repayments that will mature or are scheduled for payment beyond 2037 and until the end of the extended concession term. These obligations resulted in the recognition of additional service concession obligation payable and, consequently, additional service concession assets amounting to ₱1,591.7 million in the consolidated statement of financial position (see Note 7).

The schedule of undiscounted estimated future concession fee payments, based on the extended life of the Agreement, is as follows:

Year	In Original Currency		Total Peso Equivalent
	Foreign Currency Loans (Translated to US\$)*	Peso Loans/ Project Local Support	
		<i>(In Millions)</i>	
2026	\$9.4	₱787.9	₱1,340.1
2027	10.8	809.6	1,447.1
2028	11.8	824.2	1,518.7
2029-2047	84.8	20,144.3	25,129.6
	\$116.8	₱22,566.0	₱29,435.5

*Translated using the December 31, 2025 exchange rate of ₱58.79:US\$1.



11. Interest-bearing Loans and Bonds

This account consists of:

	2025	2024
₱18.5 billion Corporate Notes	₱15,725,925	₱17,514,135
₱15.0 billion Blue Bonds	15,000,000	15,000,000
₱10.0 billion Term Loan Facility (MBTC)	9,937,500	10,000,000
₱10.0 billion Term Loan Facility (BPI)	9,812,500	9,937,500
₱6.0 billion Term Loan Facility (BDO)	5,850,000	5,925,000
₱6.0 billion Term Loan Facility (LBP)	5,100,000	5,400,000
₱5.0 billion Term Loan Facility (LBP)	4,937,500	5,000,000
¥13.1 billion Facility Loan (JICA)	4,111,121	4,465,757
₱4.0 billion Term Loan Facility (BPI)	4,000,000	–
₱4.0 billion Term Loan Facility (BPI)	4,000,000	–
₱4.0 billion Term Loan Facility (LBP)	3,900,000	3,950,000
₱4.8 billion Term Loan Facility (DBP)	3,021,000	3,339,000
₱2.5 billion Term Loan Facility (BPI)	2,500,000	–
₱2.5 billion Term Loan Facility (LBP)	2,500,000	–
₱5.0 billion Term Loan Facility (BDO)	2,222,222	2,777,778
¥7.9 billion Facility Loan (JCB)	593,448	966,960
Peso-denominated Bank Loan (LBP)	–	15,937
Total Interest-bearing Loans/Bonds	93,211,216	84,292,067
Less unamortized debt issuance costs	653,577	644,531
Total Carrying Value	92,557,639	83,647,536
Less current portion	2,642,939	4,186,065
Noncurrent portion	₱89,914,700	₱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 15 years to commence at the end of the sixth month after the initial issue date and bear 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 ₱13.2 million, ₱15.0 million and ₱14.2 million in 2025, 2024 and 2023, respectively, is presented as part of the “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 ₱1,070.1 million and ₱504 million in 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 10 years to commence on September 26, 2025, and bear a fixed interest rate 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 ₱663.7 million and ₱506.8 million in 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 10 years to commence on November 11, 2024, and bear fixed interest rates of 6.41% and 7.00% per annum for the first and second drawdowns, 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.

The amortization of debt issuance costs related to this loan amounted to ₱3,290 in December 31, 2025, with no amortization recognized in 2024 and 2023. This expense is included under “Interest expense and other financing charges” in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱678.3 million and ₱686.9 million in 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 10 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 the Bloomberg Valuation (BVAL) 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 ₱427.8 million and ₱442.8 million in 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 15 years to commence at the end of the sixth month reckoned from the drawdown date, which bears a fixed-rate loan structured as 3+5+5+2. Each tenor will be based on the BVAL 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 capitalized 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 ₱4.9 million, ₱5.0 million and ₱5.2 million in 2025, 2024 and 2023, respectively, is presented as part of the “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 10 years to commence on June 14, 2025 and bear a fixed interest rate of 6.60% per annum for the first three years. The interest rate on the repricing date will be based on the 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 ₱37.6 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 amounted to ₱336.3 million and ₱337.9 million in 2025 and 2024, respectively. (see Note 7).

Total general borrowing costs amounted to ₱140.6 million and ₱52.9 million in 2025 and 2024, respectively (see Note 7).



¥13.1 billion Facility Loan (Japan International Cooperation Agency or JICA)

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 17 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 capitalized 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 ₱7.1 million, ₱7.6 million and ₱5.0 million in 2025, 2024 and 2023, respectively, is presented as part of the “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 10 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 the BVAL 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.

The amortization of debt issuance costs related to this loan amounted to ₱64,241 in December 31, 2025, with no amortization recognized in 2024 and 2023. This expense is included under “Interest expense and other financing charges” in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱280.2 million and ₱289.6 million in 2025 and 2024, respectively (see Note 7).

₱4.8 billion Term Loan (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 20 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 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.



The amortization of debt issuance costs related to this loan amounted to ₱0.1 million in December 31, 2025, with no amortization recognized in 2024 and 2023. This expense is included under “Interest expense and other financing charges” in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱188.3 million and ₱207.8 million in 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 10 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 ₱3.5 million, ₱4.3 million and ₱4.9 million in 2025, 2024 and 2023, respectively, is presented as part of the “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 10 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 ₱4.0 million, ₱5.9 million and ₱7.7 million in 2025, 2024 and 2023, 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 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 was drawn on March 19, 2025. The loan shall be payable in semi-annual installments within 10 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 ₱125.3 million and nil in 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 was drawn on March 19, 2025. The loan shall be payable in semi-annual installments within 10 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 ₱125.3 million and nil in 2025 and 2024, respectively (see Note 7).

₱4.0 billion Term Loan (Bank of the Philippines Islands)

On July 10, 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 ₱4.0 billion. A drawdown of ₱4.0 billion was drawn on July 14, 2025. The loan shall be payable in semi-annual installments within 10 years to commence on January 14, 2027. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱30.0 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 ₱128.4 million and nil for December 31, 2025, and 2024, respectively (see Note 7).

₱4.0 billion Term Loan (Landbank of the Philippines)

On June 27, 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 ₱4.0 billion. A drawdown of ₱4.0 billion was drawn on July 1, 2025. The loan shall be payable in semi-annual installments within 10 years to commence on September 20, 2026. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱30.0 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 ₱127.6 million and nil for December 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 December 31, 2025 and 2024, the Parent Company has complied with these covenants.



₱255.0 million 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 eighth 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 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 nil, ₱0.01 and ₱0.01 million in December 31, 2025, 2024 and 2023, respectively, is presented as part of the “Interest expense and other financing charges” account in the consolidated statements of income (see Note 18).

As of December 31, 2025, Phil Hydro has fully settled its ₱255 million loan.

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, 2025 and 2024, 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:

	2025	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
Additions during the year:		
Peso Loans	97,821	75,088
Japanese Yen-denominated	–	–
Peso Bonds	–	183,611
	97,821	258,699
Amortization during the year (see Note 18):		
Peso Loans	52,464	48,286
Japanese Yen-denominated	11,156	13,505
Peso Bonds	25,156	11,917
	88,776	73,708
Balance at ending of year:		
Peso Loans	473,242	427,885
Japanese Yen-denominated	33,796	44,952
Peso Bonds	146,538	171,694
	₱653,576	₱644,531

**Debt issue cost amortization amounting to ₱55.8 million and ₱35.6 million as at December 31, 2025 and 2024, respectively, were capitalized to service concession assets.*



The repayments of loans based on existing terms are scheduled as follows:

Year	December 31, 2025			Total Peso Equivalent
	Japanese Yen-Denominated*	Peso Loans	Peso Bonds	
2026	¥2,269.5	₱1,790.5	—	₱2,642.9
2027	1,742.8	1,808.0	—	2,462.6
2028	1,216.2	3,542.2	—	3,998.9
2029	1,216.2	1,877.2	—	2,333.9
2030 onwards	6,080.8	64,488.9	15,000	81,772.8
	¥12,525.5	₱73,506.8	₱15,000	₱93,211.1

*Translated using the December 31, 2025 exchange rate of ₱0.3756:1 JPY

Year	December 31, 2024			Total Peso Equivalent
	Japanese Yen-Denominated*	Peso Loans	Peso Bonds	
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 ₱0.3672:1 JPY

12. Trade and Other Payables

This account consists of:

	2025	2024
Accrued expenses	₱12,659,403	₱10,442,948
Accrued construction costs (see Note 15)	9,489,225	6,938,546
Trade and other payables	6,453,942	6,550,398
Lease liabilities (see Note 22)	200,161	72,401
Due to a related party (see Note 15)	164,600	94,788
Contract liabilities (see Note 14)	68,424	57,996
	₱29,035,755	₱24,157,077

Accrued expenses mainly consist of salaries, wages and benefits, contracted services, interest payable to the banks and provisions for estimated liabilities. 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 that forms 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 ₱1,296.3 million and ₱1,051.8 million as at December 31, 2025 and 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 ₱7.4 million and ₱171.0 million as at December 31, 2025 and 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 ₱4,566.0 million and ₱4,933.0 million as at December 31, 2025 and 2024, respectively. These are the amounts 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 amounting to ₱98.5 million as at December 31, 2025 and 2024.

13. Equity

- a. The Parent Company's authorized and issued shares as at December 31, 2025 and 2024 are presented below:

	December 31, 2025		December 31, 2024	
	Number of Shares	Amount	Number of Shares	Amount
<i>Authorized common shares – ₱1 par value</i>	9,093,964,000	₱9,093,964,000	9,093,964,000	₱9,093,964,000
<i>Issued and outstanding – common shares:</i>				
Beginning of year – ₱1 par value	5,683,727,500	₱5,683,727,500		
Class A – ₱1000 par value			4,222,482	₱4,222,482,000
Class B – ₱1000 par value			236,000	236,000,000
ESOP shares – ₱1000 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	1,934,269,800	1,934,269,800	1,136,745,500	1,136,745,500
Issued shares	7,617,997,300	7,617,997,300	5,683,727,500	5,683,727,500
Less: Treasury shares	215,393,700	3,115,230,115	71,100,000	960,554,583
End of year	7,402,603,600	₱4,502,767,185	5,612,627,500	₱4,723,172,917
<i>Treasury shares:</i>				
Beginning of year	71,100,000	₱960,554,583	34,607	₱391,918,720
Reacquisition	144,293,700	2,154,675,532	36,493	568,635,863
Total	215,393,700	3,115,230,115	71,100	960,554,583
Stock split on 2024 (1:1,000)			1,000	–
End of year	215,393,700	₱3,115,230,115	71,100,000	₱960,554,583

Amendments to the Articles of Incorporation. On December 27, 2024, Parent Company received approval from the SEC through a Certificate of Approval on Increase of Capital Stock from ₱4,546,982,000 divided into 4,222,482 Class A common shares with a par value of ₱1,000; 236,000 Class B common shares with a par value of ₱1,000; and 88,500 ESOP shares with a par value of ₱1,000, to ₱9,093,964,000 divided into 9,093,964,000 shares with a par value of ₱1, approved by majority of the BOD 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 of the members of the BOD in their regular meeting held on November 8, 2024 and by the affirmative vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock of the Company in their duly constituted meeting held on December 12, 2024, and the SEC through a 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 per share.

Of the net increase in the authorized capital stock of ₱4,546,982,000, consisting of 4,546,982,000 common shares with a par value of ₱1, the amount of ₱1,136,745,500 was subscribed and fully paid in cash by the following subscribers:

subscriber	Nationality	No. of Shares	Amount Subscribed	Amount Paid-up
Bayanilad Water Holding Company, Inc.	Philippino	1,076,567,289	₱1,076,567,289	₱1,076,567,289
Metropacific Investments Corporation	Philippino	60,178,211	60,178,211	60,178,211
		1,136,745,500	₱1,136,745,500	₱1,136,745,500

Alongside the new subscription, costs directly incurred upon issuance of new shares were capitalized and deducted from equity, particularly from APIC, amounting to ₱11.4 million.

Initial Public Offering

On May 30, 2025, the Philippines Securities and Exchange Commission (SEC) granted formal approval for the issuance of shares by the entity through its en banc resolution. Subsequently, on November 7, 2025, the Parent company conducted an Initial Public Offering (IPO), offering up to 1,660.3 million common shares in a primary offer and up to 24.9 million primary common shares in a preferential offer. Additionally, there was an overallotment option of up to 249.0 million primary common shares, with a potential upsize option of up to 354.7 million secondary common shares, all priced at ₱15.00 per share, intended for listing and trading on the Main Board of The Philippine Stock Exchange, Inc. As at December 31, 2025 and 2024, the total number of shareholders for common shares is 21 and 19, respectively. The total number for stockholders in 2025 includes PCD Nominee Corporation, which acts as custodian for various shareholders.

Total proceeds from the IPO amounted to ₱27,459.8 million, ₱1,934.3 million of which, representing par value, were recognized under Common Capital Stock, and the excess over par amounting to ₱25,525.6 million, net of issuance and other directly attributable costs of ₱1,544.5 million, were recognized as Additional Paid-in Capital (APIC).

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 conducted a series of roadshows and consultations 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 made on December 13, 2024.

Treasury Shares of Parent Company amounted to ₱3,125.0 million and ₱960.6 million as at December 31, 2025 and 2024. Increase in treasury shares amounting to ₱2,154.6 million, representing 144.2 million shares, pertains to unexercised overallotment option during the IPO which were reacquired by the Parent Company.

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 ₱5.7 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 BOD, the Corporation approved and declared cash dividends amounting to ₱6.4 billion (₱1.14 per common share) to all shareholders of record as of February 29, 2025 which were paid 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 December 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 plant 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, 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 December 31, 2025, these projects are still ongoing.

At the meeting of the BOD of the Corporation held on December 10, 2024, the following were passed and approved:

- 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, which are primarily related to wastewater projects expected to be completed in the next two (2) years.

On December 9, 2025, the Board of Directors approved the following:

- Appropriation of retained earnings amounting to ₱502.1 million due to updates in awarded contract values which are primarily related to pipelaying and conveyance project. These are expected to be completed within the next two (2) years.
- Reversal of appropriated retained earnings amounting to ₱314.9 million for the completed projects that were previously appropriated in 2018 to 2024.

The accumulated earnings, which are included in the Group's retained earnings amounting to ₱40,736.2 million and ₱40,549.0 million as at December 31, 2025 and 2024, respectively, are not available for dividend declaration as these are appropriated for various projects. In addition, unappropriated retained earnings are further restricted for payment of dividends to the extent of treasury shares amounting to ₱3,115.2 million and ₱960.6 million, in 2025 and 2024, respectively. Earnings from its subsidiaries amounting to ₱55.9 million and ₱28.2 million, in 2025 and 2024, respectively, are not also available for dividend declaration.



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 the “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 the treasury until issuance.

No ESOP-related expense was recognized in 2025 and 2024.

In November 2024, all ESOP shareholders had given their decision to either sell or keep their shares. The company, then, reacquired and paid all employees who chose to sell, while those who chose to keep had their shares converted into common shares.

There were no more ESOP shares outstanding as at December 31, 2025.



14. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2025	2024	2023
Geographical areas:			
West zone	₱36,272,384	₱33,145,368	₱27,067,974
Outside west zone	372,740	349,147	255,291
	₱36,645,124	₱33,494,515	₱27,323,265

Contract balances:

	2025	2024
Trade receivables		
(gross of allowance for ECL) (Note 5)	₱3,999,946	₱3,648,127
Contract assets	1,546,060	1,386,458
Cost of new water service connections	662,852	562,653
	₱6,208,858	₱5,597,238
Contract liabilities	₱1,428,797	₱1,270,202
Less: Current portion	68,424	57,996
	₱1,360,373	₱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 December 31, 2025 and 2024 consist of the following:

	2025	2024
Customers:		
Residential	₱741,216	₱656,041
Semi-business	116,211	100,173
Commercial	526,155	471,488
Industrial	162,478	158,756
	₱1,546,060	₱1,386,458

Contract liabilities are initially recognized from the collection of the connection and installation fees and are recognized over the remaining concession period as the Parent Company provides water and wastewater services to customers. The Parent Company recognized contract liabilities under the "Trade and other payables" account amounting to ₱68.4 million and ₱58.0 million for the current portion and ₱1,360.4 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 December 31, 2025 and 2024, respectively. In 2025 and 2024, the Company recognized revenue from contract liabilities from prior year amounting to ₱58.0 million and ₱47.8 million, respectively.



Cost of new water service connections recognized amounted to ₱31.7 million and ₱25.7 million under the “Other current assets” and ₱631.1 million and ₱537.0 million under the “Other noncurrent assets” account in the consolidated statements of financial position as at December 31, 2025 and 2024, respectively, since these costs are recoverable and are 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 also 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
Parent and intermediate Parent Company					
Maynilad Water Holdings Company Inc.					
Dividends	2025	₱6,041.8 million	₱-	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	5,292.8 million	-		
Metro Pacific Investments Corporation					
Dividends	2025	337.7 million	-	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	295.9 million	-		
Donations	2025	-	-	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	25.7 million	-		
Advertising and promotions	2025	2.9 million	(4.3 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	9.5 million	(4.3 thousand)		
Subsidiary of a significant influence investor					
DM Consunji, Inc.					
Revenue from trade and non-trade services	2025	73.3 million	5.2 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	2,784.3 million	(52.0 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	0.9 million	-	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.4 million	-		
Advertising and promotions	2025	23.4 million	-	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	-	-		
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	2025	9.7 million	0.9 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	10.0 million	0.3 million		
Electricity costs	2025	1,215.8 million	270.5 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	1.6 million	(0.4 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	-	(1.8 million)		

(Forward)



Category	Year*	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Meralco Energy, Inc.					
Construction costs (Note 12)	2025	₱165.2 million	₱14.7 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	282.0 million	(15.0 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	346.4 million	–		
PLDT, Inc.					
Revenue from trade and non-trade services	2025	13.2 million	89.8 thousand	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	10.6 million	67.7 thousand		
Communication expense	2025	7.3 million	(0.4 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	16.3 million	(0.2 million)		
<i>Entity under control of MPIC</i>					
Metro Pacific Water Solutions Inc.					
Revenue from trade and non-trade services	2025	38.0 thousand	0.3 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	14.8 thousand	0.3 million		
Construction costs (Note 12)	2025	144.3 million	(41.6 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	131.9 million	5.8 million		
Others**					
Revenue from trade and non-trade services	2025	46.1 million	28.7 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	42.1 million	29.5 million		
Management fees	2025	0.1 million	6.5 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.3 million	6.3 million		
Communication expenses	2025	53.8 million	(4.2 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	45.8 million	(6.5 million)		
Insurance	2025	18.9 million	(14.2 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	24.5 thousand	(14.2 thousand)		
Sponsorship fees	2025	–	(43.0 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(43.0 thousand)		
Donations	2025	32.1 million	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	35.2 million	–		
Professional fees	2025	0.3 million	(103.5 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.8 million	(103.5 thousand)		
Supplies and materials	2025	–	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	24.8 thousand	–		
Outsourced services	2025	116.2 million	(6.2 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	94.6 million	(3.8 million)		
Transportation equipment	2025	20.4 million	(7.1 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	31.5 million	(7.1 thousand)		
Training fees	2025	1.6 million	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	4.2 million	–		
Repairs and maintenance	2025	–	(14.2 thousand)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(14.2 thousand)		

(Forward)



Category	Year*	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Meetings and conferences	2025	₱-	₱-	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	99.3 thousand	-		
Total					
Due to related parties (Note 12)	2025	₱11,250.6 million	₱164.6 million		
	2024	₱11,587.3 million	₱94.9 million		
Due from related parties	2025	₱142.4 million	₱41.7 million		
	2024	₱139.0 million	₱39.3 million		

*The balances and transactions presented in this table were incurred/realized as at and for the years ended December 31, 2025 and 2024.

**Others represents affiliated entities, including entities under common control of MPIC and FPC.

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and interest-free. Balances are settled in cash and are 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:

	2025	2024	2023
Compensation	₱236,744	₱241,157	₱317,759
Pension costs	16,353	15,722	14,325
Short-term benefits	19,880	18,652	18,296
	₱272,977	₱275,531	₱350,380

16. Income Taxes

Provision for current income tax represents the total regular corporate income tax of the Group in 2025, 2024 and 2023.

The components of the Group's net deferred tax liabilities as at December 31, 2025 and 2024, respectively, as shown in the consolidated statements of financial position, are as follows:

	2025	2024
Deferred tax assets:		
Allowance for ECL	₱164,550	₱164,536
Revenue from contracts with customers – net	147,899	128,807
Pension liability and unamortized past service cost	125,476	109,573
Allowance for inventory obsolescence	51,306	38,914
Accrued expenses	65,481	36,998
Lease liabilities	17,193	5,626
	571,905	484,454
Deferred tax liabilities:		
Service concession assets	(2,905,827)	(2,150,567)
Unamortized debt issuance costs	(69)	(71,290)
ROU assets	(20)	(84)
Others	(131)	(108)
	2,906,047	(2,222,049)
Deferred tax liabilities – net	(₱2,334,142)	(₱1,737,595)



In 2025 and 2024, provision for deferred income tax on retirement liability recognized in other comprehensive income amounted to ₱138.7 million and ₱51.2 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	2023
Income tax at statutory tax rate based on effective tax rate	₱4,899,958	₱4,118,903	₱2,988,700
Add (deduct) the tax effects of:			
Tax impact on change of method of deduction and others	107,725	(122,477)	(12,414)
Interest income already subjected to final tax	(76,583)	(101,178)	(55,409)
Non-deductible expenses and others	(550,532)	(201,051)	(9,017)
Provision for income tax	₱4,380,568	₱3,694,197	₱2,911,860

In 2025, 2024 and 2023, the majority of the non-deductible expenses pertains to provisions recognized by the Group (see Note 12).

17. Employee Benefits

LTIP

Long-Term Incentive Plan (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 December 31, 2025 and 2024, the LTIP payable is as follows:

	2025	2024
Balance at beginning of year	₱586,667	₱166,000
Addition	321,533	420,667
Total	908,200	586,667
Less: Noncurrent portion	-	586,667
Current portion	₱908,200	₱-

The total costs of the LTIP amounted to ₱321.5 million, ₱420.7 million and ₱166.0 million in 2025, 2024 and 2023, 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 ₱908.2 million and ₱586.7 million as at December 31, 2025 and 2024, respectively.



Retirement Plan

The pension liabilities for the noncontributory retirement plan of the Group as at December 31, 2025 and 2024 are as follows:

	2025	2024
Maynilad Water Services, Inc.	₱422,799	₱868,954
Philippine Hydro, Inc.	1,817	1,751
Amayi Water Services, Inc.	135	100
	₱424,751	₱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	177,206	–	177,206
Net interest cost	121,420	75,951	45,469
Total	298,626	75,951	222,675
Remeasurements in other comprehensive income (loss):			
Loss on return on plan assets	–	(29,187)	29,187
Actuarial changes due to experience adjustment	(160,993)	–	(160,993)
Actuarial changes arising from changes in financial assumptions	(294,932)	–	(294,932)
Total	(455,925)	(29,187)	(426,738)
Benefits paid	(134,046)	(134,046)	–
Actual contributions	–	242,092	(242,092)
At December 31, 2025	₱1,732,296	₱1,309,497	₱422,799

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Retirement 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 the “Salaries, wages and benefits” account in the consolidated statements of income in 2025 2024 and 2023 are as follows:

	2025	2024	2023
Current service cost	₱177,206	₱130,890	₱96,736
Net interest cost	45,469	21,985	6,072
	₱222,675	₱152,875	₱102,808

The Parent Company recognized remeasurement loss arising from pension plan in other comprehensive loss. The movements in the remeasurement loss are as follows:

	2025	2024	2023
Remeasurement gain (loss) on defined benefit obligation:			
Actuarial gain (loss) due to:			
Changes in financial assumptions	₱294,932	(₱575,040)	(₱138,663)
Experience adjustments	160,993	(1,914)	15,807
Gain (loss) on return on plan assets	(29,187)	26,659	(36,178)
Remeasurement gain (loss) on retirement plan	₱426,738	(₱550,295)	(₱159,034)

Actual return on plan assets amounted to ₱46.8 million, ₱92.1 million, and ₱38.8 million in 2025, 2024 and 2023, respectively.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2025	2024
Investments in:		
Government securities	₱640,897	₱587,577
Equity securities	302,866	375,505
Unit trust funds	240,149	87,920
Bonds	85,581	85,054
Cash and cash equivalents	36,408	10,080
Receivables and others	3,596	8,551
	₱1,309,497	₱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 an 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, 2025 and 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 below:

	2025	2024
Discount rate	6.53%	6.13%
Salary increase rate	7.00%	8.00%
Turnover rate	8.33%	8.33%

The 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:

	2025	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Amount
Discount rate	100 (100)	(₱178,178) 212,201
Salary increase rate	100 (100)	218,789 (171,262)
Turnover rate	100 (100)	(9,015) 9,332
	2024	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Amount
Discount rate	100 (100)	(₱217,980) 261,775
Salary increase rate	100 (100)	264,065 (224,216)
Turnover rate	100 (100)	(16,189) 17,026

Shown below are the maturity analyses of the undiscounted benefit payments:

	2025		
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱155,282	₱42,439	₱197,721
More than one year to five years	233,166	176,257	409,423
More than 5 years to 10 years	234,997	401,854	636,851
More than 10 years to 15 years	731,104	704,359	1,435,463
More than 15 years to 20 years	1,328,001	961,594	2,289,595
More than 20 years	6,037,199	2,102,591	8,139,790
	₱8,719,749	₱4,389,094	₱13,108,843



	2024		Total
	Normal Retirement	Other than Normal Retirement	
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

Actual contributions to the defined benefit pension plan amounted to ₱242.1 million and ₱118.8 million in 2025 and 2024, respectively. The Parent Company expects to contribute ₱195.5 million to the defined benefit pension plan in the period January 1 to December 31, 2026.

Phil Hydro and Amayi

Phil Hydro recognized pension liability amounting to ₱1.8 million as at December 31, 2025 and 2024, respectively, while Amayi recognized pension liability amounting to ₱ 0.1 million as at December 31, 2025 and 2024, 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. There was no pension income recognized under the “Salaries, wages and benefits” account in the consolidated statements of income in 2025, 2024 and 2023.

18. Interest Expense and Other Financing Charges

	2025	2024	2023
Interest-bearing loans (see Note 11)	₱1,510,458	₱1,711,882	₱1,760,415
Accretion on service concession obligation payable to MWSS (see Note 10)	597,919	605,930	640,220
Amortization of debt issuance costs (see Note 11)	33,002	38,065	37,085
Accretion of customers’ deposits	38,763	32,872	30,312
Accretion on lease liability (see Note 22)	47,563	25,646	35,356
	₱2,227,705	₱2,414,395	₱2,503,388



19. Basic/Diluted Earnings Per Share

	2025	2024	2023
Net income (a)	₱15,219,265	₱12,781,414	₱9,011,179
Weighted average number of shares at end of year for basic earnings per share (b)*	5,910,957	4,487,784	4,510,599
Effect of dilution from ESOP shares	-	-	36,383
Weighted average number of shares at end of year for diluted earnings per share (c)	5,910,957	4,487,784	4,546,982
Basic earnings per share (a/b)	₱2.57	₱2.85	₱2.00
Diluted earnings per share (a/c)	₱2.57	₱2.85	₱1.98

**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

The following are the significant contingencies of the Company as at December 31, 2025 and 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 ₱5.1 billion as at December 31, 2025 and 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. 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 Court of Tax Appeals (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.



As of February 23, 2026, the case remains pending before the CTA.

- 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 Environmental Management Bureau (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 that 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, which includes issuance of cease and desist and/or closure order, fine, and other penalties against the establishment's operations, is in effect. 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 (CA) 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 CA 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 CA's decision via Certiorari to the SC in 2014. On July 19, 2023, the Parent Company received a copy of the Decision of the SC 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.

As of February 23, 2026, the case remains pending before the CTA.

- 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, 2024 and 2023 were presented as "Others-net" in the consolidated statements of income and as "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 they 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. As of December 31, 2025, the contract is deemed terminated.
- e. On February 1, 2024, Maynilad and Manila Water entered into a Memorandum of Agreement for the purchase of treated bulk water of 47 Million Liters per day (47 MLD) 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, FCDA, Modified FCDA, and any other adjustments as approved by the MWSS. For every excess of volume beyond 47 MLD, 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, FCDA, Modified FCDA, and any other adjustments as approved by the MWSS. As of December 31, 2025, the contract is deemed terminated.
- f. On April 29, 2025, Maynilad and Manila Water entered into a Cross-Border Agreement wherein Manila Water shall share/provide treated water to Maynilad through identified and interconnected points for a bulk water charge of ₱31.69 per cubic meter exclusive of applicable taxes and fees, and subject to price adjustments based on CPI. The treated water quantity is at 10 MLD Minimum Treated Water Volume on a take-or-pay basis, (the "Minimum Volume") and up to 11 MLD up to 40 MLD Maximum Treated Water Volume on a take and pay basis (the "Maximum Volume"). The contract ended December 31, 2025.



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
	<i>(In Millions)</i>
First (August 1, 1997 – December 31, 2002)	US\$120.0
Second (January 1, 2003 – December 31, 2007)	120.0
Third (January 1, 2008 – December 31, 2012)	90.0
Fourth (January 1, 2013 – December 31, 2017)	80.0
Fifth (January 1, 2018 – December 31, 2022)	60.0
Sixth (January 1, 2023 – December 31, 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 that 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 with 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 seven 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 (i) 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 February 23, 2026, 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”:

	2025	2024
Depreciation expense of ROU assets	₱180,727	₱150,552
Expense relating to short-term leases	107,241	92,803
Interest expense on lease liabilities	47,563	25,646
Expense relating to low-value assets	30,488	55,860
	₱366,019	₱324,861

Lease liabilities represent payments to be made over the remaining lease term. Movements of the lease liabilities during the years are as follows:

	2025	2024
Balance at the beginning of the period	₱372,787	₱436,438
Additions during the period	519,232	83,862
Payments	(189,879)	(167,521)
Termination	(32,624)	(5,638)
Accretion of interest	47,563	25,646
Balance at end of the period	717,079	372,787
Less current lease liabilities	200,161	72,401
Noncurrent lease liabilities (Note 24)	₱516,918	₱300,386

As at December 31, 2025 and 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 lease 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 Group will exercise the option to extend the lease since the extension is considered unenforceable.

The approximate annual future minimum lease payable of the Group under its existing non-cancellable lease agreements as a lessor are as follows:

	2025	2024
	<i>(In Millions)</i>	
1 year	₱218.8	₱136.9
more than 1 years to 2 years	208.0	102.9
more than 2 years to 3 years	159.0	86.4
more than 3 years to 4 years	145.9	31.3
more than 4 years to 5 years	12.5	11.8
more than 5 years	48.2	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 Parent Company renewed its lease contract with MWSS amounting to ₱519.2 million, effective on January 1, 2025, and covering the period up to December 31, 2029. Lease payments amounted to ₱189.9 million, ₱89.2 million and ₱77.8 million in 2025, 2024 and 2023, respectively (see Note 22).

24. Financial Risk Management Objectives and Policies

The Group'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 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 Company's interest-bearing loans.

The following table shows the 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 - 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 December 14, 2026)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (6.4959%, March 24, 2024 to 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 March 12, 2035)
₱2.5 billion Term Loan Facility	Fixed rate benchmark (6.2279%, March 20, 2025 to March 20, 2035)
₱4.0 billion Term Loan Facility	Fixed rate benchmark (6.1868%, September 20, 2025 to March 20, 2035)
₱4.0 billion Term Loan Facility	Fixed rate benchmark (6.2225%, July 14, 2025 to July 13, 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 Company's financial assets and financial liabilities that are exposed to cash flow and fair value interest rate risks.

	2025	
	Within 1 Year	Total
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	₱26,784,848	₱26,784,848

*Excludes cash on hand amounting to ₱7.9 million.

	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.

	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%			
	¥2,269,497	–	–	¥2,269,497	₱852,423
Current – local	1,790,516	–	–	–	1,790,516
Noncurrent – foreign	–	¥10,255,979	–	¥10,255,979	3,852,146
Noncurrent – local	–	₱86,062,555	–	–	86,062,555
					92,557,640
Service concession obligation payable to MWSS:					
Interest rate	5.88%				
Current – foreign	\$7,996	–	\$7,996	–	₱470,286
Current – local	₱1,002,570	–	–	–	1,002,570
Noncurrent – foreign	–	\$72,197	\$72,197	–	4,007,611
Noncurrent – local	–	₱4,254,846	–	–	2,915,097
					8,395,564
					₱100,953,204

The spot exchange rates used were ₱58.79:US\$1 and ₱0.3756:JPY1 as at December 31, 2025.



			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
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 Company’s foreign currency-denominated monetary assets and liabilities and the Philippine Peso equivalent of each as at December 31, 2025 and 2024 is presented as follows:

	2025		Total Peso Equivalent
	US Dollar	JPY	
Asset			
Cash and cash equivalents and restricted cash	\$1,676	¥10,793	₱102,586
Liabilities			
Interest-bearing loans	\$–	¥12,525,476	4,704,569
Service concession obligation payable to MWSS	\$76,168	–	4,477,898
	76,168	12,525,476	9,182,467
Net foreign currency denominated liabilities	(\$74,492)	(¥12,514,683)	(₱9,079,881)

The spot exchange rates used were ₱58.79:US\$1 and ₱0.3756:JPY1 as at December 31, 2025.



	December 31, 2024		Total Peso Equivalent
	US Dollar	JPY	
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.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as at December 31, 2025 and 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
December 31, 2025			
U.S. Dollar	+1%	58.79	(₱43,869)
JPY	-1%	.38	47,005
U.S. Dollar	-1%	58.79	43,869
JPY	+1%	.38	(47,005)
December 31, 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

The Group recognized net foreign exchange losses of ₱1.2 billion, ₱1.6 billion and ₱1.2 billion in 2025, 2024 and 2023, respectively, and mainly arising from the translation of the 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 Group trades 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 that 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 ₱210.6 million and ₱124.9 million as at December 31, 2025 and 2024, respectively (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):

	2025	2024
Cash and cash equivalents* (see Note 4)	₱26,784,848	₱10,515,179
Trade and other receivables – net (see Note 5)	3,121,557	2,722,872
Contract assets (see Note 14)	1,546,060	1,386,458
Deposits and restricted cash (see Note 6)	272,619	238,428
Deposits**	652,296	558,957
Total credit risk exposure	₱32,377,380	₱15,421,894

*Excludes cash on hand amounting to ₱7.9 million and ₱4.4 million as at December 31, 2025 and 2024, respectively.

**Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6.3 million as at December 31, 2025 and 2024, 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).

	2025				
	Stage 1	Stage 2	Stage 3	Lifetime ECL	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Simplified Approach	
High grade	₱27,057,467	₱-	₱654,443	₱4,761,666	₱32,473,576
Standard grade	1,444,505	26,602	120,423	2,480	1,594,010
Gross carrying amount	28,501,972	26,602	774,866	4,764,146	34,067,586
Loss allowance	(54,679)	-	-	(1,635,527)	(1,690,206)
Carrying amount	₱28,447,293	₱26,602	₱774,866	₱3,128,619	₱32,377,380

	2024				
	Stage 1	Stage 2	Stage 3	Lifetime ECL	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Simplified Approach	
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

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 December 31, 2025 and 2024, the table below summarizes the financial assets of the Group (amounts in thousands):

	2025				Total
	Days past due				
	Current	1 to 180 days	181-360 days	More than 360 days	
Expected credit loss rate	1.92%	4.81%-28.79%	33.12%-53.65%	54.84%-100%	
Estimated total gross carrying amount at default*	₱1,674,902	₱1,908,476	₱248,273	₱2,048,388	₱5,880,039
Expected credit loss	31,183	141,974	147,574	601,767	922,498
Credit-impaired receivables	—	—	—	767,708	767,708
Total	₱31,183	₱141,974	₱147,574	₱1,369,475	₱1,690,206

*Balances shown exclude other non-trade receivables and advances to officers and employees amounting to ₱477.8 million as at December 31, 2025.

	2024				Total
	Days past due				
	Current	1 to 180 days	181-360 days	More than 360 days	
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	555,370	807,020
Credit-impaired receivables	—	—	—	712,543	712,543
Total	₱28,641	₱145,553	₱77,456	₱1,267,913	₱1,519,563

*Balances shown exclude other non-trade receivables and advances to officers 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 ₱16.6 million and ₱34.3 million as at December 31, 2025 and 2024, respectively (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 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 Company's financial liabilities as at December 31, 2025 and 2024 based on contractual undiscounted payments.

	2025				Total
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	
Financial Assets					
Cash and Cash Equivalents*	₱3,145,149	₱23,639,699	₱–	₱–	₱26,784,848
Trade receivables:					
Customers	1,986,548	1,732,106	–	–	3,718,654
Bulk	152,388	128,905	–	–	281,293
Non-trade Receivables:					
Employees	–	30,174	–	–	30,174
Others	466,347	315,295	–	–	781,642
Contract Assets	–	1,546,060	–	–	1,546,060
Deposits**	–	–	578,465	73,831	652,296
Financial assets at FVOCI	210,583	–	–	–	210,583
Deposits and restricted cash			272,619		272,619
	5,961,015	27,392,239	851,084	73,831	34,278,169
Financial Liabilities					
Interest-bearing loans***	₱–	₱1,525,263	₱2,414,016	₱89,914,700	₱93,853,979
Trade and other payables****	912,055	5,911,784	11,044,760	8,445,448	26,314,047
Service concession obligation payable to MWSS	–	631,485	715,819	7,048,260	8,395,564
Customers' deposits	–	–	–	1,446,234	1,446,234
Lease liabilities*****	–	54,707	164,054	573,674	792,435
	912,055	8,123,239	14,338,649	107,428,316	130,802,259
Liquidity position (gap)	₱5,048,960	₱19,269,000	(₱13,487,565)	(₱107,354,485)	(₱96,524,090)



	2024				Total
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	
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
	5,843,116	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)	(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	–	–	–	(1,335,612)	(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	(₱14,400,832)	(₱14,400,832)	(₱154,655,574)	(₱149,264,091)

*Excludes cash on hand amounting to ₱7,911 and ₱4,362 as at December 31, 2025 and 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 ₱6,289 as at December 31, 2025 and 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.

	2025	2024
Interest-bearing loans and service concession obligation payable to MWSS (see Notes 10 and 11)	₱100,953,204	₱90,969,317
Trade and other payables (see Note 12)	29,035,755	24,157,077
Less cash and cash equivalents, deposits and restricted cash (see Notes 4 and 6)	(27,065,378)	(10,757,968)
Net debt (a)	102,923,581	104,368,426
Total equity	109,767,437	75,354,950
Total equity and net debt (b)	₱212,691,018	₱179,723,376
Gearing ratio (a/b)	48%	58%



For the purposes of monitoring debt ratio covenants, the Group computes using both interest-bearing debt and total liabilities. The Group 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 Company's financial assets and financial liabilities as at December 31, 2025 and 2024:

	2025			
	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	₱210,583	₱-	₱-	₱210,583
At amortized cost - Deposits (included under "Other noncurrent assets" account)	652,296	-	-	574,973
	₱862,879	₱	₱	₱785,556
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	₱92,557,639	₱-	₱-	₱97,628,758
Service concession obligation payable to MWSS	8,395,564	-	-	8,831,247
Customers' deposits	1,446,234	-	-	390,352
Lease liabilities	717,079	-	-	706,933
	₱103,116,516	₱-	₱-	₱107,557,290
	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 measured using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.



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, 2025 and 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:

	2025	2024
Deposits	5.04%-6.41%	6.09%-6.18%
Interest bearing loans	1.82%-6.13%	5.87%-6.11%
Service concession obligation payable to MWSS	2.5%-8.89%	2.5%-8.53%
Customers' deposits	6.41%	6.09%
Lease liabilities	4.77%-6.01%	5.71%-6.18%

26. Supplemental Disclosure of Cash Flow Information

- a. The noncash operating activities relating to service concession asset amounting to nil and ₱146.9 million and ₱713.5 million in 2025, 2024, and 2023 respectively, pertain to MWSS loan drawdowns for Bigte-Novaliches Aqueduct No. 7 (BNAQ7) and Kaliwa Dam Project. Borrowing costs capitalized as part of service concession assets amounting to ₱4,295.9 million, ₱3,028.6 million and ₱1,356.6 million in 2025, 2024, and 2023 respectively (see Note 7).
- b. Noncash operating activities pertaining to application of mobilization fund to service concession assets amounting to ₱4,076.5 million and nil in 2025 and 2024, respectively. In 2025, there was an additional service concession asset of ₱1,591.7 million due to the extension of the Revised Concession Agreement.

27. Changes in Liabilities Arising from Financing Activities

	January 1, 2025	Cash Flows	Foreign Exchange Movement	Other*	December 31, 2025
Short-term and current portion of interest-bearing loans (Note 11)	₱4,186,065	(₱4,222,127)	₱-	₱2,679,000	₱2,642,938
Noncurrent portion of interest-bearing loans and bonds (Note 11)	79,461,471	12,902,332	(141,275)	(2,307,825)	89,914,703
Current portion of service concession obligation payable to MWSS (Note 10)	1,027,255	(932,166)	(89,366)	1,467,134	1,472,857
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	6,294,526	-	54,343	573,838	6,922,707
Interest payable	1,051,763	(5,066,874)	(439,145)	5,750,595	1,296,339
Lease liabilities (Notes 2 and 22)	372,787	(189,879)	-	534,171	717,079
Dividends payable (Note 13)	3,642	(6,399,665)	-	6,400,000	3,977
Total liabilities from financing activities	₱92,397,509	(₱3,908,379)	(₱615,443)	₱15,096,910	₱102,970,600

*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 considers its concession agreement operating in West Zone Service Area of Metro Manila and Province of Cavite as one geographical location

29. Events After the Reporting Period

On February 23, 2026, during the regular meeting of the BOD, Maynilad set and approved the declaration of cash dividends amounting to ₱8.44 billion (₱1.14 per common share) to all shareholders of record as at March 9, 2026. Payments will be made not later than March 18, 2026.



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Maynilad Water Services Inc. (the Company) as at and for the year then ended December 31, 2025, on which we have rendered the attached report dated February 23, 2026.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has twenty-one (21) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.



Meynard A. Bonoen

Partner

CPA Certificate No. 0110259

Tax Identification No. 301-105-435

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 110259-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765021, January 2, 2026, Makati City

February 23, 2026



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services, Inc. and Subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 23, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Meynard A. Bonoen
Partner

CPA Certificate No. 0110259

Tax Identification No. 301-105-435

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 110259-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765021, January 2, 2026, Makati City

February 23, 2026



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services, Inc. and Subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 23, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2025 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Meynard A. Bonoan
Partner

CPA Certificate No. 0110259

Tax Identification No. 301-105-435

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 110259-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-154-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765021, January 2, 2026, Makati City

February 23, 2026



MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES

(A Subsidiary of Maynilad Water Holding Company, Inc.)

INDEX TO THE SUPPLEMENTARY SCHEDULES

December 31, 2025

(Amounts in Thousands)

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- c. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (Schedule C)
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2. Additional Components

- Supplementary Schedule of Financial Soundness Indicators
- Map of Relationship of the Companies Within the Group

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

SUPPLEMENTARY SCHEDULE ON BLUE BONDS

As Required by Revised Securities Regulation Code Rule 68, Annex 68-I
December 31, 2025

On July 12, 2024, the Parent Company issued its Blue Bonds 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 bonds are payable on a quarterly basis.

i. Proceeds as disclosed in final prospectus

1. Gross	₱15,000,000,000
2. Net	₱14,819,864,845

ii. Actual Proceeds

1. Gross	₱15,000,000,000
2. Net	₱14,814,323,474

iii. Expenditure item where the proceeds were used

The year-to-date expenditures were used in water and wastewater projects.

iv. Balance of the proceeds as of December 31, 2025

I. Proceeds	
Net proceeds	₱14,814,323,474
II. Utilization:	
Water projects	4,877,888,061
Wastewater projects	4,888,232,300
Balance as of December 31, 2025	₱5,048,203,113

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

SUPPLEMENTARY SCHEDULE ON SECURITIES OFFERING
As Required by Revised Securities Regulation Code Rule 68, Annex 68-I
December 31, 2025

On November 7, 2025, the Parent company conducted an Initial Public Offering (IPO), offering up to 1,660.3 million common shares in a primary offer and up to 24.9 million primary common shares in a preferential offer. Additionally, there was an overallotment option of up to 249.0 million primary common shares, with a potential upside option of up to 354.7 million secondary common shares, all priced at ₱15.00 per share, intended for listing and trading on the Main Board of The Philippine Stock Exchange, Inc.

i. Gross and net Proceeds as disclosed in the final Prospectus

	Gross Proceeds	Net Proceeds
Sale of the Firm Shares and the Reserved Shares	₱25,278,300,000	₱24,318,700,00
Sale of the Upsize Option Shares	5,320,600,000	5,147,500,000
Sale of the Overallotment Option Shares	3,735,700,000	3,639,800,000

ii. Actual gross and net proceeds

Proceeds as of December 31, 2025	
IPO Gross Proceeds	₱29,004,317,032
Less: Offer Expenses	(1,544,478,337)
IPO Net Proceeds	₱27,459,838,695

iii. Each expenditure item where the proceeds were used

The year-to-date expenditures were used in water and wastewater projects.

Required Capital Expenditure:

Water CAPEX	₱1,372,238,561
Wastewater CAPEX	354,458,636
Customer Service and Information Technology CAPEX	203,575,394
Subtotal	1,930,272,591
General Corporate Purposes	584,241,562
Total Disbursements	₱2,514,514,153

iv. Balance of the proceeds as of end of reporting period

Unutilized Proceeds as of December 31, 2025	
IPO Net Proceeds	₱27,459,838,695
Less: Total Disbursements	(2,514,514,153)
IPO Net Proceeds	₱24,945,324,542

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES*(A Subsidiary of Maynilad Water Holding Company, Inc.)***Supplementary Schedules Required by Revised Securities Regulation Code Rule 68, Annex 68-J****December 31, 2025****Schedule A. Financial Assets**

Name of issuing entity and association of each issue	Amount shown in the statements of financial position	Income received and accrued
Cash and cash equivalents		
Total cash on hand and in banks	₱3,153,060	₱–
Total cash equivalents	23,639,699	(306,500)
	₱26,792,759	(₱306,500)

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

Name and designation	Balance as at January 1, 2025	Additions	Deductions		Current	Noncurrent	Balance as at December 31, 2025
			Amount collected	Amount written off			

Not Applicable

Schedule C. Amounts of Receivables from Related Parties which are Eliminated during Consolidation of Financial Statements

Name and designation	Balance as at January 1, 2025	Additions	Deductions		Current	Noncurrent	Balance as at December 31, 2025
			Amount collected	Amount written off			
Philippine Hydro pH, Inc.	₱475,496	₱117,099	(₱95)	₱–	₱592,500	₱–	₱592,500
Amayi Water Solutions, Inc.	239,206	18,044	(404)	–	256,846	–	256,846
	₱714,702	₱135,143	(₱499)	₱–	₱849,346	₱–	₱849,346

Schedule D. Long-Term Debt

Title of issue and type of obligation	Interest Rates	Principal Amount (in Original Currency)	Maturity	Interest Periodic Payments	Principal Periodic Payments	Current Portion of Long-term debt (in PHP)	Noncurrent Portion of Long-term debt (in PHP)	Total Long-term debt (in PHP)
18.5 billion Corporate Notes								
<i>1st drawdown Fixed Corporate Notes – 7Y</i>	6.7028%		March 23, 2025					
<i>1st drawdown Fixed Corporate Notes – 10Y</i>	6.8911%		March 23, 2028					
<i>1st drawdown Fixed Corporate Notes – 15Y</i>	6.5569%		March 23, 2033					
<i>2nd drawdown Fixed Corporate Notes – 7Y</i>	6.8337%	Php18,500,00	March 23, 2025	Semi-annual	Semi-annual	Php123,210	Php 15,602,715	Php 15,725,925
<i>2nd drawdown Fixed Corporate Notes – 10Y</i>	6.9072%		March 23, 2028					
<i>2nd drawdown Fixed Corporate Notes – 15Y</i>	6.6144%		March 23, 2033					
15.0 billion Blue Bonds	Series A – 6.07092%	9,000.00	July 12, 2029	Quarterly	Quarterly	–	9,000,000	9,000,000
	Series B – 7.0931%	6,000.00	July 12, 2034	Quarterly	Quarterly	–	6,000,000	6,000,000
10.0 billion Term Loan Facility (MBTC)	6.4959%	10,000,000	May 11, 2033	Semi-annual	Semi-annual (Starting September 25 2025)	125,000	9,812,500	9,937,500
10.0 billion Term Loan Facility (BPI)	1 st Draw – 6.4059%	10,000,000	March 24, 2034	Semi-annual	Semi-annual (Starting November 11 2024)	125,000	9,687,500	9,812,500
	2 nd Draw – 7.0006%	10,000,000	July 12, 2034	Semi-annual	Semi-annual (Starting May 17 2024)	75,000	5,775,000	5,850,000
6.0 billion Term Loan Facility (BDO)	7.2297%	6,000,000	August 12, 2037	Semi-annual	Semi-annual (Starting May 17 2024)	300,000	4,800,000	5,100,000
6.0 billion Term Loan Facility (LBP)	5.4992%	6,000,000	November 17, 2032	Semi-annual	Semi-annual (Starting June 14, 2024)	62,500	4,875,000	4,937,500
5.0 billion Term Loan Facility (LBP)	6.5963%	5,000,000	December 14, 2033	Semi-annual	Semi-annual (Starting October 10, 2022)	456,791	3,654,330	4,111,121
¥13.1 billion Facility Loan (JICA)	0.900%	¥13,049,000	October 10, 2034	Semi-annual	Semi-annual (Starting May 10, 2024)	50,000	3,850,000	3,900,000
₱4.0 billion Term Loan Facility (LBP)	7.0036%	₱4,000,000	November 10, 2032	Semi-annual				

Title of issue and type of obligation	Interest Rates	Principal Amount (in Original Currency)	Maturity	Interest Periodic Payments	Principal Periodic Payments	Current Portion of Long-term debt (in PHP)	Noncurrent Portion of Long-term debt (in PHP)	Total Long-term debt (in PHP)
₱4.8 billion Corporate Notes (DBP)	6.00%	₱4,770,000	March 24, 2035	Semi-annual	Semi-annual (Starting September 24, 2020)	318,000	2,703,000	3,021,000
₱5.0 billion Term Loan Facility (BDO)	5.00%	₱5,000,000	November 29, 2039	Semi-annual	Semi-annual (Starting May 29, 2021)	555,556	1,666,666	2,222,222
₱7.9 billion Facility Loan (JCB) 1 st drawdown Mizuho Bank, Ltd. 1 st drawdown MUFG Bank	1.2200%	₱7,900,000	June 7, 2027	Semi-annual	Semi-annual (Starting June 7, 2020)	395,632	197,816	593,448
2 nd drawdown Mizuho Bank, Ltd. 2 nd drawdown MUFG Bank 2 nd drawdown Sumimoto Banking Corp.								
2.5 billion Peso-denominated Bank Loan (BPI)	6.2528%	₱2,500,000	March 12, 2035	Semi-annual	Semi-annual (Starting September 15, 2025)	15,625	2,484,375	2,500,000
2.5 billion Peso-denominated Bank Loan (LBP)	6.2279%	₱2,500,000	March 20, 2035	Semi-annual	Semi-annual (Starting September 20, 2025)	15,625	2,484,375	2,500,000
Peso-denominated Bank Loan (BPI)	6.2225%	₱4,000,000	July 13, 2035	Semi-annual	Semi-annual (Starting January 14, 2027)	25,000	3,975,000	4,000,000
Peso-denominated Bank Loan (LBP)	6.1868%	₱4,000,000	March 20, 2035	Semi-annual	Semi-annual (Starting September 15, 2025)	–	4,000,000	4,000,000
						₱2,642,939	₱90,568,277	₱93,211,216

Schedule E. Indebtedness to Related Parties

Name of related party	Balance at January 1, 2025	Balance at December 31, 2025
Not Applicable		

Schedule F. Guarantees of Securities and Other Issuers

Name of issuing entity of Securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which the statement is filed	Nature of guarantee
Not Applicable				

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock Maynilad Water Services, Inc.	9,093,964,000	7,402,603,600	215,393,700	321,083,011	4,495,200	-
Philippine Hydro (pH), Inc.	2,500,000	2,500,000	-	-	5	-
Amayi Water Solutions, Inc.	500,000	31,250	-	-	5	-

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

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEES
For the Years Ended December 31, 2025

	2025	2024
Total Audit Fees		
December 31, 2025 Audit	₱11,450,000	₱12,150,000
March 31, 2025 Audit	7,300,000	-
June 30, 2025 Audit	8,000,000	
September 30, 2024 Audit	-	10,000,000
Total Audit Fees	₱26,750,000	22,150,000
Non-Audit service fees		
Agreed - Upon Procedures – Comfort Letter	25,900,000	695,000
Tax Services	8,718,032	3,100,000
All other services	1,697,931	5,000,000
Total Non-Audit Fees	36,315,963	8,795,000
Total Audit and Non-Audit Fees	₱63,065,963	₱30,945,000

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

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
As at December 31, 2025

Ratio	Formula	2025	2024
Current Ratio	Total Current Assets divided by Total Current Liabilities <div style="display: flex; justify-content: space-between;"> Total Current Assets 33,695,948 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Total Current Liabilities 34,062,588 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> Current Ratio 0.99 </div>	0.99	0.56
Asset-to-Equity Ratio	Total Assets divided by Total Equity <div style="display: flex; justify-content: space-between;"> Total Assets 247,360,255 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Total Equity 109,767,437 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> Asset-to-Equity Ratio 2.25 </div>	2.25	2.63
Debt-to-Equity Ratio	Total Debt divided by Total Equity <div style="display: flex; justify-content: space-between;"> Total Debt 137,592,820 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Total Equity 109,767,437 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> Debt-to-Equity Ratio 1.25 </div>	1.25	1.63
Return on Equity	Net Income divided by Average Total Equity <div style="display: flex; justify-content: space-between;"> Net Income 15,219,265 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Average Total Equity 92,561,194 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> Return on Equity 0.16 </div>	0.16	0.18
Return on Assets	Net Income divided by Average Total Assets <div style="display: flex; justify-content: space-between;"> Net Income 15,219,265 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Average Total Assets 222,765,435 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> Return on Assets 0.07 </div>	0.07	0.07
EBITDA Margin	Earnings Before Interest, Tax and Depreciation and Amortization divided by Total Revenue <div style="display: flex; justify-content: space-between;"> Earnings Before Interest, Tax and Depreciation and Amortization 25,293,005 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Total Revenue 36,645,124 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> EBITDA Margin 0.69 </div>	0.69	0.66
Net Profit Margin	Net Income divided by Total Revenue <div style="display: flex; justify-content: space-between;"> Net Income 15,219,265 </div> <div style="display: flex; justify-content: space-between;"> Divided by: Total Revenue 36,645,124 </div> <hr style="width: 50%; margin-left: 0;"/> <div style="display: flex; justify-content: space-between;"> Net Profit Margin 0.42 </div>	0.42	0.38

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

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2025

