SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement

   [ ] Definitive Information Statement

2.	Name of Registrant as specified in its charter	:	**MAYNILAD WATER SERVICES, INC. (formerly, BENPRES-LYONNAISE WATERWORKS, INC.) ("Maynilad" or the "Corporation")**
3.	Province, country or other jurisdiction of incorporation or organization	:	**Philippines**
4.	SEC Identification Number	:	**A1996-11651**
5.	BIR Tax Identification Number	:	**005-393-442-000**
6.	Address of Principal Office	:	**Maynilad Building, MWSS Complex, Katipunan Ave., Pansol, Quezon City**
	Postal Code	:	**1119**
7.	Registrant's telephone number, including area code	:	**(632) 8920 5485**
8.	Date, time and place of the meeting of security holders	:	**<u>Date</u>: 21 May 2025, Wednesday** **<u>Time</u>: 3:00 PM** **<u>Place</u>: Core Values Room, Basement, Maynilad Building, MWSS Complex, Katipunan Ave., Pansol, Quezon City**
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	:	**29 April 2025**
10.	*<u>In case of Proxy Solicitations:</u>* *Name of Person Filing the Statement/Solicitor:*	:	**Proxies will NOT be solicited**
	Address and Telephone No.	:	**Not applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [ ] No [✓]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

Not applicable

MAYNILAD WATER SERVICES, INC.

NOTICE OF ANNUAL MEETING OF THE STOCKHOLDERS OF MAYNILAD WATER SERVICES, INC.

Notice is hereby given that the annual meeting of the stockholders of Maynilad Water Services, Inc. (the "Corporation" or "Maynilad") will be held on 21 May 2025, Wednesday, 3:00 p.m., at the Core Values Room, Basement, Maynilad Building, MWSS Complex, Katipunan Ave., Pansol, Quezon City.

The Agenda for the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the minutes of the meeting of the stockholders held on 12 December 2024
4. President's Report
5. Election of Directors
6. Appointment of External Auditor
7. Ratification of all acts and proceedings of the Board of Directors and Management from the date following the last annual stockholders' meeting
8. Other Matters
9. Adjournment

For the election of directors, a stockholder entitled to vote: (i) may vote such number of shares owned by it for as many persons as there are directors to be elected; or (ii) may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of their shares; or (iii) may distribute them on the same principle among as many candidates as may be seen fit.

Stockholders who are unable to attend the meeting in person may execute a proxy substantially in any of the forms (at the stockholders' election) attached in the Information Statement uploaded on the Corporation's website designating the full name of the authorized representative or proxy, and forward the same to the undersigned on or before the date and time of the said meeting, at the following postal address, email address, or fax numbers; provided, however, that if sent by email or fax, the original must follow as soon as reasonably practicable but at least one (1) business day prior to the meeting:

Postal Address

Liberty Center – Picazo Law
104 H.V. dela Costa St., Salcedo Village
1227 Makati City, Metro Manila
Attention: Atty. Alex Erlito S. Fider

Email Address/Fax Number

Email: esfider@picazolaw.com
kccaro@picazolaw.com
Fax No.: (632) 888-1012 / (632) 844-6169
Attention: Atty. Alex Erlito S. Fider

For corporate stockholders, the executed proxy must be accompanied by a certificate from the Corporate Secretary of the corporate stockholder quoting the board approval or resolution authorizing the execution of the proxy and the person executing the proxy to execute the said proxy on behalf of such corporate stockholder.

Thank you.

ALEX ERLITO S. FIDER
Corporate Secretary

FORM OF PROXY

The undersigned stockholder (the "Stockholder") of MAYNILAD WATER SERVICES, INC. (the "Corporation") does hereby designate, name and appoint:

____

Printed Full Name of Proxy

[Instruction: Choose only one of A or B below and delete the other.]

A - [as the attorney and proxy of the Stockholder (the "Proxy"), to represent the Stockholder and to vote all shares in the name of the Stockholder in the books of the Corporation at the annual meeting of the stockholders of the Corporation to be held on 21 May 2025, and at any adjournment thereof, as fully to all intents and purposes as the Stockholder might or could lawfully do if present and acting in person, hereby ratifying and confirming any and all matters which may properly come before the said meeting or any adjournment thereof. In case of non-attendance of the Proxy at the said meeting or any adjournment thereof, the Stockholder authorizes the Chairman of the meeting to fully exercise all rights as attorney and proxy of the Stockholder at the said meeting or any adjournment thereof.]

or

B - [as the attorney and proxy of the Stockholder (the "Proxy"), to represent the Stockholder and to vote all shares in the name of the Stockholder in the books of the Corporation at any and all regular and special meeting of the stockholders of the Corporation to be held on and at any adjournment thereof, as fully to all intents and purposes as the Stockholder might or could lawfully do if present and acting in person, hereby ratifying and confirming any and all matters which may properly come before any meeting or any adjournment thereof. In case of non-attendance of the Proxy at any meeting or any adjournment thereof, the Stockholder authorizes the Chairman of the meeting to fully exercise all rights as attorney and proxy of the Stockholder at the said meeting or any adjournment thereof.

This proxy shall continue until such time as the same is withdrawn by the Stockholder through notice in writing delivered to the Secretary of the Corporation, but in no case shall its validity exceed five (5) years from the date hereof.]

Name of Stockholder : ________________________
Signature : ________________________
Date : ________________________

For Corporate Stockholders*

Name of Signatory : ________________________
Designation : ________________________

**(Proxy must be accompanied by a certificate from the Secretary of the corporate stockholder quoting the board approval or resolution authorizing the execution of the proxy and the person executing the proxy to execute the said proxy on behalf of the corporate stockholder.)*

AGENDA DETAILS AND RATIONALE[1]

1. Call to Order

The Chairman of the Board of Directors, Mr. Manuel V. Pangilinan, will call the meeting to order. In the absence of the Chairman, the meeting will be presided by the Vice Chairman (Mr. Isidro A. Consunji), or in the absence of both the Chairman and the Vice Chairman, by the President (Mr. Ramoncito S. Fernandez), or if none of the foregoing is present, by a chairman to be chosen by the stockholders.

2. Certification of Notice and Quorum

The Corporate Secretary, Atty. Alex Erlito S. Fider, will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation and will certify the number of shares represented in the meeting for the purpose of determining the existence of a quorum to validly transact business.

The following are the rules and procedures for the conduct of the meeting:

Manner of Voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he/she may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he/she may distribute them in the same principle among as many candidates as he/she shall see fit.

Vote Required

With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

With respect to the approval of the minutes of the annual stockholders' meeting held on 12 December 2024, the approval of the President's Report, reappointment of external auditors, and the approval or ratification of the other actions set forth above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the annual meeting of the stockholders.

All votes received shall be tabulated by the Corporate Secretary. The Corporate Secretary shall report the partial results of the voting during the meeting. The actual voting results shall be reflected in the minutes of the meeting.

3. Approval of the minutes of the last stockholders' meeting held on 12 December 2024

The minutes of the last Annual Meeting of Stockholders held on 12 December 2024 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code.

[1] Annex to Notice of Meeting for 2025 Annual Stockholder's Meeting.

4. Presentation and Adoption of the President's Report

The President's Report will be presented for the information, understanding, and approval of the stockholders. The President's Report will provide context and details on the financial performance and results of operations of the Corporation. This report and presentation are in line with the Corporation's thrust to observe and abide by the best corporate governance practices. It will allow stockholders to understand the financial condition of the Corporation and they will be given the opportunity to propound questions to management on matters relating to the performance of the Corporation.

The comments and feedback from the stockholders and their approval or disapproval of the President's Report will provide guidance to the Board of Directors in the management of the business of the Corporation.

5. Election of Directors (including the Independent Directors) of the Corporation for the ensuing year

The Corporate Secretary will present the names of the persons who have qualified and have been duly nominated for election as directors and independent directors of the Corporation, consistent with the Corporation's By-Laws and Manual on Corporate Governance and other applicable laws and regulations.

The election of the members of the Board of Directors allows the stockholders to directly participate in the selection of the individuals who will serve in the Board of Directors, which exercises the corporate powers of the Corporation.

The procedure for voting, including cumulative voting, is provided in this Information Statement.

6. Appointment of the external auditor of the Corporation for the ensuing year

The approval of the stockholders of the Corporation is being sought for the appointment of SyCip Gorres Velayo & Co. ("**SGV & Co.**") as the external auditor of the Corporation.

7. Ratification of acts of the Board and Management

The ratification by the stockholders of all acts and proceedings of the Board of Directors and Management from the date following the last annual stockholders' meeting held on 12 December 2024 will be sought during the Meeting.

8. Other business that may properly be brought before the meeting

Stockholders may be requested to consider such other issues/matters as may be raised throughout the course of the meeting.

9. Adjournment

After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time, and Place of Meeting of Security Holders

The annual meeting of the stockholders (the "**Meeting**") of Maynilad Water Services, Inc. ("**Maynilad**" or the "**Corporation**") will be held on **Wednesday, 21 May 2025, at 3:00 p.m.**

The Meeting will be conducted at the principal place of business of the Corporation, specifically, at the Core Values Room, Basement, Maynilad Building, MWSS Complex, Katipunan Ave., Pansol, Quezon City.

The mailing address of the Corporation is at the Maynilad Building, MWSS Complex, Katipunan Ave., Pansol, Quezon City.

This Information Statement will be first sent or given to security holders (by posting on the Corporation's website) on or around **29 April 2025**.

Item 2. Dissenters' Right of Appraisal

Under Sections 41 and 80 of the Revised Corporation Code, the following are the instances when a stockholder may exercise the appraisal right:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Corporation;

3. In case of merger or consolidation; and

4. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

In order that a dissenting stockholder may exercise his/her appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the meeting. Within thirty (30) days after the date of the meeting at which such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Corporation for the fair value of the shares held by such dissenting stockholder. If the proposed corporate action is implemented, the Corporation shall pay the dissenting stockholder upon surrendering the certificates of stock representing his/her shares, the fair value of said shares on the day prior to the date on which the vote was taken. If the dissenting stockholder and the Corporation cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be done by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Corporation and a third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Corporation within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of the Revised Corporation Code.

There are no matters or proposed actions which will give rise to a possible exercise by the stockholders of their appraisal right as provided in the Revised Corporation Code and summarized above.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the current officers or directors of the Corporation, and/or nominees for election as director of the Corporation, or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than in the election to the Corporation's Board of Directors (the "**Board**" or the "**Board of Directors**").

Furthermore, no director has informed the Corporation, in writing or otherwise, that he/she intends to oppose any action to be taken at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

<u>Item 4. Voting Securities and Principal Holders Thereof</u>

As of 31 March 2025, the number of shares outstanding of the Corporation is 5,612,627,500 shares with par value of One Peso (₱1.00) per share.

All stockholders of record at the close of business hours on 2 May 2025 (the "**Record Date**") are entitled to notice and to vote at the Annual Stockholders' Meeting.

A stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his/her name in the stock and transfer book of the Corporation as of the Record Date. With respect to the election of directors, said stockholder may vote such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit, provided, that the total number of votes that he/she casts shall not exceed the number of shares that he/she owns, multiplied by the whole number of directors to be elected.

As of 31 March 2025, Maynilad has 424 registered holders of common shares. The following are the Corporation's common stockholders and their corresponding number of shares held as of 31 March 2025:

Rank	Name of stockholder	Nature of shares	Number of shares	Percentage to Total Outstanding Common Shares
1	Maynilad Water Holding Company, Inc. ("**MWHCI**")	Common	5,298,510,289	94.40%
2	Metro Pacific Investments Corporation ("**MPIC**")	Common	296,178,211	5.28%
3	Ramoncito S. Fernandez	Common	1,316,000	0.02%
4	Lourdes Marivic K. Punzalan-Espiritu	Common	816,000	0.01%
5	Christopher Jaime T. Lichauco	Common	745,000	0.01%
6	Francisco C. Castillo	Common	717,000	0.01%
7	Metropolitan Bank and Trust Company	Common	524,000	0.01%
8	Ricardo F. De Los Reyes	Common	440,000	0.01%
9	Nancy D. Espenilla	Common	253,000	Nil
10	Roel S. Espiritu	Common	241,000	Nil
11	Marie Antonette H. De Ocampo	Common	234,000	Nil
12	Rodora N. Gamboa	Common	226,000	Nil
13	Martin Inocencio B. De Guzman	Common	224,000	Nil
14	Apollo C. Tiglao	Common	219,000	Nil
15	Ryan B. Jamora	Common	196,000	Nil
16	Enrique G. De Guzman	Common	172,000	Nil
17	Enrico Roy A. Lopez	Common	167,000	Nil
18	Marie Angelique L. Estrella	Common	164,000	Nil
19	Edgardo S. Dimapilis	Common	159,000	Nil
20	Enrique M. Eguia	Common	148,000	Nil
	Others (404)	Common	10,978,000	0.20%

TOTAL ISSUED AND OUTSTANDING (COMMON)		5,612,627,500	100.00%

Security Ownership of Certain Record and Beneficial Owners of more than 5%

The following table shows the record and beneficial owners of at least 5% of the Corporation's shares as of 31 March 2025:

Title of Class of Securities	Name	Address of Record Owner and Relationship with Corporation	Name of Beneficial Owner/ Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common Shares	MWHCI[2]	Unit 9-2, 9th Floor, Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig City	MPIC DMCI Holdings, Inc. ("**DMCI**") MCNK JV Corporation ("**Marubeni**") (MPIC, DMCI, and Marubeni are major stockholders of MWHCI)	Filipino	5,298,510,289 Common	94.40%
Common Shares	MPIC[3]	10th Floor, MGO Building, Legaspi cor. Dela Rosa Streets, Legaspi Village, Makati City	MPIC	Filipino	296,178,211 Common	5.28%

Security Ownership of Directors and Management

The following table shows the shareholdings beneficially held by the directors and corporate officers of the Corporation as of 31 March 2025.

Name of Owners	Position	Nature of Shares Owned		Citizenship	Percentage of Ownership
		Classification	No. of Shares Owned		
Ramoncito S. Fernandez	Director; President / CEO	Common	1,316,000	Filipino	0.02%
Lourdes Marivic K. Punzalan-Espiritu	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel /	Common	816,000	Filipino	0.01%

[2] MWHCI has yet to issue proxies for the upcoming Meeting. MWHCI's proxy in the last Annual Stockholders' Meeting (12 December 2024) was Mr. Randolph T. Estrellado or, in his absence, Mr. Ramoncito S. Fernandez.
[3] MPIC has yet to issue proxies for the upcoming Meeting. MPIC's proxy in the last Annual Stockholders' Meeting (12 December 2024) was Mr. Jose Ma. K. Lim or, in his absence, Ramoncito S. Fernandez or, in his absence, Mr. Randolph T. Estrellado.

Name of Owners	Position	Nature of Shares Owned		Citizenship	Percentage of Ownership
		Classification	No. of Shares Owned		
	Compliance Officer				
Ricardo F. de los Reyes	Treasurer / Chief Finance Officer	Common	440,000	Filipino	0.01%
Manuel V. Pangilinan	Director; Chairman	Common	1,000	Filipino	NIL
Jose Ma. K. Lim	Director	Common	1,000	Filipino	NIL
June Cheryl A. Cabal-Revilla	Director	Common	1,000	Filipino	NIL
Randolph T. Estrellado	Director; COO	Common	1,000	Filipino	NIL
Joseph Ian G. Gendrano	Director	Common	1,000	Filipino	NIL
Ricardo M. Pilares III	Director	Common	1,000	Filipino	NIL
Isidro A. Consunji	Director	Common	1,000	Filipino	NIL
Jorge A. Consunji	Director	Common	1,000	Filipino	NIL
Herbert M. Consunji	Director	Common	1,000	Filipino	NIL
Kazuaki Shibuya	Director	Common	1,000	Japanese	NIL
Nagahito Miyoshi	Director	Common	1,000	Japanese	NIL
Fortunato T. de la Peña	Director	Common	1,000	Filipino	NIL
Gil S. Jacinto	Director	Common	1,000	Filipino	NIL
Ma. Assunta C. Cuyegkeng	Director	Common	1,000	Filipino	NIL

Voting Trust Holders of 5% or More

No person holds, under a voting trust or similar agreement, more than 5% of Maynilad's voting securities.

Change in Control

The Corporation is not aware of any arrangements which may result in a change of control of the Corporation.

Item 5. Directors and Executive Officers

The Corporation currently has fifteen (15) directors. Among the fifteen (15) directors are three (3) independent directors in compliance with Republic Act No. 11600 ("**RA 11600**"), the Corporation's legislative franchise. RA 11600 requires the Corporation's Board to have independent directors constituting at least 20% of its total membership. It also requires the independent directors to have at least three (3) years of management or supervisory experience in the professional fields of water security, water science policy and management, environmental science or any similar field.

The following served as directors of the Corporation for the year 2024, and have been nominated as directors of the Corporation for the year 2025:

Name	Position	Age	Nationality	Years in Position
Manuel V. Pangilinan	Chairman	78	Filipino	2007 – Present
Isidro A. Consunji	Vice Chairman	76	Filipino	2007 – Present

Name	Position	Age	Nationality	Years in Position
Jose Ma. K. Lim	Director	72	Filipino	2007 – Present
Jorge A. Consunji	Director	73	Filipino	2007 – Present
Herbert M. Consunji	Director	72	Filipino	2023 – Present
June Cheryl A. Cabal-Revilla	Director	51	Filipino	2022 – Present
Joseph Ian G. Gendrano	Director	48	Filipino	2023 – Present
Ricardo M. Pilares III	Director	43	Filipino	2023 – Present
Ramoncito S. Fernandez	Director / President / CEO	68	Filipino	2016 – Present
Randolph T. Estrellado	Director / COO	59	Filipino	2007 – Present; COO – 2016 – Present
Kazuaki Shibuya	Director	53	Japanese	2022 – Present
Nagahito Miyoshi	Director	51	Japanese	2023 – Present
Fortunato T. de la Peña	Independent Director	75	Filipino	2023 – Present
Gil S. Jacinto	Independent Director	69	Filipino	2023 – Present
Ma. Assunta C. Cuyegkeng	Independent Director	68	Filipino	2023 – Present

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

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

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

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

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

Mr. Isidro A. Consunji has been Vice Chairman of Maynilad since January 2007. Presently, he is the Chairman and President of DMCI. He also serves as a member of the Board of Directors of Semirara Mining and Power Corp., Atlas Consolidated Mining and Development Corp., D.M. Consunji, Inc., DMCI Project Developers Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Power Corp., Sem-Calaca Power Corp., Sem-Cal Industrial Park Developers, Inc., Southwest Luzon Power Generation Corp., Sem-Calaca Res Corp., Semirara Claystone, Inc., and Wire Rope Corp. of the Philippines.

Mr. Consunji graduated from the University of the Philippines where he earned a Bachelor of Science in Civil Engineering degree. He also took up Master of Business Economics from the Center for

Research and Communication (now University of Asia and the Pacific) and Master of Business Management from the Asian Institute of Management. He took up an Advanced Management Program at IESE School in Barcelona, Spain.

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

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

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

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

Mr. Lim currently acts as a Director in the following MPIC subsidiary and affiliate companies: Beacon Electric Asset Holdings Incorporated, Meralco, Metro Pacific Tollways Corporation, MNTC, Tollways Management Corporation, Light Rail Manila Corporation, AF Payments Inc., MetroPac Water Investments Incorporated, Indra Philippines, Medical Doctors Incorporated, Colinas Verdes Hospital Managers Corporation, and East Manila Managers Corporation. He is also the Chairman of Asian Hospital Incorporated, Davao Doctors Hospital (Clinica Hilario) Incorporated, and Riverside Medical Center Incorporated. He is also the President of the Metro Strategic Infrastructure Holdings Incorporated.

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

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

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

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

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

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

He was Governor and Treasurer of the Management Association of the Philippines in 2017, and became the President of the same association in 2018. He is a Board Trustee of the Shareholders Association of the Philippines (SharePHIL) since 2013, Chairman of the same association from 2020 to 2022, and currently the Chairman of the Ways and Means Committee of SharePHIL. He was President of the Packaging Institute of the Philippines from 1998 to 1999, and President of the Association of Flexible

Packaging Manufacturers from 1999 to 2000. He was also a member of the Board of Directors of the Philippine Constructors Association from 2010 to 2011. He is also a Board Trustee of First Pacific Leadership Academy, Vice-Chairperson for External Affairs of Parish Pastoral Council for Responsible Voting (PPCRV), Fellow of the Institute of Corporate Directors, Associate of the Philippine Institute of Industrial Engineers, Inc. and ASEAN Engineering Register, and recently re-elected as Board Member of the Asia Water Council for 2023-2026.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Atty. Ricardo M. Pilares III joined the Maynilad Board of Directors in April 2023. He is also Vice President for Legal at MPIC. As the Corporation's Chief Legal Officer, Mr. Pilares takes the lead legal role in various projects of MPIC, including PPP Projects as well as major M&A projects. He also serves as Compliance Officer, Corporate Governance Officer and Corporate Secretary of MPIC. Mr. Pilares also acts as legal counsel and corporate secretary of MPIC's various subsidiaries and affiliates. He is a member of the faculty of Ateneo Law School, teaching Statutory Construction and Conflict of Laws.

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

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

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

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

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

Mr. Gil S. Jacinto joined the Maynilad Board of Directors in April 2023. He also served as Assistant Vice President for Academic Affairs (Internationalization), and as Director for Office of International Linkages in the University of the Philippines System (2017 to 2020). For 23 years, Mr. Jacinto served as a Professor in the University of the Philippines Diliman Marine Science Institute (1997- 2020). Among his civic affiliations are UNESCO National Commission-UN Decade of Ocean Science for Sustainable Development (Consultant), National Research Council of the Philippines (Member), IOC Advisory Body of Experts of the Law of the Sea (Member), and UNESCO Intergovernmental Oceanographic Commission (Philippine Focal Person).

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

The following serve as corporate officers of the Corporation:

Name	Position	Age	Nationality	Years in Position
Ramoncito S. Fernandez	Director / President / Chief Executive Officer	68	Filipino	2016 – Present

Name	Position	Age	Nationality	Years in Position
Randolph T. Estrellado	Director / Chief Operating Officer	59	Filipino	2007 – Present[4]
Ricardo F. de los Reyes	Treasurer / Chief Finance Officer	61	Filipino	2017 – Present
Alex Erlito S. Fider	Corporate Secretary	71	Filipino	2007 – Present
Kristina Joyce C. Gangan	Assistant Corporate Secretary	42	Filipino	2021 – Present
Lourdes Marivic K. Punzalan-Espiritu	Senior Vice President, Legal & Regulatory Affairs / Chief Legal Counsel / Compliance Officer	57	Filipino	2008 – Present

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

Ramoncito S. Fernandez

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

Randolph T. Estrellado

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

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

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

Atty. Fider is a Director or Corporate Secretary of several Philippine corporations, including Metro Pacific Tollways Corporation and its subsidiaries, including NLEX Corporation, MPCALA Holdings Inc., and Cebu Cordova Link Expressway Corporation; Smart Communications, Inc.; Roxas Holdings, Inc.; Voyager group, including Voyager Innovations Inc. and Maya Bank Inc.; Cignal TV Inc., and BusinessWorld Publishing Corporation; and Maynilad Water Services, Inc.

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

[4] Mr. Estrellado started as COO in 2016, but he has been a director of the Corporation since 2007.

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

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

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

Board Committees

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

The following are the Board committees of Maynilad.

a. Audit, Risk Oversight and Related Party Transactions Committee

   The Audit, Risk Oversight and Related Party Transactions Committee performs oversight functions over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It also performs risk oversight functions, oversees the implementation of related party policies and procedures, and ensures that related party transactions are entered into at market prices, at arm's-length basis and under conditions that protect the rights of all stockholders.

   The committee is composed of five (5) members, majority of whom are independent directors, including the Chairperson.

   The members of this committee are Fortunato T. de la Peña (Chairperson), Ma. Assunta C. Cuyegkeng, Gil S. Jacinto, June Cheryl A. Cabal-Revilla, and Nagahito Miyoshi.

b. Corporate Governance and Sustainability Committee

   The Corporate Governance and Sustainability Committee ensures the Corporation's compliance with corporate governance principles and practices and oversees the development of the Corporation's sustainability framework and policies, with a view of creating value not only for us, but also for the nation at large. The committee also periodically reviews and recommends trainings and partnerships to aim in practicing the industry best-practices.

   The committee is composed of five (5) members, majority of whom are independent directors, including the Chairperson and meets at least semi-annually.

The members of this committee are Ma. Assunta C. Cuyegkeng (Chairperson), Fortunato T. de la Peña, Gil S. Jacinto, June Cheryl A. Cabal-Revilla and Nagahito Miyoshi.

c. Nomination and Compensation Committee

The Nomination and Compensation Committee ensures that all the directors that will be nominated to the Board have all the qualifications and none of the disqualifications provided in the Manual of Corporate Governance, in R.A. No. 11600 insofar as the independent directors are concerned, and under existing laws and regulations. It reviews with the Board the appropriate skills and characteristics required of members of the Board within the context of the Corporation's strategic direction. It also establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the directors.

The committee is composed of five (5) members, two of whom are independent directors, and three non-executive directors including the Chairperson.

The members of this committee are Manuel V. Pangilinan (Chairperson), Jose Ma. K. Lim, Isidro A. Consunji, Ma. Assunta C. Cuyegkeng and Gil S. Jacinto.

d. Executive Committee

The Executive Committee acts upon matters affecting the general policy of the Corporation and such matters as the Board may entrust to it in between meetings of the Board.

The Executive Committee has five (5) members, namely, the Chairperson of the Board or the Vice Chairperson who act as chairperson of all meetings of the committee, two (2) members of the Board and such other persons or offices as the Board may designate.

The members of the Executive Committee are Isidro A. Consunji (Chairperson), Ramoncito S. Fernandez, Jose Ma. K. Lim, June Cheryl Cabal-Revilla and Nagahito Miyoshi.

e. Finance Committee

The Finance Committee provides oversight and guidance on the Corporation's financial policies and strategies, including the Corporation's capital structure, dividend policy, acquisitions and divestments, treasury management, tax strategy and compliance, and financing proposals.

The committee is composed of five (5) directors, with at least one (1) independent director.

The members of the Finance Committee are June Cheryl A. Cabal Revilla (Chairperson), Jose Ma. K. Lim, Herbert M. Consunji, Nagahito Miyoshi, and Ma. Assunta C. Cuyegkeng.

Information Required of Directors and Executive Officers

Directors and Executive Officers

As of the date of this Information Statement, the following persons have been nominated to the Board for election at the Annual Stockholders' Meeting and have accepted their nomination:

1. Manuel V. Pangilinan
2. Isidro A. Consunji.
3. Jose Ma. K. Lim
4. Jorge A. Consunji
5. Herbert M. Consunji
6. June Cheryl A. Cabal-Revilla
7. Joseph Ian G. Gendrano
8. Ricardo M. Pilares III

9. Ramoncito S. Fernandez
10. Randolph T. Estrellado
11. Kazuaki Shibuya
12. Nagahito Miyoshi
13. Fortunato T. de la Peña (independent director)
14. Gil S. Jacinto (independent director)
15. Ma. Assunta C. Cuyegkeng (independent director)

Except for those nominated as independent directors, the nominees to the Board of Directors were formally nominated to the Nomination and Compensation Committee of the Board by a stockholder of the Corporation. Fortunato T. de la Peña, Gil S. Jacinto, and Ma. Assunta C. Cuyegkeng are being nominated as independent directors.

The nominated independent directors, having possessed the qualifications and none of the disqualifications of an independent director, were nominated in accordance with the guidelines for the nomination and election of independent directors pursuant to Rule 38 of the Securities Regulation Code ("**SRC**"). Article III, Section 2 of the Corporation's By-Laws also provides that independent directors shall, in addition, have the following qualifications: (i) apart from shareholdings and fees received from the Corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director; (ii) shall have at least three (3) years of management or supervisory experience in the professional fields of water security, water science policy and management, environmental science, or any similar field; and (iii) such other qualifications as may be required by law.

The qualifications of all nominated directors, including the nominated independent directors, have been pre-screened in accordance with the Corporate Governance Manual and By-Laws of the Corporation. Only the nominees whose names shall appear on the final list of candidates are eligible for election as directors (independent or otherwise). No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the Meeting.

The Certifications of Independent Directors are attached hereto as **Annex "A".**

The Secretary's Certificate attesting to the fact that none of the directors and corporate officers of the Corporation holds any position in any capacity in any government agency or instrumentality is hereto attached as **Annex "B"**.

Significant Employees

Maynilad considers the contribution of every employee as important to the fulfillment of its goals. The Corporation is not dependent on the services of certain key personnel.

Family Relationships

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

The Corporation is not aware of any legal proceedings where its directors or corporate officers have been impleaded in their capacity as directors or corporate officers of the Corporation.

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

1. **Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78.** - A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed with the Regional Trial Court - Quezon City ("**RTC-QC**") Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated

3 December 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club ("**ULC**") and its parent company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as "a network of 5 world clubs."

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

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

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

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

Certain Relationships and Related Party Transactions

Maynilad is a 94.40%-owned subsidiary of MWHCI, a corporation incorporated in the Philippines. MWHCI is a subsidiary of MPIC. In addition, MPIC directly owns shares comprising 5.28% of the outstanding capital stock of Maynilad, thereby having effective ownership interest in Maynilad of 53.68%.

Maynilad and its subsidiaries, in their ordinary course of business, engage in transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, construction costs, project management and support services. These transactions are made at arm's length.

Purchases of Maynilad and its subsidiaries from related parties arise principally from the following transactions and relationships: D.M. Consunji, Inc. for construction services; Manila Electric Company for electricity; Southbend Express Services, Inc. for outsourced services; and PLDT and its subsidiaries for telecommunication services.

For fiscal year 2024, transactions with D.M. Consunji, Inc. and Manila Electric Company constituted 12.29% and 3.66%, respectively, of the total revenues of Maynilad. The transaction value of other related party transactions, relative to the to the total revenues of Maynilad ranges between 0.01% to 1.03% and, hence, are not material.

No other transaction, without proper disclosure, was undertaken by the Corporation in which any director or corporate officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest. Other than what has been discussed in this Information Statement and the Corporation's 2024 audited consolidated financial statements, there are no other related party transactions entered into by the Corporation with related parties, including transactions with directors or self-dealings by the Corporation's directors.

It is the Corporation's policy to observe integrity, transparency, prudence and objectivity in handling transactions with related parties. The Corporation ensures that the terms of the related party transactions are at arm's length and that no stockholder or stakeholder is unduly disadvantaged.

It is the obligation of every director, employee and consultant (i) to avoid any actual or apparent conflict of interest between himself/herself and Maynilad and/or its affiliates, and (ii) to disclose relevant information relating to such matters as personal relationships or associations, financial interests and such other arrangements that may result in conflict of interest.

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

Appraisals and Performance Report of the Board

As of the date of this Information Statement, there is no formal appraisal or assessment process in respect of Board performance, although attendance by directors in board meetings is strictly monitored.

Resignation of Directors

No director has resigned from or declined to stand for re-election to the Board since the date of the 2024 Annual Stockholders' Meeting.

Item 6. Compensation of Directors and Executive Officers

Article III Section 8 of the Corporation's By-Laws provides that the compensation, if any, of the Directors shall be determined by, and be subject to the approval of, the stockholders owning at least a majority of the outstanding capital stock of the Corporation.

COMPENSATION OF CORPORATE OFFICERS AND TOP MANAGEMENT TEAM

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

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

The following table identifies and summarizes the aggregate compensation of the Corporation's President and the four most highly compensated corporate officers/members of the top management team of the Corporation in fiscal years 2022, 2023 and 2024:

Name of Corporate Officer/Top Management Team Member and Principal Position	Year	Salary (₱)	Bonus (₱)	Other Compensation
CEO AND TOP FOUR (4) HIGHEST COMPENSATED OFFICERS/TOP MANAGEMENT TEAM MEMBERS 1. Ramoncito S. Fernandez 2. Randolph T. Estrellado 3. Francisco C. Castillo 4. Lourdes Marivic K. Punzalan-Espiritu. 5. Christopher Jaime T. Lichauco	2024	77,064,012.65	39,452,681.04	Not applicable
	2023	85,322,043.35	143,910,665.30	Not applicable
	2022	69,049,927.86	32,650,176.45	Not applicable
ALL OTHER UNNAMED DIRECTORS, CORPORATE OFFICERS, AND TOP MANAGEMENT TEAM MEMBERS IN AGGREGATE	2024	48,945,397.31	22,701,024.77	Not applicable
	2023[5]	64,105,229.47	110,853,721.21	Not applicable
	2022	49,872,812.10	21,486,259.09	Not applicable

COMPENSATION OF DIRECTORS

Standard Arrangements

Maynilad directors do not receive any monthly allowance. In the previous year, only the independent directors received a per diem for every Board or Board Committee meeting that they attended. The independent director's per diem for attendance at every physical Board and Board Committee meeting is ₱50,000.00 and ₱25,000.00, respectively.

Below is a summary of the per diem received by the three (3) independent directors for their attendance at Board and Board Committee meetings in the previous year:

Name	Amount
Fortunato T. de la Peña	₱300,000.00
Gil S. Jacinto	₱300,000.00
Ma. Assunta C. Cuyegkeng	₱375,000.00
TOTAL	**₱975,000.00**

During the previous year, the three (3) independent directors attended five (5) physical Board meetings on 27 February 2024, 14 May 2024, 28 August 2024, 22 October 2024, and 2 December 2024. Furthermore, directors Fortunato T. de la Peña, Gil S. Jacinto and Ma. Assunta C. Cuyegkeng attended

[5] The indicated amount includes the terminal/last pay of two members of the Top Management Team ("TMT") who have retired from the Corporation, and the pro-rated salaries and benefits of the outgoing/retired TMT members and the successor of each TMT member.

Board Committee meetings on 30 July 2024 and 26 November 2024. Also, director Ma. Assunta C. Cuyegkeng attended Board Committee meetings on 9 October 2024, 22 October 2024, and 26 November 2024.

Other Arrangements

There are no other arrangements pursuant to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly by the Corporation's subsidiaries, for any services provided as a director for the years 2022, 2023 and 2024.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The corporate officers of the Corporation are covered by standard employment contracts and employees' retirement plan and can be terminated upon appropriate notice. There are no special employment contracts and termination of employment and change-in-control arrangements between the Corporation and the named corporate officers.

Compensatory Arrangement

There are no other compensatory arrangements pursuant to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly by the Corporation or the Corporation's subsidiaries, for services provided as a director for the years 2022, 2023 and 2024.

Outstanding Warrants or Options held by Directors or Officers

The directors and officers of the Corporation do not hold any outstanding warrants or options as of the date hereof and for the years 2022, 2023 and 2024.

Item 7. Independent Public Accountants

SGV & Co., a member firm of Ernst & Young Global Limited, audited Maynilad Water Services, Inc. and Subsidiaries' annual consolidated financial statements as at 31 December 2024 and 2023, and for each of the three (3) years in the period ended 31 December 2024.

The reappointment of SGV and Co. will be presented to the stockholders for approval at the Meeting.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The consolidated financial statements of the Corporation as of and for the year ended 31 December 2023, 2022, 2021, and 2010 were audited by SGV & Co.

SGV & Co. has acted as the Corporation's independent auditor since the fiscal year of 2007. Mr. Meynard A. Bonoen is the current audit partner for the Corporation and has served as such since the fiscal year of 2018.

The Corporation has not had any changes in or disagreements with its independent auditors on any matter relating to financial or accounting disclosures. SGV & Co. has neither shareholdings in the Corporation nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Corporation. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Audit and Audit-related Fees

Maynilad and its subsidiaries paid its independent auditors the following audit and audit-related fees in the past two (2) years:

	2024 (₱ in millions)	2023 (₱ in millions)
In millions		
Audit and Audit-Related Fees[6]	22.15	11.65
Tax Fees[7]	3.10	2.19
Other Fees[8]	5.70	5.25
Total	31.00	19.09

In relation to the audit of the Corporation's annual financial statements, the Corporation's Corporate Governance Manual, provides that the Audit, Risk Oversight, and Related Party Committee shall have the following function, among others: to oversee the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Audit, Risk Oversight, and Related Party Committee is composed of at least five (5) directors, majority of whom are independent directors, including the committee chairperson. Other directors are allowed to attend committee meetings as observers/advisors.

The external auditor of the Corporation is also selected and appointed by the stockholders during the annual stockholders' meeting, upon recommendation of the Audit, Risk Oversight, and Related Party Committee and approval by the Board. The Corporation's Manual on Corporate Governance also provides that the Audit Committee shall establish an independent internal audit function which shall be performed by an internal auditor or a group of internal auditors, through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor directly reports functionally to the Audit, Risk Oversight, and Related Party Committee, and administratively, to the CEO. Management is also tasked to formulate, under the supervision of the Audit, Risk Oversight, and Related Party Committee, the rules and procedures on financial reporting and internal controls.

Item 8. Compensation Plans

There is no action to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed during the Annual Stockholders' Meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

Not Applicable. There is no action to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Corporation.

Item 10. Modification or Exchange of Securities

[6] Pertains to audit fees.
[7] Pertains to tax advisory fees.
[8] Pertains to financial model advisory and other assurance fees.

Not Applicable. There is no action to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the Corporation in exchange for outstanding securities of another class of the Corporation.

Item 11. Financial and Other Information

(i) Management's Discussion and Analysis of Financial Condition and Results of Operations are attached hereto as **Annex "C"**.

(ii) The Corporation' Audited Consolidated Financial Statements as of 31 December 2024 is attached hereto as **Annex** "**D**".

(iii) The Corporation's SEC Form 17-Q for the quarterly period ended 30 September 2024 is attached hereto as **Annex "E".**

Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters

Not Applicable. There are no actions or matters to be discussed in the Meeting with respect to mergers, consolidations, acquisitions, sales, or other transfers of all or any substantial part of the assets of the Corporation, liquidation or dissolution of the Corporation, and similar matters.

Item 13. Acquisition or Disposition of Property

Not Applicable. There are no actions or matters to be discussed in the Meeting with respect to the acquisition or disposition of any significant property of the Corporation.

Item 14. Restatement of Accounts

Not Applicable. There are no actions or matters to be discussed in the Meeting with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are to be submitted for approval during the Meeting:

(i) Minutes of the Annual Stockholders' Meeting held on 12 December 2024; and

(ii) President's Report;

Item 16. Matters Not Required to be Submitted

Not applicable. There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

Not applicable. There is no action to be taken with respect to any amendment of the registrant's charter, by-laws or other documents.

Item 18. Other Proposed Actions

(i) Election of the members of the Board of Directors, including independent directors, for the ensuing calendar year;

(ii) Reappointment of external auditors;

(iii) General ratification of all the acts and proceedings of the incumbent Board of Directors and Management from the date following the last annual stockholders' meeting which are covered by resolutions duly adopted in the normal course of trade or business such as:
    - Approval of the minutes of previous meetings;
    - Approval of the audited financial statements; and
    - Approval of the schedule, venue, and agenda of the Annual Stockholders' Meeting.

<u>Item 19. Voting Procedures</u>

Manner of Voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he/she may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he/she may distribute them in the same principle among as many candidates as he/she shall see fit.

Vote Required

With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

With respect to the approval of minutes of the annual stockholders' meeting held on 12 December 2024, the approval of the President's Report, and reappointment of external auditor, the approval or ratification of the other actions set forth above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Meeting.

All votes received shall be tabulated by the Office of the Corporate Secretary. The Corporate Secretary shall report the partial results of voting during the meeting. The actual voting results shall be reflected in the minutes of the meeting.

PART II.

INFORMATION REQUIRED IN A PROXY FORM

NOT APPLICABLE. NO PROXY SOLICITATION IS BEING MADE BY THE CORPORATION.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH WRITTEN REQUEST SHOULD BE ADDRESSED TO:

THE OFFICE OF THE CORPORATE SECRETARY
Picazo Buyco Tan Fider & Santos
Liberty Center – Picazo Law
104 H.V. dela Costa Street,
Salcedo Village, Makati City

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on **4 April 2025**.

By:

....
(Signature)

ALEX ERLITO S. FIDER
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

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

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

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

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

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

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

Done this APR 03 2025 in MAKATI CITY City.

--Signature page follows—

Fortunato T. de la Peña
FORTUNATO T. DE LA PEÑA
Affiant

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

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

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

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

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

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

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

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

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

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

Done this APR 0 3 2025 in MAKATI CITY City.

--Signature page follows--

GIL S. JACINTO
Affiant

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

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

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

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

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

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

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

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

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

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

Done this APR 03 2025 in MAKATI CITY City.

--Signature page follows--

Ma. Assunta C. Cuyegkeng

MA. ASSUNTA C. CUYEGKENG
Affiant

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

Doc. No. 82;
Page No. 18;
Book No. I;
Series of 2025.

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

Annex "B"

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA.)S.S.

SECRETARY'S CERTIFICATE

I, **KRISTINA JOYCE C. GANGAN,** of legal age, Filipino, and with office address at the Liberty Center – Picazo Law 104 H.V. Dela Costa St., Salcedo Village, Makati City, after being duly sworn in accordance with law, hereby certify that:

1. I am the duly appointed and incumbent Assistant Corporate Secretary of **MAYNILAD WATER SERVICES, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at the Maynilad Building, MWSS Complex, Katipunan Avenue, Barangay Pansol, Quezon City;

2. Based on the respective representations and certifications of the directors and officers of the Corporation, as well as the records of the Corporation presently in my custody, none of the directors or officers of the Corporation holds any employee or officer position in any capacity in any government agency or instrumentality.

[Signature page follows.]

IN WITNESS WHEREOF, I have hereunto affixed my signature and seal this APR 0 4 2025 day of __________ in Makati City, Metro Manila, Philippines.

KRISTINA JOYCE C. GANGAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this APR 0 4 2025 in Makati City, Metro Manila, affiant exhibiting to me her Passport with Passport No. P5562137A issued on 9 January 2018 by DFA, Manila.

Doc. No. 113;
Page No. 24;
Book No. I;
Series of 2025.

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

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

DESCRIPTION OF CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Corporation and its subsidiaries (the "**Group**") service revenues, cost of services, gross profit, net income and other income line items for the periods indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1) AUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 & 2023

Three-Quarters Ended September 30 (Audited) ***(in PHP'000s)***		
	2024	2023
OPERATING REVENUE		
Water services:		
West zone	20,453,873	16,455,402
Outside west zone	261,743	184,289
Wastewater services - West zone	4,357,249	3,503,065
Others	172,457	126,540
	25,245,322	20,269,296
COSTS AND EXPENSES		
Amortization of service concession assets	2,204,717	1,953,205
Salaries, wages and benefits	2,006,290	1,630,379
Utilities	1,048,078	1,143,588
Contracted services	919,366	861,740
Repairs and maintenance	517,971	579,985
Taxes and licenses	804,241	659,601
Materials and supplies	677,663	552,929
Purchased water	252,318	437,229
Provision for expected credit losses	4,830	57,820
Depreciation and amortization	394,267	328,538
Regulatory costs	210,661	181,351
Transportation and travel	125,790	97,757
Collection charges	120,359	112,496
Business meetings and representations	123,808	136,113
Rental	53,481	40,815
Insurance	27,851	45,951
Advertising and promotion	32,356	26,495
Others	478,321	573,785
	10,002,368	9,419,777
INCOME BEFORE OTHER INCOME (EXPENSES)	15,242,954	10,849,519
OTHER INCOME (EXPENSES)		

Revenue from rehabilitation works	17,587,176	14,193,320
Cost of rehabilitation works	(17,587,176)	(14,193,320)
Interest expense and other financing charges	(1,827,385)	(1,861,604)
Foreign exchange gains (losses) - net	(1,033,865)	(768,112)
Foreign currency differential adjustments (FCDA)	1,041,470	733,576
Interest income	266,195	229,263
Others - net	(1,185,368)	(152,135)
	(2,738,953)	(1,819,012)
INCOME BEFORE INCOME TAX	12,504,001	9,030,507
PROVISION FOR INCOME TAXES		
Current	2,600,766	1,890,153
Deferred	236,831	354,987
	2,837,597	2,245,140
NET INCOME	9,666,404	6,785,367
Basic Earnings Per Share	2,142,24	1,503.11
Diluted Earnings Per Share	2,124.46	1,491.29
OTHER COMPREHENSIVE INCOME (LOSS)	(524,859)	(115,070)
TOTAL COMPREHENSIVE INCOME	**9,141,545**	**6,670,297**

2) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR-ENDED DECEMBER 31, 2022, 2023 & 2024

	For the year-ended 31 December *(in PHP'000s)*		
	2022	**2023**	**2024**
OPERATING REVENUE			
Water services			
West zone	18,569,512	22,169,809	27,143,464
Outside west zone	238,897	255,291	349,147
Wastewater services			
West zone	3,946,133	4,727,116	5,785,440
Others	120,191	171,049	216,464
	22,874,733	27,323,265	33,494,515
COSTS AND EXPENSES			
Amortization of service concession assets	2,459,156	2,744,831	3,028,573
Salaries, wages and benefits	2,267,079	2,525,069	2,893,449
Utilities	1,714,030	1,665,086	1,535,445
Contracted services	1,138,976	1,458,707	1,642,111
Repairs and maintenance	688,362	900,059	873,926
Materials and supplies	682,699	832,128	869,304
Taxes and licenses	662,739	834,058	1,026,052
Depreciation and amortization	485,877	524,326	527,324
Purchased water	362,364	619,525	294,803
Transportation and travel	236,623	191,252	220,562
Regulatory costs	207,252	242,203	280,457
Collection charges	152,144	182,165	197,918
Business meetings and representations	119,494	159,701	174,759

Provision for expected credit losses	82,921	600,524	112,3684
Insurance	51,145	62,227	64,021
Rental	47,380	89,117	148,664
Advertising and promotion	33,819	57,550	74,283
Others	460,705	412,651	429,664
	11,852,765	**14,101,179**	**14,393,683**
INCOME BEFORE OTHER INCOME (EXPENSES)	**11,021,968**	**13,222,086**	**19,100,832**
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works	14,994,961	19,175,281	27,081,306
Cost of rehabilitation works	(14,994,961)	(19,175,281)	(27,081,306)
Interest expense and other financing charges	(2,321,672)	(2,503,388)	(2,414,395)
Foreign exchange gains (losses) - net	1,764,650	(1,167,582)	(1,643,393)
Foreign currency differential adjustments	(1,741,839)	1,129,029	1,656,317
Interest income	30,093	221,664	404,839
Others - net	(771,473)	1,021,230	(628,589)
	(3,040,241)	**(1,299,047)**	**(2,625,221)**
INCOME BEFORE INCOME TAX	**7,981,727**	**11,923,039**	**16,475,611**
PROVISION FOR INCOME TAX			
Current	1,919,469	2,409,324	3,430,220
Deferred	187,334	502,536	263,977
	2,106,803	**2,911,860**	**3,694,197**
NET INCOME	**5,874,924**	**9,011,179**	**12,781,414**
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period			
Remeasurement gain (loss) on retirement plan	224,564	(159,034)	(550,295)
Income tax effect	(38,412)	14,790	51,178
	186,152	**(144,244)**	**(499,117)**
TOTAL COMPREHENSIVE INCOME	**6,061,076**	**8,866,935**	**12,282,297**

RESULTS OF OPERATIONS

1) Period-ended 30 September 2024 compared against the period-ended 30 September 2023

Revenues

Total Revenues, primarily derived from provision of water and wastewater services, grew by ₱4,976.0 million or 24.5% to ₱25,245.3 million for the period-ended 30 September 2024 compared to ₱20,269.3 million for the period-ended 30 September 2023 on account of (i) the second tranche of the staggered implementation of the MWSS-approved basic rate adjustment effective January 1, 2024, and (ii) higher billed volume. The higher billed volume for the period-ended 30 September 2024 was driven by increased demand, coupled with higher water production and improved supply availability. Increases in other revenues, which account for the balance, is driven by higher re-opening fees as the Corporation intensified the disconnection of services to non-paying customers.

As to billed volume generated from customers reached 416.5 million cubic meters (mcm) for the 9-months period-ended 30 September 2024 or an increase of 13.7 mcm, or 3.4% compared to 402.9 mcm for the same period-ended 30 September 2023.

On the other hand, water supply in mcm was 697.7 for the 9-months period-ended 30 September 2024 or a decrease of 9.50 mcm, or 1.3% lower compared to 707.2 mcm for the same period-ended 30 September 2023.

The average all-in tariff per cubic meter (cm) is ₱57.61 for the period-ended 30 September 2024, compared to ₱47.99 for the same period-ended 30 September 2023. While average cash cost per cm is ₱17.76 in 30 September 2024 or ₱0.18 higher than 30 September 2023 at ₱17.58 or 1% increase.

Operational Indicators	**Actual AO Sep-24**	Actual AO Sep-23	Vs. Last Year	
			mcm	%
Water Supply (mcm)	**697.69**	707.19	-9.50	-1.3%
Water Billed Volume (mcm)	**416.54**	402.88	13.66	3.4%
% Water Billed to Supply	**72.57%**	69.45%	3.12	4.5%
Non-Revenue Water (%) DMA	**27.43%**	30.55%	-3.12	-10.2%
Non-Revenue Water (%) Total	**40.27%**	43.12%	-2.85	-6.6%
Billed Water Services	**1,548,439**	1,530,295	18,144	1.2%
Average CM per Day	**0.99**	0.97	0.02	2.1%

Costs and Expenses

Consolidated costs and expenses increased by ₱582.6 million or 6.2% to ₱10,002.4 million for the period-ended 30 September 2024 compared to ₱9,392.4 for the period-ended 30 September 2023.

Personnel cost, which includes salaries, wages, and benefits increased by ₱375.9 million, or 23.1%, to ₱2,006.3 million for the period-ended 30 September 2024, compared to ₱1,630.4 million for the period-ended 30 September 2023. The increase is mainly attributable to increased headcount, the accrual for personnel related costs, and higher employer contributions due to increase in Philheath premiums.

Light and power went down by ₱111.8 million, or 10.2%, to ₱984.3 million for the period-ended 30 September 2024, compared to ₱1,096.1 million for the period-ended 30 September 2023. The reduction is primarily due to the lower rate of Fuel Cost Recovery Adjustment charged which Meralco charges and lower electric consumption in some areas of operations.

Water treatment chemicals expenses increased by ₱117.3 million, or 22.0%, to ₱650.7 million for the period-ended 30 September 2024, from ₱533.4 million for the period-ended 30 September 2023. The increase is a combination of higher unit prices and higher consumption of chemicals at the water treatment plants due to high raw water turbidity compared to last year.

Expenses for outside services increased by ₱32.8 million, or 4.2%, to ₱810.6 million for the period-ended 30 September 2024, compared to ₱777.8 million for the period-ended 30 September 2023. The increase is because of (i) higher costs of janitorial and security services; and (ii) hauling services for the Putatan water treatment plants.

The cost of repairs and maintenance decreased by ₱62.0 million, or 10.7%, to ₱518.0 million for the period-ended 30 September 2024, from ₱580.0 million for the period-ended 30 September 2023. There were major maintenance activities done to prepare for the Amihan season in 2023, which were no longer undertaken in 2024.

Purchased water costs decreased by ₱184.9 million, or 42.3%, to ₱252.3 million for the period-ended 30 September 2024, compared to ₱437.2 million for the period-ended 30 September 2023. This decrease is primarily due to the reduced volume of purchased water in 2024. Because of the low level of the La Mesa Dam, MWCI stopped selling raw water (cross portal) to the Corporation since Feb 2024.

Taxes and licenses, which includes real estate tax, franchise tax and local business taxes, increased by ₱137.7 million, or 22.8%, to ₱741.2 million for the period-ended 30 September 2024, compared to ₱603.5 million for the period-ended 30 September 2023. The increase is mainly on account of higher national franchise tax due to higher real estate tax payments due to the addition of new buildings and machineries in various facilities.

Expenses for business meetings and representations were lower by ₱23.5 million, or 18.4%, to ₱104.5 million for the period-ended 30 September 2024, compared to ₱128.0 million for the period-ended 30 September 2023. This is because the costs related to the holding of management meetings and general assemblies to cascade service obligation targets and payments for employee recognition initiatives were offset against savings on representation expenses.

Transportation and travel increased by ₱30.0 million, or 34.1%, to ₱118.3 million for the period-ended 30 September 2024, compared to ₱88.3 million for the period-ended 30 September 2023. The increase is primarily due to higher fuel prices in 2024 compared to 2023.

MWSS MOE represents Maynilad's share on the maintenance and operating expenses (MOE) of MWSS. Expenses increased in 2024 by ₱29.3 million, or 16.2%, to ₱210.7 million for the period-ended 30 September 2024, compared to ₱181.4 million for the period-ended 30 September 2023.

Other expenses increased by ₱6.4 million, or 0.5%, to ₱1,212.4 million for the period-ended 30 September 2024, compared to ₱1,206.0 million for the period-ended 30 September 2023. The net higher expenses in 2024 is driven by higher spending in professional fees and supplies in 2024, partly offset by lesser donations in 2024 compared to 2023.

Income before Other Income (Expenses)

With the foregoing, income before other income (expenses) increased by ₱4,393.4 million, or 40.5%, to ₱15,245.0 million for the period-ended 30 September 2024, compared to ₱10,849.5 million for the period-ended 30 September 2023.

Increase in taxes in 30 September 2024 is mainly driven by higher income before taxes.

Interest expense is net of the portion capitalized which explains the lower charges on 30 September 2024, considering the increase in capital expenditures during the period compared to the same period in 30 September 2023.

Others – net expense increased by ₱1,033.2 million, or 679.3%, to ₱1,185.4 million expenses for the period-ended 30 September 2024, compared to ₱152.1 million expenses for the period-ended 30 September 2023. The significant increase is mainly attributed to recording of provisions in 2024.

Net Income

With the foregoing, net income increased by ₱2,881.0 million, or 42.5%, to ₱9,666.4 million for the period-ended 30 September 2024, compared to ₱6,785.4 million for the period-ended 30 September 2023.

2) Years ended 31 December 2024 compared against the year-ended 31 December 2023

Operating Revenue

Operating revenue from water services in the West Zone increased by 22.4% to ₱27,143.5 million (U.S.$467.9 million) for the year ended December 31, 2024, compared to ₱22,169.8 million for the year ended December 31, 2023 primarily due to (i) the implementation of the second tranche of the MWSS-approved basic rate adjustment effective January 1, 2024 of approximately 19.8%, and (ii) increased billed volume which, in turn, was driven by increased demand, higher water production and improved supply availability.

Operating revenue from wastewater services in the West Zone increased by 22.4% to ₱5,785.4 million (U.S.$99.7 million) for the year ended December 31, 2024, compared to ₱4,727.1 million for the year ended December 31, 2023, primarily due to higher tariffs and an increase in the number of commercial customers connected to our sewerage system.

Costs and Expenses

Costs and expenses increased by 2.1% to ₱14,393.7 million (U.S.$248.2 million) for the year ended December 31, 2024, compared to ₱14,101.2 million for the year ended December 31, 2023, primarily driven by an increase in amortization of service concession assets, salaries, wages and benefits, contracted services and taxes and licenses, partially offset by a decrease in provision for expected credit losses, purchased water costs and utilities costs.

Amortization of service concession assets increased by 10.3% to ₱3,028.6 million (U.S.$52.2 million) for the year ended December 31, 2024, compared to ₱2,744.8 million for the year ended December 31, 2023, primarily due to an increase in the number of service concession assets from projects completed during the year. The service concession assets from these projects were capitalized and amortized using the UOP method given that the economic benefit of these service concession assets is more closely aligned with billed volume, which we can reliably estimate. Meanwhile, our subsidiary, PhilHydro, amortizes its service concession assets using the straight-line method over the term of its bulk water supply agreements and memorandum of agreement that it entered into.

Salaries, wages and benefits increased by 14.6% to ₱2,893.4 million (U.S.$49.9 million) for the year ended December 31, 2024, compared to ₱2,525.1 million for the year ended December 31, 2024, primarily due to increases in (i) the number of our employees, (ii) accrued personnel-related costs and (iii) employer contributions due to higher insurance premiums set by the Philippine Health Insurance Corporation.

Expenses for contracted services increased by 12.6% to ₱1,642.1 million (U.S.$28.3 million) for the year ended December 31, 2024, compared to ₱1,458.7 million for the year ended December 31, 2023, primarily due to (i) higher costs of janitorial and security services, and (ii) hauling services for sludge generated by the Putatan water treatment plants.

Utilities costs decreased by 7.8% to ₱1,535.4 million (U.S.$26.5 million) for the year ended December 31, 2024, compared to ₱1,665.1 million for the year ended December 31, 2023, primarily due to (i) a lower rate of the fuel cost recovery adjustment charged by the Manila Electric Company ("Meralco") and (ii) lower electricity consumption of our facilities.

Payments for taxes and licenses increased by 23.0% to ₱1,026.1 million (U.S.$17.7 million) for the year ended December 31, 2024, compared to ₱834.1 million for the year ended December 31, 2023, primarily due to (i) an increase in our national franchise tax due to higher gross receipts, and (ii) real property tax payments for our buildings and machineries.

Purchased water costs decreased by 52.4% to ₱294.8 million (U.S.$5.1 million) for the year ended December 31, 2024, compared to ₱619.5 million for the year ended December 31, 2023, primarily due to a reduction in purchased water since February 2024, which was, in turn, caused by the suspension by Manila Water of the sale of raw water to us because of the low water level at the La Mesa Dam.

Regulatory costs increased by 15.8% to ₱280.5 million (U.S.$4.8 million) for the year ended December 31, 2024, compared to ₱242.2 million for the year ended December 31, 2023, primarily due to an increase in the CPI during the year, which led to higher costs associated with regulatory compliance and operational expenses.

Transportation and travel expenses increased by 15.3% to ₱220.6 million (U.S.$3.8 million) for the year ended December 31, 2024, compared to ₱191.3 million for the year ended December 31, 2023, primarily due to an increase in the number of trips required to support our operations and NRW management leasing to higher fuel consumption, which was directly impacted by fluctuations in fuel prices throughout the year.

Collection charges increased by 8.6% to ₱197.9 million (U.S.$3.4 million) for the year ended December 31, 2024, compared to ₱182.2 million for the year ended December 31, 2023, primarily due to an increase in customer collection transactions given improved accounts receivable and collection processes.

Expenses for business meetings and representation increased by 9.5% to ₱174.8 million (U.S.$3.0 million) for the year ended December 31, 2024, compared to ₱159.7 million for the year ended December 31, 2023, primarily due to an increase in the number of meetings held, particularly in connection with our Blue Bond issuance during the period.

Rental expenses increased by 66.9% to ₱148.7 million (U.S.$2.6 million) for the year ended December 31, 2024, compared to ₱89.1 million for the year ended December 31, 2023, primarily due to increases in (i) the number of land and buildings being leased out for the year and (ii) rentals for our standby generator units.

Provision for ECL decreased by 81.3% to ₱112.4 million (U.S.$1.9 million) for the year ended December 31, 2024, compared to ₱600.5 million for the year ended December 31, 2023, primarily due to improvements in our collection efficiency.

Advertising and promotion expenses increased by 29.0% to ₱74.3 million (U.S.$1.3 million) for the year ended December 31, 2024, compared to ₱57.6 million for the year ended December 31, 2023, primarily due to an intensified campaign on leakage reduction and reporting incidents to repair pipes that cause water wastage.

Other Income (Expenses)

Revenue from rehabilitation works and the corresponding cost of rehabilitation works increased by 41.2% to ₱27,081.3 million (U.S.$466.8 million) for the year ended December 31, 2024, compared to ₱19,175.3 million for the year ended December 31, 2023, primarily due to higher capital expenditure to enable us to comply with our service obligations under the Revised Concession Agreement.

Foreign exchange losses – net increased by 40.8% to ₱1,643.4 million (U.S.$28.3 million) for the year ended December 31, 2024, compared to ₱1,167.6 million for the year ended December 31, 2023, primarily due to fluctuations in the U.S. dollar and Japanese Yen exchange rates against the Philippine Peso.

FCDA increased by 46.7% to ₱1,656.3 million (U.S.$28.6 million) for the year ended December 31, 2024, compared to ₱1,129.0 million for the year ended December 31, 2023, primarily due to the continuous decline in the value of the Japanese yen against the Philippine Peso for the year.

Interest income increased by 82.6% to ₱404.8 million (U.S.$7.0 million) for the year ended December 31, 2024, compared to ₱221.7 million for the year ended December 31, 2023, primarily due to higher collections during the year and maximization of yield from idle funds after funding all operating requirements.

Others – net, expenses reversed to ₱628.6 million (U.S.$108 million) for the year ended December 31, 2024 from an income of ₱1,021.2 million for the year ended December 31, 2023, primarily due to the final drawdown of our loan equivalent to ¥10.0 billion, and fluctuations in the Japanese Yen exchange rates.

Income before Income Tax

As a result of the foregoing, our income before income tax increased by 38.2% to ₱16,475.6 million (U.S.$284.0 million) in the year ended December 31, 2024 from ₱11,923.0 million in the year ended December 31, 2023.

Provision for Income tax

Our provision for income tax increased by 26.9% to ₱3,694.2 million (U.S.$63.7 million) in the year ended December 31, 2024 from ₱2,911.8 million in the year ended December 31, 2023, primarily due to higher taxable income.

Net income

As a result of the foregoing, net income increased by 41.8% to ₱12,781.4 million (U.S.$220.3 million) in the year ended December 31, 2024 from ₱9,011.2 million in the year ended December 31, 2023.

3) Years ended 31 December 2023 compared against the year-ended 31 December 2022

Revenues

Total Revenues, primarily derived from provision of water and wastewater services, grew by ₱4,448.5 million or 19.4% to ₱27,323.3 million for the year-ended 31 December 2023 compared to ₱22,874.7 million for the year-ended 31 December 2022 on account of (i) implemented increases in tariff rates effective 1 January 2023, and (ii) higher billed volume. The higher billed volume for the year-ended 31 December 2023 was driven by easing of COVID-19 restrictions, and aggressive efforts in reducing losses in the primary distribution system. Increases in other revenues, which account for the balance, is driven by connection and installation fees for new water service connections.

Costs and Expenses

Consolidated costs and expenses increased by ₱2,248.4 million or 19.0% to ₱14,101.2 million for the year-ended 31 December 2023 compared to ₱11,852.8 million for the year-ended 31 December 2022.

The amortization of service concession assets increased by ₱285.7 million, or 11.6%, to ₱2,744.8 million for the year-ended 31 December 2023, compared to ₱2,459.2 million for the year-ended 31 December 2022. The increase was primarily due to the newly completed projects during this period in line with Maynilad's capital expenditure plans. Maynilad amortizes its service concession assets using unit-of-production method as the economic benefit of these assets is more closely aligned with billed volume, which Maynilad can reliably estimate. Phil Hydro amortizes its service concession assets using the straight-line method over the term of its bulk water supply agreements and a memorandum of agreement with respect to the retail supply of water.

Salaries, wages, and benefits increased by ₱258.0 million, or 11.4%, to ₱2,525.1 million for the year-ended 31 December 2023, compared to ₱2,267.1 million for the year-ended 31 December 2022. The increase is mainly attributable to the accrual for the long-term incentive plan ("**LTIP**") cycle covering the period 1 January 2023 to 31 December 2025, and the re-issuance of ESOP shares from the treasury shares.

Expenses for contracted services increased by ₱319.7 million, or 28.1%, to ₱1,458.7 million for the year-ended 31 December 2023, compared to ₱1,139.0 million for the year-ended 31 December 2022. The increase can be attributed to (i) higher costs for read-and-bill charges;[1] (ii) increased disconnection and reconnection services (iii) higher costs for tankering services on account of higher number of interruptions particularly in the south; and (iv) higher costs for security and janitorial services.

The cost of repairs and maintenance increased by ₱211.7 million, or 30.8%, to ₱900.1 million for the year-ended 31 December 2023, compared to ₱688.4 million for the year-ended 31 December 2022. The increase is primarily on account of maintenance activities undertaken to prepare for the *Amihan* season, particularly biological aerated filter (BAF) underdrain cleaning, ultrafiltration (UF) pinning, pipelaying works, and equipment repairs.

Materials and supplies expenses increased by ₱149.4 million, or 21.9%, to ₱832.1 million for the year-ended 31 December 2023, compared to ₱682.7 million for the year-ended 31 December 2022. The increase is primarily due to higher water treatment cost brought by high turbidity at the Putatan water treatment plants.

Payments for taxes and licenses increased by ₱171.3 million, or 25.9%, to ₱834.1 million for the year-ended 31 December 2023, compared to ₱662.7 million for the year-ended 31 December 2022. The increase is mainly on account of higher national franchise tax given that it was only beginning 21 March 2022, upon acceptance of the franchise, that Maynilad started paying such tax. Thus, national franchise tax expense was charged over a period of nine (9) months in 2022, compared to a full-year charge in 2023.

Depreciation and amortization increased by ₱38.5 million, or 7.9%, to ₱524.3 million for the year-ended 31 December 2023, compared to ₱485.9 million for the year-ended 31 December 2022. The increase is mainly due to purchases of new laptops, desktops and various IT-related projects.

Purchased water costs increased by ₱257.2 million, or 70.9%, to ₱619.5 million for the year-ended 31 December 2023, compared to ₱362.4 million for the year-ended 31 December 2022. This increase is primarily on the back of the purchased water from the other concessionaire to augment Maynilad’s raw water requirement. On 28 October 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.

Transportation and travel decreased by ₱45.4 million, or 19.2%, to ₱191.3 million for the year-ended 31 December 2023, compared to ₱236.6 million for the year-ended 31 December 2022. The decrease is primarily due to lower fuel prices in 2023 compared to 2022.

Regulatory costs increased by ₱35.0 million, or 16.8%, to ₱242.2 million for the year-ended 31 December 2023, compared to ₱207.3 million for the year-ended 31 December 2022. The increase is due to higher CPI adjustment in relation to Maynilad’s regulatory fees from 5.8% in 2023 compared to 4.5% in 2022.

Collection charges increased by ₱30.0 million, or 19.8%, to ₱182.2 million for the year-ended 31 December 2023, compared to ₱152.1 million for the year-ended 31 December 2022. The increase is mainly due to increased efforts made by Maynilad to collect its outstanding receivables.

Expenses for business meetings and representations increased by ₱40.2 million, or 33.6%, to ₱159.7 million for the year-ended 31 December 2023, compared to ₱119.5 million for the year-ended 31 December 2022. The increase is mainly comprised of salary increases which includes a representation and transportation allowance component and increases in expenses for management meetings and general assemblies to cascade the service obligation targets.

Provisions for expected credit losses increased by ₱517.6 million, or 624.2%, to ₱600.5 million for the year-ended 31 December 2023, compared to ₱82.9 million for the year-ended 31 December 2022. In December 2023, Maynilad wrote off uncollectible accounts billed in 2015 and prior years amounting to ₱820.9 million. Consequently, the Corporation recorded additional provision for these uncollectible accounts for unpaid bills from 2016 onwards. These accounts will be referred to a debt collection agency for recovery.

Insurance expense increased by ₱11.1 million, or 21.7%, to ₱62.2 million for the year-ended 31 December

[1] Read-and-bill is a process whereby the customers immediately receive their statement of account or billing charges as soon as their meter is read.

2023, compared to ₱51.1 million for the year-ended 31 December 2022. The increase is mainly due to additional common purpose facilities ("**CPF**") insured.

Rental costs increased by ₱41.7 million, or 88.0%, to ₱89.1 million for the year-ended 31 December 2023, compared to ₱47.4 million for the year-ended 31 December 2022. The increase is mainly due to additional lease contracts for transportation equipment entered into in 2023.

Advertising and promotion costs increased by ₱23.8 million, or 70.4%, to ₱57.6 million for the year-ended 31 December 2023, compared to ₱33.8 million for the year-ended 31 December 2022. The increase is primarily on account of rebranding and intensified public relations and other marketing activities, for media, government, and the community in relation to the implementation of tariff hike and effectivity of the RCA.

Other expenses decreased by ₱48.1 million, or 10.4%, to ₱412.7 million for the year-ended 31 December 2023, compared to ₱460.7 million for the year-ended 31 December 2022. The decrease is mainly due to the lower provision for inventory obsolescence in 2023 compared to 2022.

Income before Other Income (Expenses)

With the foregoing, income before other income (expenses) increased by ₱2,200.1 million, or 20.0%, to ₱13,222.1 million for the year-ended 31 December 2023, compared to ₱11,022.0 million for the year-ended 31 December 2022.

Other Income (Expenses)

Revenues and costs from rehabilitation works increased by ₱4,180.3 million, or 27.9%, to ₱19,175.3 million for the year-ended 31 December 2023, compared to ₱14,995.0 million for the year-ended 31 December 2022. The increase is due to additions to capital expenditure projects during this period as a result of various network improvements and new projects.

Interest expense and other financing charges increased by ₱181.7 million, or 7.8%, to ₱2,503.4 million for the year-ended 31 December 2023, compared to ₱2,321.7 million for the year-ended 31 December 2022. The increase is primarily due to (i) additional drawdowns on the ₱6.0 billion term loan facility with Land Bank of the Philippines and the ¥13.1 billion facility loan with Japan International Cooperation Agency, (ii) the extension of the term of our concession, which led to changes in the schedule of principal and interest payments that were recorded and recognized, resulting in an increase in our outstanding loan balances and interest accretion, and (iii) the recognition of the present value of the interest portion of rental costs for additional vehicles used in operations, in accordance with PFRS 16, following an increase in the number of water service connections.

Foreign exchange gains (losses) – net decreased by ₱2,932.2 million, or 166.2%, to ₱1,167.6 million loss for the year-ended 31 December 2023, compared to ₱1,764.7 million gains for the year-ended 31 December 2022. The decrease is mainly due to the decline in US Dollars conversion rate to Philippine Peso from 55.75 as of 31 December 2022 to 55.37 as of 31 December 2023.

The FCDA increased by ₱2,870.9 million, or 164.8%, to ₱1,129.0 million Foreign Currency Differential Adjustment ("**FCDA**") gain for the year-ended 31 December 2023, compared to FCDA downward adjustment of ₱1,741.8 million for the year-ended 31 December 2022. The increase can be attributed to the decline in Japanese Yen conversion rate to Philippine Peso from 0.4174 as of 31 December 2022 to 0.393 as of 31 December 2023

Interest income increased by ₱191.6 million, or 636.6%, to ₱221.7 million for the year-ended 31 December 2023, compared to ₱30.1 million for the year-ended 31 December 2022. The increase is mainly attributed to higher interest rates on special deposits.

Other income (expenses) – net increased by ₱1,792.7 million, or 232.4%, to ₱1,021.2 million income for the year-ended 31 December 2023, compared to ₱771.5 million expenses for the year-ended 31 December

2022. The increase is mainly attributed to higher interest rates and the reversal of provisions made for water service interruptions in 2022.

Income before Income Tax

With the foregoing, income before income tax increased by ₱3,941.3 million, or 49.4%, to ₱11,923.0 million for the year-ended 31 December 2023, compared to ₱7,981.7 million for the year-ended 31 December 2022.

Provision for Income tax

Provision for income tax increased by ₱805.1 million, or 38.2%, to ₱2,911.9 million for the year-ended 31 December 2023, compared to ₱2,106.8 million for the year-ended 31 December 2022. The increase is primarily driven by the increase in the Corporation's operations resulting in higher taxable income. In addition to this, deferred taxes increased significantly by 168.3% or ₱315.2 million, to ₱502.5 million for the year-ended 31 December 2023, compared to ₱187.3 million for the year-ended 31 December 2022 due to the increase in service concession assets, slightly offset by the increase in allowance for expected credit losses, accrued expenses and revenue from contracts with customers – net.

Net income

Net income increased by ₱3,136.3 million, or 53.4%, to ₱9,011.2 million for the year-ended 31 December 2023, compared to ₱5,874.9 million for the year-ended 31 December 2022.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1) AUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2024 AND DECEMBER 31, 2023

(in PHP'000s)

	Audited	
	September 30 2024	December 31 2023
ASSETS		
Current Assets		
Cash and cash equivalents	19,584,319	4,902,556
Trade and other receivables	2,929,866	2,418,070
Contract assets	1,418,984	1,205,041
Other current assets	2,142,890	1,862,498
Total Current Assets	26,076,059	10,388,165
Noncurrent Assets		
Service concession assets	158,674,981	140,919,477
Property and equipment	1,905,468	1,889,754
Financial asset at fair value through other comprehensive income	124,864	124,864
Other noncurrent assets	9,776,826	10,381,305
Total Noncurrent Assets	170,482,139	153,315,400
	196,558,198	163,703,565

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	24,392,997	20,567,655
Short-term and current portion of interest-bearing loans	4,296,794	2,587,660
Current portion of service concession obligation payable to MWSS	1,088,979	874,561
Income tax payable	968,515	530,752
Total Current Liabilities	30,747,285	24,560,628
Noncurrent Liabilities		
Interest-bearing loans - net of current portion	80,642,803	59,214,238
Service concession obligation payable to MWSS - net of current portion	6,171,504	6,489,036
Deferred tax liabilities - net	1,707,808	1,524,795
Deferred credits	982,247	1,207,936
Customers' deposits	591,106	548,618
Pension liability	871,542	285,731
Other noncurrent liabilities	2,126,863	1,702,283
Total Noncurrent Liabilities	93,093,873	70,972,637
Total Liabilities	123,841,158	95,533,265
Equity		
Capital stock	4,546,982	4,546,982
Additional paid-in capital	10,041,662	10,041,662
Treasury shares	(481,724)	(391,919)
Other equity adjustments	(309,220)	(309,220)
Other comprehensive income (loss)	(633,286)	(108,427)
Retained earnings		
Unappropriated	30,802,626	25,641,222
Appropriated	28,750,000	28,750,000
Total Equity	72,717,040	68,170,300
	196,558,198	163,703,565

2) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS FOR THE YEAR-ENDED DECEMBER 31, 2022, 2023 & 2024

	As of 31 December (*in PHP'000s)*		
	2022	**2023**	**2024**
Current Assets			
Cash and cash equivalents	10,438,664	4,902,556	10,519,541
Trade and other receivables	2,831,360	2,418,070	2,722,872
Contract assets	1,000,925	1,205,041	1,386,458
Other current assets	1,819,169	1,862,498	2,130,695
Total Current Assets	**16,090,118**	**10,388,165**	**16,759,566**
Noncurrent Assets			
Service concession assets	121,187,932	140,919,477	168,339,382
Property and equipment	1,573,960	1,889,754	1,963,230
Financial asset at fair value through other comprehensive income	124,864	124,864	124,864
Other noncurrent assets	4,401,107	10,381,305	10,983,572
Total Noncurrent Assets	**127,287,863**	**153,315,400**	**181,411,048**
Total Assets	**143,377,981**	**163,703,565**	**198,170,614**

Current Liabilities			
Trade and other payables	22,116,183	20,567,655	24,157,077
Short-term and current portion of interest-bearing loans	3,806,311	2,587,660	4,186,065
Current portion of service concession obligation payable to MWSS	940,917	874,561	1,027,255
Income tax payable	631,442	530,752	787,944
Total Current Liabilities	**27,494,853**	**24,560,628**	**30,158,341**
Noncurrent Liabilities			
Interest-bearing loans - net of current portion	43,107,785	59,214,238	79,461,471
Service concession obligation payable to MWSS - net of current portion	6,069,162	6,489,036	6,294,526
Deferred tax liabilities - net	1,037,049	1,524,795	1,737,595
Deferred credits	795,403	1,207,936	1,379,554
Customers' deposits	529,363	548,618	605,611
Pension liability	151,791	285,731	870,805
Other noncurrent liabilities	1,255,130	1,702,283	2,307,761
Total Noncurrent Liabilities	**52,945,683**	**70,972,637**	**92,657,323**
Total Liabilities	**80,440,536**	**95,533,265**	**122,815,664**
Equity			
Capital stock	4,546,982	4,546,982	5,683,728
Additional paid-in capital	10,032,877	10,041,662	10,030,294
Treasury shares	(349,054)	(391,919)	(960,555)
Other equity adjustments	(309,220)	(309,220)	(309,220)
Other comprehensive income (loss)	35,817	(108,427)	(607,544)
Retained earnings			
Unappropriated	20,230,043	25,641,222	20,969,247
Appropriated	28,750,000	28,750,000	40,549,000
Total Equity	**62,937,445**	**68,170,300**	**75,354,950**
Total Liabilities and Equity	**143,377,981**	**163,703,565**	**198,170,614**

FINANCIAL CONDITION

1) As at 30 September 2024 compared against as at 31 December 2023

Assets

Cash and cash equivalents were at ₱19,584.3 million as at 30 September 2024, an increase by ₱14,681.8 million, or 299.5%, from cash and cash equivalents of ₱4,902.6 million as at 31 December 2023, driven by the cash generated from operating activities and financing activities, including the maiden blue bonds issuance of ₱15.0B – net of loan proceeds from Metropolitan Bank and Trust Company ("MBTC") in Q1 2024 of ₱10B and cash dividends paid and partial loan payments. This was offset with cash payments for capital expenditures or investing activities in the first three (3) quarters of the year.

Service concession assets increased by ₱17,755.5 million or 12.6%, to ₱158,675.0 million as at 30 September 2024, compared to ₱140,919.5 million as at 31 December 2023. The increase is mainly attributable to a number of completed projects and facilities during the first nine months of the year, 2024.

Liabilities

Trade and other payables were at ₱24,393.0 million as at 30 September 2024, an increase of ₱3,825.3 million, or 18.6%, from trade and other payables of ₱20,567.7 million as at 31 December 2023. The increase is primarily due to higher accruals in construction and retention payable and payables arising from purchase orders needed in operations.

Total interest-bearing loans while shown separately (Short-term and current portion of interest-bearing loans, and Interest-bearing loans - net of current portion) were at ₱84,939.6 million as at 30 September 2024, an increase by ₱23,137.7 million, or 37.4%, compared to the balance as of ₱61,801.9 million as at 31 December 2023. The significant increase was a result of the maiden issuance of the Blue Bonds of the Corporation amounting to ₱15.0B in July 2024, and the additional interest-bearing loans financed by Metropolitan Bank and Trust Company in March 2024.

Deferred tax liabilities – net was at ₱1,707.8 million as at 30 September 2024, an increase by ₱183.0 million, or 12.0%, from deferred tax liabilities of ₱1,524.8 million as at 31 December 2023. This increase is primarily due to increase in service concession assets attributed to capital expenditure projects during the period.

Deferred credits were at ₱982,247 million as at 30 September 2024, a decrease by ₱225.7 million, or 18.7%, from deferred credits of ₱1,207.9 million as at 31 December 2023. Deferred credits presented herein represents the net effect of unrealized foreign exchange gains on service concession obligation payable to MWSS, and restatement of foreign currency-denominated interest-bearing loans and related interest that will be refunded to the customers. The decrease was net of fluctuations in the Japanese Yen conversion rates to Philippine peso while it stood at 0.393 as at 31 December 2023 and 30 September 2024.

Other noncurrent liabilities were ₱2,126.9 million as at 30 September 2024, an increase by ₱424.6 million, or 24.9%, from other noncurrent liabilities of ₱1,702.3 million as at 31 December 2023. The increase is mainly attributed to accrual of personnel-related costs, increase in lease liability arising from rental of transportation equipment and increase in contract liabilities on account of connection and installation fees.

Equity

Retained earnings were at ₱59,552.6 million as at 30 September 2024, an increase of ₱5,161.4 million, or 9.5%, from retained earnings of ₱54,391.2 million as at 31 December 2023. The increase is mainly attributed to the net income recognized by the Corporation for the period-ended 30 September 2024, partially offset by the dividends declared amounting to ₱4,500.0 million in 2024. The appropriated retained earnings of ₱28,750.0 million, on the other hand, remains unchanged as the projects which are intended to be financed by the appropriations are still ongoing as at 30 September 2024.

2) As of 31 December 2024 compared against as of 31 December 2023

Assets

Total assets as of December 31, 2024 stood at ₱198,170.6 million (U.S.$3,416.1 million), an increase of 21.1%, or ₱34,466.9 million, compared to ₱163,703.6 million as of December 31, 2023. This increase was due to the following:

- Cash and cash equivalents increased by 114.6%, or ₱5,616.9 million, to ₱10,519.5 million (U.S.$181.3 million) as of December 31, 2024 from ₱4,902.6 million as of December 31, 2023, due to (i) the cash generated from operating activities and financing activities, including our maiden Blue Bonds issuance of ₱15.0 billion in July 2024, and loan proceeds in the amount of ₱10.0 billion secured from Metropolitan Bank and Trust Company in March 2024, which were partially offset by cash dividends paid and partial loan payments, and cash payments for capital expenditures or investing activities during the period.

- Trade and other receivables increased by 12.6%, or ₱304.8 million, to ₱2,722.9 million (U.S.$46.9 million) as of December 31, 2024 from ₱2,418.1 million as of December 31, 2023, due to (i) inter company advances and (ii) the increase of receivables primarily from residential customers due to increased tariffs.

- Contract assets, which are initially recognized from the consideration we have yet to receive from customers while the service was performed, increased by 15.1%, or ₱181.5 million, to ₱1,386.5 million (U.S.$23.9 million) as of December 31, 2024 from ₱1,205.0 million as of December 31, 2023, due to the tariff increase and the substantial increase in billings to customers from ₱2.2 billion to ₱2.8 billion from December 31, 2023 to December 31, 2024.

- Other current assets increased by 14.4%, or ₱268.2 million, to ₱2,130.7 million (U.S.$36.7 million) as of December 31, 2024 from ₱1,862.5 million as of December 31, 2023, due to (i) the increase in prepayments, mostly related to prepaid insurance and performance bond premiums, (ii) higher creditable withholding taxes from customers, and (iii) advances to certain contractors.

- Service concession assets, which consist of the present value of total estimated concession fee payments and rehabilitation works, increased by 19.5%, or ₱27,419.8 million, to ₱168,339.4 million (U.S.$2,902.0 million) as of December 31, 2024 from ₱140,919.5 million as of December 31, 2023, due to an increase in the number of completed projects and facilities during the period. Total estimated concession fee payments consist of periodic payments of loans and interest on behalf of MWSS which are influenced by foreign exchange rates, while rehabilitation works comprise rehabilitation of pipelines and facilities.

- Other noncurrent assets increased by 5.8%, or ₱602.3 million, to ₱10,983.6 million (U.S.$189.3 million) as of December 31, 2024 from ₱10,381.3 million as of December 31, 2023, due to (i) the additional cash bond posted in favor of the Valenzuela City LGU for the ongoing construction of the Valenzuela Water Reclamation and Recycling Facility ("WRRF"), (ii) more capital expenditure projects being executed that require advances to contractors to cover mobilization costs, and (iii) the increase in new water service connections from customers for the year.

Liabilities

Total liabilities as of December 31, 2024 stood at ₱122,875.6 million (U.S.$2,117.1 million), an increase of 28.6%, or ₱27.282.3 million, compared to ₱95,533.3 million as of December 31, 2023. This increase was due to the following:

- Trade and other payables increased by 17.5%, or ₱3,589.54 million, to ₱24,157.1 million (U.S.$416.4 million) as of December 31, 2024 from ₱20,567.7 million as of December 31, 2023, due to (i) higher accruals in construction and retention payables, and (ii) payables arising from purchase orders required for our operations.

- Short-term and current portion of interest-bearing loans increased by 61.8%, or ₱1,598.4 million, to ₱4,186.1 million (U.S.$72.2 million) as of December 31, 2024 from ₱2,587.7 million as of December 31, 2023, due to (i) our maiden Blue Bonds issuance in the aggregate amount of ₱15.0 billion in July 2024, and (ii) the additional interest-bearing loans provided by Metropolitan Bank and Trust Company in March 2024.

- Current portion of service concession obligation payable to MWSS increased by 17.5%, or ₱152.7 million, to ₱1,027.3 million (U.S.$17.7 million) as of December 31, 2024 from ₱874.6 million as of December 31, 2023, due to (i) the additional drawdown of loans by MWSS for the year and (ii) the increase in the U.S. dollar exchange rate from ₱55.37 in 2023 to ₱57.85 in 2024 against the Philippine Peso.

- Income tax payable increased by 48.4%, or ₱257.1 million, to ₱787.9 million (U.S.$13.6 million) as of December 31, 2024 from ₱530.8 million as of December 31, 2023, primarily due to higher income tax due as a result of higher taxable income in 2024 compared to 2023.

- Interest-bearing loans – net of current portion increased by 34.2%, or ₱20,247.3 million, to ₱79,461.5 million (U.S.$1,369.8 million) as of December 31, 2024 from ₱59,214.2 million as of December 31, 2023, due to (i) our maiden Blue Bonds issuance in the aggregate amount of ₱15.0 billion in July 2024, and (ii) the additional interest-bearing loans provided by the Metropolitan Bank and Trust Company in March 2024.

- Deferred tax liabilities – net increased by 14.0%, or ₱212.8 million, to ₱1,737.6 million (U.S.$30.0 million) as of December 31, 2024 from ₱1,524.8 million as of December 31, 2023, due to an increase in borrowing costs during the period, which were treated differently in financial and tax accounting as to timing, recognition and deductibility of expenses.

- Deferred credits, which represent the net effect of unrealized foreign exchange gains on service concession obligations payable to MWSS, increased by 14.2%, or ₱171.7 million, to ₱1,379.6 million (U.S.$23.8 million) as of December 31, 2024 from ₱1,207.9 million as of December 31, 2023, due to fluctuations in the value of the U.S. dollar against the Philippine Peso.

- Pension liability increased by 204.8%, or ₱585.1 million, to ₱870.8 million (U.S.$15.0 million) as of December 31, 2024 from ₱285.7 million as of December 31, 2023, due to changes in financial assumptions such as discount rate and salary adjustments presented in the latest available actuarial valuation reports.

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

- Other noncurrent liabilities increased by 35.6%, or ₱605.5 million, to ₱2,307.8 million (U.S.$39.8 million) as of December 31, 2024 from ₱1,702.3 million as of December 31, 2023, due to (i) the accrual of personnel-related costs, (ii) an increase in lease liability arising from rental of transportation equipment, and (iii) an increase in contract liabilities on account of connection and installation fees.

As of 31 December 2023 compared against as of 31 December 2022

Assets

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

Trade and other receivables were at ₱2,418.1 million as of 31 December 2023, a decrease by ₱413.3 million, or 14.6%, from trade and other receivables of ₱2,831.4 million as of 31 December 2022. The decrease is attributed to the write-off of uncollectible receivables, offset by additional provision for expected credit losses.

Contract assets were at ₱1,205.0 million as of 31 December 2023, an increase by ₱204.1 million, or 20.4%, from contract assets of ₱1,000.9 million as of 31 December 2022. The increase is mainly attributed to the tariff increase implemented effective 1 January 2023.

Service concession assets were at ₱140,919.5 million as of 31 December 2023, an increase by ₱19,731.6 million, or 16.3%, from service concession assets of ₱121,187.9 million as of 31 December 2022. Service concession assets consist of the present value of total estimated concession fee payments pursuant to the Concession Agreement, and the costs of rehabilitation works incurred. The increase is primarily on account of the increase in construction costs related to the rehabilitation works of the Corporation in accordance with its capital expenditure plans.

Property and equipment were at ₱1,889.8 million as of 31 December 2023, an increase by ₱315.8 million, or 20.1%, from property and equipment of ₱1,574.0 million as of 31 December 2022. Despite the usual wear and tear charges, the property and equipment increased primarily due to additional purchases of laptops, desktops and various IT-related projects.

Other noncurrent assets were at ₱10,381.3 million as of 31 December 2023, an increase by ₱5,980.2 million, or 135.9%, from other noncurrent assets of ₱4,401.1 million as of 31 December 2022. The increase is primarily driven by the increase in mobilization fund which pertains to the advance payments to contractors for services paid but has yet to be fulfilled.

Liabilities

Trade and other payables were at ₱20,567.7 million as of 31 December 2023, a decrease of ₱1,548.5 million, or 7.0%, from trade and other payables of ₱22,116.2 million as of 31 December 2022. The decrease is primarily due to reversal on provision for water interruptions in 2022.

Short-term and current portion of interest-bearing loans, and interest-bearing loans - net of current portion were at ₱61,801.9 million as of 31 December 2023, an increase by ₱14,887.8 million, or 31.7%, from short-term and current portion of interest-bearing loans, and interest-bearing loans - net of current portion of ₱46,914.1 million as of 31 December 2022. This is primarily due to the additional interest-bearing loans financed by Bank of the Philippine Islands and Land Bank of the Philippines in 2023.

Service concession obligation payable to MWSS (current and noncurrent) were at ₱7,363.6 million as of 31 December 2023, an increase by ₱353.5 million, or 5.0%, from service concession obligation payable to MWSS (current and noncurrent) of ₱7,010.1 million as of 31 December 2022. The increased liability is mainly attributed to additional concession fee on account of loan drawdown of MWSS.

Deferred tax liabilities – net was at ₱1,524.8 million as of 31 December 2023, an increase by ₱487.8 million, or 47.0%, from deferred tax liabilities of ₱1,037.0 million as of 31 December 2022. This increase is primarily due to increase in service concession assets attributed to capital expenditure projects during the period.

Deferred credits were at ₱1,207.9 million as of 31 December 2023, an increase by ₱412.5 million, or 51.9%, from deferred credits of ₱795.4 million as of 31 December 2022. Deferred credits presented herein represents the net effect of unrealized foreign exchange gains on service concession obligation payable to MWSS, and restatement of foreign currency-denominated interest-bearing loans and related interest that will be refunded to the customers. The increase is attributed mainly to the decline in Japanese Yen conversion rate to Philippine peso from 0.4174 as of 31 December 2022 to 0.393 as of 31 December 2023.

Pension liability was at ₱285.7 million as of 31 December 2023, an increase by ₱133.9 million, or 88.2%, from pension liability of ₱151.8 million as of 31 December 2022. The increase is mainly attributed to increase in the number of plan members.

Other noncurrent liabilities were ₱1,702.3 million as of 31 December 2023, an increase by ₱447.2 million, or 35.6%, from other noncurrent liabilities of ₱1,255.1 million as of 31 December 2022. The increase is mainly attributed to LTIP accrual of ₱166.0 million for the new cycle, increase in lease liability of ₱86.0 million and increase in contract liabilities on account of connection and installation fees of ₱133.0 million.

Equity

Treasury shares were at ₱391.9 million as of 31 December 2023, an increase of ₱42.9 million, or 12.3%, from treasury shares of ₱349.1 million as of 31 December 2022. The increase is due to reacquired ESOP shares from separated and retired employees.

Other comprehensive loss was at ₱108.4 million as of 31 December 2023, a decrease by ₱144.2 million, or 402.7%, from other comprehensive income of ₱35.8 million as of 31 December 2022. The decrease is attributed to the remeasurement loss on retirement plan.

Unappropriated retained earnings were at ₱25,641.2 million as of 31 December 2023, an increase of ₱5,411.2 million, or 26.7%, from unappropriated retained earnings of ₱20,230.0 million as of 31 December 2022. The increase is mainly attributed to the net income recognized by the Corporation for the year-ended 31 December 2023, partially offset by the dividends declared amounting to ₱3,600.0 million in 2023. The appropriated retained earnings, on the other hand, remains unchanged as the projects which are intended to be financed by the appropriations are still ongoing as of 31 December 2023 and 2022. COVID-19 health and safety requirements slowed the implementation of Maynilad capex projects and significantly impacted project delivery in 2020 and 2021 which eventually led to the suspension of some capex projects. The expected completion dates have been updated to 2024, except for the Poblacion WTP, which is expected to be completed in 2025, the CAMANA Water Reclamation Facility, which is expected to be completed in 2026, and the Teresa WTP, which is expected to be completed in 2028.

LIQUIDITY

1) AUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 & 2023

1. The following table sets forth selected information from the Corporation's consolidated statements of cash flows for the periods indicated:

(in PHP'000s)	**Quarter Ended September 30 (Audited)**	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	12,504,000	9,030,507
Adjustments for:		
Amortization of service concession assets	2,204,717	1,953,205
Interest expense and other financing charges	1,827,385	1,861,604
Provision for expected credit losses	4,830	57,820
Depreciation and amortization	394,267	328,538
Interest income	(266,195)	(229,263)
Pension cost	95,230	103,877
Dividend income	(28,000)	(16,000)
Gain on sale of property and equipment	(51)	(1,925)
Unrealized foreign exchange losses (gains)	(1,182)	(2,887)
Operating income before working capital changes	16,735,002	13,085,476
Decrease (increase) in:		
Trade and other receivables	(495,576)	(3,338)
Contract assets	(213,943)	(234,826)
Other current assets	(280,393)	(400,496)
Additions to service concession assets	(19,960,221)	(15,899,765)
Increase (decrease) in:		
Trade and other payables	5,615,327	7,039,812
Other noncurrent liabilities	467,820	(480,068)
Cash generated from operations	1,868,016	3,106,795

Contributions to pension fund	(88,848)	(95,803)
Interest received	245,145	213,778
Income taxes paid	(2,163,003)	(1,708,394)
Net cash provided by (used in) operating activities	(138,690)	1,516,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other noncurrent assets	526,554	14,373
Acquisitions of property and equipment	(332,057)	(332,326)
Dividends received	28,000	16,000
Proceeds from sale of property and equipment	51	8,007
Net cash provided by (used in) investing activities	222,548	293,946
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the availment/drawdown of interest-bearing	24,742,525	3,942,099
Payments of:		
Interest-bearing loans	(1,641,296)	(3,008,354)
Dividends	(4,503,885)	(3,599,723)
Service concession obligation payable to MWSS	(947,242)	(726,228)
Lease liability	(120,134)	(156,401)
Interest paid	(2,842,258)	(2,085,133)
Acquisition of treasury shares	(89,805)	(104,777)
Net cash provided by (used in) financing activities	14,597,905	(5,738,517)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,681,763	(4,516,087)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,902,556	10,438,664
CASH AND CASH EQUIVALENTS AT END OF YEAR	19,584,319	5,922,577

2) CONSOLIDATED STATEMENTS OF CASH FLOWS AS FOR THE YEAR-ENDED DECEMBER 31, 2022, 2023 & 2024

	For the year-ended 31 December *(in PHP'000s)*		
	2022	**2023**	**2024**
Net cash provided by (used in) operating activities	(709,899)	(5,839,734)	(5,230,032)
Net cash provided by (used in) investing activities	112,393	(7,056,881)	(1,097,111)
Net cash provided by (used in) financing activities	3,070,465	7,360,507	11,944,128
Net increase (decrease) in cash and cash equivalents	2,472,959	(5,536,108)	5,616,985
Cash and cash equivalents at beginning of year	7,965,705	10,438,664	4,902,556

Cash and cash equivalents at the end of year	10,438,664	4,902,556	10,519,541

CONTINGENCIES AFFECTING CORPORATION'S CASH FLOWS

A contingent liability may be present in the surety bond extension submitted to MWSS on 5 April 2022. On 28 December 2022, the Corporation posted a surety bond in the amount of ₱3.3 billion issued by Prudential Guarantee and Assurance, Inc. in favor of MWSS covering the performance bond for the sixth rebasing period from 1 January 2023 to 31 December 2027. With the effectivity of the RCA, the Corporation is required to submit additional performance bond. On 26 June 2023, Maynilad posted another surety bond in the amount of ₱18.6 billion covering the period 10 May 2023 to 31 December 2027 to satisfy the requirement under the RCA.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth the contractual maturities of the Corporation's financial liabilities, including interest payments as of 30 September 2024:

	As of 30 September 2024 *(in PHP'000s)*				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due after 12 Months**	**Total**
Interest-bearing loans*	–	1,622,397	3,478,646	80,642,802	85,743,845
Trade and other payables**	404,478	5,584,696	8,823,280	7,989,958	22,802,412
Service concession obligation payable to MWSS	607,217	481,762	–	6,171,504	7,260,483
Customers' deposits	–	–	–	591,105	591,105
Lease liabilities***	–	48,261	61,544	304,880	414,685
	1,011,695	**7,737,116**	**12,363,470**	**95,700,249**	**116,812,530**

**Principal plus interest payment*
***Excludes taxes payable, interest payable and current portion of lease liability.*
****Current portion is presented under "Trade and other payables" account and noncurrent portion is presented under "Other noncurrent liabilities" account.*

	As of 31 December 2024 *(in PHP '000s)*				
	On demand	**Due within 3 months**	**Due between 3 and 12 months**	**Due after 12 months**	**Total**
Interest-bearing loans	–	3,462,656	5,889,609	113,986,178	62,510,638
Trade and payables	587,206	6,310,976	8,053,577	7,719,745	22,671,504
Service concession obligation payable to MWSS	–	221,607	655,339	9,749,031	10,625,977

	As of 31 December 2024 *(in PHP '000s)*				
	On demand	**Due within 3 months**	**Due between 3 and 12 months**	**Due after 12 months**	**Total**
Customers' deposits	–	–	–	1,355,612	1,355,612
Lease Liabilities	–	57,607	79,295	293,218	430,120
Total	**587,206**	**10,052,846**	**14,677,820**	**133,103,784**	**158,421,656**

As of Record Date, there is no known event that will trigger a direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

FINANCIAL KEY PERFORMANCE INDICATORS

	For the year-ended 31 December *(in PHP millions except for ratio figures)*		
	2022	**2023**	**2024**
Net Income	5,874.9	9,011.2	12,781.4
EBITDA[(1)]	13,218.4	17,473.9	22,041.1
EBITDA Margin [(2)] *(in %)*	57.8%	64.0%	65,8%
Return-on-Assets [(3)] *(in %)*	4.3%	5.9%	7.1%
Debt-to-Equity Ratio [(4)]	0.7	0.9	1.1
Debt Service Coverage Ratio [(5)] *(in %)*	3.7	3.6	3.5
Asset-to-Equity Ratio [(6)]	2.3	2.4	2.6
Return-on-Equity [(7)] *(in %)*	9.6%	13.7%	17.8%

The Corporation and its subsidiaries' key financial data presented are derived using the following formula:

1. EBITDA is calculated as net income + interest expense and other financing charges + provision for income taxes + depreciation and amortization + amortization of service concession assets – interest income. The following table provides for the computation of the Corporation's EBITDA for the following periods:

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

2. Calculated as EBITDA / operating revenues.

3. Calculated as net income / average total assets. Average total assets is calculated as the sum of the amounts at the beginning and end of the period divided by two.

4. Calculated as Debt / total equity. "Debt" is defined as the amount of all our outstanding obligations for borrowed money from any bank or financial institution and amounts outstanding under any issue of bonds, notes, or similar instruments by us, which are booked as liabilities in our financial statements.

5. Calculated as (a) the sum of the EBITDA as of the last day of the immediately preceding 12-month period and our cash and cash equivalents at the beginning of the immediately succeeding 12-month period divided by (b) debt service for the immediately succeeding 12-month period. "Debt Service" is defined as the aggregate amount of all principal, interest and other financial charges in respect of borrowed money payable by us.

6. Calculated as total assets / total equity.

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

CAPITAL EXPENDITURES

The Corporation's capital expenditure program is set out in its Business Plan for the sixth rate rebasing period. Projects part of the program are classified as Water Sources, Operations Support, Non-Revenue Water Management, Sewerage, Sanitation, and Customer Service and Information. The Corporation expects to source funds for its Capex program through a combination of internally-generated funds, bank loans, and capital markets transactions.

The Corporation's annual total budgeted project cost of its capital expenditure program for the years 2023-2027 are shown below:

	2023	2024	2025	2026	2027	Total
Total Capex (₱ Billions)	26.0	31.4	38.9	34.6	32.4	163.3

OFF-BALANCE SHEET ARRANGEMENTS

As of date, the Corporation has no material off-balance sheet transactions, arrangements, obligations for which the Corporation is a guarantor. The Corporation also has no unconsolidated subsidiaries. In the ordinary course of business, the Corporation has obtained, and may from time to time obtain, performance or bid bonds in favor of their counterparties.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

There are no material (i) known trends, events or uncertainties with material impact on liquidity, (ii) events that will trigger direct or contingent financial obligation that is material to the Corporation (including any default or acceleration of an obligation, (iii) material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period, (iv) material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures, and (v) any other known trends, events or uncertainties with material impact on sales.

SEASONALITY

The Corporation experiences higher water demand during summer months (i.e., April and May). Nonetheless, weather conditions have natural variations from season to season and from year to year and may also change permanently because of climate change (e.g., El Niño, La Niña) or other factors.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

Not applicable

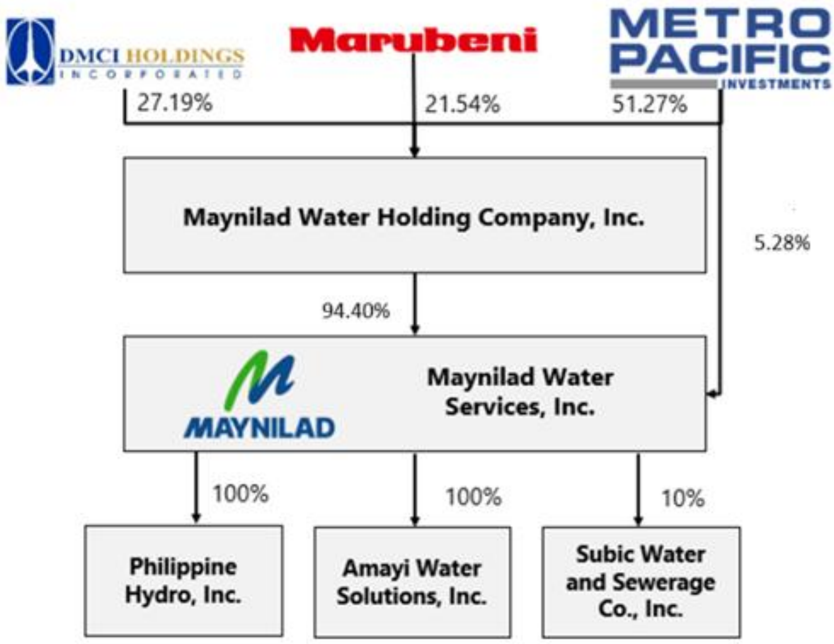
STOCKHOLDERS

As of date, Maynilad has 424 registered holders of common shares. The following are the Corporation's shareholders and their corresponding number of shares as of date:

Rank	Name of stockholder	Nature of shares	Number of shares	Percentage
1	Maynilad Water Holding Company, Inc. ("**MWHCI**")	Common	5,298,510,289	94.40%
2	Metro Pacific Investments Corporation ("**MPIC**")	Common	296,178,211	5.28%
3	Ramoncito S. Fernandez	Common	1,316,000	0.02%
4	Lourdes Marivic K. Punzalan-Espiritu	Common	816,000	0.01%
5	Christopher Jaime T. Lichauco	Common	745,000	0.01%
6	Francisco C. Castillo	Common	717,000	0.01%
7	Metropolitan Bank and Trust Company	Common	524,000	0.01%
8	Ricardo F. De Los Reyes	Common	440,000	0.01%
9	Nancy D. Espenilla	Common	253,000	Nil
10	Roel S. Espiritu	Common	241,000	Nil
11	Marie Antonette H. De Ocampo	Common	234,000	Nil
12	Rodora N. Gamboa	Common	226,000	Nil
13	Martin Inocencio B. De Guzman	Common	224,000	Nil
14	Apollo C. Tiglao	Common	219,000	Nil
15	Ryan B. Jamora	Common	196,000	Nil
16	Enrique G. De Guzman	Common	172,000	Nil
17	Enrico Roy A. Lopez	Common	167,000	Nil
18	Marie Angelique L. Estrella	Common	164,000	Nil
19	Edgardo S. Dimapilis	Common	159,000	Nil
20	Enrique M. Eguia	Common	148,000	Nil
	Others (404)	Common	10,978,000	0.20%
TOTAL ISSUED AND OUTSTANDING (COMMON)			**5,612,627,500**	**100.00%**

SHAREHOLDER MAP

Maynilad Water Holding Company, Inc. is the immediate parent company of Maynilad, with an equity interest of 94.40% as of 31 March 2025. It serves as the holding company of three (3) leading conglomerates, namely, Metro Pacific Investments Corporation ("**MPIC**"), DMCI Holdings, Inc. ("**DMCI**") and Marubeni Corporation ("**Marubeni**") (through its subsidiary, MCNK JV Corporation). The ownership structure of Maynilad is shown in the diagram below.



DIVIDENDS

Dividend Policy

Maynilad does not have a dividend policy. However, it has been the Corporation's practice to declare dividends equating to 50% of the Corporation's net income.

As of the date hereof, Maynilad's subsidiaries have not declared any dividend for the past three (3) years.

Dividend History

On 28 June 2021, during the regular meeting of the Board of Directors, the Corporation set approved the declaration of cash dividends of ₱662.33 per share amounting to ₱3.0 billion to all shareholders of record as at June 30, 2021. Payments were made on July 22, 2021.

On 24 February 2022, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends of ₱663.19 per share amounting to ₱3.0 billion to all shareholders of record as at 28 February 2022. Payments were made on 15 April 2022.

On 20 February 2023, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends of ₱797.69 per share amounting to ₱3.6 billion to all shareholders of record as at 28 February 2023. Payments were made on 14 April 2023.

On 27 February 2024, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends of ₱998.57 per common share amounting to ₱4.505 billion to all shareholders of record as at 29 February 2024. Payments were made on 15 April 2024.

On 8 November 2024, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends amounting to ₱1,149,389,000.00 (approximately ₱255.07

per share) to all shareholders of record as at 8 November 2024 for payment not later than 28 November 2024.

On 18 February 2025, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends amounting to ₱6,400,000,000.00 (approximately ₱1.14 per share) to all shareholders of record as at 28 February 2025 for payment not later than 15 March 2025.

RECENT SALES OF UNREGISTERED SECURITIES

Not applicable.

CORPORATE GOVERNANCE

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

Compliance with leading practice on Corporate Governance

Corporate Governance Manual

The Corporation has adopted a Manual on Corporate Governance (the "Manual") which institutionalizes the principles of good governance in the Corporation.

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

Distribution and Communication Process

The Manual is posted the Corporation's website and is available for physical inspection by shareholders during business hours.

Training Process

The directors, compliance officer, and corporate secretary are required to attend annual trainings on corporate governance.

Monitoring and Assessment

The compliance officer is required to establish an evaluation system to determine and measure compliance with the Manual. The Board may also create an internal self-rating system to measure the Board of Directors and management's performance in adhering to good corporate governance practices. The Manual also provides for penalties for non-compliance with the provisions in the Manual, which shall apply to directors, officers, and employees. As of the date, the Corporation has not committed any act that deviates from the corporate governance rules set forth under the Manual.

Policies

The Corporation also has in place the following policies to further aid in complying with principles of good governance:

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

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

Improvements in Corporate Governance

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

Annex "D"

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

SEC Registration Number

A 1 9 9 6 - 1 1 6 5 1

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition for Manila Concession (West Zone)

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

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

Audit response

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

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

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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

February 18, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

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

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information and Status of Operations

General

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

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

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

Effective Interest in Maynilad

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

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

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

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

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

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

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

Concession Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tariff Rate Determination under the Revised Concession Agreement

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

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

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

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

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

Rate Rebasing Exercise

Fourth Rate Rebasing (2013-2017)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sixth Rate Rebasing (2023-2027)

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

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

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

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

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

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

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

RA 11600 – Maynilad's Legislative Franchise

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

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

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments

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

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

  The amendments clarify:

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

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Fair Value Measurement

The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair value measurement disclosures are presented in Note 24.

Financial Instruments

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss (FVPL);

- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

The Group has no financial assets at FVPL and FVOCI where cumulative gains or losses previously recognized are reclassified to profit or loss as at December 31, 2024 and 2023.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "provision for expected credit losses" account in the consolidated statement of income.

This category includes cash and cash equivalents (excluding cash on-hand), trade and other receivables, restricted cash and deposits, which are presented under "Other current assets" and "Other noncurrent assets" in the consolidated statements of financial position.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit losses model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and
- the amount of the dividend can be measured reliably.

The Group's financial assets at FVOCI is their unquoted equity investments that are included in Note 9 as at December 31, 2024 and 2023.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

This category includes trade and other payables (excluding statutory payables), interest-bearing loans, service concession obligation payable to MWSS, customers' deposits, lease liabilities and other noncurrent liabilities.

The Group has no financial liabilities at FVPL as at December 31, 2024 and 2023.

Derecognition of Financial Assets and Liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- the Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (i) transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the

Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability has expired or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVPL:

- debt instruments that are measured at amortized cost;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized, and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade", or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to "Trade and other receivables".

<u>Service Concession Assets</u>

Parent Company. The Parent Company accounts for its concession arrangement with MWSS in accordance with IFRIC 12, *Service Concession Arrangement*, under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Concession Agreement, the Parent Company is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall vest in MWSS at the end of the concession period.

Phil Hydro. Phil Hydro accounts for its Bulk Water Supply Agreements in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service.

Service concession assets are recognized to the extent that the Group receives a license or right to charge the users of the public service. The service concession assets pertain to the fair value of the service concession obligations at drawdown date and construction costs related to the rehabilitation works performed by the Group. The Parent Company's service concession assets are amortized using unit of production (UOP) method over the projected total billable water volume during the remaining term of the service concession arrangement. Phil Hydro amortizes its service concession assets using straight-line method over the terms of the Bulk Water Supply Agreements and Memorandum of Agreement.

The amortization period for the service concession assets will begin when the assets are ready for their intended use.

The Group recognizes and measures revenue from rehabilitation works using input method. Under this method, progress is measured by reference to actual costs incurred to date.

Cost of rehabilitation works, which includes all direct materials, labor costs and those indirect costs related to contract performance, is recognized consistent with the revenue recognition method applied. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the revisions are determined.

Subsequent costs and expenditures related to the concession agreement are recognized as additions to service concession assets at fair value of obligations at drawdown date and cost of rehabilitation works.

Under IFRIC 12, if the operator provides construction or upgrade services the consideration received or receivable by the operator shall be recognized in accordance with PFRS 15. The consideration may be rights to; (a) a financial asset, or (b) an intangible asset. The operator shall recognize an intangible asset to the extent that it receives a right (a license) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. However, both types of consideration are classified as a contract asset during the construction or upgrade period in accordance with PFRS 15.

Under the concession agreement with MWSS, the Parent Company is obligated to render rehabilitation projects. Revenue from the rehabilitation works is recognized as revenue as the service is being performed using input method based on the actual costs incurred to date.

Service Concession Assets not yet available for use
For service concession assets not yet available for use as of reporting date, this is to be recognized as part of contract assets. These contract assets are tested for impairment similar with other non-financial assets under PAS 36, *Impairment of Assets*. These contract assets will form part of the service concession assets once completed.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Property and Equipment
The Group's property and equipment consist of land and land improvements, instrumentation tools and other equipment, office furniture fixtures and equipment, transportation equipment and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation and any impairment in value (see policy on "Impairment of Nonfinancial Assets"). Land is stated at cost.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land improvements	5 to 25 years
Instrumentation, tools and other equipment	5 years
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years
ROU assets – land and building	2 to 17.5 years
ROU assets – transportation equipment	2 to 5 years

The Group computes for depreciation charges based on the significant component of the asset.

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the item is derecognized.

Impairment of Nonfinancial Assets
An assessment is made at each reporting date to determine whether there is any indication of impairment of any nonfinancial assets (i.e., property and equipment and service concession assets), or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the Group estimates the asset's or CGU's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Foreign Currency-Denominated Transactions
Foreign exchange differentials arising from foreign currency transactions are credited or charged to operations. As approved by the MWSS BOT under Amendment No. 1 of the Concession Agreement, the following will be recovered through billings to customers:

- Restatement of foreign currency-denominated loans;
- Excess of actual concession fee payments over the amounts of concession fee translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise;
- Excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at drawdown date rates; and
- Excess of actual payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rates on settlement dates over the amount of other financing charges translated at drawdown date rates.

Under the Amendments to the RCA, FCDA will be based on the following: forex gains/losses arising from (a) principal and interest payments on all MWSS loans that are being and will be serviced by Maynilad, and (b) principal payments for drawn and undrawn amount of Maynilad's foreign currency denominated loans existing as of June 29, 2022. For Maynilad loans contracted after June 29, 2022, a modified FCDA will apply but may be availed of only when there is an "extraordinary inflation" or "extraordinary deflation" of the Philippine Peso (i.e., more than 20% change in the base exchange rate) and the amount that may be recovered is capped.

In view of the automatic reimbursement mechanism, the Parent Company recognizes deferred FCDA (included as part of "Other noncurrent assets" or "Deferred credits" accounts in the consolidated statements of financial position) with a corresponding credit (debit) to FCDA revenues for the unrealized foreign exchange losses (gains) which have not been billed or which will be refunded to the customers. The write-off of the deferred FCDA or reversal of deferred credits pertaining to concession fees will be made upon determination of the new base foreign exchange rate, which is assumed in the business plan approved by the RO during the latest Rate Rebasing exercise, unless indication of impairment of deferred FCDA would be evident at an earlier date. Deferred FCDA and deferred credits are calculated as the difference between the drawdown or rebased rate and the closing rate. These are presented as part of "Other noncurrent assets" and "Deferred credits" accounts in the consolidated statements of financial position, respectively.

<u>Customers' Deposits</u>
Customers' deposits are initially measured at fair value. After initial recognition, these deposits are subsequently measured at amortized cost using the effective interest method. Accretion of customers' deposits is included under "Interest expense and other financing charges" account in the consolidated statements of income. The discount is recognized as deferred credits and amortized over the remaining concession period using the effective interest method. Amortization of deferred credits is included as part of "Other income" account in the consolidated statements of income.

<u>Revenue from Contracts with Customers</u>
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.

<u>Water and Wastewater Services</u>
Revenue from water and wastewater services is recognized upon the supply of water to the customers and when the related services are rendered. Billings to customers consist of the following:

a. Water charges

   - Basic charges represent the basic tariff charged to consumers for the provision of water services.
   - FCDA, which is the tariff mechanism that allows the Parent Company to recover foreign exchange losses or to compensate foreign exchange gains on a current basis beginning January 1, 2002 until the Expiration Date.
   - Maintenance service charge represents a fixed monthly charge per connection. The charge varies depending on the meter size.

b. Wastewater charges

- Environmental charge represents 20% of the water charges, except for maintenance service charge.

- Sewerage charge represents 20% of the water charges, excluding maintenance service charge, for all consumers connected to the Parent Company's sewer lines. Effective January 1, 2012, pursuant to RO Resolution No. 11-007-CA, sewerage charge applies only to commercial and industrial customers connected to sewer lines.

c. Government taxes consist of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective LGUs where the Business Area offices of the Concessionaires are located (see Note 1).

- National franchise tax is 2% of total water and wastewater charges.

- Local franchise tax is based on the total water and wastewater charges using the applicable local franchise tax rate.

The performance obligations are satisfied over time and payment is generally due seven days from invoicing.

- *Connection and installation fees*

  The connection and installation fees are non-refundable upfront fees which do not provide a separate service. The connection and installation fees, along with the water and wastewater services are treated as one performance obligation. The Group determines the amortization period for deferred connection and installation revenues and costs based on the expected relationship with its customers. In the absence of other reliable information, the Company determined that the customers are expected to maintain their water and wastewater connection throughout the concession period. Therefore, the Company amortizes its deferred connection and installation revenues and related costs over the remaining concession period.

- *Contract costs*

  The Group recognizes costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable and record them in "Other current assets and "Other noncurrent assets" accounts in the consolidated statements of financial position.

  Costs incurred in fulfilling contracts with customers comprise of costs for connection and installation of the customers to the Group's water system. These costs are recognized as an asset to the extent they are considered recoverable to the extent of the actual costs incurred. The related asset is amortized over the remaining concession period during the satisfaction of performance obligations of the water and wastewater services.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*

  The Group provides water and wastewater services to its customers. Water and wastewater services are composed of water service, wastewater service connection and installation, maintenance and sanitation services. The Group has determined that the services are to be bundled and is considered as one performance obligation since the services are highly interrelated and highly interdependent with one another.

- *Determining the transaction price*

  The Group determined that the transaction price is the total consideration in the contract.

- *Determining the timing of satisfaction of connection and installation services*

  The Group concluded that the revenue from water and wastewater services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. As another entity would not need to re-perform the services that the Group has provided to date, this demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The services are on-going and is completed when the customer is disconnected from the Group's water system.

  When the Group provides construction or upgrade services, the consideration received, or receivable is recognized in accordance with PFRS 15. The Group accounts for revenue and costs relating to operation services based on the input method. Using this method, progress is measured by reference to the actual costs incurred to date. (shown as "Revenue from rehabilitation works" and "Cost of rehabilitation works" accounts in the consolidated statements of income).

<u>Revenue Adjustments</u>
Revenue adjustments, either considered as variable consideration or do not meet the criteria for revenue recognition, are being determined and reviewed on a periodic basis. These adjustments pertain to regularly unpaid bills and potential overbillings, which amounts are determined based on historical data and experience and the policies and parameters set by the Parent Company.

<u>Contract Balances</u>

Contract asset
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Cost and Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statements of income as incurred.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Treasury shares, which represent own equity instruments that are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issuance or the cancellation of the Parent Company's own equity instruments.

Retained earnings represent the Group's accumulated earnings less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted to fund capital expenditures. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend (Note 13).

Income Taxes

- *Current Income Tax*

  Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

- *Deferred Income Tax*

  Deferred income tax is provided, using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except in certain instances as provided by the relevant standards.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rate that is expected to apply to the period when the assets are realized or the liabilities are settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized in other comprehensive income account is included in the consolidated statements of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Share-based Payments

Employees of the Parent Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) under the Employee Stock Option Plan (ESOP).

The cost of equity-settled transactions is determined as the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in other equity adjustments, over the period in which the performance and/or service conditions are fulfilled and is shown as part of "Salaries, wages and benefits" account in the consolidated statements of income.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are not recognized unless virtually certain.

Earnings per Share (EPS)

Basic EPS is computed based on the weighted average number of outstanding shares and adjusted to give retroactive effect to any stock split during the year. The dilutive effect of outstanding ESOP shares is reflected as additional share dilution in the computation of diluted EPS.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standard requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. The uncertainties inherent in these estimates and assumptions could result in outcomes that could require material adjustments to the carrying amounts of the assets or liabilities affected in future years. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Amortization Method for Service Concession Assets. The Parent Company accounts for its concession arrangement with MWSS in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service. Phil Hydro accounts for its Bulk Water Supply Agreements in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service.

The Parent Company amortizes its service concession assets using the UOP method, given that the economic benefit of these assets is more closely aligned with billed volume, which the Parent Company can reliably estimate. Phil Hydro amortizes its service concession assets using the straight-line method over the terms of each Bulk Water Supply Agreements and Memorandum of Agreement.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below. The estimates and assumptions are based on the parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Parent Company. Such changes are reflected in the assumptions as they occur.

Allowance for ECL. The following information explains the inputs, assumptions and techniques used by the Group in estimating ECL:

- General approach for cash in banks and cash equivalents, non-trade receivables, restricted cash and deposits

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Group considers the probability of its counterparty to default its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized, forward-looking estimates and time value of money.

- Simplified approach for trade and other receivables (excluding non-trade receivables) and contract assets which are presented under "Other current assets".

  The Group uses a simplified approach for calculating ECL on trade and other receivables (excluding non-trade receivables) and contract assets using provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

  The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Group's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

- Incorporation of forward-looking information

  The Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the consumer price index, gross domestic product, inflation rate, unemployment rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Group for other purposes such as strategic planning and budgeting.

  The Group identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 9 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Group segmented its trade receivables based on their billing class as shown below:

  a. Domestic

     i. Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
     ii. Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.

  b. Non-domestic

     i. Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
     Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.

The following credit exposures are assessed individually:

a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and

b. Cash in banks and cash equivalents, deposits and restricted cash, non-trade receivables and deposits

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In 2023, the Parent Company made an assessment of its trade receivables without billing and collection beginning July 1, 2022. Consequently, outstanding receivables incurred in 2015 and prior years amounting to ₱820.9 million were written off in 2023 (see Note 5). As at December 31, 2024, outstanding receivables amounting to ₱34.3 million were also written off (see Note 5).

Provision for ECL amounted to ₱112.4 million, ₱600.5 million and ₱82.9112.4 million in December 31, 2024, 2023 and 2022, respectively. Trade and other receivables, net of allowance for ECL of ₱1,519.6 million and ₱1,441.5 million as at December 31, 2024 and 2023, respectively, amounted to ₱2,722.9 million and ₱2,418.1 million as at December 31, 2024 and 2023, respectively (see Notes 5 and 24).

Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and financial liabilities be carried at fair value, which requires the use of accounting estimates and judgments. The determination of the fair value requires management to make estimates and assumptions to determine the extent to which the Group receives a right of license to charge users of the public service. In making those estimates, management is required to determine a suitable discount rate to calculate for the present value of these cash flows. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect income and equity.

The fair values of financial assets and financial liabilities are set out in Note 25.

Estimated Billable Water Volume. The Parent Company estimated the billable water volume, where the amortization of service concession assets is derived from, based on the period over which the Parent Company's concession agreement with MWSS is in force. The Parent Company reviews annually the billable water volume based on factors that include market conditions such as population growth and consumption and the status of the Parent Company's projects and their impact on non-revenue water. It is possible that future results of operations could be materially affected by changes in the Parent Company's estimates brought about by changes in the aforementioned factors. A reduction in the projected billable water volume would increase amortization and decrease noncurrent assets.

In 2021, the Parent Company commissioned the Diliman Integrative Technical Consultancy, Inc. ("DITCI") to conduct a water demand study within its concession area. The result of this study was used to determine short-term and long-term water demand requirements. As such, DITCI prepared annual medium term (2022-2026) and long-term (through 2050) demand forecasts. The results of this study were used to forecast the latest billed volume that was included in the recently approved Business Plan and the same was also used for the new amortization of the Parent Company.

Service concession assets, net of accumulated amortization of ₱45,568.3 million and ₱42,542.8 million, amounted to ₱168,339.4 million and ₱140,919.5 million as at December 31, 2024 and 2023, respectively. Amortization of service concession assets amounted to ₱3,028.6 million, ₱2,744.8 million and ₱2,459.2 million in 2024, 2023 and 2022, respectively (see Note 7).

Estimated Useful Lives of Property and Equipment. The useful life of each item of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease property and equipment.

There was no change in estimated useful lives of property and equipment in 2024 and 2023.

Property and equipment, net of accumulated depreciation and amortization of ₱5,088.7 million and ₱4,743.0 million, amounted to ₱1,963.2 million and ₱1,889.8 million as at December 31, 2024 and 2023, respectively. Depreciation and amortization of property and equipment amounted to ₱527.3 million, ₱524.3 million and ₱485.9 million in 2024, 2023 and 2022, respectively (see Note 8).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The Parent Company used Optional Standard Deduction (OSD) and Regular Corporate Income Tax (RCIT or itemized deduction) in computing its taxable income in 2024 and 2023, respectively. Phil Hydro used itemized deduction in computing its taxable income in 2024 and 2023 (see Note 16). The method of deduction to be availed by the Parent Company is assessed every taxable year. Accordingly, deferred tax assets and liabilities are measured based on OSD or itemized deduction method depending on the forecasted gross and taxable income and which method of deduction is more beneficial to the Parent Company.

The Group recognized deferred tax assets amounted to ₱484.5 million and ₱362.3 million as at December 31, 2024 and 2023, respectively (see Note 16).

The Group did not recognize deferred tax assets on deductible temporary differences where doubt exists as to the tax benefits these deferred tax assets will bring in the future.

Deferred FCDA and Deferred Credits. Under Amendment No. 1 of the Concession Agreement, the Parent Company is entitled to recover (refund) foreign exchange losses (gains) arising from MWSS loans and any concessionaire loans. For the unrealized foreign exchange losses, the Parent Company recognized deferred FCDA as an asset since this is a resource controlled by the Parent Company as a result of past events and from which future economic benefits are expected to flow to the Parent Company. Unrealized foreign exchange gains, however, are presented as deferred credits and will be refunded to the customers.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023 (see Note 7).

The effect of change in rebased rate amounting to ₱841.7 million was accounted for as an adjustment of "Service concession assets" and "Deferred credits" accounts to adjust their carrying values based on the newly determined and approved rebased rate in 2023. No similar adjustment was made in 2024 (see Note 7).

Asset Impairment. The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include but not limited to the following:

- Significant under performance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use (VIU) approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the results of operations.

Noncurrent nonfinancial assets carried at cost and subjected to impairment test when certain impairment indicators are present are as follows:

	2024	2023
Service concession assets (see Note 7)	**₱168,339,382**	₱140,919,477
Property and equipment (see Note 8)	**1,963,230**	1,889,754
	₱170,302,612	₱142,809,231

In 2024 and 2023, there have been no substantive impairment indicators that necessitated further impairment assessment on these assets.

Computation of Pension Cost and Other Post-employment Benefits.

a. The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, turnover rate, mortality rate and salary increase rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

   In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Turnover rate is based on a 3-year historical information of voluntary separation and resignation by plan members.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Net pension cost related to non-contributory fund presented as part of "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱152.9 million, ₱102.8 million and ₱140.7 million and ₱103.0 million in 2024, 2023 and 2022, respectively. Pension liability amounted to ₱870.8 million and ₱285.7 million as at December 31, 2024 and 2023, respectively (see Note 17).

b. Pension cost related to contributory fund presented as part of "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱48.8 million, ₱22.9 million and nil in 2024, 2023 and 2022, respectively (see Note 17).

Determination of Other Long-term Incentive Benefits.
Long-term Incentive Plan (LTIP) for cycle 2019, 2021 and 2022 was approved by the Maynilad BOD on February 24, 2023. Management proposed, and the BOD accepted, the exclusion of 2020 results from the LTIP standards due to the highly unusual circumstances (pandemic, severe quarantine lockdowns) affecting financial performance for that year. It is also for this reason that the LTIP cycle was extended to include 2022 instead.

In keeping with Maynilad's practice over previous years, management obtained the approval for the LTIP cycle covering the period 2023-2025 on December 10, 2024.

The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company's other long-term incentive benefits.

Accrued LTIP which was included as part of "Other noncurrent liabilities" accounts in the consolidated statements of financial position amounted to ₱586.7 million and ₱166.0 million as at December 31, 2024 and 2023. The total cost of the LTIP recognized by the Company presented as part of "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱420.7 million, ₱166.0 million and ₱5.2 million in 2024, 2023 and 2022, respectively (see Notes 12 and 17).

Provisions and Contingencies. The Group is currently involved in various legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 20).

Disputes with MWSS. Pending resolution of the dispute between the Parent Company and MWSS on certain claims of MWSS, the disputed amount of ₱5.1 billion as at December 31, 2024 and 2023 is considered as contingent liability. The outstanding provision amounted to ₱607.2 million as at December 31, 2024 and 2023 (see Notes 7, 10 and 20).

4. Cash and Cash Equivalents

Cash and cash equivalents account consists of:

	2024	2023
Cash on hand and in banks	**₱3,044,842**	₱3,102,857
Cash equivalents	**7,474,699**	1,799,699
	₱10,519,541	₱4,902,556

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and cash equivalents, net of applicable final tax, amounted to ₱404.8 million, ₱221.7 million and ₱30.1 million in 2024, 2023 and 2022, respectively.

5. Trade and Other Receivables

This account consists of receivables from:

	2024	2023
Customers:		
Residential	**₱2,322,515**	₱2,165,337
Semi-business	**257,305**	249,202
Commercial	**685,346**	693,567
Industrial	**175,285**	182,829
Bulk water supply	**207,676**	101,806
	3,648,127	3,392,741
Employees	**46,328**	46,994
Others	**547,980**	419,823
	4,242,435	3,859,558
Less allowance for ECL	**1,519,563**	1,441,488
	₱2,722,872	₱2,418,070

The classes of the Company's receivables from customers are as follows:

- Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
- Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.
- Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
- Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.
- Bulk water supply – pertains to receivables arising from water service to water districts outside the West Service Area.

Receivables from customers and bulk water supply are non-interest bearing and generally have 60-day term.

Other receivables consist mainly of receivables from collecting agents normally received within 30 days and advances for construction and installation of water reticulation systems for subdivisions in the West Service Area payable on installment basis over a period of 3 to 5 years. Portion of advances for water reticulation systems expected to be collected beyond one year amounting to ₱6.3 million and ₱1.6 million as at December 31, 2024 and 2023 is presented as part of "Others" in "Other noncurrent assets" account in the consolidated statements of financial position.

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

	2024					
	Receivables from Customers				**Other**	
	Residential	**Semi-Business**	**Commercial**	**Industrial**	**Receivables**	**Total**
January 1	**₱853,608**	**₱138,185**	**₱356,830**	**₱83,992**	**₱8,873**	**₱1,441,488**
Provisions	**45,141**	**4,978**	**12,585**	**3,090**	**46,574**	**112,368**
Write-off	**(29,325)**	**(669)**	**(2,469)**	**(1,804)**	**–**	**(34,267)**
Reversal	**–**	**–**	**–**	**–**	**(26)**	**(26)**
At December 31	**₱869,424**	**₱142,494**	**₱366,946**	**₱85,278**	**₱55,421**	**₱1,519,563**

	2023					
	Receivables from Customers				Other	
	Residential	Semi-Business	Commercial	Industrial	Receivables	Total
At January 1	₱1,042,950	₱141,959	₱379,998	₱88,079	₱9,207	₱1,662,193
Provisions	397,708	45,939	126,526	30,351	–	600,524
Write-off	(587,050)	(49,713)	(149,694)	(34,438)	–	(820,895)
Reversal	–	–	–	–	(334)	(334)
At December 31	₱853,608	₱138,185	₱356,830	₱83,992	₱8,873	₱1,441,488

The management recognized provision for ECL amounting to ₱112.4 million, ₱600.5 million and ₱82.9 million in 2024, 2023 and 2022, respectively.

6. Other Current Assets and Other Noncurrent Assets

Other Current Assets

This account consists of:

	2024	2023
Advances to supplier/contractors	**₱544,892**	₱561,163
Input VAT	**562,238**	537,222
Prepayments (see Note 22)	**400,948**	198,441
Deposits	**231,696**	237,990
Others (see Note 14)	**390,921**	327,682
	₱2,130,695	₱1,862,498

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

Input VAT is an indirect tax on the purchased goods and services which the Company uses in its operations. Before March 21, 2023, the Company recovers its input VAT by offsetting it against the output VAT. Upon acceptance of the legislative franchise on March 21, 2022, the Company shifted from 12% VAT to Other Percentage Tax. The remaining input VAT refers to the unutilized input VAT from the purchase of capital goods to be amortized over the assets' remaining useful life and the input VAT associated with the retention payable from contractors' billings which will be either capitalized or expensed upon actual release of the retention money, subsequent to the final acceptance or turn-over of the completed project.

Prepayments mainly pertain to insurance, performance bond and local taxes (see Note 22).

Deposits mainly consist of bill deposits to Meralco.

As at December 31, 2024 and 2023, "Others" consist mainly of materials and supplies amounting to ₱317.6 million and ₱265.2 million, respectively; creditable withholding tax amounting to ₱40.9 million and ₱41.7 million, respectively; and cost of new water service connections amounting to ₱25.7 million and ₱20.8 million, respectively, that were capitalized since these costs are recoverable and directly associated with the contract with customers (see Note 14).

Other Noncurrent Assets

This account consists of:

	2024	2023
Mobilization fund	**₱9,796,828**	₱9,474,660
Cost of new water service connection (Note 14)	**536,986**	457,154
Deposits	**565,246**	375,365
Others (see Note 14)	**84,512**	74,126
	₱10,983,572	₱10,381,305

Mobilization fund pertains to advance payments to contractors for services purchased but not yet received and is normally applied within a year against progress billings.

Cost of new water connections pertains to costs attributable to installation of water connections to customers. These costs are recoverable and directly associated with the contract with customers under PFRS 15.

Deposits consists mainly of payments to LGUs as restoration deposits which are refunded upon completion of the project. As at December 31, 2024 and 2023, deposits for restoration works amounting to ₱487.0 million and ₱301.9 million, respectively.

As at December 31, 2024 and 2023, 'Others' pertains to Parent Company's deferred employee benefits amounting to ₱81.9 million and ₱71.5 million, net of accumulated amortization of ₱53.6 million and ₱37.4 million, respectively, and Amayi's deferred charges pertaining to cost of service concession assets, which are not yet in operation amounting to ₱2.6 million.

7. **Service Concession Assets**

The movements in this account are as follows:

	2024	2023
Cost:		
Balance at beginning of year	**₱183,462,264**	₱160,998,874
Additions	**30,448,478**	21,621,715
Reclassification	**(3,024)**	–
Effect of change in rebase rate	–	841,675
Balance at end of year	**213,907,718**	183,462,264
Accumulated amortization:		
Balance at beginning of year	**42,542,787**	39,810,942
Amortization	**3,028,573**	2,744,831
Reclassification	**(3,024)**	(12,986)
Balance at end of year	**45,568,336**	42,542,787
	₱168,339,382	₱140,919,477

Service concession assets consist of the present value of total estimated concession fee payments pursuant to the Concession Agreement (see Note 1), and the costs of rehabilitation works incurred.

Service concession assets also include Tranche B Concession Fees, which pertain to additional concession fees charged by MWSS to the Parent Company representing the cost of borrowings by MWSS as at December 2004. In 2005, pursuant to the Debt and Capital Restructuring Agreement (DCRA), the Parent Company had recognized and fully paid Tranche B Concession Fees amounting to US$36.9 million and the related accrued interest thereon (see Note 10).

Pursuant to the recommendation of the Receiver under the DCRA, the disputed amount being claimed by MWSS of additional Tranche B Concession Fees of US$18.1 million is considered as contingent liability of the Parent Company (see Notes 3, 10 and 20).

The Parent Company recognized additional concession fees amounting to ₱317.0 million and ₱1,102.8 million 2024 and 2023, respectively, mainly pertaining to various rehabilitation projects and UATP-related local component costs, were capitalized as service concession assets (see Note 10).

Specific borrowing costs capitalized as part of service concession assets of the Parent Company amounted to ₱2,975.7 million and ₱1,300.8 million in 2024 and 2023, respectively, while general borrowing cost capitalized as part of service concession assets amounted to ₱52.9 million and ₱55.9 million in 2024 and 2023, respectively (see Note 11). The rate used to determine the amount of general borrowing costs eligible for capitalization were 5.5% in 2024 and 2023, respectively.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023. The effect of change in rebased rate amounting ₱841.7 million was accounted for as an adjustment of "Service concession assets" and "Deferred credits" accounts to adjust their carrying values based on the newly determined and approved rebased in 2023. These foreign exchange differences, which may no longer be recovered through the FCDA mechanism under the Concession Agreement, pertain to actual concession fee payments by Maynilad to MWSS, hence, formed part of the service concession assets. No similar adjustment was made in 2024.

In addition to the payments of service concession obligation payable to MWSS reported in the consolidated statements of cash flows at rebased rates amounting to ₱953.0 million and ₱927.2 million as at December 31, 2024 and 2023, respectively, and the Regulatory Costs reported in the consolidated statements of income amounting to ₱280.5 million, ₱242.20 million and ₱207.25 million in 2024, 2023 and 2022, respectively, the Parent Company paid actual concession fees of ₱205.5 million and ₱403.0 million as at December 31, 2024 and 2023, respectively.

Phil Hydro accounts for each of its BWSAs (except the BWSA with New Era University) and MOA with Municipal Government of Rizal, Nueva Ecija (MGRNE) in accordance with IFRIC 12, *Service Concession Arrangements* under the Intangible Asset model as it receives the right (license) to charge users of public service. In 2019, the Company recognized impairment loss on service concession assets of Phil Hydro amounting to ₱93.2 million and was recognized as part of the accumulated amortization. Service concession assets that are not yet available for use are subjected to impairment testing under PAS 36.

Service concession assets under construction and rehabilitation of the Group amounting to ₱77.5 billion and ₱53.9 billion as at December 31, 2024 and 2023, respectively, are considered as contract assets under PFRS 15.

8. Property and Equipment

The roll forward analysis of this account follows:

2024

	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	**₱44,617**	**₱2,185,428**	**₱2,269,010**	**₱1,001,167**	**₱513,482**	**₱619,070**	**₱6,632,774**
Additions	–	**191,635**	**278,523**	**52,752**	–	**83,863**	**606,773**
Reclassification	–	**(222,041)**	**221,741**	**300**	–	–	–
Disposals	–	**(82,368)**	**(89,108)**	**(11,536)**	**(4,594)**	–	**(187,606)**
At December 31	**44,617**	**2,072,654**	**2,680,166**	**1,042,683**	**508,888**	**702,933**	**7,051,941**
Accumulated Depreciation and Amortization							
At January 1	**3,841**	**1,290,141**	**1,942,219**	**769,742**	**350,615**	**386,462**	**4,743,020**
Depreciation and amortization	**252**	**75,091**	**172,748**	**128,681**	**74,311**	**76,241**	**527,324**
Reclassification	–	**2,495**	**(2,673)**	**178**	–	–	–
Disposals	–	**(80,718)**	**(89,108)**	**(11,536)**	**(271)**	–	**(181,633)**
At December 31	**4,093**	**1,287,009**	**2,023,186**	**887,065**	**424,655**	**462,703**	**5,088,711**
Net Book Value at December 31	**₱40,524**	**₱785,645**	**₱656,980**	**₱155,618**	**₱84,233**	**₱240,230**	**₱1,963,230**

2023

	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	₱51,601	₱2,109,313	₱2,112,528	₱901,558	₱513,190	₱290,618	₱5,978,808
Additions	–	153,105	254,707	116,178	292	328,452	852,734
Disposals	(6,984)	(76,990)	(98,225)	(16,569)	–	–	(198,768)
At December 31	44,617	2,185,428	2,269,010	1,001,167	513,482	619,070	6,632,774
Accumulated Depreciation and Amortization							
At January 1	3,589	1,301,676	1,877,731	660,816	271,651	289,385	4,404,848
Depreciation and amortization	252	65,456	162,713	119,295	79,533	97,077	524,326
Reclassification	–	–	–	–	(569)	–	(569)
Disposals	–	(76,991)	(98,225)	(10,369)	–	–	(185,585)
At December 31	3,841	1,290,141	1,942,219	769,742	350,615	386,462	4,743,020
Net Book Value at December 31	₱40,776	₱895,287	₱326,791	₱231,425	₱162,867	₱232,608	₱1,889,754

The Parent Company sold items of property and equipment for a total consideration of ₱0.07 million, ₱15.2 million and ₱4.6 million in 2024, 2023 and 2022, respectively. Net gain on disposals of property and equipment amounting to ₱0.03 million, ₱2.0 million and ₱0.9 million in 2024, 2023 and 2022, respectively, is presented as part of "Others - net" account under "Other income (expenses)" in the consolidated statements of income.

No property and equipment as at December 31, 2024 and 2023 have been pledged as security or collateral.

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

The financial assets at FVOCI amounted to ₱124.9 million as at December 31, 2024 and 2023 which pertains to the Parent Company's investments in unquoted equity shares in a local water distribution company. Dividend income on financial assets at FVOCI presented as part of "Others – net" account under "Other income (expenses)" in the consolidated statements of income amounted to ₱28.0 million, ₱16.0 million and ₱15.0 million in 2024, 2023 and 2022, respectively.

10. Service Concession Obligation Payable to MWSS

This account consists of:

	2024	2023
Concession fees payable (see Note 7)	**₱6,714,564**	₱6,756,380
Accrued interest	**607,217**	607,217
	7,321,781	7,363,597
Less current portion	**1,027,255**	874,561
	₱6,294,526	₱6,489,036

Interest accretion on service concession obligation amounted to ₱605.9 million, ₱640.2 million and ₱562.7 million in 2024, 2023 and 2022, respectively (see Note 18).

<u>Disputes with MWSS</u>
The Parent Company has been contesting certain charges billed by MWSS relating to: (a) the basis of the computation of interest; (b) MWSS cost of borrowings; and (c) additional penalties. Consequently, the Parent Company has not provided for these additional charges. These disputed charges were effectively reflected and recognized by the Parent Company as Tranche B Concession Fees amounting to US$30.1 million by virtue of the DCRA entered in 2005. The Parent Company also paid US$6.8 million in 2005 as an additional amount of Tranche B Concession Fees determined by the Receiver (see Note 7).

The Parent Company reconciled its liability to MWSS with the confirmation and billings from MWSS. The difference between the amount confirmed by MWSS and the amount recognized by the Parent Company amounted to ₱5.1 billion as at December 31, 2024 and 2023. The difference mainly pertains to disputed claims of MWSS consisting of additional Tranche B Concession Fees, borrowing cost and interest penalty under the Concession Agreement (prior to the DCRA). The Parent Company's position on these charges is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 3, 7 and 20).

Following the issuance of the Rehabilitation Court's Order on December 19, 2007 disallowing the MWSS' disputed claims and the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve the matter in accordance with the dispute resolution requirements of the transitional and clarificatory agreement (TCA).

Prior to the DCRA, the Parent Company has accrued interest on its payable to MWSS based on the terms of the Concession Agreement, which was disputed by the Parent Company before the Rehabilitation Court. These already amounted to ₱985.3 million as at December 31, 2011 and have been charged to interest expense in prior years. The Parent Company maintains that the accrued interest on its payable to MWSS has been adequately replaced by the Tranche B Concession Fees discussed above. The Parent Company's position is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 7 and 20). With the prescription of the TCA and in light of the Parent Company's current negotiation and outstanding offer of US$14.0 million to fully settle the claim of MWSS, the Parent Company reversed the amount of accrued interest in excess of the US$14.0 million settlement offer amounting to ₱378.1 million in 2012. The remaining balance of ₱607.2 million as at December 31, 2024 and 2023, which pertains to the disputed interest penalty under the Concession Agreement prior to DCRA, has remained in the books pending resolution of the remaining disputed claims of MWSS.

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

	In Original Currency		
Year	Foreign Currency Loans (Translated to US$) *	Peso Loans/ Project Local Support	Total Peso Equivalent
		(In Millions)	
2025	$10.2	₱781.9	₱1,372.2
2026	9.8	800.7	1,369.8
2027	11.2	826.4	1,473.3
2028-2037	78.2	9,854.2	14,377.4
	$109.4	₱12,263.2	₱18,592.7

**Translated using the December 31, 2024, exchange rate of ₱57.845:US$1.*

Additional concession fee liability relating to the extension of the Concession Agreement (see Note 1) is only determinable upon loan drawdown of MWSS and the actual construction of the related concession projects.

11. **Interest-bearing Loans**

This account consists of:

	2024	2023
₱18.5 billion Corporate Notes	**₱17,514,135**	₱17,665,650
₱15.0 billion Blue Bonds	**15,000,000**	–
₱10.0 billion Term Loan Facility (MBTC)	**10,000,000**	–
₱10.0 billion Term Loan Facility (BPI)	**9,937,500**	10,000,000
₱6.0 billion Term Loan Facility (BDO)	**5,925,000**	6,000,000
₱6.0 billion Term Loan Facility (LBP)	**5,400,000**	5,700,000
₱5.0 billion Term Loan Facility (LBP)	**5,000,000**	5,000,000
¥13.1 billion Facility Loan (JICA)	**4,465,757**	4,999,070
₱4.0 billion Term Loan Facility (LBP)	**3,950,000**	4,000,000
₱4.8 billion Term Loan Facility (DBP)	**3,339,000**	3,657,000
₱5.0 billion Term Loan Facility (BDO)	**2,777,778**	3,333,333
¥7.9 billion Facility Loan (JCB)	**966,960**	1,448,860
₱1.4 billion Facility Loan (JICA)	–	409,712
Peso-denominated Bank Loan (LBP)	**15,937**	47,813
	84,292,067	62,261,438
Less unamortized debt issuance costs	**644,531**	459,540
	83,647,536	61,801,898
Less current portion	**4,186,065**	2,587,660
	₱79,461,471	₱59,214,238

₱18.5 billion Corporate Notes (Various Lenders)
On February 22, 2018, the Parent Company entered into several loan agreements for the refinancing of all its existing loans under the ₱21.2 billion Term Loan and ₱5.0 billion Corporate Notes, whereby the Parent Company was granted a Term Loan Facility (“the Notes Facility”) in the aggregate amount of ₱18.5 billion. Under the new terms, the loan shall be drawn in three tenors; 7Y, 10Y and 15Y Fixed Corporate Notes, payable in semi-annual installments within fifteen years to commence at the end of the 6^{th} month after the initial issue date and bears interest rate per annum equal to the applicable benchmark rate plus 0.60%, 0.70% and 0.60% per annum for the 7Y, 10Y and 15Y Fixed Corporate Notes, respectively. The Notes Facility is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱199.7 million were recognized in 2018 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱15.0 million, ₱14.2 million and ₱13.5 million in 2024, 2023 and 2022, respectively, is presented as part of “Interest expense and other financing charges” account in the consolidated statements of income (see Note 18).

₱15.0 billion Blue Bonds
On July 12, 2024, the Parent Company listed its maiden bond issuance with an aggregate issue size of ₱15 billion (the “Blue Bonds” or the “Offer”) on the Philippine Dealing & Exchange Corp. in support of its capital expenditure on sustainable water and wastewater management. The Blue Bonds were issued in two (2) series – (i) Series A: 6.7092% 5-Year fixed rate bonds due 2029 and (ii) Series B: 7.0931%10-Year fixed rate bonds due 2034. The proceeds from the Offer shall be used primarily to finance Eligible Blue Projects and/or Blue Activities under SEC Memorandum Circular No. 15, Series of 2023 (“Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines”). The bonds are secured by a negative pledge.

Debt Issuance Costs. All legal, professional fees and other related debt issue cost incurred in relation to the debt totaling ₱183.6 million were recognized in 2024 and offset against the related debt. Debt issuance costs are amortized using the EIR method over the term of the debt.

Specific borrowing costs capitalized as part of service concession assets related to this debt amounted to ₱504.0 million in 2024 (see Note 7).

₱10.0 billion Term Loan Facility (Metropolitan Bank & Trust Co.)
On March 22, 2024, the Parent Company entered into a Loan Agreement with Metropolitan Bank & Trust Co. The loan shall be payable in semi-annual installments within ten years to commence on September 26, 2025 and bears fixed interest rates of 6.5% per annum for the first five years. The interest rate applicable for the remaining five years tenor will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱75.1 million were recognized in 2024 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱506.8 million in 2024 (see Note 7).

₱10.0 billion Term Loan Facility (Bank of the Philippine Islands)
On May 10, 2023, the Parent Company entered into a Loan Agreement with Bank of the Philippine Islands. The first and second drawdowns amounting to ₱5.0 billion each were drawn on May 11, 2023 and October 3, 2023, respectively. The loan shall be payable in semi-annual installments within ten years to commence on November 11, 2024 and bears fixed interest rates of 6.41% and 7.00% per annum for the first and second drawdown, respectively, for the first five years. The interest rate applicable for the remaining five years will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱75.2 million were recognized in 2023 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱686.9 million and ₱299.4 million in 2024 and 2023, respectively (see Note 7).

₱6.0 billion Term Loan Facility (BDO Unibank Inc.)
On November 15, 2022, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. to: (i) partially fund capital expenditure requirements; (ii) refinance existing obligations; and (iii) fund other general corporate requirements. The drawdown from this facility was made on November 17, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18^{th} month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+3+4, each tenor will be based on Bloomberg Valuation Service reference rate plus 65 basis points credit spread with interest rate floor as follows: (i) 3Y – 5.75% per annum and (ii) 4Y – 5.90% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱45.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱442.8 million and ₱443.3 million in 2024 and 2023, respectively (see Note 7).

₱6.0 billion Term Loan Facility (Land Bank of the Philippines)
On August 10, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines for the refinancing of its existing loan under the US$137.5 million MWMP Loan. The drawdown from this facility was made on August 12, 2022.

The loan shall be payable in semi-annual installments within fifteen years to commence at the end of the 6th month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+5+5+2, each tenor will be based on Bloomberg Valuation Service reference rate plus 50 basis points credit spread with interest rate floor as follows: (i) 3Y – 4.50% per annum, (ii) 5Y – 5.25% per annum and (iii) 2Y – 4.25% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱60.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱5.0 million, ₱5.2 million and ₱2.2 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱5.0 billion Term Loan Facility (Land Bank of the Philippines)
On December 11, 2023, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines. Drawdown from this facility was made on December 14, 2023. The loan shall be payable in semi-annual installments within ten years to commence on June 14, 2025, and bears fixed interest rate of 6.60% per annum for the first three years. The interest rate on the re-pricing date will be based on applicable benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling to ₱37.6 million were recognized 2023, respectively, and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets amounted to ₱337.9 million and ₱16.7 million in 2024 and 2023, respectively (see Note 7).

Total general borrowing costs amounted to ₱52.9 million and ₱55.9 million in 2024 and 2023, respectively (see Note 7).

¥13.1 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the JICA whereby the Parent Company was granted a Japanese yen-denominated Facility Loan, amounting to ¥13.1 billion. The loan shall be payable in semi-annual installments within seventeen years to commence on October 10, 2022. Drawdowns amounting to ¥0.7 billion, ¥0.5 billion, ¥0.8 billion and ¥0.9 billion were made on April 2, 2019, June 28, 2019, August 30, 2019 and December 6, 2019, respectively. The final drawdown amounting to ¥10.2 billion was made on June 23, 2023. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱54.3 million and ₱7.3 million were recognized in 2019 and 2018, respectively, and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱7.6 million, ₱5.0 million, ₱2.5 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18). Amortization of debt issuance costs attributed to this loan amounting to ₱7.6 million, ₱5.0 million and ₱2.5 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱4.0 billion Term Loan Facility (Land Bank of the Philippines)
On November 7, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines to partially fund the general corporate requirements of the Company. The drawdown from this facility was made on November 10, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18^{th} month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+5+2, each tenor will be based on Bloomberg Valuation Service reference rate plus 50 basis points credit spread with interest rate floor as follows: (i) 3Y – 4.50% per annum, (ii) 5Y – 5.25% per annum and (iii) 2Y – 4.25% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱40.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱289.6 million and ₱290.0 million in 2024 and 2023, respectively (see Note 7).

₱4.8 billion Term Loan Facility (Development Bank of the Philippines)
On February 24, 2014, the Parent Company entered into a Loan Agreement with the Development Bank of the Philippines. The loan proceeds shall be used to finance the first stage of the Parañaque-Las Piñas STP and associated wastewater conveyance system.

The loan shall be payable in semi-annual payments within twenty years to commence at the end of the fifth year, which bears a fixed rate per annum equal to 6.0%. The first, second, third and fourth drawdowns amounting to ₱1.0 billion, ₱2.0 billion, ₱1.0 billion and ₱0.8 billion were made on March 2, 2015, October 4, 2016, August 1, 2017 and March 5, 2018, respectively. The ₱4.8 billion Term Loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱46.1 million were recognized in 2015 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱207.8 million and ₱235.9 million in 2024 and 2023, respectively (see Note 7).

Under the terms of the loan agreements, the Parent Company may, at its option and without premium and penalty, redeem the Corporate Notes in whole or in part, subject to the conditions stipulated in the agreements. The embedded early redemption and prepayment options are clearly and closely related to the host debt contract, and thus, do not require to be bifurcated and accounted for separately from the host contract.

₱5.0 billion Term Loan Facility (BDO Unibank Inc.)
On November 26, 2019, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. The loan shall be payable in semi-annual installments within ten years to commence on May 29, 2021, and bears a fixed rate per annum of 4.9505% for the first five years. The interest rate for the remaining five years will be based on the applicable benchmark rate plus 0.60% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱37.8 million were recognized in 2019 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱4.3 million, ₱4.9 million and ₱5.5 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the account in the consolidated statements of income (see Note 18).

¥7.9 billion Facility Loan (Japanese Commercial Bank)
On June 7, 2017, the Parent Company entered into a credit agreement (Facility Agreement) with foreign banks, namely The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank Ltd., and Sumitomo Mitsui Banking Corporation (collectively referred to as "the Lenders"). The first and second drawdowns amounting to ¥4.9 billion and ¥3.0 billion were made on August 20, 2018 and November 28, 2018, respectively. The loan shall be payable in semi-annual installments within ten years to commence at the end of the 36th month from the date of the Facility Agreement. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱70.6 million were recognized in 2018 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱5.9 million, ₱7.7 million and ₱9.4 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱1.4 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the Japan International Cooperation Agency (JICA) whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱1.4 billion. The loan shall be payable in semi-annual installments within seven years to commence on October 15, 2021. Drawdowns amounting to ₱0.5 billion, ₱0.5 billion and ₱0.4 billion were made on May 18, 2018, September 25, 2018 and December 21, 2018, respectively. The loan is secured by a negative pledge.

Covenants
The loan agreements contain, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio. As at December 31, 2024 and 2023, the Parent Company has complied with these covenants.

₱255.0 million Peso-denominated Loan of Phil Hydro (Land Bank of the Philippines)
On May 4, 2015, Phil Hydro entered into a Loan Agreement with the Land Bank of the Philippines. The loan shall be payable in quarterly installments within eight years of commencement after the end of the 8th quarter and bears an interest rate per annum equal to the higher of (i) the applicable benchmark rate plus 1.0% per annum, or (ii) 5.5% per annum. The benchmark rate shall be determined by reference to the Philippine Dealing System Treasury Reference Rates (PDST-R2) rate. The peso-denominated loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱1.3 million were recognized in 2015 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan. Amortization of debt issuance costs attributed to this loan amounting to ₱0.1 million in 2024, 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Covenants
The loan agreement contains, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio. As at December 31, 2024 and 2023, Phil Hydro has complied with these covenants.

Unamortized Debt Issuance Cost
The movements in the balance of unamortized debt issuance costs related to all interest-bearing loans are as follows:

	2024	2023
Balance at beginning of year:		
Peso Loans	**₱401,083**	₱328,951
Japanese Yen-denominated	**58,457**	28,175
Peso Bonds	**–**	–
	459,540	357,126
Additions during the year:		
Peso Loans	**75,088**	112,784
Japanese Yen-denominated	**–**	42,215
Peso Bonds	**183,611**	–
	258,699	154,999
Amortization during the year*:		
Peso Loans	**48,286**	40,652
Japanese Yen-denominated	**13,505**	11,933
Peso Bonds	**11,917**	–
	73,708	52,585
Balance at ending of year:		
Peso Loans	**427,885**	401,083
Japanese Yen-denominated	**44,952**	58,457
Peso Bonds	**171,694**	–
	₱644,531	₱459,540

**Debt issue cost amortization amounted to ₱35.6 million and ₱15.5 million in 2024 and 2023, respectively, were capitalized to service concession asset.*

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

	In Original Currency			
Year	Japanese Yen-Denominated*	Peso Loans	Peso Bonds	Total Peso Equivalent
2024	¥2,269.5	₱3,352.7	₱–	₱4,186.1
2025	2,269.5	1,575.3	–	2,408.6
2026	1,742.8	1,733.0	–	2,372.9
2027	1,216.2	3,379.7	–	3,826.2
2028 onwards	7,297.0	53,818.8	15,000.0	71,498.2
	¥14,795.0	₱63,859.5	₱15,000.0	₱84,292.0

**Translated using the December 31,2024 exchange rate of ₱0.3672: JPY*

12. **Trade and Other Payables**

This account consists of:

	2024	2023
Accrued expenses (see Notes 17 and 20)	**₱10,442,948**	₱9,473,171
Accrued construction costs (see Note 15)	**6,938,546**	5,757,553
Trade and other payables	**5,776,510**	4,891,638
Due to a related party (see Note 15)	**941,077**	397,335
Contract liabilities (see Note 14)	**57,996**	47,958
	₱24,157,077	₱20,567,655

Accrued expenses mainly consist of provisions, salaries, wages and benefits, contracted services, and interest payable to the banks. Details of provisions required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* are not disclosed as these may prejudice the Company's positions in relation to the cases pending before the courts or quasi-judicial bodies.

Accrued interest expense which form part of the total accrued expenses is the amount of interest payable to the bank and investors, from the Parent Company's interest-bearing loans and issued bonds (See also Note 11 and 18). Such amounting to ₱1,051.8 million and ₱708.7 million as at December 31, 2024 and 2023, respectively.

Accrued construction costs represent unbilled construction costs from contractors that are normally settled upon receipt of billings.

Trade and other payables are non-interest bearing and are normally settled within one year. These consist of deferred output VAT amounting to ₱171.0 million and ₱166.1 million as at December 31, 2024 and 2023, respectively. Deferred Output VAT pertains to the tax on the Parent Company's uncollected vatable sales due upon the collection of the respective receivables. Sales connected to deferred output VAT took place before the effectivity date of R.A. No. 11976 Ease of Paying Taxes (EOPT) Act. Retention in contract payable amounted to ₱4,933.0 million and ₱3,396.3 million as at December 31, 2024 and 2023, respectively. These are the amount of money withheld by the Parent Company.

Trade payables also include liabilities relating to assets held in trust (see Note 23) used in the Parent Company's operations amounted to ₱98.5 million and ₱97.3 million as at December 31, 2024 and 2023, respectively.

13. **Equity**

a. The Parent Company's authorized and issued shares as at December 31, 2024 and 2023 are presented below:

	2024		2023	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized common shares – ₱1 par value	**9,093,964,000**	**₱9,093,964,000**		
Authorized common shares – ₱1000 par value			4,546,982	₱4,546,982,000
Issued and outstanding – common shares:				
Beginning of year – *₱1 par value*				
Class A – ₱1000 par value	**4,222,482**	**₱4,222,482,000**	4,222,482	₱4,222,482,000
Class B – ₱1000 par value	**236,000**	**236,000,000**	236,000	236,000,000
ESOP shares –₱1000 par value	**88,500**	**88,500,000**	88,500	88,500,000
Total	**4,546,982**	**4,546,982,000**	4,546,982	4,546,982,000
Stock split on 2024 *(1:1,000)*	**1,000**	–	–	–
Total	**4,546,982,000**	**4,546,982,000**	4,546,982	4,546,982,000
Issuance of shares	**1,136,745,500**	**1,136,745,500**	–	–
Issued shares	**5,683,727,500**	**5,683,727,500**	4,546,982	4,546,982,000
Less: Treasury shares	**71,100,000**	**960,554,583**	34,607	391,918,720
End of year	**5,612,627,500**	**₱4,723,172,917**	4,512,375	₱4,155,063,280
Treasury shares:				
Beginning of year	**34,607**	**₱391,918,720**	32,749	₱349,054,137
Reacquisition of ESOP shares	**36,493**	**568,635,863**	8,147	122,136,795
Total	**71,100**	**960,554,583**	40,896	471,190,932
Stock split on 2024 *(1:1,000)*	**1,000**	–	–	–
Total	**71,100,000**	**960,554,583**	40,896	471,190,932
Less: Reissuance	–	–	6,289	79,272,212
End of year	**71,100,000**	**₱960,554,583**	34,607	₱391,918,720

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

Simultaneous with the increase in authorized capital stock, the following amendments were also approved by the affirmative vote of at least a majority member of the Board of Directors in their regular meeting held on November 8, 2024 and by the affirmative vote of the stockholders owning or representing at least 2/3 of the outstanding capital stock of the Company in their duly constituted meeting held on December 12, 2024, and the SEC through Certificate of Approval dated December 27, 2024:

1. Reclassifying the Common Class "A" Shares and Common Class "B" Shares into a single class of "Common Shares";
2. Reduction in the par value of Common Class "A" and Class "B" Shares from ₱1,000 to ₱1 per share;

3. Reclassifying the 88,500 ESOP Shares to "Common Shares"; and
4. Reduction in the par value of ESOP Shares from ₱1,000 to ₱1.00 per share

Of the net increase in the authorized capital stock of ₱4,546,982,000, consisting of 4,546,982,00 common shares at a par value of ₱1 per share, the amount of ₱1,136,745,500 were subscribed and fully paid in cash by the following subscribers:

Subscriber	Nationality	No. of Shares	Amount Subscribed	Amount Paid-up
Maynilad Water Holding Company, Inc.	Filipino	1,076,567,289	₱1,076,567,289	₱1,076,567,289
Metro Pacific Investments Corporation	Filipino	60,178,211	60,178,211	60,178,211
		1,136,745,500	₱1,136,745,500	₱1,136,745,500

a. ESOP and Treasury Shares

The employees of the Parent Company are allowed equity participation of up to six percent (6%) of the issued and outstanding capital stock of the Parent Company upon the effective date of the increase in authorized capital stock of the Parent Company pursuant to and in accordance with the provisions of Clause 2.6 of the DCRA. For this purpose, a series of 88,500,000 nonvoting convertible redeemable shares (ESOP Shares) was created from common Class A shares as reflected in the Parent Company's amended Articles of Incorporation. In 2008, the ESOP shares were effectively reduced to 88,500 shares due to change in par value from ₱1 to ₱1,000. The ESOP shares have no voting rights, except for those provided under Section 6 of the Corporation Code and have no pre-emptive rights to purchase or subscribe to future or additional issuances or disposition of shares of the Parent Company.

Within thirty (30) days after the earlier of (i) the end of the fifth year from the creation of the ESOP Shares, and (ii) the listing date for common shares in a recognized Philippine Stock Exchange, the Parent Company may redeem the ESOP shares at a redemption ratio equal to one common share for every ESOP share held and such common shares so exchanged shall have the same rights and privileges as all other common shares.

Each ESOP Share will be convertible, at the option of the holder thereof, at any time during the period commencing the earlier of (i) the end of the fifth year from the creation of the ESOP Shares; or (ii) the listing date for common shares in a recognized Philippine Stock Exchange into one fully paid and non-assessable common share. Such common share shall have the same rights and privileges as all other common shares. Conversion of the ESOP Share may be effected by surrendering the certificates representing such shares to be converted to the Parent Company common shares at the Parent Company's principal office or at such other office or offices as the BOD may designate, and a duly signed and completed notice of conversion in such form as may from time to time be specified by the Parent Company (a "Conversion Notice"), together with such evidence as the Parent Company may reasonably require to prove the title of the person exercising such right. A Conversion Notice once given may not be withdrawn without the consent in writing of the Parent Company.

In 2012, the Board and shareholders of the Parent Company approved the amendment of its Articles of Incorporation to allow for the reissuance of ESOP shares that have been bought back by the Parent Company from separated employees. Upon approval by the SEC of the amendment on January 31, 2013, ESOP shares reacquired by the Parent Company from its resigned employees were subsequently reissued to all qualified employees.

In October 2024, the Parent Company conduct a series of roadshows and consultation for ESOP shares – buyback and conversion to common shares in relation to Parent Company's conversion of all types of shares into common shares. Employees were given until November 14, 2024 to submit their respective duly signed notice of acceptance of terms and conditions about selling/keeping of ESOP shares. Actual payment for ESOP shares reacquired by Parent Company was paid on December 13, 2024.

ESOP shares reacquired by the Parent Company from employees' equivalent to 71,100 shares and 34,607 shares, amounted to ₱960.6 million and ₱391.9 million as at December 31, 2024 and 2023, respectively, were presented as treasury shares.

b. Dividends

On February 20, 2023, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends of ₱797.69 per common share amounting to ₱3.6 billion to all shareholders of record as at February 28, 2023. Payments were made on April 14, 2023.

On February 27, 2024, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends amounting to ₱4.5 billion (₱998.57 per common share) to all shareholders of record as at February 29, 2024. Payments were made on April 15, 2024.

On November 8, 2024, during regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends amounting to ₱1.1 billion to stockholders of record as at November 8, 2024. Payments were made on November 13, 2024.

c. Appropriation of Retained Earnings

On February 26, 2018 and October 29, 2018, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱15.0 billion and ₱5.0 billion for various water and wastewater projects. The appropriation is intended to fund the Parent Company's capital expenditures for (1) water sources and treatment; (2) operations support programs to sustain, enhance and expand the water facilities and operations in the following areas: (i) service level at 24 hours water availability at a minimum of 16 psi water pressure, (ii) water coverage, (iii) reliability, flexibility and adaptation to climate change, and (iv) right-of-way and lot acquisition for water facilities; (3) pipelaying of secondary and tertiary pipelines; (4) sanitation programs; and (5) customer service and information capex. As at December 31, 2024, these projects are still ongoing.

On November 26, 2019, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱7.0 billion to fund the Parent Company's capital expenditures for the following projects: (1) upgrading of Dagat-Dagatan sewage treatment plan to 205MLD South Caloocan-Malabon-Navotas (CAMANA) Water Reclamation Facility, and (2) the design and build of the 140 MLD Water Reclamation Facility for the Central Manila Sewerage System. These projects are expected to be implemented in the next five years. As at December 31, 2024, these projects are still ongoing.

On December 7, 2020, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱1.75 billion to fund capital expenditures for pipelaying projects expected to be implemented in the next two years. As at December 31, 2024, these projects are still ongoing.

At the meeting of the Board of Directors of the corporation held on December 10, 2024, the Parent Company's BOD passed and approved the following:

- Reversal of ₱2.5 billion appropriated retained earnings (to be reverted to unappropriated retained earnings) due to updates in awarded contract values and removal of completed projects mentioned in the previous appropriations; and

- Appropriation of retained earnings in the amount of ₱14.3 billion to fund new and ongoing capital expenditure requirements, primarily related to wastewater projects expected to be completed in the next two (2) years.

As at December 31, 2024, out of all projects appropriated prior to December 10, 2024, only nine (9) projects remain and still ongoing – six (6) projects from 2018, two (2) projects from 2019 and one (1) project from 2020.

The accumulated earnings which are included in the Group's retained earnings amounting to ₱40.5 million and ₱28.8 million as at December 31, 2024 and 2023, respectively, are not available for dividend declaration. Retained earnings are further restricted for payment of dividends to the extent of cost of treasury shares and net deferred tax liabilities amounting to ₱960.6 million and ₱213.8 million, respectively.

d. Equity Adjustments

Redemption of Preferred Shares

The Parent Company issued and redeemed preferred shares in 2008. Foreign exchange fluctuation from date of issuance of the preferred shares to the date of issuance of notice of redemption, amounting to ₱309.2 million, is recognized as part of "Other equity adjustments" account shown under the equity section of the consolidated statements of financial position.

Maynilad Share-based Payment

On December 1, 2023, the BOD approved the awarding of 6,514 ESOP shares to all qualified Maynilad employees to be paid through stock purchase bonus (equity-settled transaction). The ESOP covers employees who have met the following eligibility criteria:

a. The employee has completed a full year's service, either as a regular or probationary employee, from December 1, 2022 to November 30, 2023 (the "Period");

b. The employee has obtained at least a satisfactory rating in the previous performance appraisal immediately preceding December 1, 2023;

c. The employee has not been suspended at any time during the Period;

d. The employee has not exceeded 10 days of absences without official leave during the Period; and

e. The employee has not exceeded 20 days of leave without pay during the Period.

Communication to eligible employees was made on December 18, 2023.

The fair value of ESOP shares amounting to ₱14,001.74 per share was determined based on the Parent Company's equity value at the date of grant using the discounted cash flows (DCF) method.

The grant of shares under the ESOP does not require an exercise to be paid by the employees nor are there cash alternatives. All ESOP shares will be held in treasury until issuance.

Equity-based compensation expense recognized by the Parent Company under "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱116.7 million in 2023. No ESOP expense was recognized in 2024.

In November 2024, all ESOP shareholders had given the option to sell or keep their shares. The company then, reacquired and paid all employees who sold their shares while those who choose to retain their shares were converted to common shares.

There were no more ESOP shares outstanding as at December 31, 2024.

14. Revenue from Contracts with Customers

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

	2024	2023	2022
Geographical areas:			
West zone	**₱33,145,368**	₱27,067,974	₱22,635,836
Outside west zone	**349,147**	255,291	238,897
	₱33,494,515	₱27,323,265	₱22,874,733

Contract balances:

	2024	2023
Trade receivables (gross of allowance for ECL) (Note 5)	**₱3,648,127**	₱3,392,741
Contract assets	**1,386,458**	1,205,041
Cost of new water service connections	**562,653**	477,993
	₱5,597,238	₱5,075,775
Contract liabilities	**₱1,270,202**	₱1,099,368

Trade receivables are non-interest bearing and are generally on terms of 60 days.

Contract assets are initially recognized after rendering water and wastewater services to a customer before the customer pays consideration or before payment is due. Upon completion of the performance obligation the amounts recognized as contract assets are reclassified to trade receivables. Contract assets of the Parent Company as at December 31, 2024 and 2023 consist of the following:

	2024	2023
Customers:		
Residential	**₱656,041**	₱572,689
Semi-business	**100,173**	85,557
Commercial	**471,488**	390,216
Industrial	**158,756**	156,579
	₱1,386,458	₱1,205,041

Contract liabilities are initially recognized from the collection of the connection and installation fees and is recognized over the remaining concession period as the Parent Company provides water and wastewater services to customers. The Parent Company recognized contract liabilities under "Trade and other payables" account amounted to ₱58.0 million and ₱48.0 million for the current portion and ₱1,212.2 million and ₱1,051.4 million for the noncurrent portion under the "Other noncurrent liabilities" account in the consolidated statements of financial position as at December 31, 2024 and 2023, respectively. Cost of new water service connections recognized amounted to ₱25.7 million and ₱20.8 million under "Other current assets" and ₱537.0 million and ₱457.2 million under "Other noncurrent asset" account in the consolidated statements of financial position as at December 31, 2024 and 2023, respectively, since these costs are recoverable and is directly associated with the contract with customers.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Subsidiary of a significant influence investor					
DM Consunji, Inc.					
Revenue from trade and non-trade services	**2024**	**₱76.0 million**	**₱2.8 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	₱74.0 million	₱4.0 million		
Construction costs (see Note 12)	**2024**	**4,039.7 million**	**(124.0) million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3,168.9 million	890.1 million		
Rental	**2024**	**–**	**(1.9 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(1.9 million)		
Training Fees	**2024**	**0.4 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	–		
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	**2024**	**10.0 million**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	8.6 million	0.3 million		
Electricity costs	**2024**	**1,216.2 million**	**226.6 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	1,668.4 million	335.1 million		
Meralco Industrial Engineering Services Corporation					
Construction costs (see Note 12)	**2024**	**–**	**0.9 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	2.3 million	0.9 million		
Revenue from trade and non-trade services	**2024**	–	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	–	1.0 thousand		
Miescor Logistics, Inc					
Repairs and maintenance	**2024**	**–**	**(1.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(1.8 million)		
Indra Philippines, Inc.					
Revenue from trade and non-trade services	**2024**	**–**	**40.0 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	–	72.0 thousand		
Commercial outsourcing of information technology and system services	**2024**	**346.4 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	229.1 million	21.0 thousand		

(Forward)

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
PLDT, Inc.					
Revenue from trade and non-trade services	**2024**	**₱10.6 million**	**₱67.7 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	9.4 million	48.1 thousand		
Communication expenses	**2024**	**16.3 million**	**(0.2 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	5.4 million	(0.6 million)		
Ecosystem Technologies International, Inc.					
Revenue from trade and non-trade services	**2024**	**14.8 thousand**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	0.1 million	0.3 million		
Construction costs (see Note 12)	**2024**	**131.9 million**	**5.8 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	83.2 million	67.3 million		
Others					
Revenue from trade and non-trade services	**2024**	**42.1 million**	**29.5 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	34.8 million	24.6 million		
Management fees	**2024**	**0.3 million**	**6.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	5.9 million		
Communication expenses	**2024**	**45.8 million**	**(6.5 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	51.4 million	(8.7 million)		
Insurance	**2024**	**24.5 thousand**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(14.2 thousand)		
Sponsorship fees	**2024**	**–**	**(43.0 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(43.0 thousand)		
Donations	**2024**	**60.8 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	149.3 million	–		
Dividends	**2024**	**295.9 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	188.3 million	–		
Advertising and promotions	**2024**	**9.5 million**	**(4.3 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3.9 thousand	–		
Professional fees	**2024**	**0.8 million**	**(103.5 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	1.8 million	(103.5 thousand)		
Supplies and materials	**2024**	**24.8 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	0.8 million	–		
Outsourced services	**2024**	**94.6 million**	**(3.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	84.4 million	(3.8 million)		
Transportation equipment	**2024**	**31.5 million**	**(7.1 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	14.1 million	(7.1 thousand)		
Training fees	**2024**	**4.2 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3.9 million	–		
Repairs and maintenance	**2024**	**–**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(14.2 thousand)		
Meetings and Conferences	**2024**	**99.3 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	–		

<u>Terms and Conditions of Transactions with Related Parties</u>

Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and payable on demand. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

Total compensation and benefits of key management personnel of the Company consist of:

	2024	2023	2022
Compensation	**₱241,157**	₱317,759	₱216,360
Pension costs	**15,722**	14,325	13,939
Short-term benefits	**18,652**	18,296	13,221
	₱275,531	₱350,380	₱243,520

16. **Income Taxes**

Provision for current income tax represents the total regular corporate income tax for Group in 2024, 2003 and 2022.

The components of the Group's net deferred tax liabilities as at December 31, 2024 and 2023, respectively shown in the consolidated statements of financial position are as follows:

	2024	2023
Deferred tax assets:		
Allowance for ECL	**₱164,536**	₱164,627
Revenue from contracts with customers – net	**128,807**	104,125
Pension liability and unamortized past service cost	**109,573**	49,455
Allowance for inventory obsolescence	**38,914**	20,739
Accrued expenses	**36,998**	13,023
Lease liabilities	**5,626**	10,335
	484,454	362,304
Deferred tax liabilities:		
Service concession assets – net	**(2,150,567)**	(1,870,536)
Unamortized debt issuance costs	**(71,290)**	(16,353)
ROU assets	**(84)**	(105)
Others	**(108)**	(105)
	(2,222,049)	(1,887,099)
Deferred tax liabilities – net	**(₱1,737,595)**	(₱1,524,795)

In 2024 and 2023, deferred tax assets on pension liability recognized in other comprehensive income amounted to ₱51.2 million and ₱14.8 million, respectively.

Service concession assets consist of concession fees and property, plant and equipment. For income tax purposes, concession fees are amortized using UOP method while property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives or remaining concession period, whichever is shorter.

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of income is summarized as follows:

	2024	2023	2022
Income tax at statutory tax rate of 25%	**₱4,118,903**	₱2,988,700	₱1,998,659
Add (deduct) the tax effects of:			
Interest income already subjected to final tax	**(101,178)**	(55,409)	(9,368)
Tax impact on change of method of deduction and others	**(122,477)**	(12,414)	(207,443)
Non-deductible expenses and others	**(201,051)**	(9,017)	324,955
Provision for income tax	**₱3,694,197**	₱2,911,860	₱2,106,803

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

17. **Employee Benefits**

LTIP

LTIP for its managers and executives, based on profit targets, for the cycle 2019, 2021 and 2022 was approved by the Maynilad BOD on February 24, 2022. Management proposed, and the BOD accepted, the exclusion of 2020 results from the LTIP standards due to the highly unusual circumstances (pandemic, severe quarantine lockdowns) affecting financial performance for that year. It is also for this reason that the LTIP cycle was extended to include 2023 instead.

In keeping with Maynilad's practice over previous years, management obtained the BOD approval for the LTIP cycle covering the period 2023-2025 on December 10, 2024.

As at December 31, 2024 and 2023, the LTIP payable is as follows:

	2024	2023
Balance at beginning of year	**₱166,000**	₱496,500
Addition for the year	**420,667**	166,000
Reclassification	–	(62,456)
Payment	–	(434,044)
Noncurrent portion	**₱586,667**	₱166,000

The total costs of the LTIP amounted to ₱420.7 million, ₱166.0 million and ₱5.2 million in 2024, 2023 and 2022, respectively, presented as part of "Salaries, wages and benefits" account in the consolidated statements of comprehensive income. Accrued LTIP which was included as part of "Trade and other payables" and "Other noncurrent liabilities" accounts in the consolidated statements of financial position amounted to ₱586.7 million and ₱166.0 million as at December 31, 2024 and 2023.

Pension Plan

The pension liabilities for the noncontributory pension plan of the Group as at December 31, 2024 and 2023 are as follows:

	2024	2023
Maynilad Water Services, Inc.	**₱868,954**	₱284,632
Philippine Hydro, Inc.	**1,751**	1,044
Amayi Water Services, Inc.	**100**	55
	₱870,805	₱285,731

Maynilad -Defined Benefit Plan

The Parent Company has a funded, noncontributory and actuarially computed pension plan covering all regular and permanent employees. The benefits are based on years of service and compensation during the last year of employment.

Changes in the funded pension liability in 2024 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Liability**
At December 31, 2023	**₱1,382,039**	**₱1,097,407**	**₱284,632**
Pension cost in the consolidated statements of income:			
Current service cost	**130,890**	**–**	**130,890**
Net interest cost	**87,461**	**65,476**	**21,985**
Total	**218,351**	**65,476**	**152,875**
Remeasurements in other comprehensive income (loss):			
Gain on return on plan assets	**–**	**26,659**	**(26,659)**
Actuarial changes due to experience adjustment	**1,914**	**–**	**1,914**
Actuarial changes arising from changes in financial assumptions	**575,040**	**–**	**575,040**
Total	**576,954**	**26,659**	**550,295**
Benefits paid	**(153,703)**	**(153,703)**	**–**
Actual contributions	**–**	**118,848**	**(118,848)**
At December 31, 2024	**₱2,023,641**	**₱1,154,687**	**₱868,954**

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At December 31, 2022	₱1,232,586	₱1,082,224	₱150,362
Pension cost in the consolidated statements of income:			
Current service cost	96,736	–	96,736
Net interest cost	81,292	74,989	6,303
Total	178,028	74,989	103,039
Remeasurements in other comprehensive income (loss):			
Loss on return on plan assets	–	(36,178)	36,178
Actuarial changes due to experience adjustment	(15,807)	–	(15,807)
Actuarial changes arising from changes in financial assumptions	138,663	–	138,663
Total	122,856	(36,178)	159,034
Benefits paid	(151,431)	(151,431)	–
Actual contributions	–	127,803	(127,803)
At December 31, 2023	₱1,382,039	₱1,097,407	₱284,632

The components of net pension cost included under "Salaries, wages and benefits" account in the consolidated statements of income in 2024, 2023 and 2022 are as follows:

	2024	2023	2022
Current service cost	**₱130,890**	₱96,736	₱124,440
Net interest cost	**21,985**	6,072	16,296
	₱152,875	₱102,808	₱140,736

The Parent Company recognized remeasurement gain (loss) arising on pension plan in other comprehensive loss. The movements in the remeasurement loss are as follows:

	2024	2023	2022
Remeasurement gain (loss) on defined benefit obligation:			
Actuarial gain (loss) due to:			
Changes in financial assumptions	**(₱575,040)**	(₱138,663)	₱268,615
Experience adjustments	**(1,914)**	15,807	32,378
Gain (loss) on return on plan assets	**26,659**	(36,178)	(76,429)
Remeasurement gain (loss) on retirement plan	**(₱550,295)**	(₱159,034)	₱224,564

Actual return on plan assets amounted to ₱92.1 million in 2024 and ₱38.8 million in 2023 and actual loss on plan assets amounted to ₱18.8 million in 2022.

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

	2024	2023
Investments in:		
Government securities	**₱587,577**	₱495,409
Equity securities	**375,505**	429,889
Bonds	**85,054**	137,403
Unit trust funds	**87,920**	2,002
Cash and cash equivalents	**10,080**	25,458
Receivables and others	**8,551**	7,246
	₱1,154,687	₱1,097,407

The plan assets' carrying amount approximates its fair value since the plan assets are short-term in nature or marked-to-market. Investments held have quoted prices in active market. The remaining plan assets which are short term in nature, do not have quoted market prices in an active market. The plan assets have diverse investments and do not have any concentration risk.

As at December 31, 2024 and 2023, the plan assets consist of the following:

- Investments in equity securities are composed of investment in shares of various listed entities. The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.
- Unit trust funds include mutual funds invested in quoted shares.
- Cash and cash equivalents include regular savings and time deposits.
- Receivables and others include interest and dividends.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension cost and present value of defined benefit obligation are shown below:

	2024	2023
Discount rate	**6.13%**	6.13%
Salary increase rate	**8.00%**	5.00%
Turnover rate	**8.33%**	8.33%

Sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2024	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Amount**
Discount rate	**100**	**(₱217,980)**
	(100)	**261,775**
Salary increase rate	**100**	**264,065**
	(100)	**(224,216)**
Turnover rate	**100**	**(16,189)**
	(100)	**17,026**

	2023	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Amount
Discount rate	100	(₱120,742)
	(100)	143,348
Salary increase rate	100	150,376
	(100)	(128,706)
Turnover rate	(100)	2,871
	100	(3,111)

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

		2024	
	Normal Retirement	**Other than Normal Retirement**	**Total**
Less than one year	**₱155,275**	**₱49,813**	**₱205,088**
More than one year to five years	**323,758**	**192,834**	**516,592**
More than 5 years to 10 years	**214,926**	**410,208**	**625,134**
More than 10 years to 15 years	**740,375**	**772,699**	**1,513,074**
More than 15 years to 20 years	**1,350,967**	**1,108,976**	**2,459,943**
More than 20 years	**7,998,126**	**2,747,590**	**10,745,716**
	₱10,783,427	**₱5,282,120**	**₱16,065,547**

	2023		
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱158,895	₱49,309	₱208,204
More than one year to five years	335,506	168,949	504,455
More than 5 years to 10 years	154,646	279,580	434,226
More than 10 years to 15 years	346,926	473,689	820,615
More than 15 years to 20 years	775,286	619,453	1,394,739
More than 20 years	3,390,179	1,211,589	4,601,768
	₱5,161,438	₱2,802,569	₱7,964,007

Actual contributions to the defined benefit pension plan amounted to ₱118.8 million and ₱127.8 million in 2024 and 2023, respectively. The Parent Company expects to contribute ₱242.1 million to the defined benefit pension plan in the period January 1 to December 31, 2025.

Maynilad Defined Contributory Plan
In 2021, the Parent Company established a General Reserve Fund ("GRF) within the welfare fund managed by BDO Unibank, Inc. ("BDO"). Upon separation of employees, the non-vested employer share in the welfare fund were transferred to the GRF and serves as a reserve to fund the employer share in welfare fund. Once the balance of the GRF is not sufficient to cover the employer share, the Parent Company shall remit its corresponding share to BDO. The life of the GRF is expected to be until June 30, 2023.

The pension cost related to contributory fund presented as part of "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱48.8 million, ₱22.9 million and nil in 2024, 2023 and 2022 respectively.

Phil Hydro and Amayi
Phil Hydro recognized pension liability amounting to ₱1.8 million and ₱1.0 million, while Amayi recognized pension liability amounting to ₱0.10 million and ₱0.05 million as at December 31, 2024 and 2023, respectively, in the consolidated statements of financial position determined in accordance with R.A. No. 7641, *The Philippine Retirement Pay Law*, which provides for its qualified employees under a defined minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at a normal retirement age with the required credited years of service based on the provisions of R.A. No. 7641. Pension income amounting to nil in 2024 and pension cost amounting to ₱0.2 million in 2023, were included under "Salaries, wages and benefits" account in the consolidated statements of income.

18. Interest Expense and Other Financing Charges

	2024	2023	2022
Interest-bearing loans (see Note 11)	**₱1,711,882**	₱1,760,415	₱1,647,212
Accretion on service concession obligation payable to MWSS (see Note 10)	**605,930**	640,220	562,698
Amortization of debt issuance costs (see Note 11)	**38,065**	37,085	67,522
Accretion of customers' deposits	**32,872**	30,312	27,418
Accretion on lease liability (see Note 22)	**25,646**	35,356	19,751
Reversal of accretion on lease liability	–	–	(2,929)
	₱2,414,395	₱2,503,388	₱2,321,672

19. Basic/Diluted Earnings Per Share

	2024	2023	2022
Net income (a)	**₱12,781,414**	₱9,011,179	5,874,924
Weighted average number of shares at end of year for basic earnings per share (b)*	**4,487,784,000**	4,510,599,000	4,458,482,000
Effect of dilution from ESOP shares	–	36,383,000	60,181,000
Weighted average number of shares at end of year for diluted earnings per share (c)	**4,487,784,000**	4,546,982,000	4,518,663,000
Basic earnings per share (a/b)	**₱2.85**	₱2.00	₱1.32
Diluted earnings per share (a/c)	**₱2.85**	₱1.98	₱1.30

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*

20. Provisions and Contingencies

Following are the significant contingencies of the Company as at December 31, 2024 and 2023:

a. Additional Tranche B Concession Fees and interest penalty are being claimed by MWSS in excess of the amount recommended by the Receiver. Such additional charges being claimed by MWSS (in addition to other miscellaneous claims) amounted to ₱5.0 billion as at December 31, 2024 and 2023. The Rehabilitation Court has resolved to deny and disallow the said disputed claims of MWSS in its December 19, 2007 Order, upholding the recommendations of the Receiver on the matter. Following the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve this matter in accordance with the dispute requirements of the TCA (see Notes 3, 7 and 10). A joint committee, with members from Maynilad and MWSS, was formed in June 2016 to prepare a report containing a stipulation of facts, issues and recommendations on the Disputed Claims. On July 4, 2016, Maynilad submitted to MWSS a Statement of Facts. MWSS has yet to provide Maynilad with its comments.

b. On October 13, 2005, the Parent Company and Manila Water (the "Concessionaires") were jointly assessed by the Municipality of Norzagaray, Bulacan for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. It is the position of the Concessionaires that it is the RoP that owns these properties and is therefore exempt from real property taxes.

   On September 5, 2022, the CBAA ruled that the Water Concessionaires and MWSS are not liable for real property tax on the land and common purpose facilities. On October 11, 2022, the Province of Bulacan and Municipality of Norzagaray appealed the CBAA Decision by way of a Petition for Review to the CTA. On May 26, 2023, the CTA En Banc dismissed the Petition without prejudice due to the petitioners' repeated failure to comply with the Rules of Civil Procedure and the lawful orders of the CTA.

   On July 22, 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on July 11, 2024, resolving the Motion for Issuance of Entry of Judgment filed by Maynilad and denying the same for being moot, in view of the Manifestation of the Petitioners dated May 3, 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated May 26, 2023.

c. On September 17, 2019, Maynilad, through its external counsel, received a copy of the Supreme Court En Banc decision, dated August 6, 2019, in the case of Maynilad vs The Secretary of the Department of Environment and Natural Resources, et al (the "Decision").

   The Supreme Court affirmed, with modifications, the decisions of the Court of Appeals finding the Concessionaires and MWSS guilty of violating Section 8 of Republic Act (RA) No. 9275, otherwise known as the ''Philippine Clean Water Act of 2004'' (the "CWA").

   For violating Section 8, the Supreme Court upheld the decision of the Pollution Adjudication Board ("PAB") holding each of the Concessionaires jointly and severally liable with the MWSS for a daily penalty of ₱200,000 starting May 7, 2009 (the day following the lapse of the five-year period provided in Section 8), or a total of ₱921.5 million for the period May 7, 2009 to August 6, 2019, the date of the Decision's promulgation. The fine is to be paid within 15 days from the time the Decision becomes final. In addition, MWSS and the Concessionaires will be liable for the initial amount of ₱322,102/day, subject to a further 10% increase every two years, pursuant to Section 28 of the CWA, until full compliance with the mandate of Section 8. A 6% interest will be imposed on the total amount of the fines should there be a delay in its payment.

   On October 2, 2019, Maynilad filed a Motion for Reconsideration of the Decision ("MR") with the Supreme Court.

   In the meantime, Maynilad was granted a legislative franchise under R.A. No. 11600 in December 2021 to establish, operate, and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila, including some parts of the Province of Cavite. RA 11600 became effective on January 22, 2022.

   On March 10, 2022, Maynilad filed a Manifestation with Motion before the Supreme Court to (i) inform the Supreme Court about RA 11600 which provides, among others, for the achievement of 100% sewerage coverage only in 2037; and (ii) pray for the reversal of the CWA fines, or at the very least, of the fines accruing following the effectivity of RA 11600.

The Supreme Court promulgated the Resolution dated July 19, 2022, which granted, in part, the MR and modified the Decision. While the Supreme Court still found Maynilad (along with Manila Water) and MWSS liable for fines for violating Section 8 of the CWA, the Supreme Court reduced the base amount of the daily penalty to ₱30,000, starting from May 7, 2009, and subject to a 10% increase every two years, until January 21, 2022. The total fine amounted to approximately ₱202.0 million and must be paid within 15 days from receipt of the Resolution so that the same will not earn a 6% interest per annum.

Maynilad attempted twice in November 2022 to settle the fine of approximately ₱202.0 million with the Environmental Management Bureau ("EMB") but the latter refused to accept the same. Maynilad later learned that EMB's refusal to accept the payment is due to the filing by PAB of a Motion for Partial Reconsideration of the Decision with the Supreme Court. The PAB prayed for the reinstatement of the daily penalty to ₱200,000.

In the meantime, to ensure that Maynilad will not be held liable for interest charges for not paying the fine within 15 days from its receipt of the Resolution, Maynilad informed the Supreme Court on December 5, 2022, by way of a Manifestation, of its tender of payment which the EMB refused. On February 3, 2023, Maynilad received a notice from the Supreme Court (dated January 17, 2023) of a resolution ("Final Resolution"). The Final Resolution (i) affirmed the Resolution, (ii) denied, with finality, the PAB's Motion for Partial Reconsideration, (iii) informed the parties that the Supreme Court will no longer entertain any further pleadings or motions, and (iv) ordered the entry of judgment immediately. In compliance with the Final Resolution, Maynilad paid EMB on February 15, 2023 the total amount of ₱202.3 million.

The case has been closed and terminated.

d. In 2016, the DENR issued Administrative Order No. 2016-08 ("DAO No. 2016-08") which sets new wastewater guidelines for each type of body of water and also specifies significant effluent quality parameters for each industry based on the most probable pollutant that a type of industry will discharge into the environment. It also sets new significant parameters that have to be complied with before treated wastewater is discharged to receiving bodies of water.

DAO No. 2016-08 provides a grace period for compliance of not more than five years, provided that the establishment submits a Compliance Action Plan ("CAP") and periodic status reports of implementation to the DENR on the steps taken for the establishment's compliance schedule within the prescribed grace period.

Maynilad has 22 wastewater reclamation facilities ("WRF") treating effluents compliant with the previous standards under DAO 35-s.1990. With the effectivity of DAO No. 2016-08 that imposes more stringent standards (biological nutrient removal and fecal coliform), Maynilad would have to incur higher capital and operational expenditures to make its existing WRFs compliant with the new effluent standards. In March 2017, Maynilad submitted to the DENR its CAP to comply with DAO No. 2016-08 and requested, among others, that it be granted the five-year grace period (or until 2021) provided in DAO No. 2016-08 within which to comply with the new effluent standards.

On April 23, 2021, Maynilad wrote the DENR to request for an extension to comply with the approved CAP until 2028. The request for extension is to give Maynilad sufficient time to implement and complete the upgrade of its facilities to comply with DAO No. 2016-08. On June 30, 2021, the DENR issued DAO No. 2021-19 which relaxed certain standards in DAO No. 2016-08.

On July 6, 2021, Maynilad received DENR's letter dated July 1, 2021 advising Maynilad of EMB Memorandum Circular No. 2021-01, which clarified that the grace period began when DAO No. 2016- 08 went into effect. In its letter, the DENR explained that the moratorium or grace period will end on June 18, 2021. However, Maynilad may continue to use its approved CAP since the objective is to ensure compliance with all environmental laws.

On June 30, 2021, the DENR issued DAO 2021-19 updating the water quality guidelines for selected parameters based on current classification of water bodies and its beneficial use, and the effluent standards for selected parameters based on perceived impact to the activities in the area and to the environment. It also provided that any person or establishment requesting for modification of significant effluent quality parameters shall submit to the EMB Central Office the methodology and technical report with justifications containing the required details. A particular parameter, as indicated in Table 8 of DAO 2016-08, may also be excluded in succeeding monitoring periods provided there is a request for exclusion and certain conditions are met.

On September 1, 2021, Maynilad submitted the updated CAPs for its 21 WRFs and requested for the extension of the respective grace periods for the implementation of the new standards. The Laguna Lake Development Authority ("LLDA") approved Maynilad's updated CAPs and granted additional grace periods for the WRFs to be modified to be able to fully comply with the applicable general effluent standards. The previously granted grace period until December 31, 2022 has been extended for each WRF, consistent with the effectivity of its discharge permit.

During the prescribed grace period, a moratorium is in effect which includes issuance of cease and desist and/or closure order, fine, and other penalties against the establishment's operations. However, the establishments are not exempt from compliance monitoring and inspections by LLDA. DAO 1990-35 shall apply during the grace period, and each establishment must still comply with all the conditions in its discharge permit.

Maynilad, through its Wastewater Management Division, regularly submits the quarterly CAP update reports to the LLDA.

e. Water for All Reform Movement ("WARM") filed a Petition before the Court of Appeals praying for the issuance of a Writ of Kalikasan to enjoin Maynilad and Manila Water from implementing a combined drainage and sewerage system as it supposedly violates Sections 27 (a) and (e) of the Clean Water Act ("CWA"), which prohibit the direct deposit and transport of sewage into water bodies. WARM additionally claims that the (i) Sanitation Code has already been repealed by the CWA, and (ii) the Concessionaires are in continuing violation of the Writ of Continuing Mandamus issued by the Supreme Court in the Manila Bay Case.

   It is the position of the Water Concessionaires that (i) the Writ of Continuing Mandamus is not a law, (ii) there are no grounds for the issuance of the Writ of Kalikasan, and (iii) the Sanitation Code (which expressly allows the installation of a combined system) has not been repealed by the CWA.

   The Court of Appeals dismissed the Petition filed by WARM, citing that the installation of a combined drainage and sewerage system is allowed under the Sanitation Code. WARM elevated the Court of Appeal's decision via Certiorari to the Supreme Court in 2014. On July 19, 2023, the Parent Company received a copy of the Decision of the Supreme Court denying the petition and affirming the resolutions of the CA.

On July 22, 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on July 11, 2024, resolving the Motion for Issuance of Entry of Judgment filed by Maynilad and denying the same for being moot, in view of the Manifestation of the Petitioners dated May 3, 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated May 26, 2023.

f. The Parent Company is a party to various civil and labor cases relating to breach of contracts with damages, illegal dismissal of employees, and nonpayment of back wages, benefits and performance bonus, among others.

g. Provisions recognized for the periods ended 2024, 2023 and 2022, were presented as "Others-net" in the consolidated statements of income and "Accrued expenses" under Trade and other payables in the consolidated statements of financial position (see Note 12). Other disclosures required by PAS 37 were not provided as it may prejudice Maynilad's position in on-going claims, litigations, and assessments.

21. **Significant Contracts with Manila Water (East Concessionaire)**

In relation to the Concession Agreement, the Parent Company entered into the following contracts with the East Concessionaire:

a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones; and

b. Common Purpose Facilities Agreement that provides for the operation, maintenance, renewal, and, as appropriate, decommissioning of the Common Purpose Facilities, and performance of other functions pursuant to and in accordance with the provisions of the Concession Agreement and performance of such other functions relating to the Concession (and the Concession of the East Concessionaire) as the Parent Company and the East Concessionaire may choose to delegate to the Joint Venture, subject to the approval of MWSS.

c. On January 25, 2022, Maynilad and Manila Water entered into a contract with China International Water and Electric Corp. for the design and build of the proposed Angat Water Transmission Project (Tunnel 5). On February 17, 2022, Maynilad and Manila Water entered into a contract with Dohwa Engineering, Co. Ltd. for the construction management of the proposed Angat Water Transmission Project (Tunnel 5). The Angat Water Transmission Project (Tunnel 5) is part of the MWSS's water security program which aims to provide (i) additional nineteen (19) cubic meters per second of raw water supply, and (ii) improve the reliability and operational flexibility of the Umiray-Angat-Ipo raw water conveyance system.

d. On October 28, 2022, Maynilad and Manila Water entered into a Memorandum of Agreement for the purchase of raw bulk water by the former from the latter at ₱21/cu.m. and treated bulk water at ₱26/cu.m.

e. On February 1, 2024, Maynilad and Manila Water entered a Memorandum of Agreement for the purchase of treated bulk water of 47 Million Liters per day (47MLD) delivered or made available by Manila Water to Maynilad at a purchased water rate of PhP40.99 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

For every excess of volume beyond 47MLD, the purchased water rate that will apply is ₱43.00 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

22. Commitments

Concession Agreement

Significant commitments under the Concession Agreement follow:

a. To pay Concession Fees (see Note 7)

b. To post Performance Bond (see Note 6)

   Under Section 6.10 of the RCA, as amended, the Parent Company is required to post and maintain, throughout the concession period, a performance bond in favor of MWSS to secure the Parent Company's performance of its obligations under certain provisions of the Concession Agreement. The aggregate amount drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates is set out below.

Rate Rebasing Period	Aggregate Amount Drawable Under Performance Bond
	(In Millions)
First (August 1, 1997 – September 30, 2002)	US$120.0
Second (January 1, 2003 – September 30, 2007)	120.0
Third (January 1, 2008 – September 30, 2012)	90.0
Fourth (January 1, 2013 – September 30, 2017)	80.0
Fifth (January 1, 2018 – September 30, 2023)	60.0
Sixth (January 1, 2023 – September 30, 2027)	₱21,953.0

   The Parent Company shall ensure that the performance bond is maintained in the amount equal to at least the performance bond amount at all times during the performance bond validity period. In the event that MWSS draws against the performance bond, the Parent Company shall replenish the same to restore the value of the performance bond to its original amount within fifteen (15) days from the date MWSS shall have drawn thereon without need of demand.

c. To pay half of MWSS and MWSS-RO's budgeted expenditures for the subsequent years, provided the aggregate annual budgeted expenditures do not exceed ₱200.0 million, subject to CPI adjustments. As a result of the extension of the life of the Concession Agreement, the annual budgeted expenditures shall increase by 100%, subject to CPI adjustments, effective January 2010 (see Notes 1 and 7).

d. To meet certain specific commitments in respect to the provision of water and wastewater services in the West Service Area, unless modified by the MWSS-RO due to unforeseen circumstances.

e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and wastewater system in the West Service Area is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with the Parent Company).

f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property.

g. To ensure that at all times the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Concession Agreement.

h. To prevent incurrence of debt or liability that would mature beyond the Expiration Date.

Failure of the Parent Company to perform any of its obligations under the Concession Agreement of a kind or to a degree which, in a reasonable opinion of the MWSS-RO, amounts to an effective abandonment of the Concession Agreement and which failure continues for at least 7 days after written notice from the MWSS-RO, may cause the Concession Agreement to be terminated.

MWSS JBIC Loan (Concession Fee)
The Loan Agreement between the Government and JBIC (formerly OECF) was signed on February 9, 1990. The proceeds of the Loan were used to fund the implementation of the Angat Water Supply Optimization Project (AWSOP), with MWSS as the implementing agency. Prior to privatization, actual drawdowns from the Loan were recorded by MWSS as equity from the Government while the draws during privatization were assumed and paid by the Concessionaires. The sharing is 61.83% and 38.17% for Maynilad and Manila Water, respectively.

On June 6, 2019, Maynilad received a letter from the MWSS requesting to pay ₱821.0 million (“Invoiced Amount”). Accordingly, Maynilad learned that the drawdowns made on the JBIC Loan prior to the privatization of MWSS’s operations are considered loans and not equity as formerly advised. MWSS’s request for the Concessionaires to pay was triggered by an instruction from the DOF to the Bureau of Treasury, to have the Concessionaires reimburse the Government for the latter’s payments on the JBIC Loan.

Maynilad replied to MWSS on July 1, 2019 and clarified the Invoiced Amount. Maynilad’s position is to pay only ₱677.0 million because (ii) Maynilad remitted to the MWSS ₱113.0 million representing Guarantee Fees based on MWSS’s invoice. However, the JBIC Loan makes no reference to and does not include the payment of Guarantee Fees, the borrower being the Government itself. This being the case, the Guarantee Fees that Maynilad remitted to MWSS must be set off or applied against the Invoiced Amount; and (2) while Maynilad always pays the foreign exchange shortfall in the debt servicing of MWSS-contracted loans, there is no need for Maynilad to pay the Forex Shortfall of ₱31.0 million in the JBIC Loan catch-up payment. The difference in the foreign exchange rate (from Japanese Yen to Philippine Peso) has already been captured and reflected in the total peso amount billed by the Bureau of Treasury.

Further, Maynilad also requested to pay ₱677.0 million in eight monthly instalments of ₱84.6 million to commence in July 2019 until February 2020, to coincide with the full payment/ maturity of the JBIC Loan.

As communicated by MWSS-Finance on July 17, 2019, Maynilad can pay based on the requested amount and schedule while waiting for the response of the Bureau of Treasury concerning the guarantee fee and shortfall. Maynilad paid the first installment on July 30, 2019.

The last installment for JBIC Loan was paid on February 18, 2020. As at December 31 2024, Bureau of Treasury has yet to respond to the Company’s letter concerning the guarantee fee and shortfall.

Leases

Company as a lessee

The Group leases the right of way, office space and branches where service outlets are located, several equipment and service vehicles, renewable under certain terms and conditions to be agreed upon by the parties. The Group also has certain leases with lease terms of 12 months or less and leases of low value.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2024	2023
Depreciation expense of ROU assets	**₱150,552**	176,610
Interest expense on lease liabilities	**25,646**	35,356
Expense relating to short-term leases	**92,803**	79,685
Expense relating to low-value assets	**55,860**	9,432
	₱324,861	301,083

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

	2024	2023
Balance at the beginning of the period	**₱436,438**	₱281,529
Additions during the period	**83,862**	329,361
Payments	**(167,521)**	(209,808)
Termination	**(5,638)**	–
Accretion of interest	**25,646**	35,356
Balance at end of the period	**372,787**	436,438
Less current lease liabilities	**72,401**	155,865
Noncurrent lease liabilities (Note 24)	**₱300,386**	₱280,573

As at December 31, 2024 and 2023, the current portion of lease liabilities are presented under "Trade and other payables" and the noncurrent portion of lease liabilities are presented under "Other noncurrent liabilities" in the consolidated statements of the financial position.

Most of the contracts of leased by the Group have stipulations stating that renewal of lease is subject to mutual agreement of both the lessor and the lessee. As such, it is not reasonably certain that the Company will exercise the option to extend the lease since the extension is considered unenforceable.

The approximate annual future minimum lease payable of the Parent Company under its existing non-cancellable lease agreements as a lessor as at December 31 are as follows:

	2024	2023
	(In Millions)	
1 year	**₱136.9**	₱177.1
more than 1 years to 2 years	**102.9**	90.4
more than 2 years to 3 years	**86.4**	83.5
more than 3 years to 4 years	**31.3**	67.1
more than 4 years to 5 years	**11.8**	11.7
more than 5 years	**60.8**	72.6

23. Assets Held in Trust

Assets which are owned by MWSS but are used in the operations of the Parent Company under the Concession Agreement are not reflected in the consolidated statements of financial position but carried as Assets Held in Trust, except for certain assets transferred to the Parent Company.

Materials and Supplies
The Parent Company has the right to use any items of inventory owned by MWSS in carrying out its responsibility under the Concession Agreement, subject to the obligation to return the same at the end of the concession period, in kind or in value at its current rate, subject to CPI adjustments.

Facilities
The Parent Company has been granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and wastewater services under the Concession Agreement. MWSS shall retain legal title to all movable property in existence at the Commencement Date. However, upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company (see Note 7).

The Concession Agreement also provides the Parent Company and the East Concessionaire to have equal access to MWSS facilities involved in the provision of water supply and wastewater services in both West and East Service Areas including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS' closing audit report amounted to ₱7.3 billion with a sound value of ₱13.8 billion.

Beginning at the Commencement Date, MWSS' corporate headquarters were made available for a one-year lease to the Parent Company and the East Concessionaire, subject to renewal with the consent of the parties concerned. The current lease covers up to December 31, 2024. Lease payments amounted to ₱89.2 million, ₱77.8 million and ₱106.2 million in 2024, 2023 and 2022, respectively (see Note 22).

24. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments are its debts to the local banks and concession fees payable to MWSS per Concession Agreement. Other financial instruments of the Parent Company are cash and cash equivalents, and trade and other receivables. The main purpose of those financial instruments is to finance the Parent Company's operations.

The main risks arising from the Parent Company's principal financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves the policies for managing the Parent Company's financial risks. The Parent Company monitors risks arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Parent Company's exposure to market risk for changes in interest rates relates primarily to the Parent Company's interest-bearing loans.

The following table shows the Parent Company's significant financial liabilities that are exposed to cash flow interest rate risk:

₱4.8 billion Corporate Notes (1st drawdown)	Fixed rate benchmark (6.00%, March 2, 2015 to March 2, 2035)
₱4.8 billion Corporate Notes (2nd drawdown)	Fixed rate benchmark (6.00%, October 4, 2016 to March 2, 2035)
₱4.8 billion Corporate Notes (3rd drawdown)	Fixed rate benchmark (6.00%, August 1, 2017 to March 2, 2035)
₱4.8 billion Corporate Notes (4th drawdown)	Fixed rate benchmark (6.00%, March 5, 2018 to March 2, 2035)
₱18.5 billion Fixed Corporate Notes - 7Y (1st drawdown)	Fixed rate benchmark+0.60% (6.3836%, March 23, 2018 to March 23, 2025)
₱18.5 billion Fixed Corporate Notes - 10Y (1st drawdown)	Fixed rate benchmark+0.70% (6.8229%, March 23, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (1st drawdown)	Fixed rate benchmark+0.60% (6.4920%, March 23, 2018 to March 23, 2026)
₱18.5 billion Fixed Corporate Notes - 7Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5083%, April 27, 2018 to March 23, 2025)
₱18.5 billion Fixed Corporate Notes - 10Y (2nd drawdown)	Fixed rate benchmark+0.70% (6.8388%, April 27, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5489%, April 27, 2018 to March 23, 2026)
¥7.9 billion Facility Loan (1st drawdown)	Fixed rate benchmark+0.90% (August 20, 2018 to June 7, 2027)
¥7.9 billion Facility Loan (2nd drawdown)	Fixed rate benchmark+0.90% (November 28, 2018 to June 7, 2027)
₱1.4 billion Facility Loan (1st drawdown)	Fixed rate benchmark (May 18, 2018 to October 15, 2024)
₱1.4 billion Facility Loan (2nd drawdown)	Fixed rate benchmark (September 25, 2018 to October 15, 2024)
₱1.4 billion Facility Loan (3rd drawdown)	Fixed rate benchmark (December 21, 2018 to October 15, 2024)
¥13.1 billion Facility Loan (¥2.9 billion drawdown)	Fixed rate benchmark (April 2, 2019 to October 10, 2034)
¥13.1 billion Facility Loan (¥10.2 billion drawdown)	Fixed rate benchmark (June 23, 2023 to October 10, 2034)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (4.95%, November 29, 2019 to November 29, 2024)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (5.4992%, August 12, 2022 to August 12, 2025)
₱4.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (7.0036%, November 10, 2022 to November 10, 2025)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.65% (7.1581%, November 17, 2022 to November 17, 2025)
₱10.0 billion Term Loan Facility (1st drawdown)	Fixed rate benchmark (6.4059%, May 11, 2023 to May 11, 2028)
₱10.0 billion Term Loan Facility (2nd drawdown)	Fixed rate benchmark (7.0006%, October 3, 2023 to May 11, 2028)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (6.5963%, December 14, 2023 to December14, 2026)
₱15.0 billion Blue Bonds Series A: 9.0 billion Series B: 6.0 billion	Fixed rate benchmark (6.71%, July 12, 2024 to July 12, 2029) (7.09%, July 12, 2024 to July 12, 2034)
Peso-denominated Bank Loan	Fixed rate benchmark (5.50%, June 29, 2015 to June 29, 2025)

Interest on financial liabilities classified as fixed rate is fixed until the maturity of the instrument.

The following tables show information about the Group's financial assets and financial liabilities that are exposed to cash flow and fair value interest rate risks.

	2024	
	Within 1 Year	**Total**
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	**₱10,515,179**	**₱10,515,179**

**Excludes cash on hand amounting to ₱4,362.*

	2023	
	Within 1 Year	Total
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	₱4,898,828	₱4,898,828

**Excludes cash on hand amounting to ₱3,728.*

	2024				
	Within 1 Year	**More than 1 Year**	**Total (In US$)**	**Total (In ¥)**	**Total (In ₱)**
Liabilities:					
Interest–bearing loans:					
Interest rate	**6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%**	**6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%**			
Current – foreign	**¥2,269,505**	–	–	**¥2,269,505**	**₱833,362**
Current – local	**₱3,352,703**	–	–	–	**3,352,703**
Noncurrent – foreign	–	**¥12,525,476**	–	**12,525,476**	**4,599,355**
Noncurrent – local	–	**₱74,862,116**	–	–	**74,862,116**
					83,647,536
Service concession obligation payable to MWSS:					
Interest rate	**9.02%**				
Current – foreign	**$5,604**	–	**$5,604**	–	**₱324,136**
Current – local	**₱703,118**	–	–	–	**703,118**
Noncurrent – foreign	–	**$66,169**	**$66,169**	–	**3,827,530**
Noncurrent – local	–	**₱2,466,997**	–	–	**2,466,997**
					7,321,781
					₱90,969,317

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

	2023				
	Within 1 Year	Total	Total (In US$)	Total (In ¥)	Total (In ₱)
Liabilities:					
Interest–bearing loans:					
Interest rate	6.00%, 6.38%, 6.82%, 6.49%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16%, 6.41%, 7.00%, 6.60% and 5.50%	6.00%, 6.38%, 6.82%, 6.49%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16% and 5.50%			
Current – foreign	¥1,611,965	–	–	¥1,611,965	₱633,502
Current – local	₱1,954,158	–	–	–	1,954,158
Noncurrent – foreign	–	¥14,794,981	–	¥14,794,981	5,814,428
Noncurrent – local	–	₱53,399,810	–	–	53,399,810
					61,801,898
Service concession obligation payable to MWSS:					
Interest rate	9.48%				
Current – foreign	$3,266	–	$3,266	–	180,836
Current – local	₱693,725	–	–	–	693,725
Noncurrent – foreign	–	$70,738	$70,738	–	3,916,744
Noncurrent – local	–	₱2,572,292	–	–	2,572,292
					7,363,597
					₱69,165,495

The spot exchange rates used were ₱55.37:US$1 and ₱0.393: JPY1 as at December 31, 2023.

Foreign Currency Risk

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

The Parent Company's foreign currency risk arises primarily from movements of the Philippine Peso against the United States Dollar and Japanese Yen. The servicing of foreign currency denominated loans of MWSS is among the requirements of the Concession Agreement. Revenues are generated in Philippine Peso. However, there is a mechanism in place as part of the Concession Agreement wherein the Company (or the end consumers) can recover currency fluctuations through the FCDA that is approved by the RO.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and the Philippine Peso equivalent of each as at December 31, 2024 and 2023 is presented as follows:

	2024		
	US Dollar	**JPY**	**Total Peso Equivalent**
Asset			
Cash and cash equivalents and restricted cash	**$1,719**	**¥11,125**	**₱103,548**
Liabilities			
Interest–bearing loans	**$–**	**(¥14,794,981)**	**(₱5,432,717)**
Service concession obligation payable to MWSS	**(71,772)**	**–**	**(4,151,666)**
	(71,772)	**(14,794,981)**	**(9,584,383)**
Net foreign currency denominated liabilities	**($70,053)**	**(¥ 14,783,856)**	**(₱9,480,835)**

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

	2023		
	US Dollar	JPY	Total Peso Equivalent
Asset			
Cash and cash equivalents and restricted cash	$2,962	¥11,461	₱168,530
Liabilities			
Interest-bearing loans	$–	(¥16,406,947)	(₱6,447,930)
Service concession obligation payable to MWSS	(74,004)	–	(4,097,580)
	(74,004)	(16,406,947)	(10,545,510)
Net foreign currency denominated liabilities	($71,042)	(¥16,395,486)	(₱10,376,980)

The spot exchange rates used were ₱55.37:US$1 and ₱0.393: JPY1 as at December 31, 2023.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as at December 31, 2024 and 2023. The estimates in the movement of the foreign exchange rates were based on the management's annual financial forecast.

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	**Foreign Exchange Rate**	**Effect on Income Before Income Tax**
2024			
U.S Dollar	**+1%**	**57.85**	**(₱40,522)**
JPY	**+1%**	**0.37**	**(54,286)**
U.S Dollar	**-1%**	**57.85**	**40,522**
JPY	**-1%**	**0.37**	**54,286**

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	Foreign Exchange Rate	Effect on Income Before Income Tax
2023			
U.S Dollar	+1%	55.37	(₱39,336)
JPY	-1%	0.39	(64,434)
U.S Dollar	+1%	55.37	39,336
JPY	-1%	0.39	64,434

The Parent Company recognized net foreign exchange losses of ₱1.6 billion, ₱1.2 billion in 2024 and 2023, respectively, and ₱1.8 billion net foreign exchange gains in 2022, mainly arising from the translation of the Parent Company's cash and cash equivalents, deposits, interest-bearing loans and service concession obligation payable to MWSS. However, the net foreign exchange gain or loss on interest-bearing loans and service concession obligation payable to MWSS is subject to foreign exchange recovery mechanisms under the Concession Agreement (see Note 2).

Credit Risk

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

The Parent Company trades only with recognized, creditworthy third parties. Because of the basic need service, it provides, historical collections of the Parent Company are relatively high. Credit exposure is widely dispersed. Receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Parent Company, consisting of cash and cash equivalents, deposits and restricted cash and deposits, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks which have demonstrated financial soundness for the past five years.

Maximum exposure to credit risk of financial assets not subject to impairment
The Parent Company has unquoted equity shares measured at fair value through other comprehensive income amounting to ₱124.9 million as at December 31, 2024 and 2023 (see Note 9).

Maximum exposure to credit risk of financial assets subject to impairment
The table below shows the maximum exposure to credit risk for the Group's financial instruments (amounts in thousands):

	2024	2023
Cash and cash equivalents* (see Note 4)	**₱10,515,179**	₱4,898,828
Trade and other receivables – net (see Note 5)	**2,722,872**	2,418,070
Contract assets (see Note 14)	**1,386,458**	1,205,041
Deposits**	**558,957**	373,785
Deposits and restricted cash (see Note 6)	**238,428**	237,990
Total credit risk exposure	**₱15,421,894**	₱9,133,714

**Excludes cash on hand amounting to ₱4,362 and ₱3,728 as at December 31, 2024 and 2023, respectively.*
***Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6,289 and ₱1,580, as at December 31, 2024 and 2023, respectively, in the consolidated statements of financial position.*

The table below shows the maximum exposure to credit risk for the Group's financial instruments by credit rating grades (amounts in thousands).

			2024		
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
High grade	**₱10,753,607**	**₱–**	**₱700,402**	**₱4,207,796**	**₱15,661,805**
Standard grade	**1,114,091**	**26,602**	**136,603**	**2,356**	**1,279,652**
Gross carrying amount	**11,867,698**	**26,602**	**837,005**	**4,210,152**	**16,941,457**
Loss allowance	**(56,297)**	**–**	**(837,005)**	**(626,261)**	**(1,519,563)**
Carrying amount	**₱11,811,401**	**₱26,602**	**₱–**	**₱3,583,891**	**₱15,421,894**

			2023		
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱5,136,818	₱–	₱821,084	₱3,656,944	₱9,614,846
Standard grade	814,900	26,602	115,194	3,660	960,356
Gross carrying amount	5,951,718	26,602	936,278	3,660,604	10,575,202
Loss allowance	(9,723)	–	(936,278)	(495,487)	(1,441,488)
Carrying amount	₱5,941,995	₱26,602	₱–	₱3,165,117	₱9,133,714

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

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

For trade and other receivables and contract assets, high grade relates to those which are consistently collected before the maturity date, normally seven days from bill delivery. Standard grade includes receivables from customers that are collectible beyond seven days from bill delivery even without an effort from the Parent Company to follow them up, or those advances from officers and employees that are collected through salary deduction. For deposits, standard grade consists of meter and security deposits that are normally refundable upon termination of service.

Set out below is the information about the credit risk exposure on the Parent Company's trade and other receivables and contract assets using a provision matrix as at December 31, 2024 and 2023, the table below summarizes the financial assets of the Group (amounts in thousands):

	2024				
		Days past due			
	Current	**1 to 180 days**	**181-360 days**	**More than 360 days**	**Total**
Expected credit loss rate	**1.86%**	**4.57% - 25.64%**	**29.63% - 49.50%**	**53.95%**	
Estimated total gross carrying amount at default*	**₱1,560,524**	**₱1,709,725**	**₱180,158**	**₱1,674,247**	**₱5,124,654**
Expected credit loss	**28,641**	**145,553**	**77,456**	**555,370**	**807,020**
Credit-impaired receivables	**–**	**–**	**–**	**712,543**	**712,543**
Total	**₱28,641**	**₱145,553**	**₱77,456**	**₱1,267,913**	**₱1,519,563**

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱504.24 million as at December 31, 2024.*

	2023				
		Days past due			
	Current	1 to 180 days	181-360 days	More than 360 days	Total
Expected credit loss rate	1.75%	4.34% - 25.96%	30.53% - 52.90%	56.86%	
Estimated total gross carrying amount at default*	₱1,297,611	₱1,471,028	₱175,905	₱1,832,501	₱4,777,045
Expected credit loss	19,593	107,879	65,360	415,882	608,714
Credit-impaired receivables	–	–	–	832,774	832,774
Total	₱19,593	₱107,879	₱65,360	₱1,247,018	₱1,441,488

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱287.55 million as at December 31, 2023.*

Excessive risk concentration
Given the Parent Company's diverse base of counterparties in its financial assets, it is not exposed to large or excessive concentrations of credit risk in any geographical region or industry.

Write-off policy
The Parent Company writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Parent Company writes off an account when any of the following conditions is met:

- unpaid bill(s) of former owner/tenant who can no longer be found. The amount to be written off shall be net of any customer deposit posted by the previous owner/tenant;
- the customer is deceased and left no estate, or the heir is not financially capable of settling the account;
- the unpaid bill(s) of a customer who has been declared bankrupt by the court;
- the filing of legal action to collect the unpaid bill(s) does not seem prudent under the circumstances, as determined by the Legal and Regulatory Affairs ("LRA");

- a final judgment favoring the customer was issued in a case filed against the customer for collection of money. In this case, the amount to be written off shall be equal to the amount recommended by the court;
- any unpaid bills(s), more than three years old, of disconnected services and which remain uncollected after exerting all diligent efforts, as supported by the disconnection letter and/or demand letter; and
- the water service connection no longer exists and the customer has no other account with Maynilad.

The Parent Company also monitors loans written-off and any recoveries made. Outstanding receivables incurred in 2015 and prior years amounting to ₱820.9 million were written off as at December 31, 2023 (see Note 5). As at December 31, 2024, outstanding receivables of demolished accounts were also written off amounting to ₱34.3 million (see Note 5).

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities as at December 31, 2024 and 2023 based on contractual undiscounted payments.

	2024				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due after 12 Months**	**Total**
Financial Assets					
Cash and Cash Equivalents*	**₱3,040,480**	**₱7,474,699**	**₱–**	**₱–**	**₱10,515,179**
Trade Receivables:					
Customers	**1,919,851**	**1,520,600**	–	–	**₱3,440,451**
Bulk	**5,725**	**201,951**	–	–	**207,676**
Non-trade Receivables:					
Employees	–	**46,328**	–	–	**46,328**
Others	**392,196**	**155,784**	–	–	**547,980**
Contract Assets	–	**1,386,458**	–	–	**1,386,458**
Deposits**	–	–	–	**558,957**	**558,957**
Financial assets at FVOCI	**124,864**	–	–	–	**124,864**
Deposits and restricted cash	–	–	**238,428**	–	**238,428**
	5,483,116	**10,785,820**	**238,428**	**558,957**	**17,066,321**
Financial Liabilities					
Interest-bearing loans***	–	**(3,462,656)**	**(5,889,609)**	**(113,986,178)**	**(123,338,443)**
Trade and other payables****	**(587,206)**	**(6,310,976)**	**(8,053,577)**	**(7,719,745)**	**(22,671,504)**
Service concession obligation payable to MWSS	–	**(221,607)**	**(655,339)**	**(9,749,031)**	**(10,625,977)**
Customers' deposits	–	–	–	**(1,355,612)**	**(1,355,612)**
Lease liabilities*****	–	**(57,607)**	**(79,295)**	**(293,218)**	**(430,120)**
	(587,206)	**(10,052,846)**	**(14,677,820)**	**(133,103,784)**	**(158,421,656)**
Liquidity position (gap)	**₱4,895,910**	**₱732,974**	**(₱14,439,392)**	**(₱132,544,827)**	**(₱141,355,335)**

	2023				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Financial Assets					
Cash and Cash Equivalents*	₱3,099,129	₱1,799,699	₱–	₱–	₱4,898,828
Trade Receivables:					
Customers	1,882,593	1,408,342	–	–	3,290,935
Bulk	16,649	85,157	–	–	101,806
Non-trade Receivables:					
Employees	–	46,994	–	–	46,994
Others	265,616	154,207	–	–	419,823
Contract Assets	–	1,205,041	–	–	1,205,041
Deposits**	–	–	–	373,785	373,785
Financial assets at FVOCI	124,864	–	–	–	124,864
Deposits and restricted cash	–	–	237,990	–	237,990
	5,388,851	4,699,440	237,990	373,785	10,700,066
Financial Liabilities					
Interest-bearing loans***	–	(1,247,840)	(4,987,984)	(85,667,152)	(91,902,976)
Trade and other payables****	(703,913)	(4,418,038)	(7,188,584)	(7,126,096)	(19,436,631)
Service concession obligation payable to MWSS	–	(216,430)	(642,444)	(10,023,217)	(10,882,091)
Customers' deposits	–	–	–	(1,293,702)	(1,293,702)
Lease liabilities*****	–	(44,996)	(132,196)	(325,258)	(502,450)
	(703,913)	(5,927,304)	(12,951,208)	(104,435,425)	(124,017,850)
Liquidity position (gap)	₱4,684,938	(₱1,227,864)	(₱12,713,218)	(₱104,061,640)	(₱113,317,784)

**Excludes cash on hand amounting to ₱4,362 and ₱3,728 as at December 31, 2024 and 2023, respectively.*
***Included as part of "Other noncurrent assets" in the consolidated statements of financial position.*
****Principal plus interest payment*
*****Excludes taxes payable, interest payable and current portion of lease liability.*
******Current portion is presented under "Trade and other payables" account and noncurrent portion is presented under "Other noncurrent liabilities" account.*

Capital Management

The primary objective of the Parent Company's capital management strategy is to ensure that it maintains a healthy capital structure in order to maintain a strong credit standing while it maximizes shareholder value.

The Parent Company closely manages its capital structure vis-a-vis a certain target gearing ratio, which is net debt divided by total capital plus net debt. The Parent Company's target gearing ratio is not to exceed 75%. This target is to be maintained over the next five years by managing the Parent Company's level of borrowings and dividend payments to shareholders.

For purposes of computing its net debt, the Parent Company includes the outstanding balance of its long-term interest-bearing loans, service concession obligation payable to MWSS and trade and other payables, less the outstanding cash and cash equivalents, deposits and restricted cash. To compute its capital, the Parent Company uses total equity.

	2024	2023
Interest-bearing loans and service concession obligation payable to MWSS (see Notes 10 and 11)	**₱90,969,317**	₱69,165,495
Trade and other payables (see Note 12)	**24,157,077**	20,567,655
Less cash and cash equivalents, deposits and restricted cash (see Notes 4 and 6)	**(10,757,969)**	(5,140,546)
Net debt (a)	**104,368,425**	84,592,604
Total equity	**75,354,950**	68,170,300
Net equity and debt (b)	**₱179,723,375**	₱152,762,904
Gearing ratio (a/b)	58%	55%

For the purposes of monitoring debt ratio covenants, the Parent Company computes using both interest-bearing debt and total liabilities. The Parent Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

25. Fair Value of Financial Assets and Financial Liabilities

The following table summarizes the carrying values and fair values of the Group's financial assets and financial liabilities as at December 31, 2024 and 2023:

	2024			
	Carrying value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level2)**	**Significant unobservable inputs (Level 3)**
Financial Assets				
At fair value through other comprehensive income	**₱124,864**	**₱–**	**₱–**	**₱124,864**
At amortized cost -				
Deposits (included under "Other noncurrent assets" account)	**558,957**	**–**	**–**	**482,665**
	₱683,821	**₱–**	**₱–**	**₱607,529**
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	**₱83,647,536**	**₱–**	**₱–**	**₱87,080,115**
Service concession obligation payable to MWSS	**7,321,781**	**–**	**–**	**7,668,381**
Customers' deposits	**1,355,612**	**–**	**–**	**367,362**
Lease liabilities	**372,787**	**–**	**–**	**375,605**
	₱92,697,716	**₱–**	**₱–**	**₱95,491,463**

	2023			
	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets				
At fair value through other comprehensive income	₱124,864	₱–	₱–	₱124,864
At amortized cost -				
Deposits (included under "Other noncurrent assets" account)	373,785	–	–	307,536
	₱498,649	₱–	₱–	₱432,400
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	₱61,801,898	₱–	₱–	₱63,888,017
Service concession obligation payable to MWSS	7,363,597	–	–	9,582,116
Customers' deposits	548,618	–	–	329,360
Lease liabilities	436,438	–	–	436,722
	₱70,150,551	₱–	₱–	₱74,236,215

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

Cash and Cash Equivalents, Trade and Other Receivables, Contract Assets, Deposits and Restricted Cash, and Trade and Other Payables. Due to the short-term nature of these transactions, the carrying values approximate the fair values as at the reporting date. These are carried at amortized cost.

Financial Assets at FVOCI. Fair value is equivalent to the carrying value because the Company's financial assets at FVOCI pertain to unquoted equity investments.

Interest-bearing Loans. For floating rate loans, the carrying value approximates the estimated fair value as at the reporting date due to quarterly repricing of interest rates. For fixed rate loans, the estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Deposits, Service Concession Obligation Payable to MWSS, Customers' Deposits and Lease Liabilities. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

During the periods ended December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of fixed rate interest-bearing loans, deposits, service concession obligation payable to MWSS, customers' deposits and lease liabilities are determined using Fair Value Hierarchy Level 3.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used are as follows:

	2024	2023
Deposits	**6.09%-6.18%**	5.87%-6.11%
Interest bearing loans	**3.98%-6.11%**	5.15%-6.03%
Interest bearing bonds	**5.87%-6.11%**	–
Service concession obligation payable to MWSS	**2.5%-8.53%**	2.5%-18.78%
Customers' deposits	**6.09%**	6.11%
Lease liabilities	**5.71%-6.18%**	5.12%-6.01%

26. Supplemental Disclosure of Cash Flow Information

The noncash activities pertain to MWSS loan drawdowns for Bigte-Novaliches Aqueduct No. 7 (BNAQ7) and Kaliwa Dam Project amounting to ₱146.9 million and ₱713.5 million in 2024 and 2023, respectively. Borrowing costs capitalized as part of service concession assets amounted to ₱3,028.6 million and ₱1,356.6 million in 2024 and 2023, respectively (see Note 7).

27. Changes in Liabilities Arising from Financing Activities

	January 1, 2024	**Cash Flows**	**Foreign Exchange Movement**	**Other***	**December 31, 2024**
Short-term and current portion of interest-bearing loans (Note 11)	**₱2,587,660**	**(₱2,565,306)**	**₱–**	**₱4,163,711**	**₱4,186,065**
Noncurrent portion of interest-bearing loans and bonds (Note 11)	**59,214,238**	**24,741,300**	**(402,978)**	**(4,091,089)**	**79,461,471**
Current portion of service concession obligation payable to MWSS (Note 10)	**874,561**	**(952,976)**	**(29,608)**	**1,135,278**	**1,027,255**
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,489,036**	**–**	**187,930**	**(382,440)**	**6,294,526**
Interest payable	**708,740**	**(4,025,270)**	**(336,502)**	**4,704,795**	**1,051,763**
Lease liabilities (Notes 2 and 22)	**436,438**	**(167,521)**	**–**	**103,870**	**372,787**
Dividends payable (Note 13)	**3,462**	**(5,654,209)**	**–**	**5,654,389**	**3,642**
Total liabilities from financing activities	**₱70,314,135**	**₱11,376,018**	**(₱581,158)**	**₱11,288,514**	**₱92,397,509**

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

	January 1, 2023	Cash Flows	Foreign Exchange Movement	Other*	December 31, 2023
Short-term and current portion of interest-bearing loans (Note 11)	₱3,806,311	(₱3,804,755)	₱–	₱2,586,104	₱2,587,660
Noncurrent portion of interest-bearing loans (Note 11)	43,107,785	18,829,316	(147,129)	(2,575,734)	59,214,238
Current portion of service concession obligation payable to MWSS (Note 10)	940,917	(927,222)	161,557	699,309	874,561
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	6,069,162	–	(82,138)	502,012	6,489,036
Interest payable	615,876	(2,805,164)	(203,532)	3,101,560	708,740
Lease liabilities (Notes 2 and 22)	281,529	(209,808)	–	364,717	436,438
Dividends payable (Note 13)	3,185	(3,599,723)	–	3,600,000	3,462
Total liabilities from financing activities	₱54,824,765	₱7,482,644	(₱271,242)	₱8,277,968	₱70,314,135

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

28. Operating Segment Reporting

The Group has only one operating segment, which is the water and wastewater services, and its results of operations are reviewed by the chief operating decision maker to make decisions and to assess the Group's financial performance, and for which discrete financial information is available. The financial information that are required in relation to segment reporting are the same as those information already presented in these consolidated financial statements.

29. Events After the Reporting Period

On February 18, 2025, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends amounting to ₱6,400.0 million to all shareholders of record as at December 31, 2024 for payment not later than March 15, 2025.

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Maynilad Water Services Inc. (the Company), as at December 31, 2024 and for the year then ended, on which we have rendered the attached report dated February 18, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has four hundred twenty-four (424) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

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

February 18, 2025

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

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

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services Inc. (the Company) as at December 31, 2024 and 2023, and have issued our report thereon dated February 18, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

February 18, 2025

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services Inc. (the Company) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 18, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

February 18, 2025

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services Inc. (the Company) as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 18, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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

February 18, 2025

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

INDEX TO THE SUPPLEMENTARY SCHEDULES
December 31, 2024
(Amounts in Thousands)

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- Financial Assets (Annex 68-J: Schedule A)
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principle Stockholders (Annex 68-J: Schedule B)
- Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (Annex 68-J: Schedule C)
- Long-Term Debt (Annex 68-J: Schedule D)
- Indebtedness to Related Parties (Annex 68-J: Schedule E)
- Guarantees of Securities and Other Issuers (Annex 68-J: Schedule F)*
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Supplementary Schedule of External Auditor Fee-related information

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

Supplementary Schedules
Required by Revised Securities Regulation Code Rule 68, Annex 68-J
December 31, 2024

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Amount shown in the statements of financial position	Income received and accrued
Cash and cash equivalents		
Total cash on hand and in banks	₱3,044,842	₱–
Total cash equivalents	7,474,699	404,839
	₱10,519,541	₱404,839

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

Name and designation	Balance as at January 1, 2024	Additions	Deductions Amount collected	Deductions Amount written off	Current	Noncurrent	Balance as at December 31, 2024
Not Applicable							

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

Name and designation	Balance as at January 1, 2024	Additions	Deductions Amount collected	Deductions Amount written off	Current	Noncurrent	Balance as at December 31, 2024
Philippine Hydro pH, Inc.	₱469,598	₱6,023	(₱125)	₱–	₱–	₱–	₱475,496
Amayi Water Solutions, Inc.	43,701	195,725	(220)	–	–	–	239,206
	₱513,299	**₱201,748**	**(₱345)**	**₱–**	**₱–**	**₱–**	**₱714,702**

Schedule D. Long-Term Debt

Title of issue and type of obligation	Interest Rates	Principal Amount (in Original Currency)	Maturity	Interest Periodic Payments	Principal Periodic Payments	Current Portion of Long-term debt (in PHP)	Noncurrent Portion of Long-term debt (in PHP)	Total Long-term debt (in PHP)
₱18.5 billion Corporate Notes								
1st drawdown Fixed Corporate Notes – 7Y	6.7028%		March 23, 2025					
1st drawdown Fixed Corporate Notes – 10Y	6.8911%		March 23, 2028					
1st drawdown Fixed Corporate Notes – 15Y	6.5569%	₱18,500,000	March 23, 2033	Semi-annual	Semi-annual	₱1,788,210	₱15,725,925	₱17,514,135
2nd drawdown Fixed Corporate Notes – 7Y	6.8337%		March 23, 2025					
2nd drawdown Fixed Corporate Notes – 10Y	6.9072%		March 23, 2028					
2nd drawdown Fixed Corporate Notes – 15Y	6.6144%		March 23, 2033					
₱15.0 billion Blue Bonds								
Series A – 5Y	6.709%	₱15,000,000	July 12, 2029	Quarterly	Quarterly	–	15,000,000	15,000,000
Series B – 10Y	7.093%		July 12, 2034					
₱10.0 billion Term Loan Facility (MBTC)	6.4959%	₱10,000,000	March 20, 2034	Semi-annual	Semi-annual *(Starting September 25, 2025)*	62,500	9,937,500	10,000,000
₱10.0 billion Term Loan Facility (BPI)								
1st drawdown	6.4059%	₱10,000,000	May 11, 2033	Semi-annual	Semi-annual *(Starting November 11, 2024)*	125,000	9,812,500	9,937,500
2nd drawdown	7.006%							
₱6.0 billion Term Loan Facility (BDO)	7.1581%	₱6,000,000	November 17, 2032	Semi-annual	Semi-annual *(Starting May 17, 2024)*	75,000	5,850,000	5,925,000
₱6.0 billion Term Loan Facility (LBP)	5.4992%	₱6,000,000	August 12, 2037	Semi-annual	Semi-annual	300,000	5,100,000	5,400,000
₱5.0 billion Term Loan Facility (LBP)	6.5963%	₱5,000,000	December 14, 2033	Semi-annual	Semi-annual *(Starting June 14, 2025)*	62,500	4,937,500	5,000,000

(Forward)

Title of issue and type of obligation	Interest Rates	Principal Amount (in Original Currency)	Maturity	Interest Periodic Payments	Principal Periodic Payments	Current Portion of Long-term debt (in PHP)	Noncurrent Portion of Long-term debt (in PHP)	Total Long-term debt (in PHP)
¥13.1 billion Facility Loan (JICA)	0.900%	¥13,049,000	October 10, 2034	Semi-annual	Semi-annual *(Starting October 10, 2022)*	446,576	4,019,181	4,465,757
₱4.0 billion Term Loan Facility (LBP)	7.0036%	₱4,000,000	November 10, 2032	Semi-annual	Semi-annual *(Starting May 10, 2024)*	50,000	3,900,000	3,950,000
₱4.8 billion Corporate Notes (DBP)	6.00%	₱4,770,000	March 24, 2035	Semi-annual	Semi-annual *(Starting September 24, 2020)*	318,000	3,021,000	3,339,000
₱5.0 billion Term Loan Facility (BDO)	5.00%	₱5,000,000	November 29, 2039	Semi-annual	Semi-annual *(Starting May 29, 2021)*	555,556	2,222,222	2,777,778
¥7.9 billion Facility Loan (JCB)								
1st drawdown Mizuho Bank, Ltd	1.2200%							
1st drawdown MUFG Bank	1.2200%							
1st drawdown Sumimoto Banking Corp	1.2300%	¥7,900,000	June 7, 2027	Semi-annual	Semi-annual *(Starting June 7, 2020)*	386,785	580,175	966,960
2nd drawdown Mizuho Bank, Ltd.	1.2200%							
2nd drawdown MUFG Bank	1.2200%							
2nd drawdown Sumimoto Banking Corp.	1.2200%							
₱1.4 billion Facility Loan (JICA)								
1st drawdown	6.390%	₱1,434,000	October 15, 2024	Semi-annual	Semi-annual *(Starting October 15, 2021)*	–	–	–
2nd drawdown	6.750%							
3rd drawdown	7.300%							
Peso-denominated Bank Loan (LBP)	5.50%	₱255,000	June 29, 2025	Quarterly	Quarterly	15,938	–	15,938
						₱4,186,065	**₱80,106,003**	**₱ 84,292,068**

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Parties)

Name of related party	Balance at January 1, 2024	Balance at December 31, 2024
Not Applicable		

Schedule F. Guarantees of Securities of Other Issuers

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

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock						
Maynilad Water Services, Inc.	9,093,964,000	5,612,627,500	71,100,000	296,178,000	178,415,000	–
Philippine Hydro (pH), Inc.	2,500,000	2,500,000	–	–	5	–
Amayi Water Solutions, Inc.	500,000	31,250	–	–	5	–

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

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

(Amounts in Thousands)

The Philippine Securities and Exchange Commission (SEC) issued Memorandum Circular No. 11 series of 2008 on September 5, 2008, which provides guidance on the determination of the retained earnings available for dividend declaration.

The table below presents the retained earnings available for dividend declaration as at December 31, 2024:

Unappropriated retained earnings as at December 31, 2023	₱25,909,157
Add: Items that are directly credited to Unappropriated Retained Earnings	
Reversal of Retained Earnings Appropriation/s	2,501,000
Effect of restatements or prior-period adjustments	–
Accumulated beginning deferred tax assets (DTA), exclusive of deferred tax recognized in OCI	–
	361,210
Less: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	5,654,389
Retained Earnings appropriated during the reporting period	14,300,000
Effect of restatements or prior-period adjustments	–
Others (describe nature)	–
Unappropriated retained earnings, as adjusted, as at December 31, 2024	8,816,978
Add: Net income during the period closed to retained earnings	12,753,153
Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	(8,990)
Add: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	7,472
Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	–
Adjusted Net Income	12,751,635
Add: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Add/(Less): Adjustments related to relief granted by the SEC and BSP	
Add/(Less): Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	(568,636)
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	71,807
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(285,559)
Unappropriated retained earnings as at December 31, 2024 available for dividend declaration	₱20,786,225

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES

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

Supplementary Schedule on Financial Soundness Indicators
As at December 31, 2024

Ratio	Formula	2024	2023
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 16,759,566 Divided by: Total Current Liabilities 30,158,341 Current Ratio 0.56	**0.56**	0.42
Asset-to-Equity Ratio	Total Assets divided by Total Equity Total Assets 198,170,614 Divided by: Total Equity 75,354,950 Asset-to-Equity Ratio 2.63	**2.63**	2.40
Debt-to-Equity Ratio	Total Debt divided by Total Equity Total Debt 122,815,664 Divided by: Total Equity 75,354,950 Debt-to-Equity Ratio 1.63	**1.63**	1.40
Return on Equity	Net Income divided by Average Total Equity Net Income 12,781,414 Divided by: Average Total Equity 71,762,625 Return on Equity 0.18	**0.18**	0.14
Return on Assets	Net Income divided by Average Total Assets Net Income 12,781,414 Divided by: Average Total Assets 180,937,090 Return on Assets 0.07	**0.07**	0.06
EBITDA Margin	Earnings Before Interest, Tax and Depreciation and Amortization divided by Total Revenue Earnings Before Interest, Tax and Depreciation and Amortization 22,041,064 Divided by: Total Revenue 33,494,515 EBITDA Margin 0.66	**0.66**	0.64
Net Profit Margin	Net Income divided by Total Revenue Net Income 12,781,414 Divided by: Total Revenue 33,494,515 Net Profit Margin 0.38	**0.38**	0.33

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

SUPPLEMENTAL SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
As at December 31, 2024

	2024	2023
Total Audit Fees		
Year-end Audit	**₱12,150,000**	₱11,650,000
Special Interim Audit	**10,000,000**	–
Total Audit Fees	**22,150,000**	11,650,000
Non-Audit service fees		
Other Assurance Services	**695,000**	5,250,000
Tax Services	**3,100,000**	2,185,000
All other services	**5,000,000**	–
Total Non-Audit Fees	**8,795,000**	7,435,000
Total Audit and Non-Audit Fees	**₱30,945,000**	₱19,085,000

MAYNILAD

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

MANUEL V. PANGILINAN
Chairman of the Board

RAMONCITO S. FERNANDEZ
President and Chief Executive Officer

RICARDO F. DE LOS REYES
Chief Finance Officer

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

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

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

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

Annex "E"

MAYNILAD

CERTIFICATION

I, RICARDO F. DE LOS REYES, a duly authorized representative of Maynilad Water Services, Inc. (the "Company"), with SEC Registration Number A1996-11651 with principal office at Engineering Building, MWSS Complex, Katipunan Ave. Balara, Quezon City 1119, do hereby certify and state that:

1. In compliance with Section 12 of Securities and Exchange Commission (SEC) Memorandum Circular No. 3 Series of 2021 and the notice issued by the SEC on March 17, 2020, the Company is hereby filing its 17-Q Report for the period ended September 30, 2024, by sending the same in portable document format (PDF) through email to ictdsubmission@sec.gov.ph and pdex.disclosure@pds.com.ph in accordance with the relevant Philippine Dealing and Exchange Corporation (PDEx) Rules.

2. The information contained in the 17-Q Report for the period ended September 30, 2024, is true and correct to the best of my knowledge.

3. I am executing this certification this 13th November 2024 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

RICARDO F. DE LOS REYES
Chief Finance Officer

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

SEC Registration Number

A	1	9	9	6	-	1	1	6	5	1

C O M P A N Y   N A M E

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

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

Engineering Building MWSS Complex Katipunan Ave. Balara 1119 Quezon City

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,359	4th Tuesday of April	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

Engineering Building, MWSS Complex, Katipunan Ave., Balara, 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 deficiencie*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2024**

2. SEC identification number **A1996-11651**

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

4. Exact name of issuer as specified in its charter **MAYNILAD WATER SERVICES, INC.**

5. Province, country or other jurisdiction of incorporation or organization

   Quezon City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

   Engineering Building, MWSS Complex, Katipunan Ave. Balara, Quezon City 1119

8. Issuer's telephone number, including area code

   (+632) 8920-5485

9. Former name, former address and former fiscal year, if changed since last report

   N/A

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

Title of each Class	Number of shares of common stock outstanding
Common shares A (1,000 par value)	**4,222,482**
Common shares B (1,000 par value)	**236,000**
ESOP (Employee Stock Option Plan)	**48,379**
Total	**4,506,861**

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

    Yes [x] No [ ]

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

BLUE BONDS (Debt Securities)

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x]   No [ ]

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

Yes [x]   No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Nine-Month Period Ended 2024 Financial Statements is hereto attached and made integral part of this report

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

Please refer to the attached nine-month period ended 2024 Management's Discussion and Analysis of the Financial Condition and Results of Operation.

PART II--OTHER INFORMATION

None.

SIGNATURES

Issuer **MAYNILAD WATER SERVICES, INC.**

RICARDO F. DE LOS REYES
Chief Finance Officer

Date: November 13, 2024

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

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

Consolidated Financial Statements
As at September 30, 2024 (Unaudited) and December 31, 2023 (Audited)

and

For the Nine Months Ended September 30, 2024 and 2023 (Unaudited)

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Period Ended September 30	Period Ended December 31
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	**₱19,584,319**	₱4,902,556
Trade and other receivables (Notes 3, 5, 14, 23 and 24)	**2,934,575**	2,418,070
Contract assets (Notes 14, 23 and 24)	**1,418,984**	1,205,041
Other current assets (Notes 6, 14, 23 and 24)	**2,142,889**	1,862,498
Total Current Assets	**26,080,767**	10,388,165
Noncurrent Assets		
Service concession assets (Notes 3, 7, 10, 11, 15 and 21)	**158,674,981**	140,919,477
Property and equipment (Notes 3 and 8)	**1,906,033**	1,889,754
Financial asset at fair value through other comprehensive income (Notes 9, 23 and 24)	**124,864**	124,864
Other noncurrent assets (Notes 3, 5, 6, 14, 21, 23 and 24)	**9,771,553**	10,381,305
Total Noncurrent Assets	**170,477,431**	153,315,400
	₱196,558,198	₱163,703,565
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 3, 12, 14, 15, 22, 23 and 24)	**₱24,185,220**	₱20,567,655
Short-term and current portion of interest-bearing loans (Notes 7, 11, 23 and 24)	**4,296,794**	2,587,660
Current portion of service concession obligation payable to MWSS (Notes 7, 10, 23 and 24)	**1,088,979**	874,561
Income tax payable	**968,515**	530,752
Total Current Liabilities	**30,539,508**	**24,560,628**
Noncurrent Liabilities		
Interest-bearing loans - net of current portion (Notes 7, 11, 23 and 24)	**80,642,803**	59,214,238
Service concession obligation payable to MWSS - net of current portion (Notes 7, 10, 23 and 24)	**6,171,504**	6,489,036
Deferred tax liabilities - net (Note 16)	**1,707,808**	1,524,795
Deferred credits (Notes 3, 23 and 24)	**1,161,032**	1,207,936
Customers' deposits (Notes 23 and 24)	**591,105**	548,618
Pension liability (Note 3)	**871,542**	285,731
Other noncurrent liabilities (Notes 2, and 14)	**2,155,855**	1,702,283
Total Noncurrent Liabilities	**93,301,649**	70,972,637
Total Liabilities	**123,841,158**	95,533,265

(Forward)

	Period Ended September	Period Ended December 31
	2024	2023
Equity		
Capital stock (Notes 1 and 13)	**₱4,546,982**	₱4,546,982
Additional paid-in capital (Note 13)	**10,041,662**	10,041,662
Treasury shares (Note 13)	**(481,724)**	(391,919)
Other equity adjustments (Note 13)	**(309,220)**	(309,220)
Other comprehensive income (loss) (Note 9)	**(633,286)**	(108,427)
Retained earnings (Note 13)		
Unappropriated	**30,802,626**	25,641,222
Appropriated	**28,750,000**	28,750,000
Total Equity	**72,717,040**	68,170,300
	₱ 196,558,198	₱163,703,565

See accompanying Notes to Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share Value)

	Three Months Ended September 30		Period Ended September 30	
	2024	**2023**	**2024**	2023
OPERATING REVENUE (Note 14)				
Water services				
West zone	**₱7,133,178**	₱5,641,658	**₱20,453,873**	₱16,455,402
Outside west zone	**87,143**	67,053	**261,743**	184,289
Wastewater services -				
West zone	**1,517,886**	1,203,445	**4,357,249**	3,503,065
Others	**66,436**	43,896	**172,457**	126,540
	8,804,642	6,956,052	**25,245,323**	20,269,296
COSTS AND EXPENSES				
Amortization of service concession assets (Notes 3 and 7)	**767,031**	673,083	**2,204,717**	1,953,205
Salaries, wages and benefits (Notes 3 and 15)	**698,424**	529,632	**2,006,578**	1,604,650
Utilities	**177,987**	390,734	**1,148,727**	1,255,510
Contracted services	**338,740**	354,895	**1,006,803**	942,418
Repairs and maintenance	**159,973**	197,608	**565,384**	637,400
Taxes and licenses	**179,595**	189,320	**804,516**	659,764
Materials and supplies	**213,882**	181,647	**687,260**	562,452
Purchased water	**42,610**	64,659	**252,749**	437,229
Provision for expected credit losses (Notes 3 and 5)	**(305,093)**	31,128	**4,830**	57,820
Depreciation and amortization (Notes 3, 8 and 21)	**138,181**	114,847	**394,267**	328,538
Regulatory costs	**69,795**	60,852	**210,661**	181,351
Transportation and travel	**64,180**	39,071	**139,931**	107,251
Collection charges	**43,098**	40,932	**131,803**	123,347
Business meetings and representations	**44,117**	61,398	**124,545**	136,695
Rental (Notes 20 and 21)	**36,771**	17,675	**71,214**	53,486
Insurance	**784**	9,572	**33,171**	50,947
Advertising and promotion	**13,706**	6,960	**35,765**	28,143
Others	**(108,864)**	45,794	**179,448**	272,237
	2,574,917	3,009,807	**10,002,369**	9,392,443
INCOME BEFORE OTHER INCOME (EXPENSES)	**6,229,724**	3,946,245	**15,242,953**	10,876,853

(Forward)

	Three Months Ended September 30		Period Ended September 30	
OTHER INCOME (EXPENSES)	**2024**	2023	**2024**	2023
Revenue from rehabilitation works	**6,459,609**	4,994,514	**17,587,176**	14,193,320
Cost of rehabilitation works	**(6,459,609)**	(4,994,514)	**(17,587,176)**	(14,193,320)
Interest expense and other financing charges (Note 17)	**(619,843)**	(658,755)	**(1,827,385)**	(1,945,740)
Foreign exchange gains (losses) - net (Note 23)	**(441,568)**	(262,405)	**(1,033,865)**	699,039
Foreign currency differential adjustments (FCDA) (Note 3)	**437,562**	239,814	**1,041,470**	(733,576)
Interest income (Note 4)	**185,863**	45,466	**266,195**	186,574
Others - net (Notes 8, 9 and 12)	**(1,155,934)**	(2,026)	**(1,185,368)**	(152,134)
	(1,593,920)	(637,906)	**(2,738,953)**	(1,945,837)
INCOME BEFORE INCOME TAX	**4,635,804**	3,308,338	**12,504,000**	8,931,016
PROVISION FOR INCOME TAXES (Note 16)				
Current	**961,923**	773,028	2,600,766	1,847,464
Deferred	**(346,215)**	129,701	236,830	395,329
	615,707	902,729	**2,837,596**	2,242,793
NET INCOME	**4,020,097**	2,405,609	**₱9,666,404**	6,688,223
Basic Earnings Per Share (Note 18)			**₱ 2,168.09**	1,500.11
Diluted Earnings Per Share (Note 18)			**₱ 2,144.45**	1,483.07

See accompanying Notes to Consolidated Financial Statements.

MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024 & 2023
(Amounts in Thousands, Except Earnings per Share Value)

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2024	2023	**2024**	2023
Net income	4,020,097	2,405,609	9,666,404	6,688,223
Other comprehensive income	(524,859)	(116,736)	(524,859)	(116,736)
TOTAL COMPREHENSIVE INCOME	**3,495,238**	**2,288,873**	**9,141,545**	**6,571,487**

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 & 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) Unappropriated	Retained Earnings (Note 13) Appropriated	Total
At December 31, 2023	**₱4,546,982**	**₱10,041,662**	**(₱391,919)**	**(₱108,427)**	**(₱309,220)**	**₱25,641,222**	**₱28,750,000**	**₱68,170,300**
Total comprehensive income	–	–	–	**(524,859)**	–	**9,666,404**	–	**9,141,545**
Acquisition of treasury shares	–	–	**(89,805)**	–	–	–	–	**(89,805)**
Issuance of ESOP shares	–	-	-	–	–	–	–	-
Dividends declared	–	–	–	–	–	**(4,505,000)**	–	**(4,505,000)**
At September 30, 2024	**₱4,546,982**	**₱10,041,662**	**(481,724)**	**(633,286)**	**(₱309,220)**	**30,802,626**	**₱28,750,000**	**₱72,717,038**

See accompanying Notes to Consolidated Financial Statements.

	Capital Stock (Notes 1 and 13)	Additional Paid-in Capital (Note 13)	Treasury Shares (Note 13)	Other Comprehensive Income (Loss) (Notes 9 and 17)	Other Equity Adjustments (Note 13)	Retained Earnings (Note 13) Unappropriated	Retained Earnings (Note 13) Appropriated	Total
At December 31, 2022	₱4,546,982	₱10,032,877	(₱349,054)	₱35,817	(₱309,220)	₱20,230,043	₱28,750,000	₱62,937,445
Total comprehensive income	–	–	–	(116,736)	–	6,688,222	–	6,571,487
Acquisition of treasury shares	–	–	(104,777)	–	–	–	–	(104,777)
Dividends declared	–	–	–	–	–	(3,600,000)	–	(3,600,000)
At September 30, 2023	₱4,546,982	₱10,032,877	(453,831)	₱(80,919)	(₱309,220)	23,318,266	₱28,750,000	₱65,804,155

See accompanying Notes to Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 2024 & 2023
(Amounts in Thousands)

	Period Ended September 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱12,504,000**	₱8,931,015
Adjustments for:		
Amortization of service concession assets (Note 7)	**2,204,717**	1,953,205
Interest expense and other financing charges (Note 17)	**1,827,385**	1,945,740
Provision for expected credit losses	**4,829**	57,818
Depreciation and amortization (Note 8)	**394,267**	328,538
Interest income (Note 4)	**(266,195)**	(186,574)
Pension cost (Note 3)	**95,230**	76,541
Dividend income (Note 9)	**(28,000)**	(16,000)
Gain on sale of property and equipment (Note 8)	**(51)**	(1,925)
Unrealized foreign exchange losses (gains)	**(1,182)**	(2,887)
Operating income before working capital changes	**16,735,001**	13,085,472
Decrease (increase) in:		
Trade and other receivables	**(516,505)**	81,686
Contract assets	**(213,943)**	(234,826)
Other current assets	**(280,392)**	(314,841)
Additions to service concession assets (Notes 7 and 25)	**(19,960,220)**	(15,899,765)
Increase (decrease) in:		
Trade and other payables	**5,520,316**	1,636,802
Other noncurrent liabilities	**496,059**	64,574
Cash generated from operations	**1,780,315**	(1,580,897)
Contributions to pension fund (Note 3)	**(88,848)**	(95,803)
Interest received	**245,145**	171,088
Income taxes paid	**(2,163,003)**	(1,708,394)
Net cash provided by (used in) operating activities	**(226,391)**	**(3,214,006)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	**(331,007)**	(326,243)
Decrease (increase) in other noncurrent assets	**609,753**	14,373
Dividends received (Note 9)	**28,000**	16,000
Net cash provided by (used in) investing activities	**306,746**	**(295,870)**

(Forward)

	Period Ended September 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the availment/drawdown of interest-bearing loans (Note 11)	**₱24,742,525**	₱8,867,038
Payments of:		
Interest-bearing loans (Notes 11 and 26)	**(1,641,296)**	(3,009,437)
Dividends (Notes 13 and 26)	**(4,503,885)**	(3,599,723)
Service concession obligation payable to MWSS (Notes 10 and 26)	**(943,099)**	(917,664)
Lease liability (Note 21)	**(120,134)**	(156,402)
Interest paid (Note 26)	**(2,842,898)**	(2,085,249)
Acquisition of treasury shares (Note 13)	**(89,805)**	(104,777)
Net cash provided by (used in) financing activities	**14,601,408**	(1,006,214)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,681,762**	(4,516,088)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,902,556**	10,438,664
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱19,584,319**	₱5,922,576

See accompanying Notes to Consolidated Financial Statem

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

NOTES TO UNAUDITED INTERIM 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 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 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.

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. Such shares, however, were issued only on February 13, 2013, and together with the additional subscription to 402,067 common shares increased MWHCI ownership interest in Maynilad to 93.56% as at December 31, 2013.

MCNK JV Corporation and MWHCI Subscription Agreements. On December 28, 2012, a Subscription Agreement between MCNK JV Corporation (MCNK, a subsidiary of a Japan-listed entity Marubeni Corp.) and MWHCI was executed, wherein MCNK subscribed to 169,617,682 common shares of MWHCI. On February 13, 2013, MCNK and MWHCI entered into another Subscription Agreement for the subscription by MCNK to an additional 508,853,045 common shares resulting in 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 51.27% and 27.19% ownership interest as at December 31, 2013 by MPIC and DMCI, respectively.

As at September 30, 2024 and December 31, 2023, Maynilad is a 93.56% owned subsidiary of MWHCI. In addition, MPIC directly owns 5.19% of Maynilad thereby having effective ownership interest of 52.80%.

Metro Pacific Holdings, Inc. (MPHI) owns 46.3% % of the total issued common shares of MPIC as at September 30, 2024 and December 31, 2023. As sole holder of the voting Class A Preferred Shares, MPHI’s combined voting interest as a result of all of its shareholdings in MPIC is estimated at 58.3% as at September 30, 2024 and December 31, 2023.

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 company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40.0% equity interest in EIH and an investment financing which under Hong Kong Generally Accepted Accounting Principles require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group companies in Hong Kong.

The registered office address of the Parent Company is Engineering Building, MWSS Complex, Katipunan Ave., Balara, 1119 Quezon City.

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's 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, including the right to bill and collect for water and wastewater services supplied therein, for 25 years or until May 6, 2022 (the "Expiration Date"). In April 2011, the Expiration Date was extended for 15 years, moving the Expiration Date to July 31, 2037, unless the OCA is pre-terminated due to an event of default. The 15-year extension of the OCA was approved by the MWSS in 2009 (see Notes 7, 10 and 22) and was duly acknowledged by the Republic of the Philippines ("RoP)", in accordance with the OCA, 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 latter part of 2019, then President Rodrigo Duterte ordered the review of the terms of the Concession Agreements of Maynilad and Manila Water, and in January 2020, formed the Concession Agreements Review Committee ("RevCom") to conduct such review 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 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 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," recognizes the OCA and the 2010 MOA. The latter 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 OCA 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 OCA.

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 to guarantee the continuity of service to its customers.

On May 10, 2023, MWSS and Maynilad signed the Amendments to the RCA. Among the Amendments to the RCA include the following:

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

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

3. Introduction of a modified FCDA for Maynilad loans contracted after June 29, 2022, but which mechanism may be availed of only when there is an "extraordinary inflation" or "extraordinary deflation" of the Philippine Peso (i.e., more than 20% change in the base exchange rate), and the amount that may be recovered is capped;

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 ("RO") on applications relating to rate adjustments filed by the Concessionaire; and

5. Deletion of the composition and decisions of the 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 Republic Undertaking's effectivity retroacts 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. Maynilad understands that both the MWSS RO and the MWSS BOT have approved Maynilad's 10-year extension application. However, the RCA requires that any amendment to any of its provisions be acknowledged by the RoP acting through the Secretary of Finance. As at February 27, 2024, the acknowledgment is still pending.

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.

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

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

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

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

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

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

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

In a decision promulgated by the Supreme Court on December 7, 2021, which was received by Maynilad on May 17, 2023, the Supreme Court, in the consolidated petitions filed by civil society groups[1], declared the OCA and its term extension valid but also declared Maynilad a public utility and consequently forbade it from recovering corporate income tax, in accordance with the Supreme Court's ruling in the Meralco case. This ruling, together with Maynilad's legislative franchise, have finally put to rest all of Maynilad's claims for inclusion of the corporate income tax as a recoverable expense pursuant to the First Award.

Sixth Rate Rebasing (2023-2027)

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

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

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

The implementation of the staggered tariff beginning 2024 is subject to Maynilad's being able to attain its targets for water supply, 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 to take 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 to take effect on January 1, 2024.

[1] Maynilad v. National Water Resources Board, et.al., G.R. No.181764; Waterwatch Coalition Inc. v. MWSS, et.al, G.R. No. 207444; Water for All Refund Movement v. MWSS, et.al., G.R. No. 208207; Virginia Javier, et.al. v. MWSS, et.al., G.R. No. 210147; Abakada-Guro Party List v. MWSS, et. al., G.R. No. 213227; Bayan Muna v. MWSS, et.al. G.R. No. 219362.

On January 1, 2024, these tariff adjustments did take effect, accordingly.

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 the Certificate of Public Convenience and Necessity of Maynilad for the operation of its waterworks and sewerage system. It also provides that 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 the terms of the RCA, or invalidated when national security, national emergency or public interest so requires;

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

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

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

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

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

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

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

The OPT, which shall be reflected as "Government Taxes" in the customers' statement of account, consist 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.

Blue Bonds

On February 27, 2024, the Board of Directors approved the bond offer and sale of Blue Bonds amounting to an aggregate of P15.0B.

On March 13, 2024, the Blue Bonds have been rated by PRS AAA by the Philippine Rating Services Corporation.

Pursuant to the confirmation and certificate of permit to offer securities for sale as issued by the SEC, on 27 June 2024, the Blue bonds was filed with the Philippine Dealing and Exchange Corporation (PDEx) on 12 July 2024.

On the same date, the Company had issued the Blue Bonds, fixed-rate bonds, with a tenor of up to five (5) years and/or up to ten (10) years in aggregate principal amount of up to Fifteen Billion Pesos (₱15,000,000,000.00) (the "Offer"), consisting of 6.7092% p.a. Series A Blue Bonds due 2029 and 7.0931% p.a. Series B Blue Bonds due 2034, for public offer and sale in the Philippines under the Prospectus dated 26 June 2024 to institutional and retail investors in the Philippines through a public offering as conducted through the Joint Lead Underwriters and Joint Bookrunners. The Blue Bonds did not include an international offering. The Blue Bonds was issued with an aggregate principal amount of ₱12,000,000,000.00, with an oversubscription option of up to ₱3,000,000,000.00. No shares will be sold to any person in relation to the Offer. The Offer will be limited to the distribution of the Blue Bonds.

BPI Capital Corporation ("BPI Capital") is the Sole Issue Manager for this transaction. Underwriters of the Offer BPI Capital, BDO Capital, First Metro, and East West as the Joint Lead Underwriters and Joint Bookrunners for the Offer, have agreed to distribute and sell the Blue Bonds at the Purchase Price, pursuant to the Underwriting Agreement. Subject to the fulfillment of the conditions provided in the Underwriting Agreement, each Joint Lead Underwriter and Joint Bookrunner has committed to underwrite certain assigned amounts on a firm basis.

---

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). PFRS include statements named PFRS and Philippine Accounting Standards (PAS), including Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC) and Philippine Interpretations Committee (PIC).

Basis of Consolidation

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

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the new standards effective as at January 1, 2024. The Group is currently assessing the impact of adopting these amendments. The Group has not early adopted any standard, interpretation or amendment that

has been issued but is not yet effective.

Standards, Amendments and Interpretations Issued but Not Yet Effective
There are new pronouncements issued but not yet effective as at the reporting date. Whenever applicable, the Group intends to adopt these pronouncements as they become effective, but these pronouncements are expected to not have significant impact on the Group's financial statements upon adoption.

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 September 30, 2024, and December 31, 2023.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and
(ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "provision for expected credit losses" account in the consolidated statement of income.

This category includes cash and cash equivalents (excluding cash on-hand), trade and other receivables, restricted cash and deposits, which are presented under "Other current assets" and "Other noncurrent assets" in the consolidated statements of financial position.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit losses model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and
- the amount of the dividend can be measured reliably.

The Group's financial assets at FVOCI are their unquoted equity investments that are included in Note 9 as at September 30, 2024 and December 31, 2023.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

This category includes trade and other payables (excluding statutory payables), interest-bearing loans, service concession obligation payable to MWSS, customers' deposits, lease liabilities and other noncurrent liabilities.

The Group has no financial liabilities at FVPL as at September 30, 2024 and December 31, 2023.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets
A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- the Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (i) transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability has expired or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVPL:

- debt instruments that are measured at amortized cost;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized, and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade", or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to "Trade and other receivables".

Service Concession Assets

Parent Company. The Parent Company accounts for its concession arrangement with MWSS in accordance with IFRIC 12, *Service Concession Arrangement*, under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Concession Agreement, the Parent Company is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission, and refurbish the identified facilities required to provide water services. The legal title to these assets shall vest in MWSS at the end of the concession period.

Phil Hydro. Phil Hydro accounts for its Bulk Water Supply Agreements in accordance with IFRIC 12 under the Intangible Asset model as it receives the right (license) to charge users of public service.

Service concession assets are recognized to the extent that the Group receives a license or right to charge the users of the public service. The service concession assets pertain to the fair value of the service concession obligations at drawdown date and construction costs related to the rehabilitation works performed by the Group. The Parent Company's service concession assets are amortized using unit of production (UOP) method over the projected total billable water volume during the remaining term of the service concession arrangement. Phil Hydro amortizes its service concession assets using straight-line method over the terms of the Bulk Water Supply Agreements and Memorandum of Agreement.

The Group has not started amortization of service concession assets under on-going rehabilitation or construction. 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 percentage-of-completion method. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally based on the estimated physical completion of the contract work.

Cost of rehabilitation works, which includes all direct materials, labor costs, and those indirect costs related to contract performance, is recognized consistent with the revenue recognition method applied. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the revisions are determined.

Subsequent costs and expenditures related to the concession agreement are recognized as additions to service concession assets at fair value of obligations at drawdown date and cost of rehabilitation works.

Service Concession Assets not yet available for use
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 percentage-of-completion method based on the estimated physical completion of the contract work.

For service concession assets not yet available for use as of reporting date, this is to be recognized as part of contract assets. These contract assets are tested for impairment similar with other non-financial assets under PAS 36, *Impairment of Assets*. These contract assets will form part of the service concession assets once completed.

Leases
A lease arrangement is established by a contract (the lease) that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset is an identified asset if it is physically distinct. If it is not physically distinct, the portion of an asset is not an identified asset, unless the lessee has the right to use substantially all of the capacity of the asset during the lease term.

If a contract contains more than one lease component, or a combination of leasing and selling transactions, the consideration is allocated to each of the lease and non-lease components on conclusion and on each subsequent measurement of the contract on the basis of their stand-alone selling prices.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index

or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Property and Equipment

The Group's property and equipment consist of land and land improvements, instrumentation tools and other equipment, office furniture fixtures and equipment, transportation equipment and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation and any impairment in value (see policy on "Impairment of Nonfinancial Assets"). Land is stated at cost.

ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land improvements	5 to 25 years
Instrumentation, tools and other equipment	5 years
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years
ROU assets – land and building	2 to 17.5 years
ROU assets – transportation equipment	2 to 5 years

The Group computes for depreciation charges based on the significant component of the asset.

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the item is derecognized.

Impairment of Nonfinancial Assets
An assessment is made at each reporting date to determine whether there is any indication of impairment of any nonfinancial assets (i.e., property and equipment and service concession assets), or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the Group estimates the asset's or CGU's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Foreign Currency-Denominated Transactions
Foreign exchange differentials arising from foreign currency transactions are credited or charged to operations. As approved by the MWSS BOT under Amendment No. 1 of the Concession Agreement, the following will be recovered through billings to customers:

- Restatement of foreign currency-denominated loans;
- Excess of actual concession fee payments over the amounts of concession fee translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise;
- Excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at drawdown date rates; and
- Excess of actual payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rates on settlement dates over the amount of other financing charges translated at drawdown date rates.

Under the Amendments to the RCA, FCDA will be based on the following: forex gains/losses arising from (a) principal and interest payments on all MWSS loans that are being and will be serviced by Maynilad, and (b) principal payments for drawn and undrawn amount of Maynilad's foreign currency denominated loans existing as of June 29, 2022. For Maynilad loans contracted after June 29, 2022, a modified FCDA will apply but may be availed of only when there is an "extraordinary inflation" or "extraordinary deflation" of the Philippine Peso (i.e., more than 20% change in the base exchange rate), and the amount that may be recovered is capped.

In view of the automatic reimbursement mechanism, the Parent Company recognizes deferred FCDA (included as part of "Other noncurrent assets" or "Deferred credits" accounts in the consolidated statements of financial position) with a corresponding credit (debit) to FCDA revenues for the unrealized foreign exchange losses (gains) which have not been billed or which will be refunded to the customers. The write-off of the deferred FCDA or reversal of deferred credits pertaining to concession fees will be made upon determination of the new base foreign exchange rate, which is assumed in the business plan approved by the RO during the latest Rate Rebasing exercise, unless indication of impairment of deferred FCDA would be evident at an earlier date. Deferred FCDA and deferred credits are calculated as the difference between the drawdown or rebased rate and the closing rate. These are presented as part of "Other noncurrent assets" and "Deferred credits" accounts in the consolidated statements of financial position, respectively.

Customers' Deposits

Customers' deposits are initially measured at fair value. After initial recognition, these deposits are subsequently measured at amortized cost using the effective interest method. Accretion of customers' deposits is included under "Interest expense and other financing charges" account in the consolidated statements of income. The discount is recognized as deferred credits and amortized over the remaining concession period using the effective interest method. Amortization of deferred credits is included as part of "Other income" account in the consolidated statements of income.

Revenue from Contracts with Customers

The Group is in the business of providing water services to its customers within its concession area. Revenue from contracts with customers is recognized when services are transferred to the customer at the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Water and Wastewater Services

Revenue from water and wastewater services is recognized upon the supply of water to the customers and when the related services are rendered. Billings to customers consist of the following:

a. Water charges

- Basic charges represent the basic tariff charged to consumers for the provision of water services.
- FCDA, which is the tariff mechanism that allows the Parent Company to recover foreign exchange losses or to compensate foreign exchange gains on a current basis beginning January 1, 2002 until the Expiration Date.
- Maintenance service charge represents a fixed monthly charge per connection. The charge varies depending on the meter size.

b. Wastewater charges

- Environmental charge represents 20% of the water charges, except for maintenance service charge.
- Sewerage charge represents 20% of the water charges, excluding maintenance service charge, for all consumers connected to the Parent Company's sewer lines. Effective January 1, 2012, pursuant to RO Resolution No. 11-007-CA, sewerage charge applies only to commercial and industrial customers connected to sewer lines.

c. Government taxes consist of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective LGUs where the Business Area offices of the Concessionaires are located (see Note 1).

- National franchise tax is 2% of total water and wastewater charges.
- Local franchise tax is based on the total water and wastewater charges using the applicable local franchise tax rate.

The performance obligations are satisfied over time, and payment is generally due seven days from invoicing.

- *Connection and installation fees*

  The connection and installation fees are non-refundable upfront fees which do not provide a separate service. The connection and installation fees, along with the water and wastewater services are treated as one performance obligation. The Group determines the amortization period for deferred connection and installation revenues and costs based on the expected relationship with its customers. In the absence of other reliable information, the Company determined that the customers are expected to maintain their water and wastewater connection throughout the concession period. Therefore, the Company amortizes its deferred connection and installation revenues and related costs over the remaining concession period.

- *Contract costs*

  The Group recognizes costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable and record them in “Other current assets and “Other noncurrent assets” accounts in the consolidated statements of financial position.

  Costs incurred in fulfilling contracts with customers comprise of costs for connection and installation of the customers to the Group’s water system. These costs are recognized as an asset to the extent they are considered recoverable to the extent of the actual costs incurred. The related asset is amortized over the remaining concession period during the satisfaction of performance obligations of the water and wastewater services.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*

  The Group provides water and wastewater services to its customers. Water and wastewater services are composed of water service, wastewater service connection and installation, maintenance, and sanitation services. The Group has determined that the services are to be bundled and is considered as one performance obligation since the services are highly interrelated and highly interdependent with one another.

- *Determining the transaction price*

  The Group determined that the transaction price is the total consideration in the contract.

- *Determining the timing of satisfaction of connection and installation services*

The Group concluded that the revenue from water and wastewater services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. As another entity would not need to re-perform the services that the Group has provided to date, this demonstrates that the customer simultaneously receives and consumes the benefits of the Group’s performance as it performs. The services are on-going and are completed when the customer is disconnected from the Group’s water system. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

When the Group provides construction or upgrade services, the consideration received, or receivable is recognized at its fair value. The Group accounts for revenue and costs relating to operation services based on the percentage of completion (shown as "Revenue from rehabilitation works" and "Cost of rehabilitation works" accounts in the consolidated statements of income).

Contract Balances

Contract asset
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Cost and Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statements of income as incurred.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Proceeds and fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Treasury shares, which represent own equity instruments that are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issuance or the cancellation of the Parent Company's own equity instruments.

Retained earnings represent the Group's accumulated earnings less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted to fund capital expenditures. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividends (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.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused tax losses from net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of MCIT and NOLCO can be utilized, except in certain instances as provided by the relevant standard.

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 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.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Amortization 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 service concession assets using the UOP method, given that the economic benefit of these assets is more closely aligned with billed volume, which the Parent Company can reliably estimate. Phil Hydro amortizes its service concession assets using the straight-line method over the terms of each Bulk Water Supply Agreements and Memorandum of Agreement.

In 2022, the Parent Company, due to the legislative franchise effectivity, extended the useful life of its service concession assets until January 2047. The financial impact of this change decreased the amortization of service concession assets by ₱2.1 billion in 2022 and has revised the amortization of the remaining useful life of the service concession assets (see Note 7). There have been no changes in the useful life of the service concession assets in 2023.

Service concession assets, net of accumulated amortization of ₱44,744.5 million and ₱42,542.8 million, amounted to ₱158,675.0 million and ₱140,919.5 million as at September 30, 2024 and 2023, respectively (see Note 7).

Disputes with MWSS. Pending resolution of the dispute between the Parent Company and MWSS on certain claims of MWSS, the disputed amount of ₱5.0 billion as at September 30,2024 and December 31, 2023, is considered as contingent liability. The outstanding provision amounted to ₱607.2 million as at September 30, 2024, *and* 2023 (see Notes 7, 10 and 19).

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 19).

<u>Estimates and Assumptions</u>
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 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), contract assets, deposits and restricted cash, 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), contract assets and deposits and restricted cash using provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

  The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the Group's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

- Incorporation of forward-looking information

  The Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. A broad range of forward-looking information 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 macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 9 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Group segmented its trade receivables based on their billing class as shown below:

a. Domestic

   i. Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
   ii. Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.

b. Non-domestic

   i. Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
   ii. Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.

The following credit exposures are assessed individually:

a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and

b. Cash in banks and cash equivalents, deposits and restricted cash, non-trade receivables, and deposits

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In 2023, the Parent Company made an assessment of its trade receivables without billing and collection beginning July 1, 2022. Outstanding receivables incurred in 2015 and prior years amounting to ₱820.9 million were written off as at December 31, 2023 (see Note 5). As at September 30, 2024, outstanding receivables of demolished accounts were also written off amounting to 8.0 million (see Note 5).

Provision for ECL amounted to ₱4.8 million and ₱600.5 million, in 2024, and in 2023, respectively. Trade and other receivables, net of allowance for expected credit losses of ₱1,438.3 million and ₱1,441.5 million in 2024 and 2023, respectively amounted to ₱2,934.6 million and ₱2,418.1 million as at September 30, 2024 and December 31, 2023, respectively (see Note 5).

Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and financial liabilities be carried at fair value, which requires the use of accounting estimates and judgments. The determination of the cost of service concession payable 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 24.

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 ₱44,744.5 million and ₱42,542.8 million, amounted to ₱158,675.0 million and ₱140,919.5 million in September 30, 2024 and 2023, respectively (see Note 7). Amortization of service concession assets amounted to ₱2,204.7 million and ₱2,744.8 million in September 30, 2024 and December 31, 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 2024 and 2023.

Property and equipment, net of accumulated depreciation and amortization of ₱5,004.0 million and ₱4,743.0 million, amounted to ₱1,906.0 million and ₱1,889.8 million as at September 30, 2024 and December 31, 2023, respectively (see Note 8). Depreciation and amortization of property and equipment amounted to ₱394.3 million and ₱524.3 million in September 30, 2024 and December 30, 2023 respectively (see Note 8).

Leases - Estimating the incremental borrowing rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱414.7 million and ₱436.4 million as of September 30, 2024 and December 31, 2023, respectively. Interest accretion on lease liability amounted to ₱20.2 million and ₱35.4 million, in September 30, 2024 and December 31, 2023, respectively (see Notes 17 and 21).

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 OSD (Optional Standard Deduction) and Regular Corporate Income Tax (RCIT or itemized deduction) in computing its taxable income in 2024 and 2023, Phil Hydro used itemized deduction in computing its taxable income in 2024 and 2023 (see Note 16). The method of deduction to be availed by the Parent Company is assessed every taxable year. Accordingly, deferred tax assets and liabilities are measured based on OSD or itemized deduction method depending on the forecasted gross and taxable income, and which method of deduction is more beneficial to the Parent Company.

The Group recognized deferred tax assets amounted to ₱470.8 million and ₱362.3 million as of September 30, 2024 and December 31, 2023, respectively. (see Note 16).

The Group did not recognize deferred tax assets on deductible temporary differences where doubt exists as to the tax benefits these deferred tax assets will bring in the future.

Deferred FCDA and Deferred Credits. Under Amendment No. 1 of the Concession Agreement, the Parent Company is entitled to recover (refund) foreign exchange losses (gains) arising from MWSS loans and any concessionaire loans. For the unrealized foreign exchange losses, the Parent Company recognized deferred FCDA as an asset since this is a resource controlled by the Parent Company as a result of past events and from which future economic benefits are expected to flow to the Parent Company. Unrealized foreign exchange gains, however, are presented as deferred credits and will be refunded to the customers.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023 (see Note 7).

Deferred FCDA representing the net effect of unrealized foreign exchange losses on service concession obligation payable to MWSS, and restatement of foreign currency-denominated interest-bearing loans and related interest that are recoverable from the customers amounting to nil as at September 30, 2024 and December 31, 2023, were presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

Deferred Credits representing the net effect of unrealized foreign exchange gains on service concession obligation payable to MWSS, and restatement of foreign currency-denominated interest-bearing loans and related interest that will be refunded to the customers amounting to ₱412.2 million and ₱462.9 million as at September 2024 and December 31, 2023, respectively, were presented as part of "Deferred credits" account in the consolidated statements of financial position. The effect of change in rebased rate amounting ₱841.7 million was accounted for as an adjustment of "Service concession assets" and "Deferred credits" accounts to adjust their carrying values based on the newly determined and approved rebased rate as at December 31, 2023 (see Note 7).

Asset Impairment. The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include but not limited to the following:

- Significant under performance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- Significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use (VIU) approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the results of operations.

Noncurrent nonfinancial assets carried at cost and subjected to impairment test when certain impairment indicators are present are as follows:

	September 30 2024	December 31 2023
Service concession assets (see Note 7)	**₱158,674,981**	₱140,919,477
Property and equipment (see Note 8)	**1,906,033**	1,889,754
	₱160,545,012	₱142,809,231

In 2022, Maynilad has tested for impairment and assessed the recoverability of its SCA and property and equipment to consider the newly approved business plans and tariff adjustments as a result of the recently concluded rate rebasing exercise (see Note 1). In 2021, due to deferment of the effectivity of the RCA, pending completion of a substantive condition precedent as discussed in Note 1, and the continuing impact of the COVID-19 pandemic, management likewise performed an impairment testing of these assets. The assumptions in the impairment test include, among others, the concession period, tariff, service obligations, the discount rate which considers the risks surrounding the concession agreement, and the potential impact of the COVID-19 pandemic.

Based on the testing, it was determined that as at December 31, 2022 and 2021, the recoverable amount of these nonfinancial assets are higher than their carrying values. Therefore, the Group did not recognize any impairment loss in those years. In 2024 and 2023, there have been no substantive impairment indicators that necessitated further impairment assessment on these assets.

Pension Cost and Other Post-employment Benefits.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, turnover rate, mortality rate, and salary increase rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4. Cash and Cash Equivalents

Cash and cash equivalents account consists of:

	September 30 2024	December 31 2023
Cash on hand and in banks	**₱3,804,620**	₱3,102,857

Cash equivalents	**15,779,699**	1,799,699
	₱19,584,319	₱4,902,556

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and cash equivalents, net of applicable final tax, amounted to ₱266.2 million and ₱ 221.7 million in September 30, 2024 and December 31, 2023, respectively.

5. Trade and Other Receivables

This account consists of receivables from:

	September 30 2024	December 31 2023
Customers:		
Residential	**₱2,395,474**	₱2,165,337
Semi-business	**270,319**	249,202
Commercial	**710,035**	693,567
Industrial	**172,634**	182,829
Bulk water supply	**177,460**	101,806
	3,725,922	3,392,741
Employees	**60,307**	46,994
Others	**586,682**	419,823
	4,372,911	3,859,558
Less allowance for ECL	**1,438,336**	1,441,488
	₱2,934,575	₱2,418,070

The classes of the Company's receivables from customers are as follows:

- Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
- Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.
- Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
- Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.
- Bulk water supply – pertains to receivables arising from water service to water districts outside the West Service Area.

Receivables from customers and bulk water supply are non-interest bearing and generally have 60-day term.

Other receivables consist mainly of receivables from collecting agents normally received within 30 days, and advances for construction and installation of water reticulation systems for subdivisions in the West Service Area payable on installment basis over a period of 3 to 5 years. Portion of advances for water reticulation systems expected to be collected beyond one year amounting to ₱1.6 million as at

September 30, 2024, and December 31, 2023, and is presented as part of "Others" in "Other noncurrent assets" account in the consolidated statements of financial position.

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

	September 30, 2024					
	Receivables from Customers				Other	
	Residential	**Semi-Business**	**Commercial**	**Industrial**	**Receivables**	**Total**
At January 1	**₱853,608**	**₱138,185**	**₱356,830**	**₱83,992**	**₱8,873**	**₱1,441,488**
Provisions	**3,563**	**431**	**673**	**163**	**–**	**4,830**
Write-off	**(7,120)**	**(198)**	**(537)**	**(101)**	**–**	**(7,956)**
Reversal	**–**	**–**	**–**	**–**	**(26)**	**(26)**
At September 30	**₱850,051**	**₱138,418**	**₱356,966**	**₱84,054**	**₱8,847**	**₱1,438,336**

	December 31, 2023					
	Receivables from Customers				Other	
	Residential	Semi-Business	Commercial	Industrial	Receivables	Total
At January 1	₱1,042,950	₱141,959	₱379,998	₱88,079	₱9,207	₱1,662,193
Provisions	397,708	45,939	126,526	30,351	–	600,524
Write-off	(587,050)	(49,713)	(149,694)	(34,438)	–	(820,895)
Reversal	–	–	–	–	(334)	(334)
At December 31	₱853,608	₱138,185	₱356,830	₱83,992	₱8,873	₱1,441,488

6. Other Current Assets and Other Noncurrent Assets

Other Current Assets

This account consists of:

	September 30 2024	December 31 2023
Advances to supplier/contractors	**₱535,758**	₱561,163
Input VAT	**597,903**	537,222
Prepayments (see Note 22)	**331,338**	198,441
Deposits	**238,308**	237,990
Restricted cash	**-**	–
Others (see Note 14)	**439,582**	327,682
	₱2,142,889	₱1,862,498

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

Input VAT is an indirect tax on the purchased goods and services which the Company uses in its operations. Before March 21, 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 Other Percentage Tax. The remaining input VAT refers to the unutilized input VAT from the purchase of capital goods to be amortized over the assets' remaining useful life and the input VAT associated with the retention payable from contractors' billings which will be either capitalized or expensed upon actual release of the retention money, subsequent to the final acceptance or turn-over of the completed project.

Prepayments mainly pertain to insurance, performance bond, and local taxes (see Note 22).

Deposits mainly consist of bill deposits to Meralco.

As at September 30, 2024 and December 31, 2023, Others consist mainly of materials and supplies amounting to ₱ 327.4 million and ₱265.2 million, respectively, and cost of new water service connections amounting to ₱25.0 million and ₱20.8 million as at September 30, 2024 and December 31, 2023, respectively, that were capitalized since these costs are recoverable and directly associated with the contract with customers (see Note 14).

Other Noncurrent Assets

This account consists of:

	September 30 2024	December 31 2023
Mobilization fund	**₱8,686,028**	₱9,474,660
Cost of new water service connection (Note 14)	**529,360**	457,154
Deposits	**467,772**	375,365
Deferred FCDA	-	–
Others (see Note 14)	**88,393**	74,126
	₱9,771,553	₱10,381,305

Mobilization fund pertains to advance payments to contractors for services purchased but not yet received and is normally applied within a year against progress billings.

Cost of new water connections pertains to costs attributable to installation of water connections to customers. These costs are recoverable and are directly associated with the contract with customers.

Deposits consists mainly of payments to LGUs as restoration deposits which are refunded upon completion of the project.

Deferred FCDA represents the net effect of unrealized foreign exchange losses on service concession obligation payable to MWSS, and restatement of foreign currency-denominated interest-bearing loans and related interest that are recoverable from the customers (see Note 3).

As at September 30, 2024 and December 31, 2023, Others pertains to Parent Company's deferred employee benefits amounting to ₱85.8 million and ₱71.5 million, net of accumulated amortization of ₱48.0 million and ₱37.4 million, respectively, and Amayi's deferred charges pertaining to cost of service concession assets, which are not yet in operation amounting to ₱2.6 million.

7. **Service Concession Assets**

The movements in this account are as follows:

	September 30 2024	December 31 2023
Cost:		
Balance at beginning of year	**₱183,462,264**	₱160,998,874
Additions	**19,960,220**	21,621,715
Effect of change in rebase rate	**-**	841,675
Reclassification	**(3,024)**	-
Balance at end of year	**203,419,460**	183,462,264
Accumulated amortization:		
Balance at beginning of year	**42,542,787**	39,810,942
Amortization	**2,204,717**	2,744,831
Reclassification	**(3,024)**	(12,986)
Balance at end of year	**44,744,480**	42,542,787
	₱158,674,981	₱140,919,477

Service concession assets consist of the present value of total estimated concession fee payments pursuant to the Concession Agreement, and the costs of rehabilitation works incurred.

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

a. 90% of the aggregate peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the raw water conveyance component of the Umiray-Angat Transbasin Project (UATP), on the relevant payment date set forth on the pertinent schedule of the Concession Agreement;

b. 90% of the aggregate peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date on the relevant payment date set forth on the pertinent schedule of the Concession Agreement;

c. 90% of the local component costs and cost overruns related to the UATP in accordance with the pertinent schedule of the Concession Agreement;

d. 100% of the aggregate peso equivalent due under any MWSS loan designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or been elected by the Parent Company for continuation in accordance with the pertinent sections of the Concession Agreement;

e. 100% of the local component costs and cost overruns related to the existing projects in accordance with relevant schedule of the Concession Agreement; and

f. Maintenance and operating expenditure (MOE) representing one-half of the annual budget for MWSS for that year, provided that such annual budget shall not exceed ₱200.0 million (as at 1997), subject to annual CPI adjustment (see Note 22).

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 19).

The Parent Company recognized additional concession fees amounting to ₱278.1 million and ₱1,102.8 million in September 30, 2024 and December 31,2023, respectively, mainly pertaining to various rehabilitation projects and UATP-related local component cost (see Note 10).

Specific borrowing costs capitalized as part of service concession assets amounted to ₱2,060.2 and ₱1,300.8 million in September 30, 2024 and 2023, respectively, while general borrowing cost capitalized as part of service concession assets amounted to ₱31.7 million and ₱55.8 million in September 30, 2024 and 2023, respectively (see Note 11). The rate used to determine the amount of general borrowing costs eligible for capitalization were 4.3% and 5.5% in September 30, 2024, and 2023, respectively.

On March 11, 2015, the MWSS Board of Trustees approved and confirmed the recommendation of the MWSS-RO to set aside the status quo of the FCDA and resume its normal operation starting first quarter of 2015. Under MWSS-RO Resolution No. 2014-002-CA, the MWSS-RO approved an FCDA equivalent to 1.12% of the 2015 basic charge of ₱33.97 per cu.m. or ₱0.38 per cu.m., effective January 1, 2015. The said FCDA adjustment was determined using the new rebased rate of ₱41.19 approved by the MWSS-RO, applicable to concession fee payments starting January 1, 2013 (see Note 3).

On September 13, 2018, the MWSS issued Resolution No. 2018-136-RO adopting RO Resolution No. 2018-09-CA dated September 7, 2018 granting the Parent Company 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 does not include the CIT component to which the Parent Company is entitled by virtue of the First Award. In their Resolutions, the MWSS and RO stated that the inclusion of the CIT in Parent Company's tariff is subject to the SC's resolution of MWSS's Petition for Review.

On December 6, 2018, pursuant to MWSS-RO Resolution No. 2018-13-CA, the Parent Company used a new base foreign exchange rate from ₱41.19 to ₱53.16 effective January 1, 2018. The said FCDA adjustment was determined using the new rebased rate of ₱53.16 and ₱0.475 for United States Dollar and Japanese Yen, respectively, applicable to concession fee payments starting January 1, 2018.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023.

The effect of change in rebased rate amounting ₱841.7 million was accounted for as an adjustment of "Service concession assets" and "Deferred credits" accounts to adjust their carrying values based on the newly determined and approved rebased rate as at December 31, 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.

Phil Hydro accounts for each of its BWSAs (except the BWSA with New Era University) and MOA with Municipal Government of Rizal, Nueva Ecija (MGRNE) in accordance with IFRIC 12, *Service Concession Arrangements* under the Intangible Asset model as it receives the right (license) to charge users of public service. In 2019, the Company recognized impairment loss on service concession assets of Phil Hydro amounting to ₱93.2 million and was recognized as part of the accumulated amortization. Service concession assets that are not yet available for use are subjected to impairment testing under PAS 36.

Service concession assets still under on-going construction and rehabilitation amounting to ₱68.6 billion and 53.9 billion as at September 30, 2024, and December 31, 2023, respectively, are considered as contract assets under PFRS 15.

8. Property and Equipment

The roll forward analysis of this account follows:

	September 30, 2024						
	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	₱44,617	₱2,185,428	₱2,269,010	₱1,001,167	₱513,482	₱619,070	₱6,632,774
Additions		30,301	276,472	23,668		83,863	414,304
Reclassification		(680,427)	680,127	300	(273)		(273)
Disposals		(39,331)	(84,792)	(8,333)	(4,321)		(136,777)
At September 30	44,617	1,495,971	3,140,817	1,016,802	508,888	702,933	6,910,028
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	189	58,293	123,679	98,922	56,003	57,181	394,267
Reclassification		2,301	(2,407)	106	(271)		(271)
Disposals		(39,158)	(85,038)	(8,826)			(133,022)
At September 30	4,030	1,311,577	1,978,453	859,944	406,347	443,643	5,003,994
Net Book Value at September 30	40,587	184.394	1,162.364	156.858	102.541	259.290	1,906.034

	December 31, 2023						
	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	₱51,601	₱2,109,313	₱2,112,528	₱901,558	₱513,190	₱290,618	₱5,978,808
Additions	–	153,105	254,707	116,178	292	328,452	852,734
Disposals	(6,984)	(76,990)	(98,225)	(16,569)	–	–	(198,768)
At December 31	44,617	2,185,428	2,269,010	1,001,167	513,482	619,070	6,632,774
Accumulated Depreciation and Amortization							
At January 1	3,589	1,301,676	1,877,731	660,816	271,651	289,385	4,404,848
Depreciation and amortization	252	65,456	162,713	119,295	79,533	97,077	524,326
Reclassification	–	–	–	–	(569)	–	(569)
Disposals	–	(76,991)	(98,225)	(10,369)	–	–	(185,585)
At December 31	3,841	1,290,141	1,942,219	769,742	350,615	386,462	4,743,020
Net Book Value at December 31	₱40,776	₱₱₱895,287	₱326,791	₱231,425	₱162,867	₱232,608	₱1,889,754

Net gain on disposals of property and equipment amounting to ₱.05 million, and ₱2.0 million, in September 30, 2024, and December 31, 2023, respectively, is presented as part of "Others - net" account under "Other income (expenses)" in the consolidated statements of income. The Company sold items of property and equipment for a total consideration of ₱.51 million, and ₱15.2 million in 2024 and 2023, respectively.

No property and equipment as at September 30, 2024 and December 31, 2023 have been pledged as security or collateral.

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

The financial assets at FVOCI amounted to ₱124.9 million as of September 30, 2024 and December 31, 2023, which pertains to the Company's investments in unquoted equity shares in a local water distribution company. Dividend income on financial assets at FVOCI presented as part of "Others – net" account under "Other income (expenses)" in the consolidated statements of income amounted to ₱28.0 million and ₱16.0 million, in 2024 and 2023, respectively.

10. Service Concession Obligation Payable to MWSS

This account consists of:

	September 30 2024	December 31 2023
Concession fees payable (see Note 7)	**6,653,266**	₱6,756,380
Accrued interest	**607,217**	607,217
	7,260,483	7,363,597
Less current portion	**1,088,979**	874,561
	6,171,504	₱6,489,036

Interest accretion on service concession obligation amounted to ₱469.3 and ₱523.5 million in September 30, 2024 and 2023, respectively (see Note 17).

<u>Disputes with MWSS</u>
The Parent Company has been contesting certain charges billed by MWSS relating to: (a) the basis of the computation of interest; (b) MWSS cost of borrowings; and (c) additional penalties. Consequently, the Parent Company has not provided for these additional charges. These disputed charges were effectively reflected and recognized by the Parent Company as Tranche B Concession Fees amounting to US$30.1 million by virtue of the DCRA entered in 2005. The Parent Company also paid US$6.8 million in 2005 as an additional amount of Tranche B Concession Fees determined by the Receiver (see Note 7).

The Parent Company reconciled its liability to MWSS with the confirmation and billings from MWSS. The difference between the amount confirmed by MWSS and the amount recognized by the Parent Company amounted to ₱5.0 billion as of September 30, 2024, and December 31, 2023. The difference mainly pertains to disputed claims of MWSS consisting of additional Tranche B Concession Fees, borrowing cost and interest penalty under the Concession Agreement (prior to the

DCRA). The Parent Company's position on these charges is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 3, 7 and 20).

Following the issuance of the Rehabilitation Court's Order on December 19, 2007 disallowing the MWSS' disputed claims and the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve the matter in accordance with the dispute resolution requirements of the transitional and clarificatory agreement (TCA).

Prior to the DCRA, the Parent Company has accrued interest on its payable to MWSS based on the terms of the Concession Agreement, which was disputed by the Parent Company before the Rehabilitation Court. This already amounted to ₱985.3 million as at December 31, 2011 and have been charged to interest expense in prior years. The Parent Company maintains that the accrued interest on its payable to MWSS has been adequately replaced by the Tranche B Concession Fees discussed above. The Parent Company's position is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 7 and 20). With the prescription of the TCA and in light of the Parent Company's current negotiation and outstanding offer of US$14.0 million to fully settle the claim of MWSS, the Parent Company reversed the amount of accrued interest in excess of the US$14.0 million settlement offer amounting to ₱378.1 million in 2012. The remaining balance of ₱607.2 million as at September 30, 2024 and December 31,2023, which pertains to the disputed interest penalty under the Concession Agreement prior to DCRA, has remained in the books pending resolution of the remaining disputed claims of MWSS.

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

	In Original Currency		
Year	Foreign Currency Loans (Translated to US$) *	Peso Loans/ Project Local Support	Total Peso Equivalent
		(In Millions)	
2024	$1.0	75.5	130.7
2025	10.0	782.5	1,343.9
2026	9.7	797.8	1,343.3
2027	11.2	820.6	1,446.2
2028-2037	78.1	9,581.6	13,959.2
	$110.0	12,058.0	18,223.4

**Translated using the September 30, 2024 exchange rate of 56.03₱ US$1.*

Additional concession fee liability relating to the extension of the Concession Agreement (see Note 1) is only determinable upon loan drawdown of MWSS and the actual construction of the related concession projects.

11. **Interest-bearing Loans and Bonds**

This account consists of:

	September 30 2024	December 31 2023
₱18.5 billion Corporate Notes	**₱17,514,135**	₱17,665,650
15.0 billion Blue Bonds	**15,000,000**	–
₱10.0 billion Term Loan Facility (MBTC)	**10,000,000**	–
₱10.0 billion Term Loan Facility (BPI)	**10,000,000**	10,000,000
₱6.0 billion Term Loan Facility (BDO)	**5,962,500**	6,000,000
₱6.0 billion Term Loan Facility (LBP)	**5,400,000**	5,700,000
₱5.0 billion Term Loan Facility (LBP)	**5,000,000**	5,000,000
¥13.1 billion Facility Loan (JICA)	**4,888,055**	4,999,070
₱4.0 billion Term Loan Facility (LBP)	**3,975,000**	4,000,000
₱4.8 billion Term Loan Facility (DBP)	**3,339,000**	3,657,000
₱5.0 billion Term Loan Facility (BDO)	**3,055,556**	3,333,333
¥7.9 billion Facility Loan (JCB)	**1,241,564**	1,448,860
₱1.4 billion Facility Loan (JICA)	**204,856**	409,712
Peso-denominated Bank Loan (LBP)	**23,906**	47,813
	85,604,572	62,261,438
Less unamortized debt issuance costs	**664,974**	459,540
	84,939,598	61,801,898
Less current portion	**4,296,794**	2,587,660
	₱80,642,804	₱59,214,238

₱18.5 billion Corporate Notes (Various Lenders)
On February 22, 2018, the Parent Company entered into several loan agreements for the refinancing of all its existing loans under the ₱21.2 billion Term Loan and ₱5.0 billion Corporate Notes, whereby the Parent Company was granted a Term Loan Facility ("the Notes Facility") in the aggregate amount of ₱18.5 billion. Under the new terms, the loan shall be drawn in three tenors; 7Y, 10Y and 15Y Fixed Corporate Notes, payable in semi-annual installments within fifteen years to commence at the end of the 6th month after the initial issue date and bears interest rate per annum equal to the applicable benchmark rate plus 0.60%, 0.70% and 0.60% per annum for the 7Y, 10Y and 15Y Fixed Corporate Notes, respectively. The Notes Facility is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱199.7 million were capitalized in 2018. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to 11.2 million and ₱10.6 million in September 30, 2024 and 2023, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 17).

₱15.0 billion Blue Bonds
On July 12, 2024, the Parent Company listed today 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").

Debt Issuance Costs. All legal, professional fees and other related debt issue cost incurred in relation to the debt totaling ₱182.5 million were capitalized in September 2024.

Specific borrowing costs capitalized as part of service concession assets amounted to ₱234.7 million and nil in September 30, 2024 and 2023, respectively. (see Note 7).

<u>₱10.0 billion Term Loan Facility (Metropolitan Bank & Trust Co.)</u>
On March 22, 2024, the Parent Company entered into a Loan Agreement with Metropolitan Bank & Trust Co. The loan shall be payable in semi-annual installments within ten years to commence on September 26, 2025, and bears fixed interest rates of 6.5% per annum for the first five years. The interest rate applicable for the remaining five years tenor will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱75 million were capitalized in September 2024.

<u>₱10.0 billion Term Loan Facility (Bank of the Philippine Islands)</u>
On May 10, 2023, the Parent Company entered into a Loan Agreement with Bank of the Philippine Islands. The first and second drawdowns amounting to ₱5.0 billion each were drawn on May 11, 2023 and October 3, 2023, respectively. The loan shall be payable in semi-annual installments within ten years to commence on November 11, 2024, and bears fixed interest rates of 6.41% and 7.00% per annum for the first and second drawdown, respectively, for the first five years. The interest rate applicable for the remaining five years will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱75.2 million were capitalized in 2023.

Specific borrowing costs capitalized as part of service concession assets amounted to ₱514.9 million and ₱299.4 million in September 30, 2024 and 2023, respectively. (see Note 7).

<u>₱6.0 billion Term Loan Facility (BDO Unibank Inc.)</u>
On November 15, 2022, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. to: (i) partially fund capital expenditure requirements; (ii) refinance existing obligations; and (iii) fund other general corporate requirements. The drawdown from this facility was made on November 17, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18^{th} month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+3+4, each tenor will be based on Bloomberg Valuation Service reference rate plus 65 basis points credit spread with interest rate floor as follows: (i) 3Y – 5.75% per annum and (ii) 4Y – 5.90% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱45.2 million were capitalized in 2022. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to nil in September 30, 2024 and 2023, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets amounted to ₱331.9 million and ₱443.3 million in September 30, 2024 and 2023, respectively (see Note 7).

₱6.0 billion Term Loan Facility (Land Bank of the Philippines)
On August 10, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines for the refinancing of its existing loan under the US$137.5 million MWMP Loan. The drawdown from this facility was made on August 12, 2022.

The loan shall be payable in semi-annual installments within fifteen years to commence at the end of the 6th month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+5+5+2, each tenor will be based on Bloomberg Valuation Service reference rate plus 50 basis points credit spread with interest rate floor as follows: (i) 3Y – 4.50% per annum, (ii) 5Y – 5.25% per annum and (iii) 2Y – 4.25% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱60.2 million were capitalized in 2022. Debt issuance costs are amortized using the EIR method.

Amortization of debt issuance costs attributed to this loan amounting to ₱3.8 million and ₱5.2 million in September 30, 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).

₱5.0 billion Term Loan Facility (Land Bank of the Philippines)
On December 11, 2023, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines. Drawdown from this facility was made on December 14, 2023. The loan shall be payable in semi-annual installments within ten years to commence on June 14, 2025, and bears fixed interest rate of 6.60% per annum for the first three years. The interest rate on the re-pricing date will be based on 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 debt totaling nil and ₱37.6 million were capitalized in September 30, 2024, and 2023, respectively

Specific borrowing costs capitalized as part of service concession assets amounted to ₱253.2 million and ₱16.7 million in September 30, 2024, and 2023, respectively. (see Note 7).

Total general borrowing costs amounted to ₱31.7 and ₱55.9 million in September 30, 2024 and 2023, 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 September 30, 2024 and 2023, the Parent Company has complied with these covenants.

¥13.1 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the JICA whereby the Parent Company was granted a Japanese yen-denominated Facility Loan, amounting to ¥13.1 billion. The loan shall be payable in semi-annual installments within seventeen years to commence on October 10, 2022. Drawdowns amounting to ¥0.7 billion, ¥0.5 billion, ¥0.8 billion, and ¥0.9 billion were made on April 2, 2019, June 28, 2019, August 30, 2019 and December 6, 2019, respectively. The final drawdown amounting to ¥10.2 billion was made on June 23, 2023. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱54.3 million and ₱7.3 million were capitalized in 2019 and 2018, respectively. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to ₱5.8 million and ₱5.0 million on September 30, 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).

<u>₱4.0 billion Term Loan Facility (Land Bank of the Philippines)</u>
On November 7, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines to partially fund the general corporate requirements of the Company. The drawdown from this facility was made on November 10, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18th month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+5+2, each tenor will be based on Bloomberg Valuation Service reference rate plus 50 basis points credit spread with interest rate floor as follows: (i) 3Y – 4.50% per annum, (ii) 5Y – 5.25% per annum and (iii) 2Y – 4.25% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱40.2 million were capitalized in 2022. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to nil and ₱0.5 million in 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets amounted to ₱217.1 million and ₱290.0 million on September 30, 2024, and 2023, respectively (see Note 7).

<u>₱4.8 billion Term Loan (Development Bank of the Philippines)</u>
On February 24, 2014, the Parent Company entered into a Loan Agreement with the Development Bank of the Philippines. The loan proceeds shall be used to finance the first stage of the Parañaque-Las Piñas STP and associated wastewater conveyance system.

The loan shall be payable in semi-annual payments within twenty years to commence at the end of the fifth year, which bears a fixed rate per annum equal to 6.0%. The first, second, third and fourth drawdowns amounting to ₱1.0 billion, ₱2.0 billion, ₱1.0 billion and ₱0.8 billion were made on March 2, 2015, October 4, 2016, August 1, 2017 and March 5, 2018, respectively. The ₱4.8 billion Term Loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱46.1 million were capitalized in 2015. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to nil million in 2023 and 2024, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets amounted to ₱164.4 million and ₱235.9 million in September 30, 2024 and 2023, respectively (see Note 7).

Under the terms of the loan agreements, the Parent Company may, at its option and without premium and penalty, redeem the Corporate Notes in whole or in part, subject to the conditions stipulated in the agreements. The embedded early redemption and prepayment options are clearly and closely related to the host debt contract, and thus, do not require to be bifurcated and accounted for separately from the host contract.

₱5.0 billion Term Loan Facility (BDO Unibank Inc.)
On November 26, 2019, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. The loan shall be payable in semi-annual installments within ten years to commence on May 29, 2021 and bears a fixed rate per annum of 4.9505% for the first five years. The interest rate for the remaining five years will be based on the applicable benchmark rate plus 0.60% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱37.8 million were capitalized in 2019. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to ₱3.2 million and ₱4.9 million in September 2024 and 2023 respectively, is presented as part of "Interest expense and other financing charges" account in the account in the consolidated statements of income (see Note 18).

¥7.9 billion Facility Loan (Japanese Commercial Bank)
On June 7, 2017, the Parent Company entered into a credit agreement (Facility Agreement) with foreign banks, namely The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank Ltd., and Sumitomo Mitsui Banking Corporation (collectively referred to as "the Lenders"). The first and second drawdowns amounting to ¥4.9 billion and ¥3.0 billion were made on August 20, 2018 and November 28, 2018, respectively. The loan shall be payable in semi-annual installments within ten years to commence at the end of the 36th month from the date of the Facility Agreement. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱70.6 million were capitalized in 2018. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to ₱4.6 million and ₱7.7 million in September 30, 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).

₱1.4 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the Japan International Cooperation Agency (JICA) whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱1.4 billion. The loan shall be payable in semi-annual installments within seven years to commence on October 15, 2021. Drawdowns amounting to ₱0.5 billion, ₱0.5 billion and ₱0.4 billion were made on May 18, 2018, September 25, 2018 and December 21, 2018, respectively. The loan is secured by a negative pledge.

255.0 million Peso-denominated Loan of Phil Hydro (Land Bank of the Philippines)
On May 4, 2015, Phil Hydro entered into a Loan Agreement with the Land Bank of the Philippines. The loan shall be payable in quarterly installments within eight years of commencement after the end of the 8th quarter and bears an interest rate per annum equal to the higher of (i) the applicable benchmark rate plus 1.0% per annum, or (ii) 5.5% per annum. The benchmark rate shall be determined by reference to the Philippine Dealing System Treasury Reference Rates (PDST-R2) rate. The peso-denominated loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱1.3 million were capitalized in 2015. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to ₱0.1 million in 2023, 2022 and 2021, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Covenants
The loan agreement contains, among others, covenants regarding the maintenance of certain financial

ratios such as debt-to-equity ratio and debt service coverage ratio. As at September 30, 2024 and 2023, Phil Hydro has complied with these covenants.

₱1.9 billion Short-term Loan (CTBC, RCBC and UB)
On March 30, 2022, the Parent Company availed a 360-day short-term loan from local banks namely CTBC Bank (Philippines) Corp., Rizal Commercial Banking Corporation, and Union Bank of the Philippines, Inc. ("UB") with interest rates of 3.50%, 3.40% and 3.57%, respectively. On September 26, 2022, the ₱0.4 billion loan from UB was prepaid and the ₱1.5 billion outstanding balance was paid on March 24, 2023. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the debt totaling ₱12.5 million were capitalized in 2022. Debt issuance costs are amortized using the EIR method. Amortization of debt issuance costs attributed to this loan amounting to nil and ₱9.8 million in 2023 and 2022, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Specific borrowing costs capitalized as part of service concession assets amounted to nil and ₱15.4 million in September 30, 2024 and 2023, respectively (see Note 7).

Unamortized Debt Issuance Cost

The movements in the balance of unamortized debt issuance costs related to all interest-bearing loans are as follows:

	September 30 2024	December 31 2023
Balance at beginning of year:		
Peso Loans	**401,083**	328,951
Japanese Yen-denominated	**58,457**	28,175
Peso Bonds	**-**	-
	459,540	357,126
Additions during the year:		
Peso Loans	**75,000**	97,284
Japanese Yen-denominated	**-**	42,215
Peso Bonds	**182,475**	-
	257,475	139,499
Amortization during the year (see Note 17):		
Peso Loans	**35,811**	25,152
Japanese Yen-denominated	**10,325**	11,933
Peso Bonds	**5,903**	-
	52,039	37,085
Balance at ending of year:		
Peso Loans	**440,271**	401,083
Japanese Yen-denominated	**48,132**	58,457
Peso Bonds	**176,571**	-
	664,974	459,540

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

	In Original Currency			
Year	Japanese Yen-Denominated*	Peso Loans	Peso Bonds	Total Peso Equivalent
2024	¥ 762.5	₱ 3,534.3	-	₱ 4,296.8
2025	891.7	1,451.2	-	2,342.8
2026	891.7	1,734.3	-	2,626.0
2027	477.8	3,388.2	-	3,866.0
2028 onwards	3,105.9	69,367.1	15,000	72,473.0
	¥ 6,129.6	79,475.0	15,000	85,604.6

**Translated using the September 30,2024 exchange rate of 0.3929: JPY*

12. **Trade and Other Payables**

This account consists of:

	September 30 2024	December 31 2023
Accrued expenses	**₱10,742,308**	₱9,473,171
Accrued construction costs (see Note 15)	**7,402,029**	5,757,553
Trade and other payables	**5,216,019**	4,891,638
Due to a related party (see Note 15)	**769,234**	397,335
Contract liabilities (see Note 14)	**55,630**	47,958
	₱24,185,220	₱20,567,655

Accrued expenses mainly consist of provisions, salaries, wages and benefits, contracted services, and interest payable to the banks. Details of provisions required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* are not disclosed as these may prejudice the Company's positions in relation to the cases pending before the courts or quasi-judicial bodies.

Accrued construction costs represent unbilled construction costs from contractors and are normally settled upon receipt of billings.

Trade and other payables are non-interest bearing and are normally settled within one year.

Trade payables include liabilities relating to assets held in trust (see Note 22) used in the Company's operations amounting to ₱98.5 million and ₱97.3 million as at September 30, 2024 and 2023.

13. **Equity**

a. The Parent Company's authorized and issued shares as at September 30, 2024 and December 31, 2023 are presented below:

	Number of Shares
Authorized and issued – ₱1,000 par value	
Common shares	
Class A	4,222,482
Class B	236,000
ESOP	48,379
	4,506,861

Total outstanding shares are 4,506,861 and 4,512,375 as of September 30, 2024 and December 31,2023, respectively.

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.

ESOP shares reacquired by the Parent Company from resigned and retired employees equivalent to 40,121 shares and 34,607 shares, and amounting to ₱481.7 million and ₱391.9 million as of September 30, 2024 and December 31, 2023, respectively, were presented as treasury shares.

c. Dividends

On June 28, 2021, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends of ₱662.33 per common share amounting to ₱3.0 billion to all shareholders of record as at June 30, 2021. Payments were made on July 22, 2021.

On February 24, 2022, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends of ₱663.19 per common share amounting to ₱3.0 billion to all shareholders of record as at February 28, 2022. Payments were made on April 15, 2022.

On February 20, 2023, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends of ₱797.69 per common share amounting to ₱3.6 billion to all shareholders of record as at February 28, 2023. Payments were made on April 14, 2023.

On February 27, 2024, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends amounting to ₱4.5 billion to all shareholders of record as at

February 29, 2024. Actual dividend payment was released on April 15, 2024.

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. These projects are expected to be implemented in the next two to three years.

On November 26, 2019, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱7.0 billion to fund the Parent Company's capital expenditures for the following projects: (1) upgrading of Dagat-Dagatan sewage treatment plan to 205MLD South Caloocan-Malabon-Navotas (CAMANA) Water Reclamation Facility, and (2) the design and build of the 140 MLD Water Reclamation Facility for the Central Manila Sewerage System. These projects are expected to be implemented in the next five years. As of December 31, 2023, 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 of December 31, 2023, these projects are still ongoing.

e. Equity Adjustments

Redemption of Preferred Shares

The Parent Company issued and redeemed preferred shares in 2008. Foreign exchange fluctuation from date of issuance of the preferred shares to the date of issuance of notice of redemption, amounting to ₱309.2 million, is recognized as part of "Other equity adjustments" account shown under the equity section of the consolidated statements of financial position.

Maynilad Share-based Payment

On December 1, 2023, the BOD approved the awarding of 6,514 ESOP shares to all qualified Maynilad employees to be paid through stock purchase bonus (equity-settled transaction). The ESOP covers employees who have met the following eligibility criteria:

a. The employee has completed a full year's service, either as a regular or probationary employee, from December 1, 2022 to November 30, 2023 (the "Period");

b. The employee has obtained at least a satisfactory rating in the previous performance appraisal immediately preceding December 1, 2023;

c. The employee has not been suspended at any time during the Period;

d. The employee has not exceeded 10 days of absences without official leave during the Period; and

e. The employee has not exceeded 20 days of leave without pay during the Period.

Communication to eligible employees was made on December 18, 2023.

The fair value of ESOP shares amounting to ₱16,186.51 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 their cash alternatives. All ESOP shares will be held in the treasury until issuance.

Equity-based compensation expense recognized by the Parent Company under "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱116.7 million in 2023.

There were no new ESOP shares awarded as at September 30, 2024.

14. Revenue from Contracts with Customers

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

	September 30 2024	December 31 2023
Geographical areas:		
West zone	**₱24,983,754**	₱27,067,974
Outside west zone	**261,569**	255,291
	₱25,245,323	₱27,323,265

Contract balances:

	September 30 2024	December 31 2023
Trade receivables (gross of allowance for ECL) Note 5	**₱3,725,922**	₱3,392,741
Contract assets	**1,418,984**	1,205,041
Cost of new water service connections	**554,367**	477,993
	₱5,699,272	**₱5,075,775**
Contract liabilities	**₱1,231,984**	**₱1,099,368**

Trade receivables are non-interest bearing and are generally on terms of 60 days.

Contract assets are initially recognized for revenue earned from water and wastewater services as receipt of consideration is conditional on the performance of service. Upon completion of the performance obligation the amounts recognized as contract assets are reclassified to trade receivables.

Contract assets as at September 30, 2024 and December 31, 2023 consist of the following:

	September 30 2024	December 31 2023
Customers:		
Residential	**₱687,467**	₱572,689
Semi-business	**101,020**	85,557
Commercial	**456,202**	390,216
Industrial	**174,295**	156,579
	₱1,418,984	₱1,205,041

Contract liabilities are initially recognized from the collection of the connection and installation fees and is recognized over the remaining concession period as the Company provides water and wastewater services to customers. The Company recognized contract liabilities under "Trade and other payables" account amounting to ₱56.0 million and ₱48.0 million for the current portion and ₱1,176.4 million and ₱1,051.4 million for the noncurrent portion under the "Other noncurrent liabilities" account in the consolidated statements of financial position as of September 30, 2024 and 2023, respectively. Cost of new water service connections recognized amounted to ₱25.0 million and ₱20.8 million under "Other current assets" and ₱529.4 million and ₱457.2 million under "Other noncurrent asset" account in the consolidated statements of financial position as of September 30, 2024 and 2023, respectively, since these costs are recoverable and is directly associated with the contract with customers.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Subsidiary of a significant influence investor					
DM Consunji, Inc.					
Revenue from trade and non-trade services	**2024** 2023	**57.7 million** ₱74.0 million	**3.5 million** 4.0 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
Construction costs (see Note 12)	**2024** 2023	**2,764.0 million** 3,168.9 million	**157.0 million** 890.1 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Training fees	**2024** 2023	– -	– –	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Rental	**2024** 2023	– –	**(1.9 million)** (1.9 million)	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	**2024** 2023	**7.9 million** 8.6 million	**0.3 million** 0.3 million	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Electricity costs	**2024**	**874.7 million**	**216.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	1,668.4 million	335.1 million		
Meralco Industrial Engineering Services Corporation					
Construction costs (see Note 12)	**2024**	**–**	**0.9 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	2.3 million	0.9 million		
Revenue from trade and non-trade services	**2024**	**–**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	–	1.0 thousand		
Miescor Logistics, Inc.					
Repairs and maintenance	**2024**	**–**	**(1.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(1.8 million)		
Indra Philippines, Inc.					
Revenue from trade and non-trade services	**2024**	**–**	**40.0 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	–	72.0 thousand		
Commercial outsourcing of information technology and system services	**2024**	**213.8 million**	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	229.1 million	**(21.0 thousand)**		
PLDT, Inc.					
Revenue from trade and non-trade services	**2024**	**8.0 million**	**67.1 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	9.4 million	48.1 thousand		
Communication expenses	**2024**	**8.4 million**	**(83.9 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	5.4 million	(0.6 million)		
Ecosystem Technologies International, Inc.					
Revenue from trade and non-trade services	**2024**	**11.1 thousand**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	0.1 million	0.3 million		
Construction costs (see Note 12)	**2024**	**131.9 million**	**30.7 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	83.2 million	67.3 million		
Others					
Revenue from trade and non-trade services	**2024**	**30.7 million**	**25.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2023	34.8 million	24.6 million		
(Forward)					
Management fees	**2024**	**₱–**	**₱5.9 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	₱–	₱5.9 million		
Communication expenses	**2024**	**32.7 million**	**(6.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	51.4 million	(8.7 million)		
Insurance	**2024**	**24.5 thousand**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(14.2 thousand)		
Sponsorship fees	**2024**	**–**	**(43.0 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(43.0 thousand)		
Donations	**2024**	**60.8 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	149.3 million	–		
Dividends	**2024**	**235.7 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	188.3 million	–		
Advertising and promotions	**2024**	**.3 million**	**(4.3 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3.9 thousand	–		
Professional fees	**2024**	**345.8 thousand**	**(103.5 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	1.8 million	(103.5 thousand)		

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Supplies and materials	**2024**	–	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	873.5 thousand	–		
Meetings and Conferences	**2024**	**32.4 thousand**	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	–		
Outsourced services	**2024**	**51.1 million**	**(3.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	84.4 million	(3.8 million)		
Transportation equipment	**2024**	**23.5 million**	**(7.1 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	
	2023	14.1 million	(7.1 thousand)		Unsecured
Training fees	**2024**	**1.3 million**	–	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	3.9 million	–		
Repairs and maintenance	**2024**	–	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2023	–	(14.2 thousand)		

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and payable on demand. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

16. **Income Taxes**

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

The components of the Group's net deferred tax liabilities as at September 30, 2024 and 2023, respectively shown in the consolidated statements of financial position are as follows:

	September 30 2024	December 31, 2023
Deferred tax assets:		
Allowance for ECL	**₱164,536**	₱164,627
Revenue from contracts with customers – net	**123,122**	104,125
Pension liability and unamortized past service cost	**109,465**	49,455
Allowance for inventory obsolescence	**36,293**	20,739
Accrued expenses	**30,369**	13,023
Lease liabilities	**6,966**	10,335
Unrealized foreign exchange loss	**–**	–

	September 30 2024	December 31, 2023
	470,751	362,304
Deferred tax liabilities:		
Service concession assets	**(2,107,216)**	(1,870,536)
Unamortized debt issuance costs	**(71,151)**	(16,353)
		–
ROU assets	**(84)**	(105)
Unrealized foreign exchange gain	**–**	–
Others	**(108)**	(105)
	(2,178,559)	(1,887,099)
Deferred tax liabilities – net	**(1,707,808)**	₱ (1,524,795)

Service concession assets consist of concession fees and property, plant and equipment. For income tax purposes, concession fees are amortized using UOP method while property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives or remaining concession period, whichever is shorter.

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of income is summarized as follows:

	2024	2023
Income tax at statutory tax rate of 25%	**₱3,129,534**	₱2,988,700
Add (deduct) the tax effects of:		
Interest income already subjected to final tax	**(66,526)**	(55,409)
Tax impact on change of method of deduction and others	**(556,410)**	(12,414)
Non-deductible expenses and others	**330,998**	(9,017)
Provision for income tax	**₱2,837,596**	₱2,911,860

17. Interest Expense and Other Financing Charges

	September 30 2024	September 30 2023
Interest-bearing loans (see Note 11)	**₱1,284,370**	₱1,361,066
Accretion on service concession obligation payable to MWSS (see Note 10)	**469,327**	523,454
Amortization of debt issuance costs (see Note 11)	**28,878**	27,689
Accretion of customers' deposits	**24,654**	22,734
Accretion on lease liability (see Note 21)	**20,156**	10,797
	₱1,827,385	₱1,945,740

18. **Basic/Diluted Earnings Per Share**

	September 30 2024	September 30 2023
Net income (a)	**₱9,666,404**	₱6,688,223
Weighted average number of shares at end of year for basic earnings per share (b)*	**4,458,482**	4,458,482
Effect of dilution from ESOP shares	**49,154**	51,227
Weighted average number of shares at end of year for diluted earnings per share (c)	**4,507,636**	4,509,709
Basic earnings per share (a/b)	**₱2,168.09**	₱1,500.11
Diluted earnings per share (a/c)	**₱2,144.45**	₱1,483.07

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*

19. **Provisions and Contingencies**

Following are the significant contingencies of the Company as at September 30, 2024 and December 31, 2023:

a. Additional Tranche B Concession Fees and interest penalty are being claimed by MWSS in excess of the amount recommended by the Receiver. Such additional charges being claimed by MWSS (in addition to other miscellaneous claims) amounted to ₱5.0 billion for September 2024 and 2023. The Rehabilitation Court has resolved to deny and disallow the said disputed claims of MWSS in its December 19, 2007 Order, upholding the recommendations of the Receiver on the matter. Following the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve this matter in accordance with the dispute requirements of the TCA (see Notes 3, 7 and 10). A joint committee, with members from Maynilad and MWSS, was formed in June 2016 to prepare a report containing a stipulation of facts, issues, and recommendations on the Disputed Claims. On July 4, 2016, Maynilad submitted to MWSS a Statement of Facts. MWSS has yet to provide Maynilad with its comments.

b. On October 13, 2005, the Parent Company and Manila Water (the "Concessionaires") were jointly assessed by the Municipality of Norzagaray, Bulacan for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. It is the position of the Concessionaires that it is the RoP that owns these properties, and is therefore, exempt from real property taxes.

   On September 5, 2022, the CBAA ruled that the Water Concessionaires and MWSS are not liable for real property tax on the land and common purpose facilities. On October 11, 2022, the Province of Bulacan and Municipality of Norzagaray appealed the CBAA Decision by way of a Petition for Review to the CTA. On May 26, 2023, the CTA En Banc dismissed the Petition without prejudice due to the petitioners' repeated failure to comply with the Rules of Civil Procedure and the lawful orders of the CTA.

   On 22 July 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on 11 July 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 3 May 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated 26 May 2023.

c. On September 17, 2019, Maynilad, through its external counsel, received a copy of the Supreme Court En Banc decision, dated August 6, 2019, in the case of Maynilad vs The Secretary of the Department of Environment and Natural Resources, et al (the "Decision").

The Supreme Court affirmed, with modifications, the decisions of the Court of Appeals finding the Concessionaires and MWSS guilty of violating Section 8 of Republic Act (RA) No. 9275, otherwise known as the ''Philippine Clean Water Act of 2004'' (the "CWA").

For violating Section 8, the Supreme Court upheld the decision of the Pollution Adjudication Board ("PAB") holding each of the Concessionaires jointly and severally liable with the MWSS for a daily penalty of ₱200,000.00 starting May 7, 2009 (the day following the lapse of the five-year period provided in Section 8), or a total of ₱921.5 million for the period May 7, 2009 to August 6, 2019, the date of the Decision's promulgation. The fine is to be paid within 15 days from the time the Decision becomes final. In addition, MWSS and the Concessionaires will be liable for the initial amount of ₱322,102.00/day, subject to a further 10% increase every two years, pursuant to Section 28 of the CWA, until full compliance with the mandate of Section 8. A 6% interest will be imposed on the total amount of the fines should there be a delay in its payment.

On October 2, 2019, Maynilad filed a Motion for Reconsideration of the Decision ("MR") with the Supreme Court.

In the meantime, Maynilad was granted a legislative franchise under Republic Act No. 11600 ("RA 11600") in December 2021 to establish, operate, and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila, including some parts of the Province of Cavite. RA 11600 became effective on January 22, 2022.

On March 10, 2022, Maynilad filed a Manifestation with Motion before the Supreme Court to (i) inform the Supreme Court about RA 11600 which provides, among others, for the achievement of 100% sewerage coverage only in 2037; and (ii) pray for the reversal of the CWA fines, or at the very least, of the fines accruing following the effectivity of RA 11600.

The Supreme Court promulgated the Resolution dated July 19, 2022, which granted, in part, the MR and modified the Decision. While the Supreme Court still found Maynilad (along with Manila Water) and MWSS liable for fines for violating Section 8 of the CWA, the Supreme Court reduced the base amount of the daily penalty to ₱30,000.00, starting from May 7, 2009, and subject to a 10% increase every two years, until January 21, 2022. The total fine amounted to approximately ₱202 million and must be paid within 15 days from receipt of the Resolution so that the same will not earn a 6% interest per annum.

Maynilad attempted twice in November 2022 to settle the fine of approximately ₱202 million with the Environmental Management Bureau ("EMB"), but the latter refused to accept the same. Maynilad later learned that EMB's refusal to accept the payment is due to the filing by PAB of a Motion for Partial Reconsideration of the Decision with the Supreme Court. The PAB prayed for the reinstatement of the daily penalty to ₱200,000.00.

In the meantime, to ensure that Maynilad will not be held liable for interest charges for not paying the fine within 15 days from its receipt of the Resolution, Maynilad informed the Supreme Court on December 5, 2022, by way of a Manifestation, of its tender of payment which the EMB refused. On February 3, 2023, Maynilad received a notice from the Supreme Court (dated January 17, 2023) of a resolution ("Final Resolution"). The Final Resolution (i) affirmed the Resolution, (ii) denied, with finality, the PAB's Motion for Partial Reconsideration, (iii) informed the parties that the Supreme Court will no longer entertain any further pleadings or motions, and

(iv) ordered the entry of judgment immediately. In compliance with the Final Resolution, Maynilad paid EMB on February 15, 2023 the total amount of ₱202.3 million.

The case has been closed and terminated.

d. In 2016, the DENR issued Administrative Order No. 2016-08 ("DAO No. 2016-08") which sets new wastewater guidelines for each type of body of water and also specifies significant effluent quality parameters for each industry based on the most probable pollutant that a type of industry will discharge into the environment. It also sets new significant parameters that have to be complied with before treated wastewater is discharged to receiving bodies of water.

DAO No. 2016-08 provides a grace period for compliance of not more than five years, provided that the establishment submits a Compliance Action Plan ("CAP") and periodic status reports of implementation to the DENR on the steps taken for the establishment's compliance schedule within the prescribed grace period.

Maynilad has 22 wastewater reclamation facilities ("WRF") treating effluents compliant with the previous standards under DAO 35-s.1990. With the effectivity of DAO No. 2016-08 that imposes more stringent standards (biological nutrient removal and fecal coliform), Maynilad would have to incur higher capital and operational expenditures to make its existing WRFs compliant with the new effluent standards. In March 2017, Maynilad submitted to the DENR its CAP to comply with DAO No. 2016-08 and requested, among others, that it be granted the five-year grace period (or until 2021) provided in DAO No. 2016-08 within which to comply with the new effluent standards.

On April 23, 2021, Maynilad wrote the DENR to request for an extension to comply with the approved CAP until 2028. The request for extension is to give Maynilad sufficient time to implement and complete the upgrade of its facilities to comply with DAO No. 2016-08. On June 30, 2021, the DENR issued DAO No. 2021-19 which relaxed certain standards in DAO No. 2016-08.

On July 6, 2021, Maynilad received DENR's letter dated July 1, 2021 advising Maynilad of EMB Memorandum Circular No. 2021-01, which clarified that the grace period began when DAO No. 2016- 08 went into effect. In its letter, the DENR explained that the moratorium or grace period will end on June 18, 2021. However, Maynilad may continue to use its approved CAP since the objective is to ensure compliance with all environmental laws.

On June 30, 2021, the DENR issued DAO 2021-19 updating the water quality guidelines for selected parameters based on current classification of water bodies and its beneficial use, and the effluent standards for selected parameters based on perceived impact to the activities in the area and to the environment. It also provided that any person or establishment requesting for modification of significant effluent quality parameters shall submit to the EMB Central Office the methodology and technical report with justifications containing the required details. A particular parameter, as indicated in Table 8 of DAO 2016-08, may also be excluded in succeeding monitoring periods provided, there is a request for exclusion and certain conditions are met.

On September 1, 2021, Maynilad submitted the updated CAPs for its 21 WRFs and requested for the extension of the respective grace periods for the implementation of the new standards. The Laguna Lake Development Authority ("LLDA") approved Maynilad's updated CAPs and granted additional grace periods for the WRFs to be modified to be able to fully comply with the applicable general effluent standards. The previously granted grace period until

December 31, 2022 has been extended for each WRF, consistent with the effectivity of its discharge permit.

During the prescribed grace period, a moratorium is in effect which includes issuance of cease and desist and/or closure order, fine, and other penalties against the establishment's operations. However, the establishments are not exempt from compliance monitoring and inspections by LLDA. DAO 1990-35 shall apply during the grace period, and each establishment must still comply with all the conditions in its discharge permit.

Maynilad, through its Wastewater Management Division, regularly submits the quarterly CAP update reports to the LLDA.

e. Water for All Reform Movement ("WARM") filed a Petition before the Court of Appeals praying for the issuance of a Writ of Kalikasan to enjoin Maynilad and Manila Water from implementing a combined drainage and sewerage system as it supposedly violates Sections 27 (a) and (e) of the Clean Water Act ("CWA"), which prohibit the direct deposit and transport of sewage into water bodies. WARM additionally claims that the (i) Sanitation Code has already been repealed by the CWA, and (ii) the Concessionaires are in continuing violation of the Writ of Continuing Mandamus issued by the Supreme Court in the Manila Bay Case.

   It is the position of the Water Concessionaires that (i) the Writ of Continuing Mandamus is not a law, (ii) there are no grounds for the issuance of the Writ of Kalikasan, and (iii) the Sanitation Code (which expressly allows the installation of a combined system) has not been repealed by the CWA.

   The Court of Appeals dismissed the Petition filed by WARM, citing that the installation of a combined drainage and sewerage system is allowed under the Sanitation Code. WARM elevated the Court of Appeal's decision via Certiorari to the Supreme Court in 2014. On July 19, 2023, the Parent Company received a copy of the Decision of the Supreme Court denying the petition and affirming the resolutions of the CA.

   The decision which denied the issuance of the Writ of Kalikasan was promulgated by the SC on 28 March 2023. The SC Decision became final and executory and was recorded in the Book of Entries of Judgment on 7 August 2023.

f. The Parent Company is a party to various civil and labor cases relating to breach of contract with damages, illegal dismissal of employees, and nonpayment of back wages, benefits and performance bonus, among others. Other disclosures required by PAS 37 were not provided as it may prejudice Maynilad's position in on-going claims, litigations, and assessments.

---

20. Significant Contracts with Manila Water (East Concessionaire)

In relation to the Concession Agreement, the Parent Company entered into the following contracts with the East Concessionaire:

a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones; and

b. Common Purpose Facilities Agreement that provides for the operation, maintenance, renewal, and, as appropriate, decommissioning of the Common Purpose Facilities, and performance of other functions pursuant to and in accordance with the provisions of the Concession Agreement and performance of such other functions relating to the Concession (and the Concession of the East Concessionaire) as the Parent Company and the East Concessionaire may choose to delegate to the Joint Venture, subject to the approval of MWSS.

c. On January 25, 2022, Maynilad and Manila Water entered into a contract with China International Water and Electric Corp. for the design and build of the proposed Angat Water Transmission Project (Tunnel 5). On February 17, 2022, Maynilad and Manila Water entered into a contract with Dohwa Engineering, Co. Ltd. for the construction management of the proposed Angat Water Transmission Project (Tunnel 5). The Angat Water Transmission Project (Tunnel 5) is part of the MWSS's water security program which aims to provide (i) additional nineteen (19) cubic meters per second of raw water supply, and (ii) improve the reliability and operational flexibility of the Umiray-Angat-Ipo raw water conveyance system.

d. On October 28, 2022, Maynilad and Manila Water entered into a Memorandum of Agreement for the purchase of raw bulk water by the former from the latter at ₱21/cu.m. and treated bulk water at ₱26/cu.m.

e. On February 01, 2024, Maynilad and Manila Water entered 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 PhP40.99 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

For every excess of volume beyond 47MLD, the purchased water rate that will apply is PhP43.00 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

21. **Commitments**

Concession Agreement

Significant commitments under the Concession Agreement follow:

a. To pay Concession Fees (see Note 7)

b. To post Performance Bond (see Note 6)

Under Section 6.10 of the RCA, as amended, the Parent Company is required to post and maintain, throughout the concession period, a performance bond in favor of MWSS to secure the Parent Company's performance of its obligations under certain provisions of the Concession Agreement. The aggregate amount drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates is set out below.

Rate Rebasing Period	Aggregate Amount Drawable Under Performance Bond
	(In Millions)
First (August 1, 1997 – 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 the aggregate annual budgeted expenditures do not exceed ₱200.0 million, subject to CPI adjustments. As a result of the extension of the life of the Concession Agreement, the annual budgeted expenditures shall increase by 100%, subject to CPI adjustments, effective January 2010 (see Notes 1 and 7).

d. To meet certain specific commitments in respect to the provision of water and wastewater services in the West Service Area, unless modified by the MWSS-RO due to unforeseen circumstances.

e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and wastewater system in the West Service Area is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with the Parent Company).

f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property.

g. To ensure that at all times the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Concession Agreement.

h. To prevent incurrence of debt or liability that would mature beyond the Expiration Date.

Failure of the Parent Company to perform any of its obligations under the Concession Agreement of a kind or to a degree which, in a reasonable opinion of the MWSS-RO, amounts to an effective abandonment of the Concession Agreement and which failure continues for at least 7days after written notice from the MWSS-RO, may cause the Concession Agreement to be terminated.

<u>MWSS JBIC Loan (Concession Fee)</u>
The Loan Agreement between the Government and JBIC (formerly OECF) was signed on February 9, 1990. The proceeds of the Loan were used to fund the implementation of the Angat Water Supply Optimization Project (AWSOP), with MWSS as the implementing agency. Prior to privatization, actual drawdowns from the Loan were recorded by MWSS as equity from the

Government while the draws during privatization were assumed and paid by the Concessionaires. The sharing is 61.83% and 38.17% for Maynilad and Manila Water, respectively.

On June 6, 2019, Maynilad received a letter from the MWSS requesting to pay ₱821.0 million ("Invoiced Amount"). Accordingly, Maynilad learned that the drawdowns made on the JBIC Loan prior to the privatization of MWSS's operations are considered loans and not equity as formerly advised. MWSS's request for the Concessionaires to pay was triggered by an instruction from the DOF to the Bureau of Treasury, to have the Concessionaires reimburse the Government for the latter's payments on the JBIC Loan.

Maynilad replied to MWSS on July 1, 2019 and clarified the Invoiced Amount. Maynilad's position is to pay only ₱677.0 million because (ii) Maynilad remitted to the MWSS ₱113.0 million representing Guarantee Fees based on MWSS's invoice. However, the JBIC Loan makes no reference to and does not include the payment of Guarantee Fees, the borrower being the Government itself. This being the case, the Guarantee Fees that Maynilad remitted to MWSS must be set off or applied against the Invoiced Amount; and (2) while Maynilad always pays the foreign exchange shortfall in the debt servicing of MWSS-contracted loans, there is no need for Maynilad to pay the Forex Shortfall of ₱31.0 million in the JBIC Loan catch-up payment. The difference in the foreign exchange rate (from Japanese Yen to Philippine Peso) has already been captured and reflected in the total peso amount billed by the Bureau of Treasury.

Further, Maynilad also requested to pay ₱677.0 million in eight monthly instalments of ₱84.6 million to commence in July 2019 until February 2020, to coincide with the full payment/ maturity of the JBIC Loan.

As communicated by MWSS-Finance on July 17, 2019, Maynilad can pay based on the requested amount and schedule while waiting for the response of the Bureau of Treasury concerning the guarantee fee and shortfall. Maynilad paid the first installment on July 30, 2019.

The last installment for JBIC Loan was paid on February 18, 2020. As at September 30, 2024, Bureau of Treasury has yet to respond to the Company's letter concerning the guarantee fee and shortfall.

<u>Leases</u>

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:

	September 30 2024	December 31 2023
Depreciation expense of ROU assets	**₱113,184**	₱176,610
Interest expense on lease liabilities	**20,156**	35,356
Expense relating to short-term leases	**45,915**	79,685
Expense relating to low-value assets	**25,298**	9,432
	₱204,553	₱301,083

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

	September 30 2024	December 31 2023
Balance at the beginning of the period	**₱436,438**	₱281,529
Additions during the period	**78,225**	329,361
Payments	**(120,134)**	(209,808)
Accretion of interest	**20,156**	35,356
Balance at end of the period	**414,685**	436,438
Less current lease liabilities	**109,804**	155,865
Noncurrent lease liabilities (Note 24)	**₱304,881**	₱280,573

As at September 30, 2024 and 2023, the current portion of lease liabilities are presented under "Trade and other payables" and the noncurrent portion of lease liabilities are presented under "Other noncurrent liabilities" in the consolidated statements of the financial position.

Most of the contracts of leased by the Group have stipulations stating that renewal of lease is subject to mutual agreement of both the lessor and the lessee. As such, it is not reasonably certain that the Company will exercise the option to extend the lease since the extension is considered unenforceable.

The approximate annual future minimum lease payable of the Company under its existing non-cancellable lease agreements as a lessor as at September 30, 2024 and December 31, 2023 are as follows:

	September 30 2024	December 31 2023
	(In Millions)	
1 year	**₱48.3**	₱177.1
more than 1 years to 2 years	**106.6**	90.4
more than 2 years to 3 years	**102.9**	83.5
more than 3 years to 4 years	**86.4**	67.1
more than 4 years to 5 years	**31.3**	11.7
more than 5 years	**72.6**	72.6

22. **Assets Held in Trust**

Assets which are owned by MWSS but are used in the operations of the Parent Company under the Concession Agreement are not reflected in the consolidated statements of financial position but carried as Assets Held in Trust, except for certain assets transferred to the Parent Company.

Materials and Supplies
The Parent Company has the right to use any items of inventory owned by MWSS in carrying out its responsibility under the Concession Agreement, subject to the obligation to return the same at the end of the concession period, in kind or in value at its current rate, subject to CPI adjustments.

Facilities
The Parent Company has been granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and wastewater services under the Concession Agreement. MWSS shall retain legal title to all movable property in

existence at the Commencement Date. However, upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company (see Note 7).

The Concession Agreement also provides the Parent Company and the East Concessionaire to have equal access to MWSS facilities involved in the provision of water supply and wastewater services in both West and East Service Areas including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS' closing audit report amounted to ₱7.3 billion with a sound value of ₱13.8 billion.

Beginning at the Commencement Date, MWSS' corporate headquarters were made available for a one-year lease to the Parent Company and the East Concessionaire, subject to renewal with the consent of the parties concerned. The current lease covers up to December 31, 2024. Lease payments amounted to ₱68.3 million and ₱77.8 million as at September 30, 2024, and December 31, 2023, respectively (see Note 21).

23. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments are its debts to the local banks and concession fees payable to MWSS per Concession Agreement. Other financial instruments of the Company are cash and cash equivalents, and trade and other receivables. The main purpose of those financial instruments is to finance the Company's operations.

The main risks arising from the Company's principal financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves the policies for managing the Company's financial risks.
The Company monitors risks arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Company'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 Term Loan (1st drawdown)	Fixed rate benchmark (6.00%, March 2, 2015 to March 2, 2035)
₱4.8 billion Term Loan (2nd drawdown)	Fixed rate benchmark (6.00%, October 4, 2016 to March 2, 2035)
₱4.8 billion Term Loan (3rd drawdown)	Fixed rate benchmark (6.00%, August 1, 2017 to March 2, 2035)
₱4.8 billion Term Loan (4th drawdown)	Fixed rate benchmark (6.00%, March 5, 2018 to March 2, 2035)
₱18.5 billion Fixed Corporate Notes - 7Y (1st drawdown)	Fixed rate benchmark+0.60% (6.3836%, March 23, 2018 to March 23, 2025)
₱18.5 billion Fixed Corporate Notes - 10Y (1st drawdown)	Fixed rate benchmark+0.70% (6.8229%, March 23, 2018 to March 23, 2028)

₱18.5 billion Fixed Corporate Notes - 15Y (1st drawdown)	Fixed rate benchmark+0.60% (6.4920%, March 23, 2018 to March 23, 2026)
₱18.5 billion Fixed Corporate Notes - 7Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5083%, April 27, 2018 to March 23, 2025)
₱18.5 billion Fixed Corporate Notes - 10Y (2nd drawdown)	Fixed rate benchmark+0.70% (6.8388%, April 27, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5489%, April 27, 2018 to March 23, 2026)
¥7.9 billion Facility Loan (1st drawdown)	Fixed rate benchmark+spread (August 20, 2018 to June 7, 2027)
¥7.9 billion Facility Loan (2nd drawdown)	Fixed rate benchmark+spread (November 28, 2018 to June 7, 2027)
₱1.4 billion Facility Loan (1st drawdown)	Fixed rate benchmark (May 18, 2018 to October 15, 2024)
₱1.4 billion Facility Loan (2nd drawdown)	Fixed rate benchmark (September 25, 2018 to October 15, 2024)
₱1.4 billion Facility Loan (3rd drawdown)	Fixed rate benchmark (December 21, 2018 to October 15, 2024)
¥13.1 billion Facility Loan (¥2.9 billion drawdown)	Fixed rate benchmark (April 2, 2019 to October 10, 2034)
¥13.1 billion Facility Loan (¥10.2 billion drawdown)	Fixed rate benchmark (June 23, 2023 to October 10, 2034)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (4.95%, November 29, 2019 to November 29, 2024)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (5.4992%, August 12, 2022 to August 12, 2025)
₱4.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (7.0036%, November 10, 2022 to November 10, 2025)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.65% (7.1581%, November 17, 2022 to November 17, 2025)
₱10.0 billion Term Loan Facility (1st drawdown)	Fixed rate benchmark (6.4059%, May 11, 2023 to May 11, 2028)
₱10.0 billion Term Loan Facility (2nd drawdown)	Fixed rate benchmark (7.0006%, October 3, 2023 to May 11, 2028)
₱5.0 billion Term Loan Facility	Fixed rate benchmark
15.0 billion Blue Bonds	Fixed rate benchmark
Series A: 9.0 billion	(6.71%, July 12, 2024 to July 12, 2029)
Series B: 6.0 billion	(7.09%, July 12, 2024 to July 12, 2034)
Peso-denominated Bank Loan	Fixed rate benchmark (5.50%, June 29, 2015 to June 29, 2025)

Interest on financial liabilities classified as fixed rate is fixed until the maturity of the instrument.

The following tables show information about the Company's financial assets and financial liabilities that are exposed to cash flow and fair value interest rate risks.

	September 30, 2024	
	Within 1 Year	**Total**
Short-term cash investments – Cash and cash equivalents (1-90 days) *	**₱19,578,032**	**₱19,578,032**

**Excludes cash on hand amounting to ₱6,287.*

	December 31, 2023	
	Within 1 Year	Total
Short-term cash investments – Cash and cash equivalents (1-90 days) *	₱4,898,828	₱4,898,828

**Excludes cash on hand amounting to ₱3,728.*

	September 30, 2024				
	Within 1 Year	**More than 1 Year**	**Total (In US$)**	**Total (In ¥)**	**Total (In ₱)**
Liabilities:					
Interest–bearing loans:					
Interest rate	**6.00%, 6.38%, 6.82%, 6.49%, 6.50%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16%, 6.41%, 7.00%, 6.60% and 5.50%**	**6.00%, 6.38%, 6.82%, 6.49%, 6.50%,6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16%, 6.41%, 7.00%, 6.60% and 5.50%**			
Current – foreign	**¥1,940,739**	**–**	**–**	**¥1,940,739**	**762,516**
Current – local	**3,534,278**	**–**	**–**	**–**	**3,534,278**
Noncurrent – foreign	**–**	**¥13,660,225**	**–**	**13,660,225**	**5,367,102**
Noncurrent – local	**–**	**75,342,312**	**–**	**–**	**75,275,701**
					84,939,597
Service concession obligation payable to MWSS:					
Interest rate	**7.05%**				
Current – foreign	**$6,887**	**–**	**$6,887**	**–**	**385,861**
Current – local	**703,119₱**	**–**	**–**	**–**	**703,119**
Noncurrent – foreign	**–**	**$63,925**	**$63,925**	**–**	**3,581,693**
Noncurrent – local	**–**	**2,589,810₱**	**–**	**–**	**2,589,810**
					7,260,483
					92,200,080

The spot exchange rates used were 56.03₱:US$1 and ₱0.3929: JPY1 as at September30, 2024.

	2023				
	Within 1 Year	More than 1 Year	Total (In US$)	Total (In ¥)	Total (In ₱)
Liabilities:					
Interest-bearing loans:					
Interest rate	6.00%, 6.38%, 6.82%, 6.49%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16%, 6.41%, 7.00%, 6.60% and 5.50%	6.00%, 6.38%, 6.82%, 6.49%, 6.51%, 6.84%, 6.55%, 4.95%, 5.50%, 7.00%, 7.16%, 6.41%, 7.00%, 6.60% and 5.50%			
Current foreign	¥1,611,965	–	–	¥1,611,965	₱633,502
Current-local	₱1,954,158	–	–	–	1,954,158
Noncurrent - foreign	–	¥14,794,981	–	14,794,981	5,814,428
Noncurrent – local	–	₱53,399,810	–	–	53,399,810
					61,801,898
Service concession obligation payable to MWSS:					
Interest rate	9.48%				
Current – foreign	$3,266	–	$3,266	–	₱180,836
Current – local	₱693,725	–	–	–	693,725
Noncurrent – foreign	–	$70,738	$70,738	–	3,916,744
Noncurrent – local	–	₱2,572,292	–	–	2,572,292
					7,363,597
					₱69,165,495

The spot exchange rates used were ₱55.37:US$1 and ₱0.393: JPY1 as at December 31, 2023.

Foreign Currency Risk

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

The Company's foreign currency risk arises primarily from movements of the Philippine Peso against the United States Dollar and Japanese Yen. The servicing of foreign currency denominated loans of MWSS is among the requirements of the Concession Agreement. Revenues are generated in Philippine Peso. However, there is a mechanism in place as part of the Concession Agreement wherein the Company (or the end consumers) can recover currency fluctuations through the FCDA that is approved by the RO.

Information on the Company's foreign currency-denominated monetary assets and liabilities and the Philippine Peso equivalent of each as at September 30, 2024 and December 31, 2023 is presented as follows:

	September 30, 2024		
	US Dollar	**JPY**	**Total Peso Equivalent**
Asset			
Cash and cash equivalents and restricted cash	**$1,967**	**¥11,292**	**₱114,655**
Liabilities			
Interest–bearing loans	**$–**	**¥15,600,964**	**6,129,619**
Service concession obligation payable to MWSS	**$70,811**	**–**	**3,967,554**
	$70,811	**15,600,964**	**10,097,173**
Net foreign currency denominated liabilities	**($68,844)**	**(¥ 15,589,672)**	**(₱9,982,518)**

The spot exchange rates used were ₱56.03 US$1 and ₱0.3929: JPY1 as at September 30, 2024.

	December 31, 2023		
	US Dollar	JPY	Total Peso Equivalent
Asset			
Cash and cash equivalents and restricted cash	$2,962	¥11,461	₱168,530
Liabilities			
Interest–bearing loans	$–	¥16,406,947	₱6,447,930
Service concession obligation payable to MWSS	74,004	–	4,097,580
	74,004	**16,406,947**	**10,545,510**
Net foreign currency denominated liabilities	**($71,042)**	**(¥16,395,486)**	**(₱10,376,980)**

The spot exchange rates used were ₱55.37:US$1 and ₱0.393: JPY1 as at December 31, 2023.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as at September 30, 2024 and 2023. The estimates in the movement of the foreign exchange rates were based on the management's annual financial forecast.

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	**Foreign Exchange Rate**	**Effect on Income Before Income Tax**
September 30 2024			
U.S Dollar	**+1%**	**56.03**	**(38,573)**
JPY	**-1%**	**0.39**	**(61,252)**
U.S Dollar	**+1%**	**56.03**	**38,573**
JPY	**-1%**	**0.39**	**61,252**

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	Foreign Exchange Rate	Effect on Income Before Income Tax
2023			
U.S Dollar	+1%	56.03	(₱38,573)
JPY	-1%	0.39	(61,252)
U.S Dollar	+1%	56.03	38,573
JPY	-1%	0.39	61,252

The Company recognized net foreign exchange loss and gain of ₱1.2 billion in September 30, 2024 and December 31, 2023, 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 Company trades only with recognized, creditworthy third parties. Because of the basic need service, it provides, historical collections of the Company are relatively high. Credit exposure is widely dispersed. Receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Company, consisting of cash and cash equivalents, deposits and restricted cash and deposits, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company transacts only with institutions or banks which have demonstrated financial soundness for the past five years.

Maximum exposure to credit risk of financial assets not subject to impairment
The Company has unquoted equity shares measured at fair value through other comprehensive income amounting to ₱124.9 million as at September 30, 2024 and December 31, 2023 (see Note 9).

Maximum exposure to credit risk of financial assets subject to impairment
The table below shows the maximum exposure to credit risk for the Company's financial instruments (amounts in thousands):

	2024	2023
Cash and cash equivalents* (see Note 4)	**₱19,578,032**	₱4,898,828
Trade and other receivables - net (see Note 5)	**2,934,575**	2,418,070
Contract assets (see Note 14)	**1,418,984**	1,205,041
Deposits and restricted cash (see Note 6)	**238,308**	237,990
Deposits**	**466,192**	373,785
Total credit risk exposure	**₱24,636,091**	₱9,133,714

**Excludes cash on hand amounting to ₱6,287 and ₱3,728 as at September 30, 2024 and December 31, 2023, respectively.*

***Included as part of "Other noncurrent assets" in the consolidated statements of financial position.*

The table below shows the maximum exposure to credit risk for the Company's financial instruments by credit rating grades (amounts in thousands).

	2024				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱19,816,340	₱–	₱737,900	₱4,284,884	₱24,839,124
Standard grade	1,076,001	26,602	125,672	2,318	1,235,303
Gross carrying amount	20,897,051	26,602	863,572	4,287,202	26,074,427
Loss allowance	(9,723)	–	(863,572)	(565,041)	(1,438,336)
Carrying amount	₱ 20,887,328	₱26,602	₱–	₱ 3,722,161	₱24,636,091

	2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱5,136,818	₱–	₱821,084	₱3,656,944	₱9,614,846
Standard grade	814,900	26,602	115,194	3,660	960,356
Gross carrying amount	5,951,718	26,602	936,278	3,660,604	10,575,202
Loss allowance	(9,723)	–	(936,278)	(495,487)	(1,441,488)
Carrying amount	₱5,941,995	₱26,602	₱–	₱3,165,117	₱9,133,714

Aging analysis of past due but not impaired financial assets per class

As at September 30, 2024 and December 31, 2023, the credit quality per class of trade and other receivables and contract assets using a provision matrix (amounts in thousands):

.	2024				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Customers	₱1,922,547	₱1,625,914	₱–	₱–	₱3,548,461
Bulk	6,486	170,974	–	–	177,461
Contract assets	–	1,418,984	–	–	1,418,984
	–	60,307	–	–	60,307
Employees					
Others	228,295	358,387	–	–	586,682
Total	₱2,157,328	₱3,634,567	₱–	₱–	₱5,791,895

.	2023				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Customers	₱1,882,593	₱1,408,342	₱–	₱–	₱3,290,935
Bulk	16,649	85,157	–	–	101,806
Contract assets	–	1,205,041	–	–	1,205,041
Employees	–	46,994	–	–	46,994
Others	265,616	154,207	–	–	419,823
Total	₱2,164,858	₱2,899,741	₱–	₱–	₱5,064,599

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 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.

Excessive risk concentration
Given the Company's diverse base of counterparties in its financial assets, it is not exposed to large or excessive concentrations of credit risk in any geographical region or industry.

Write-off policy
The Company writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company writes off an account when any of the following conditions is met:

- unpaid bill(s) of former owner/tenant who can no longer be found. The amount to be written off shall be net of any customer deposit posted by the previous owner/tenant;
- the customer is deceased and left no estate, or the heir is not financially capable of settling the account;
- the unpaid bill(s) of a customer who has been declared bankrupt by the court;
- the filing of legal action to collect the unpaid bill(s) does not seem prudent under the circumstances, as determined by the Legal and Regulatory Affairs ("LRA");
- a final judgment favoring the customer was issued in a case filed against the customer for collection of money. In this case, the amount to be written off shall be equal to the amount recommended by the court;
- any unpaid bills(s), more than three years old, of disconnected services and which remain uncollected after exerting all diligent efforts, as supported by the disconnection letter and/or demand letter; and
- the water service connection no longer exists, and the customer has no other account with Maynilad.

The Company also monitors loans written-off and any recoveries made. There are no written- off receivables during the current year.

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 Company 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 Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank drafts, bank loans and debentures.

The tables below summarize the maturity profile of the Company’s financial liabilities as at September 30, 2024 and 2023 based on contractual undiscounted payments.

	September 30, 2024				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due after 12 Months**	**Total**
Interest-bearing loans*	**₱–**	**1,622,397**	**3,478,646**	**80,642,803**	**85,743,846**
Trade and other payables**	**404,478**	**5,584,696**	**8,823,280**	**7,989,957**	**22,802,411**
Service concession obligation payable to MWSS	**607,217**	**481,762**	–	**6,171,504**	**7,260,483**
Customers’ deposits	–	–	–	**591,105**	**591,105**
Lease liabilities***	–	**48,261**	**61,543**	**304,881**	**414,685**
	1,011,695	**7,737,116**	**12,363,469**	**95,700,250**	**116,812,530**

**Principal plus interest payment*
***Excludes taxes payable, interest payable and current portion of lease liability.*
****Current portion is presented under "Trade and other payables" account and noncurrent portion is presented under "Other noncurrent liabilities" account.*

	2023				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Interest-bearing loans*	₱–	₱861,486	₱2,434,914	₱59,214,238	₱62,510,638
Trade and other payables**	703,913	4,418,038	7,188,584	7,126,096	19,436,631
Service concession obligation payable to MWSS	607,217	267,344	–	6,489,036	7,363,597
Customers’ deposits	–	–	–	548,618	548,618
Lease liabilities***	–	44,961	110,904	280,573	436,438
	₱1,311,130	₱5,591,829	₱9,734,402	₱73,658,561	₱90,295,922

**Principal plus interest payment*
***Excludes taxes payable, interest payable and current portion of lease liability.*
****Current portion is presented under "Trade and other payables" account and noncurrent portion is presented under "Other noncurrent liabilities" account.*

The table below shows the maturity profile of the Company’s financial assets based on contractual undiscounted cash flows as at September 30, 2024 and 2023:

	September 30, 2024				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due after 12 Months**	**Total**
Cash and cash equivalents	**₱ 3,804,620**	**₱15,779,699**	**-**	**-**	**₱19,584,319**
Trade and other receivables	**851,572**	**2,083,003**	**-**	**-**	**2,934,575**
Contract assets	**-**	**1,418,984**	**-**	**-**	**1,418,984**
Deposits and restricted cash	**-**	**-**	**238,308**	**-**	**238,308**
Financial assets at FVOCI	**124,864**	**-**	**-**	**-**	**124,864**
Deposits	**-**	**-**	**-**	**466,192**	**466,192**
	₱4,781,056	**₱19,281,686**	**₱238,308**	**₱466,192**	**₱24,767,242**

	2023				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Cash and cash equivalents	₱3,102,857	₱1,799,699	₱–	₱–	₱4,902,556
Trade and other receivables	843,524	1,574,546	–	–	2,418,070
Contract assets	–	1,205,041	–	–	1,205,041
Deposits and restricted cash	–	–	237,990	–	237,990
Financial assets at FVOCI	124,864	–	–	–	124,864
Deposits	–	–	–	373,785	373,785
	₱4,071,245	₱4,579,286	₱237,990	₱373,785	₱9,262,306

Capital Management

The primary objective of the Company's capital management strategy is to ensure that it maintains a healthy capital structure in order to maintain a strong credit standing while it maximizes shareholder value.

The Company closely manages its capital structure vis-a-vis a certain target gearing ratio, which is net debt divided by total capital plus net debt. The Company's target gearing ratio is not to exceed 75%. This target is to be maintained over the next five years by managing the Company's level of borrowings and dividend payments to shareholders.

For purposes of computing its net debt, the Company includes the outstanding balance of its long-term interest-bearing loans, service concession obligation payable to MWSS and trade and other payables, less the outstanding cash and cash equivalents, deposits and restricted cash.

To compute its capital, the Company uses net equity:

	September 30 2024	December 31 2023
Interest-bearing loans and service concession obligation payable to MWSS (see Notes 10 and 11)	**92,200,080**	₱69,165,495
Trade and other payables (see Note 12)	**24,185,221**	21,098,407
Less cash and cash equivalents, deposits and restricted cash (see Notes 4 and 6)	**(19,822,627)**	(5,140,546)
Net debt (a)	**96,562,674**	85,123,356
Net equity	**72,717,040**	68,170,300
Net equity and debt (b)	**₱169,279,714**	₱153,293,656
Gearing ratio (a/b)	**57%**	56%

For the purposes of monitoring debt ratio covenants, the Company computes using both interest-bearing debt and total liabilities. The Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

24. **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 September 30, 2024 and December 31, 2023:

	September 30, 2024			
	Carrying value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level2)**	**Significant unobservable inputs (Level 3)**
Financial Assets				
At fair value through other comprehensive income	**₱124,864**	**₱–**	**₱–**	**₱124,864**
At amortized cost - Deposits (included under "Other noncurrent assets" account)	**466,192**	–	–	**397,962**
	591,056	**₱–**	**₱–**	**522,826**
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	**84,939,597**	**₱–**	**₱–**	**88,600,381**
Service concession obligation payable to MWSS	**7,260,483**	–	–	**7,887,875**
Customers' deposits	**591,105**	–	–	**371,780**
Lease liabilities	**414,685**	–	–	**392,700**
	93,205,871	**₱–**	**₱–**	**97,252,736**

	2023			
	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level 3)
Financial Assets				
At fair value through other comprehensive income	₱124,864	₱–	₱–	₱124,864
At amortized cost - Deposits (included under "Other noncurrent assets" account)	373,785	–	–	307,536
	₱498,649	₱–	₱–	₱432,400
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	₱61,801,898	₱–	₱–	₱63,888,017
Service concession obligation payable to MWSS	7,363,597	–	–	9,582,116
Customers' deposits	548,618	–	–	329,360
Lease liabilities	436,438	–	–	436,722
	₱70,150,551	₱–	₱–	₱74,236,215

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

Cash and Cash Equivalents, Trade and Other Receivables, Deposits and Restricted Cash, and Trade and Other Payables. Due to the short-term nature of these transactions, the carrying values approximate the fair values as at the reporting date. These are carried at amortized cost.

Financial Assets at FVOCI. Fair value is equivalent to the carrying value because the Company's financial assets at FVOCI pertain to unquoted equity investments.

Interest-bearing Loans. For floating rate loans, the carrying value approximates the estimated fair value as at the reporting date due to quarterly repricing of interest rates. For fixed rate loans, the estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Deposits, Service Concession Obligation Payable to MWSS, Customers' Deposits and Lease Liabilities. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

During the years ended December 31, 2023 and 2022, 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:

	September 30 2024	December 31 2023
Deposits	**6.07%-6.82%**	5.87%-6.11%
Interest bearing loans	**2.75-6.05%**	5.15%-6.03%
Interest bearing bonds	**5.83%-5.95%**	-
Service concession obligation payable to MWSS	**4.8%-8.3%**	2.5%-18.78%
Customers' deposits	**5.91%**	6.11%
Lease liabilities	**5.13%-5.74%**	5.12%-6.01%

25. Supplemental Disclosure of Cash Flow Information

The noncash operating activities pertain to MWSS loan drawdowns for Bigte-Novaliches Aqueduct No. 7 (BNAQ7) and Kaliwa Dam Project amounting to 278.1 million and ₱713.5 million in September 30, 2024 and December 31, 2023, respectively. Borrowing costs capitalized as part of service concession assets amounted to ₱2,060.2 million and ₱1,356.6 million in September 30, 2024 and December 31, 2023, respectively (see Note 7).

26. Changes in Liabilities Arising from Financing Activities

	January 1, 2024	Cash Flows	Foreign Exchange Movement	Other*	September 30, 2024
Short-term and current portion of interest-bearing loans (Note 11)	**₱2,587,660**	**₱(1,641,296)**		**₱3,350,430**	**₱4,296,794**
Noncurrent portion of interest-bearing loans and bonds (Note 11)	**59,214,238**	**24,742,525**	**(15,570)**	**(3,298,390)**	**80,642,803**
Current portion of service concession obligation payable to MWSS (Note 10)	**874,561**	**(943,099)**	**174,026**	**983,491**	**1,088,979**
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,489,036**	–	**53,892**	**(371,424)**	**6,171,504**
Interest payable	**708,740**	**(2,842,898)**	**(231,680)**	**3,353,094**	**987,256**
Lease liabilities (Notes 2 and 22)	**436,438**	**(120,134)**	–	**98,381**	**414,685**
Dividends payable (Note 13)	**3,462**	**(4,503,855)**		**4,505,000**	**4,577**
Total liabilities from financing activities	**₱70,314,135**	**₱14,691,213**	**₱(19,332)**	**₱8,620,581**	**₱93,606,597**

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

	January 1, 2023	Cash Flows	Foreign Exchange Movement	Other*	December 31, 2023
Short-term and current portion of interest-bearing loans (Note 11)	**₱3,806,311**	(₱3,804,755)	₱–	₱2,586,104	**₱2,587,660**
Noncurrent portion of interest-bearing loans (Note 11)	**43,107,785**	18,829,316	(147,129)	(2,575,734)	**59,214,238**
Current portion of service concession obligation payable to MWSS (Note 10)	**940,917**	(927,222)	161,557	699,309	**874,561**
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,069,162**	–	(82,138)	502,012	**6,489,036**
Interest payable	**615,876**	(2,805,164)	(203,532)	3,101,560	**708,740**
Lease liabilities (Notes 2 and 22)	**281,529**	(209,808)	–	364,717	**436,438**
Dividends payable (Note 13)	**3,185**	(3,599,723)	–	3,600,000	**3,462**
Total liabilities from financing activities	**₱54,824,765**	**₱7,482,644**	**(₱271,242)**	**₱8,277,968**	**₱70,314,135**

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

PART I--FINANCIAL INFORMATION

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

Period ended 30 September 2024 compared against the period ended 30 September 2023

Revenues

Total Revenues, which is primarily comprised of revenues from water and wastewater services, grew by ₱4,976.0 million or 24.5% to ₱25,245.3 million for the period ended 30 September 2024 compared to ₱20,269.3 million for the period ended 30 September 2023 on account of (i) the second tranche of the staggered implementation of the MWSS-approved basic rate adjustment effective January 1, 2024, and (ii) higher billed volume. The higher billed volume for the period ended 30 September 2024 was driven by increased demand, coupled with higher water production and improved supply availability. Increases in other revenues, which account for the balance, is driven by higher re-opening fees as the Company intensified the disconnection of services to non-paying customers.

	For the periods ended 30		Increase (Decrease)		% of Total Revenues	
In PHP000s	**2024**	**2023**	**Amount**	**%**	**2024**	**2023**
OPERATING REVENUE						
Water Services	20,715,616	16,639,691	4,075,925	24.5%	82.1%	82.1%
Wastewater Services	4,357,249	3,503,065	854,184	24.4%	17.3%	17.3%
Total Service Revenues	25,072,865	20,142,756	4,930,109	24.5%	99.3%	99.4%
Other Fees & Services	172,457	126,540	45,917	36.3%	0.7%	0.6%
	25,245,323	20,269,296	4,976,026	24.5%	100.0%	100.0%

As to billed volume generated to customers reached 416.5 million cubic meters (mcm) for the 9-months period ended 30 September 2024 or an increase of 13.7 mcm, or 3.4% compared to 402.9 mcm for the same period ended 30 September 2023.

On the other hand, water supply in mcm was 697.69 for the 9-months period ended 30 September 2024 or a decrease of 9.50 mcm, or 1.3% lower compared to 707.2 mcm for the same period ended 30 September 2023.

Average tariff per cubic meter (cm) is ₱57.61 for the period ended 30 September 2024, compared to ₱47.08 for the same period ended 30 September 2023. While average cash cost per cm is ₱17.76 in 30 September 2024 or ₱0.18 higher than 30 September 2023 at ₱17.58 or 1% increase.

	Actual AO	Actual AO	Vs. Last Year	
Operational Indicators	**Sep-24**	Sep-23	mcm	%
Water Supply (mcm)	**697.69**	707.19	(9.50)	(1.3%)
Water Billed Volume (mcm)	**416.54**	402.88	13.66	3.4%
% Water Billed to Supply	**72.57%**	69.45%	0.03	4.5%
Non-Revenue Water (%) DMA	**27.43%**	30.55%	(0.03)	(10.2%)
Non-Revenue Water (%) Total	**40.27%**	43.12%	(0.03)	(6.6%)
Billed Water Services	**1,541,004**	1,527,534	13,470.22	0.9%
Average CM per Day	**0.99**	0.97	0.02	1.7%

Costs and Expenses

Consolidated costs and expenses increased by ₱301.4 million or 4.3% to ₱7,382.1 million for the period ended 30 September 2024 compared to ₱7,080.7 million for the period ended 30 September 2023.

In PHP000s	For the periods ended 30 2024	2023	Increase (Decrease) Amount	%	% of Total Revenues 2024	2023
Personnel Cost	2,006,578	1,604,650	401,929	25.0%	7.9%	7.9%
Light & Power	1,078,375	1,201,405	(123,030)	(10.2%)	4.3%	5.9%
Water Treatment Chemicals	657,467	540,705	116,761	21.6%	2.6%	2.7%
Outside Services	886,427	849,183	37,244	4.4%	3.5%	4.2%
Repairs and Maintenance	565,384	637,400	(72,015)	(11.3%)	2.2%	3.1%
Purchased Water	252,749	437,229	(184,482)	(42.2%)	1.0%	2.2%
Real Estate Tax	61,945	47,073	14,872	31.6%	0.2%	0.2%
Franchise Tax	492,855	400,704	92,151	23.0%	2.0%	2.0%
Local Franchise/Business Tax	186,381	155,711	30,670	19.7%	0.7%	0.8%
Representation & Entertainment	104,616	128,063	(23,447)	(18.3%)	0.4%	0.6%
Transport/Fuel & Oil	132,266	97,483	34,783	35.7%	0.5%	0.5%
MWSS MOE	210,661	181,351	29,310	16.2%	0.8%	0.9%
Others	762,899	772,440	(9,541)	(1.2%)	3.0%	3.8%
COSTS AND EXPENSES	7,398,603	7,053,399	345,204	4.9%	29.3%	34.8%

Personnel cost includes salaries, wages, and benefits increased by ₱401.9 million, or 25.0%, to ₱2,006.6 million for the period ended 30 September 2024, compared to ₱1,604.6 million for the period ended 30 September 2023. The increase is mainly attributable to increased headcount, the accrual for personnel-related costs, and higher employer contributions due to increase in Philheath premiums.

Light and power went down by ₱123.0 million, or 10.2%, to ₱1,078.4 million for the period ended 30 September 2024, compared to ₱1,201.4 million for the period ended 30 September 2023. The reduction is primarily due to the lower rate of Fuel Cost Recovery Adjustment charged by Meralco and lower electric consumption in some areas of operations.

Water treatment chemicals expenses increased by ₱116.8 million, or 21.6%, to ₱657.5 million for the period ended 30 September 2024, compared to ₱540.7 million for the period ended 30 September 2023. The increase is a combination of higher unit prices and higher consumption of chemicals at the water treatment plants as raw water turbidity is higher compared to last year.

Expenses for outside services increased by ₱37.2 million, or 4.4%, to ₱886.4 million for the period ended 30 September 2024, compared to ₱849.2 million for the period ended 30 September 2023. The increase is because of (i) higher costs of janitorial and security services; and (ii) hauling services for Putatan water treatment plants.

The cost of repairs and maintenance decreased by ₱72.0 million, or 11.3%, to ₱565.4 million for the period ended 30 September 2024, compared to ₱637.4 million for the period ended 30 September 2023. There were major maintenance activities done to prepare for the *amihan* season in 2023, which were no longer undertaken in 2024.

Purchased water costs decreased by ₱184.5 million, or 42.2%, to ₱252.8 million for the period ended 30 September 2024, compared to ₱437.2 million for the period ended 30 September 2023. This decrease is primarily due to lower purchased water in 2024 as MWCI stopped selling raw water (cross portal) since Feb 2024 because of low level of La Mesa dam.

Taxes and licenses, which includes real estate tax, franchise tax and local business taxes, increased by ₱137.7 million, or 22.8%, to ₱741.2 million for the period ended 30 September 2024, compared to ₱603.5 million for the period ended 30 September 2023. The increase is mainly on account of higher national franchise tax due to higher gross receipts and new tax declarations on real property on Maynilad's building and machineries in various facilities.

Expenses for business meetings and representations were lower by ₱23.5 million, or 18.3%, to ₱104.6 million for the period ended 30 September 2024, compared to ₱128.1 million for the period ended 30 September 2023. The net lower spending in expenses is mainly from management meetings and general assemblies which were to cascade the service obligation targets, and payments for employee recognition initiatives offset with savings on representation expenses.

Transportation and travel increased by ₱34.8 million, or 35.7%, to ₱132.3 million for the period ended 30 September 2024, compared to ₱97.5 million for the period ended 30 September 2023. The increase is primarily due to higher fuel prices in 2024 compared to 2023.

MWSS MOE represents Maynilad's share on the maintenance and operating expenses (MOE) of MWSS. Expenses increased in 2024 by ₱29.3 million, or 16.2%, to ₱210.7 million for the period ended 30 September 2024, compared to ₱181.4 million for the period ended 30 September 2023.

Other expenses decreased by ₱9.5 million, or 1.2%, to ₱762.9 million for the period ended 30 September 2024, compared to ₱772.4 million for the period ended 30 September 2023. The net lower expenses in 2024 is driven by lesser donations made in 2024 compared to 2023, partly offset by higher spending in professional fees and supplies in 2024.

Income before Other Income (Expenses)

With the foregoing, income before other income (expenses) increased by ₱4,360.8 million, or 35.0%, to ₱17,846.7 million for the period ended 30 September 2024, compared to ₱13,215.9 million for the period ended 30 September 2023.

	For the periods ended 30		Increase (Decrease)		% of Total Revenues	
In PHP000s	2024	2023	Amount	%	2024	2023
OPERATING REVENUE	25,245,323	20,269,296	4,976,026	24.5%	100.0%	100.0%
COSTS AND EXPENSES	7,398,603	7,053,399	345,204	4.9%	29.3%	34.8%
INCOME BEFORE OTHER INCOME (EXPENSES)	**17,846,719**	**13,215,897**	**4,630,822**	**35.0%**	**70.7%**	**65.2%**

Other Income (Expenses)

	For the periods ended 30		Increase (Decrease)		% of Total Revenues	
In PHP000s	2024	2023	Amount	%	2024	2023
OTHER INCOME (EXPENSES)						
Interest Expense on Loans	(1,313,248)	(1,388,755)	75,505	(5.4%)	(5.2%)	(6.9%)
Interest Accretion on CF	(514,137)	(556,985)	42,849	(7.7%)	(2.0%)	(2.7%)
Other Income	(911,568)	(98)	(911,469)	>100%	(3.6%)	(0.0%)
Taxes	(2,837,596)	(2,242,793)	(594,802)	26.5%	(11.2%)	(11.1%)
SCA Amortization - ConFee	(321,144)	(280,296)	(40,848)	14.6%	(1.3%)	(1.4%)
SCA Amortization - PPE	(1,883,573)	(1,672,909)	(210,665)	12.6%	(7.5%)	(8.3%)
Others	(399,049)	(385,839)	(13,211)	3.4%	(1.6%)	(1.9%)
	(8,180,315)	**(6,527,674)**	**(1,652,641)**	**25.3%**	**(32.4%)**	**(32.2%)**

Increase in taxes in 30 September 2024 is mainly driven by higher income before taxes.

Interest expense is net of the portion capitalized which explains the lower charges in 30 September 2024, considering the increase in capital expenditures during the period compared to same period in 30 September 2023.

Others – net increase by ₱13.2 million, or 3.4%, to ₱399.0 million expenses for the period ended 30 September 2024, compared to ₱385.8 million income for the period ended 30 September 2023. The slight increase is mainly attributed to recording of provisions in 2024.

Net Income and EBITDA

	For the periods ended 30		Increase (Decrease)		% of Total Revenues	
In PHP000s	2024	2023	Amount	%	2024	2023
Net Income	**9,666,404**	**6,688,223**	**2,978,181**	**44.5%**	**38.3%**	**33.0%**
EBITDA	**16,664,175**	**12,971,925**	**3,692,250**	**28.5%**	**66.0%**	**64.0%**

With the foregoing, net income increased by ₱2,978.2 million, or 44.5%, to ₱9,666.4 million for the period ended 30 September 2024, compared to ₱6,688.2 million for the period ended 30 September 2023.

FINANCIAL POSITION

As at 30 September 2024 compared against as at 31 December 2023

Assets

In PHP000s	As at 30 September 2024	As at 31 December 2023	Increase (Decrease) Amount	%	% of Total Revenues 2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	19,584,319	4,902,556	14,681,762	299.5%	77.6%	24.2%
Trade and other receivables	2,934,575	2,418,070	516,505	21.4%	11.6%	11.9%
Contract assets	1,418,984	1,205,041	213,943	17.8%	5.6%	5.9%
Other current assets	2,142,889	1,862,498	280,391	15.1%	8.5%	9.2%
Total Current Assets	**26,080,766**	**10,388,165**	**15,692,601**	**151.1%**	**103.3%**	**51.3%**
Noncurrent Assets						
Service concession assets	158,674,981	140,919,477	17,755,503	12.6%	628.5%	695.2%
Property and equipment	1,906,033	1,889,754	16,280	2.2%	7.6%	9.3%
Financial asset at fair value through OCI	124,864	124,864		0.0%	0.5%	0.6%
Other noncurrent assets	9,771,553	10,381,305	(609,752)	-5.9%	38.7%	51.2%
Total Noncurrent Assets	**170,477,431**	**153,315,400**	**17,162,031**	**11.2%**	**675.3%**	**756.4%**
	196,558,198	**163,703,565**	**32,854,633**	**20.1%**	**778.6%**	**807.6%**

Cash and cash equivalents were at ₱19,584.3 million as at 30 September 2024, an increase by ₱14,681.8 million, or 299.5%, from cash and cash equivalents of ₱4,902.6 million as at 31 December 2023, driven by the cash generated from operating activities and financing activities, including the maiden blue bonds issuance of P15.0B – net of loan proceeds from Metropolitan Bank and Trust Company (MBTC) in Q1 2024 of P10B and cash dividends paid and partial loan payments. This was offset with cash payments for capital expenditures or investing activities in the first three (3) quarters of the year.

Service concession assets increased by ₱17,75.5 million or 12.6%, to ₱158,675.0 million as at 30 September 2024, compared to ₱140,919.5 million as at 31 December 2023. The increase is mainly attributable to a number of completed projects and facilities during the first nine months of the year, 2024.

Liabilities

In PHP000s	As at 30 September 2024	As at 31 December 2023	Increase (Decrease) Amount	Increase (Decrease) %	% of Total Revenues 2024	% of Total Revenues 2023
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and Other Payables	25,153,735	21,098,407	4,055,328	19.2%	99.6%	104.1%
Income Tax Payable						
Current Portion of LTD	4,296,794	2,587,660	1,709,134	66.0%	17.0%	12.8%
Payable to MWSS (Current)	1,088,979	874,561	214,419	24.5%	4.3%	4.3%
Total Current Liabilities	**30,539,508**	**24,560,628**	**5,978,881**	**24.3%**	**121.0%**	**121.2%**
Noncurrent Liabilities						
Long-Term Debt	80,642,803	59,214,238	21,428,564	36.2%	319.4%	292.1%
Payable to MWSS (Noncurrent)	6,171,504	6,489,036	(317,533)	(4.9%)	24.4%	32.0%
Deferred Tax Liabilities	1,707,808	1,524,795	183,013	12.0%	6.8%	7.5%
Deferred Credits	1,161,032	1,207,936	(46,903)	(3.9%)	4.6%	6.0%
Customers' Deposits	591,105	548,618	42,487	7.7%	2.3%	2.7%
Accrued Retirement	871,542	285,731	585,811	205.0%	3.5%	1.4%
Other Non Current Liabilities	2,155,855	1,702,283	453,572	26.6%	8.5%	8.4%
Total Noncurrent Liabilities	**93,301,649**	**70,972,637**	**22,329,012**	**31.5%**	**369.6%**	**350.1%**
Total Liabilities	**123,841,158**	**95,533,265**	**28,307,893**	**29.6%**	**490.6%**	**471.3%**
Equity						
Capital Stock	4,546,982	4,546,982		0.0%	18.0%	22.4%
Other Components of Equity	8,617,432	9,232,096	(614,664)	(6.7%)	34.1%	45.5%
Retained Earnings	59,552,626	54,391,222	5,161,404	9.5%	235.9%	268.3%
Total Equity	**72,717,040**	**68,170,300**	**4,546,740**	**6.7%**	**288.0%**	**336.3%**
	196,558,198	**163,703,565**	**32,854,633**	**20.1%**	**778.6%**	**807.6%**

Trade and other payables were at ₱25,153.7 million as at 30 September 2024, an increase of ₱4,055.3 million, or 19.2%, from trade and other payables of ₱21,098.4 million as at 31 December 2023. The increase is primarily due to higher accruals in construction and retention payable and payables arising from purchase orders needed in operations.

Total interest-bearing loans while shown separately (Short-term and current portion of interest-bearing loans, and Interest-bearing loans - net of current portion) were at ₱84,939.6 million as at 30 September 2024, an increase by ₱25,367.3 million, or 41.0%, compared to the balance as of ₱61,801.9 million as at 31 December 2023. The significant increase was a result of the maiden issuance of the Blue Bonds of the Company amounting to ₱15.0B in July 2024, and the additional interest-bearing loans financed by Metropolitan Bank and Trust Company in March 2024.

Deferred tax liabilities – net was at ₱1,707.8 million as at 30 September 2024, an increase by ₱183.0 million, or 12.0%, from deferred tax liabilities of ₱1,524.8 million as at 31 December 2023. This increase is primarily due to increase in service concession assets attributed to capital expenditure projects during the period.

Deferred credits were at ₱1,161.0 million as at 30 September 2024, a decrease by ₱46.9 million, or 3.9%, from deferred credits of ₱1,207.9 million as at 31 December 2023. Deferred credits presented herein represents the net effect of unrealized foreign exchange gains on service concession obligation payable to MWSS, and restatement of foreign currency-denominated interest-bearing loans and related interest that will be refunded to the customers. The decrease was net of fluctuations in the Japanese Yen conversion rates to Philippine peso while it stood at 0.393 as at 31 December 2023 and 30 September 2024.

Other noncurrent liabilities were ₱2,746.9 million as at 30 September 2024, an increase by ₱1,044.7 million, or 61.4%, from other noncurrent liabilities of ₱1,702.3 million as at 31 December 2023. The increase is mainly attributed to accrual of personnel-related costs, increase in lease liability arising from rental of transportation equipment and increase in contract liabilities on account of connection and installation fees.

Equity

In PHP000s	As at 30 September 2024	As at 31 December 2023	Increase (Decrease) Amount	Increase (Decrease) %	% of Total Revenues 2024	% of Total Revenues 2023
Equity						
Capital Stock	4,546,982	4,546,982		0.0%	18.0%	22.4%
Other Components of Equity	8,617,432	9,232,096	(614,664)	(6.7%)	34.1%	45.5%
Retained Earnings	59,552,626	54,391,222	5,161,404	9.5%	235.9%	268.3%
Total Equity	**72,717,040**	**68,170,300**	**4,546,740**	**6.7%**	**288.0%**	**336.3%**
	196,558,198	**163,703,565**	**32,854,633**	**20.1%**	**778.6%**	**807.6%**

Retained earnings were at ₱59,552.6 million as at 30 September 2024, an increase of ₱5,161.4 million, or 9.5%, from retained earnings of ₱54,391.2 million as at 31 December 2023. The increase is mainly attributed to the net income recognized by the Company for the period ended 30 September 2024, partially offset by the dividends declared amounting to ₱4,500.0 million in 2024. The appropriated retained earnings of ₱28,750.0 million, on the other hand, remains unchanged as the projects which are intended to be financed by the appropriations are still ongoing as at 30
September 2024.