MAYNILAD

CERTIFICATION

I, **RICARDO F. DELOS REYES**, Chief Finance Officer of Maynilad Water Services, Inc. (the "Company") with SEC registration number A1996-11651 with principal office at Maynilad Building, MWSS Complex, Katipunan Avenue, Pansol 1119 Quezon City, do hereby certify and state that:

1. In compliance with Section 12 of the Securities and Exchange Commission (the "SEC") Memorandum Circular No. 3 Series of 2021 and the notice issued by the SEC on March 12, 2025, the Company is hereby filing its 17-Q Report for the period ended March 31, 2025, by submitting the same in portable document format ("PDF") through the Electronic Filing and Submission Tool ("eFAST") at https://efast.sec.gov.ph/user/login 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 March 31, 2025, is true and correct to the best of my knowledge;

3. I am executing this certification this 2nd of May 2025 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

COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

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COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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: **March 31, 2025**

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

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

8. Postal Code: **1119**

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

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

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

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

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

Yes ( ) No (x)

13. Check whether the Registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes (x) No ( )

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

Yes (x)　　　　No ( )

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Three-Month Period Ended 2025 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 three-month period ended 2025 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: May 2, 2025

ITEM. 1

FINANCIAL STATEMENTS

COVER SHEET
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

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SGV
Building a better working world

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6760 Ayala Avenue
1226 Makati City
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Tel: (632) 8891 0307
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sgv.ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Maynilad Water Services, Inc. and its Subsidiaries (the Group), a subsidiary of Maynilad Water Holding Company, Inc., which comprise the consolidated statements of financial position as at March 31, 2025 and December 31, 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three-month periods ended March 31, 2025 and 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2025 and December 31, 2024, and its financial performance and its cash flows for the three-month periods ended March 31, 2025 and 2024, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition for Manila Concession (West Zone)

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

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

Audit response

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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

April 29, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 24 and 25)	**₱5,398,180**	₱10,519,541
Trade and other receivables (Notes 3, 5, 14, 24 and 25)	**2,717,973**	2,722,872
Contract assets (Notes 7, 14, 24 and 25)	**1,311,288**	1,386,458
Other current assets (Notes 6, 14, 24 and 25)	**2,606,698**	2,130,695
Total Current Assets	**12,034,139**	16,759,566
Noncurrent Assets		
Service concession assets (Notes 3, 7, 10, 11, 15 and 22)	**175,570,408**	168,339,382
Property and equipment (Notes 3 and 8)	**1,898,715**	1,963,230
Financial asset at fair value through other comprehensive income (Notes 9, 24 and 25)	**124,864**	124,864
Other noncurrent assets (Notes 3, 5, 6, 14, 22, 24 and 25)	**10,352,138**	10,983,572
Total Noncurrent Assets	**187,946,125**	181,411,048
	₱199,980,264	₱198,170,614
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 3, 12, 14, 15, 17, 23, 24 and 25)	**₱25,964,283**	₱24,157,077
Current portion of interest-bearing loans (Notes 7, 11, 24 and 25)	**2,612,590**	4,186,065
Current portion of service concession obligation payable to MWSS (Notes 7, 10, 24 and 25)	**1,036,162**	1,027,255
Income tax payable	**945,566**	787,944
Total Current Liabilities	**30,558,601**	30,158,341
Noncurrent Liabilities		
Interest-bearing loans - net of current portion (Notes 7, 11, 24 and 25)	**84,216,639**	79,461,471
Service concession obligation payable to MWSS - net of current portion (Notes 7, 10, 24 and 25)	**5,897,516**	6,294,526
Deferred tax liabilities - net (Note 16)	**1,840,652**	1,737,595
Deferred credits (Note 3)	**1,149,704**	1,379,554
Retirement liability (Notes 3 and 17)	**825,987**	870,805
Customers' deposits (Notes 24 and 25)	**630,298**	605,611
Other noncurrent liabilities (Notes 2, 14 and 17)	**2,262,227**	2,307,761
Total Noncurrent Liabilities	**96,823,023**	92,657,323
Total Liabilities	**127,381,624**	122,815,664

(Forward)

	March 31, 2025	December 31, 2024
Equity		
Capital stock (Notes 1 and 13)	**₱5,683,728**	₱5,683,728
Additional paid-in capital (Note 13)	**10,030,294**	10,030,294
Treasury shares (Note 13)	**(960,555)**	(960,555)
Other comprehensive loss (Notes 9 and 17)	**(582,728)**	(607,544)
Other equity adjustments (Note 13)	**(309,220)**	(309,220)
Retained earnings (Note 13)		
Unappropriated	**18,188,121**	20,969,247
Appropriated	**40,549,000**	40,549,000
Total Equity	**72,598,640**	75,354,950
	₱199,980,264	₱198,170,614

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands, Except Earnings per Share Value)

	March 31	
	2025	2024
OPERATING REVENUE (Note 14)		
Water services:		
West zone	**₱6,669,910**	₱6,762,762
Outside west zone	**86,965**	78,493
Wastewater services:		
West zone	**1,751,908**	1,207,299
Others	**55,968**	52,482
	8,564,751	8,101,036
COSTS AND EXPENSES		
Amortization of service concession assets (Notes 3 and 7)	**745,219**	689,526
Salaries, wages and benefits (Notes 3, 15 and 17)	**689,109**	798,275
Utilities	**364,370**	381,498
Contracted services	**339,448**	284,009
Taxes and Licenses	**256,329**	441,507
Repairs and maintenance	**158,984**	166,381
Materials and supplies	**133,999**	199,410
Depreciation and amortization (Notes 3, 8 and 22)	**115,236**	124,123
Regulatory costs	**75,521**	70,433
Rental (Notes 22 and 23)	**58,215**	17,158
Business meetings and representations	**49,599**	39,825
Collection charges	**41,990**	42,469
Advertising and promotion	**37,966**	13,194
Purchased water	**37,175**	176,200
Transportation and travel	**23,389**	36,862
Provision for (reversal of) expected credit losses (Notes 3 and 5)	**(18,138)**	3,221
Insurance	**17,659**	21,357
Others	**56,861**	35,787
	3,182,931	3,541,235
INCOME BEFORE OTHER INCOME (EXPENSES)	**5,381,820**	4,559,801
OTHER INCOME (EXPENSES)		
Revenue from rehabilitation works	**6,946,464**	3,925,841
Cost of rehabilitation works	**(6,946,464)**	(3,925,841)
Interest expense and other financing charges (Notes 5, 10, 11, 18 and 22)	**(595,389)**	(615,206)
Foreign exchange losses (Note 24)	**(350,073)**	(359,529)
Foreign currency differential adjustments (FCDA) (Note 3)	**350,235**	363,484
Interest income (Note 4)	**65,210**	23,573
Dividend income	**–**	16,000
Others - net (Notes 8, 9 and 20)	**(210,709)**	48,303
	(740,726)	(523,375)
INCOME BEFORE INCOME TAX	**4,641,094**	4,036,426
PROVISION FOR INCOME TAXES (Note 16)		
Current	**933,397**	827,276
Deferred	**88,823**	111,071
	1,022,220	938,347
NET INCOME	**₱3,618,874**	₱3,098,079
Basic Earnings Per Share (Note 19)	**₱0.64**	₱0.70
Diluted Earnings Per Share (Note 19)	**₱0.64**	₱0.69

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands)

	March 31	
	2025	2024
NET INCOME	**₱3,618,874**	₱3,098,079
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period (Note 17):		
Remeasurement income (loss) on retirement plan	**39,051**	(593,446)
Income tax effect	**(14,235)**	55,191
	24,816	(538,255)
TOTAL COMPREHENSIVE INCOME	**₱3,643,690**	₱2,559,824

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands)

	Capital Stock (Notes 1 and 13)	Additional Paid-in Capital (Note 13)	Treasury Shares (Note 13)	Other Comprehensive Income (Loss) (Notes 9 and 17)	Other Equity Adjustments (Note 13)	Retained Earnings (Note 13)		Total
						Unappropriated	Appropriated	
At December 31, 2024	**₱5,683,728**	**₱10,030,294**	**(₱960,555)**	**(₱607,544)**	**(₱309,220)**	**₱20,969,247**	**₱40,549,000**	**₱75,354,950**
Total comprehensive income	**–**	**–**	**–**	**24,816**	**–**	**3,618,874**	**–**	**3,643,690**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(6,400,000)**	**–**	**(6,400,000)**
At March 31, 2025	**₱5,683,728**	**₱10,030,294**	**(₱960,555)**	**(₱582,728)**	**(₱309,220)**	**₱18,188,121**	**₱40,549,000**	**₱72,598,640**
At December 31, 2023	₱4,546,982	₱10,041,662	(₱391,919)	(₱108,427)	(₱309,220)	₱25,641,222	₱28,750,000	₱68,170,300
Total comprehensive income	–	–	–	(538,255)	–	3,098,079	–	2,559,824
Acquisition of treasury shares	–	–	(21,708)	–	–	–	–	(21,708)
Dividends declared	–	–	–	–	–	(4,505,000)	–	(4,505,000)
At March 31, 2024	₱4,546,982	₱10,041,662	(₱413,627)	(₱646,682)	(₱309,220)	₱24,234,301	₱28,750,000	₱66,203,416

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands)

	March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,641,094**	₱4,036,426
Adjustments for:		
Amortization of service concession assets (Note 7)	**745,219**	689,526
Interest expense and other financing charges (Note 18)	**595,389**	615,206
Depreciation and amortization (Note 8)	**115,236**	124,123
Interest income (Note 4)	**(65,210)**	(23,573)
Retirement cost (Note 17)	**56,325**	31,133
Provision for (reversal of) expected credit losses	**(18,138)**	3,221
Unrealized foreign exchange gains	**(965)**	(2,849)
Loss (gain) on sale of property and equipment (Note 8)	**40**	(31)
Dividend income (Note 9)	**–**	(16,000)
Operating income before working capital changes	**6,068,990**	5,457,182
Decrease (increase) in:		
Trade and other receivables	**5,060**	(274,999)
Contract assets	**75,170**	(294,014)
Other current assets	**(476,002)**	58,514
Additions to service concession assets (Notes 7 and 26)	**(7,055,657)**	(3,932,134)
Increase (decrease) in:		
Trade and other payables	**2,007,872**	110,888
Customers' deposits	**37,437**	10,213
Other noncurrent liabilities	**(330,210)**	759,528
Cash generated from operations	**332,660**	1,895,178
Contributions to pension fund (Note 17)	**(62,092)**	(38,848)
Interest received	**83,186**	17,843
Income taxes paid	**(775,775)**	(514,701)
Net cash flows from (used in) operating activities	**(422,021)**	1,359,472
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	**631,434**	(276,528)
Acquisitions of property and equipment (Note 8)	**(85,428)**	(87,170)
Proceeds from sale of property and equipment (Note 8)	**10**	31
Dividends received (Note 9)	**–**	16,000
Net cash flows from (used in) investing activities	**546,016**	(347,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the availment/drawdown of interest-bearing loans (Notes 11 and 27)	**4,962,500**	10,000,000
Payments of:		
Dividends (Notes 13 and 27)	**(6,399,665)**	–
Interest-bearing loans (Notes 11 and 27)	**(2,043,574)**	(392,819)
Service concession obligation payable to MWSS (Notes 10 and 27)	**(465,060)**	(436,440)
Lease liability (Notes 22 and 27)	**(18,860)**	(40,187)
Interest paid (Note 27)	**(1,280,697)**	(865,477)
Acquisition of treasury shares (Note 13)	**–**	(21,708)
Net cash flows from (used in) financing activities	**(5,245,356)**	8,243,369
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,121,361)**	9,255,174
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,519,541**	4,902,556
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,398,180**	₱14,157,730

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information and Status of Operations

General

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

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

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

Effective Interest in Maynilad

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

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

As at March 31, 2025 and December 31, 2024, Maynilad is a 94.40% and 92.85% owned subsidiary of MWHCI, respectively. In addition, MPIC directly owns 5.28% of the Company, resulting in an effective ownership interest of 53.68% and 52.80% as at March 31, 2025 and December 31, 2024, respectively.

Metro Pacific Holdings, Inc. (MPHI) owns 46.28% and 46.27% of the total issued common shares of MPIC as at March 31, 2025 and December 31, 2024. As the sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest, as a result of all of its shareholdings in MPIC, is estimated at 58.34% and 58.32% as at March 31, 2025 and December 31, 2024, respectively.

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

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 29, 2025.

Concession Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the requirement for a public hearing, Maynilad and the MWSS-RO conducted a public hearing/consultation on December 4, 2023 at the World Trade Center in Pasay City. On December 14, 2023, MWSS approved the 10-year extension from 2037 to 2047, pending the acknowledgment by the Republic of the Philippines through the Secretary of Finance. This acknowledgment is required for all amendments to the Revised Concession Agreement. In a letter dated March 3, 2025, the Company advised by MWSS that the Department of Finance recommended that MWSS adhere to the procedures under Republic Act No. 11966, or the Public-Private Partnership Code of the Philippines (the “PPP Code”) and its implementing rules and regulations. The Department of Finance considered the 10-year extension of the Revised Concession Agreement as a variation of an executed public-private partnership (“PPP”) contract, which, as a project that costs above ₱15.0 billion, requires the approval of the National Economic Development Authority (“NEDA”) Board in accordance with the General NEDA-Investment Coordination Committee (the “NEDA-ICC”) Procedures as of April 25, 2024. Consequently, MWSS has informed Maynilad that a technical working group, comprising representatives from both MWSS and the Company, will be formed to prepare the necessary documentation for submission to the NEDA-ICC. Thereafter, Maynilad expect the NEDA-ICC to review the submission. There is no assurance that Maynilad will receive the approval by the NEDA Board and acknowledgement of the Republic of the Philippines through the Secretary of Finance to align the expiration dates of the Franchise and the Revised Concession Agreement.

<u>Concession Fees</u>
The aggregate Concession Fees pursuant to the Concession Agreement is equal to the sum of the following:

a. the percentage of the aggregate Philippine Peso equivalent due under any MWSS loan disbursed during the concession period, including MWSS loans for existing projects and the Umiray-Angat Transbasin Project (“UATP”), on the relevant payment date as specified in the RCA; and
b. an amount equal to one-half of the annual budget for MWSS for that year provided that such an annual budget shall not, for any year, exceed ₱200 million, subject to C adjustments. As of January 2021, this was ₱576.66 million.

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

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

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

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

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

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

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

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

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

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

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.

<u>Fifth Rate Rebasing (2018-2022) and the Supreme Court Decision on the Consolidated Cases</u>
On March 31, 2017, Maynilad submitted a five-year business plan to the RO for the new rate rebasing covering the years 2018 to 2022 with its proposed rate adjustments.

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

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

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

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

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

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

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.

On November 22, 2024, the MWSS BOT, through Resolution No. 2024-20-CA, approved Maynilad's new standard rates table with a Rate Adjustment Limit ("RAL") of 8.05%, composed of 3.30% "C" factor and 4.75% "R" factor. The RAL, as applied to the 2024 basic charge of ₱47.57/cu.m., resulted in an average adjustment of ₱3.83/cu.m. to the basic charge. On December 12, 2024, Maynilad caused the publication of its Tariff Table, with the tariff adjustments taking effect on January 1, 2025.

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

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

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

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

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

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

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

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

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

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

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

2. Summary of Material Accounting and Financial Reporting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<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, 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise stated, the amendments did not have any material impact to the Group.

- Amendments to PAS 21, *Lack of exchangeability*

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2026
- *Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments*
- *Annual Improvements to PFRS Accounting Standards—Volume 11*
  - *Amendments to PFRS 1, Hedge Accounting by a First-time Adopter*
  - *Amendments to PFRS 7, Gain or Loss on Derecognition*
  - *Amendments to PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price*
  - *Amendments to PFRS 10, Determination of a 'De Facto Agent'*
  - *Amendments to PAS 7, Cost Method*

Effective beginning on or after January 1, 2027
- *PFRS 18, Presentation and Disclosure in Financial Statements*
- *PFRS 19, Subsidiaries without Public Accountability*
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

The Group has no financial assets at FVPL and FVOCI where cumulative gains or losses previously recognized are reclassified to profit or loss as at March 31, 2025 and December 31, 2024.

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

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

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

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

Dividends are recognized in profit or loss only when:

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

The Group's financial assets at FVOCI is their unquoted equity investments that are included in Note 9 as at March 31, 2025 and December 31, 2024.

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

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

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

The Group has no financial liabilities at FVPL as at March 31, 2025 and December 31, 2024.

<u>Derecognition of Financial Assets and Liabilities</u>

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

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

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

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;

- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

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

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

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

- Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

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

<u>Service Concession Assets and Service Concession Obligation Payable</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 SCA also include as the present value of the "Service Concession Obligation Payable" assumed by the Parent Company at drawdown date and other local component cost and cost overruns by the Group, as well as cost of rehabilitation works incurred. The Parent Company's service concession assets are amortized using unit of production (UOP) method over the projected total billable water volume during the remaining term of the service concession arrangement. Phil Hydro amortizes its service concession assets using straight-line method over the terms of the Bulk Water Supply Agreements and Memorandum of Agreement.

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

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

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

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

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

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

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

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Customers' Deposits

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

Revenue from Contracts with Customers

The Group is in the business of providing water services to its customers within its concession area. Revenue from contracts with customers is recognized when services are transferred to the customer at the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Water and Wastewater Services

Revenue from water and wastewater services is recognized upon the supply of water to the customers and when the related services are rendered. Billings to customers consist of the following:

a. Water charges

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

b. Wastewater charges

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

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

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

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

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

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

- *Connection and installation fees*

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

- *Contract costs*

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

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

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

- *Identifying performance obligations*

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

- *Determining the transaction price*

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

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

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

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

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

Contract Balances

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

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

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

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

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

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

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

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

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

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

Othe equity adjustments represents redemption of preferred shares and movement related to the Parent Company's share-based payment (refer to Note 13).

Income Taxes

- *Current Income Tax*

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

- *Deferred Income Tax*

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

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

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

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

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

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

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.

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

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

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

Estimates and Assumptions

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

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

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

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

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

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

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

- Incorporation of forward-looking information

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

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

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

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

- Grouping of instruments for losses measured on collective basis

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

  a. Domestic

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

  b. Non-domestic

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

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

The following credit exposures are assessed individually:

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

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

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

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

As at December 31, 2024, the Parent Company made an assessment of its trade receivables for demolished accounts. Consequently, outstanding receivables amounting to ₱34.3 million were written off in 2024 (see Note 5). As at March 31, 2025, no outstanding receivables were written off (see Note 5).

Trade and other receivables, net of allowance for ECL of ₱1,501.4 million and ₱1,519.6 million, amounted to ₱2,718.0 million and ₱2,722.9 million as at March 31, 2025, and December 31, 2024, respectively (see Notes 5 and 24). Reversal of and provision for ECL amounted to ₱18.1 million and ₱3.2 million for the three-month periods ended March 31, 2025, and 2024, respectively.

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

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

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

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

Service concession assets, net of accumulated amortization of ₱46,313.6 million and ₱45,568.3 million, amounted to ₱175,570.4 million and ₱168,339.4 million as at March 31, 2025, and December 31, 2024, respectively. Amortization of service concession assets amounted to ₱745.2 million and ₱689.5 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 7).

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

There was no change in estimated useful lives of property and equipment in 2025 and 2024.

Property and equipment, net of accumulated depreciation and amortization of ₱5,015.0 million and ₱5,088.7 million, amounted to ₱1,898.7 million and ₱1,963.2 million as at March 31, 2025 and December 31, 2024, respectively. Depreciation and amortization of property and equipment amounted to ₱115.2 million and ₱124.1 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 8).

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

The Parent Company used Optional Standard Deduction (OSD) in computing its taxable income in 2025 and 2024, respectively. Phil Hydro used itemized deduction in computing its taxable income in 2025 and 2024 (see Note 16). The method of deduction to be availed by the Parent Company is assessed every taxable year. Accordingly, deferred tax assets and liabilities are measured based on OSD or itemized deduction method depending on the forecasted gross and taxable income and which method of deduction is more beneficial to the Parent Company.

The Group recognized deferred tax assets amounted to ₱530.3 million and ₱484.5 million as at March 31, 2025 and December 31, 2024, respectively (see Note 16).

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

Deferred FCDA and Deferred Credits. Under Amendment No. 1 of the Concession Agreement, the Parent Company is entitled to recover (refund) foreign exchange losses (gains) arising from MWSS loans and any concessionaire loans. For the unrealized foreign exchange losses, the Parent Company recognized deferred FCDA as an asset since this is a resource controlled by the Parent Company as a result of past events and from which future economic benefits are expected to flow to the Parent Company. Unrealized foreign exchange gains, however, are presented as deferred credits and will be refunded to the customers.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023 (see Note 7).

Asset Impairment. The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include but not limited to the following:

- Significant under performance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use (VIU) approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the results of operations.

Noncurrent nonfinancial assets carried at cost and subjected to impairment test when certain impairment indicators are present are as follows:

	2025	2024
Service concession assets (see Note 7)	**₱175,570,408**	₱168,339,382
Property and equipment (see Note 8)	**1,898,715**	1,963,230
	₱177,469,123	₱170,302,612

As at December 31, 2024 and for the three months period ended March 31, 2025, there have been no substantive impairment indicators that necessitated further impairment assessment on these assets.

Determination of Other Long-term Incentive Benefits.
Long-term Incentive Plan (LTIP) for cycle 2023, 2024 and 2025 was approved by the Maynilad BOD on December 10, 2024.

The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company's other long-term incentive benefits.

Accrued LTIP which was included as part of "Other noncurrent liabilities" accounts in the consolidated statements of financial position amounted to ₱632.8 million and ₱586.7 million as at March 31, 2025, and December 31, 2024. The total cost of the LTIP recognized by the Company presented as part of "Salaries, wages and benefits" account in the consolidated statements of income amounted to ₱46.1 million and ₱164.2 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Notes 12 and 17).

Provisions and Contingencies. The Group is currently involved in various legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 20).

Disputes with MWSS. Pending resolution of the dispute between the Parent Company and MWSS on certain claims of MWSS, the disputed amount of ₱5.1 billion as at March 31, 2025, and December 31, 2024 is considered as contingent liability. The outstanding provision amounted to ₱607.2 million as at March 31, 2025, and December 31, 2024 (see Notes 7, 10 and 20).

4. Cash and Cash Equivalents

Cash and cash equivalents account consists of:

	March 31 2025	December 31 2024
Cash on hand and in banks	**₱2,598,481**	₱3,044,842
Cash equivalents	**2,799,699**	7,474,699
	₱5,398,180	₱10,519,541

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and cash equivalents, net of applicable final tax, amounted to ₱65.2 million and ₱23.6 million for the three-month periods ended March 31, 2025 and 2024, respectively.

5. Trade and Other Receivables

This account consists of receivables from:

	March 31 2025	December 31 2024
Customers (Note 14):		
Residential	**₱2,293,606**	₱2,322,515
Semi-business	**260,315**	257,305
Commercial	**645,247**	685,345
Industrial	**166,910**	175,285
Bulk water supply (Note 14)	**219,489**	207,676
	3,585,567	3,648,126
Employees	**41,870**	46,328
Others	**591,961**	547,981
	4,219,398	4,242,435
Less allowance for ECL	**1,501,425**	1,519,563
	₱2,717,973	₱2,722,872

The classes of the Company’s receivables from customers are as follows:

- Residential – pertains to receivables arising from water and wastewater service use for domestic purposes only.
- Semi-business – pertains to receivables arising from water and wastewater service use for small businesses.
- Commercial – pertains to receivables arising from water and wastewater service use for commercial purposes.
- Industrial – pertains to receivables arising from water and wastewater service use for industrial and manufacturing purposes.

- Bulk water supply – pertains to receivables arising from water service to water districts outside the West Service Area.

Receivables from customers and bulk water supply are non-interest bearing and generally have 60-day term.

Other receivables consist mainly of receivables from collecting agents normally received within 30 days and advances for construction and installation of water reticulation systems for subdivisions in the West Service Area payable on installment basis over a period of 3 to 5 years. Portion of advances for water reticulation systems expected to be collected beyond one year amounting to ₱6.3 million as at March 31, 2025 and December 31, 2024 is presented as part of "Others" in "Other noncurrent assets" account in the consolidated statements of financial position.

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

	March 31, 2025					
	Receivables from Customers				**Other**	
	Residential	**Semi-Business**	**Commercial**	**Industrial**	**Receivables**	**Total**
January 1	**₱869,424**	**₱142,494**	**₱366,946**	**₱85,278**	**₱55,421**	**₱1,519,563**
Reversal	**(12,976)**	**(1,235)**	**(3,256)**	**(671)**	**–**	**(18,138)**
At March 31	**₱856,448**	**₱141,259**	**₱363,690**	**₱84,607**	**₱55,421**	**₱1,501,425**

	December 31, 2024					
	Receivables from Customers				Other	
	Residential	Semi-Business	Commercial	Industrial	Receivables	Total
January 1	₱853,608	₱138,185	₱356,830	₱83,992	₱8,873	₱1,441,488
Provisions	45,141	4,978	12,585	3,090	46,574	112,368
Write-off	(29,325)	(669)	(2,469)	(1,804)	–	(34,267)
Reversal	–	–	–	–	(26)	(26)
At December 31	₱869,424	₱142,494	₱366,946	₱85,278	₱55,421	₱1,519,563

The management recognized reversal of and provision for ECL amounting to ₱18.1 million and ₱3.2 million for the three-month periods ended March 31, 2025 and 2024, respectively.

6. Other Current Assets and Other Noncurrent Assets

Other Current Assets

This account consists of:

	March 31 2025	December 31 2024
Prepayments (Note 22)	**₱724,376**	₱400,948
Input VAT	**641,754**	562,238
Advances to supplier/contractors	**558,023**	544,892
Deposits	**220,619**	238,427
Others (Note 14)	**461,926**	384,190
	₱2,606,698	₱2,130,695

Prepayments mainly pertain to insurance, performance bond and local taxes (see Note 22).

Input VAT is an indirect tax on the purchased goods and services which the Company uses in its operations. Before March 21, 2023, the Company recovers its input VAT by offsetting it against the output VAT. Upon acceptance of the legislative franchise on March 21, 2022, the Company shifted from 12% VAT to Other Percentage Tax. The remaining input VAT refers to the unutilized input VAT from the purchase of capital goods to be amortized over the assets' remaining useful life and the input VAT associated with the retention payable from contractors' billings which will be either capitalized or expensed upon actual release of the retention money, subsequent to the final acceptance or turn-over of the completed project.

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

Deposits mainly consist of bill deposits to Meralco.

As at March 31, 2025 and December 31, 2024, "Others" consist mainly of materials and supplies amounting to ₱355.4 million and ₱317.6 million, respectively; creditable withholding tax amounting to ₱79.6 million and ₱40.9 million, respectively; and cost of new water service connections amounting to ₱26.9 million and ₱25.7 million, respectively, that were capitalized since these costs are recoverable and directly associated with the contract with customers (see Note 14).

Other Noncurrent Assets
This account consists of:

	March 31 2025	December 31 2024
Mobilization fund	**₱9,151,169**	₱9,796,828
Cost of new water service connection (Note 14)	**556,146**	536,986
Deposits	**565,246**	565,246
Others (Note 14)	**79,577**	84,512
	₱10,352,138	₱10,983,572

Mobilization fund pertains to advance payments to contractors for services purchased but not yet received and is normally applied within a year against progress billings.

Cost of new water connections pertains to costs attributable to installation of water connections to customers. These costs are recoverable and directly associated with the contract with customers under PFRS 15.

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

As at March 31, 2025 and December 31, 2024, 'Others' pertains to Parent Company's deferred employee benefits amounting to ₱77.0 million and ₱81.9 million, net of accumulated amortization of ₱60.4 million and ₱53.6 million, respectively, and Amayi's deferred charges pertaining to cost of service concession assets, which are not yet in operation amounting to ₱2.6 million.

7. **Service Concession Assets**

The movements in this account are as follows:

	March 31 2025	December 31 2024
Cost:		
Balance at beginning of year	**₱213,907,718**	₱183,462,264
Additions	**7,941,488**	30,448,478
Reclassification	**34,757**	(3,024)
Balance at end of year	**221,883,963**	213,907,718
Accumulated amortization:		
Balance at beginning of year	**45,568,336**	42,542,787
Amortization	**745,219**	3,028,573
Reclassification	–	(3,024)
Balance at end of year	**46,313,555**	45,568,336
	₱175,570,408	₱168,339,382

Service concession assets consist of the present value of total estimated concession fee payments pursuant to the Concession Agreement (see Note 1), and the costs of rehabilitation works incurred.

Service concession assets also include Tranche B Concession Fees, which pertain to additional concession fees charged by MWSS to the Parent Company representing the cost of borrowings by MWSS as at December 2004. In 2005, pursuant to the Debt and Capital Restructuring Agreement (DCRA), the Parent Company had recognized and fully paid Tranche B Concession Fees amounting to US$36.9 million and the related accrued interest thereon (see Note 10).

Pursuant to the recommendation of the Receiver under the DCRA, the disputed amount being claimed by MWSS of additional Tranche B Concession Fees of US$18.1 million is considered as contingent liability of the Parent Company (see Notes 3, 10 and 20).

The Parent Company recognized additional concession fees amounting to ₱108.7 million and ₱317.0 million as at March 31, 2025 and December 31, 2024, respectively, mainly pertaining to various rehabilitation projects and UATP-related local component costs, were capitalized as service concession assets (see Note 10).

Specific borrowing costs capitalized as part of service concession assets of the Parent Company amounted to ₱920.0 million and ₱497.34 million for the three-month periods ended March 31, 2025, and 2024 respectively, while general borrowing cost capitalized as part of service concession assets amounted to ₱0.56 million and ₱2.2 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 11).

The rate used to determine the amount of general borrowing costs eligible for capitalization were 5.3% and 5.4% for the three-month periods ended March 31, 2025 and 2024, respectively.

Based on the 2022 Approved Business Plan, the Parent Company used a new base foreign exchange rate from ₱53.16 to ₱53.51 for United States Dollar, applicable to concession fee payments starting January 1, 2023. The effect of change in rebased rate amounting ₱841.7 million was accounted for as an adjustment of "Service concession assets" and "Deferred credits" accounts to adjust their carrying values based on the newly determined and approved rebased in 2023. These foreign exchange differences, which may no longer be recovered through the FCDA mechanism under the Concession Agreement, pertain to actual concession fee payments by Maynilad to MWSS, hence, formed part of the service concession assets. No similar adjustment was made as at March 31, 2025.

In addition to the payments of service concession obligation payable to MWSS reported in the consolidated statements of cash flows at rebased rates amounting to ₱465.1 million and ₱436.4 million for the three-month periods ended March 31, 2025 and 2024, respectively, and the Regulatory Costs reported in the consolidated statements of income amounting to ₱75.5 million and ₱70.4 million for the three-month periods ended March 31, 2025 and 2024, respectively, the Parent Company paid actual concession fees of ₱133.0 million and ₱205.5 million for the three-month periods ended March 31, 2025 and 2024, respectively.

Phil Hydro accounts for each of its BWSAs (except the BWSA with New Era University) and MOA with Municipal Government of Rizal, Nueva Ecija (MGRNE) in accordance with IFRIC 12, *Service Concession Arrangements* under the Intangible Asset model as it receives the right (license) to charge users of public service. In 2019, the Company recognized impairment loss on service concession assets of Phil Hydro amounting to ₱93.2 million and was recognized as part of the accumulated amortization. Service concession assets that are not yet available for use are subjected to impairment testing under PAS 36.

Service concession assets under construction and rehabilitation of the Group amounting to ₱83.4 billion and ₱77.5 billion as at March 31, 2025 and December 31, 2024, respectively, are considered as contract assets under PFRS 15.

8. Property and Equipment

The roll forward analysis of this account follows:

	March 31, 2025						
	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	₱44,617	₱2,072,654	₱2,680,166	₱1,042,683	₱508,888	₱702,933	₱7,051,941
Additions	–	36,628	36,209	12,591	–	–	85,428
Reclassification	–	(2,779)	2,856	23	–	(34,757)	(34,657)
Disposals	–	(162,357)	(3,629)	(1,916)	–	(21,096)	(188,998)
At March 31	44,617	1,944,146	2,715,602	1,053,381	508,888	647,080	6,913,714
Accumulated Depreciation and Amortization							
At January 1	4,093	1,287,009	2,023,186	887,065	424,655	462,703	5,088,711
Depreciation and amortization	61	23,032	52,583	19,916	3,312	16,332	115,236
Reclassification	–	210	(210)	–	–	–	-
Disposals	–	(162,357)	(3,579)	(1,916)	–	(21,096)	(188,948)
At March 31	4,154	1,147,894	2,071,980	905,065	427,967	457,939	5,014,999
Net Book Value at March 31	₱40,463	₱796,252	₱643,622	₱148,316	₱80,921	₱189,141	₱1,898,715

	December 31, 2024						
	Land and Land Improvements	Instrumentation, Tools and Other Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets - Land and Building	ROU Assets - Transportation Equipment	Total
Cost							
At January 1	₱44,617	₱2,185,428	₱2,269,010	₱1,001,167	₱513,482	₱619,070	₱6,632,774
Additions	–	191,635	278,523	52,752	–	83,863	606,773
Reclassification	–	(222,041)	221,741	300	–	–	–
Disposals	–	(82,368)	(89,108)	(11,536)	(4,594)	–	(187,606))
At December 31	44,617	2,072,654	2,680,166	1,042,683	508,888	702,933	7,051,941
Accumulated Depreciation and Amortization							
At January 1	3,841	1,290,141	1,942,219	769,742	350,615	386,462	4,743,020
Depreciation and amortization	252	75,091	172,748	128,681	74,311	76,241	527,324
Reclassification	–	2,495	(2,673)	178	–	–	–
Disposals	–	(80,718)	(89,108)	(11,536)	(271)	–	(181,633))
At December 31	4,093	1,287,009	2,023,186	887,065	424,655	462,703	5,088,711
Net Book Value at December 31	₱40,524	₱785,645	₱656,980	₱155,618	₱84,233	₱240,230	₱1,963,230

The Parent Company sold items of property and equipment for a total consideration of ₱0.01 million and ₱0.03 million as at March 31, 2025 and December 31, 2024, respectively.

Loss and gain on disposals of property and equipment amounting to ₱0.04 million and ₱0.03 million for the three-month periods ended March 31,2025 and 2024, respectively, is presented as part of "Others - net" account under "Other income (expenses)" in the consolidated statements of income.

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

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

The financial assets at FVOCI amounted to ₱124.9 million as at March 31, 2025 and December 31, 2024 which pertains to the Parent Company's investments in unquoted equity shares in a local water distribution company. Dividend income on financial assets at FVOCI presented as part of "Others – net" account under "Other income (expenses)" in the consolidated statements of income amounted to nil and ₱16.0 million for the three-month periods ended March 31, 2025 and 2024, respectively.

10. Service Concession Obligation Payable to MWSS

This account consists of:

	March 31, 2025	December 31, 2024
Concession fees payable (Note 7)	**₱6,326,461**	₱6,714,564
Accrued interest	**607,217**	607,217
	6,933,678	7,321,781
Less current portion	**1,036,162**	1,027,255
	₱5,897,516	₱6,294,526

Interest accretion on service concession obligation amounted to ₱144.2 million and ₱146.6 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 18).

Disputes with MWSS

The Parent Company has been contesting certain charges billed by MWSS relating to: (a) the basis of the computation of interest; (b) MWSS cost of borrowings; and (c) additional penalties. Consequently, the Parent Company has not provided for these additional charges. These disputed charges were effectively reflected and recognized by the Parent Company as Tranche B Concession Fees amounting to US$30.1 million by virtue of the DCRA entered in 2005. The Parent Company also paid US$6.8 million in 2005 as an additional amount of Tranche B Concession Fees determined by the Receiver (see Note 7).

The Parent Company reconciled its liability to MWSS with the confirmation and billings from MWSS. The difference between the amount confirmed by MWSS and the amount recognized by the Parent Company amounted to ₱5.1 billion as at March 31, 2025 and December 31, 2024. The difference mainly pertains to disputed claims of MWSS consisting of additional Tranche B Concession Fees, borrowing cost and interest penalty under the Concession Agreement (prior to the DCRA). The Parent Company's position on these charges is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 3, 7 and 20).

Following the issuance of the Rehabilitation Court's Order on December 19, 2007 disallowing the MWSS' disputed claims and the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve the matter in accordance with the dispute resolution requirements of the transitional and clarificatory agreement (TCA).

Prior to the DCRA, the Parent Company has accrued interest on its payable to MWSS based on the terms of the Concession Agreement, which was disputed by the Parent Company before the Rehabilitation Court. These already amounted to ₱985.3 million as at December 31, 2011 and have been charged to interest expense in prior years. The Parent Company maintains that the accrued interest on its payable to MWSS has been adequately replaced by the Tranche B Concession Fees discussed above. The Parent Company's position is consistent with the Receiver's recommendation which was upheld by the Rehabilitation Court (see Notes 7 and 20). With the prescription of the TCA and in light of the Parent Company's current negotiation and outstanding offer of US$14.0 million to fully settle the claim of MWSS, the Parent Company reversed the amount of accrued interest in excess of the US$14.0 million settlement offer amounting to ₱378.1 million in 2012. The remaining balance of ₱607.2 million as at March 31, 2025 and December 31, 2024, which pertains to the disputed interest penalty under the Concession Agreement prior to DCRA, has remained in the books pending resolution of the remaining disputed claims of MWSS.

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

	In Original Currency		
Year	Foreign Currency Loans (Translated to US$) *	Peso Loans/ Project Local Support	Total Peso Equivalent
		(In Millions)	
2025	$6.0	432.9	778.4
2026	9.7	801.4	1,353.9
2027	11.0	827.1	1,454.6
2028-2037	76.4	9,862.7	14,236.4
	$103.1	₱11,924.1	₱17,823.3

**Translated using the March 31, 2025, exchange rate of ₱57.21:US$1.*

Additional concession fee liability relating to the extension of the Concession Agreement (see Note 1) is only determinable upon loan drawdown of MWSS and the actual construction of the related concession projects.

11. **Interest-bearing Loans**

This account consists of:

	March 31 2025	December 31 2024
₱18.5 billion Corporate Notes	**₱15,787,530**	₱17,514,135
₱15.0 billion Blue Bonds	**15,000,000**	15,000,000
₱10.0 billion Term Loan Facility (MBTC)	**10,000,000**	10,000,000
₱10.0 billion Term Loan Facility (BPI)	**9,937,500**	9,937,500
₱6.0 billion Term Loan Facility (BDO)	**5,925,000**	5,925,000
₱6.0 billion Term Loan Facility (LBP)	**5,250,000**	5,400,000

(Forward)

	March 31 2025	December 31 2024
₱5.0 billion Term Loan Facility (LBP)	**₱5,000,000**	₱5,000,000
¥13.1 billion Facility Loan (JICA)	**4,663,992**	4,465,757
₱4.0 billion Term Loan Facility (LBP)	**3,950,000**	3,950,000
₱4.8 billion Term Loan Facility (DBP)	**3,180,000**	3,339,000
₱5.0 billion Term Loan Facility (BDO)	**2,777,778**	2,777,778
¥7.9 billion Facility Loan (JCB)	**1,009,883**	966,960
₱2.5 billion Term Loan Facility (BPI)	**2,500,000**	–
₱2.5 billion Term Loan Facility (LBP)	**2,500,000**	–
Peso-denominated Bank Loan (LBP)	**7,969**	15,937
	87,489,652	84,292,067
Less unamortized debt issuance costs	**660,423**	644,531
	86,829,229	83,647,536
Less current portion	**2,612,590**	4,186,065
	₱84,216,639	₱79,461,471

₱18.5 billion Corporate Notes (Various Lenders)

On February 22, 2018, the Parent Company entered into several loan agreements for the refinancing of all its existing loans under the ₱21.2 billion Term Loan and ₱5.0 billion Corporate Notes, whereby the Parent Company was granted a Term Loan Facility ("the Notes Facility") in the aggregate amount of ₱18.5 billion. Under the new terms, the loan shall be drawn in three tenors; 7Y, 10Y and 15Y Fixed Corporate Notes, payable in semi-annual installments within fifteen years to commence at the end of the 6th month after the initial issue date and bears interest rate per annum equal to the applicable benchmark rate plus 0.60%, 0.70% and 0.60% per annum for the 7Y, 10Y and 15Y Fixed Corporate Notes, respectively. The Notes Facility is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱199.7 million were recognized in 2018 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Amortization of debt issuance costs attributed to this loan amounting to ₱3.8 million and ₱3.6 million for the three-month periods ended March 31, 2025 and 2024, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱15.0 billion Blue Bonds

On July 12, 2024, the Parent Company listed its maiden bond issuance with an aggregate issue size of ₱15 billion (the "Blue Bonds" or the "Offer") on the Philippine Dealing & Exchange Corp. in support of its capital expenditure on sustainable water and wastewater management. The Blue Bonds were issued in two (2) series – (i) Series A: 6.7092% 5-Year fixed rate bonds due 2029 and (ii) Series B: 7.0931%10-Year fixed rate bonds due 2034. The proceeds from the Offer shall be used primarily to finance Eligible Blue Projects and/or Blue Activities under SEC Memorandum Circular No. 15, Series of 2023 ("Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines"). The bonds are secured by a negative pledge.

Debt Issuance Costs. All legal, professional fees and other related debt issue cost incurred in relation to the debt totaling ₱183.6 million were recognized in 2024 and offset against the related debt. Debt issuance costs are amortized using the EIR method over the term of the debt.

Specific borrowing costs capitalized as part of service concession assets related to this debt amounted to ₱263.7 million and nil for the three-month period ended March 31, 2025, and 2024 respectively. (see Note 7).

<u>₱10.0 billion Term Loan Facility (Metropolitan Bank & Trust Co.)</u>
On March 22, 2024, the Parent Company entered into a Loan Agreement with Metropolitan Bank & Trust Co. The loan shall be payable in semi-annual installments within ten years to commence on September 26, 2025, and bears fixed interest rates of 6.5% per annum for the first five years. The interest rate applicable for the remaining five years tenor will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱75.1 million were recognized in 2024 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱163.9 million and ₱6.11 million for the three-month periods ended March 31, 2025, and 2024, respectively. (see Note 7).

<u>₱10.0 billion Term Loan Facility (Bank of the Philippine Islands)</u>
On May 10, 2023, the Parent Company entered into a Loan Agreement with Bank of the Philippine Islands. The first and second drawdowns amounting to ₱5.0 billion each were drawn on May 11, 2023 and October 3, 2023, respectively. The loan shall be payable in semi-annual installments within ten years to commence on November 11, 2024 and bears fixed interest rates of 6.41% and 7.00% per annum for the first and second drawdown, respectively, for the first five years. The interest rate applicable for the remaining five years will be based on benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱75.2 million were recognized in 2023 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱168.0 million and ₱170.9 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

<u>₱6.0 billion Term Loan Facility (BDO Unibank Inc.)</u>
On November 15, 2022, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. to: (i) partially fund capital expenditure requirements; (ii) refinance existing obligations; and (iii) fund other general corporate requirements. The drawdown from this facility was made on November 17, 2022.

The loan shall be payable in semi-annual installments within ten years to commence at the end of the 18^{th} month reckoned from the drawdown date which bears a fixed-rate loan structured as 3+3+4, each tenor will be based on Bloomberg Valuation Service reference rate plus 65 basis points credit spread with interest rate floor as follows: (i) 3Y – 5.75% per annum and (ii) 4Y – 5.90% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱45.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱108.1 million and ₱110.5 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

₱6.0 billion Term Loan Facility (Land Bank of the Philippines)
On August 10, 2022, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines for the refinancing of its existing loan under the US$137.5 million MWMP Loan. The drawdown from this facility was made on August 12, 2022.

The loan shall be payable in semi-annual installments within fifteen years to commence at the end of the 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 ₱1.2 million and ₱1.3 million for the three-month periods ended March 31, 2025 and 2024, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

₱5.0 billion Term Loan Facility (Land Bank of the Philippines)
On December 11, 2023, the Parent Company entered into a Loan Agreement with Land Bank of the Philippines. Drawdown from this facility was made on December 14, 2023. The loan shall be payable in semi-annual installments within ten years to commence on June 14, 2025, and bears fixed interest rate of 6.60% per annum for the first three years. The interest rate on the re-pricing date will be based on applicable benchmark rate plus spread. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling to ₱37.6 million were recognized 2023, respectively, and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets amounted to ₱83.2 million and ₱83.6 for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

Total general borrowing costs amounted to ₱0.5 million and ₱2.2 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

¥13.1 billion Facility Loan (Japan International Cooperation Agency)
On June 7, 2017, the Parent Company entered into a credit agreement with the JICA whereby the Parent Company was granted a Japanese yen-denominated Facility Loan, amounting to ¥13.1 billion. The loan shall be payable in semi-annual installments within seventeen years to commence on October 10, 2022. Drawdowns amounting to ¥0.7 billion, ¥0.5 billion, ¥0.8 billion and ¥0.9 billion were made on April 2, 2019, June 28, 2019, August 30, 2019 and December 6, 2019, respectively. The final drawdown amounting to ¥10.2 billion was made on June 23, 2023. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱54.3 million and ₱7.3 million were recognized in 2019 and 2018, respectively, and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Amortization of debt issuance costs attributed to this loan amounting to ₱1.8 million and ₱1.6 million for the three-month periods ended March 31, 2025 and 2024, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

<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 loan totaling ₱40.2 million were recognized in 2022 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱70.7 million and ₱72.3 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

<u>₱4.8 billion Term Loan Facility (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 loan totaling ₱46.1 million were recognized in 2015 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱48.4 million and ₱53.6 million for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

Under the terms of the loan agreements, the Parent Company may, at its option and without premium and penalty, redeem the Corporate Notes in whole or in part, subject to the conditions stipulated in the agreements. The embedded early redemption and prepayment options are clearly and closely related to the host debt contract, and thus, do not require to be bifurcated and accounted for separately from the host contract.

₱5.0 billion Term Loan Facility (BDO Unibank Inc.)
On November 26, 2019, the Parent Company entered into a Loan Agreement with BDO Unibank, Inc. The loan shall be payable in semi-annual installments within ten years to commence on May 29, 2021, and bears a fixed rate per annum of 4.9505% for the first five years. The interest rate for the remaining five years will be based on the applicable benchmark rate plus 0.60% per annum. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱37.8 million were recognized in 2019 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Amortization of debt issuance costs attributed to this loan amounting to ₱0.9 million and ₱1.1 million for the three-month periods ended March 31, 2025 and 2024, respectively, is presented as part of "Interest expense and other financing charges" account in the account in the consolidated statements of income (see Note 18).

¥7.9 billion Facility Loan (Japanese Commercial Bank)
On June 7, 2017, the Parent Company entered into a credit agreement (Facility Agreement) with foreign banks, namely The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank Ltd., and Sumitomo Mitsui Banking Corporation (collectively referred to as "the Lenders"). The first and second drawdowns amounting to ¥4.9 billion and ¥3.0 billion were made on August 20, 2018, and November 28, 2018, respectively. The loan shall be payable in semi-annual installments within ten years to commence at the end of the 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 ₱1.1 million and ₱0.01 million for the three-month periods ended March 31, 2025, and 2024 respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18)

₱2.5 billion Term Loan (Bank of the Philippine Islands)
On March 7, 2025, the Parent Company entered into a credit agreement with the Bank of the Philippine Islands whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱2.5 billion. A drawdown of ₱2.5 billion were drawn on March 12, 2025. The loan shall be payable in semi-annual installments within ten years to commence on September 15, 2025. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱18.7 million were recognized in 2025 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱8.8 million and nil for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

₱2.5 billion Term Loan (Land Bank of the Philippines)
On March 17, 2025, the Parent Company entered into a credit agreement with the Land Bank of the Philippines whereby the Parent Company was granted a peso-denominated Facility Loan, amounting to ₱2.5 billion. A drawdown of ₱2.5 billion were drawn on March 19, 2025. The loan shall be payable in semi-annual installments within ten years to commence on September 20, 2025. The loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱18.7 million were recognized in 2025 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Specific borrowing costs capitalized as part of service concession assets related to this loan amounted to ₱5.2 million and nil for the three-month periods ended March 31, 2025, and 2024, respectively (see Note 7).

Covenants
The loan agreements contain, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio. As at March 31, 2025 and December 31, 2024, the Parent Company has complied with these covenants.

<u>₱255.0 million Peso-denominated Loan of Phil Hydro (Land Bank of the Philippines)</u>
On May 4, 2015, Phil Hydro entered into a Loan Agreement with the Land Bank of the Philippines. The loan shall be payable in quarterly installments within eight years of commencement after the end of the 8th quarter and bears an interest rate per annum equal to the higher of (i) the applicable benchmark rate plus 1.0% per annum, or (ii) 5.5% per annum. The benchmark rate shall be determined by reference to the Philippine Dealing System Treasury Reference Rates (PDST-R2) rate. The peso-denominated loan is secured by a negative pledge.

Debt Issuance Costs. All legal and professional fees incurred in relation to the loan totaling ₱1.3 million were recognized in 2015 and offset against the related loan. Debt issuance costs are amortized using the EIR method over the term of the loan.

Amortization of debt issuance costs attributed to this loan amounting to ₱0.03 million for the three-month periods ended March 31, 2025, and 2024, respectively, is presented as part of "Interest expense and other financing charges" account in the consolidated statements of income (see Note 18).

Covenants
The loan agreement contains, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio. As at March 31, 2025 and December 31, 2024, Phil Hydro has complied with these covenants

<u>Unamortized Debt Issuance Cost</u>
The movements in the balance of unamortized debt issuance costs related to all interest-bearing loans are as follows:

	March 31, 2025	December 31, 2024
Balance at beginning of year:		
Peso Loans	**₱427,885**	₱401,083
Japanese Yen-denominated	**44,952**	58,457
Peso Bonds	**171,694**	–
	644,531	459,540

(Forward)

	March 31, 2025	December 31, 2024
Additions during the year:		
Peso Loans	**₱37,500**	₱75,088
Japanese Yen-denominated	**–**	–
Peso Bonds	**–**	183,611
	37,500	258,699
Amortization during the year*:		
Peso Loans	**12,509**	48,286
Japanese Yen-denominated	**3,007**	13,505
Peso Bonds	**6,092**	11,917
	21,608	73,708
Balance at ending of year:		
Peso Loans	**452,876**	427,885
Japanese Yen-denominated	**41,945**	44,952
Peso Bonds	**165,602**	171,694
	₱660,423	₱644,531

**Debt issue cost amortization amounting to ₱12.6 million and ₱35.6 million as at March 31,2025 and December 31, 2024, respectively, were capitalized to service concession asset.*

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

	March 31, 2025			
Year	**Japanese Yen-Denominated***	**Peso Loans**	**Peso Bonds**	**Total Peso Equivalent**
2025	**¥2,269.5**	**₱1,742.2**	**₱–**	**₱2,612.6**
2026	**2,269.5**	**1,765.5**	**–**	**2,635.9**
2027	**1,742.8**	**3,450.7**	**–**	**4,119.0**
2028	**1,216.2**	**1,777.2**	**–**	**2,243.6**
2029 onwards	**7,297.0**	**58,080.2**	**15,000.0**	**75,878.6**
	¥14,795.0	**₱66,815.8**	**₱15,000.0**	**₱87,489.7**

**Translated using the March 31, 2025 exchange rate of ₱0.3835: JPY*

	December 31, 2024			
Year	Japanese Yen-Denominated*	Peso Loans	Peso Bonds	Total Peso Equivalent
2024	¥2,269.5	₱3,352.7	₱–	₱4,186.1
2025	2,269.5	1,575.3	–	2,408.6
2026	1,742.8	1,733.0	–	2,372.9
2027	1,216.2	3,379.7	–	3,826.2
2028 onwards	7,297.0	53,818.8	15,000.0	71,498.2
	¥14,795.0	₱63,859.5	₱15,000.0	₱84,292.0

**Translated using the December 31,2024 exchange rate of ₱0.3672: JPY*

12. Trade and Other Payables

This account consists of:

	March 31 2025	December 31 2024
Accrued expenses (Notes 17 and 20)	**₱10,528,325**	₱10,442,948
Accrued construction costs (Note 15)	**7,676,417**	6,938,546
Trade and other payables	**7,301,802**	6,550,398
Due to a related parties (Note 15)	**309,399**	94,788
Lease liabilities (Note 22)	**87,950**	72,401
Contract liabilities (Note 14)	**60,390**	57,996
	₱25,964,283	₱24,157,077

Accrued expenses mainly consist of provisions, salaries, wages and benefits, contracted services, and interest payable to the banks. Details of provisions required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* are not disclosed as these may prejudice the Company's positions in relation to the cases pending before the courts or quasi-judicial bodies.

Accrued interest expense which form part of the total accrued expenses is the amount of interest payable to the bank and investors, from the Parent Company's interest-bearing loans and issued bonds (see also Notes 11 and 18) amounting to ₱998.7 million and ₱1,051.8 million as at March 31, 2025 and December 31, 2024, respectively.

Accrued construction costs represent unbilled construction costs from contractors that are normally settled upon receipt of billings.

Trade and other payables are non-interest bearing and are normally settled within one year. These consist of deferred output VAT amounting to ₱166.5 million and ₱171.0 million as at March 31, 2025 and December 31, 2024, respectively. Deferred Output VAT pertains to the tax on the Parent Company's uncollected vatable sales due upon the collection of the respective receivables. Sales connected to deferred output VAT took place before the effectivity date of R.A. No. 11976 Ease of Paying Taxes (EOPT) Act. Retention in contract payable amounted to ₱5,265.1 million and ₱4,933.0 million as at March 31, 2025 and December 31, 2024, respectively. These are the amount of money withheld by the Parent Company.

Trade payables also include liabilities relating to assets held in trust (see Note 23) used in the Parent Company's operations amounted to ₱98.5 million as at March 31, 2025 and December 31, 2024.

13. Equity

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

	March 31, 2025		December 31, 2024	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized common shares – ₱1 par value	**9,093,964,000**	**₱9,093,964,000**	9,093,964,000	₱9,093,964,000
Authorized common shares – ₱1000 par value				

	March 31, 2025		December 31, 2024	
	Number of Shares	**Amount**	Number of Shares	Amount
Issued and outstanding – common shares:				
Beginning of year – *₱1 par value*	**5,683,727,500**	**₱5,683,727,500**		
Class A – ₱1,000 par value	–	–	4,222,482	₱4,222,482,000
Class B – ₱1,000 par value	–	–	236,000	236,000,000
ESOP shares –₱1,000 par value	–	–	88,500	88,500,000
Total	**5,683,727,500**	**5,683,727,500**	4,546,982	4,546,982,000
Stock split on 2024 *(1:1,000)*	–	–	1,000	–
Total	**5,683,727,500**	**5,683,727,500**	4,546,982,000	4,546,982,000
Issuance of shares	–	–	1,136,745,500	1,136,745,500
Issued shares	**5,683,727,500**	**5,683,727,500**	5,683,727,500	5,683,727,500
Less: Treasury shares	**71,100,000**	**960,554,583**	71,100,000	960,554,583
End of year	**5,612,627,500**	**₱4,723,172,917**	5,612,627,500	₱4,723,172,917
Treasury shares:				
Beginning of year	**71,100,000**	**960,554,583**	34,607	₱391,918,720
Reacquisition	–	–	36,493	568,635,863
Total	**71,100,000**	**960,554,583**	71,100	960,554,583
Stock split on 2024 *(1:1,000)*	–	–	1,000	–
Total	**71,100,000**	**960,554,583**	71,100,000	960,554,583
End of year	**71,100,000**	**₱960,554,583**	71,100,000	₱960,554,583

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

Simultaneous with the increase in authorized capital stock, the following amendments were also approved by the affirmative vote of at least a majority member of the Board of Directors in their regular meeting held on November 8, 2024 and by the affirmative vote of the stockholders owning or representing at least 2/3 of the outstanding capital stock of the Company in their duly constituted meeting held on December 12, 2024, and the SEC through Certificate of Approval dated December 27, 2024:

1. Reclassifying the Common Class "A" Shares and Common Class "B" Shares into a single class of "Common Shares";
2. Reduction in the par value of Common Class "A" and Class "B" Shares from ₱1,000 to ₱1 per share;
3. Reclassifying the 88,500 ESOP Shares to "Common Shares"; and
4. Reduction in the par value of ESOP Shares from ₱1,000 to ₱1.00 per share

Of the net increase in the authorized capital stock of ₱4,546,982,000, consisting of 4,546,982,00 common shares at a par value of ₱1 per share, the amount of ₱1,136,745,500 were subscribed and fully paid in cash by the following subscribers:

Subscriber	**Nationality**	**No. of Shares**	**Amount Subscribed**	**Amount Paid-up**
Maynilad Water Holding Company, Inc.	Filipino	1,076,567,289	₱1,076,567,289	₱1,076,567,289
Metro Pacific Investments Corporation	Filipino	60,178,211	60,178,211	60,178,211
		1,136,745,500	₱1,136,745,500	₱1,136,745,500

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

b. ESOP and Treasury Shares

The employees of the Parent Company are allowed equity participation of up to six percent (6%) of the issued and outstanding capital stock of the Parent Company upon the effective date of the increase in authorized capital stock of the Parent Company pursuant to and in accordance with the provisions of Clause 2.6 of the DCRA. For this purpose, a series of 88,500,000 nonvoting convertible redeemable shares (ESOP Shares) was created from common Class A shares as reflected in the Parent Company's amended Articles of Incorporation. In 2008, the ESOP shares were effectively reduced to 88,500 shares due to change in par value from ₱1 to ₱1,000. The ESOP shares have no voting rights, except for those provided under Section 6 of the Corporation Code and have no pre-emptive rights to purchase or subscribe to future or additional issuances or disposition of shares of the Parent Company.

Within thirty (30) days after the earlier of (i) the end of the fifth year from the creation of the ESOP Shares, and (ii) the listing date for common shares in a recognized Philippine Stock Exchange, the Parent Company may redeem the ESOP shares at a redemption ratio equal to one common share for every ESOP share held and such common shares so exchanged shall have the same rights and privileges as all other common shares.

Each ESOP Share will be convertible, at the option of the holder thereof, at any time during the period commencing the earlier of (i) the end of the fifth year from the creation of the ESOP Shares; or (ii) the listing date for common shares in a recognized Philippine Stock Exchange into one fully paid and non-assessable common share. Such common share shall have the same rights and privileges as all other common shares. Conversion of the ESOP Share may be effected by surrendering the certificates representing such shares to be converted to the Parent Company common shares at the Parent Company's principal office or at such other office or offices as the BOD may designate, and a duly signed and completed notice of conversion in such form as may from time to time be specified by the Parent Company (a "Conversion Notice"), together with such evidence as the Parent Company may reasonably require to prove the title of the person exercising such right. A Conversion Notice once given may not be withdrawn without the consent in writing of the Parent Company.

In 2012, the Board and shareholders of the Parent Company approved the amendment of its Articles of Incorporation to allow for the reissuance of ESOP shares that have been bought back by the Parent Company from separated employees. Upon approval by the SEC of the amendment on January 31, 2013, ESOP shares reacquired by the Parent Company from its resigned employees were subsequently reissued to all qualified employees.

In October 2024, the Parent Company conduct a series of roadshows and consultation for ESOP shares – buyback and conversion to common shares in relation to Parent Company's conversion of all types of shares into common shares. Employees were given until November 14, 2024 to submit their respective duly signed notice of acceptance of terms and conditions about selling/keeping of ESOP shares. Actual payment for ESOP shares reacquired by Parent Company was paid on December 13, 2024.

ESOP shares reacquired by the Parent Company from employees' equivalent to 71,100 shares, amounted to ₱960.6 million as at March 31, 2025 and December 31, 2024, were presented as treasury shares.

c. Dividends

On February 27, 2024, during the regular meeting, the Parent Company's BOD set and approved the declaration of cash dividends amounting to ₱4.5 billion (₱998.57 per common share) to all shareholders of record as at February 29, 2024. Payments were made on April 15, 2024.

On February 18, 2025, during the regular meeting of the Board of Directors, the Corporation set and approved the declaration of cash dividends amounting to ₱6.4 billion (₱1.14 per common share) to all shareholders of record as at February 29, 2025 for payments made not later than March 15, 2025.

d. Appropriation of Retained Earnings

On February 26, 2018 and October 29, 2018, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱15.0 billion and ₱5.0 billion for various water and wastewater projects. The appropriation is intended to fund the Parent Company's capital expenditures for (1) water sources and treatment; (2) operations support programs to sustain, enhance and expand the water facilities and operations in the following areas: (i) service level at 24 hours water availability at a minimum of 16 psi water pressure, (ii) water coverage, (iii) reliability, flexibility and adaptation to climate change, and (iv) right-of-way and lot acquisition for water facilities; (3) pipelaying of secondary and tertiary pipelines; (4) sanitation programs; and (5) customer service and information capex. As at March 31, 2025, these projects are still ongoing.

On November 26, 2019, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱7.0 billion to fund the Parent Company's capital expenditures for the following projects: (1) upgrading of Dagat-Dagatan sewage treatment plan to 205MLD South Caloocan-Malabon-Navotas (CAMANA) Water Reclamation Facility, and (2) the design and build of the 140 MLD Water Reclamation Facility for the Central Manila Sewerage System. These projects are expected to be implemented in the next five years. As at March 31, 2025, these projects are still ongoing.

On December 7, 2020, the Parent Company's BOD approved the appropriation of its retained earnings amounting to ₱1.75 billion to fund capital expenditures for pipelaying projects expected to be implemented in the next two years. As at March 31, 2025, these projects are still ongoing.

At the meeting of the Board of Directors of the corporation held on December 10, 2024, the Parent Company's BOD passed and approved the following:

- Reversal of ₱2.5 billion appropriated retained earnings (to be reverted to unappropriated retained earnings) due to updates in awarded contract values and removal of completed projects mentioned in the previous appropriations; and

- Appropriation of retained earnings in the amount of ₱14.3 billion to fund new and ongoing capital expenditure requirements, primarily related to wastewater projects expected to be completed in the next two (2) years.

As at December 31, 2024, out of all projects appropriated prior to December 10, 2024, only nine (9) projects remain and still ongoing – six (6) projects from 2018, two (2) projects from 2019 and one (1) project from 2020.

The accumulated earnings which are included in the Group's retained earnings amounting to ₱40.5 million as at March 31, 2025 and December 31, 2024 are not available for dividend declaration. Retained earnings are further restricted for payment of dividends to the extent of cost of treasury shares and net deferred tax liabilities amounting to ₱960.6 million and ₱1,840.7 million, respectively as at March 31, 2025.

e. Equity Adjustments

Redemption of Preferred Shares

The Parent Company issued and redeemed preferred shares in 2008. Foreign exchange fluctuation from date of issuance of the preferred shares to the date of issuance of notice of redemption, amounting to ₱309.2 million, is recognized as part of "Other equity adjustments" account shown under the equity section of the consolidated statements of financial position.

Maynilad Share-based Payment

On December 1, 2023, the BOD approved the awarding of 6,514 ESOP shares to all qualified Maynilad employees to be paid through stock purchase bonus (equity-settled transaction). The ESOP covers employees who have met the following eligibility criteria:

a. The employee has completed a full year's service, either as a regular or probationary employee, from December 1, 2022 to November 30, 2023 (the "Period");

b. The employee has obtained at least a satisfactory rating in the previous performance appraisal immediately preceding December 1, 2023;

c. The employee has not been suspended at any time during the Period;

d. The employee has not exceeded 10 days of absences without official leave during the Period; and

e. The employee has not exceeded 20 days of leave without pay during the Period.

Communication to eligible employees was made on December 18, 2023.

The fair value of ESOP shares amounting to ₱14,001.74 per share was determined based on the Parent Company's equity value at the date of grant using the discounted cash flows (DCF) method.

The grant of shares under the ESOP does not require an exercise to be paid by the employees nor are there cash alternatives. All ESOP shares will be held in treasury until issuance.

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

In November 2024, all ESOP shareholders had given the option to sell or keep their shares. The company then, reacquired and paid all employees who sold their shares while those who choose to retain their shares were converted to common shares.

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

14. **Revenue from Contracts with Customers**

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

	March 31, 2025	March 31, 2024
Geographical areas:		
West zone	**₱8,477,786**	₱8,022,543
Outside west zone	**86,965**	78,493
	₱8,564,751	₱8,101,036

Contract balances:

	March 31, 2025	December 31, 2024
Trade receivables (gross of allowance for ECL) (Note 5)	**₱3,585,567**	₱3,648,126
Contract assets	**1,311,288**	1,386,458
Cost of new water service connections (Note 6)	**583,043**	562,653
	₱5,479,898	₱5,597,237
Contract liabilities (Notes 7)	**₱1,307,847**	₱1,270,202
Less current portion	**60,390**	57,996
	₱1,247,457	₱1,212,206

Trade receivables are non-interest bearing and are generally on terms of 60 days.

Contract assets are initially recognized after rendering water and wastewater services to a customer before the customer pays consideration or before payment is due. Upon completion of the performance obligation the amounts recognized as contract assets are reclassified to trade receivables.

Contract assets of the Parent Company as at March 31, 2025 and December 31, 2024 consist of the following:

	March 31 2025	December 31 2024
Customers:		
Residential	**₱618,498**	₱656,041
Semi-business	**97,158**	100,173
Commercial	**454,215**	471,488
Industrial	**141,417**	158,756
	₱1,311,288	₱1,386,458

Contract liabilities are initially recognized from the collection of the connection and installation fees and is recognized over the remaining concession period as the Parent Company provides water and wastewater services to customers. The Parent Company recognized contract liabilities under "Trade and other payables" account amounting to ₱60.4 million and ₱58.0 million for the current portion and ₱1,247.5 million and ₱1,212.2 million for the noncurrent portion under the "Other noncurrent liabilities" account in the consolidated statements of financial position as at March 31, 2025 and December 31, 2024, respectively.

Cost of new water service connections recognized amounting to ₱26.9 million and ₱25.7 million under "Other current assets" and ₱556.1 million and ₱537.0 million under "Other noncurrent asset" account in the consolidated statements of financial position as at March 31, 2025 and December 31, 2024, respectively, since these costs are recoverable and is directly associated with the contract with customers (Note 6).

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

Category	Year*	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Subsidiary of a significant influence investor					
DM Consunji, Inc.					
Revenue from trade and non-trade services	**2025**	**₱17.9 million**	**₱2.5 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	₱76.0 million	₱2.8 million		
Construction costs (see Note 12)	**2025**	**852.4 million**	**(540.0) million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	4,039.7 million	(124.0) million		
Rental	**2025**	**–**	**(1.9 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(1.9 million)		
Training Fees	**2025**	**3.9 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.4 million	–		
Training Fees	**2025**	**3.9 thousand**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.4 million	–		
Significant influence investees of FPC					
Manila Electric Company					
Revenue from trade and non-trade services	**2025**	**2.2 million**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	10.0 million	0.3 million		
Electricity costs	**2025**	**305.3 million**	**186.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	1,216.2 million	226.6 million		
Meralco Industrial Engineering Services Corporation					
Construction costs (Note 12)	**2025**	**–**	**0.9 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	0.9 million		
Miescor Logistics, Inc					
Repairs and maintenance	**2025**	**1.4 million**	**(1.9 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(1.8 million)		
Meralco Energy, Inc.					
Construction costs (Note 12)	**2025**	**68.4 million**	**68.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	–		
MIESCOR Builders Incorporated					
Construction Costs (Note 12)	**2025**	**–**	**0.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	–		
Indra Philippines, Inc.					
Revenue from trade and non-trade services	**2025**	**–**	**40.0 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	–	40.0 thousand		
Commercial outsourcing of information technology and system services	**2025**	**26.9 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	346.4 million	–		

(Forward)

Category	Year*	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms	Conditions
PLDT, Inc.					
Revenue from trade and non-trade service	**2025**	**₱2.8 million**	**₱25.0 thousand**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	10.6 million	67.7 thousand		
Communication expense	**2025**	**1.6 million**	**(69.1 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	16.3 million	(0.2 million)		
Ecosystem Technologies International Inc.					
Revenue from trade and non-trade service	**2025**	**4.6 thousand**	**0.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	14.8 thousand	0.3 million		
Construction costs (Note 12)	**2025**	**26.0 million**	**(9.1 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	131.9 million	5.8 million		
Others					
Revenue from trade and non-trade services	**2025**	**10.7 million**	**29.4 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured, not impaired
	2024	42.1 million	29.5 million		
Management fees	**2025**	**22.3 thousand**	**6.3 million**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.3 million	6.3 million		
Communication expenses	**2025**	**6.2 million**	**(6.1 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	45.8 million	(6.5 million)		
Insurance	**2025**	**2.5 million**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	24.5 thousand	(14.2 thousand)		
Sponsorship fees	**2025**	**–**	**(43.0 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(43.0 thousand)		
Donations	**2025**	**12.1 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	60.8 million	–		
Dividends	**2025**	**337.7 million**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	295.9 million	–		
Advertising and promotions	**2025**	**12.8 thousand**	**(4.3 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	9.5 million	(4.3 thousand)		
Professional fees	**2025**	**86.5 thousand**	**(103.5 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	0.8 million	(103.5 thousand)		
Supplies and materials	**2025**	**–**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	24.8 thousand	–		
Outsourced services	**2025**	**17.6 million**	**(3.8 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	94.6 million	(3.8 million)		
Transportation equipment	**2025**	**14.6 million**	**(2.4 million)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	31.5 million	(7.1 thousand)		
Training fees	**2025**	**–**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	4.2 million	–		
Repairs and maintenance	**2025**	**–**	**(14.2 thousand)**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	–	(14.2 thousand)		
Meetings and Conferences	**2025**	**–**	**–**	Noninterest-bearing, settlement in cash and payable on demand	Unsecured
	2024	99.3 thousand	–		
Total					
Due to related parties (Note 12)	**2025**	**₱1,639.4 million**	**(₱309.4 million)**		
	2024	₱6,294.1 million	₱94.8 million		
Due from related parties	**2025**	**₱33.7 million**	**₱38.8 million**		
	2024	₱139.1 million	₱39.3 million		

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

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and payable on demand. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

Total compensation and benefits of key management personnel of the Company consist of:

	March 31, 2025	March 31, 2024
Compensation	**₱52,282**	₱60,289
Pension costs	**14,843**	3,931
Short-term benefits	**13,264**	4,663
	₱80,389	₱68,883

16. **Income Taxes**

Provision for current income tax represents the total regular corporate income tax for Group for the three-month periods ended March 31, 2025 and 2024.

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

	2025	2024
Deferred tax assets:		
Allowance for ECL	**₱164,536**	₱164,536
Revenue from contracts with customers – net	**132,208**	128,807
Pension liability and unamortized past service cost	**124,442**	109,573
Allowance for inventory obsolescence	**38,914**	38,914
Accrued expenses	**36,758**	36,998
Lease liabilities	**5,638**	5,626
	502,496	484,454
Deferred tax liabilities:		
Service concession assets – net	**(2,268,169)**	(2,150,567)
Unamortized debt issuance costs	**(74,788)**	(71,290)
ROU assets	**(83)**	(84)
Others	**(108)**	(108)
	(2,343,148)	(2,222,049)
Deferred tax liabilities – net	**(₱1,840,652)**	(₱1,737,595)

For the three-month periods ended March 31, 2025 and 2024, provision for deferred income tax on retirement liability recognized in other comprehensive income amounted to ₱14.2 million and ₱55.2 million, respectively.

Service concession assets consist of concession fees and property, plant and equipment. For income tax purposes, concession fees are amortized using UOP method while property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives or remaining concession period, whichever is shorter.

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of income is summarized as follows:

	2025	2024
Income tax at statutory tax rate based on effective tax rate	**₱1,157,343**	₱1,004,753
Add (deduct) the tax effects of:		
Benefit under OSD method	**(204,438)**	(120,031)
Tax impact on change of method of deduction and other	**(34,452)**	30,814
Interest income already subjected to final tax	**(16,303)**	(5,893)
Non-deductible expenses and others	**120,070**	28,704
Provision for income tax	**₱1,022,220**	₱938,347

For the three-month period ended March 31, 2025, the majority of the non-deductible expenses pertains to provisions recognized by the Group (see Note 12).

17. Employee Benefits

LTIP

LTIP for its managers and executives, based on profit targets, for the cycle 2023, 2024 and 2025 was approved by the Maynilad BOD on December 10, 2024.

As at March 31, 2025 and December 31, 2024, the LTIP payable is as follows:

	March 31, 2025	December 31, 2024
Balance at beginning of year	**₱586,667**	₱166,000
Addition	**46,121**	420,667
Noncurrent portion	**₱632,788**	₱586,667

The total costs of the LTIP amounted to ₱46.1 million and ₱164.2 million for the three-month periods ended March 31, 2025 and 2024, respectively, presented as part of "Salaries, wages and benefits" account in the consolidated statements of comprehensive income. Accrued LTIP which was included as part of "Trade and other payables" and "Other noncurrent liabilities" accounts in the consolidated statements of financial position amounted to ₱632.8 million and ₱586.7 million as at March 31, 2025 and December 31, 2024.

Retirement Plan

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

	March 31, 2025	December 31, 2024
Maynilad Water Services, Inc.	**₱824,136**	₱868,954
Philippine Hydro, Inc.	**1,751**	1,751
Amayi Water Services, Inc.	**100**	100
	₱825,987	₱870,805

Maynilad **-** *Defined Benefit Plan*
The Parent Company has a funded, noncontributory and actuarially computed retirement plan covering all regular and permanent employees. The benefits are based on years of service and compensation during the last year of employment.

Changes in the funded retirement liability in 2025 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Retirement Liability**
At December 31, 2024	**₱2,023,641**	**₱1,154,687**	**₱868,954**
Retirement cost in the consolidated statements of income:			
Current service cost	**45,028**	–	**45,028**
Net interest cost	**28,989**	**17,692**	**11,297**
Total	**74,017**	**17,692**	**56,325**
Remeasurements in other comprehensive income (loss):			
Loss on return on plan assets	**–**	**(35,136)**	**35,136**
Actuarial changes due to experience adjustment	**(17,037)**	**–**	**(17,037)**
Actuarial changes arising from changes in financial assumptions	**(57,150)**	**–**	**(57,150)**
Total	**(74,187)**	**(35,136)**	**(39,051)**
Benefits paid	**(31,233)**	**(31,233)**	**–**
Actual contributions	**–**	**62,092**	**(62,092)**
At March 31, 2025	**₱1,992,238**	**₱1,168,102**	**₱824,136**

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At December 31, 2023	₱1,382,039	₱1,097,407	₱284,632
Retirement cost in the consolidated statements of income:			
Current service cost	130,890	–	130,890
Net interest cost	87,461	65,476	21,985
Total	218,351	65,476	152,875
Remeasurements in other comprehensive income (loss):			
Gain on return on plan assets	–	26,659	(26,659)
Actuarial changes due to experience adjustment	1,914	–	1,914
Actuarial changes arising from changes in financial assumptions	575,040	–	575,040
Total	576,954	26,659	550,295
Benefits paid	(153,703)	(153,703)	–
Actual contributions	–	118,848	(118,848)
At December 31, 2024	₱2,023,641	₱1,154,687	₱868,954

The components of net pension cost included under "Salaries, wages and benefits" account in the consolidated statements of income in 2025 and 2024 are as follows:

	March 31, 2025	March 31, 2024
Current service cost	**₱45,028**	₱27,541
Net interest cost	**11,297**	3,592
	₱56,325	₱31,133

The Parent Company recognized remeasurement gain (loss) arising on pension plan in other comprehensive loss. The movements in the remeasurement loss are as follows:

	March 31, 2025	March 31, 2024
Remeasurement gain (loss) on defined benefit obligation:		
Actuarial gain (loss) due to:		
Changes in financial assumptions	**₱57,150**	(₱550,741)
Experience adjustments	**17,037**	(89,530)
Gain (loss) on return on plan assets	**(35,136)**	46,825
Remeasurement gain (loss) on retirement plan	**₱39,051**	(₱593,446)

Actual return on plan assets amounted to ₱17.4 million loss for the three-month period ended March 31, 2025 and ₱92.1 million gain for the three-month period ended March 31, 2024, respectively.

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

	March 31, 2025	December 31, 2024
Investments in:		
Government securities	**₱513,467**	₱587,577
Equity securities	**326,247**	375,505
Unit trust funds	**216,141**	87,920
Bonds	**85,265**	85,054
Cash and cash equivalents	**20,558**	10,080
Receivables and others	**6,424**	8,551
	₱1,168,102	₱1,154,687

The plan assets' carrying amount approximates its fair value since the plan assets are short-term in nature or marked-to-market. Investments held have quoted prices in active market. The remaining plan assets which are short term in nature, do not have quoted market prices in an active market. The plan assets have diverse investments and do not have any concentration risk.

As at March 31, 2025 and December 31, 2024, the plan assets consist of the following:

- Investments in equity securities are composed of investment in shares of various listed entities. The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.
- Unit trust funds include mutual funds invested in quoted shares.
- Cash and cash equivalents include regular savings and time deposits.
- Receivables and others include interest and dividends.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension cost and present value of defined benefit obligation are shown in the next page:

	March 31, 2025	March 31, 2024
Discount rate	**6.36%**	6.27%
Salary increase rate	**8.00%**	8.00%
Turnover rate	**8.33%**	8.33%

Sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	March 31, 2025	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Amount**
Discount rate	**100**	**(₱213,704)**
	(100)	**256,257**
Salary increase rate	**100**	**259,652**
	(100)	**(220,694)**
Turnover rate	**100**	**(18,280)**
	(100)	**19,136**

	March 31, 2024	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Amount
Discount rate	100	(₱214,276)
	(100)	257,661
Salary increase rate	100	260,875
	(100)	(221,190)
Turnover rate	100	(15,090)
	(100)	15,863

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

	March 31, 2025		
	Normal Retirement	**Other than Normal Retirement**	**Total**
Less than one year	**₱143,292**	**₱45,287**	**₱188,579**
More than one year to five years	**324,223**	**179,739**	**503,962**
More than 5 years to 10 years	**229,327**	**406,609**	**635,936**
More than 10 years to 15 years	**804,215**	**775,107**	**1,579,322**
More than 15 years to 20 years	**1,415,164**	**1,139,220**	**2,554,384**
More than 20 years	**8,193,530**	**2,806,748**	**11,000,278**
	₱11,109,751	**₱5,352,710**	**₱16,462,461**

	March 31, 2024		
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱133,050	₱57,506	₱190,556
More than one year to five years	397,660	194,839	592,499
More than 5 years to 10 years	192,263	390,462	582,725
More than 10 years to 15 years	594,813	753,968	1,348,781
More than 15 years to 20 years	1,443,613	1,127,351	2,570,964
More than 20 years	8,002,094	2,718,653	10,720,747
	₱10,763,493	₱5,242,779	₱16,006,272

Actual contributions to the defined benefit pension plan amounted to ₱62.1 million and ₱28.8 million for the three-month periods ended March 31, 2025 and 2024, respectively. The Parent Company expects to contribute ₱209.2 million to the defined benefit pension plan in the period April 1 to December 31, 2025.

Phil Hydro and Amayi
Phil Hydro recognized pension liability amounting to ₱1.8 million and ₱1.0 million, while Amayi recognized pension liability amounting to ₱0.1 million as at March 31, 2025 and December 31, 2024. in the consolidated statements of financial position determined in accordance with R.A. No. 7641, *The Philippine Retirement Pay Law*, which provides for its qualified employees under a defined minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at a normal retirement age with the required credited years of service based on the provisions of R.A. No. 7641. There were no pension income recognized in 2025 and 2024, were included under "Salaries, wages and benefits" account in the consolidated statements of income.

18. Interest Expense and Other Financing Charges

	March 31, 2025	March 31, 2024
Interest-bearing loans (Note 11)	**₱427,697**	₱443,455
Accretion on service concession obligation payable to MWSS (Note 10)	**144,176**	146,623
Amortization of debt issuance costs (Note 11)	**9,036**	9,698
Accretion of customers' deposits	**9,513**	8,122
Accretion on lease liability (Note 22)	**4,967**	7,308
	₱595,389	₱615,206

19. **Basic/Diluted Earnings Per Share**

	March 31, 2025	March 31, 2024
Net income (a)	**₱3,618,874**	₱3,098,079
Weighted average number of shares at end of year for basic earnings per share (b)*	**5,612,628**	4,404,316
Effect of dilution from ESOP shares	**–**	35,390
Weighted average number of shares at end of year for diluted earnings per share (c)	**5,612,628**	4,439,706
Basic earnings per share (a/b)	**₱0.64**	₱0.70
Diluted earnings per share (a/c)	**₱0.64**	₱0.69

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*

20. **Provisions and Contingencies**

Following are the significant contingencies of the Company as at March 31, 2025 and December 31, 2024:

a. Additional Tranche B Concession Fees and interest penalty are being claimed by MWSS in excess of the amount recommended by the Receiver. Such additional charges being claimed by MWSS (in addition to other miscellaneous claims) amounted to ₱5.0 billion as at March 31, 2025 and December 31, 2024. The Rehabilitation Court has resolved to deny and disallow the said disputed claims of MWSS in its December 19, 2007 Order, upholding the recommendations of the Receiver on the matter. Following the termination of the Parent Company's rehabilitation proceedings, the Parent Company and MWSS sought to resolve this matter in accordance with the dispute requirements of the TCA (see Notes 3, 7 and 10). A joint committee, with members from Maynilad and MWSS, was formed in June 2016 to prepare a report containing a stipulation of facts, issues and recommendations on the Disputed Claims. On July 4, 2016, Maynilad submitted to MWSS a Statement of Facts. As at April 29, 2025, MWSS has yet to provide Maynilad with its comments.

b. On October 13, 2005, the Parent Company and Manila Water (the "Concessionaires") were jointly assessed by the Municipality of Norzagaray, Bulacan for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. It is the position of the Concessionaires that it is the RoP that owns these properties and is therefore exempt from real property taxes.

   On September 5, 2022, the CBAA ruled that the Water Concessionaires and MWSS are not liable for real property tax on the land and common purpose facilities. On October 11, 2022, the Province of Bulacan and Municipality of Norzagaray appealed the CBAA Decision by way of a Petition for Review to the CTA. On May 26, 2023, the CTA En Banc dismissed the Petition without prejudice due to the petitioners' repeated failure to comply with the Rules of Civil Procedure and the lawful orders of the CTA.

   On July 22, 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on July 11, 2024, resolving the Motion for Issuance of Entry of Judgment filed by Maynilad and denying the same for being moot, in view of the Manifestation of the Petitioners dated May 3, 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated May 26, 2023.

c. In 2016, the DENR issued Administrative Order No. 2016-08 ("DAO No. 2016-08") which sets new wastewater guidelines for each type of body of water and also specifies significant effluent quality parameters for each industry based on the most probable pollutant that a type of industry will discharge into the environment. It also sets new significant parameters that have to be complied with before treated wastewater is discharged to receiving bodies of water.

DAO No. 2016-08 provides a grace period for compliance of not more than five years, provided that the establishment submits a Compliance Action Plan ("CAP") and periodic status reports of implementation to the DENR on the steps taken for the establishment's compliance schedule within the prescribed grace period.

Maynilad has 22 wastewater reclamation facilities ("WRF") treating effluents compliant with the previous standards under DAO 35-s.1990. With the effectivity of DAO No. 2016-08 that imposes more stringent standards (biological nutrient removal and fecal coliform), Maynilad would have to incur higher capital and operational expenditures to make its existing WRFs compliant with the new effluent standards. In March 2017, Maynilad submitted to the DENR its CAP to comply with DAO No. 2016-08 and requested, among others, that it be granted the five-year grace period (or until 2021) provided in DAO No. 2016-08 within which to comply with the new effluent standards.

On April 23, 2021, Maynilad wrote the DENR to request for an extension to comply with the approved CAP until 2028. The request for extension is to give Maynilad sufficient time to implement and complete the upgrade of its facilities to comply with DAO No. 2016-08. On June 30, 2021, the DENR issued DAO No. 2021-19 which relaxed certain standards in DAO No. 2016-08.

On July 6, 2021, Maynilad received DENR's letter dated July 1, 2021 advising Maynilad of EMB Memorandum Circular No. 2021-01, which clarified that the grace period began when DAO No. 2016- 08 went into effect. In its letter, the DENR explained that the moratorium or grace period will end on June 18, 2021. However, Maynilad may continue to use its approved CAP since the objective is to ensure compliance with all environmental laws.

On June 30, 2021, the DENR issued DAO 2021-19 updating the water quality guidelines for selected parameters based on current classification of water bodies and its beneficial use, and the effluent standards for selected parameters based on perceived impact to the activities in the area and to the environment. It also provided that any person or establishment requesting for modification of significant effluent quality parameters shall submit to the EMB Central Office the methodology and technical report with justifications containing the required details. A particular parameter, as indicated in Table 8 of DAO 2016-08, may also be excluded in succeeding monitoring periods provided there is a request for exclusion and certain conditions are met.

On September 1, 2021, Maynilad submitted the updated CAPs for its 21 WRFs and requested for the extension of the respective grace periods for the implementation of the new standards. The Laguna Lake Development Authority ("LLDA") approved Maynilad's updated CAPs and granted additional grace periods for the WRFs to be modified to be able to fully comply with the applicable general effluent standards. The previously granted grace period until December 31, 2022 has been extended for each WRF, consistent with the effectivity of its discharge permit.

During the prescribed grace period, a moratorium is in effect which includes issuance of cease and desist and/or closure order, fine, and other penalties against the establishment's operations. However, the establishments are not exempt from compliance monitoring and inspections by LLDA. DAO 1990-35 shall apply during the grace period, and each establishment must still comply with all the conditions in its discharge permit.

Maynilad, through its Wastewater Management Division, regularly submits the quarterly CAP update reports to the LLDA.

d. Water for All Reform Movement ("WARM") filed a Petition before the Court of Appeals praying for the issuance of a Writ of Kalikasan to enjoin Maynilad and Manila Water from implementing a combined drainage and sewerage system as it supposedly violates Sections 27 (a) and (e) of the Clean Water Act ("CWA"), which prohibit the direct deposit and transport of sewage into water bodies. WARM additionally claims that the (i) Sanitation Code has already been repealed by the CWA, and (ii) the Concessionaires are in continuing violation of the Writ of Continuing Mandamus issued by the Supreme Court in the Manila Bay Case.

   It is the position of the Water Concessionaires that (i) the Writ of Continuing Mandamus is not a law, (ii) there are no grounds for the issuance of the Writ of Kalikasan, and (iii) the Sanitation Code (which expressly allows the installation of a combined system) has not been repealed by the CWA.

   The Court of Appeals dismissed the Petition filed by WARM, citing that the installation of a combined drainage and sewerage system is allowed under the Sanitation Code. WARM elevated the Court of Appeal's decision via Certiorari to the Supreme Court in 2014. On July 19, 2023, the Parent Company received a copy of the Decision of the Supreme Court denying the petition and affirming the resolutions of the CA.

   On July 22, 2024, Maynilad received the Notice of Resolution and Resolution issued by the CTA on July 11, 2024, resolving the Motion for Issuance of Entry of Judgment filed by Maynilad and denying the same for being moot, in view of the Manifestation of the Petitioners dated May 3, 2024, and the Resolution of the CTA recalling and setting aside the CTA Resolution dated May 26, 2023.

e. The Parent Company is a party to various civil and labor cases relating to breach of contracts with damages, illegal dismissal of employees, and nonpayment of back wages, benefits and performance bonus, among others.

f. Provisions recognized in 2025 and 2024, were presented as "Others-net" in the consolidated statements of income and "Accrued expenses" under Trade and other payables in the consolidated statements of financial position (see Note 12). Other disclosures required by PAS 37 were not provided as it may prejudice Maynilad's position in on-going claims, litigations, and assessments.

21. **Significant Contracts with Manila Water (East Concessionaire)**

In relation to the Concession Agreement, the Parent Company entered into the following contracts with the East Concessionaire:

a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones; and

b. Common Purpose Facilities Agreement that provides for the operation, maintenance, renewal, and, as appropriate, decommissioning of the Common Purpose Facilities, and performance of other functions pursuant to and in accordance with the provisions of the Concession Agreement and performance of such other functions relating to the Concession (and the Concession of the East Concessionaire) as the Parent Company and the East Concessionaire may choose to delegate to the Joint Venture, subject to the approval of MWSS.

c. On January 25, 2022, Maynilad and Manila Water entered into a contract with China International Water and Electric Corp. for the design and build of the proposed Angat Water Transmission Project (Tunnel 5). On February 17, 2022, Maynilad and Manila Water entered into a contract with Dohwa Engineering, Co. Ltd. for the construction management of the proposed Angat Water Transmission Project (Tunnel 5). The Angat Water Transmission Project (Tunnel 5) is part of the MWSS's water security program which aims to provide (i) additional nineteen (19) cubic meters per second of raw water supply, and (ii) improve the reliability and operational flexibility of the Umiray-Angat-Ipo raw water conveyance system.

d. On October 28, 2022, Maynilad and Manila Water entered into a Memorandum of Agreement for the purchase of raw bulk water by the former from the latter at ₱21/cu.m. and treated bulk water at ₱26/cu.m.

e. On February 1, 2024, Maynilad and Manila Water entered a Memorandum of Agreement for the purchase of treated bulk water of 47 Million Liters per day (47MLD) delivered or made available by Manila Water to Maynilad at a purchased water rate of ₱40.99 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

f. For every excess of volume beyond 47MLD, the purchased water rate that will apply is ₱43.00 per cu.m, exclusive of taxes, for each billing month, subject to the bulk water charge adjustments of Rebasing Convergence adjustment, CPI adjustment, Extraordinary Price adjustment, Foreign Currency Differential Adjustment (FCDA), Modified FCDA, and any other adjustments as approved by the MWSS.

22. **Commitments**

Concession Agreement

Significant commitments under the Concession Agreement follow:

a. To pay Concession Fees (see Note 7)

b. To post Performance Bond (see Note 6)

Under Section 6.10 of the RCA, as amended, the Parent Company is required to post and maintain, throughout the concession period, a performance bond in favor of MWSS to secure the Parent Company's performance of its obligations under certain provisions of the Concession Agreement. The aggregate amount drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates is set out below.

Rate Rebasing Period	Aggregate Amount Drawable Under Performance Bond
	(In Millions)
First (August 1, 1997 – September 30, 2002)	US$120.0
Second (January 1, 2003 – September 30, 2007)	120.0
Third (January 1, 2008 – September 30, 2012)	90.0
Fourth (January 1, 2013 – September 30, 2017)	80.0
Fifth (January 1, 2018 – September 30, 2023)	60.0
Sixth (January 1, 2023 – September 30, 2027)	₱21,953.0

The Parent Company shall ensure that the performance bond is maintained in the amount equal to at least the performance bond amount at all times during the performance bond validity period. In the event that MWSS draws against the performance bond, the Parent Company shall replenish the same to restore the value of the performance bond to its original amount within fifteen (15) days from the date MWSS shall have drawn thereon without need of demand.

c. To pay half of MWSS and MWSS-RO's budgeted expenditures for the subsequent years, provided the aggregate annual budgeted expenditures do not exceed ₱200.0 million, subject to CPI adjustments. As a result of the extension of the life of the Concession Agreement, the annual budgeted expenditures shall increase by 100%, subject to CPI adjustments, effective January 2010 (see Notes 1 and 7).

d. To meet certain specific commitments in respect to the provision of water and wastewater services in the West Service Area, unless modified by the MWSS-RO due to unforeseen circumstances.

e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and wastewater system in the West Service Area is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with the Parent Company).

f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property.

g. To ensure that at all times the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Concession Agreement.

h. To prevent incurrence of debt or liability that would mature beyond the Expiration Date.

Failure of the Parent Company to perform any of its obligations under the Concession Agreement of a kind or to a degree which, in a reasonable opinion of the MWSS-RO, amounts to an effective abandonment of the Concession Agreement and which failure continues for at least 7 days after written notice from the MWSS-RO, may cause the Concession Agreement to be terminated.

MWSS JBIC Loan (Concession Fee)
The Loan Agreement between the Government and JBIC (formerly OECF) was signed on February 9, 1990. The proceeds of the Loan were used to fund the implementation of the Angat Water Supply Optimization Project (AWSOP), with MWSS as the implementing agency. Prior to privatization, actual drawdowns from the Loan were recorded by MWSS as equity from the Government while the draws during privatization were assumed and paid by the Concessionaires. The sharing is 61.83% and 38.17% for Maynilad and Manila Water, respectively.

On June 6, 2019, Maynilad received a letter from the MWSS requesting to pay ₱821.0 million (“Invoiced Amount”). Accordingly, Maynilad learned that the drawdowns made on the JBIC Loan prior to the privatization of MWSS’s operations are considered loans and not equity as formerly advised. MWSS’s request for the Concessionaires to pay was triggered by an instruction from the DOF to the Bureau of Treasury, to have the Concessionaires reimburse the Government for the latter’s payments on the JBIC Loan.

Maynilad replied to MWSS on July 1, 2019 and clarified the Invoiced Amount. Maynilad’s position is to pay only ₱677.0 million because (ii) Maynilad remitted to the MWSS ₱113.0 million representing Guarantee Fees based on MWSS’s invoice. However, the JBIC Loan makes no reference to and does not include the payment of Guarantee Fees, the borrower being the Government itself. This being the case, the Guarantee Fees that Maynilad remitted to MWSS must be set off or applied against the Invoiced Amount; and (2) while Maynilad always pays the foreign exchange shortfall in the debt servicing of MWSS-contracted loans, there is no need for Maynilad to pay the Forex Shortfall of ₱31.0 million in the JBIC Loan catch-up payment. The difference in the foreign exchange rate (from Japanese Yen to Philippine Peso) has already been captured and reflected in the total peso amount billed by the Bureau of Treasury.

Further, Maynilad also requested to pay ₱677.0 million in eight monthly installments of ₱84.6 million to commence in July 2019 until February 2020, to coincide with the full payment/ maturity of the JBIC Loan.

As communicated by MWSS-Finance on July 17, 2019, Maynilad can pay based on the requested amount and schedule while waiting for the response of the Bureau of Treasury concerning the guarantee fee and shortfall. Maynilad paid the first installment on July 30, 2019.

The last installment for JBIC Loan was paid on February 18, 2020. As at March 31, 2025, Bureau of Treasury has yet to respond to the Company’s letter concerning the guarantee fee and shortfall.

Leases
Company as a lessee
The Group leases the right of way, office space and branches where service outlets are located, several equipment and service vehicles, renewable under certain terms and conditions to be agreed upon by the parties. The Group also has certain leases with lease terms of 12 months or less and leases of low value.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in the consolidated statements of comprehensive income presented as part of "Interest expense and other financing charges", "Depreciation and amortization", and "Rental":

	March 31, 2025	March 31, 2024
Expense relating to short-term leases	**₱55,240**	₱8,784
Depreciation expense of ROU assets	**19,644**	38,131
Interest expense on lease liabilities	**4,967**	7,308
Expense relating to low-value assets	**2,974**	8,374
	₱82,825	₱62,597

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

	March 31, 2025	December 31, 2024
Balance at the beginning of the period	**₱372,787**	₱436,438
Additions during the period	**–**	83,862
Payments (Note 23)	**(18,860)**	(167,521)
Termination	**(35,009)**	(5,638)
Accretion of interest (Note 18)	**4,967**	25,646
Balance at end of the period	**323,885**	372,787
Less current lease liabilities	**87,950**	72,401
Noncurrent lease liabilities (Note 24)	**₱235,935**	₱300,386

As at March 31, 2025 and December 31, 2024, the current portion of lease liabilities are presented under "Trade and other payables" and the noncurrent portion of lease liabilities are presented under "Other noncurrent liabilities" in the consolidated statements of the financial position.

Most of the contracts of leased by the Group have stipulations stating that renewal of lease is subject to mutual agreement of both the lessor and the lessee. As such, it is not reasonably certain that the Company will exercise the option to extend the lease since the extension is considered unenforceable.

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

	March 31, 2025	December 31, 2024
	(In Millions)	
1 year	**₱105.0**	₱136.9
more than 1 years to 2 years	**102.9**	102.9
more than 2 years to 3 years	**68.5**	86.4
more than 3 years to 4 years	**26.5**	31.3
more than 4 years to 5 years	**11.9**	11.8
more than 5 years	**57.7**	60.8

23. Assets Held in Trust

Assets which are owned by MWSS but are used in the operations of the Parent Company under the Concession Agreement are not reflected in the consolidated statements of financial position but carried as Assets Held in Trust, except for certain assets transferred to the Parent Company.

Materials and Supplies
The Parent Company has the right to use any items of inventory owned by MWSS in carrying out its responsibility under the Concession Agreement, subject to the obligation to return the same at the end of the concession period, in kind or in value at its current rate, subject to CPI adjustments.

Facilities
The Parent Company has been granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and wastewater services under the Concession Agreement. MWSS shall retain legal title to all movable property in existence at the Commencement Date. However, upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company (see Note 7).

The Concession Agreement also provides the Parent Company and the East Concessionaire to have equal access to MWSS facilities involved in the provision of water supply and wastewater services in both West and East Service Areas including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS' closing audit report amounted to ₱7.3 billion with a sound value of ₱13.8 billion.

Beginning at the Commencement Date, MWSS' corporate headquarters were made available for a one-year lease to the Parent Company and the East Concessionaire, subject to renewal with the consent of the parties concerned. The current lease covers up to December 31, 2024. No renewal was made in 2025. Lease payments amounted to ₱18.9 million and ₱20.9 million as at March 31, 2025, and March 31, 2024, respectively (see Note 22).

24. Financial Risk Management Objectives and Policies

The Group principal financial instruments are its debts to the local banks and concession fees payable to MWSS per Concession Agreement. Other financial instruments of the Group are cash and Cash equivalents, and Trade and other receivables. The main purpose of those financial instruments is to finance the Group's operations.

The main risks arising from the Group's principal financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves the policies for managing the Group's financial risks. The Group monitors risks arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing loans.

The following table shows the Group's significant financial liabilities that are exposed to cash flow interest rate risk:

₱4.8 billion Corporate Notes (1st drawdown)	Fixed rate benchmark (6.00%, March 2, 2015 to March 2, 2035)
₱4.8 billion Corporate Notes (2nd drawdown)	Fixed rate benchmark (6.00%, October 4, 2016 to March 2, 2035)
₱4.8 billion Corporate Notes (3rd drawdown)	Fixed rate benchmark (6.00%, August 1, 2017 to March 2, 2035)
₱4.8 billion Corporate Notes (4th drawdown)	Fixed rate benchmark (6.00%, March 5, 2018 to March 2, 2035)
₱18.5 billion Fixed Corporate Notes - 10Y (1st drawdown)	Fixed rate benchmark+0.70% (6.8229%, March 23, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (1st drawdown)	Fixed rate benchmark+0.60% (6.4920%, March 23, 2018 to March 23, 2026)
₱18.5 billion Fixed Corporate Notes - 10Y (2nd drawdown)	Fixed rate benchmark+0.70% (6.8388%, April 27, 2018 to March 23, 2028)
₱18.5 billion Fixed Corporate Notes - 15Y (2nd drawdown)	Fixed rate benchmark+0.60% (6.5489%, April 27, 2018 to March 23, 2026)
¥7.9 billion Facility Loan (1st drawdown)	Fixed rate benchmark+0.90% (August 20, 2018 to June 7, 2027)
¥7.9 billion Facility Loan (2nd drawdown)	Fixed rate benchmark+0.90% (November 28, 2018 to June 7, 2027)
¥13.1 billion Facility Loan (¥2.9 billion drawdown)	Fixed rate benchmark (April 2, 2019 to October 10, 2034)
¥13.1 billion Facility Loan (¥10.2 billion drawdown)	Fixed rate benchmark (June 23, 2023 to October 10, 2034)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (5.4992%, August 12, 2022 to August 12, 2037)
₱4.0 billion Term Loan Facility	Fixed rate benchmark+0.50% (7.0036%, November 10, 2022 to November 10, 2032)
₱6.0 billion Term Loan Facility	Fixed rate benchmark+0.65% (7.1581%, November 17, 2022 to November 17, 2032)
₱10.0 billion Term Loan Facility (1st drawdown)	Fixed rate benchmark (6.4059%, May 11, 2023 to May 11, 2028)
₱10.0 billion Term Loan Facility (2nd drawdown)	Fixed rate benchmark (7.0006%, October 3, 2023 to May 11, 2028)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (6.5963%, December 14, 2023 to December14, 2026)
₱5.0 billion Term Loan Facility	Fixed rate benchmark (6.4959%, March 24, 2024-March 24, 2034)
₱15.0 billion Blue Bonds Series A: 9.0 billion Series B: 6.0 billion	Fixed rate benchmark (6.7092%, July 12, 2024 to July 12, 2029) (7.9031%, July 12, 2024 to July 12, 2034)
₱2.5 billion Term Loan Facility	Fixed rate benchmark (6.2528%, March 12, 2025 to Mar 12, 2035)
₱2.5 billion Term Loan Facility	Fixed rate benchmark (6.2279%, March 20, 2025 to Mar 20, 2035)
Peso-denominated Bank Loan	Fixed rate benchmark (5.50%, June 29, 2015 to June 29, 2025)

Interest on financial liabilities classified as fixed rate is fixed until the maturity of the instrument.

The following tables show information about the Group's financial assets and financial liabilities that are exposed to cash flow and fair value interest rate risks.

	March 31, 2025	
	Within 1 Year	**Total**
Short-term cash investments –		
Cash and cash equivalents (1-90 days) *	**₱5,394,085**	**₱5,394,085**

**Excludes cash on hand amounting to ₱4.1 million.*

	December 31, 2024	
	Within 1 Year	Total
Short-term cash investments – Cash and cash equivalents (1-90 days) *	₱10,515,179	₱10,515,179

**Excludes cash on hand amounting to ₱4.4 million.*

	March 31, 2025				
	Within 1 Year	**More than 1 Year**	**Total (In US$)**	**Total (In ¥)**	**Total (In ₱)**
Liabilities:					
Interest–bearing loans:					
Interest rate	**6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%**	**6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%**			
Current – foreign	**¥2,269,505**	**–**		**¥2,269,505**	**₱870,355**
Current – local	**₱1,742,234**	**–**		**–**	**1,742,235**
Noncurrent – foreign	**–**	**¥12,525,476**		**12,525,476**	**4,803,520**
Noncurrent – local	**–**	**₱79,413,119**		**–**	**79,413,119**
					86,829,229
Service concession obligation payable to MWSS:					
Interest rate	**2.28%**				
Current – foreign	**$1,850**	**–**	**$1,850**	**–**	**₱105,851**
Current – local	**₱930,311**	**–**	**–**	**–**	**930,311**
Noncurrent – foreign	**–**	**$66,127**	**$66,127**	**–**	**3,783,128**
Noncurrent – local	**–**	**₱2,114,388**	**–**	**–**	**2,114,388**
					6,933,678
					₱93,762,907

The spot exchange rates used were ₱57.21:US$1 and ₱0.3835: JPY1 as at March 31, 2025

	December 31, 2024				
	Within 1 Year	More than 1 Year	Total (In US$)	Total (In ¥)	Total (In ₱)
Liabilities:					
Interest–bearing loans:					
Interest rate	6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%	6.00%, 6.39%, 6.75%, 7.30%, 6.70%, 6.89%, 6.55%, 6.83%, 6.90%, 6.61%, 5.00%, 5.50%, 6.40%, 7.00%, 7.15%, 6.60, 6.50% and 5.50%			
Current – foreign	¥2,269,504	–	–	¥2,269,504	₱833,362
Current – local	₱3,352,703	–	–	–	3,352,703
Noncurrent – foreign	–	¥12,525,477	–	12,525,477	4,599,355
Noncurrent – local	–	₱74,862,116	–	–	74,862,116
					83,647,536

(Forward)

	December 31, 2024				
	Within 1 Year	More than 1 Year	Total (In US$)	Total (In ¥)	Total (In ₱)
Service concession obligation payable to MWSS:					
Interest rate	9.02%				
Current – foreign	$5,604	–	$5,604	–	₱324,136
Current – local	₱703,118	–	–	–	703,118
Noncurrent – foreign	–	$66,169	$66,169	–	3,827,530
Noncurrent – local	–	₱2,466,997	–	–	2,466,997
					7,321,781
					₱90,969,317

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

Foreign Currency Risk

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

The Group's foreign currency risk arises primarily from movements of the Philippine Peso against the United States Dollar and Japanese Yen. The servicing of foreign currency denominated loans of MWSS is among the requirements of the Concession Agreement. Revenues are generated in Philippine Peso. However, there is a mechanism in place as part of the Concession Agreement wherein the Company (or the end consumers) can recover currency fluctuations through the FCDA that is approved by the RO.

Information on the Group's foreign currency-denominated monetary assets and liabilities and the Philippine Peso equivalent of each as at March 31, 2025 and December 31, 2024 is presented as follows:

	March 31, 2025		
	US Dollar	**JPY**	**Total Peso Equivalent**
Asset			
Cash and cash equivalents and restricted cash	**$1,683**	**¥11,125**	**₱100,551**
Liabilities			
Interest–bearing loans	**$–**	**(¥14,794,981)**	**(₱5,673,875)**
Service concession obligation payable to MWSS	**(67,977)**	**–**	**(3,888,980)**
	(67,977)	**(¥14,794,981)**	**(9,562,855)**
Net foreign currency denominated liabilities	**($66,294)**	**(¥ 14,783,856)**	**(₱9,462,304)**

The spot exchange rates used were ₱57.21:US$1 and ₱0.3835: JPY1 as at March 31, 2025.

	December 31, 2024		
	US Dollar	JPY	Total Peso Equivalent
Asset			
Cash and cash equivalents and restricted cash	$1,719	¥11,125	₱103,521
Liabilities			
Interest–bearing loans	$–	(¥14,794,981)	(₱5,432,717)
Service concession obligation payable to MWSS	(71,772)	–	(4,151,666)
	(71,772)	(14,794,981)	(9,584,383)
Net foreign currency denominated liabilities	($70,053)	(¥ 14,783,856)	(₱9,480,862)

The spot exchange rates used were ₱57.845:US$1 and ₱0.3672: JPY1 as at December 31, 2024.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as at March 31, 2025 and December 31, 2024. The estimates in the movement of the foreign exchange rates were based on the management's annual financial forecast.

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	**Foreign Exchange Rate**	**Effect on Income Before Income Tax**
2025			
U.S Dollar	**+1**	**57.21**	**(₱37,927)**
JPY	**+1**	**0.38**	**(56,696)**
U.S Dollar	**-1**	**57.21**	**37,927**
JPY	**-1**	**0.38**	**56,696**

	Increase (Decrease) in Peso, U.S Dollar and JPY Exchange Rates	Foreign Exchange Rate	Effect on Income Before Income Tax
2024			
U.S Dollar	+1%	57.85	(₱39,336)
JPY	+1%	0.37	(64,434)
U.S Dollar	-1%	57.85	39,336
JPY	-1%	0.37	64,434

The Group recognized net foreign exchange losses of ₱350.1 million and ₱359.5 million for the three-month periods ended March 31, 2025 and 2024, respectively, mainly arising from the translation of the Group's cash and cash equivalents, deposits, interest-bearing loans and service concession obligation payable to MWSS. However, the net foreign exchange gain or loss on interest-bearing loans and service concession obligation payable to MWSS is subject to foreign exchange recovery mechanisms under the Concession Agreement (see Note 2).

Credit Risk

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

The Group's trade only with recognized, creditworthy third parties. Because of the basic need service, it provides, historical collections of the Group are relatively high. Credit exposure is widely dispersed. Receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Group, consisting of cash and cash equivalents, deposits and restricted cash and deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past five years.

Maximum exposure to credit risk of financial assets not subject to impairment

The Group has unquoted equity shares measured at fair value through other comprehensive income amounting to ₱124.9 million as at March 31, 2025 and December 31, 2024 (see Note 9).

Maximum exposure to credit risk of financial assets subject to impairment
The table below shows the maximum exposure to credit risk for the Group's financial instruments (amounts in thousands):

	March 31, 2025	December 31, 2024
Cash and cash equivalents* (Note 4)	**₱5,394,085**	₱10,515,179
Trade and other receivables – net (Note 5)	**2,717,973**	2,722,872
Contract assets (Note 14)	**1,311,288**	1,386,458
Deposits**	**558,957**	558,957
Deposits (Note 6)	**220,619**	238,428
Total credit risk exposure	**₱10,202,922**	₱15,421,894

**Excludes cash on hand amounting to ₱4.1 million and ₱4.4 million as at March 31, 2025 and December 31, 2024, respectively.*
***Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6.3 million as at March 31, 2025 and December 31, 2024, in the consolidated statements of financial position.*

The table below shows the maximum exposure to credit risk for the Group's financial instruments by credit rating grades (amounts in thousands).

	March 31, 2025				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
High grade	**₱5,621,595**	**₱–**	**₱–**	**₱4,797,509**	**₱10,419,104**
Standard grade	**1,159,294**	**26,602**	**–**	**99,347**	**1,285,243**
Gross carrying amount	**6,780,889**	**26,602**	**–**	**4,896,856**	**11,704,347**
Loss allowance	**–**	**–**	**–**	**(1,501,425)**	**(1,501,425)**
Carrying amount	**₱6,780,889**	**₱26,602**	**₱–**	**₱3,395,431**	**₱10,202,922**

	December 31, 2024				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱10,766,180	₱–	₱–	₱4,895,625	₱15,661,805
Standard grade	1,114,091	26,602	–	138,959	1,279,652
Gross carrying amount	11,880,271	26,602	–	5,034,584	16,941,457
Loss allowance	–	–	–	(1,519,563)	(1,519,563)
Carrying amount	₱11,880,271	₱26,602	₱–	₱3,515,021	₱15,421,894

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

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

For trade and other receivables and contract assets, high grade relates to those which are consistently collected before the maturity date, normally seven days from bill delivery. Standard grade includes receivables from customers that are collectible beyond seven days from bill delivery even without an effort from the Parent Company to follow them up, or those advances from officers and employees that are collected through salary deduction. For deposits, standard grade consists of meter and security deposits that are normally refundable upon termination of service.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables and contract assets using a provision matrix as at March 31, 2025 and December 31, 2024, the table below summarizes the financial assets of the Group (amounts in thousands):

		March 31, 2025				
		Days past due				
	Current	**1 to 180 days**	**181-360 days**	**More than 360 days**	**Total**
Expected credit loss rate	**1.91%**	**4.71%-26.51%**	**30.58%-50.86%**	**54.69%-100%**	
Estimated total gross carrying amount at default*	**₱ 1,480,955**	**₱1,679,123**	**₱190,165**	**₱1,880,135**	**₱5,230,378**
Expected credit loss	**27,833**	**142,740**	**85,320**	**541,844**	**797,737**
Credit-impaired receivables	**–**	**–**	**–**	**703,688**	**703,688**
Total	**₱27,833**	**₱142,740**	**₱85,320**	**₱1,245,532**	**₱1,501,425**

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱300.30 million as at March 31, 2025.*

		December 31, 2024			
		Days past due			
	Current	1 to 180 days	181-360 days	More than 360 days	Total
Expected credit loss rate	1.86%	4.57% - 25.64%	29.63% -49.50%	53.95%-100%	
Estimated total gross carrying amount at default*	₱1,560,524	₱1,709,725	₱180,158	₱1,674,247	₱5,124,654
Expected credit loss	28,641	145,553	77,456	555,369	807,019
Credit-impaired receivables	–	–	–	712,544	712,544
Total	₱28,641	₱145,553	₱77,456	₱1,267,913	₱1,519,563

** Balances shown excludes other non-trade receivables and advances to officer and employees amounting to ₱504.24 million as at December 31, 2024.*

Excessive risk concentration
Given the Group's diverse base of counterparties in its financial assets, it is not exposed to large or excessive concentrations of credit risk in any geographical region or industry.

Write-off policy
The Group writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when any of the following conditions is met:

- unpaid bill(s) of former owner/tenant who can no longer be found. The amount to be written off shall be net of any customer deposit posted by the previous owner/tenant;
- the customer is deceased and left no estate, or the heir is not financially capable of settling the account;
- the unpaid bill(s) of a customer who has been declared bankrupt by the court;
- the filing of legal action to collect the unpaid bill(s) does not seem prudent under the circumstances, as determined by the Legal and Regulatory Affairs ("LRA");
- a final judgment favoring the customer was issued in a case filed against the customer for collection of money. In this case, the amount to be written off shall be equal to the amount recommended by the court;
- any unpaid bills(s), more than three years old, of disconnected services and which remain uncollected after exerting all diligent efforts, as supported by the disconnection letter and/or demand letter; and
- the water service connection no longer exists and the customer has no other account with Maynilad.

The Group also monitors loans written-off and any recoveries made. Outstanding receivables of demolished accounts were written off amounting to nil and ₱34.3 million for the three-month periods ended March 31, 2025 and 2024 (see Note 5).

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities as at March 31, 2025 and December 31, 2024 based on contractual undiscounted payments.

	March 31, 2025				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due after 12 Months**	**Total**
Financial Assets					
Cash and Cash Equivalents*	**₱2,594,386**	**₱2,799,699**	**₱–**	**₱–**	**₱5,394,085**
Trade Receivables:					
Customers	**1,879,114**	**1,486,965**	**–**	**–**	**3,366,079**
Bulk	**71,456**	**148,033**	**–**	**–**	**219,489**
Non-trade Receivables:					
Employees	**–**	**41,870**	**–**	**–**	**41,870**
Others	**202,953**	**389,008**	**–**	**–**	**591,961**
Contract Assets	**–**	**1,311,288**	**–**	**–**	**1,311,288**
Deposits**	**–**	**–**	**493,543**	**65,414**	**558,957**
Financial assets at FVOCI	**124,864**	**–**	**–**	**–**	**124,864**
Deposits and restricted cash	**–**	**–**	**220,619**	**–**	**220,619**
	4,872,773	**6,176,863**	**714,162**	**65,414**	**11,829,212**
Financial Liabilities					
Interest-bearing loans***	**–**	**(2,071,818)**	**(5,945,129)**	**(120,116,228)**	**(128,133,175)**
Trade and other payables****	**(1,013,273)**	**(6,496,769)**	**(9,212,129)**	**(7,768,380)**	**(24,490,551)**
Service concession obligation payable to MWSS	**–**	**(348,718)**	**(429,676)**	**(17,044,878)**	**(17,823,272)**
Customers' deposits	**–**	**–**	**–**	**(630,298)**	**(630,298)**
Lease liabilities*****	**–**	**(27,333)**	**(79,635)**	**(267,544)**	**(374,512)**
	(1,013,273)	**(8,944,638)**	**(15,666,569)**	**(145,827,328)**	**(171,451,808)**
Liquidity position (gap)	**₱3,859,500**	**(₱2,767,775)**	**(₱14,952,407)**	**(₱145,761,914)**	**(₱159,622,596)**

	December 31, 2024				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Financial Assets					
Cash and Cash Equivalents*	₱3,040,480	₱7,474,699	₱–	₱–	₱10,515,179
Trade Receivables:					
Customers	1,919,851	1,520,600	–	–	3,440,451
Bulk	5,725	201,951	–	–	207,676
Non-trade Receivables:					
Employees	–	46,328	–	–	46,328
Others	392,196	155,784	–	–	547,980
Contract Assets	–	1,386,458	–	–	1,386,458
Deposits**	–	–	–	558,957	558,957
Financial assets at FVOCI	124,864	–	–	–	124,864
Deposits and restricted cash	–	–	238,428	–	238,428
	5,483,116	10,785,820	238,428	558,957	17,066,321

(Forward)

	December 31, 2024				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Financial Liabilities					
Interest-bearing loans***	₱–	(₱3,462,656)	(₱5,889,609)	(₱113,986,178)	(₱123,338,443)
Trade and other payables****	(587,206)	(6,310,976)	(7,995,581)	(7,719,745)	(22,613,508)
Service concession obligation payable to MWSS	–	(697,436)	(674,775)	(17,220,518)	(18,592,729)
Customers' deposits	–	–	–	(1,355,612)	(1,355,612)
Lease liabilities*****	–	(57,607)	(79,295)	(293,218)	(430,120)
	(587,206)	(15,424,585)	(14,639,260)	(155,214,531)	(166,330,412)
Liquidity position (gap)	₱4,895,910	(₱4,638,765)	(₱14,400,832)	(₱154,655,574)	(₱149,264,091)

**Excludes cash on hand amounting to ₱4,065 and ₱4,362 as at March 31, 2025, and December, 31, 2024, respectively.*
***Included as part of "Other noncurrent assets" in the consolidated statements of financial position.*
****Principal plus interest payment*
*****Excludes taxes payable, interest payable, current portion of lease and contract liabilities.*
****** Included as part of "Other noncurrent assets", excluding advances for customers amounting to ₱6.3 million as at March 31, 2025 and December 31, 2024, in the consolidated statements of financial position.*

Capital Management

The primary objective of the Group's capital management strategy is to ensure that it maintains a healthy capital structure in order to maintain a strong credit standing while it maximizes shareholder value.

The Group closely manages its capital structure vis-a-vis a certain target gearing ratio, which is net debt divided by total capital plus net debt. The Group's target gearing ratio is not to exceed 75%. This target is to be maintained over the next five years by managing the Group's level of borrowings and dividend payments to shareholders.

For purposes of computing its net debt, the Group includes the outstanding balance of its long-term interest-bearing loans, service concession obligation payable to MWSS and trade and other payables, less the outstanding cash and cash equivalents, deposits and restricted cash. To compute its capital, the Group uses total equity.

	March 31, 2025	December 31, 2024
Interest-bearing loans and service concession obligation payable to MWSS (Notes 10 and 11)	**₱93,762,907**	₱90,969,317
Trade and other payables (Note 12)	**25,964,283**	24,157,077
Less cash and cash equivalents and deposits (Notes 4 and 6)	**(5,618,799)**	(10,757,968)
Net debt (a)	**114,108,391**	104,368,426
Total equity	**72,627,110**	75,354,950
Total equity and net debt (b)	**₱186,735,501**	₱179,723,376
Gearing ratio (a/b)	**61%**	58%

For the purposes of monitoring debt ratio covenants, the Group computes using both interest-bearing debt and total liabilities. The Group's closely monitor its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

25. Fair Value of Financial Assets and Financial Liabilities

The following table summarizes the carrying values and fair values of the Group's financial assets and financial liabilities as at March 31, 2025 and December 31, 2024:

	March 31, 2025			
	Carrying value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level2)**	**Significant unobservable inputs (Level 3)**
Financial Assets				
At fair value through other comprehensive income	**₱124,864**	**₱–**	**₱–**	**₱124,864**
At amortized cost -				
Deposits (included under "Other noncurrent assets" account)	**558,957**	**–**	**–**	**492,065**
	₱683,821	**₱–**	**₱–**	**₱616,929**
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	**₱86,829,229**	**₱–**	**₱–**	**₱85,597,764**
Service concession obligation payable to MWSS	**6,933,678**	**–**	**–**	**7,668,381**
Customers' deposits	**1,393,049**	**–**	**–**	**365,837**
Lease liabilities	**323,886**	**–**	**–**	**324,700**
	₱95,479,842	**₱–**	**₱–**	**₱93,956,682**

	December 31, 2024			
	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets				
At fair value through other comprehensive income	₱124,864	₱–	₱–	₱124,864
At amortized cost -				
Deposits (included under "Other noncurrent assets" account)	558,957	–	–	482,665
	₱683,821	₱–	₱–	₱607,529
Financial Liabilities				
Other financial liabilities:				
Interest-bearing loans	₱83,647,536	₱–	₱–	₱87,080,115
Service concession obligation payable to MWSS	7,321,781	–	–	7,668,381
Customers' deposits	1,355,612	–	–	367,362
Lease liabilities	372,787	–	–	375,605
	₱92,697,716	₱–	₱–	₱95,491,463

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

Cash and Cash Equivalents, Trade and Other Receivables, Contract Assets, Deposits and Restricted Cash, and Trade and Other Payables. Due to the short-term nature of these transactions, the carrying values approximate the fair values as at the reporting date. These are carried at amortized cost.

Financial Assets at FVOCI. Fair value is equivalent to the carrying value because the Company's financial assets at FVOCI pertain to unquoted equity investments.

Interest-bearing Loans. For floating rate loans, the carrying value approximates the estimated fair value as at the reporting date due to quarterly repricing of interest rates. For fixed rate loans, the estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Deposits, Service Concession Obligation Payable to MWSS, Customers' Deposits and Lease Liabilities. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

During the periods ended March 31, 2025, and December 31, 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of fixed rate interest-bearing loans, deposits, service concession obligation payable to MWSS, customers' deposits and lease liabilities are determined using Fair Value Hierarchy Level 3.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used are as follows:

	March 31, 2025	December 31, 2024
Deposits	**5.62%-6.32%**	6.09%-6.18%
Interest bearing loans	**1.73%-6.22%**	3.98%-6.11%
Interest bearing bonds	**2.07%-6.15%**	5.87%-6.11%
Service concession obligation payable to MWSS	**2.5%-8.67%**	2.5%-8.53%
Customers' deposits	**6.32%**	6.09%
Lease liabilities	**5.18%-6.16%**	5.71%-6.18%

26. Supplemental Disclosure of Cash Flow Information

The noncash activities pertain to MWSS loan drawdowns for Bigte-Novaliches Aqueduct No. 7 (BNAQ7) and Kaliwa Dam Project amounting to nil and ₱146.9 million as at March 31, 2025 and December 31, 2024, respectively. Borrowing costs capitalized as part of service concession assets amounted to ₱920.6 million and ₱499.6 million for the three-month periods ended March 31, 2025 and 2024, respectively (see Note 7).

27. Changes in Liabilities Arising from Financing Activities

	January 1, 2025	**Cash Flows**	**Foreign Exchange Movement**	**Other***	**March 31, 2025**
Short-term and current portion of interest-bearing loans (Note 11)	**₱4,186,065**	**(₱2,043,574)**	**₱–**	**₱470,099**	**₱2,612,590**
Noncurrent portion of interest-bearing loans and bonds (Note 11)	**79,461,471**	**4,962,500**	**241,158**	**(448,490)**	**84,216,639**
Current portion of service concession obligation payable to MWSS (Note 10)	**1,027,255**	**(465,060)**	**(24,084)**	**498,051**	**1,036,162**
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,294,526**	**–**	**(43,135)**	**(353,876)**	**5,897,515**
Interest payable	**1,051,763**	**(1,280,697)**	**(128,070)**	**1,355,712**	**998,708**
Lease liabilities (Notes 2 and 22)	**372,787**	**(18,860)**	**–**	**(30,042)**	**323,885**
Dividends payable (Note 13)	**3,642**	**(6,399,665)**	**–**	**6,400,000**	**3,977**
Total liabilities from financing activities	**₱92,397,509**	**(₱5,245,356)**	**₱45,869**	**₱7,891,454**	**₱95,089,476**

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

	January 1, 2024	Cash Flows	Foreign Exchange Movement	Other*	December 31, 2024
Short-term and current portion of interest-bearing loans (Note 11)	**₱2,587,660**	(₱2,565,306)	₱–	₱4,163,711	₱4,186,065
Noncurrent portion of interest-bearing loans (Note 11)	**59,214,238**	24,741,300	(402,978)	(4,091,089)	79,461,471
Current portion of service concession obligation payable to MWSS (Note 10)	**874,561**	(952,976)	(29,608)	1,135,278	1,027,255
Noncurrent portion of service concession obligation payable to MWSS (Note 10)	**6,489,036**	–	187,930	(382,440)	6,294,526
Interest payable	**708,740**	(4,025,270)	(336,502)	4,704,795	1,051,763
Lease liabilities (Notes 2 and 22)	**436,438**	(167,521)	–	103,870	372,787
Dividends payable (Note 13)	**3,462**	(5,654,209)	–	5,654,389	3,642
Total liabilities from financing activities	**₱70,314,135**	₱11,376,018	(₱581,158)	₱11,288,514	₱92,397,509

**Other includes the effect of reclassification of non-current portion of interest-bearing loans and service concession obligation payable to current due to passage of time, accrual of dividends, amortization of debt issue cost, accretion on service concession obligation payable and addition to lease liabilities.*

28. Operating Segment Reporting

The Group has only one operating segment, which is the water and wastewater services, and its results of operations are reviewed by the chief operating decision maker to make decisions and to assess the Group's financial performance, and for which discrete financial information is available. The financial information that are required in relation to segment reporting are the same as those information already presented in these consolidated financial statements. In addition, the Group consider its concession agreement operating in West Zone Service Area of Metro Manila and Province of Cavite as one geographical location.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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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 March 31, 2025 and December 31, 2024 and for the three-month periods ended March 31, 2025 and 2024, on which we have rendered the attached report dated April 29, 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

April 29, 2025

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services, Inc. and Subsidiaries (the Group) as at March 31, 2025 and December 31, 2024, and for the three-month periods ended March 31, 2025 and 2024, and have issued our report thereon dated April 29, 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
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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 March 31, 2025 and December 31, 2024 and for the three-month periods ended March 31, 2025 and 2024, and have issued our report thereon dated April 29, 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
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April 29, 2025

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Maynilad Water Services, Inc. and Subsidiaries (the Group) as at March 31, 2025 and December 31, 2024, and for the three-month periods ended March 31, 2025 and 2024, and have issued our report thereon dated April 29, 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 (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at March 31, 2025 and December 31, 2024, and for the three-month periods ended March 31, 2025 and 2024, and have issued our report thereon dated April 29, 2025and 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

April 29, 2025

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

INDEX TO THE SUPPLEMENTARY SCHEDULES
March 31, 2025
(Amounts in Thousands)

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
March 31, 2025

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Amount shown in the statements of financial position	Income received and accrued
Cash and cash equivalents		
Total cash on hand and in banks	₱2,598,481	₱–
Total cash equivalents	2,799,699	(65)
	₱5,398,180	(₱65)

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

			Deductions				
Name and designation	Balance as at January 1, 2025	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance as at March 31, 2025
Not Applicable							

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

			Deductions				
Name and designation	Balance as at January 1, 2025	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance as at March 31, 2025
Philippine Hydro pH, Inc.	₱475,496	₱49,917	₱–	₱–	₱–	₱–	₱525,413
Amayi Water Solutions, Inc.	239,206	–	(148)	–	–	–	239,058
	₱714,702	₱49,917	(₱148)	₱–	₱–	₱–	₱764,471

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	₱123,210	₱15,664,320	₱15,787,530
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)*	125,000	9,875,000	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	4,950,000	5,250,000
₱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)*	466,400	4,197,592	4,663,992
₱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	2,862,000	3,180,000
₱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)*	403,955	605,928	1,009,883
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%							
2nd drawdown	6.750%	₱1,434,000	October 15, 2024	Semi-annual	Semi-annual *(Starting October 15, 2021)*	–	–	–
3rd drawdown	7.300%							
Peso-denominated Bank Loan (LBP)	5.50%	₱255,000	June 29, 2025	Quarterly	Quarterly	7,969	–	7,969
Peso-denominated Bank Loan (BPI)	6.2528%	₱2,500,000	March 12, 2035	Semi-annual	Semi-annual *(Starting September 15,2025)*	–	2,500,000	2,500,000
Peso-denominated Bank Loan (LBP)	6.2279%	₱2,500,000	March 20, 2035	Semi-annual	Semi-annual *(Starting September 20,2025)*	–	2,500,000	2,500,000
						₱2,612,590	**₱84,877,062**	**₱ 87,489,652**

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Parties)

Name of related party	Balance at January 1, 2025	Balance at March 31, 2025
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	296,178,211	17,415,000	–
Philippine Hydro (pH), Inc.	2,500,000	2,500,000	–	–	5	–
Amayi Water Solutions, Inc.	500,000	125,000	–	–	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 Company's Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is prepared in accordance with Philippine Securities and Exchange Commission (SEC) issued Memorandum Circular No. 16 series of 2023 on September 19, 2023.

The table below presents the retained earnings available for dividend declaration as at March 31, 2025:

Unappropriated retained earnings as at December 31, 2024		**₱21,208,920**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Retained Earnings		
Reversal of Retained Earnings Appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Accumulated beginning deferred tax assets (DTA), exclusive of	–	
deferred tax recognized in OCI	428,063	428,063
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	6,400,000	
Retained Earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Others:	–	
Treasury shares, beginning	960,555	7,360,555
Unappropriated retained earnings, as adjusted, as at December 31, 2024		**14,276,428**
Add/Less: Net income (loss) for the current year		**3,612,598**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(1,585)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	
Subtotal		**(1,585)**
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	–
Sub-total		–

(Forward)

Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	**₱8,990**	
Reversal of previously recorded fair value adjustment (mark-to market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of previously recorded fair value gain of Investment Property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	–	
Sub-total		**8,990**
Adjusted Net Income		**17,896,431**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Sub-total		**–**
Add/(Less): Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others (describe nature)	–	
Subtotal		–
Add/(Less): Category F: 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)	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	2,472	
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	(106,051)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
Others (describe nature)	–	
Sub-total		**(103,579)**
Unappropriated retained earnings as at March 31, 2025 available for dividend declaration		**₱17,792,852**

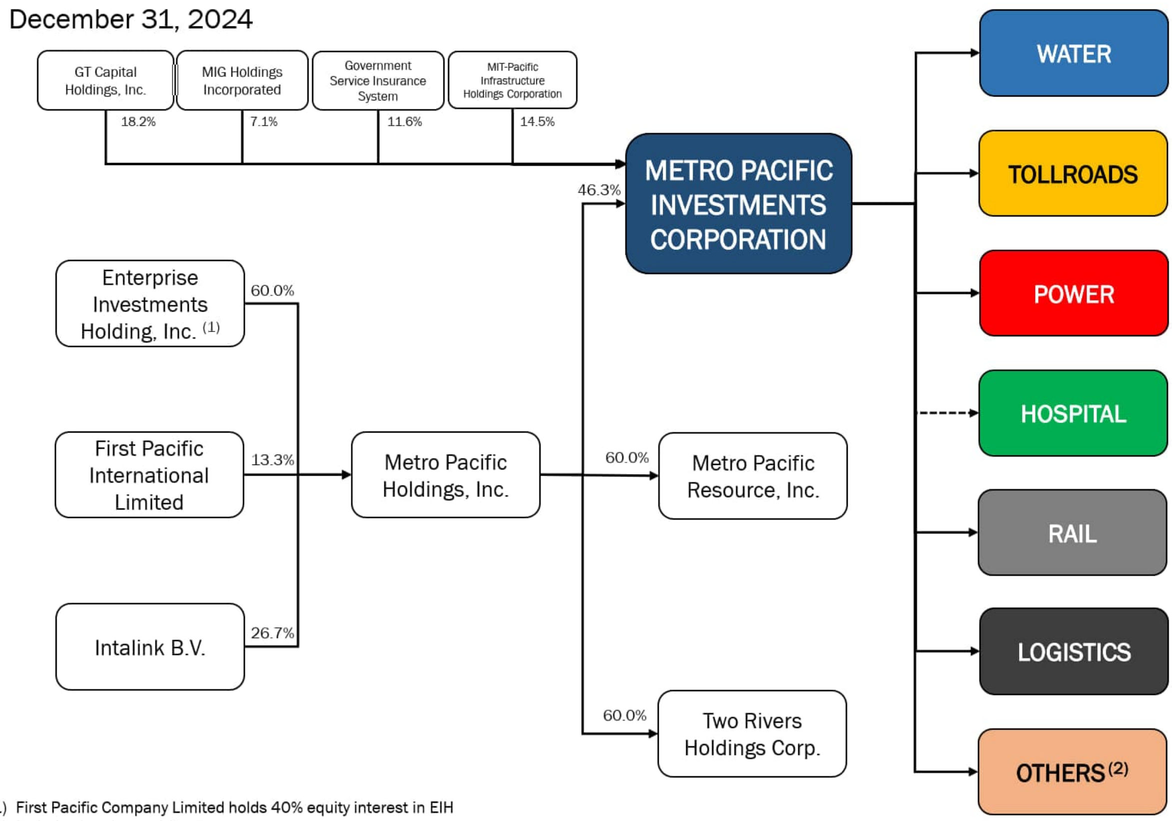
MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

Supplementary Schedule on Financial Soundness Indicators
As at March 31, 2025

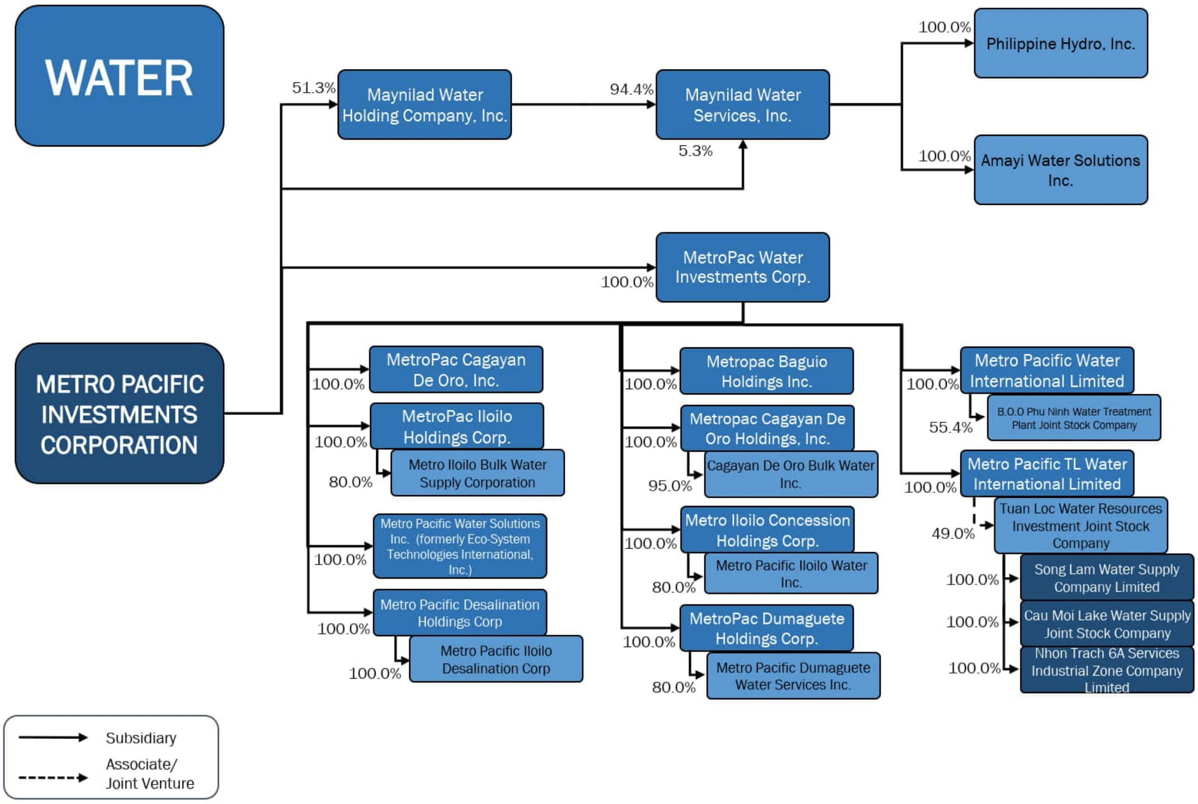
Ratio	Formula		March 31, 2025	December 31, 2024
Current Ratio	Total Current Assets divided by Total Current Liabilities		0.40	0.56
	Total Current Assets	12,034,139		
	Divided by: Total Current Liabilities	30,443,357		
	Current Ratio	0.40		
Asset-to-Equity Ratio	Total Assets divided by Total Equity		2.75	2.60
	Total Assets	199,980,264		
	Divided by: Total Equity	72,627,110		
	Asset-to-Equity Ratio	2.75		
Debt-to-Equity Ratio	Total Debt divided by Total Equity		1.75	1.60
	Total Debt	127,353,154		
	Divided by: Total Equity	72,627,110		
	Debt-to-Equity Ratio	1.75		
Return on Equity	Net Income divided by Average Total Equity		0.05	0.04
	Net Income	3,618,874		
	Divided by: Average Total Equity	73,991,030		
	Return on Equity	0.05		
Return on Assets	Net Income divided by Average Total Assets		0.02	0.02
	Net Income	3,618,874		
	Divided by: Average Total Assets	199,075,440		
	Return on Assets	0.02		
EBITDA Margin	Earnings Before Interest, Tax and Depreciation and Amortization divided by Total Revenue		0.70	0.67
	Earnings Before Interest, Tax and Depreciation and Amortization	6,031,728		
	Divided by: Total Revenue	8,564,751		
	EBITDA Margin	0.70		
Net Profit Margin	Net Income divided by Total Revenue		0.42	0.38
	Net Income	3,618,874		
	Divided by: Total Revenue	8,564,751		
	Net Profit Margin	0.42		

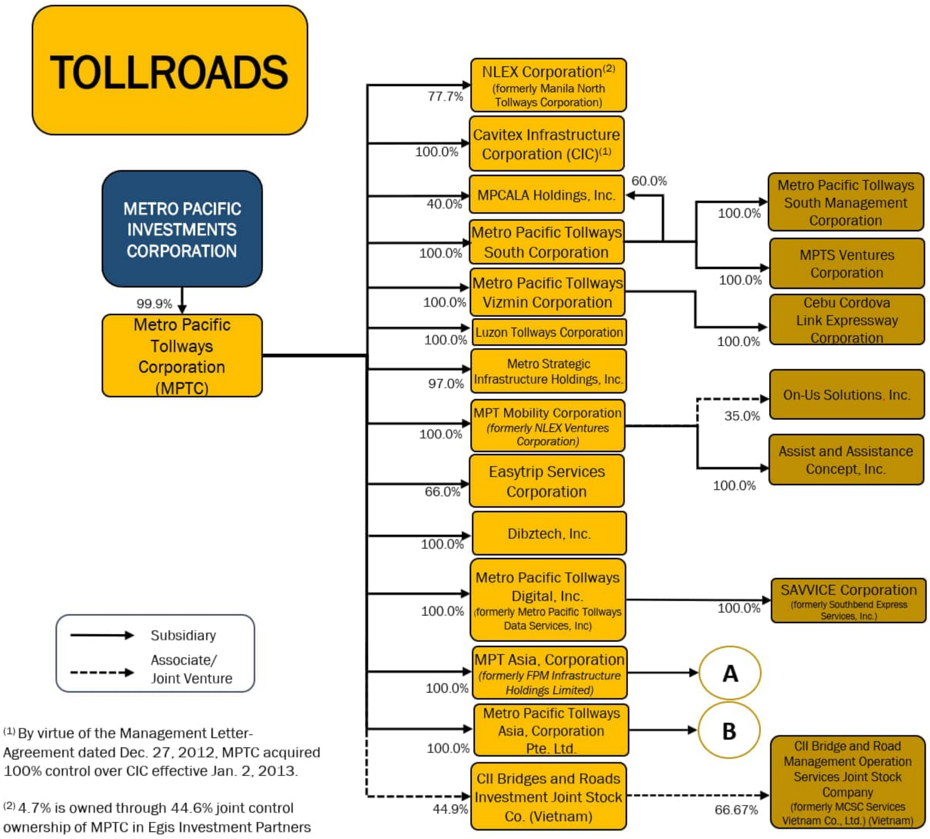
MAYNILAD WATER SERVICES, INC. AND SUBSIDIARIES
(A Subsidiary of Maynilad Water Holding Company, Inc.)

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
As at March 31, 2025



(1) First Pacific Company Limited holds 40% equity interest in EIH
(2) Includes Landco and Agro group

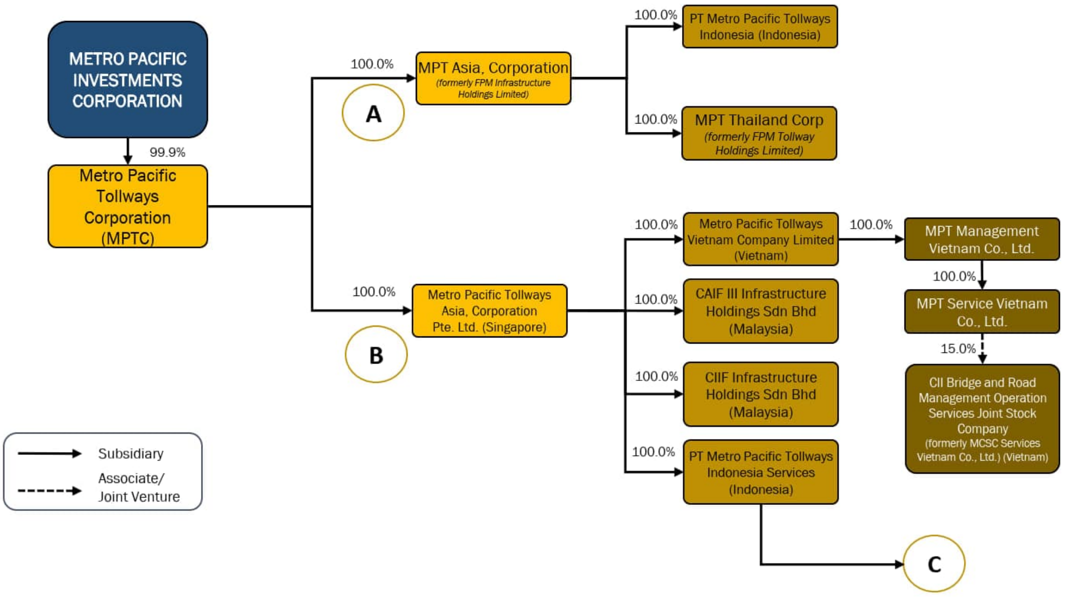




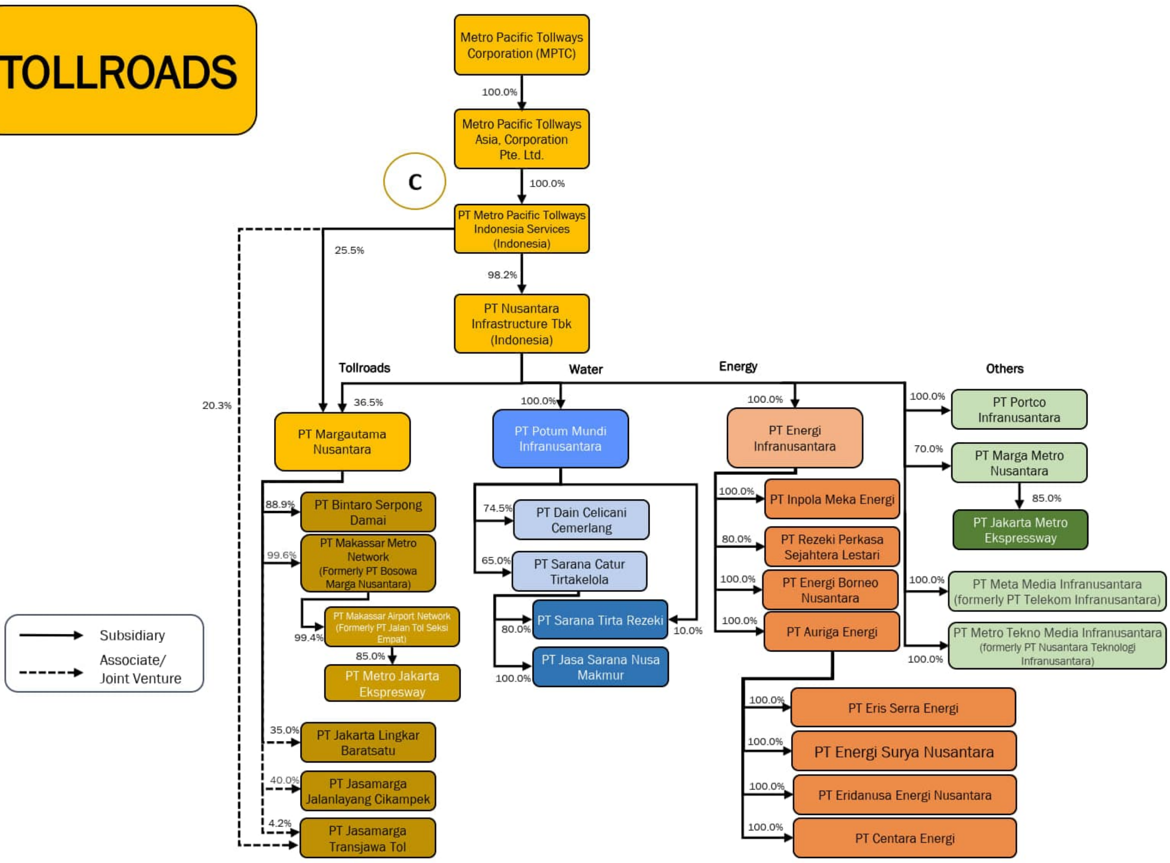
(1) By virtue of the Management Letter-Agreement dated Dec. 27, 2012, MPTC acquired 100% control over CIC effective Jan. 2, 2013.

(2) 4.7% is owned through 44.6% joint control ownership of MPTC in Egis Investment Partners Philippines, Inc.

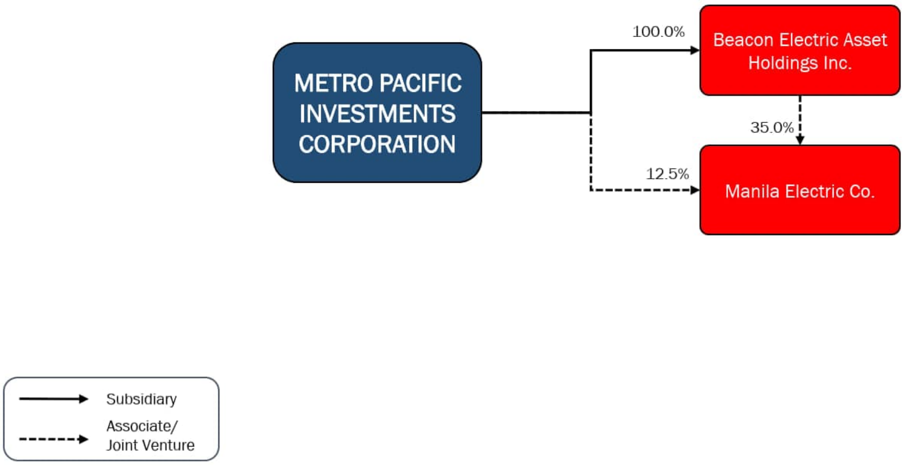
TOLLROADS



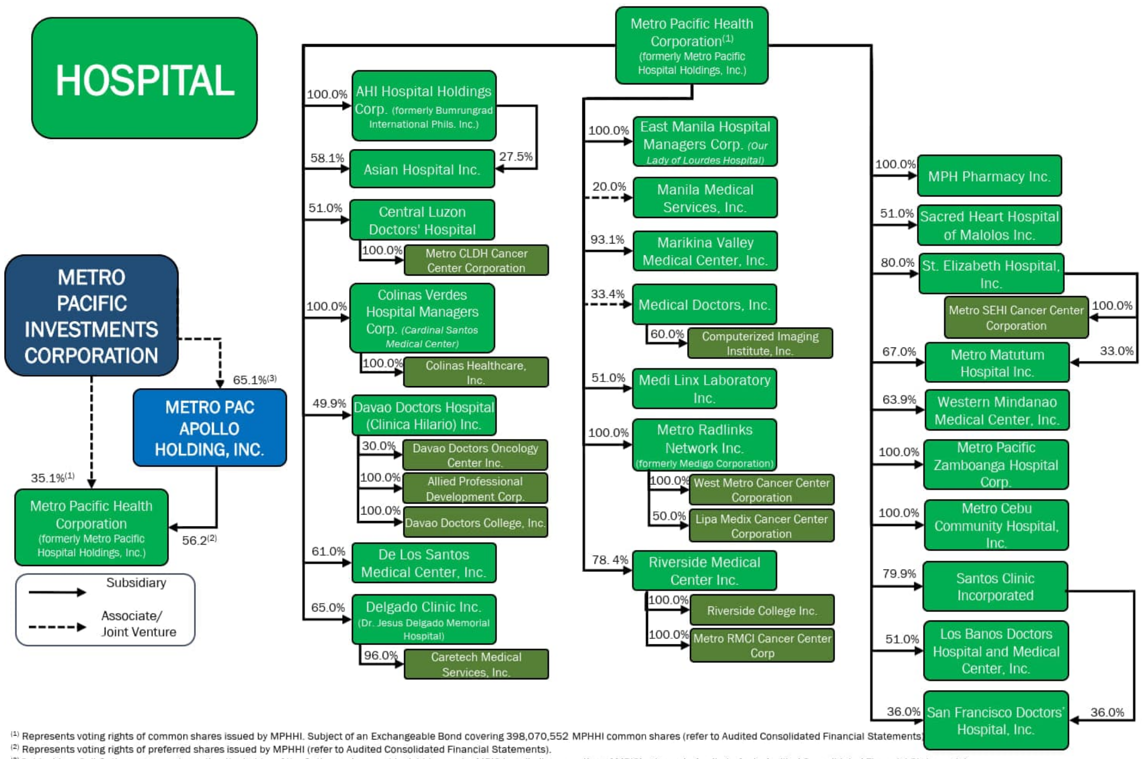
TOLLROADS



POWER



HOSPITAL

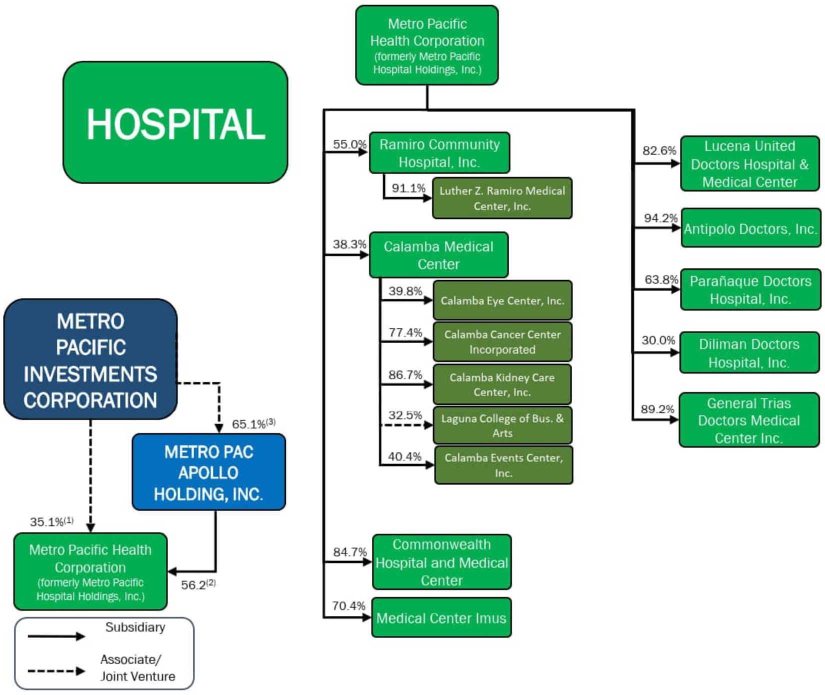


[1] Represents voting rights of common shares issued by MPHHI. Subject of an Exchangeable Bond covering 398,070,552 MPHHI common shares (refer to Audited Consolidated Financial Statements)

[2] Represents voting rights of preferred shares issued by MPHHI (refer to Audited Consolidated Financial Statements).

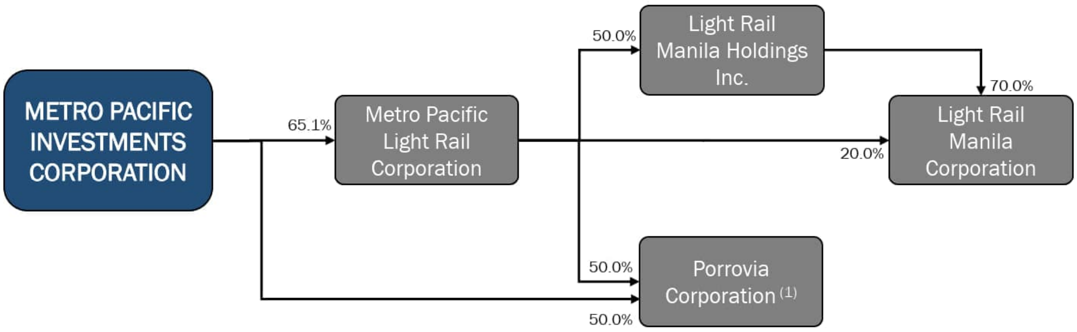
[3] Subject to a Call Option agreement granting the holder of the Option an irrevocable right to require MPIC to sell all or a portion of MPIC's shares in Apollo (refer to Audited Consolidated Financial Statements).

HOSPITAL

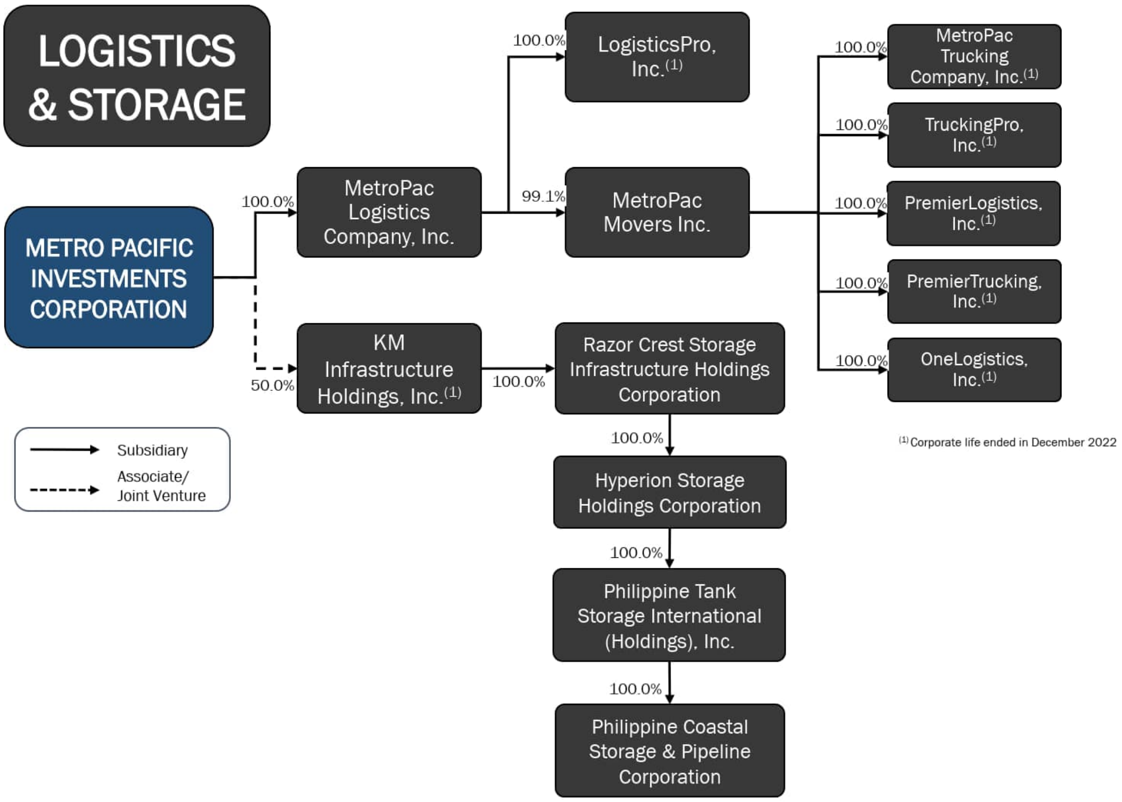


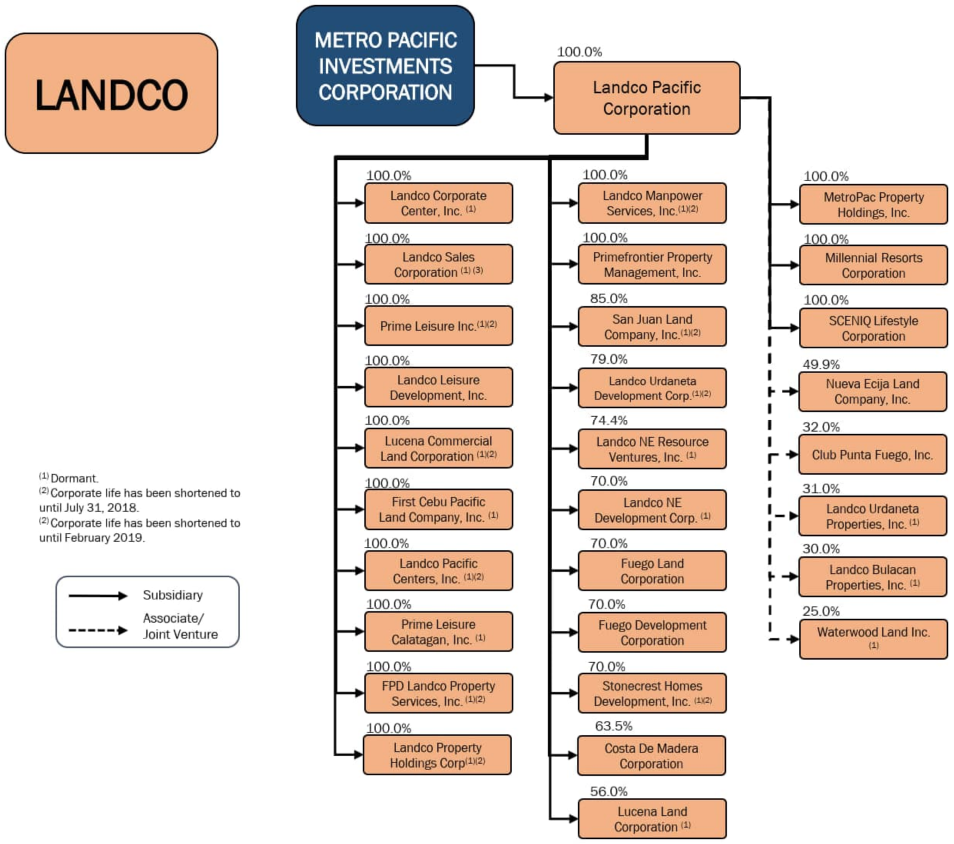
(1) Represents voting rights of common shares issued by MPHHI. Subject of an Exchangeable Bond covering 398,070,552 MPHHI common shares (refer to Audited Consolidated Financial Statements).
(2) Represents voting rights of preferred shares issued by MPHHI (refer to Audited Consolidated Financial Statements).
(3) Subject to a Call Option agreement granting the holder of the Option an irrevocable right to require MPIC to sell all or a portion of MPIC's shares in Apollo (refer to Audited Consolidated Financial Statements).

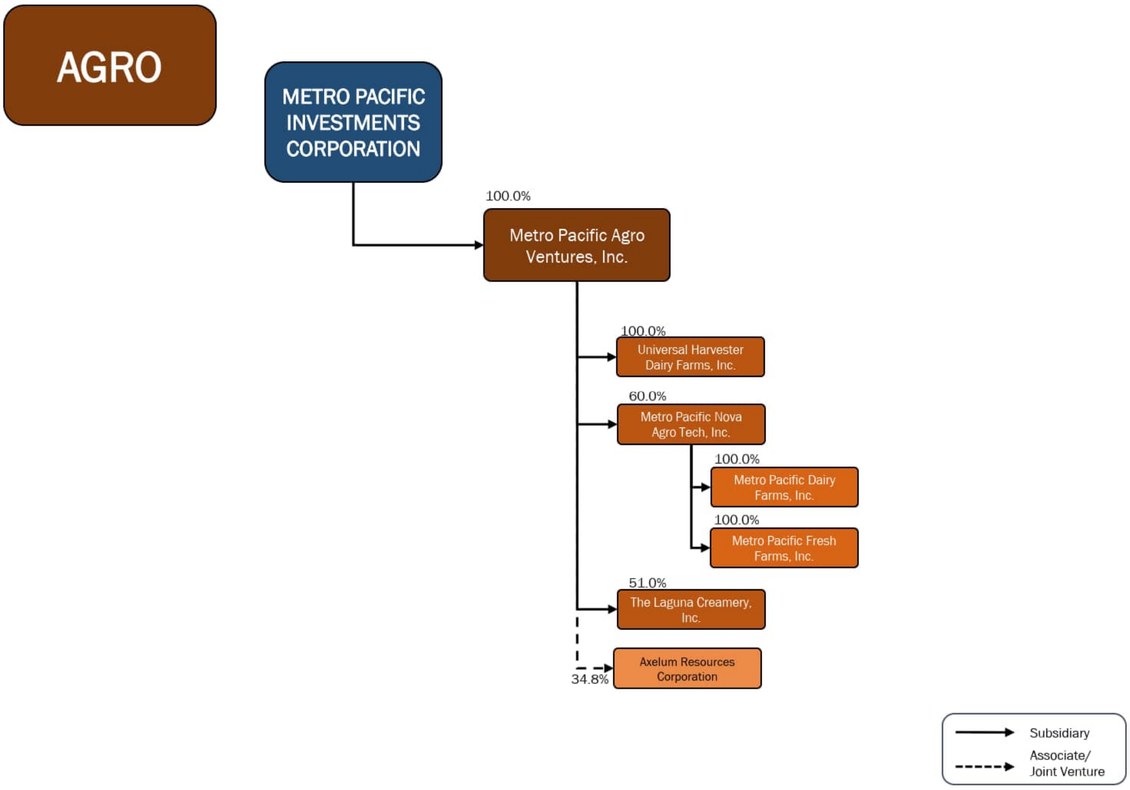
RAIL

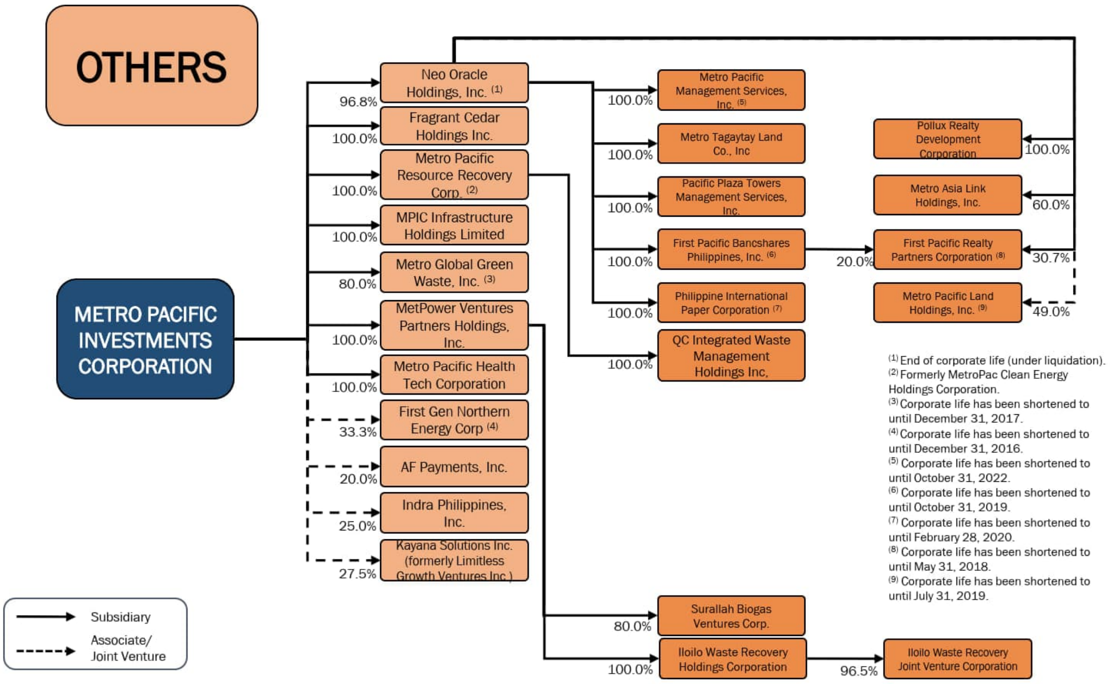


(1) Corporate life has been shortened to until March 31, 2019.


LOGISTICS & STORAGE
METRO PACIFIC INVESTMENTS CORPORATION
100.0%
MetroPac Logistics Company, Inc.
100.0%
LogisticsPro, Inc.(1)
99.1%
MetroPac Movers Inc.
100.0%
MetroPac Trucking Company, Inc.(1)
100.0%
TruckingPro, Inc.(1)
100.0%
PremierLogistics, Inc.(1)
100.0%
PremierTrucking, Inc.(1)
100.0%
OneLogistics, Inc.(1)
50.0%
KM Infrastructure Holdings, Inc.(1)
100.0%
Razor Crest Storage Infrastructure Holdings Corporation
100.0%
Hyperion Storage Holdings Corporation
100.0%
Philippine Tank Storage International (Holdings), Inc.
100.0%
Philippine Coastal Storage & Pipeline Corporation
Subsidiary
Associate/ Joint Venture
(1) Corporate life ended in December 2022


LANDCO
METRO PACIFIC INVESTMENTS CORPORATION
100.0%
Landco Pacific Corporation
100.0%
Landco Corporate Center, Inc. (1)
100.0%
Landco Sales Corporation (1) (3)
100.0%
Prime Leisure Inc.(1)(2)
100.0%
Landco Leisure Development, Inc.
100.0%
Lucena Commercial Land Corporation (1)(2)
100.0%
First Cebu Pacific Land Company, Inc. (1)
100.0%
Landco Pacific Centers, Inc. (1)(2)
100.0%
Prime Leisure Calatagan, Inc. (1)
100.0%
FPD Landco Property Services, Inc. (1)(2)
100.0%
Landco Property Holdings Corp(1)(2)
100.0%
Landco Manpower Services, Inc.(1)(2)
100.0%
Primefrontier Property Management, Inc.
85.0%
San Juan Land Company, Inc.(1)(2)
79.0%
Landco Urdaneta Development Corp.(1)(2)
74.4%
Landco NE Resource Ventures, Inc. (1)
70.0%
Landco NE Development Corp. (1)
70.0%
Fuego Land Corporation
70.0%
Fuego Development Corporation
70.0%
Stonecrest Homes Development, Inc. (1)(2)
63.5%
Costa De Madera Corporation
56.0%
Lucena Land Corporation (1)
100.0%
MetroPac Property Holdings, Inc.
100.0%
Millennial Resorts Corporation
100.0%
SCENIQ Lifestyle Corporation
49.9%
Nueva Ecija Land Company, Inc.
32.0%
Club Punta Fuego, Inc.
31.0%
Landco Urdaneta Properties, Inc. (1)
30.0%
Landco Bulacan Properties, Inc. (1)
25.0%
Waterwood Land Inc. (1)
(1) Dormant.
(2) Corporate life has been shortened to until July 31, 2018.
(2) Corporate life has been shortened to until February 2019.
Subsidiary
Associate/ Joint Venture





(1) End of corporate life (under liquidation).
(2) Formerly MetroPac Clean Energy Holdings Corporation.
(3) Corporate life has been shortened to until December 31, 2017.
(4) Corporate life has been shortened to until December 31, 2016.
(5) Corporate life has been shortened to until October 31, 2022.
(6) Corporate life has been shortened to until October 31, 2019.
(7) Corporate life has been shortened to until February 28, 2020.
(8) Corporate life has been shortened to until May 31, 2018.
(9) Corporate life has been shortened to until July 31, 2019.

ITEM. 2

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

RESULTS OF OPERATIONS

Period ended 31 March 2025 compared against the quarter ended 31 March 2024

Revenues

Total Revenues, which is primarily comprised of revenues from water and wastewater services, grew by ₱463.7 million or 5.7% to ₱8,564.8 million for the period ended 31 March 2025 compared to ₱8,101.0 million for the period ended 31 March 2024 on account of the third tranche of the staggered implementation of the MWSS-approved basic rate adjustment effective January 1, 2025, which was partly offset by the lower billed volume. The lower billed volume for the period-ended 31 March 2025 was driven by reduced demand from some customers as a result of the government's orders in winding down the Philippine Offshore Gaming Operators (POGOs), coupled by the closure of big establishments within the scope of Maynilad. 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.

	For the periods ended 31 March		Increase (Decrease)		% of Total Revenues	
In PhP000s	2025	2024	Amount	%	2025	2024
OPERATING REVENUE						
Water services	6,754,822	6,843,874	(89,052)	(1.3%)	78.9%	84.5%
Wastewater services	1,751,372	1,207,885	543,487	45.0%	20.4%	14.9%
Total Service Revenues	8,506,194	8,051,758	454,435	5.6%	99.3%	99.4%
Other Fees & Services	58,558	49,277	9,282	18.8%	0.7%	0.6%
	8,564,751	**8,101,035**	**463,716**	**5.7%**	**100.0%**	**100.0%**

As to billed volume generated to customers reached 133.0 million cubic meters (mcm) for the 3-months period ended 31 March 2025 or a decrease of 1.7 mcm, or 1.3% compared to 134.7 mcm for the same period ended 31 March 2024.

On the other hand, water supply in mcm was 213.8 for the 3-months period ended 31 March 2025 or a decrease of 19.9 mcm, or 8.5% compared to 233.7 mcm for the same period ended 31 March 2024.

The average all-in tariff per cubic meter (cm) is ₱62.70 for the period-ended 31 March 2025, compared to ₱56.01 for the same period-ended 31 March 2024. While average cash cost per cm is ₱17.06 in 31 March 2025 or ₱1.15 lower than 31 March 2024 at ₱19.01 or 6.1% decrease.

	Actual YTD		Vs. Last Year	
Operational Indicators	**Mar-25**	**Mar-24**	mcm	%
Water Supply (mcm)	**213.82**	233.71	(1990.0%)	(8.5%)
Water Billed Volume (mcm)	**132.95**	134.7	(170.0%)	(1.3%)
% Water Billed to Supply	**74.46%**	70.12%	4.3%	6.2%
Non-Revenue Water (%) DMA	**25.54%**	29.88%	(4.3%)	(14.5%)
Non-Revenue Water (%) Total	**37.75%**	42.34%	(4.6%)	(10.8%)
Billed Water Services	**1,556,603**	1,538,321	18,282.00	1.19%
Average CM per Day	**0.95**	0.96	(1.0%)	(1.4%)

Costs and Expenses

Consolidated costs and expenses decreased by ₱301.8 million or 11.1% to ₱2,422.5 million for the period ended 31 March 2025 compared to ₱2,724.4 million for the period ended 31 March 2024.

In PhP000s

	For the periods ended 31 March		Increase (Decrease)		% of Total Revenues	
In PhP000s	**2025**	**2024**	**Amount**	**%**	**2025**	**2024**
COSTS AND EXPENSES						
Personnel Cost	731,022	798,275	(67,252)	(8.4%)	8.5%	9.9%
Light & Power	326,785	364,188	(37,403)	(10.3%)	3.8%	4.5%
Water Treatment Chemicals	126,363	191,169	(64,806)	(33.9%)	1.5%	2.4%
Oustside Services	321,906	262,687	59,219	22.5%	3.8%	3.2%
Repairs & Maintenance	149,074	166,381	(17,306)	(10.4%)	1.7%	2.1%
Purchased water	36,426	176,199	(139,774)	(79.3%)	0.4%	2.2%
Real estate tax	16,531	54,282	(37,752)	(69.5%)	0.2%	0.7%
Franchise Tax	173,412	153,962	19,450	12.6%	2.0%	1.9%
Local Franchise/Business Tax	54,962	184,576	(129,614)	(70.2%)	0.6%	2.3%
Representation and Entertainment	42,498	35,818	6,679	18.6%	0.5%	0.4%
Transportation/Fuel & Oil	15,427	33,729	(18,302)	(54.3%)	0.2%	0.4%
MWSS MOE	75,521	70,433	5,088	7.2%	0.9%	0.9%
Others	352,621	232,665	119,957	51.6%	4.1%	2.9%
	2,422,546	**2,724,363**	**(301,818)**	**(11.1%)**	**28.3%**	**33.6%**

Personnel cost includes salaries, wages, and benefits decreased by ₱67.3 million, or 8.4% to ₱731.0 million for the period ended 31 March 2025, compared to ₱798.3 million for the period ended 31 March 2024. The difference was mainly attributable to a one-off adjustment in 2024, which was partly offset by increased headcount, the accrual for personnel related costs, and higher employer contributions due to increase in SSS premiums in the current period.

Light and power decreased by ₱37.4 million, or 10.3%, to ₱326.8 million for the period ended 31 March 2025, compared to ₱364.2 million for the period ended 31 March 2024. The reduction was primarily due lower water production resulting to lower power consumption. Moreover, rate of Fuel Cost Recovery Adjustment (FCRA) charges from Meralco adds to the lower cost in 2025 versus 2024 since there is no more FCRA in 2025.

Water treatment chemicals expenses decreased by ₱64.8 million, or 33.9%, to ₱126.4 million for the period ended 31 March 2025, compared to ₱191.2 million for the period ended 31 March 2024. The decrease was driven by the lower consumption of chemicals at the water treatment plants due to low raw water turbidity and lower production compared to last year.

Expenses for outsourced services increased by ₱59.2 million, or 22.5%, to ₱321.9 million for the period ended 31 March 2025, compared to ₱262.7 million for the period ended 31 March 2024. The variance was due to two items: (i) higher costs of janitorial services; and (ii) hauling services for the Putatan water treatment plants.

The cost of repairs and maintenance decreased by ₱17.3 million, or 10.4%, to ₱149.1 million for the period ended 31 March 2025, compared to ₱166.4 million for the period ended 31 March 2024. There were significant Capex investments in the past two (2) years, 2023 and 2024. Considering that most equipment were relatively new, these did not entail repair costs; and the maintenance costs were lower in 2025 compared to 2024.

Purchased water costs decreased by ₱139.7 million, or 79.3%, to ₱36.4 million for the period ended 31 March 2025, compared to ₱176.2 million for the period ended 31 March 2024. This decrease was primarily due to the reduced volume of purchased water in 2025. Because of the slow-down of demand from certain customers such as the POGOs, the water supply produced had been sufficient for its requirements combined with a lower quantity of purchased water in 2025. The contract with MWCI for purchased water in 2024 was no longer undertaken in 2025.

Taxes and licenses, which includes real estate tax, franchise tax and local business taxes, decreased by ₱147.9 million, or 37.7%, to ₱244.9 million for the period ended 31 March 2025, compared to ₱392.8 million for the period ended 31 March 2024. The decrease was primarily due to the availment of extension period offered by certain LGUs for the payment of taxes/ permits for the current year, whereby timing of payments are not similar compared to the previous year.

Expenses for business meetings and representations increased by ₱6.7 million, or less than 18.6%, to ₱42.5 million for the period ended 31 March 2025, compared to ₱35.8 million for the period ended 31 March 2024. There were more management meetings conducted during the period compared to last year, which were offset against savings on representation expenses.

Transportation and travel decreased by ₱18.3 million, or 54.3%, to ₱15.4 million for the period ended 31 March 2025, compared to ₱33.7 million for the period ended 31 March 2024. The decrease was primarily due to lower consumption and rates in 2025 compared to 2024.

MWSS MOE represents Maynilad's share on the maintenance and operating expenses (MOE) of MWSS. Expenses increased in 2025 by ₱5.1 million, or 7.2%, to ₱75.5 million for the period ended 31 March 2025, compared to ₱70.4 million for the period ended 31 March 2024. The increase was primarily due to the increase in Consumer Price Index (CPI) for the current period.

Other expenses increased by ₱120.0 million, or 51.6%, to ₱352.6 million for the period ended 31 March 2025, compared to ₱232.7 million for the period ended 31 March 2024. The net higher expenses in 2025 was driven by higher rental expenses pertaining gensets used in operations; coupled by more spending in advertising and promotion supporting advocacies on water programs, partly offset by savings in supplies and materials.

Income before Other Income (Expenses)

With the foregoing, income before other income (expenses) increased by ₱765.5 million, or 14.2%, to ₱6,142.2 million for the period ended 31 March 2025, compared to ₱5,376.7 million for the period ended 31 March 2024.

	For the periods ended 31 March		Increase (Decrease)		% of Total Revenues	
	2025	2024	Amount	%	2025	2024
OPERATING REVENUE	8,564,751	8,101,035	463,716	5.7%	100.0%	100.0%
COSTS AND EXPENSES	2,341,111	2,724,363	(383,252)	-14.1%	27.3%	33.6%
INCOME BEFORE OTHER INCOME (EXPENSES)	**6,223,640**	**5,376,672**	**846,968**	**15.8%**	**72.7%**	**66.4%**

Other Income (Expenses)

	For the periods ended 31 March		Increase (Decrease)		% of Total Revenues	
In PhP000s	2025	2024	Amount	%	2025	2024
OTHER INCOME (EXPENSES)						
Interest Expense on loans	(436,732)	(453,153)	16,420	(3.6%)	(5.1%)	(5.6%)
Interest Accretion on CF	(158,657)	(162,054)	3,398	(2.1%)	(1.9%)	(2.0%)
Other - net	(63,903)	91,830	(155,732)	(169.6%)	(0.7%)	1.1%
Taxes	(1,022,219)	(938,347)	(83,871)	8.9%	(11.9%)	(11.6%)
SCA Amortization - ConFee	(104,435)	(101,067)	(3,368)	3.3%	(1.2%)	(1.2%)
SCA Amortization - PPE	(640,784)	(588,458)	(52,326)	8.9%	(7.5%)	(7.3%)
Others	(96,601)	(127,344)	30,743	(24.1%)	(1.1%)	(1.6%)
	(2,523,332)	**(2,278,593)**	**(244,738)**	**10.7%**	**(29.5%)**	**(28.1%)**

Increase in taxes in 31 March 2025 is mainly driven by higher income before taxes and provisions.

Interest expense is net of the portion capitalized including the general borrowing cost which explains the lower charges on 31 March 2025, considering the increase in capital expenditures during the period compared to the same period on 31 March 2024.

Others – net – net decrease by ₱155.7 million, or 169.6%, to ₱63.9 million expenses for the period ended 31 March 2025, compared to ₱91.8 million income for the period ended 31 March 2024. The significant difference was mainly attributed to recording of higher provision for tax exposure in 2025, partly offset by dividend income received from Subic Water in January 2024.

Net Income and EBITDA

	For the periods ended 31 March		Increase (Decrease)		% of Total Revenues	
In PhP000s	2025	2024	Amount	%	2025	2024
Net Income	**3,618,874**	**3,098,079**	**520,795**	**16.8%**	**42.3%**	**38.2%**
EBITDA	**6,031,727**	**5,441,708**	**590,019**	**10.8%**	**70.4%**	**67.2%**

With the foregoing, net income increased by ₱520.8 million, or 16.8%, to ₱3,618.9 million for the period ended 31 March 2025, compared to ₱3,098.1 million for the period ended 31 March 2024.

FINANCIAL POSITION

As of 31 March 2025 compared against as of 31 December 2024

Assets

	As of	As of	Increase (Decrease)		% of Total Revenues	
	Mar-31-2025	Dec-31-2024	Amount	%	s of	s of
ASSETS						
Current Assets						
Cash and cash equivalents	5,398,180	10,519,541	(5,121,361)	(48.7%)	63.0%	129.9%
Trade and other receivables	2,717,973	2,722,872	(4,898)	(0.2%)	31.7%	33.6%
Contract assets	1,311,288	1,386,458	(75,171)	(5.4%)	15.3%	17.1%
Other current assets	2,606,699	2,130,695	476,004	22.3%	30.4%	26.3%
Total Current Assets	**12,034,140**	**16,759,566**	**(4,725,427)**	**(28.2%)**	**140.5%**	**206.9%**
Noncurrent Assets						
Service concession assets	175,570,408	168,339,382	7,231,027	4.3%	2049.9%	2078.0%
Property and equipment	1,898,715	1,963,230	(64,515)	(3.3%)	22.2%	24.2%
Financial asset at fair value through OCI	124,864	124,864	-	0.0%	1.5%	1.5%
Other noncurrent assets	10,352,138	10,983,572	(631,434)	(5.7%)	120.9%	135.6%
Total Noncurrent Assets	**187,946,125**	**181,411,048**	**6,535,077**	**3.6%**	**2194.4%**	**2239.4%**
	199,980,265	**198,170,614**	**1,809,651**	**0.9%**	**2334.9%**	**2446.2%**

Cash and cash equivalents were at ₱5,398.2 million as at 31 March 2025, a decrease by ₱5,121.4 million, or 48.7%, from cash and cash equivalents of ₱10,519.5 million as at 31 December 2024. This decrease was mainly driven by cash payments for capital expenditures or investing activities in the first three (3) quarters of the current year.

Service concession assets increased by ₱7,231.0 million or 4.3%, to ₱175,570.4 million as at 31 March 2025, compared to ₱168,339.4 million as at 31 December 2024. The increase is mainly attributable to a number of completed projects and facilities during the first three months of the current year.

Liabilities

	As of Mar-31-2025	As of Dec-31-2024	Increase (Decrease) Amount	%	% of Total Revenues s of	s of
Current Liabilities						
Trade and other payables	25,964,283	24,157,077	1,807,206	7.5%	303.2%	298.2%
Short-term and current portion of interest-bearing loans	2,612,590	4,186,065	(1,573,476)	(37.6%)	30.5%	51.7%
Current portion of service concession obligation payable to MWSS	1,036,162	1,027,255	8,909	0.9%	12.1%	12.7%
Income tax payable	945,566	787,944	157,622	20.0%	11.0%	9.7%
Total Current Liabilities	**30,558,601**	**30,158,341**	**400,260**	**1.3%**	**356.8%**	**372.3%**
Noncurrent Liabilities						
Interest-bearing loans - net of current portion	84,216,639	79,461,471	4,755,169	6.0%	983.3%	980.9%
Service concession obligation payable to MWSS - net of current portion	5,897,516	6,294,526	(397,011)	(6.3%)	68.9%	77.7%
Deferred tax liabilities - net	1,840,652	1,737,595	103,057	5.9%	21.5%	21.4%
Deferred credits	1,149,705	1,379,554	(229,849)	(16.7%)	13.4%	17.0%
Customers' deposits	630,298	605,611	24,687	4.1%	7.4%	7.5%
Pension liability	825,987	870,805	(44,818)	(5.1%)	9.6%	10.7%
Other noncurrent liabilities	2,262,226	2,307,761	(45,535)	(2.0%)	26.4%	28.5%
Total Noncurrent Liabilities	**96,823,024**	**92,657,323**	**4,165,702**	**4.5%**	**1130.5%**	**1143.8%**
Total Liabilities	**127,381,625**	**122,815,664**	**4,565,961**	**3.7%**	**1487.3%**	**1516.0%**

Trade and other payables were at ₱25,853.7 million as at 31 March 2025, an increase of ₱1,696.6 million, or 7.0%, from trade and other payables of ₱24,157.1 million as at 31 December 2024. The increase is primarily increase is primarily due to higher billings and 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 ₱86,829.2 million as at 31 March 2025, an increase by ₱3,181.7 million, or 3.8%, compared to the balance as of ₱83,647.5 million as at 31 December 2024. The significant increase was due to additional interest-bearing loans amounting to P5.0B, which was financed by Bank of the Philippines Islands and Land Bank of the Philippines, amounting to P2.5B in each facility in March 2025.

Deferred tax liabilities – net was at ₱1,812.2 million as at 31 March 2025, an increase by ₱74.6 million, or 4.3%, from deferred tax liabilities of ₱6,294.5 million as at 31 December 2024. This increase was primarily due to increase in service concession assets attributed to capital expenditure projects and payments of service concession obligation during the period.

Deferred credits were at ₱1,149.7 million as at 31 March 2025, a decrease by ₱229.8 million, or 16.7%, from deferred credits of ₱1,379.6 million as at 31 December 2024. Deferred credits presented herein refer to 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 and U.S. Dollar conversion rates to Philippine peso, which were 0.393 and 0.384 for the Japanese Yen, and 57.845 and 57.210 for the U.S. Dollar as at 31 December 2024 and 31 March 2025, respectively.

Other noncurrent liabilities were ₱2,377.5 million as at 31 March 2025, an increase by ₱69.7 million, or 3.0%, from other noncurrent liabilities of ₱2,307.8 million as at 31 December 2024. The increase was mainly attributed to the reclassification of a portion of retention payable from current to noncurrent in 2025, which will fall due more than 12 months from balance sheet date.

Equity

	As of Mar-31-2025	As of Dec-31-2024	Increase (Decrease) Amount	%	% of Total Revenues s of	s of
Equity						
Capital stock	5,683,728	5,683,728	-	0.0%	66.4%	70.2%
Other Components of Equity	8,177,791	8,152,976	24,815	0.3%	95.5%	100.6%
Retained earnings	58,737,121	61,518,247	(2,781,126)	(4.5%)	685.8%	759.4%
Total Equity	**72,598,640**	**75,354,950**	**(2,756,311)**	**(3.7%)**	**847.6%**	**930.2%**

Retained earnings were at ₱58,737.1 million as at 31 March 2025, a decrease of ₱2,781.1 million, or 4.5% from retained earnings of ₱61,518.2 million as at 31 December 2024. The net decrease was mainly attributed to the net income recognized by the Corporation for the period-ended 31 March 2025, partially offset by the dividends declared and paid amounting to ₱6,400.0 million in 2025. The retained earnings - appropriated of ₱40,549.0 million, on the other hand, remains unchanged as the projects which are intended to be financed by the appropriations are still ongoing as at 31 March 2025.