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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manila Water Company, Inc.

Opinion

We have audited the consolidated financial statements of Manila Water Company, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of investments in associates

The Group has investments in Eastern Water Resources Development and Management Public Company Limited (East Water) and Saigon Water Infrastructure Corporation (Saigon Water) that are accounted for under the equity method. For the year ended December 31, 2024, impairment loss recognized for these investments amounted to Php4,631 million. East Water and Saigon Water's market capitalization as of December 31, 2024 are significantly lower compared to their net book values. In addition, recent unfavorable business developments necessitated changes in the expected cash flows based on updated business plan in 2024. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the Group's investments in East Water and Saigon Water. The assessment of the recoverable amounts of the Group's investments involves significant judgment, estimation and assumptions about forecasted cashflows, revenue growth, long-term growth rate, discount rate, and appropriate comparable companies, among others.

The Group's disclosures on investments in associates are included in Notes 3 and 12 to the consolidated financial statements.

Audit response

We obtained management's calculation of recoverable value which is the higher of value in use (VIU) and fair value less cost to sell (FVLCTS). We involved our internal specialist in evaluating the valuation methodologies and the key assumptions used in the calculation for VIU and FVLCTS. For the VIU calculation, we compared the key assumptions used such as revenue growth against industry forecast and the long-term growth rate against relevant economic and external data. We compared the forecasted costs and expenses against historical performance and current business environment. We tested the parameters used in the determination of discount rate against market data. For the FVLCTS, we assessed this using the market approach and involved analyzing comparable companies and benchmarking the valuation multiples used in the calculation against available market data.

We also reviewed the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amounts of its investments in associates.

Revenue recognition for Manila Concession (East Zone)

The Group's revenue from the East Zone accounts for 79% of total consolidated revenue and the revenue recognition process therein requires processing of data from a large number of customers with different billing cycles and are classified as either residential, semi-business, commercial, or industrial. The amounts billed to customers consist of a number of components, including basic charge, environmental charge and where applicable, sewer charge. These tariffs depend on the customer type and are determined based on a formula as prescribed by the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS RO). This matter is significant to our audit because the revenue recognized depends on the completeness and accuracy of capture of water consumption based on the meter readings over the concession area taken on various dates; the propriety of rates applied across customer types; and the reliability of the systems involved in processing the billing transactions.

Relevant disclosures related to this matter are provided in Notes 1, 2, 3, 6 and 26 to the consolidated

Audit response

We obtained an understanding, evaluated the design, and tested the controls over the read and bill process, which includes the customer masterfile maintenance, capture of water consumption, calculation of billed fees, and transfer of data to the financial reporting system. We performed analytical procedures and on a sample basis, we performed test calculation of the billed amounts using the volume of water consumption and MWSS RO-approved rates and compared them with the amounts reflected in the billing statement. We also evaluated the disclosures made in the consolidated financial statements.

Other Information

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

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

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

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 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 activities 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 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, related safeguards.

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 Djole S. Garcia.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
Tax Identification No. 201-960-347
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-102-2024, August 27, 2024, valid until August 26, 2027
PTR No. 10465308, January 2, 2025, Makati City

February 24, 2025

MANILA WATER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 23)	**₱7,436,737,551**	₱10,752,734,174
Receivables (Notes 6 and 23)	**3,488,676,194**	2,904,919,846
Contract assets - current portion (Notes 6, 23 and 29)	**348,073,081**	549,872,454
Inventories (Note 7)	**448,633,802**	380,615,118
Other current assets (Note 8)	**2,071,916,527**	1,534,552,165
Total Current Assets	**13,794,037,155**	16,122,693,757
Noncurrent Assets		
Property, plant and equipment and software (Notes 9 and 23)	**9,512,197,109**	9,108,755,273
Service concession assets - net (Notes 10, 23 and 24)	**184,257,464,531**	162,217,498,951
Right-of-use assets (Note 11)	**503,360,354**	328,465,866
Contract assets - net of current portion (Notes 6 and 29)	**1,349,737,556**	1,168,784,073
Investments in associates (Note 12)	**7,186,263,938**	11,191,568,307
Goodwill (Note 4)	**146,377,351**	6,247,010
Deferred tax assets - net (Note 20)	**503,289,167**	499,689,152
Other noncurrent assets (Notes 13 and 29)	**10,690,815,018**	9,043,699,328
Total Noncurrent Assets	**214,149,505,024**	193,564,707,960
Total Assets	**₱227,943,542,179**	₱209,687,401,717
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14 and 23)	**₱20,683,110,201**	₱18,761,072,969
Short-term debt (Notes 15 and 23)	**250,000,000**	135,000,000
Current portion of:		
Long-term debt (Notes 15 and 23)	**6,969,972,900**	16,971,501,294
Service concession obligations (Notes 10, 24 and 29)	**636,644,692**	910,632,846
Lease liabilities (Note 11)	**96,510,374**	117,029,647
Contract liabilities (Notes 14 and 23)	**502,677,550**	389,570,970
Income tax payable (Note 20)	**717,439,552**	339,116,369
Total Current Liabilities	**29,856,355,269**	37,623,924,095
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 15 and 23)	**99,212,003,034**	82,275,949,853
Service concession obligations (Notes 10, 24 and 29)	**14,474,470,843**	15,214,188,022
Lease liabilities (Note 11)	**305,095,943**	215,348,111
Contract liabilities (Note 14)	**1,189,013,260**	921,419,562
Pension liabilities - net (Note 16)	**500,168,534**	388,222,417
Deferred tax liabilities - net (Note 20)	**3,138,319,709**	1,052,304,983
Provisions (Notes 3 and 30)	**694,285,141**	402,658,841
Other noncurrent liabilities (Notes 17 and 29)	**1,238,801,244**	1,473,942,280
Total Noncurrent Liabilities	**120,752,157,708**	101,944,034,069
Total Liabilities	**150,608,512,977**	139,567,958,164

(Forward)

	December 31	
	2024	2023
Equity		
Attributable to common equity holders of Manila Water Company, Inc.		
Capital stock (Note 21):		
Common stock	**₱2,885,795,897**	₱2,884,839,617
Preferred stock	**400,000,000**	400,000,000
	3,285,795,897	3,284,839,617
Additional paid-in capital	**14,532,720,200**	14,458,016,211
Treasury shares (Note 21):		
Common stock	**(4,949,053,086)**	(4,996,646,260)
Preferred stock	**(752,978,046)**	(752,978,046)
Subscriptions receivable (Note 1 and 21)	**(5,601,285,580)**	(5,607,257,718)
Total paid-up capital	**6,515,199,385**	6,385,973,804
Retained earnings (Note 21):		
Appropriated	**59,515,563,981**	56,500,000,000
Unappropriated	**9,831,765,732**	5,717,748,773
Cumulative translation adjustment (Notes 2 and 12)	**(616,534,903)**	741,911,347
Hedging reserves (Note 28)	**359,367,288**	(64,919,310)
Remeasurement loss on defined benefit plans (Note 16)	**(228,371,264)**	(231,816,570)
Equity in other comprehensive income of associates (Note 12)	**7,098,753**	2,734,309
Other equity reserves (Note 21)	**(144,458,138)**	(144,458,138)
	75,239,630,834	68,907,174,215
Noncontrolling interests (Notes 2 and 19)	**2,095,398,368**	1,212,269,338
Total Equity	**77,335,029,202**	70,119,443,553
TOTAL LIABILITIES AND EQUITY	**₱227,943,542,179**	₱209,687,401,717

See accompanying Notes to Consolidated Financial Statements.

MANILA WATER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2024	2023	2022
CONTINUING OPERATIONS			
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Water and used water revenues (Notes 23 and 26)	**₱34,855,308,123**	₱28,503,979,253	₱20,640,724,233
Other operating revenues (Notes 18, 23 and 26)	**1,579,722,971**	1,924,089,124	1,901,722,029
FINANCE INCOME FROM CONTRACT ASSETS (Note 6)	**212,025,886**	281,798,935	256,537,754
	36,647,056,980	30,709,867,312	22,798,984,016
COST OF SERVICES			
Depreciation and amortization (Notes 9, 10 and 11)	**4,692,361,515**	3,681,639,665	2,703,323,804
Power, light and water (Note 23)	**2,436,636,804**	2,359,536,778	2,203,365,424
Salaries, wages and employee benefits (Notes 16, 21 and 23)	**1,359,266,457**	1,259,655,907	1,146,524,894
Repairs and maintenance	**603,358,370**	575,862,379	660,399,635
Regulatory costs (Note 1)	**481,999,349**	391,601,200	331,785,859
Contractual services	**433,911,501**	659,087,015	804,080,940
Water treatment chemicals	**367,952,135**	361,716,919	429,804,871
Wastewater costs	**219,621,148**	201,439,112	246,199,021
Water tankering and bulk water costs	**193,253,269**	242,689,984	189,237,497
Amortization of water service connections	**190,722,217**	191,314,332	204,760,977
Collection fees	**171,854,649**	172,903,754	173,759,450
Rent (Notes 11 and 25)	**25,327,480**	10,801,112	5,020,642
Management, technical and professional fees (Note 23)	**13,144,010**	31,181,940	41,271,558
Other expenses	**436,949,169**	292,227,199	424,027,969
	11,626,358,073	10,431,657,296	9,563,562,541
GROSS PROFIT	**25,020,698,907**	20,278,210,016	13,235,421,475
OPERATING EXPENSES (Notes 18 and 23)	**5,630,080,694**	4,670,225,019	4,279,500,594
INCOME BEFORE OTHER INCOME (EXPENSES)	**19,390,618,213**	15,607,984,997	8,955,920,881
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works (Notes 1, 2, 6 and 10)	**25,422,969,601**	19,774,862,538	23,626,424,275
Cost of rehabilitation works (Notes 1, 2, 6 and 10)	**(25,422,969,601)**	(19,774,862,538)	(23,626,424,275)
Equity in net earnings (loss) of associates (Note 12)	**(3,593,920,432)**	(3,561,491,909)	520,067,157
Interest expense (Notes 10, 11, 15 and 18)	**(3,565,519,483)**	(3,773,677,075)	(2,816,244,442)
Foreign currency differentials (Notes 1 and 3)	**2,765,027,490**	(26,863,199)	2,532,900,291
Foreign exchange gains (losses) – net	**(1,638,066,416)**	80,917,973	(1,870,416,962)
Interest income (Note 18)	**374,914,834**	301,229,071	121,758,500
Gains (losses) on disposal of property and equipment - net	**(99,051)**	(10,780,662)	2,995,037
Amortization of deferred credits (Note 17)	**13,803,701**	12,270,995	13,216,379
Other income (losses) - net (Notes 9 and 18)	**1,358,752,717**	346,274,429	700,768,319
	(4,285,106,640)	(6,632,120,377)	(794,955,721)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**15,105,511,573**	8,975,864,620	8,160,965,160
PROVISION FOR INCOME TAX - NET (Note 20)	**4,134,099,994**	3,104,576,762	2,013,199,468
NET INCOME FROM CONTINUING OPERATIONS	**10,971,411,579**	5,871,287,858	6,147,765,692
NET LOSS AFTER TAX FROM DISCONTINUED OPERATIONS (Note 19)	**(1,013,330)**	(830,860)	(6,358,029)
NET INCOME	**10,970,398,249**	5,870,456,998	6,141,407,663
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment (Note 12)	**(1,175,724,889)**	180,036,875	445,649,634
Gain on cash flow hedge (Note 28)	**751,926,346**	541,884,513	1,353,851,939
Gain (loss) on net investment hedge (Note 28)	**(243,628,484)**	37,767,686	(466,574,121)
Costs of hedging (Note 28)	**–**	(299,870,745)	(169,035,456)
Income tax effect	**(127,074,464)**	(69,945,363)	(149,206,781)
	(794,501,491)	389,872,966	1,014,685,215
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain (loss) on pension liabilities and long-term SL/VL - net (Notes 16 and 17)	**4,593,741**	(85,313,740)	(172,427,788)
Equity share in other comprehensive gain of an associate (Note 12)	**4,364,444**	4,641,047	–
Income tax effect	**(1,148,435)**	21,328,435	43,106,947
	7,809,750	(59,344,258)	(129,320,841)
TOTAL COMPREHENSIVE INCOME	**₱10,183,706,508**	₱6,200,985,706	₱7,026,772,037

(Forward)

	Years Ended December 31		
	2024	2023	2022
Net income attributable to:			
Common equity holders of Manila Water Company, Inc. (Notes 19 and 22)	**₱10,499,670,702**	₱5,593,568,776	₱5,922,776,410
Noncontrolling interests (Notes 1 and 19)	**470,727,547**	276,888,222	218,631,253
	₱10,970,398,249	₱5,870,456,998	₱6,141,407,663
Total comprehensive income attributable to:			
Common equity holders of Manila Water Company, Inc.	**₱9,712,978,961**	₱5,924,097,484	₱6,808,140,784
Noncontrolling interests (Note 1)	**470,727,547**	276,888,222	218,631,253
	₱10,183,706,508	₱6,200,985,706	₱7,026,772,037
Earnings per Share before Discontinued Operations (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	**₱3.56**	₱1.75	₱1.79
Diluted	**₱3.56**	₱1.75	₱1.79
Earnings per Share (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	**₱3.56**	₱1.75	₱1.79
Diluted	**₱3.56**	₱1.75	₱1.79

See accompanying Notes to Consolidated Financial Statements.

MANILA WATER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	December 31, 2024								
			Other Comprehensive Income (Loss)						
	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Cumulative Translation Adjustments (Notes 2 and 12)	Hedging Reserves (Note 28)	Remeasurement Income (Losses) on Defined Benefit Plans (Note 16)	Equity Share in Other Comprehensive Income of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (NCI) (Notes 1, 4, and 19)	Total
Balance at beginning of year	₱6,385,973,804	₱62,217,748,773	₱741,911,347	(₱64,919,310)	(₱231,816,570)	₱2,734,309	(₱144,458,138)	₱1,212,269,338	₱70,119,443,553
Net income	–	10,499,670,702	–	–	–	–	–	470,727,547	10,970,398,249
Other comprehensive income (loss)	–	–	(1,358,446,250)	563,944,759	3,445,306	4,364,444	–	–	(786,691,741)
Total comprehensive income (loss)	–	10,499,670,702	(1,358,446,250)	563,944,759	3,445,306	4,364,444	–	470,727,547	10,183,706,508
Dividends declared	–	(3,370,089,762)	–	–	–	–	–	(153,918,740)	(3,524,008,502)
Movements in NCI	–	–	–	–	–	–	–	566,320,223	566,320,223
Unwinding of cash flow hedge	–	–	–	(139,658,161)	–	–	–	–	(139,658,161)
Cost of share-based payment	107,690,324	–	–	–	–	–	–	–	107,690,324
Collections	21,535,257	–	–	–	–	–	–	–	21,535,257
Balance at end of year	₱6,515,199,385	₱69,347,329,713	(₱616,534,903)	₱359,367,288	(₱228,371,264)	₱7,098,753	(₱144,458,138)	₱2,095,398,368	₱77,335,029,202

	December 31, 2023								
			Other Comprehensive Income (Loss)						
	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Cumulative Translation Adjustments (Notes 2 and 12)	Hedging Reserves (Note 28)	Remeasurement Losses on Defined Benefit Plans (Note 16)	Equity Share in Other Comprehensive Income (Loss) of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (NCI) (Notes 1, 2, and 19)	Total
Balance at beginning of year	₱12,024,179,439	₱58,697,151,743	₱533,548,708	₱1,310,852,803	(₱167,831,265)	(₱1,906,738)	(₱144,458,138)	₱1,201,721,713	₱73,453,258,265
Net income	–	5,593,568,776	–	–	–	–	–	276,888,222	5,870,456,998
Other comprehensive income (loss)	–	–	208,362,639	181,510,327	(63,985,305)	4,641,047	–	–	330,528,708
Total comprehensive income (loss)	–	5,593,568,776	208,362,639	181,510,327	(63,985,305)	4,641,047	–	276,888,222	6,200,985,706
Purchase of treasury shares	(5,716,314,028)	–	–	–	–	–	–	–	(5,716,314,028)
Dividends declared	–	(2,072,971,746)	–	–	–	–	–	(266,340,597)	(2,339,312,343)
Unwinding of cash flow hedge	–	–	–	(1,557,282,440)	–	–	–	–	(1,557,282,440)
Cost of share-based payment	62,545,273	–	–	–	–	–	–	–	62,545,273
Collections	15,563,120	–	–	–	–	–	–	–	15,563,120
Balance at end of year	₱6,385,973,804	₱62,217,748,773	₱741,911,347	(₱64,919,310)	(₱231,816,570)	₱2,734,309	(₱144,458,138)	₱1,212,269,338	₱70,119,443,553

	December 31, 2022								
			Other Comprehensive Income (Loss)						
	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Cumulative Translation Adjustments (Notes 2 and 12)	Hedging Reserves (Note 28)	Remeasurement Losses on Defined Benefit Plans (Note 16)	Equity Share in Other Comprehensive Loss of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (NCI) (Notes 1, 2 , and 19)	Total
Balance at beginning of year	₱12,047,580,995	₱54,058,628,617	₱407,475,855	₱422,240,441	(₱38,510,424)	(₱1,906,738)	₱54,106,905	₱1,375,548,303	₱68,325,163,954
Net income	–	5,922,776,410	–	–	–	–	–	218,631,253	6,141,407,663
Other comprehensive income	–	–	126,072,853	888,612,362	(129,320,841)	–	–	–	885,364,374
Total comprehensive income	–	5,922,776,410	126,072,853	888,612,362	(129,320,841)	–	–	218,631,253	7,026,772,037
Movements in NCI	–	–	–	–	–	–	(198,565,043)	(254,369,927)	(452,934,970)
Cost of share-based payment	19,911,639	–	–	–	–	–	–	–	19,911,639
Dividends declared	–	(1,284,253,284)	–	–	–	–	–	(138,087,916)	(1,422,341,200)
Purchase of treasury shares	(49,407,905)	–	–	–	–	–	–	–	(49,407,905)
Reissuance of treasury shares	6,094,710	–	–	–	–	–	–	–	6,094,710
Balance at end of year	₱12,024,179,439	₱58,697,151,743	₱533,548,708	₱1,310,852,803	(₱167,831,265)	(₱1,906,738)	(₱144,458,138)	₱1,201,721,713	₱73,453,258,265

See accompanying Notes to Consolidated Financial Statements.

MANILA WATER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱15,105,511,573**	₱8,975,864,620	₱8,160,965,160
Loss before income tax from discontinued operations (Note 19)	**(1,004,070)**	(889,935)	(6,295,651)
Income before income tax	**15,104,507,503**	8,974,974,685	8,154,669,509
Adjustments for:			
Depreciation and amortization (Notes 3, 9, 10 and 11)	**5,347,793,573**	4,307,544,344	3,045,797,752
Equity in net loss (earnings) of associates (Note 12)	**3,593,920,432**	3,561,491,909	(520,067,157)
Interest expense (Notes 10, 11, 15 and 18)	**3,565,519,483**	3,773,677,075	2,816,244,442
Gain from disposal of subsidiaries (Notes 1 and 18)	**(1,013,928,053)**	–	–
Unrealized foreign exchange loss (gain) on non-cash accounts	**(865,983,613)**	(10,903,018)	99,428,585
Interest income (Note 18)	**(374,914,834)**	(301,229,071)	(121,758,500)
Provision for (reversal of) probable (Notes 4, 6 and 18)	**291,108,556**	75,000,000	(402,271,823)
Share-based payments (Note 21)	**107,690,324**	62,545,273	19,911,639
Amortization of deferred credits (Note 17)	**(13,803,701)**	(12,270,995)	(13,216,379)
Pension expense, contribution, and benefit payment - net (Notes 17 and 16)	**10,018,196**	(13,585,115)	74,330,252
Loss (gain) on disposal of property and equipment - net	**99,051**	10,780,662	(2,995,037)
Operating income before changes in operating assets and liabilities	**25,752,026,917**	20,428,025,749	13,150,073,283
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(588,516,919)**	(121,945,695)	(74,826,614)
Contract assets	**20,845,890**	(15,348,536)	(177,158,594)
Inventories	**(63,548,328)**	70,042,651	34,747
Service concession assets	**(24,381,361,094)**	(13,529,051,686)	(21,336,547,720)
Other current assets	**(727,970,405)**	319,248,424	(32,509,786)
Increase (decrease) in:			
Accounts and other payables	**2,311,828,085**	(1,312,572,919)	2,205,408,446
Contract liabilities	**404,107,426**	373,727,455	263,399,815
Net cash generated from (used in) operations	**2,727,411,572**	6,212,125,443	(6,002,126,423)
Income tax paid	**(1,834,924,173)**	(1,705,312,051)	(1,069,036,920)
Net cash provided by (used in) operating activities	**892,487,399**	4,506,813,392	(7,071,163,343)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment and software (Note 9)	**(1,061,347,179)**	(1,943,172,555)	(1,102,388,720)
Investments in associates (Notes 1 and 12)	**–**	–	(2,063,600)
Dividends received from associates (Note 12)	**394,324,866**	311,198,412	443,259,393
Proceeds from sale of subsidiaries (Note 1)	**1,024,573,343**	–	–
Interest received	**384,483,447**	300,754,833	116,696,914
Proceeds from sale of property and equipment (Note 9)	**4,250,277**	5,393,219	4,948,132
Decrease in short-term investments (Note 5)	**–**	128,417,810	140,098,427
Increase in other noncurrent assets (Note 13)	**(30,826,637)**	(1,191,553,398)	(230,206,726)
Net cash provided by (used in) investing activities	**715,458,117**	(2,388,961,679)	(629,656,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of (Note 15):			
Long-term debt	**22,381,710,150**	21,259,614,621	14,995,888,934
Short-term debt	**11,417,506,164**	210,000,000	8,699,503,225
Payments of:			
Long-term debt (Note 15)	**(17,124,985,178)**	(6,722,268,341)	(5,415,719,209)
Short-term debt (Note 15)	**(11,322,000,000)**	(327,872,324)	(8,455,000,000)
Interest	**(5,747,233,838)**	(4,778,431,859)	(3,517,060,569)
Dividends to equity holders of the Parent Company (Note 21)	**(3,370,089,762)**	(2,072,971,746)	(1,284,253,284)
Service concession obligations (Note 10)	**(1,652,750,484)**	(1,683,326,593)	(1,039,219,993)
Principal portion of lease liabilities (Note 11)	**(227,665,523)**	(133,017,393)	(105,995,513)
Dividends to noncontrolling interests	**(153,918,740)**	(266,340,597)	(138,087,916)
Movements in noncontrolling interests (Notes 1 and 4)	**566,320,223**	–	(452,934,970)
Proceeds from collection of subscriptions receivable (Note 21)	**21,535,257**	15,563,120	–
Acquisition of treasury shares (Note 21)	**–**	(5,716,314,028)	(49,407,905)
Reissuance of treasury shares	**–**	–	6,094,710
Increase in provisions and other noncurrent liabilities	**287,071,928**	38,396,916	20,790,801
Net cash provided by (used in) financing activities	**(4,924,499,803)**	(176,968,224)	3,264,598,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,316,554,287)**	1,940,883,489	(4,436,221,212)
UNREALIZED FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS	**557,664**	(88,527)	(89,551,149)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,752,734,174**	8,811,939,212	13,337,711,573
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱7,436,737,551**	₱10,752,734,174	₱8,811,939,212

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Manila Water Company, Inc. (the "Parent Company") was incorporated on January 6, 1997. The Parent Company started commercial operations on January 1, 2000. It became a publicly listed company via an initial public offering on March 18, 2005. As of December 31, 2024, the economic and voting ownership of Trident Water Company Holdings, Inc. (Trident Water) were 50.04% and 81.84%, respectively, while the economic and voting interest of Ayala Corporation (Ayala) were 12.07% and nil, respectively. As of December 31, 2023, the economic and voting ownership of Trident Water Company Holdings, Inc. (Trident Water) were 39.62% and 58.32%, respectively, while the economic and voting ownership of Ayala were 22.54% and 23.55%, respectively. In 2024, Ayala has divested its shares in Manila Water (see Divestment of Ayala Corporation). The ultimate parent of Trident Water is 97.25% owned by Razon & Co., Inc.

The Parent Company and its subsidiaries (collectively referred to as the "Group") are incorporated to provide water, integrated used water, sewerage and sanitation, distribution services, pipeworks, engineering, procurement and management services.

The Parent Company's principal place of business is at the MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Country of Incorporation and Place of Business	Effective Percentages of Ownership As of December 31, 2024	2023
Manila Water Total Solutions Corp. (MWTS)	Philippines	**100.00**	100.00
Calasiao Water Company, Inc. (Calasiao Water)	-do-	**90.00**	90.00
Manila Water Asia Pacific Pte. Ltd. (MWAP)	Singapore	**100.00**	100.00
Kenh Dong Water Holdings Pte. Ltd. (KDWH)	-do-	**100.00**	100.00
Manila Water South Asia Holdings Pte. Ltd. (MWSAH)	-do-	**100.00**	100.00
Thu Duc Water Holdings Pte. Ltd. (TDWH)	-do-	**100.00**	100.00
Manila Water (Thailand) Co., Ltd. (MWTC)	Thailand	**100.00**	100.00
Manila South East Asia Water Holdings Pte. Ltd. (MSEA) [1]	Singapore	**–**	100.00
PT Manila Water Indonesia (PTMWI)[2]	Indonesia	**100.00**	100.00
Manila Water Philippine Ventures, Inc. (MWPVI)	Philippines	**100.00**	100.00
Boracay Island Water Company, Inc. (Boracay Water)	-do-	**80.00**	80.00
Calbayog Water Company, Inc. (Calbayog Water)	-do-	**60.00**	60.00
Clark Water Corporation (Clark Water)	-do-	**100.00**	100.00
Filipinas Water Holdings Corp. (Filipinas Water)[3]	-do-	**100.00**	100.00
Bulakan Water Company, Inc. (Bulakan Water)[7]	-do-	**–**	90.00
Metro Ilagan Water Company, Inc. (Ilagan Water)	-do-	**90.00**	90.00
MWPV South Luzon Water Corp. (South Luzon Water)	-do-	**100.00**	100.00
Obando Water Company, Inc. (Obando Water) [7]	-do-	**–**	90.00
Laguna AAAWater Corporation (Laguna Water)	-do-	**70.00**	70.00
Equipacific HoldCo, Inc. (EHI) [6]	-do-	**70.00**	–
Laguna Water District Aquatech Resources Corporation (LARC)	-do-	**63.00**	–
North Luzon Water Company, Inc. (North Luzon Water)	-do-	**100.00**	100.00
Davao del Norte Water Infrastructure Company, Inc. (Davao Water)	-do-	**100.00**	100.00
Tagum Water Company, Inc. (Tagum Water) [4]	-do-	**90.00**	90.00
Manila Water Consortium, Inc. (MW Consortium)	-do-	**79.63**	79.63
Cebu Manila Water Development, Inc. (Cebu Water)[5]	-do-	**56.21**	56.21
Aqua Centro MWPV Corp. (Aqua Centro)	-do-	**100.00**	100.00
Bulacan MWPV Development Corp. (BMDC)	-do-	**100.00**	100.00
EcoWater MWPV Corp. (EcoWater)	-do-	**100.00**	100.00
Leyte Water Company, Inc. (Leyte Water)	-do-	**100.00**	100.00
Manila Water Technical Ventures, Inc. (MWTV)	-do-	**100.00**	100.00
Zamboanga Water Company, Inc. (Zamboanga Water)	-do-	**70.00**	70.00

[1]On September 18, 2024, MSEA was considered as officially dissolved in Singapore by the Accounting and Corporate Regulatory Authority.
[2]PTMWI is 95.00% owned by MSEA and 5.00% owned by an individual whose ownership has been pledged to MSEA.
[3]Filipinas Water is 49.00% owned by the Parent Company and 51.00% owned by MWPVI.
[4]Tagum Water is 90.00% owned by Davao Water. MWPVI's effective interest in Tagum Water is 90.00% by virtue of its 100.00% ownership interest in Davao Water as of December 31, 2024 and 2023.
[5]Cebu Water is 70.58% owned by MW Consortium. MWPVI's effective ownership interest in Cebu Water is 56.21% by virtue of its 79.63% ownership interest in MW Consortium as of December 31, 2024 and 2023.
[6]MWPVI acquired 70% ownership of EHI on April 18, 2024. EHI owned 90% shares in LARC. MWPVI's effective ownership interest in LARC is 63.00% by virtue of its 70.00% ownership interest in EHI as of December 31, 2024.
[7]On October 22, 2024, the Group has completed the divestment of Bulakan Water and Obando Water.

Significant Transactions – Parent Company

Parent Company's Subscription Agreement with Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.)

On February 1, 2020, the Parent Company and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated (to be named Trident Water), signed a Subscription Agreement for the acquisition of 820.00 million common shares (equivalent to 24.96% economic rights) of the Parent Company at ₱13.00 per share.

On February 6, 2020, Ayala, as part of the Shareholders' Agreement to be executed among itself, its wholly-owned subsidiary Philwater Holdings Co., Inc. (Philwater), and Trident Water, Ayala's Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4,000.00 million preferred shares to enable the latter to achieve 51.00% voting interest in the Parent Company, subject to the fulfillment of the conditions set forth in the subscription agreement. Upon the grant of proxy rights to Trident Water, Ayala's effective voting interest in the Parent Company will stand at 31.60%. This arrangement aimed to strategically rationalize the economic and voting stakes between Ayala and Trident Water as strategic partners in the Parent Company.

On February 7, 2020, the Parent Company received a letter from Prime Metroline Holdings, Inc., that it had announced through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of the Parent Company at an offer price of ₱13.00 per share.

On July 2, 2020, the SEC approved the Parent Company's application for the amendment of its Articles of Incorporation to increase the carved-out shares from 300.00 million to 900.00 million unissued common shares and the issuance of such carved-out shares in one or more transactions or offerings "for cash, properties, or assets to carry out the Parent Company's corporate purposes as approved by the Board of Directors (BOD)." Carved-out shares are common shares which are waived of shareholders' pre-emptive rights and are earmarked for specific corporate purposes (see Note 21).

On August 25, 2020, the Parent Company received a copy of the resolution from the Philippine Competition Commission (PCC), indicating that the PCC will take no further action with respect to the transaction. Specifically, it was deemed that the proposed acquisition of Trident Water of shares in the Parent Company would not likely result in substantial lessening of competition. In 2020, the Parent Company also received consents from specific lenders for the subscription.

On February 15, 2021, the Parent Company and Prime Strategic Holdings, Inc. signed an Amendment to the Subscription Agreement. The amendment covered the inclusion of Trident Water as party to the Subscription Agreement following its establishment, as well as the updated payment terms which was 50.00% or ₱5.33 bilion upon Closing and 50.00% or ₱5.33 bilion upon call of the Parent Company's BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agreed to sell 2,691,268,205 of its preferred shares in the Parent Company for ₱4.84 billion to Trident Water with a payment term over a five (5)-year period. The purchase of the preferred shares reflected a 39.09% voting stake and 8.19% economic stake in the Parent Company. The rights and title to the shares, except voting rights covered by the proxies, which shall be executed upon the execution of the Shareholders' Agreement, shall not be transferred until all payments are made. Dividends earned by the preferred shares shall continue to be for the account of Philwater until full payment has been made.

On April 8, 2021, the Parent Company received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of the Parent Company through a tender offer to all shareholders. Said tender offer did not include the 866,996,201 common shares held by Ayala and its nominees and the 4,000,000,000 preferred shares held by Philwater and its nominees. On May 31, 2021, a total of 462,660 common shares of the Parent Company were tendered, accepted and purchased by Trident Water via block sale through the facilities of the Philippine Stock Exchange.

On June 3, 2021, Trident Water completed the tender offer. Following the completion of the tender offer, Trident Water owns 870,462,660 common shares of the Parent Company and has voting rights over 2,691,268,205 preferred shares to be acquired by Trident Water. In addition, Prime Strategic Holdings, Inc. also owns 29,589,500 common shares of the Parent Company. On June 24, 2021, Trident Water acquired 29,589,500 common shares of the Parent Company from Prime Strategic Holdings, Inc.

As of December 31, 2024 and 2023, Trident Water holds the following common shares and preferred shares in the Parent Company.

	December 31, 2024	December 31, 2023
Common shares	**1,478,049,627**	900,052,160
Preferred shares	**3,563,756,068**	2,691,268,205

As of December 31, 2024, Philwater remains the stockholder of record and retains economic ownership of 3,563,756,068 preferred shares until full payment of the purchase price by Trident Water but the voting rights on these have been transferred to Trident by virtue of proxies (such that Trident has a total of 81.84% voting rights over all outstanding common and preferred shares).

Parent Company's Buy-back of Shares from Ayala and Philwater
On October 11, 2023, the Parent Company's BOD approved a buy-back program of its shares with Ayala and Philwater. The Parent Company re-acquired its 288,998,734 common shares and 436,243,932 participating preferred shares, respectively, for a total amount of ₱5.72 billion. This transaction reduced Ayala Corporation's effective economic stake from 30.40% as of December 31, 2022 to 22.54% as of December 31, 2023 (see Note 21).

As of December 31, 2023, Ayala holds 576,997,467 common shares and 872,487,862 preferred shares in the Parent Company.

Divestment of Ayala Corporation
On May 17, 2024, Trident Water executed with Ayala and its wholly-owned subsidiary, Michigan Holdings, Inc. (Michigan), the underlying agreements for the special block sales covering AC's and Michigan's 576,997,467 MWC common shares. Trident and Philwater, also executed a Deed of Absolute Sale for the sale of Philwater's 872,487,863 MWC preferred shares.

The gross consideration for these transactions among Trident and AC entities, amounted to ₱14.5 billion.
As of December 31, 2024, Ayala no longer holds common and preference shares of MWC and its voting stake was nil (0%) as a result of the block sale and voting proxy issued in favor of Trident vis-à-vis the participating preferred shares. Moreover, the economic and voting ownership of Trident increased to 50.04% and 81.84%, respectively, as of December 31, 2024.

The above shareholder transactions have no impact on the Parent Company's books.

Parent Company's Concession Agreement with Metropolitan Waterworks and Sewerage System (MWSS)
On February 21, 1997, the Parent Company entered into a Concession Agreement (the "Concession Agreement") with MWSS, a government corporation duly organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Service Area (the "East Zone"). The Concession Agreement sets forth the rights and obligations of the Parent Company throughout a twenty-five (25)-year concession period. The MWSS Regulatory Office (MWSS RO) monitors and reviews the performance of each of the Concessionaires – the Parent Company and Maynilad Water Services, Inc. (Maynilad), the West Zone Concessionaire.

Under the Concession Agreement, MWSS grants the Parent Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the right and obligation to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of twenty-five (25) years commencing on August 1, 1997 (the Commencement Date) up to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While the Parent Company has the right to manage, operate, repair, and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by the Parent Company during the Concession remains with the Parent Company until the Expiration Date (or until the early termination date) at which time all rights, titles and interests in such assets will automatically vest to MWSS.

On Commencement Date, the Parent Company officially took over the operations of the East Zone and rehabilitation works for the service area commenced immediately thereafter. As provided in the Parent Company's project plans, operational commercial capacity has been obtained upon substantial completion of the rehabilitation work.

Under the Concession Agreement, the Parent Company is entitled to the following rate adjustments:

a. Annual standard rate adjustment to compensate for increases in the Consumer Price Index (CPI);
b. Extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Concession Agreement;
c. Foreign currency differential adjustment (FCDA) to recover foreign exchange losses including all accruals and carrying costs thereof, arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Concession Agreement dated October 12, 2001 (see Notes 2, 3 and 13); and
d. Rebasing Convergence Adjustment for the purposes of calculating the Rates Adjustment Limit for each of the five Charging Years of the Rebasing Period determined based on the following:
    i. where the Rebasing Adjustment is found to be positive, the Rebasing Convergence Adjustment for the first Charging Year of the Rate Rebasing Period shall be equal to the Rebasing Adjustment, and the Rebasing Convergence Adjustment for each of the following four (4) Charging Years shall be zero; and
    ii. where the Rebasing Adjustment is found to be negative, the Rebasing Convergence Adjustment for each of the five (5) Charging Years of the Rebasing Period shall be equal to the Rebasing Adjustment divided by five (5).

In the event that the MWSS RO determines, at any time from and after the second (2nd) Rate Rebasing Date, that the Parent Company shall incur significant capital expenditures in carrying out its responsibilities under the Concession Agreement which should not be recovered through immediate rate adjustments, the MWSS RO may propose to the Parent Company that the Concession Agreement be amended to provide for the payment to the Parent Company for all or a portion of such unforeseen capital expenditure (Expiration Payment). Any Expiration Payment shall be treated by the MWSS RO as an anticipated receipt for purposes of making rate adjustment calculations. Any Expiration Payment may be discharged through the delivery to the Parent Company of a USD denominated debt instrument issued by MWSS or another public-sector owned by the Republic but, in either case, with the full faith and credit guarantee of the Republic, ranking at least pari passu with all other unsecured and unsubordinated external debt obligations of the Republic, having a cash value equal to such Expiration Payment.

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in the Concession Agreement. The Concession Agreement also provides a general rate setting policy for rates chargeable by the Parent Company for water and sewerage services as follows:

a. For the period through the second Rate Rebasing date (January 1, 2008), the maximum rates chargeable by the Parent Company (subject to interim adjustments) are set out in the Concession Agreement; and,
b. From and after the second Rate Rebasing date, the rates for water and sewerage services shall be set at a level that will permit the Parent Company to recover, over the twenty-five (25)-year term of the concession, its investment including operating, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on MWSS loans and the Parent Company's loans incurred to finance such expenditures, and to earn a rate of return equal to the appropriate discount rate (ADR) on these expenditures for the remaining term of the concession.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second Rate Rebasing date, provided that the MWSS RO may exercise its discretion to make a general adjustment of such rates.

On April 16, 2009, the MWSS Board of Trustees (MWSS BOT) passed Resolution No. 2009-072 approving the fifteen (15)-year extension of the Concession Agreement (the "Extension") from May 6, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (DOF), under the authority from the Office of the President of the Republic of the Philippines, on October 19, 2009. The significant commitments under the Extension are as follows:

a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a ₱1.00 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.
b. To increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2009.
c. To increase the total investments from the approved ₱187.00 billion for the periods 2008 to 2022 to ₱450.00 billion for 2008 to 2037.

With the approval of the Extension, the recovery period for the Parent Company's investment has been extended by another fifteen (15) years from 2022 to 2037.

On December 5, 2019, the MWSS BOT issued Resolution No. 2019-201-CO revoking Resolution No. 2009-072 dated April 16, 2009 related to the extension of the concession period of the Parent Company from 2022 to 2037.

On December 20, 2019, MWSS released a press statement clarifying Resolution No. 2019-201-CO and confirming that the action of the MWSS BOT did not result in the rescission or outright cancellation of the Concession Agreement.

On January 29, 2020, the Parent Company received a response letter from the MWSS RO confirming that the twenty-five (25)-year Concession Agreement from 1997 to 2022 and the Memorandum of Agreement (MOA) and Confirmation between the Parent Company and the MWSS providing for the fifteen (15)-year Extension from 2022 to 2037 had not been cancelled.

Parent Company's Revised Concession Agreement (RCA) with MWSS
On March 31, 2021, the Parent Company and MWSS entered into an RCA which has a term of up to July 31, 2037. The RCA shall become effective within six (6) months from March 31, 2021 and upon satisfaction of the conditions precedent.

Under the RCA, MWSS grants the Parent Company (as a public utility to perform certain functions and as a public utility for the exercise of certain rights and powers under RA No. 6234), the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone, including the right to bill and collect for water and sewerage services supplied in the East Zone.

The RCA reinforced provisions on penalties from the Original Concession Agreement (OCA) where originally, the trigger is whether the failure to meet the Service Obligation continues for more than 60 days (or 15 days if it will adversely affect public health or welfare). Penalty is based on 25% to 50% of the cost to restore the service obligation. This was revised in the RCA where the failure to meet the Service Obligation continues for more than 15 days (or 3 days if it will adversely affect public health or welfare). Penalty is based on the highest among: (1) 25% of the cost to restore; (2) based on the Service Obligation affected, formula is provided for each; or (3) liquidated damages for delay of related project equal to 1/10 of 1% of the cost of the unperformed portion for every day of delay. Additionally, regulators will now be appointed by the President of the Republic under the RCA.

The RCA also identified the drivers for Material Adverse Government Action (MAGA) that will excuse the Concessionaire, if they fail to deliver the financial and other contractual obligations under the RCA due to the occurrence of MAGA *(Article 10).*

The RCA retains the rate rebasing mechanism under the original Concession Agreement. Thus, the rates for water and sewerage services provided by the Parent Company shall be set at a level that will permit it to recover over the term of the concession expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The RCA removed the recovery of the corporate income taxes and adjustment for FCDA. It also reduced the inflation factor to 2/3 of the CPI adjustment and imposed caps on increases in standard rates for water (1.3x the previous standard rate) and wastewater (1.5x the previous standard rate). Instead of a market-driven ADR, the Parent Company is now limited to a 12.00% fixed nominal discount rate. Concessionaire's borrowing plans and service improvement plans, as well as deviation to such plans shall be approved by the Regulatory Office at each Rate Rebasing exercise (Section 6.11). Publication of tariff is required fifteen (15) days prior to effectivity (Section 9.7) The RCA also includes a tariff freeze until December 31, 2022.

As with the original Concession Agreement, the legal title to MWSS assets remains with MWSS. On the other hand, legal title to all fixed assets contributed by the Parent Company to the existing MWSS system during the concession remains with the Parent Company. Nevertheless, during each Rate Rebasing Date, the Parent Company is required to submit to MWSS a list of all recovered assets, including all supporting documents.

The legal title to these recovered assets shall be transferred to MWSS on or before such Rate Rebasing Date. Performance Bond is based on 2% to 10% of the Total Project Cost depending on the form of the performance bond to be issued in favor of MWSS (Section 6.10).

As of December 31, 2021, the remaining condition precedent to the effectivity of the RCA is the Undertaking Letter from the Republic.

The Parent Company and MWSS have since executed six (6) amendments to the RCA extending its Effective Date to allow time to complete the remaining condition precedent – the issuance of the Undertaking Letter from the Republic. The Sixth Amendment executed on May 19, 2022 extended the Effective Date to no later than June 30, 2022.

On June 30, 2022, the RCA did not take effect due to the Republic's failure to submit the prescribed Undertaking Letter. Consequently, any changes adopted by the Parent Company in relation to the RCA were reverted to the terms provided in the Original Concession Agreement, except as provided under the franchise *(Refer to Note 1, discussion on Parent Company Water Franchise Approval)*.

On May 10, 2023, the Parent Company and MWSS executed a seventh Amendment to the RCA (the "Amendment"). The parties agreed that the RCA and the seventh Amendment are deemed to be effective as of June 29, 2022. The Republic also issued a new Undertaking Letter effective as of July 1, 2022, superseding the Undertaking Letter dated June 24, 2022. The revised RCA is deemed effective on June 29, 2022.

Below are the key changes in the seventh amendment to the RCA:

- Tariff adjustments must observe the cap on "C" which is 75% of the July inflation as published by PSA. *(Amended RCA Sec 9.4.2)*
- FCDA will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex arising from principal payments of loans, limited to the list of loans provided in the RCA. *(Amended RCA Section 9.8)*. Forex gains/losses on additional or new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA. *(Amended RCA Sec 9.8.1)*
- Revised provision for MAGA (*Amended Article 10)*

On November 9, 2023, after due notice to the public, the MWSS-RO conducted a public hearing for the extension of the expiration date of the RCA. This is in view of the Parent Company's application to extend the term of the RCA for another 10 years or until 2047 to align with the term of its Franchise.

As of December 31, 2024, the Parent Company is still waiting for the approval of the request for extension of the expiration date of the RCA.

Rate Rebasing Tariff Adjustments
In March 2012, the Parent Company submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. MWSS conducted a review of the proposal including the Parent Company's last five (5) years' financial performance. The financial review process was extended until the third quarter of 2013. On September 10, 2013, the MWSS RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on the Parent Company's 2012 average basic water rate of ₱24.57 per cubic meter which shall be implemented in five (5) equal tranches of negative 5.894% per charging year. The Parent Company objected to MWSS' Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On December 10, 2013, the MWSS BOT, through MWSS RO Resolution No. 13-012 CA, approved the implementation of a status quo for the Parent Company's Standard Rates, including FCDA, until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On April 21, 2015, the Parent Company received the final award of the Appeals Panel in the arbitration which included the following tariff component determination:

a. ₱28.10 billion Opening Cash Position (OCP) which restored ₱11.00 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
b. ₱199.60 billion capital expenditures and concession fees which restored ₱29.50 billion from the September 2013 future capital and concession fee expenditure of ₱170.10 billion;
c. 7.61% ADR which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and
d. exclusion of corporate income tax from cash flows beginning January 1, 2013.

Consequently, the final award resulted in a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% on the 2012 basic average water charge of ₱25.07 per cubic meter. This adjustment translated to a decrease of ₱2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments and the quarterly FCDA were consistent with the Parent Company's Concession Agreement with MWSS.

On September 27, 2018, the MWSS BOT (MWSS Resolution No. 2018-145-RO) approved the Parent Company's Rebasing Adjustment for the Fifth Rate Rebasing Period (2018 to 2022) as recommended by the MWSS RO (MWSS RO Resolution No. 2018-10-CA). To mitigate the impact on the tariff of its customers, the Parent Company shall stagger its implementation over a five (5)-year period. The first tranche took effect on October 16, 2018 amounting to ₱1.46 per cubic meter or 5.70% of the pre-rebased 2017 basic tariff. The MWSS BOT also approved the implementation of the subsequent partial Rebasing Convergence Adjustment on a staggered basis as scheduled below:

- ₱2.00 on January 1, 2020,
- ₱2.00 on January 1, 2021, and
- ₱0.76 to ₱1.04 on January 1, 2022.

On December 13, 2018, the MWSS BOT (MWSS Resolution No. 2018-190-RO) approved the Parent Company's implementation of the 5.70% CPI Adjustment to be applied to the 2018 average basic charge of ₱26.98 per cubic meter and the 2.62% FCDA to be applied to the 2019 average basic charge. These adjustments were recommended by the MWSS RO (MWSS RO Resolution No. 2018-12-CA) and took effect on January 1, 2019.

Effective January 1, 2022, subject to the validation of the MWSS RO of the feasibility and cost of the Wawa Bulk Water Source to Calawis Project as the Parent Company's medium-term water source, an additional partial Rebasing Convergence Adjustment of up to ₱0.28 per cubic meter on top of the basic partial Rebasing Convergence Adjustment of ₱0.76 per cubic meter, was approved by the MWSS BOT on September 27, 2018.

On March 31, 2021, the Revised Concession Agreement (RCA) was signed between the Parent Company and MWSS, which included a tariff freeze until December 31, 2022.

On November 10, 2022, the MWSS BOT (MWSS BOT Resolution No. 2022-148-RO) approved the Parent Company's Rebasing Adjustment for the Sixth Rate Rebasing Period (2023 to 2027) as recommended by the MWSS RO (MWSS RO Resolution No. 2012-12-CA). The implementation of Rebasing Adjustment from 2023 to 2027 on a staggered basis is scheduled as follows:

- ₱8.04 on January 1, 2023,
- ₱5.00 on January 1, 2024,
- ₱3.25 on January 1, 2025,
- ₱1.91 to ₱3.00 on January 1, 2026, and
- ₱1.05 to ₱1.08 on January 1, 2027.

The approval also includes an indicative adjustment of about 0.97 to 1.00 or 2.12% on January 1, 2028 due to non-full recovery of the total expenses for the Wawa Bulk Water Supply Project in compliance with MWSS BOT. However, this amount will be subject to the next Rate Rebasing exercise.

Furthermore, the environmental charge will increase from 20% to 25% beginning January 1, 2023, and from 25% to 30% beginning January 1, 2026 while sewer charge will increase from 30% to 32.85% beginning January 1, 2023. Both increases are subject to Manila Water's attainment of sewer coverage of 30% by the end of 2025.

FCDA
Prior to November 18, 2021, the MWSS BOT approved the FCDA quarterly. The FCDA had no impact on the net income of the Parent Company, as the same is a recovery or refund mechanism of foreign exchange losses or gains. The following FCDA adjustments and their related foreign exchange basis took effect in 2019 to 2021.

Approval Date	Effective Date	FCDA	Foreign Exchange Rate Basis
December 14, 2018	January 1, 2019	₱0.75 per cubic meter	USD1: ₱53.94 / JPY1: ₱0.48
March 6, 2019	April 1, 2019	₱0.52 per cubic meter	USD1: ₱52.77 / JPY1: ₱0.47
September 26, 2019	October 13, 2019	₱0.69 per cubic meter	USD1: ₱52.41 / JPY1: ₱0.47
March 11, 2020	April 1, 2020	₱0.48 per cubic meter	USD1: ₱50.77 / JPY1: ₱0.47 / EUR1: ₱56.36
September 14, 2020	October 1, 2020	₱0.33 per cubic meter	USD1: ₱50.10 / JPY1: ₱0.47 / EUR1: ₱56.37
December 1, 2020	January 1, 2021	₱0.19 per cubic meter	USD1: ₱48.51 / JPY1: ₱0.46 / EUR1: ₱57.22
February 24, 2021	April 1, 2021	₱0.24 per cubic meter	USD1: ₱48.06 / JPY1: ₱0.46 / EUR1: ₱58.39

There were no FCDA adjustments for the third quarter of 2019 as the MWSS BOT did not approve the adjustments until the fourth quarter of 2019. On May 29, 2020, the MWSS BOT approved an FCDA adjustment for the third quarter of 2020 similar to the prevailing FCDA adjustment for the second quarter of 2020 of ₱0.48 per cubic meter which had no impact on customer bills. There were no further FCDA adjustments approved from February 24, 2021. The RCA signed on March 31, 2021 also removed the FCDA mechanism.

On October 28, 2021, the MWSS BOT approved the recommendation of the MWSS RO to remove the FCDA from the Parent Company's customer bills beginning November 18, 2021, the initial effectivity date of the RCA.

Beginning November 18, 2021, the FCDA was no longer applied to water rates of the Parent Company's East Zone customers. However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect.

On May 10, 2023, the seventh Amendment of the RCA includes FCDA that will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex gains or losses arising from principal payments of loans, limited to the list of loans provided in the RCA. Forex gains or losses on additional/new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA.

On August 7, 2024, MWSS BOT, upon the recommendation of the MWSS RO, approved the FCDA Guidelines describing the mechanics to determine the FCDA.

On September 12, 2024, MWSS BOT approved the reimplementation of FCDA at 2.03% of the 2024 average basic charge of ₱42.26 per cubic meter or ₱0.86 per cubic meter pursuant to the provisions of Amended RCA. The tariff was adjusted upward by an average of ₱0.88 per cubic meter effective October 1, 2024.

On December 5, 2024, MWSS BOT approved the implementation of FCDA equivalent to 1.29% of the 2025 average basic charge of ₱47.10 per cubic meter or ₱0.61 per cubic meter pursuant to the provisions of the Amended RCA effective January 1, 2025.

As of December 31, 2024 and 2023, the Parent Company's deferred FCDA on the consolidated statement of financial position amounted to ₱6,135.18 million and ₱2,510.95 million, respectively.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004
This case stemmed from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against the Parent Company, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the "Clean Water Act"), particularly the five (5)-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On September 18, 2019, the Parent Company received a copy of the Decision of the Supreme Court in the case '*Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources (DENR), et.al.*' (G.R. No. 206823), promulgated on August 6, 2019. In the Decision, the Supreme Court found the Parent Company liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

a. The Parent Company shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.
b. From finality of the Decision until full payment of the ₱921.46 million fine, the Parent Company shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2) years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.
c. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On October 2, 2019, the Parent Company filed a Motion for Reconsideration with the Supreme Court.

On July 1, 2020, the Parent Company received a copy of the Consolidated Comment filed by the Office of the Solicitor General on behalf of the adverse parties. This comment addressed the separate Motions for Reconsideration filed by MWSS, Maynilad and the Parent Company.

The Parent Company filed with the Supreme Court a Motion for Leave to File and Admit its Reply last August 17, 2020.

On November 3, 2020, the Parent Company received a Resolution dated September 8, 2020 issued by the Supreme Court, which relevantly (i) noted the Consolidated Comment; (ii) granted the Motion for Leave and Admit the Attached Reply; and (iii) noted the Reply filed by the Parent Company.

On January 25, 2022, the Republic Act (RA) 11601 or "*An Act Granting Manila Water Company, Inc. a Franchise to Establish, Operate, and Maintain a Waterworks System and Sewerage and Sanitation Services in the East Zone Service Area of Metro Manila and Province of Rizal*" took effect. This extends the Parent Company's compliance deadline under Sec. 8 of the Clean Water Act from May 7, 2009 to the year 2037.

On January 26, 2022, the Parent Company filed a Manifestation to inform the Supreme Court of significant developments, including the grant of a legislative franchise to the Parent Company, which it considered relevant to the resolution of its 2019 Motion for Reconsideration.

On October 21, 2022, the Parent Company received a resolution dated July 19, 2022 issued by the Supreme Court which modified the dispositive portion of the Court's August 6, 2019 decision. Accordingly, the Parent Company is liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

a. The Parent Company shall be jointly and severally liable with MWSS for the total amount of ₱202.26 million covering the period starting from May 7, 2009 until January 21, 2022 (date before the effectivity of RA 11601), to be paid within fifteen (15) days from the receipt of the Resolution.
b. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On November 2, 2022, the Office of the Solicitor General representing DENR, filed a Motion for Partial Reconsideration related to the resolution issued by the Supreme Court dated July 19, 2022.

On January 17, 2023, the Supreme Court denied with finality the Motion for Partial Reconsideration filed by the Office of the Solicitor General for DENR, which sought to reduce the fines imposed against the Parent Company and MWSS. The Supreme Court also ruled that no further pleadings or motions will be entertained, and that entry of judgment will be made immediately.

Accordingly, in 2022, the Parent Company recognized a net reduction of ₱450.26 million in the prior years' provision for Clean Water Act, recorded as Other Income in the Group's profit or loss (Note 18).

On February 9, 2023, the Parent Company has paid the fines in full amounting to ₱202.26 million.

Parent Company's Water Franchise Approval
On January 25, 2022, RA No. 11601 took effect, granting the Parent Company a twenty-five (25)-year franchise to establish, operate and maintain a waterworks system to ensure an uninterrupted and adequate supply, and distribution of potable water for domestic, commercial, and other purposes, and for the establishment and maintenance of sewerage system in the East Zone under the concession agreement with the MWSS, or through an appropriate certificate of public convenience and necessity, license or permit from the MWSS RO. The franchise considers MWCI as a public utility. It provides that income taxes due from MWCI cannot be passed on to consumers.

The Parent Company is likewise given the right to recover, supply, distribute, and reuse treated and grey water whether in bulk or retail for domestic, commercial or industrial and other purposes within the franchise area. Furthermore, the Parent Company is allowed to develop new raw water sources as operations may require and enter into bulk water supply arrangements. It may also exercise the power of eminent domain as necessary for its operations and may install and maintain its pipelines and facilities on public property and roads.

Section 5 of RA No. 11601 provides that the Concession Agreement shall serve as the certificate of public convenience and necessity, license or permit of MWCI for the operation of its waterworks and sewerage system. Under RA 11601, "Concession Agreement" refers to the agreement between MWCI and MWSS executed on February 21, 1997, as revised by the "Revised Concession Agreement" dated March 31, 2021, and further amended on July 1, 2022, by the "7th Amendment to the Revised Concession Agreement", or as may thereafter be amended.

When public interest for affordable water security requires and upon application by the Parent Company, MWSS shall be authorized to approve the amendment of the Concession Agreement to extend its term up to the term of the franchise, after appropriate notice and hearing.

As franchisee, the Parent Company is obligated to submit to the RO a completion plan for the establishment and operation of water, sewerage and sanitation project covering a period until 2037, with periodic five (5)-year completion targets with the end goal of achieving one hundred percent (100.00%) water and combined sewerage and sanitation coverage by 2037.

The Parent Company is required to submit a compliance report to Congress through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate on or before April 30 of each year. The annual report will contain the following:

a. Annual progress report of compliance with targets;
b. An update on the development, operation, and expansion of business;
c. Audited financial statements
d. Latest General Information Sheet (GIS) officially submitted to the SEC, if applicable;
e. A certification of the MWSS RO on the status of its permits and operations; and
f. An update on its minimum public float required under Section 18.

The Parent Company is obligated to submit all information and documents required by the MWSS RO to conduct comprehensive assessment of the grantee's operations and compliance with conditions imposed in RA No. 11601. Further, the Parent Company is required to provide and promote creation of employment opportunities, maintain minimum public float as required by the Philippine Stock Exchange, and elect independent directors constituting at least 20.00% of its total BOD membership.

Tariff setting to be conducted by the MWSS RO or its legal successor shall take into account incentives for enhancement of efficiency, equity considerations, and the customers' willingness to pay apart from reasonable and prudent capital and recurrent costs of providing the service including a reasonable rate of return on capital, efficiency of service, administrative simplicity, and the methodology prescribed under the RCA.

On March 2, 2022, the MWSS BOT approved Resolution No. 2022-025-RO, Series 2022 involving the implications of the Legislative Franchises on the value-added tax (VAT) and franchise tax of the Concessionaires specifically:

i. The removal of VAT from the customer bills of Manila Water and Maynilad resulting from the grant of the Legislative Franchises to the Concessionaires, subject to the National Internal Revenue Code of 1997, as amended, and the relevant rules of the Bureau of Internal revenues; and
ii. The imposition of Government Taxes in the customers' bills as pass-through costs comprised of a national franchise tax at the rate of 2.00% and actual implemented rates of local franchise tax for each local government unit starting March 21, 2022.

On March 21, 2022, the Parent Company submitted its notice of acceptance of the twenty-five (25)-year legislative franchise to the Committee on Legislative Franchises of the House of Representatives and the Senate Committee on Public Services.

On April 29, 2022, the Parent Company submitted its 1st Annual Report to Congress in compliance with Section 21 of RA No. 11601.

On November 9, 2023, after due notice to the public, the MWSS-RO conducted a public hearing for the extension of the expiration date of the RCA. This is in view of Parent Company's application to extend the term of the RCA for another 10 years or until 2047 to align with the term of its Franchise.

As of December 31, 2024, the Parent Company is still waiting for the approval of the request for extension of the expiration date of the RCA

<u>Parent Company's, MWSS', and WawaJVCo, Inc.'s Raw Water Supply Offtake Agreement</u>
On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Raw Water Supply Offtake (Wawa Bulk Water) Agreement with WawaJVCo, Inc. (the Joint Venture), a joint venture company formed between Prime Metroline Infrastructure Holdings Corporation and San Lorenzo Builders and Developers Corporation. This will involve the supply of 518 million liters per day of raw water from the Wawa and Tayabasan rivers and is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of the East Service Area.

On September 9, 2019, the MWSS RO adopted RO Resolution No. 2019-12-CA declaring the proposed Wawa-Calawis Bulk Water Supply Project as sound and feasible for implementation and recommending the inclusion of the total systems cost or Total Expense of the 518 million liters per day Calawis Water Treatment Plant and Conveyance Facility Project, prudently and efficiently incurred, in the next Rate Rebasing Exercise.

On September 10, 2019, the MWSS BOT approved the recommendation of the MWSS RO through MWSS Resolution No. 2019-143-RO.

On January 7, 2020, the parties executed the First Supplement to the Wawa Bulk Water Agreement to reflect their agreement on the joint conditions precedent.

On September 28, 2021, the parties executed the Second Supplement to the Wawa Bulk Water Agreement to reflect the impact of the COVID-19 pandemic on the timeline of the project.

The first phase of the agreement will involve supply of 80 million liters per day of raw water in October 2022, while the second phase will supply the additional 438 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Multibasin System Project was completed, and the Joint Venture commenced the provision of initial 80 million liters per day of raw water to the Parent Company.

Significant Transactions – Domestic Subsidiaries

Laguna Water's Concession Agreement with the Provincial Government of Laguna (PGL)
On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004, July 22, 2009, June 30, 2015, and May 3, 2018) with PGL, a local government unit organized and existing under Philippine Laws.

Under the terms of the concession agreement, PGL grants Laguna Water (as contractor and as agent for the exercise of certain rights in Laguna) 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 to specific areas for an operational period of twenty-five (25) years which commenced on October 20, 2004.

While Laguna Water has the right to manage, occupy, operate, repair, maintain, decommission and refurbish specified PGL facilities, legal title to these assets remains with PGL. Legal title to all assets procured by Laguna Water in the performance of its obligations under the agreement remains with Laguna Water and shall not pass to PGL until the end of the concession period at which time, Laguna Water will transfer, or if the ownership is vested in another person, cause the transfer to PGL. Laguna Water has the exclusive right to provide water services in the service areas specified in the concession agreement. Concession fees set forth in the concession agreement are computed as a percentage of revenue from water services (see Note 10).

Seventy percent (70%) of the concession fees are applied against any advances made by Laguna Water to PGL. The remaining thirty percent (30%) of the concession fees are payable annually thirty (30) days after the submission of the audited financial statements by Laguna Water, starting on the first operational period.

The concession agreement also states that the base tariff shall be increased by ten percent (10%) in Year 7, 9, 11, 14, and 17 of Laguna Water's concession, which took effect on the commencement date on October 20, 2004.

On June 30, 2015, Laguna Water and the PGL signed an amendment to the concession agreement which expands the concession area to cover all cities and municipalities in the province of Laguna, as well as the service obligation to include the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

In connection with the amendment to the concession agreement on June 30, 2015, the Sangguniang Bayan of the municipality of Calauan, Laguna approved the resolution allowing Laguna Water to provide water and wastewater services to the municipality of Calauan.

Furthermore, the concession period's commencement date was amended to mean the later of either: (i) three (3) years from the takeover date (i.e., October 20, 2004); or (ii) availment by at least 25,000 customers of the services (i.e., September 30, 2010). The concession period is deemed to have commenced on September 30, 2010 and shall end on September 30, 2035.

On October 20, 2015, the Year 11, Laguna Water made a tariff adjustment of 10% which was implemented in November 2015.

On August 23, 2017, the Sangguniang Bayan of Victoria, Laguna, approved the inclusion of its municipality within the service area of Laguna Water, pursuant to the expansion of the service area of Laguna Water under its amended concession agreement with PGL.

On May 3, 2018, the concession agreement was amended to include the approval of an environmental charge amounting to twenty percent (20%) of the water tariff for wastewater services, desludging services, and other environmental-related costs which was implemented on September 22, 2018.

On October 20, 2018, the Year 14, Laguna Water implemented a tariff adjustment of 10.00% effective December 1, 2018.

In view of the Provisional Authority and Provisional Water Tariff issued by the National Water Resources Board (NWRB) on September 28, 2021, Laguna Water implemented an average of 10.00% tariff increase across all customer rate categories effective November 1, 2021 (for residential, institutional and few commercial accounts) and December 1, 2021 (for the remaining commercial and industrial accounts).

On September 28, 2022, the NWRB issued Resolution No. 13-0922 approving the Certificate of Public Convenience (CPC) of the Company valid for ten years and the rates to be implemented by the Company. Based on the approved CPC, the Company implemented a tariff increase to all its customers except LTI and Pagsanjan which became effective on January 1, 2023. Subsequently, tariff increase for LTI was also implemented and became effective on February 1, 2023. Upon implementation, varying rates on tariff increases were applied to each customer category depending on its current rate and NWRB's customer classification.

Effective January 2024, Laguna Water implemented 34% increase in average tariff both on its domestic and industrial accounts.

Boracay Water's Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (TIEZA)
On December 17, 2009, Boracay Water entered into a concession agreement with TIEZA, formerly Philippine Tourism Authority (PTA). The concession agreement sets forth the rights and obligations of Boracay Water as concessionaire throughout a twenty-five (25)-year concession period. TIEZA Regulatory Office (TIEZA RO) will monitor and review the performance of the concessionaire throughout the concession period.

Under the concession agreement, TIEZA grants Boracay Water (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services to the entire Boracay Island for a period of twenty-five (25) years from January 1, 2010 (commencement date) until December 31, 2034 (expiration date), or the early termination date as the case may be. The legal title to all fixed assets contributed to the existing TIEZA system by Boracay Water during the concession remains with Boracay Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in TIEZA.

On January 1, 2010, Boracay Water officially took over the operations of the service area. Rehabilitation works for the service area commenced immediately thereafter. As provided in Boracay Water's project plans, operational commercial capacity will be attained upon completion of the rehabilitation works.

Under its concession agreement, Boracay Water is entitled to the following rate adjustments:

a. annual standard rate adjustment to compensate for increases in the CPI;
b. EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the concession agreement; and
c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from TIEZA loans and any loans used for capital expenditures and concession fee payments (see Notes 2, 3 and 13).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in Boracay Water's concession agreement.

The rate rebasing date is set every five (5) years starting January 1, 2011. Hence, the first rate rebasing period commenced on January 1, 2010 and ended on December 31, 2010 and, in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.

On June 7, 2017, TIEZA approved the new water rates of Boracay Water, which was equivalent to an increase of 52.83% from its existing rate to be implemented on a staggered basis for a period of three (3) years with an increase of 30.14%, 11.99%, and 10.70% in 2017, 2018 and 2019, respectively. The first tranche of tariff increase was implemented on July 1, 2017, equivalent to 30.14% of the existing rate.

On December 15, 2017, TIEZA approved Boracay Water's implementation of the second tranche of tariff increase along with a 3.80% CPI effective January 1, 2018.

On December 18, 2018, TIEZA approved Boracay Water's implementation of the third tranche of tariff increase together with 7.72% CPI. Furthermore, an additional 3.00% was applied to the basic water and sewer tariff to account for FCDA. The new rates took effect on January 1, 2019.

Boracay Water's concession agreement also provides a general rate setting policy for rates chargeable by Boracay Water for water and sewerage services as follows:

a. For the period through the second rate rebasing date (January 1, 2017), the maximum rates chargeable by Boracay Water (subject to interim adjustments) are set out in the concession agreement; and

b. From and after the second rate rebasing date, the rates for water and sewerage services shall be set at a level that will permit Boracay Water to recover, over the twenty-five (25)-year term of its concession, its investment including operating expenses, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on the TIEZA loans incurred to finance such expenditures, and to earn a rate of return on these expenditures for the remaining term of the concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second rate rebasing date, provided that the TIEZA may exercise its discretion to make a general adjustment of such rates.

Also, as part of the concession agreement, Boracay Water assumed certain property and equipment of Boracay Water Sewerage System (BWSS), as well as its outstanding loan from Japan International Cooperation Agency (JICA), considered as part of its TIEZA loans under the concession agreement, and regulatory costs.

As a result of the above terms of the concession agreement, Boracay Water recognized a total of ₱986.86 million service concession assets on its commencement date. It includes the JICA loan assumed by Boracay Water, regulatory costs, construction costs for the improvement and expansion of the water and wastewater facilities and the advanced concession fees (see Note 10).

On February 22, 2023, TIEZA approved the new rates of Boracay Water, which are equivalent to an upward adjustment of 14.02% representing the first tranche of rebasing convergence adjustment including 6.4% CPI effective 15 days after the publication to two newspapers of general circulation.

On November 28, 2023, Boracay Water submitted the proposal for the 14.02% second tranche of the rebasing convergence adjustment plus 6.1% CPI which was approved by TIEZA on December 14, 2023. Approved tariff for second tranche was implemented starting January 1, 2024.

Effective January 1, 2024, Boracay Water implemented the second tranche of rebasing convergence adjustment equivalent to 14.02% upward adjustment which includes 6.10% CPI, in accordance with the approved new rates by Tourism Infrastructure and Enterprise Zone Authority (TIEZA) on December 14, 2023.

On December 9, 2024, TIEZA BOD approved the Company's request for twenty-five (25)-year extension of Boracay Water's concession agreement, subject to review of the Office of the Government Corporate Counsel, and consent of the Republic through the review and approval of the Extension by the Department of Finance.

<u>Clark Water's Concession Agreement with Clark Development Corporation (CDC)</u>
On March 16, 2000, Vivendi Water Philippines, Inc., which subsequently changed its name to Veolia Water Philippines, Inc. (VWPI), entered into a concession agreement with CDC, a government corporation organized and existing under Executive Order No. 80, series of 1993. The concession agreement sets out the terms and conditions under which VWPI will finance, design, construct, operate and maintain the water and sewerage system inside the Clark Freeport Zone (CFZ) commencing on October 1, 2000 and ending on the date falling twenty-five (25) years thereafter or as may be extended by the terms of the concession agreement. As the implementing arm of the Bases Conversion Development

Authority and the regulatory and development body for the CFZ, CDC has the power and authority to regulate and monitor the performance and compliance of VWPI, or its assignee, with its obligations under the concession agreement.

On September 1, 2000, in accordance with the terms of the concession agreement, VWPI assigned its rights and obligations under the concession agreement to Clark Water by virtue of an assignment and assumption agreement between VWPI and Clark Water. As consideration for the grant of the concession and franchise to develop, operate and maintain the water and sewerage system within the CFZ, Clark Water pays CDC an annual franchise fee of ₱1.50 million. Any new construction, change, alteration, addition or improvement on the facilities is permitted to the extent allowed under the agreement with CDC or with the prior written consent of CDC. Legal title, free of all liens and encumbrances, to improvements made or introduced by Clark Water on the facilities as well as title to new facilities procured by Clark Water in the performance of its obligations under the concession agreement shall automatically pass to CDC on the date when the concession period expires or the date of receipt of a validly served termination notice, where in the latter case, subject to payment of the amount due as termination payments as defined in the concession agreement.

On September 29, 2000, CDC leased in favor of Clark Water the existing facilities in compliance with the condition precedent to the effectivity of and the respective obligations of Clark Water and CDC under the concession agreement. Under the lease agreement, Clark Water was required to make a rental deposit amounting to ₱2.77 million equivalent to six (6) months lease rental and a performance security amounting to ₱6.72 million to ensure the faithful compliance of Clark Water with the terms and conditions of the lease agreement. Clark Water pays semi-annual rental fees of ₱2.77 million amounting to a total of ₱138.28 million for the entire concession period. The lease term shall be co-terminus with the concession period, unless sooner terminated for any of the reasons specified in the concession agreement.

On August 15, 2014, Clark Water and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The amendment provides for the following:

a. extension of the original concession period for another fifteen (15) years up to October 1, 2040;
b. additional investment of ₱4.00 billion over the remaining life of the extended concession period, provided under the amended concession agreement, to be spent for further improvement and expansion of water and wastewater services in the area. Investment requirement under the original concession agreement amounted to ₱3.00 billion and the amended concession agreement required an additional investment of ₱2.00 billion. Initial investment prior to the amendment of the concession agreement amounted to ₱1.00 billion.
c. introduction of a rate rebasing mechanism for every four (4) years starting 2014.
d. reduction in tariff rates by 3.9% (from ₱25.63/m^3 to ₱24.63/m^3) effective September 1, 2014, subject to the EPA; and
e. increase in tariff rates by:
    i. ₱0.41/m^3 (from 24.63/m^3 to ₱25.04/m^3) in 2018;
    ii. ₱0.42/m^3 (from ₱25.04/m^3 to ₱25.45/m^3) in 2019;
    iii. ₱0.42/m^3 (from ₱25.45/m^3 to ₱25.87/m^3) in 2020; and
    iv. ₱0.43/m^3 (from ₱25.87/m^3 to ₱26.30/m^3) in 2021.

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.58 million. Further, the recovery period of Clark Water's investment was extended by another fifteen (15) years from 2025 to 2040.

On May 26, 2017, Clark Water submitted its proposed 2018 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement. As of December 31, 2022, Clark Water's 2018 rate rebasing is still ongoing which put on hold the approved tariff increases under the amended concession agreement on August 15, 2014.

On December 20, 2023, CDC Board approved the 60% tariff increase following 60-20-20 tranches to be implemented effective January 1, 2024.

Effective January 1, 2024, Clark Water implemented a 36% tariff increase amounting to ₱14.50 per cubic meter water charge in accordance with the 60% tariff increase based on Rate Rebasing (RR22) approved by the BOD of Clark Development Corporation on December 20, 2023. The RR22 will be implemented in 3 tranches (60-20-20).

Effective April 1, 2024, Clark Water implemented the second tranche of extraordinary tariff adjustment in accordance with the rate approved by BOD Clark Development Corporation (CDC) last February 2, 2023.

The ETA amounts to ₱3.05 per cubic meter water charge staggered equally in four years.

On September 18, 2024, Clark Water and Clark Development Corporation (CDC) executed a fourth amendment to the Concession Agreement which is considered effective on the same date. These amendments clarify financial obligations, compensation terms for MAGA, and introduce mechanisms for adjusting tariffs in response to extraordinary circumstances. Below are the key changes in the seventh amendment to the Concession Agreement:

- Additional Concession Fee (Clause 16.5)
- Definition of Material Adverse Government Action (MAGA)
- Extraordinary Tariff Adjustment (Clause 17B, Annex F)
- CDC Events of Default (Clause 23.2)
- Arbitration (Clause 29)
- Expenditures and Tariff Adjustment Calculations
- Provisional CPI Adjustment (Clause 16.6)

Clark Water's Compliance with the Department of Environment and Natural Resources' (DENR's) Administrative Order No. (DAO) No. 2016-08

On June 16, 2016, the DENR promulgated DAO No. 2016-08 regulating the discharge of nutrients and imposing additional limits and parameters. Pursuant to Section 10 of DAO No. 2016-08, Clark Water sought the approval of the DENR of its Compliance Action Plan (CAP) which would have extended the current five (5)-year CAP of Clark Water. On July 17, 2020, Clark Water received the approval of DENR on its submitted CAP with project completion deadline of December 31, 2021. On October 19, 2020, the CDC sent a letter to the DENR in support of Clark Water's request for extension of its CAP to 2023. On November 11, 2020, however, the CDC received a letter from the DENR denying Clark Water's request citing the DAO No. 2016-08's clear five (5)-year limit for the grace period. On November 26, 2020, CDC sent another letter to the DENR appealing to the DENR for reconsideration of their request to postpone the DAO No. 2016-08. On December 7, 2020, the DENR sent a letter to the CDC, denying their request for the second time.

As a result, DENR held in abeyance the renewal of Clark Water's discharge permit pending its compliance with the CAP even though Clark Water is compliant with DAO No. 1990-35, the applicable regulation at that time. On April 20, 2021, Clark Water received notice to proceed from CDC. Clark Water immediately proceeded with the construction of the Bionutrient Removal (BNR) Project in compliance to the approved CAP. DENR subsequently issued a temporary discharge permit on April 26, 2021 valid until October 30, 2021.

On July 29, 2021, DAO No. 2016-08 was superseded by a relaxed standard under DAO No. 2021-19. On December 21, 2021, Clark Water sent a letter to the DENR for the reduced CAP pursuant to DAO No. 2021-19. On January 13, 2022 DENR issued Discharge permit extension until March 31, 2022. This permit has been extended until February 11, 2023.

On February 7, 2023, Clark Water received a letter from DENR stating that Clark Water may continue providing services and is allowed to operate under its existing discharge permit, until its application made in January 12, 2023 has been granted and a new discharge permit has been issued. On August 29, 2023, the discharge permit was extended until February 29, 2024.

On December 21, 2023, penalties related to Pollution Adjudication Board (PAB) case amounting to ₱1.06 million was settled.

On February 21, 2024, DENR issued Discharge permit renewal until February 21, 2025. On January 10, 2025, Clark Water applied for another renewal of discharge permit which was approved by the DENR on February 4, 2025, valid until February 4, 2026.

<u>MW Consortium Agreement with the Provincial Government of Cebu (PGC)</u>

On March 21, 2012, MW Consortium signed a Joint Investment Agreement (JIA) with the PGC for the formation of a joint venture company with 51.00% and 49.00% equity participation for MW Consortium and the PGC, respectively. Under the JIA, the parties agreed to develop and operate a bulk water supply system that will supply 35 million liters of water per day to target areas in the province of Cebu with the joint venture company serving as a bulk water supplier. The term of the agreement is thirty (30) years starting March 2012 and renewable for another twenty-five (25) years. On May 23, 2012, MW Consortium and the PGC incorporated Cebu Water, with an ownership of 51.00% and 49.00%, respectively, pursuant to the JIA.

On December 13, 2013, Cebu Water received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). On December 18, 2013, Cebu Water and MCWD signed a twenty (20)-year Bulk Water Supply Contract for the supply of eighteen (18) million liters per day of water for the first year and thirty-five (35) million liters per day of water for years two (2) up to twenty (20). Cebu Water delivered its initial eighteen (18) million liters per day bulk water supply to MCWD on January 5, 2015. Cebu Water increased its bulk water delivery to thirty-five (35) million liters per day in 2016.

On August 29, 2019, MW Consortium received a Notice of Breach/Default of the JIA from the PGC. On December 10, 2019, PGC issued a Notice of Termination of the JIA. Pursuant to the JIA, MW Consortium issued a Notice of Existence of a Dispute on PGC on December 12, 2019.

On February 3, 2020, MW Consortium and the PGC signed the Terms of Reference for the interim protocol between both parties pending Settlement with Finality of the Dispute between MW Consortium and PGC.

On March 29, 2022, MW Consortium and PGC executed a Settlement Agreement that constitutes the full, final and complete settlement of all claims, complaints, and causes of action of PGC against Cebu Water in relation to the perceived breach of the Joint Investment Agreement between the two parties.

On April 7, 2022, MWPVI secured the approval of its BOD to purchase the 32.6% stake (107,601,639 common shares) of Metro Pacific Water Investment Corporation in MW Consortium for a purchase price of ₱107.60 million. The Share Purchase Agreement and Deed of Absolute Sale were duly signed by the parties on May 12, 2022.

On September 2022, PGC and Cebu Water, started negotiating the tariff increase with MCWD, in order to improve the financial returns of the JIA and to meet the 19.29% pooled internal rate of return (PIRR), as stated in the JIA between PGC and Cebu Water.

On October 3, 2023, Cebu Water issued a termination notice for the bulk water supply and purchase agreement between MCWD and Cebu Water which became effective December 1, 2023. From December 1, 2023 to January 31, 2024, Cebu Water continued to supply bulk water to MWCD through PGC invoking Section 16 of the Local Government Code or the general welfare clause to solve the problem on loss of water supply.

On January 17, 2024, MWPVI submitted all requirements on the bidding conducted by MCWD for the new bulk water supply. MWPVI will deliver water to MCWD by leasing the facilities of Cebu Water. On January 25, 2024, a Notice of Award was issued by MCWD to MWPVI on the supply and delivery of potable bulk water.

On January 30, 2024, MWPVI and MCWD signed a ten (10)-year Cebu North Bulk Water Supply Project Contract commencing on February 1, 2024, with contractual volume of 30 MLD and a tariff of ₱58.00 per cubic meter for the first five (5) years and ₱64.96 per cubic meter for the next five (5) years. Terms in the contract includes construction period of one (1) year and water delivery in the succeeding ten (10) years. MWPVI will be using the existing water facilities of Cebu Metropolitan Water District (CMWD) to deliver the contractual volume.

<u>Zamboanga Water's Non-Revenue Water Reduction Service Agreement (NRWRSA) with Zamboanga City Water District (ZCWD)</u>
On December 19, 2014, the Parent Company received a notice from the ZCWD awarding the project for NRW reduction in Zamboanga City, Zamboanga del Sur. On January 30, 2015, the Parent Company and ZCWD signed and executed a JVA in relation to the NRW reduction project in Zamboanga City. On April 10, 2015, the Parent Company and ZCWD incorporated Zamboanga Water to implement the NRW Reduction project.

On June 2, 2015, Zamboanga Water entered into a NRW Reduction Service Agreement (NRWRSA) with ZCWD. Under the NRWRSA, ZCWD grants Zamboanga Water the right to implement Network Restructuring and NRW Reduction Programs for ZCWD's water distribution system.

In March 2019, the City Government of Zamboanga City declared a state of calamity due to the recurrence of El Niño. This prompted the ZCWD to implement a service-wide water rationing scheme. Consequently, Zamboanga Water was constrained to suspend its NRW Reduction activities due to the unstable supply caused by said water rationing.

In October 2019, Zamboanga Water and ZCWD jointly formed a Technical Working Group to negotiate and resolve all the pending issues or disputes arising during the implementation of the NRW Reduction Project, such as the impact of the yearly occurrence of El Nino, non-payment of performance and "locked-in" fees, opposing interpretation of provisions in the NRWRSA, among others.

Per Section 1.10 of the NRWRSA, a rebaseline is to be performed if there is a decrease in supply resulting from El Niño. Per agreement with ZCWD Project Management Unit (PMU) in November 2017, the computed NRW cu.m./day prior the rebaseline shall be used as basis for the "locked-in" performance computation. However, a supplemental agreement to formally recognize the computation and payment of "locked-in" performance has not been finalized as of December 31, 2019.

On April 3, 2020, Zamboanga Water received a letter, dated April 1, 2020, from the ZCWD, requesting for the termination of the NRWRSA. In its letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRWRSA impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRWRSA.

On April 30, 2020, Zamboanga Water approved the termination of the NRWRSA. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSA. The termination of the NRWRSA resulted to the classification of Zamboanga Water as discontinued operations (see Note 3). The summary of results of operations and cash flows of Zamboanga Water as of December 31, 2023, 2022 and 2021 are presented in Note 19.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRWRSA.

On August 8, 2022, the Arbitral Tribunal under the PDRCI has issued the final decision in favor of Zamboanga Water related to its claims against ZCWD for unpaid fixed fees and performance fees, interest, and other claims. ZCWD was ordered to pay ₱38.72 million for the outstanding fixed fees and performance fees plus interest from the time of the finality of the decision, as well as future performance fees and others as stated in the final decision. As of December 31, 2024, receivable remains outstanding, as ZCWD filed its appeal on the last quarter of 2023.

<u>Tagum Water's Bulk Water Sales and Purchase Agreement with Tagum Water District (TWD)</u>
On July 28, 2015, TWD awarded the Tagum City Bulk Water Supply Project (the "Tagum Bulk Water Project") to Davao Water, a consortium of the Parent Company and iWater, Inc.

On October 15, 2015, Davao Water signed and executed a Joint Venture Agreement (JVA) with TWD. The JVA governs the relationship of Davao Water and TWD as joint venture partners in the Tagum Bulk Water Project. Pursuant to the JVA, Davao Water and the TWD caused the incorporation of a joint venture company, namely, Tagum Water, which shall implement the Tagum Bulk Water Project for fifteen (15) years from the Operations Start Date, as defined in the JVA.

On February 26, 2016, Tagum Water and TWD signed and executed a Bulk Water Sales and Purchase Agreement for the supply of bulk water to TWD for a period of fifteen (15) years, subject to renewal upon mutual agreement by both parties. Tagum Water shall supply treated water exclusively to TWD. The quantity of treated water to be supplied to TWD will be 26 million liters of water per day for the first year, 32 million liters of water per day for years 4 to 6, and 38 million liters of water per day for years 7 to 15.

On March 28, 2017, TWD issued a Notice to Proceed for the 24-month construction of the water treatment plant. On June 26, 2019, TWD approved a 120-day construction period extension requested by Tagum Water due to delays caused by unforeseen conditions in the project site which was discovered only after construction had already commenced.

On July 17, 2019, Tagum Water issued to TWD the Certificate of Substantial Completion of the Water Treatment plant to begin the pre-commissioning period. On August 27, 2019, Tagum Water started the commissioning period with 5 to 8 million liters per day of treated water delivery to TWD.

On September 9, 2019, Tagum Water's BOD ratified the implementation of the design, supply of materials, installation of equipment and construction of two (2) units 300 mm shallow wells in Tagum City, Davao del Norte. On October 28, 2019, Tagum Water informed TWD of the completion of the two (2) wells and the results of the water quality analysis.

On December 6, 2019, Tagum Water's BOD approved the additional capital expenditure in the initial amount of ₱157.00 million to address the inadequacy of yield in the intake structure. Tagum Water constructed two (2) additional wells, (i) artificial recharge thru media replacement and (ii) chlorine scrubber system, to ensure health and safety during the operation.

On December 11, 2019, Tagum Water commenced the extension of the commissioning period for 120 days with the consent of TWD BOD.

On February 7, 2020, the Tagum Water BOD finalized the approval of the additional capital expenditure in the amount of ₱154.00 million. On April 4, 2020, the extended commissioning period was concluded. However, the operation started only on May 18, 2020 due to COVID-19 quarantine measures in the region.

On March 16, 2021, an artificial recharge intake structure was energized to deliver the contractual volume of 26 million liters per day. However, in the second quarter of 2021, several unusual heavy rains which brought floods were encountered, and this resulted to silt issue on the lagoon. This, in turn, affected plant production, yielding only an average of 23 million liters per day. To mitigate the problem, heavy desilting activities were done, and on November 22, 2021, the procured slurry dredger was already operational in aiding the desilting activities at the artificial recharge lagoon. On December 14, 2021, the plant was already back to its delivery of the contractual 26 million liters per day to TWD.

On January 31, 2022, MWPVI agreed to purchase the 49.00% share of iWater, Inc. in Davao Water. On February 24, 2022, MWPVI secured the approval of its BOD to purchase the 49.00% stake (735,000 common shares) of iWater, Inc. in Davao Water for ₱345.33 million.

On March 8, 2022, MWPVI took full ownership of Davao Water after the acquisition of 735,000 common shares held by iWater Inc. (iWater) for a consideration of ₱345.33 million. Prior to the purchase, MWPVI held 51.00% while iWater held 49.00% equity interest each. Effective March 1, 2022, all the BOD members of the Davao Water are representatives of MWPVI.

The share purchase agreement caused a significant shift in the ownership structure of Davao Water. Starting from March 15, 2022, Davao Water is a wholly-owned subsidiary of MWPVI.

<u>MWPVI's Memorandum of Agreement (MOA) with Ayala Land Inc. (ALI)</u>
On January 15, 2016, MWPVI entered into a MOA with ALI and its subsidiaries (collectively, the "ALI Group"), whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.

On April 19, 2021, MWPVI and Aqua Centro entered into a Novation Agreement with Adauge Commercial Corporation whereby MWPVI assigns and transfers its rights, duties and obligations under the MOA with ALI Group to Aqua Centro for Atria Development (Iloilo City).

On May 31, 2021, MWPVI and the ALI Group signed an Amended and Restated MOA. MWPVI shall have a preferred status with regards to the provision of water and used water services to all property development projects of the ALI Group except for the excluded developments namely, Amaia Scape Pampanga, Amaia Scape San Fernando, Amaia Scape Capas, Amaia Scape Cabanatuan, Amaia Scape Trece Martires, Bellavita Capas, Bellavita Cabanatuan 1 and East, Bellavita Pililia, Bellavita Lian, Bellavita Lipa, Bellavita Rosario and Bellavita Iloilo.

On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPVI sells, conveys, transfers, assigns and delivers the properties and all rights, title, and interest to Amaia and BellaVita for the excluded development on the Amended and Restated MOA with ALI Group (see Notes 9 and 23). As of December 31, 2021, MWPVI completed the sale and transfer of the properties to Amaia and BellaVita.

<u>Aqua Centro's MOAs with the SM Group</u>
On December 8, 2016, MWPVI entered into MOAs with each of SM Prime Holdings Inc.'s and the latter's affiliates and subsidiaries, SM Development Corporation and SM Residences Corp. (collectively, the "SM Group"). Pursuant to the MOA, MWPVI will provide the water and/or used water services and facilities to the property development projects of the SM Group identified in each of the MOA.

On October 5, 2017, Aqua Centro was incorporated to handle property development projects, other than those within the ALI Group, by engaging in the development, improvement, maintenance, and expansion of water, sewerage, wastewater, and drainage facilities, and provide services necessary or incidental thereto.

On December 28, 2017, MWPVI entered into a Novation Agreement with the SM Group and Aqua Centro to transfer its rights, duties and obligations to provide water and/or used water services and facilities to the property development projects of the SM Group to Aqua Centro, effective from the inception of the MOA.

On June 25, 2018, Aqua Centro entered into additional MOAs with the SM Group with each development of SM Prime Holdings, Inc. and Metro South Davao Property Corp.

As of December 31, 2024 and 2023, Aqua Centro and MWPVI have eight (8) signed MOAs with the SM Group.

Estate Water Group's Tariff Adjustment Implementation

Effective in the 1st quarter of 2024, Estate Water, Aqua Centro, Bulacan Aqua Estate (Estate Water Group) implemented an average 15% tariff increase in 65 developments across the Philippines.

Calasiao Water's Concession Agreement with Calasiao Water District (CWD)

On December 9, 2016, the Parent Company received a Notice of Award from CWD, a water district created and existing by virtue of Presidential Decree No. 198, for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system of CWD in Calasiao, Pangasinan.

On June 19, 2017, the Parent Company signed a JVA with CWD which will govern the relationship of the two in undertaking the joint venture project. Under the JVA, the Parent Company and CWD shall cause the incorporation of a joint venture company where the Parent Company and CWD shall own 90.00% and 10.00%, respectively, of the outstanding capital stock.

On August 2, 2017, the SEC approved the incorporation of Calasiao Water Company, Inc.

On October 23, 2017, Calasiao Water and CWD signed and executed a concession agreement. Under the concession agreement, the CWD grants Calasiao Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to develop, manage, operate, maintain, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery in the entire Municipality of Calasiao for a period of twenty-five (25) years commencing on December 29, 2017 (the commencement date) until December 29, 2042 (the expiration date) or the early termination date as the case may be. While Calasiao Water has the right to manage, operate, repair, and refurbish specified CWD facilities in the service area, legal title to these assets remains with the CWD. The legal title to all fixed assets contributed to the existing CWD system by Calasiao Water during the concession remains with Calasiao Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in CWD.

Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by the CWD.

The grounds for EPA means any of the following circumstances:

a. change in law or change in the interpretation of the terms of the concession agreement;
b. extraordinary cost incurred due to prolonged force majeure;
c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed; or
d. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

In March 2022, the Municipality of Malasiqui, Pangasinan and Calasiao Water District (CWD) entered into a memorandum of agreement to operate Tourism Water Utility Assistance consisting of seven (7) barangays.
As its JV Partner, CWD awarded the operation of the facility to Calasiao Water Company.

MWPVI's Asset Purchase Agreement (APA) with Asian Land Strategies Corporation (Asian Land) and Incorporation of BMDC

On January 4, 2017, MWPVI entered into an APA with Asian Land to acquire and operate the latter's assets used in the water business operations in Asian Land's developments in the province of Bulacan. The intention of MWPVI was to assign the rights under the APA to its wholly-owned subsidiary upon its incorporation.

On April 11, 2017, BMDC was incorporated to design, construct, rehabilitate, maintain, operate, finance, expand, and manage water supply system and sanitation facilities. BMDC is the ultimate entity that will own and operate the assets acquired from Asian Land.

On July 31, 2017, MWPVI assigned all its rights and obligations under the APA to BMDC, a wholly-owned subsidiary of MWPVI, under a Deed of Assignment. On the same day, the Deed of Absolute Sale was also executed between Asian Land and BMDC.

Obando Water's Concession Agreement with Obando Water District (OWD)
On January 24, 2017, the consortium of the Parent Company and MWPVI received the Notice of Award from OWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and sanitation facilities of OWD in Obando, Bulacan.

On February 2, 2017, Obando Water Consortium Holdings Corp. (now Filipinas Water) was registered with the SEC. Filipinas Water is the consortium between the Parent Company and MWPVI with an equity share of 49.00% and 51.00%, respectively. The primary purpose of Filipinas Water is to engage in the business of a holding company without acting as stockbroker or dealer in securities.

On July 26, 2017, Filipinas Water signed and executed a JVA with OWD. The JVA governs the relationship of Filipinas Water and OWD as joint venture partners in the Obando Water Concession Project (the "Obando Concession Project"). On October 10, 2017, Obando Water was incorporated. Obando Water is 90.00% and 10.00% owned by Filipinas Water and OWD, respectively.

On October 12, 2017, Obando Water and OWD signed and executed a concession agreement. Under the concession agreement, OWD grants Obando Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564), the sole right to manage, operate, maintain, repair, refurbish, and expand the fixed and movable assets required to provide water and sanitation services in the entire Municipality of Obando for a period of twenty-five (25) years commencing on January 1, 2018 (the commencement date) until December 31, 2042 (the expiration date) or the early termination date, as the case may be. While Obando Water has the right to manage, operate, repair and refurbish specified OWD facilities in the service area, legal title to these assets remains with OWD. The legal title to all fixed assets contributed to the existing OWD system by Obando Water during the concession remains with Obando Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in OWD.

Obando Water's initial water tariff, exclusive of value-added tax (VAT) and/or any applicable tax, to be charged to the customers for the first three (3) years of the concession agreement shall be based on the 2005 Local Water Utilities Administration (LWUA) approved tariff table of OWD. Starting March 2021, Obando Water's tariff was inclusive of VAT. Under the concession agreement, if one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by OWD.

The grounds for EPA means any of the following circumstances:

a. change in law or change in the interpretation of the terms of the concession agreement;
b. extraordinary cost incurred due to prolonged force majeure;
c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed;
d. change in assumptions at the time of the execution of the concession agreement; or
e. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

On March 28, 2019, LWUA approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer impose penalties from OWD.

On December 28, 2021, Obando Water through OWD submitted the approved 10-year Service Delivery Plan (SDP) to LWUA. On August 12, 2022, Obando Water and OWD conducted a Public Hearing and Project Presentation for the proposed 10-year tariff adjustment.

On June 27, 2023, LWUA Board of Trustees (BOT) approved and confirmed the 20.00% Proposed Water Rates increase per BOT Resolution No. 29 series of 2023 and was implemented in August 2023.

Bulakan Water's Concession Agreement with the Bulacan Water District (BuWD)
On April 26, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from the BuWD for the joint venture project for the development, financing, design, engineering, construction, rehabilitation, upgrade, testing, commissioning, operation, management, and maintenance of water facilities and the provision of water and sanitation services in the Municipality of Bulakan in Bulacan.

On August 16, 2018, Filipinas Water signed and executed a JVA with the BuWD for the implementation of the project. Under the JVA, Filipinas Water and BuWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall be granted a concession by BuWD. On October 16, 2018, the joint venture company, Bulakan Water, was incorporated and was registered with the SEC.

On June 14, 2019, Bulakan Water and the BuWD signed and executed a concession agreement for the design, construction, rehabilitation, operation, maintenance, financing, expansion, and management of water facilities and the provision of water and sanitation services in the Municipality of Bulakan for a period of twenty-five (25) years from the commencement date.

On December 18, 2020, Bulakan Water through BuWD submitted its 10-year Service Delivery Plan (SDP) to LWUA. On April 29, 2021, a Public Hearing and Project Presentation was held to present to the public its proposed water tariff adjustment. On November 11, 2022, the LWUA Board of Trustees has approved and confirmed the proposed water rates per BOT Resolution No. 55, Series of 2022. The approved rate was 42.86% effective December 2022 consumption which will be reflected in the January 2023 billing.

On July 28, 2021, Bulakan Water entered into a Memorandum of Agreement with the Municipality of Bulakan for the provision of septage management program in the service area. On September 1, 2021, actual desludging activity started together with the implementation of the 20% environmental fee in all customers' bills.

On November 11, 2022, the LWUA Board of Trustees has approved and confirmed the proposed water rates per BOT Resolution No. 55, Series of 2022. The approved rate was 42.86% effective December 2022 consumption which was reflected in the January 2023 billing. On December 29, 2023, Bulakan Water through BuWD submitted the documentary requirements for its second tranche tariff request.

Share Purchase Agreement between Filipinas Water and SMC Bulacan Water Services Corporation
On May 15, 2024, Filipinas Water signed a Share Purchase Agreement (SPA) with SMC Bulacan Water Services Corporation (SMC Bulacan) for the sale of all of its interests constituting 90% stake (135,000,000 shares) in Bulakan Water and 90% stake (88,200,000 shares) in Obando Water. The transaction will monetize Filipinas Water's assets, and the proceeds amounting to ₱1,024.57 million will be used to fund other strategic initiatives of MWC and MWPVI.

The operations of both entities were managed and consolidated by the Group up until October 22, 2024, when the closing conditions of SPA have been complied with by Filipinas Water and SMC Bulacan. On the same date, amendments to the respective Joint Venture Agreements were also executed, whereby SMC Bulacan replaces Filipinas Water as the joint venture partner of the water districts.

At the closing date, the Group derecognized net liabilities and NCI related to the Bulacan entities amounting to (₱16.13 million) and ₱26.78 million, respectively. In 2024, the Group recognized gain from disposal of subsidiaries amounting to ₱1,013.93 million (see Note 18).

BMDC's APA with Solar Resources, Inc. (Solar Resources)
On July 26, 2017, BMDC entered into an APA with Solar Resources to acquire and operate the latter's assets used in the water business operations in Solar Resources developments in the province of Bulacan.

On July 31, 2017, Solar Resources executed a Deed of Assignment in relation to the APA and a Deed of Absolute Sale to sell and transfer its properties pertaining to water facilities and its operations in the Las Palmas Subdivisions Phases 1 to 7 to BMDC.

BMDC's APA with Borland Development Corporation (Borland)
On December 14, 2017, BMDC and Borland executed the APA, Deed of Assignment, and Deed of Absolute Sale to sell, assign, transfer, and convey Borland's assets pertaining to water facilities and its operation in San Vicente Homes subdivision in Bulacan to BMDC.

Parent Company's Notice of Award from Leyte Metropolitan Water District (LMWD)
On December 6, 2017, the Parent Company received the Notice of Award from LMWD for the implementation of the joint venture project (the "Leyte Project") for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of LMWD in the Province of Leyte.

The conditions precedent specified in the Notice of Award include the incorporation of a special purpose vehicle (SPV) which will implement the Leyte Project under a contractual joint venture with LMWD.

Upon completion of the conditions precedent specified in the Notice of Award, the SPV and LMWD shall enter into a JVA that will grant the SPV, as contractor, to perform certain functions and as agent for the exercise of, the sole and exclusive right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission, the facilities of LMWD in its Service Area, including the right to bill and collect tariff for the provision of water supply and sanitation services in the Service Area of LMWD.

LMWD's service area covers the City of Tacloban and seven other municipalities namely Palo, Tanauan, Dagami, Tolosa, Pastrana, TabonTabon, and Santa Fe.

In January 2018, an internal conflict arose between the Province-appointed BOD of LMWD and the City-appointed BOD as to which is the legitimate BOD authorized to represent the LMWD. This issue caused substantial delay in the implementation and recognition of the Notice of Award in favor of the Parent Company.

On February 20, 2019, the Parent Company wrote to the LMWD, now represented by the City-Appointed BOD, and requested the LMWD to honor the Notice of Award.

On April 12, 2019, the LMWD advised that it had already rescinded/terminated the JVA negotiations with the Parent Company.

On June 21, 2019, the Parent Company initiated available legal course of action to compel the LMWD to honor the Notice of Award granted to the Parent Company.

As of December 31, 2024, the case remains pending with the Supreme Court.

MWPVI's JVA with Tubig Pilipinas Group, Inc. (TPGI)
On December 11, 2017, the Municipality of Malasiqui granted a franchise to MWPVI and TPGI for the implementation of a joint venture project to establish, construct, operate, manage, repair, and maintain water supply and wastewater system and facilities in the municipality of Malasiqui, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On February 20, 2018, the BOD of MWPVI approved the creation of an SPV for this project.

On November 16, 2018, MWPVI signed and executed a JVA with TPGI. Under the agreement, MWPVI and TPGI shall incorporate a joint venture company, with 50.00% and 50.00% ownership, respectively, which shall implement the project. As of December 31, 2024, MWPVI and TPGI are still in the process of incorporating the joint venture company.

EcoWater's Lease Agreement with the Philippine Economic Zone Authority (PEZA)
On December 18, 2017, MWPVI entered into a Lease Agreement for the Operations and Management of the Water and Used Water Facilities of PEZA in Cavite Economic Zone (CEZ), whereby MWPVI agrees to lease, operate, and maintain the existing water and used water facilities in the CEZ for the provision of water and used water services to the locators therein. The lease agreement has a term of twenty-five (25) years from signing of the contract and became effective on its commencement date on February 1, 2018.

MWPVI shall apply its expertise in the industrial zones operations and shall provide capital expenditures for the duration of the agreement. The Cavite Special Economic Zone is a 275-hectare industrial estate with 297 locators consuming approximately 350,000 cubic meters per month or 12 million liters per day.

On August 4, 2020, MWPVI's BOD approved the assignment of the Lease Agreement for the Operations and Management of the Water and Used Water Facilities of the PEZA in the CEZ from MWPVI to EcoWater.

Ilagan Water's Bulk Water Sales and Purchase Agreement with City of Ilagan Water District (CIWD)
On January 26, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from CIWD for the implementation of the joint venture project for the development, financing, operation and management of a raw water source, provision of bulk water supply with system expansion, and the development of septage management in Ilagan City, Isabela (the "Ilagan Project").

On November 16, 2018, the Consortium (namely, Filipinas Water) signed and executed a JVA with the CIWD. Under the JVA, Filipinas Water and CIWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall implement the Ilagan Project. Upon completion of conditions precedent set out in the JVA, the joint venture company will consequently enter into a Bulk Water Sales and Purchase Agreement and Septage Management Agreement with CIWD for the implementation of the Ilagan Project for twenty-five (25) years from the commencement date.

On February 15, 2019, Ilagan Water was incorporated and registered with the Philippine SEC to implement the Ilagan Project.

On March 18, 2019, Ilagan Water's BOD approved the execution of a Bulk Water Sales and Purchase Agreement (BWSPA) and Septage Management Agreement (SMA) with CIWD.

On March 16, 2020, Ilagan Water signed and executed a BWSPA and SMA with the CIWD, for the supply of bulk water and septage management to CIWD for a period of twenty-three (23) years and twenty-two (22) years from the Operation Start Date, respectively.

On October 28, 2022, Ilagan Water received the Notice to Proceed for the Construction of Water Treatment Plant (WTP) for the Bulk Water Supply Agreement (BWSPA) from the CIWD. As of December 31, 2024, construction phase of the WTP 1 is on-going.

On August 14, 2024, Metro Ilagan Water entered into an interim agreement with CIWD for a one-year supply of chlorinated water by Metro Ilagan Water to CIWD at ₱10.00 per cubic meter. The supply of chlorinated water started in September 2024 using the existing water treatment facilities and pipeline networks of Metro Ilagan Water.

North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan
On April 27, 2018, MWPVI was granted a franchise by the Municipality of Sta. Barbara, Pangasinan for the provision of water supply and the improvement, operation, maintenance, management, financing, and expansion of water supply facilities, and the provision of septage management in Sta. Barbara, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On June 11, 2018, MWPVI received a Notice to Proceed from the Municipality of Sta. Barbara for the implementation of the project.

On August 13, 2018, MWPVI was granted a franchise by the Municipality of San Fabian, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of San Fabian, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On December 3, 2018, MWPVI was granted a franchise by the Municipality of Manaoag, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of Manaoag, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On January 25, 2019, MWPVI received a Notice to Proceed for the implementation of the project in the Municipality of Manaoag, Pangasinan.

In February 2019, MWPVI signed a MOA each with the Municipalities of Sta. Barbara, San Fabian, and Manaoag.

On September 16, 2019, MWPVI incorporated North Luzon Water to operate the franchises granted in Sta. Barbara, San Fabian, and Manaoag in Pangasinan.

On August 4, 2020, the MWPVI BOD approved the assignment of the franchises, rights and obligations granted to MWPVI by the local government units of Sta. Barbara, San Fabian, and Manaoag in the province of Pangasinan to North Luzon Water.

On November 12, 2023, projects from the municipality of Sta. Barbara particularly in Barangays Leet and Barangay Balingueo have been energized with initial water service connections of 19 households. As of December 31, 2024, the three (3) barangays have been energized with a total of 406 billed water service connections.

Laguna Water's JVA with Pagsanjan Water District (PAGWAD)
On July 12, 2018, Laguna Water received the Notice of Award from PAGWAD for the implementation of the contractual joint venture project for the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities including the financing and construction of such facilities and infrastructure in the service area of PAGWAD, and the management, operation, and maintenance of such water supply and sanitation facilities and the provision of the services necessary or incidental thereto in PAGWAD's service area.

On January 21, 2019, Laguna Water signed and executed a contractual JVA with PAGWAD. Under the agreement, Laguna Water shall serve as the contractor or agent of PAGWAD tasked with the operations, management, and maintenance as well as the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities within the service area of PAGWAD in Pagsanjan, Laguna. Upon completion of conditions precedents in the JVA, Laguna Water and PAGWAD shall execute the project for a period of sixteen (16) years until September 30, 2035. The agreement was executed on March 1, 2019.

Parent Company's and MWPVI's JVA with the Tanauan Water District (TnWD)
On October 12, 2018, the Parent Company and MWPVI (collectively, the "Consortium") received the Notice of Award from TnWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services in the service area of TnWD in Tanauan City, Batangas.

On February 4, 2019, the Consortium signed and executed a JVA with the TnWD for the implementation of the project. Upon completion of the conditions precedent set out in the JVA, the Consortium, through an SPV, and the TnWD shall execute the Tanauan Project for a period of twenty-five (25) years from the commencement date.

On May 20, 2019, South Luzon Water, the joint venture company, was incorporated to execute the Tanauan Project.

On September 30, 2019, South Luzon Water's BOD approved to accept the assignment by the Parent Company and MWPVI of their respective rights and obligations under their JVA with the TnWD.

On January 21, 2020, South Luzon Water's BOD approved and clarified that the assignment has a retroactive application effective June 1, 2019, considering the actual commencement date of the takeover and operation of the Tanuan Project.

Parent Company's JVA with Lambunao Water District (LWD)
On July 3, 2019, the Parent Company and LWD entered into a JVA to implement the design, improvement, upgrade, rehabilitation, and expansion of water supply including the financing and construction of such facilities and infrastructure in the service area of LWD, and the management, operation and maintenance of such water supply and the provision of the services necessary or incidental thereto in the service area.

On August 8, 2019, the Parent Company's BOD ratified its Executive Committee's approval of the designation to Aqua Centro as the Project Company to implement and carry out the concession project awarded by LWD to the Parent Company.

On September 1, 2019, Aqua Centro officially commenced operations on the joint venture activity. On the same date, Aqua Centro's BOD approved the Deed of Accession between the Parent Company and LWD.

On September 18, 2019, LWD gave its consent to, and confirmation of, the designation of Aqua Centro as the project company for the implementation of the project pursuant to the JVA. On December 11, 2019, LWD signed the Deed of Accession between the Parent Company and Aqua Centro.

Aqua Centro's and Laguna Water's APAs with Extraordinary Development Corporate Group (EDCG)
On December 11, 2018, Aqua Centro entered into seven (7) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to the provision of water service in ten (10) subdivisions in Imus, General Trias, and Naic in the province of Cavite. These subsidiaries are Earth Aspire Corporation, First Advance Development Corporation, Ambition Land Inc., Prosperity Builders Resources Inc., Tahanang Yaman Homes Corporation, Extraordinary Development Corp., and Earth + Style Corporation.

On December 11, 2018, Laguna Water entered into four (4) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to or used in its water service provision operations in Biñan, Laguna. The APAs are with the following EDCG subsidiaries, namely, Earth Aspire Corporation, Earth Prosper Corporation, Earth and Style Corporation and Extraordinary Development Corp.

As of December 31, 2024 and 2023, Aqua Centro has been operating in nine (9) out of the ten (10) subdivisions. Aqua Centro shall operate the one (1) remaining subdivision once all the conditions precedent under the APAs have been fulfilled.

Calbayog Water's JVA with Calbayog City Water District (CCWD)
On December 27, 2018, the Parent Company received the Notice of Award from CCWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater systems of CCWD in the Calbayog City, as well as other areas which may eventually form part of the service coverage of the CCWD in the Province of Samar.

Upon completion of the conditions precedent specified in the notice, the Parent Company shall enter into a JVA with CCWD for the implementation of the joint venture project over a twenty-five (25) year contract period.

On April 17, 2019, Calbayog Water was incorporated to engage in the development, construction, improvement, upgrade, rehabilitation, expansion, management, operation and maintenance of water supply and wastewater facilities, and to provide services necessary or incidental thereto.

On June 10, 2019, the Executive Committee of the Parent Company approved the joint venture with the CCWD. It also approved the assignment to Calbayog Water of the joint venture with CCWD.

On July 3, 2019, the Parent Company signed and executed a JVA with CCWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater system of CCWD in the City of Calbayog. Calbayog Water commenced operations on October 16, 2019.

Calbayog Water's water tariff was exclusive of VAT which was charged to the customers for the first three (3) years of the concession agreement. This is based on the LWUA approved tariff of CCWD. Starting in the month of May 2022, Calbayog Water's tariff will be inclusive of VAT.

Calbayog Water's Stakeholder Management Agreement with CCWD and Subscription Agreement with TPGI
On July 15, 2020, Calbayog Water and TPGI entered into a Stakeholder Management Agreement, where TPGI agrees to provide support to the Operations Management/Stakeholder Management of Calbayog Water. On the same date, Calbayog Water and TPGI entered into a Subscription Agreement wherein TPGI agreed to subscribe to Calbayog Water's shares at a subscription price of ₱1.00 per share for a total subscription of ₱49.17 million, payable in tranches up to 2022.

Initial payment amounting to ₱2.24 million was received on December 28, 2020. The remaining balance of ₱46.93 million was supposedly due on December 31,2022 in accordance with subscription agreement but was fully settled in May 11, 2023. As a result, TPGI paid penalties amounting to ₱1.40 million.

MWPVI's Grant of Franchise from Sangguniang Panlungsod of Iloilo
On March 26, 2019, the Sangguniang Panlungsod of Iloilo City granted a non-exclusive franchise to the joint venture between MWPVI and TPGI to construct, establish, commission, operate and maintain a water supply system to service the population of Iloilo City.

The franchise granted to MWPVI shall be for a term of twenty-five (25) years, covering all the barangays under the governance and jurisdiction of Iloilo City.

As of December 31, 2024, the franchise from the Sangguniang Panlungsod of Iloilo City is not yet operational.

Aqua Centro's and Laguna Water's MOAs with Raemulan Lands, Inc. (RLI)
On July 10, 2019, Aqua Centro and Laguna Water entered into three (3) MOAs with Raemulan Lands, Inc. (RLI) for the construction, operation, and management of water distribution facilities in Pasinaya North and Tradizo Enclaves in Cavite and Jubilation Enclave in Laguna.

Aqua Centro and Laguna Water have started operations in 2019. On December 4, 2020, an Amendment to the MOA with RLI for Pasinaya North was executed.

EcoWater's Water Purchase Agreement (WPA) with ROHM Electronics Philippines, Inc. (REPI)
On September 9, 2019, EcoWater entered into a WPA with REPI. Pursuant to the WPA, EcoWater will design, finance, construct, own, operate and maintain a water supply system to cater the water supply of REPI.

On September 16, 2020, the operation has started with a guaranteed volume of 90,000.00 cubic meters (mcm) per month.

MWTS' Healthy Family Business Division Closure
On August 26, 2020, MWTS announced the permanent closure of its Healthy Family business division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations.

The Healthy Family brand was launched in 2015 and has since been known for providing exceptional quality and affordable purified drinking water to its customers. While the Healthy Family business division made strong efforts to improve operations and profitability, the ever-increasing competition in the bottled water industry and the recent economic challenges proved too difficult to cope and keep the business afloat. MWTS, as an entity, shall continue to exist and operate based on its primary purpose to engage in water and wastewater and environmental services.

On October 13, 2020, MWTS signed an APA with Maris Pure Corporation for the sale of some of Healthy Family assets, consisting of water bottling equipment, spare parts, and delivery equipment, for a consideration of ₱35.00 million.

The permanent closure of the MWTS Healthy Family division resulted to its classification as a discontinued operation (see Note 3). The operating cash flows of MWTS-Healthy Family as of December 31, 2024, 2023 and 2022 are presented in Note 19.

MWPVI's Deed of Accession for Used Water Only with Ayala Land Malls, Inc.
On May 31, 2021, MWPVI entered a Deed of Accession with Ayala Land Malls, Inc. namely, North Eastern Commercial Corporation (Cloverleaf, The 30th), North Triangle Depot Commercial Corp (Trinoma), Ayala Land Metro North Inc. (U.P Town Center), North Ventures Commercial Corporation (Fairview Terraces), Summerhill Commercial Ventures Corp (Feliz), Arvo Commercial Corporation (Marikina, The District Dasmarinas, Legaspi), ALI-CII Development Corp. (Metropoint), Bay City Commercial Ventures Corp. (Manila Bay), Alabang Commercial Corporation (ATC), Lagoon Development Corporation (Pavilion), North Beacon Commercial Corporation (Marquee), Cavite Commercial Towncenter Inc. (The District Imus, Serin), Cagayan de Oro Gateway Corp (Centrio) and Capitol Central Commercial Ventures Corp. (Capitol Central), (collectively the "ALI Malls Group") whereby MWPVI shall provide used water services and operation and management of the Used Water Facilities only.

Under the Deed of Accession, turnover of operations to MWPVI started in June 2021. As of December 31, 2024 and 2023, MWPVI is operating all of the covered locations in the contract.

Parent Company's and MWPVI's Notice of Award from the Provincial Government of Pangasinan (PGP)
On September 30, 2021, the Consortium of the Parent Company and MWPVI received a Notice of Award from PGP for the implementation of a joint venture project for the provision of bulk water to the Province of Pangasinan.

Upon completion of conditions precedent, both parties shall sign a concession agreement to implement the project that has an estimated capital expenditure program of ₱8.00 billion over the twenty five (25)-year contract period.

On January 14, 2022, the Consortium of the Parent Company and MWPVI signed the Concession Agreement with the PGP for the implementation of the joint venture project for the development, financing, construction, operation and maintenance of a bulk water facility within the Province of Pangasinan. On the same day, a groundbreaking activity was held in one of the proposed sites for a treatment plant.

On January 4, 2024, the ₱8.00 billion concession agreement signed in 2021 with PGP was effectively terminated on December 31, 2023, due to PGP's failure to fulfill certain conditions of the agreement.

MWTS Equity Restructuring
On June 22, 2023, MWTS applied for Equity Restructuring and Decrease of Capital Stock to SEC. SEC Company Registration and Monitoring Department (CRMD) accepted and processed the documentary requirements on August 10, 2023.

On January 31, 2024, the SEC approved MWTS' application for decrease in authorized capital stock from ₱1,000,000,000 divided into 600,000,000 common share of the par value of ₱1.00 each and 400,000,000 redeemable preferred shares of the par value of ₱1.00 each, to ₱350,875,309 divided into 210,525,185 common shares of the par value of P1.00 each and 140,350,124 redeemable preferred shares of the par value of ₱1.00 each. This resulted into capital stock of ₱203,075,309 and additional paid in capital of ₱649,124,691 after the approval. The decrease in authorized capital stock was approved by the Board of Directors and the shareholders on February 3, 2022.

Significant Transactions – Foreign Subsidiaries

Parent Company's Management, Operation, and Maintenance Contract (MOMC) with the National Water Company (NWC), Kingdom of Saudi Arabia for the North West Cluster
On December 3, 2020, the Consortium of Saur SAS, Miahona Company, and the Parent Company signed a MOMC with the NWC, Kingdom of Saudi Arabia for the latter's North West Cluster. The MOMC comprised of the management, operations, and maintenance of the water and wastewater facilities of the North West Cluster (Madinah and Tabuk) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the key performance indicators target set by the NWC.

On March 25, 2021, the Consortium registered and incorporated International Water Partners Company (IWP), a mixed capital limited liability company incorporated under the laws of the Kingdom of Saudi Arabia by Saur Saudi Arabia Ltd., Miahona Company, and MWAP with equity shareholdings of 40.00%, 40.00% and 20.00%, respectively. On April 1, 2021, IWP officially commenced the implementation of the MOMC.

The MOMC aims to improve water and wastewater services, operational performance and the level of operations in the distribution sector of the Kingdom in general, and at the North Western Cluster in particular, as well as training and developing of personnel to improve performance, sustainability and quality of service.

On June 15, 2021, MWAP subscribed to 100 shares of IWP representing 20.00% for SAR0.10 million (₱1.28 million).

Parent Company's MOMC with the NWC, Kingdom of Saudi Arabia for the Eastern Cluster
On October 8, 2021, the Consortium's Project Company, IWP, was awarded the MOMC of the NWC, Kingdom of Saudi Arabia for its Eastern Cluster. The MOMC will comprise the management, operations and maintenance of the water and wastewater facilities of the Eastern Cluster (i.e., Dammam, Al Hofuf, Al Jubail, Al Khobar, Al Qatif and Hafar Al Batin) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the Eastern Cluster and achieve the Key Performance Indicators target set by the NWC.

The award came after the commencement of the MOMC for the North West Cluster (i.e., Madinah and Tabuk), which was also awarded to IWP.

On January 27, 2022, International Water Partners Company the Second (IWP2) was incorporated with MWAP, Saur, and Miahona owning 30.00%, 35.00%, and 35.00%, respectively. On April 1, 2022, IWP2 officially commenced the implementation of the MOMC. MWAP subscribed to 150 shares of IWP2 representing 30.00% for SAR0.15 million (₱2.07 million).

MWTH Liquidation
MWTH, one of the intermediate holding companies of MWAP, has completed and finalized its Members' Voluntary Liquidation in Singapore as part of the corporate restructuring initiative of the MWAP Group. On March 18, 2022, the surplus funds and assets of MWTH including the shares in MWTC have been distributed to MWAP as its sole shareholder. On July 18, 2022, MWTH was considered as officially dissolved in Singapore by the Accounting and Corporate Regulatory Authority (ACRA).

MSEA Liquidation
MSEA, another intermediate holding company of MWAP, concluded its Members' Voluntary Liquidation in Singapore, aligned with the MWAP Group's corporate restructuring initiative. On March 26, 2024, MSEA transferred its surplus funds and assets, including shares in PT Manila Water Indonesia (PTMWI), to MWAP as its sole shareholder. Thereafter on September 18, 2024, MSEA was considered officially dissolved by the ACRA in Singapore.

Approval for the Issuance of the Consolidated Financial Statements
The BOD of the Parent Company approved and authorized the issuance of the consolidated financial statements on February 24, 2025.

2. **Summary of Material Accounting Policies**

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for derivative financial instruments that have been measured at fair value. The Parent Company's presentation and functional currency is the Philippine Peso (₱, Peso, or PHP). Amounts are rounded off to the nearest Peso, except when otherwise stated. The consolidated financial statements of the Group provide comparative information in respect of the previous periods. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2024 and 2023, and for each of the three (3) years in the period ended December 31, 2024.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements; and
c. the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any noncontrolling interests;
c. derecognizes the cumulative translation differences recorded in equity;
d. recognizes the fair value of the consideration received;
e. recognizes the fair value of any investment retained;
f. recognizes any surplus or deficit in profit or loss; and
g. reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

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

The amendments clarify:

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

b. Amendments to PFRS 16, *Leases Liability in a Sale and Leaseback*

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

c. Amendments to PFRS 7, *Disclosures: Supplier Finance Arrangements*

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

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

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective.

Unless otherwise indicated, the Group does not expect that the future adoption of these pronouncements will have a significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2025 -

a. PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

b. Amendments to PAS 21, *Lack of exchangeability*

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Effective beginning on or after January 1, 2026 -

a. Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*

The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

b. Annual Improvements to PFRS Accounting Standards—Volume 11

The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

  The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

- Amendments to PFRS 7, *Gain or Loss on Derecognition*

  The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9

  a) Lessee Derecognition of Lease Liabilities
  The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

  b) Transaction Price
  The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15 *Revenue from Contracts with Customers*' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

- Amendments to PFRS 10, *Determination of a 'De Facto Agent'*

  The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*

  The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

Effective beginning on or after January 1, 2027 -

- PFRS 18, *Presentation and Disclosure in Financial Statements*

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

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

- PFRS 19, *Subsidiaries without Public Accountability*

  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Interpretation with Deferred Effective Date -

a. Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

   The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

   On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

<u>Material Accounting Policies</u>

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on a current and noncurrent classification. An asset is current when it is:

a. expected to be realized or intended to be sold or consumed in normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realized within twelve (12) months after the reporting period; or
d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

a. it is expected to be settled in normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within twelve (12) months after the reporting period, or
d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value is the price that would be received for selling 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:

a. in the principal market for the asset or liability; or
b. 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 in its highest and best use 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 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 of input that is significant to the fair value as a whole:

a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
b. Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
c. 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 reassessing categorization (based on the lowest level of 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 measurement.

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.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Recognition and Measurement of Financial Instruments

Financial assets

a. *Initial recognition and measurement*
Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding. This assessment is referred to as the "solely payments of principal and interest test" and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2024 and 2023, the Group's financial assets are comprised of financial assets at amortized cost.

b. *Subsequent measurement – Financial assets at amortized cost*
Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group classified cash in banks and cash equivalents, receivables, and contract assets as financial assets at amortized cost (see Notes 5 and 6).

c. *Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (EIR) (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

d. *Impairment*
The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are ninety (90) up to one hundred eighty (180) days past their due dates. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

a. *Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2024 and 2023, the Group's financial liabilities comprise of financial liabilities at amortized cost.

b. *Subsequent measurement*
After initial recognition, long-term debt and service concession obligations are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized under the "Other income (expense)" account in consolidated profit or loss when the liabilities are derecognized or impaired, and through the "Interest expense" account when the gains and losses are amortized. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

This accounting policy applies to the Group's accounts and other payables, short-term debt, lease liabilities, long-term debt, service concession obligations, and customer guaranty deposits and other deposits.

c. *Derecognition*
A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When 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 Group's profit or loss.

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When 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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Derivative Financial Instruments and Hedge Accounting</u>

a. *Initial recognition and measurement*

The Group uses derivative financial instruments, such as principal only swaps and currency option transactions, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for and further described in the below sections.

b. *Fair value hedges*

The change in the fair value of the hedging instrument and hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

The Group does not have any derivatives classified as fair value hedges.

c. *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized in OCI as part of hedging reserve, while any ineffective portion is recognized immediately in profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses principal only swaps and currency option transactions as hedges of its exposure to foreign currency risk arising from long-term debts. The ineffective portion of both the principal only swaps and currency option transactions is recognized under "interest expense."

For the Group's cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

The Group's cash flow hedges include the costs of hedging for its principal only swaps and currency option transactions.

d. Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI under "cumulative translation adjustments" while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investment in a foreign subsidiary.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price less estimated costs to complete and to sell. The cost is determined using the moving average method for all inventories, except for raw materials and finished goods.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for regulatory costs, business taxes, insurance and employee health care expenses, and other benefits.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes 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. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related property, plant and equipment.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property, plant and equipment as follows:

Asset Type	**EUL**
Plant and technical equipment	5 years or the term of the related management contract, whichever is shorter
Office furniture and equipment	3 to 5 years
Transportation equipment	5 years
Leasehold improvements	5 years or lease term, whichever is shorter

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

When property, plant and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully-depreciated and amortized assets are retained as property, plant and equipment until these are no longer in use.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Software

Software acquired separately are measured on initial recognition at cost including any directly attributable costs with the development of the software that are expected to generate future expected benefits. All other costs of developing and maintaining software are recognized in profit or loss as incurred.

Following initial recognition, software are carried at cost less any accumulated amortization and accumulated impairment losses. Software are assessed to have finite useful lives of three (3) to five (5) years.

The useful life and amortization method for software are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the software is accounted for by changing the useful life and amortization method, as appropriate, and treated as a change in accounting estimates.

Service Concession Assets and Obligations

The Group accounts for its concession agreements with MWSS, CWD, TIEZA, CDC, OWD, BuWD and PGL; JVAs with CCWD, TnWD, PAGWAD, and LWD; SMA with CIWD; Wawa Bulk Water Agreement and MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag under the Intangible Asset model as it receives the right (license) to charge users of public service. Except for Wawa Bulk Water Agreement, under the Group's concession arrangements, the Group 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 transfer to MWSS, CWD, TIEZA, CDC, OWD, BuWD, PGL, CCWD, TnWD, PAGWAD, LWD, and CIWD (under the SMA) at the end of the concession period. Meanwhile, the legal title to the assets covered by the MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag shall remain with North Luzon Water. For Wawa Bulk Water Agreement, the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities is granted to the joint venture partner.

On the other hand, the bulk water sale and purchase agreements with CIWD, TWD, and MCWD are accounted for under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the service concession arrangements, Cebu Water, Tagum Water, and Ilagan Water are awarded the right to deliver bulk water supply to the grantor for a specific period of time under the concession period.

During the construction phase of the arrangements, the Group's contract asset (representing its accumulating right to be paid for rehabilitation works) is presented as part of "Service concession assets" (SCA) for Intangible Asset model and under "Contract Assets" for Financial Asset model. The SCA also include the present value of the service concession obligations assumed by the Parent Company at drawdown date and other local component costs and cost overruns paid by the Group, as well as additional costs of rehabilitation works incurred.

Amortization of SCA commences when the SCA are available for use and are calculated on a straight-line basis over the remaining concession period. Beginning May 1, 2017, the Parent Company, Boracay Water, Clark Water, and Laguna Water's water and used water assets are amortized using the units-of-production (UOP) method over the estimated total billable volume for the remaining period of the respective concession agreements to better reflect the usage of these assets, which is directly related to its estimated total billable volume and is aligned with industry practice.

Starting January 1, 2022, the Parent Company's water and used water assets are amortized using the UOP over the estimated total billable volume until 2047, following the approval of the Parent Company's legislative water franchise and business development plan (see Note 1).

Starting April 1, 2022, the water and used water assets (excluding water meters) of MWPVI, Aqua Centro, EcoWater and BMDC are depreciated using the UOP method over the expected total production volume for the remaining useful life of the assets. Prior to this, straight-line depreciation method over the useful life was applied.

The change in estimates was accounted for prospectively from the date of change.

Investments in Associates
An associate is an entity in which the Group has significant influence and which is neither a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, an investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated profit or loss reflects the Group's share of the results of operations of the associate and any impairment losses.

Any change in the other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated profit or loss outside of operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognizes the loss as "Equity in net earnings (losses) of associates" in the consolidated profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss included under "Remeasurement gain (loss) arising from business combination."

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the profit or loss in accordance with PFRS 9.

Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost where cost is the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss and included under "Other income (losses) - net."

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured exceeds the aggregate of the consideration transferred.

Before recognizing a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts to be recognized at the acquisition date for all of the following:

a. the identifiable assets acquired and liabilities assumed;
b. the noncontrolling interest in the acquiree, if any;
c. for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree; and
d. the consideration transferred.

If that excess remains after applying the requirements above, the acquirer shall recognize the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

<u>Water Rights</u>
Water rights are accounted for as an intangible asset with indefinite useful life. These pertain to the permit acquired separately, and are recognized as an intangible asset as these were issued by the NWRB without an explicit provision on the period of effectivity. Costs incurred for the acquisition of water rights are capitalized and measured on initial recognition at cost.

Presidential Decree No. 1067, also known as the Water Code, states that water permits shall continue to be valid as long as water is beneficially used. The rights may be suspended or revoked based on certain grounds such as non-compliance with approved plans and specifications or schedules of water distribution, and use of water for a purpose other than that for which it was granted.

All water permits are subject to modification or cancellation by the NWRB, after due notice and hearing, in favor of a project of greater beneficial use or for multi-purpose development, and a water permittee who suffers thereby shall be duly compensated by the entity or person in whose favor the cancellation was made.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's property, plant, and equipment, software, SCA, contract assets representing SCA under construction, right-of-use assets, investments in associates, goodwill, and water rights. The Group assesses, at each reporting date, these nonfinancial assets, excluding goodwill and water rights, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Water rights with indefinite useful life are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the life from indefinite to finite is made on a prospective basis.

An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less cost of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from the use of the identified assets; and
ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. *Right-of-use assets*
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets. The right-of-use assets are also subject to impairment.

b. *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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

c. *Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (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 lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. 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.

<u>Revenue Recognition</u>
Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an 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. The following specific recognition criteria must also be met before revenue is recognized.

Revenue recognized over time using the output method
The Group recognizes revenue from water and sewerage services, environmental charge, operation and maintenance services and performance fees over time using output method. As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every cubic meter of water delivered or NRW recovered.

- *Water and used water revenue*
  Water and used water revenue are recognized over time as the customer receives and consumes the benefit from the performance of the related water and sewerage services. Water and used water are billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month is estimated and accrued. These estimates are based on historical consumption of the customers. Also, twenty five percent (25%) of water revenue is recognized by the Parent Company as environmental charge.

- *Operation and maintenance services*
  Revenue from operation and maintenance services is recognized over time as the operation, maintenance and management services are rendered for water and wastewater facilities of Bonifacio Water Corporation (BWC).

- *Performance fees*
  Performance fees are recognized as revenue over time as the NRW are recovered as agreed in the NRWRSA with ZCWD.

The Group has determined that the output method is the appropriate method in measuring the progress of the connection services, project management services, and pipeworks and integrated used water services since this depicts the Group's performance in managing and providing service connection from water and used water facilities to the developments.

- *Connection fees*
  Connection fees are amounts paid by customers in exchange for the set-up of a connection from the customer's establishment to the Group's water or used water network. Revenue from connection fees is recognized over time using the output method based on time elapsed over the period when the related water and used water services are expected to be provided.

- *Supervision fees*
  Supervision fees arise from MWPVI, Aqua Centro, EcoWater, and Laguna Water's assurance of potable water and effective used water services for new developments, and performance of certain functions which includes, but is not limited to, the provision of design and project management services in the development of water and used water facilities. Revenue from supervision fees is recognized over time using an output method.

  Supervision fees accounted for as future water service is recognized as the customer receives and consumes the benefit of water affordability or lower water tariff based on the agreed estimated water demand projections.

  Revenue from pipeworks and integrated used water services
  Revenue from pipeworks and integrated used water services is recognized over time as the water and wastewater network related services are rendered using an output method. Under this method, progress is measured using survey of performance completed to date and milestone reached. This is based on the work accomplishment report prepared by the project contractor as approved by the project management head.

Revenue recognized over time using input method
The Group determined that the input method is the appropriate method in measuring progress of the rehabilitation works, construction revenue, and service fees because there is a direct relationship between the Group's effort (i.e., actual cost incurred incurred) and the transfer of service to the customer.

- *Revenue from rehabilitation works and Cost of rehabilitation works*
  Revenue from rehabilitation works is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of contract assets included under SCA or concession financial receivables and pertain to revenue from construction or upgrade services. Revenue from rehabilitation works is recognized over time, using input method. Under this method, progress is measured by reference to the actual costs incurred to date.

- *Construction revenue*
  Construction revenue arises from the NRWRSA with ZCWD for the establishment of district metering areas. Revenue from construction services is recognized over time, using input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and overhead relative to the total project costs.

- *Service fees*
  Service fees for technical assistance extended to ZCWD are recognized over time, using input method, when the related services have been rendered to the ZCWD. Under this method, progress is measured based on actual costs incurred on manpower and overhead relative to the total project costs.

Revenue recognized at a point in time

- *Distributors' fee*
  Distributors' fee is recognized as revenue at a point in time when control of the trade assets has been transferred to the distributor, generally upon delivery of the related assets.

- *Revenue from packaged water*
  Revenue from packaged water and other water related products is recognized at the point in time when control of the goods is transferred to the distributor, generally upon receipt of the related product, to the customer.

- *Other operating income and non-operating income*
  Other customer related fees such as reconnection and disconnection fees, income from customers late payments, income from septic sludge disposal, and income from bacteriological water analysis are recognized at a point in time when the control over these services have been transferred to the customer. Liquidated damages are presented under non-operating income and recognized at a point in time.

Contract Balances
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).

Contract assets
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 payment is due, a contract asset is recognized for the earned consideration that is conditional.

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 a 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.

Interest Income
Interest income is recognized as it accrues, taking into account the effective yield of the assets.

For all financial instruments measured at amortized cost, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability

Cost of Services and Operating Expenses
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are recognized:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of services and operating expenses are measured at the amount paid or payable.

Foreign Currency-Denominated Transactions
Foreign exchange differentials arising from foreign currency transactions of the Parent Company's loans and concession fees are credited to or charged against operations. For the Parent Company, as approved by the MWSS BOT under Amendment No.1 of the Concession Agreement, the following will be recovered or refunded through billings to customers:

a. restatement of foreign currency-denominated loans;
b. difference of actual and twelve (12)-month projected concession fee payments against the amounts of concession fees translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise. The current base exchange rates are ₱53.16:US$1.00, ₱0.475: Y1.00, ₱62.156: €1.00 based on the latest rate rebasing exercise effective January 1, 2018;

c. difference of actual and twelve (12)-month projected interest payments translated using the exchange spot rate on settlement date and average forex of the month immediately preceding the cut-off information date, respectively, against the amount of interest translated at drawdown rate; and
d. difference of actual and twelve (12)-month projected payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date and average forex of the month immediately preceding the cut-off information date, against the amount of other financing charges translated at drawdown rate.

Beginning November 18, 2021, the FCDA was no longer applied to water rates of the Parent Company's customers. The RCA stipulates the exclusion of FCDA from charges billed to customers.

However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company has reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect.

On May 10, 2023, the 7th Amendment of the RCA includes FCDA that will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex gains or losses arising from principal payments of loans, limited to the list of loans provided in the RCA. Forex gains or losses on additional/new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA.

On August 7, 2024, MWSS BOT, upon the recommendation of the MWSS RO, approved the FCDA Guidelines describing the mechanics to determine the FCDA.

For Boracay Water, its concession agreement with TIEZA allows for the recovery of the following from its customers:

a. restatement of foreign currency-denominated loans;
b. excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at agreed base rate; and
c. 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 agreed base rate.

The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

In view of the automatic reimbursement mechanism, the Group recognizes deferred FCDA (included as part of "Other noncurrent assets" in the consolidated statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCDA is credited (debited) upon recovery (refund) of realized foreign exchange losses (gains). The write-off or reversal of the deferred FCDA pertaining to concession fees will be made upon determination of the rebased foreign exchange rate, which is assumed in the business plan approved by the MWSS RO during the latest Rate Rebasing exercise, unless indication of impairment of the deferred FCDA would be evident at an earlier date.

The functional currency of MWAP, MWSAH, TDWH, KDWH and MSEA is the United States Dollar (US$ or USD), while Thu Duc Water, Kenh Dong Water, Saigon Water and Cu Chi Water's functional currency is the Vietnamese Dong (VND), PTMWI and PTSTU's is the Indonesian Rupiah (IDR), MWTC and East Water's is the Thailand Baht (THB), and IWP and IWP2 is the Saudi Riyal (SAR). As of reporting date, the assets and liabilities of these subsidiaries and associates are translated into the presentation currency of the Group at the rate of exchange at the reporting date and their profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in OCI and reported as "Cumulative translation adjustment", a separate component of equity.

On disposal of a foreign entity, the "Cumulative translation adjustment" relating to that particular foreign operation shall be recognized in profit or loss.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) that necessarily take a substantial period of time to get ready for its intended use are recorded as property, plant and equipment or SCA, as applicable. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of those 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 substantially all activities necessary in preparing the related assets for their intended use are complete. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds. Premiums and/or discounts on long-term debt are included in the "Short-term and Long-term debt" account in the consolidated statement of financial position and are amortized using the effective interest rate method.

Provisions

A provision is recognized when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. 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 assessment 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. Where the Group expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset and only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost,
b. net interest on the net defined benefit liability or asset, and
c. remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Short-term Employee Benefits
Short-term employee benefits include items such as salaries and wages, social security contributions, and nonmonetary benefits, if expected to be settled wholly within twelve (12) months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as
expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Employee Leave Entitlement
Employee leave entitlements are recognized as a liability when they are accrued to the employees. The undiscounted liability for employee leaves is recognized for services rendered by employees up to the end of the reporting period.

Share-Based Payment

Employee share purchase plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company’s shares at a discounted price. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2, *Share-based Payment*, options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss.

Stock incentive plan (SIP)
Certain qualified officers and employees of the Parent Company receive remuneration for their services in the form of equity shares of the Parent Company.

The cost of SIP with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted. The cost of SIP is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The shares are subject to adjustment based on the results of the dividend reinvestment plan made by the Parent Company.

Equity
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group. Appropriated retained earnings are set aside for future business expansions. The Parent Company's BOD declares dividends from the unappropriated portion of its retained earnings.

Treasury shares are recorded at acquisition cost. The total amount of treasury shares is shown in the consolidated statement of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common shares held in treasury account is credited for the cost of the treasury shares.

Other equity reserves pertain to items of equity that were not presented in either retained earnings or other comprehensive income.

Taxes

Value Added Tax (VAT)

Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment and service concession assets for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment or service concession assets, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation.

Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade payables" in the "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

Due to the effectivity of the Legislative Water Franchise starting March 21, 2022, the Parent Company has removed the output VAT from the customer bills and charge the customers' bills the related franchise tax of 2% instead. Moreover, any input VAT imposed by the Parent Company's suppliers are treated as part of the cost of purchase starting March 21, 2022.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary difference associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 income 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 income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

<u>Discontinued Operations</u>
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Net loss after tax from discontinued operations" in the consolidated profit or loss. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise. The related results of operations of the disposal group that qualified as a discontinued operation are separated from continuing operations and prior year's consolidated statements of income have been restated.

<u>Earnings per Share (EPS)</u>
Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding (excluding treasury shares) during the year and adjusted to give retroactive effect to any stock dividends declared, if any, during the period. The net income attributable to common stock is net of the dividends on preferred shares including the participating preferred shares' participation in earnings. The participating preferred shares participate in the earnings at a rate of 1/10 of the dividends paid to a common share.

Diluted EPS is computed by dividing earnings attributable to common shares (excluding treasury shares) by the weighted average number of common shares outstanding during the period, after giving retroactive effect of any stock dividends, if any, during the period and adjusted for the effect of dilutive options. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effects of the assumed exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Assets Held in Trust
Assets which are owned by MWSS, CWD, TIEZA, CDC, OWD, BuWD, PGL, CCWD, TnWD, PAGWAD, LWD, and CIWD that are operated by the Group under the Group's concession agreements are not reflected in the consolidated statement of financial position but are considered as "Assets held in trust" (see Note 25).

Segment Reporting
The Group aggregates two or more operating segments into a single operating segment when separately, each operating segment has similar economic characteristics and service area. The Group aggregated its local and foreign subsidiaries into the Domestic Subsidiaries segment and Foreign Subsidiaries segment, even if the subsidiaries cater to different customers, since management has assessed that these entities have similar economic characteristics and service area. The Group considers the Manila Concession and Head Office, Domestic Subsidiaries, and Foreign Subsidiaries as its operating segments that are aggregated based on the geographical location and source of revenues. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

Reclassifications
Certain prior period financial statement amounts have been reclassified by the Group to conform to current period presentation. These reclassifications had no effect on the reported results of operations.

Events after the Reporting Period
Any event after the reporting period up to the date of the auditors' report that provide additional information about the Group's financial position at the reporting date (adjusting events) is reflected in the consolidated financial statements. Any event after the reporting date that is not an adjusting event is disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements, in conformity with PFRS, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Management believes the following represents a summary of these significant estimates and judgments:

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Service concession arrangements
In applying Philippine Interpretation IFRIC 12, the Group has made a judgment that its concession agreements with MWSS, CWD, TIEZA, CDC, OWD, BuWD and PGL; JVAs with CCWD, TnWD, PAGWAD, and LWD; SMA with CIWD; and MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag qualify under the Intangible Asset model as it receives the right (license) to charge users of public service (see Notes 2 and 10).

On August 6, 2019, the Parent Company, together with MWSS signed the Wawa Bulk Water Agreement with WawaJVCo. Inc. The agreement involves the supply of supply of 518 million liters per day of raw water from the Wawa and Tayabasan rivers. The first phase of the agreement will involve supply of 80 million liters per day of raw water in October 2022, while the second phase will supply the additional 438 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Multibasin System Project was completed, and the joint venture commenced the provision of initial 80 million liters per day of raw water to the Parent Company.

The Parent Company accounts for the Wawa Bulk Water Agreement under the intangible asset model as it receives the right (license) to charge users of public service (see Notes 2 and 10).

On the other hand, the Group has made a judgment that the bulk water sale and purchase agreements with CIWD, TWD, and MCWD qualify under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets for its construction services directly from CIWD, TWD, and MCWD (see Notes 2 and 6).

On December 1, 2023, the bulk water sale and purchase agreement with MCWD was terminated. The termination, however, does not qualify Cebu Water's operation to be discontinued. Accordingly, in 2023, the Group ceased to recognize the agreement under the requirements of Philippine Interpretation IFRIC 12 and applied PAS 16, *Property, Plant and Equipment* as the ownership of the assets was retained by Cebu Water based on its concession agreement (see Notes 6 and 9).

On January 30, 2024, MWPVI (operator) and MCWD (grantor) signed a ten (10)-year Cebu North Bulk Water Supply Project Contract commencing on February 1, 2024, with contractual volume of 30 MLD and a tariff of ₱58.00 per cubic meter for the first five (5) years and ₱64.96 per cubic meter for the next five (5) years. Terms in the contract includes construction period of one (1) year and water delivery in the succeeding ten (10) years. MWPVI will be using the existing water facilities of CMWD to deliver the contractual volume.

The Group has assessed that the contract between MWPVI and MCWD is outside the scope of IFRIC 12 since MCWD does not have control over the significant residual interest in the water facilities at the end of the contract term and the related assets have significant remaining useful life where the Group can obtain significant economic benefit. Accordingly, the revenue from the contract is accounted for under the requirements of PFRS 15, *Revenue from Contracts with Customers.*

Investments in associates
The Group has determined that it has significant influence over East Water despite holding less than 20.00% of East Water's outstanding shares of stock. The Group considers several factors including its representation in East Water's BOD, representation in East Water's Investment Committee, and its voting power through share ownership to determine the Group's power to participate in the financial and operating policy decisions of East Water. As of December 31, 2024 and 2023, the Group owns 18.72% of East Water (see Note 12).

Revenue recognized using the input and output method
The Group recognizes revenue from rehabilitation works, construction revenue, and service fees using the input method while it recognizes supervision fees, and revenue from pipeworks, and revenue from integrated used water services using the output method. The input or output method of recognizing revenue over the period covered by the separate contracts with customers requires the Group to base the level of transfer of control over these services based on the Group's review and concurrence with work accomplishment reports prepared by project managers or submitted by independent project contractors.

Segment reporting
The Group aggregates two or more operating segments into a single operating segment when separately, each operating segment has similar economic characteristics and service area. The Group aggregated its local and foreign subsidiaries into the Domestic Subsidiaries segment and Foreign Subsidiaries segment even if it caters to different customers since management assessed that these entities have similar economic characteristics and service area. As of December 31, 2024 and 2023, the Group considers the Manila Concession and Head Office, Domestic Subsidiaries, and Foreign Subsidiaries as its operating segments that are aggregated based on the geographical location and source of revenues (see Note 26).

Determination of lease term of contracts with renewal and termination options – the Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset) (see Note 11).

Provisions and contingencies
The Group is currently involved in exposures in the ordinary conduct of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsels handling the defense in these matters and is based upon an analysis of potential results (see Note 30).

As of December 31, 2024 and 2023, the provision for estimated probable losses amounting to ₱694.29 million and ₱402.66 million, respectively, pertains to various legal proceedings and exposures arising in the ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters will not have a material adverse effect on the Group's financial position or operating results. The information normally required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the proceedings.

Discontinued operations
As of December 31, 2024 and 2023, the operations of Zamboanga Water qualified as discontinued operations because the termination of the NRWRSA resulted to the cessation of Zamboanga Water's operations. Zamboanga Water's noncurrent assets, such as property and equipment, which it used for its operations were closed or disposed of to third parties rather than being sold or distributed back to its owners. Zamboanga Water is a joint venture company incorporated solely for the execution of the NRWRSA, which represents a separate major line of business or geographical area of operation.

Meanwhile, MWTS' Healthy Family division also qualified as discontinued operations following the segment's permanent closure effective October 31, 2020 due to recurring losses and inability to financially sustain business operations.

Amortization of water and used water assets
Beginning April 1, 2022, MWPVI, Aqua Centro, EcoWater and BMDC shifted from straight-line method of depreciation of water and used water assets (excluding water meters) to UOP method to better reflect the usage of water and used water facilities which is directly related to expected volume and is aligned with industry practice. This change in method resulted in ₱75.01 million reduction in depreciation expense in 2022.

<u>Use of Estimates</u>
Key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue and cost recognition – rehabilitation works
The Group measures revenue from rehabilitation works at the fair value of the consideration received or receivable. The Group's revenue from rehabilitation works are recognized over time, using the input method. Under this method, progress is measured by reference to the actual costs incurred to date. Revenue from rehabilitation works recognized by the Group is equivalent to the costs of rehabilitation works incurred as these costs are recovered by the Group through its right to charge the customers. The Group's revenue from and cost of rehabilitation works amounted to ₱25,422.97 million, ₱19,774.86 million, and ₱23,626.42 million in 2024, 2023 and 2022, respectively (see Notes 6 and 10).

Provision for ECLs of receivables from customers
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, 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.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs, which have been adjusted to consider a range of possible outcomes, 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 of December 31, 2024 and 2023, allowance for expected credit losses of receivables from customers amounted to ₱1,531.02 million and ₱1,521.88 million, respectively (see Note 6).

Estimating the period over which control over services is transferred to the customer
For each group of similar customer contracts that result in revenues recognized over a period of time, the Group makes an estimate of such period over which the Group transfers the control of the services provided to the customer. For revenue from rehabilitation works, construction revenue, service fees, supervision fees, and revenue from pipeworks and integrated used water services, the Group has determined that the period of revenue recognition is the term of the customer contract. For connection fees revenue, the Group has estimated that the customer receives control over the remaining concession period or remaining customer contract term, whichever is shorter.

Estimating net realizable value of inventories
The Group writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

The estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.

As of December 31, 2024 and 2023, the carrying amount of inventories, at NRV, amounted to ₱448.63 million and ₱380.62 million, respectively (see Note 7).

Estimating fair value of net identifiable assets for business combinations
In April 2024, MWPVI made an acquisition which is within the scope of *PFRS 3*, *Business Combinations*.
The acquisition requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires MWPVI to recognize any gain on bargain purchase or goodwill.

The determination of the fair value of assets and liabilities is based on discounted cash flows taking into consideration key assumptions such as prospective financial information and discount rate. MWPVI's acquisition resulted in goodwill (see Note 4).

Estimating useful lives of water rights
MW Consortium and MWPVI estimate that the useful lives of the water rights to be indefinite, considering that the water permits remain valid for as long as water is beneficially used. It is possible that future results of operations could be materially affected by changes in MW Consortium and MWPVI's estimates. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances (see Note 13).

Estimating useful lives of SCA
Starting January 1, 2022, the Parent Company's water and used water assets are amortized using the UOP until 2047, following the approval of the Parent Company's legislative water franchise and RR23 business development plan. Previously, the Parent Company's water and used water assets are amortized using the UOP over the estimated total billable volume until May 6, 2037, which is the end of the original concession agreement with MWSS. This change in EUL resulted in ₱1,090.74 million reduction in the amortization expense in 2022.

Impairment of nonfinancial assets
The Group assesses the impairment of nonfinancial assets (property, plant and equipment, SCA, contract assets representing SCA under construction, right-of-use assets, investments in associates, water rights, and deposits under other current and noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business;
- significant negative industry or economic trends;
- significant decline in net worth or market capitalization; and
- significant decline in distributed profits or increase in losses.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use.

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 the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. In determining fair value less costs of disposal, market approach – Guideline Company Method is used. These calculations are corroborated by quoted share prices for publicly traded companies or other available fair value indicators.

Investment in East Water
As of December 31, 2024 and 2023, East Water's market capitalization is significantly lower compared to its net book value. Moreover, following the handover of pipelines in 2023 involving pipelines leased from the Thailand Treasury Department, the Group learned in the first quarter of 2024 that the Cabinet of Thailand issued a resolution repealing the exclusivity granted to East Water over Thailand Eastern Seaboard. These developments affected East Water's position and operations in the region. These events were considered as indicators of impairment.

In determining the fair value less cost to sell using Level 1 and Level 2 inputs, the Group has evaluated the following considerations:

- Level 1 input – the Group did not use East Water's market share price since it is not considered a reliable indicator of the East Water's value given the low volume of shares traded in the market.

- Level 2 input – the Group considered the East Water's EV/EBITDA multiple using comparable companies. However, the calculation resulted to a negative equity value.

In determining the present value of estimated future cash flows expected to be generated from the continued operations of East Water, the Group is required to make professional judgments and estimates that can materially affect the consolidated financial statements. The value-in-use calculation used a revenue growth rate of 1.00% and 1.20% in 2024 and 2023, respectively; pre-tax discount rate of 8.20% and 6.80% in 2024 and 2023, respectively; and forecasted costs and expenses with growth rate based on inflationary increases. In 2024, cash flow projections beyond the forecast period were not considered due to uncertainties in long-term estimates. In 2023, terminal growth rate used was 1.82% (see Note 12).

The recoverable amount determined using the value-in-use calculation also resulted to a negative equity value. Consequently, the Group has assessed that the recoverable amount of the investment in East Water is zero, which was lower than the investment's net book value. Accordingly, in 2024 and 2023, the Group recognized provision for impairment loss on its investment in East Water amounting to ₱3,558.74 million and ₱4,063.26 million, respectively, recorded under "Equity in net earnings (losses) of associates" in the statement of comprehensive income. As of December 31, 2024, the investment in East Water is fully impaired. (see Note 12).

Investment in Saigon Water
In 2022, an interested buyer submitted an offer to acquire MWSAH's 37.99% stake in Saigon Water for a total consideration of VND 672.80 billion, subject to due diligence and finalization of the share purchase agreement terms. However, negotiations were prolonged until October 2024 due to various concerns raised by the parties involved. On the same date, the buyer withdrew from negotiations which raises concerns about the possibility that Saigon Water's economic assets may be weaker than initially anticipated.

Moreover, in November 2024, Saigon Water sold its 43.00% stake in Tan Hiep Investment Joint Stock Company (THW) to Binh Duong Water - Environment Corporation – JSC, resulting in a one-off gain of VND 542.00 billion recorded in 2024. While the sale generated immediate proceeds, THW has historically been a key source of Saigon Water's cash inflows through dividends. As such, the THW divestment could negatively affect Saigon Water's liquidity and financial performance in the coming years.

These significant changes in the operations of Saigon Water were considered as indicators of impairment. Accordingly, the Group has reassessed the investment for impairment.

In determining the fair value less cost to sell using Level 1 and Level 2 inputs, the Group has evaluated the following considerations:

- Level 1 input – the Group did not use Saigon Water's market price since Saigon Water's minuscule public float is insufficient to support fair market dynamics or accurately reflect the Saigon Water's true value. Moreover, Saigon Water's shares are currently traded in the Unlisted Public Company Market in Vietnam, a secondary market where unlisted companies can trade their shares. Accordingly, management believes that UPCOM share prices may not be the best indicator of Saigon Water's value.

- Level 2 input – the Group considered the Saigon Water's EV/EBITDA multiple using comparable companies. However, the calculation resulted to a negative equity value.

Consequently, the Group determined the recoverable amount of the investment in Saigon Water based on its value-in-use.

In determining the present value of estimated future cash flows expected to be generated from the continued operations of the remaining entities under Saigon Water, the Group is required to make professional judgments and estimates that can materially affect the consolidated financial statements. In 2024, the value-in-use calculation used a revenue growth rate of 2.5% to 5.2%; terminal growth rate of 3.40%; pre-tax discount rates of 9.80% to 14.70%; and forecasted costs and expenses with growth rate based on inflationary increases (see Note 12).

The Group has assessed that the recoverable amount of its investment in Saigon Water based on its value-in-use was lower than the investment's net book value. Accordingly, in 2024, the Group recognized provision for impairment loss on its investment in Saigon Water amounting to ₱902.01 million, recorded under "Equity in net earnings (losses) of associates" in the statement of comprehensive income (see Note 12). No provision for impairment loss was recognized in 2023.

As of December 31, 2024, and 2023, the Group has accumulated allowance for impairment on its investments in associates amounting to ₱9,004.71 million and ₱4,543.96 million, respectively. As of December 31, 2024 and 2023, the Group has not recognized any impairment loss on its investments in Thu Duc Water, Kenh Dong Water, PT STU and IWP (see Note 12).

In 2022, the Group recognized provision for impairment loss on advances to suppliers, contractors and deposits amounting to ₱138.07 million, presented under operating expenses in the consolidated profit or loss. Reversal of impairment loss was recognized in 2023 amounting to ₱12.40 million (see Notes 8 and 18).

As of December 31, 2024 and 2023, there were no indicators of impairment on the Group subsidiaries' property plant and equipment and SCA, right-of-use assets, water rights, and deposits under other current assets and other noncurrent assets (see Notes 9, 10, 11 and 13).

Estimating billable water volume
The SCAs related to the concession agreements of the Group are amortized using the UOP method based on actual billed volume and total estimated billable volume for the remaining period of the concession agreements and franchise period. The demand study to arrive at the estimated billable volume is performed by a third-party expert and considers factors such as population growth rate, supply and consumption, and service coverage, including ongoing and future expansions in estimating the total billable water volume over the remaining periods of the concession agreements. For the years ended December 31, 2024, 2023, and 2022, SCA amortization expense based on the UOP method are disclosed in Notes 10 and 18.

Starting January 1, 2024, Laguna Water's water and used water assets are amortized using the UOP over the estimated total billable volume based on projections submitted to regulators which do not consider a concession agreement extension. Previously, the Company's water and used water assets were amortized using the UOP over the estimated total billable volume based on projections which assumed a fifteen (15)-year concession agreement extension. This change in estimated total billable volume resulted in ₱393.83 million additional amortization expense for the year ended December 31, 2024. The impact of the change to future periods cannot be practically determined.

Deferred FCDA
Under the concession agreements entered into by the Parent Company and Boracay Water with MWSS and TIEZA, respectively, the Parent Company and Boracay Water are entitled to recover (refund) foreign exchange losses (gains) arising from concession loans and any concessionaire loans. The Parent Company and Boracay Water recognized deferred FCDA (included as part of "Other noncurrent assets" in the consolidated statement of financial position) for both realized and unrealized foreign exchange gains and losses. Deferred FCDA is set up as an asset for the realized and unrealized exchange losses since this is a resource controlled by the Parent Company and Boracay Water as a result of past events and from which future economic benefits are expected to flow to the Parent Company and Boracay Water. Net realized and unrealized foreign exchange gains, on the other hand, which will be refunded to the customers, are presented as liability.

As of December 31, 2024 and 2023, the Parent Company and Boracay Water's deferred FCDA classified under "Other noncurrent assets" amounted to ₱6,232.60 million and ₱2,631.23 million, respectively (see Note 13).

The Group's deferred FCDA arises from a rate adjustment mechanism for the recovery or compensation on a current basis, subject to quarterly review and adjustment by MWSS or TIEZA, when necessary, of accrued foreign exchange gains and losses, arising from MWSS or TIEZA loans and concession loans used for capital expenditures and concession fee payments.

Beginning November 18, 2021, the Parent Company's RCA has removed FCDA from the water rates of the Parent Company's customers. The Parent Company's profit or loss reflects the unrealized and realized foreign exchange gains and losses from long-term debt and service concession obligations which are no longer expected to be recovered under the FCDA recovery mechanism. However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company has reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect.

On May 10, 2023, the seventh amendment of the RCA includes the basis of FCDA and the Parent Company's FCDA recovery mechanism.

On August 7, 2024, MWSS BOT, upon the recommendation of the MWSS RO, approved the FCDA Guidelines describing the mechanics to determine the FCDA. On September 12, 2024, MWSS BOT approved the reimplementation of FCDA at 2.03% of the 2024 average basic charge of ₱42.26 per cubic meter or ₱0.86 per cubic meter pursuant to the provisions of Amended RCA. The tariff shall be adjusted upward by an average of ₱0.88 per cubic meter effective October 1, 2024.

Boracay Water, on the other hand, still maintains this natural hedge and does not expect any movement of the foreign currencies against the Philippine Peso to have a significant effect on the Group's income before income tax.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgement is required to determine the amounts that could be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning.

Also, the Group does not recognize deferred taxes on certain deductible temporary differences where doubt exists as to the tax benefits they will bring in the future (see Note 20).

Pension liabilities
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates, incapacity rates, retirement rate, and termination rates. The amounts of defined benefit obligations are highly sensitive to changes due to the complexity of the valuation and its long-term nature. Discount rate, salary increase rate, retirement rate, and termination rate assumptions are reviewed at each reporting date. The Group's net pension liability amounted to ₱500.17 million and ₱388.22 million as of December 31, 2024 and 2023, respectively (see Note 16).

In determining the discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. Retirement and termination rates are based on expected rates at which employees are assumed to retire or leave the employment of the Group.

Further details about the assumptions used are provided in Note 16.

Estimating the incremental borrowing rate for leases
The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its incremental borrowing rate to measure its lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates its incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱401.61 million and ₱332.38 million as of December 31, 2024 and 2023, respectively (see Note 11).

4. **Business Combination and Goodwill**

As of December 31, 2024 and 2023, the Group's goodwill consists of:

	2024	2023
Cost		
Balance at beginning of year	**₱136,566,475**	₱136,566,475
Additions	**140,130,341**	–
Balance at end of year	**276,696,816**	136,566,475
Accumulated impairment loss	**130,319,465**	130,319,465
	₱146,377,351	₱6,247,010

The ₱130.32 million accumulated impairment loss pertains to the full impairment of goodwill in 2021 from the Clark Water acquisition.

As of December 31, 2024 and 2023, goodwill arose from the Group's acquisitions of the following businesses:

	2024	2023
Aqua Centro:		
Tahanang Yaman Homes Corporation	**₱2,940,210**	₱2,940,210
BMDC:		
San Vicente Homes	**1,229,600**	1,229,600
Las Palmas Subdivisions Phases 1 to 7	**1,206,000**	1,206,000
Prosperity Builders Resources Inc.	**871,200**	871,200
EHI	**140,130,341**	–
	₱146,377,351	₱6,247,010

MWPVI Acquisition of EHI shares
On April 17, 2024, MWPVI entered into a share purchase agreement with Equi-Parco Holdings Corporation, Metropac Water Investments Corporation, and TwinPeak Hydro Resources Corporation for the sale and purchase of their 30%, 30% and 10% interest, respectively, in EHI, equivalent to a total of 315,015,625 shares. The purchase price is ₱3.65 per share resulting in a total purchase price of ₱1,150 million. MWPVI's non-controlling interest in EHI as of the acquisition date is 30%. The acquisition will allow MWPVI to establish a stronger foothold and strategically grow its water and wastewater supply operations in the Province of Laguna.

EHI is an investment company which holds ninety percent (90%) of the outstanding shares of Laguna Water District Aquatech Resources Corporation (LARC), a joint-venture company formed for the rehabilitation, improvement, expansion, operation, and maintenance of the water supply system of the Laguna Water District in the towns of Los Baños, Bay, Calauan, Victoria and Nagcarlan in the Province of Laguna. Accordingly, MWPVI's effective interest in LARC as of the acquisition date is 63%.

With MWPVI acquiring control over EHI, this transaction was accounted for using the acquisition method under PFRS 3. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The net assets recognized by the Group were based on the purchase price allocation made on fair value of LARC's net assets on the date of acquisition. The Group has assessed that the fair value of LARC's net identifiable assets is lower than the purchase consideration transferred. Accordingly, the Group recognized goodwill amounting to ₱140.13 million as a result of the transaction.

From the date of acquisition up to December 31, 2024, LARC contributed ₱221.89 million of revenue and ₱8.86 million loss before tax from continuing operations of the Group. Had the business combination took place on January 1, 2024, the Group's gross revenues from operations would have increased by ₱309.98 million and the net income attributable to parent equity holders would have decreased by (₱9.04 million).

The fair value of the identifiable assets and liabilities of LARC and the result of purchase price allocation based on December 31, 2023 balances were presented below. The difference between the December 31, 2023 and April 17, 2024 balances are immaterial.

	Carrying Value	Fair Value Adjustment	Net Asset at Fair Value
Assets			
Cash and cash equivalents	₱106,696,185	₱–	₱106,696,185
Receivables	28,048,428	–	28,048,428
Other current assets	10,626,002	–	10,626,002
Property, plant and equipment	14,908,483	–	14,908,483
Service concession assets	739,808,486	1,025,865,369	1,765,673,855
Other non-current assets	59,501,206	–	59,501,206
Total Assets	**959,588,790**	**1,025,865,369**	**1,985,454,159**
Liabilities			
Accounts and other payables	(119,589,178)	–	(119,589,178)
Pension liability	(6,430,926)	–	(6,430,926)
Deferred tax liability	–	(256,466,342)	(256,466,342)
Total Liabilities	**(126,020,104)**	**(256,466,342)**	**(382,486,446)**
Net identifiable net assets at fair value			**1,602,967,713**
Non-controlling interest (37% of net assets)			(593,098,054)
Purchase consideration transferred			1,150,000,000
Goodwill arising on acquisition			**₱140,130,341**

Below is the cash flow on acquisition:

Net cash acquired with the subsidiary	₱106,696,185
Cash paid	(920,000,000)
Amount still payable	(230,000,000)
Net cash flow on acquisition	**(₱1,043,303,815)**

LARC's service concession assets arising from business combination were adjusted to its corresponding fair value as required by PFRS 3. The fair value was determined using the Multi-Period Excess Earnings Method (MEEM) which is an income approach measured at Level 3 (significant unobservable inputs).

Valuation using MEEM
The MEEM determines the value of an intangible asset by discounting the incremental after-tax cash flows attributable only to the intangible asset. The net cash flows attributable to the intangible asset is based on a forecast of its related cash inflows and outflows, less contributory asset charges (CAC) for economic returns of and returns on all monetary, tangible, and other intangible assets necessary to realizing the cash flows.

The following are the key inputs used for the valuation of the intangible assets using the MEEM:

- Prospective financial information - Management-prepared prospective financial information for the prospective revenues and earnings relating to the intangible assets.
- CAC - Charges based on the normalized fair values of the contributing assets and the amount of return each asset class would require from the viewpoint of a market participant.
- Discount rate - The discount rate used in computing the present value of the incremental after-tax cash flows based on a computed required return of the intangible asset.

Summary of the significant unobservable inputs used in MEEM is shown below.

Contributory asset charges*:	
Net working capital	0.68%
Fixed assets	0.10%
Assembled workforce	0.00%
Discount rate	8.48%

**Percentage of revenues*

5. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand and in banks (Note 23)	**₱2,041,918,065**	₱1,109,921,916
Cash equivalents (Note 23)	**5,394,819,486**	9,642,812,258
	₱7,436,737,551	₱10,752,734,174

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are highly liquid investments with varying periods of up to three (3) months and earn interest at the respective short-term rates.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱373.96 million, ₱300.99 million, and ₱120.98 million in 2024, 2023, and 2022, respectively (see Note 18).

6. Receivables and Contract Assets

a. *Receivables*

This account consists of receivables from:

	2024	2023
Customers of:		
Water and used water services:		
Residential	**₱2,575,017,694**	₱2,321,201,644
Commercial	**643,552,450**	478,464,544
Semi-business	**201,658,978**	193,395,912
Industrial	**57,174,924**	41,862,421
Pipework services	**508,312,852**	520,115,869
Supervision fees	**356,770,885**	291,522,067
Distributor's fees	**117,038,849**	117,107,215
Technical due diligence services	**9,347,356**	3,283,405
ZCWD	**39,509,823**	39,509,823
Employees	**30,131,986**	17,150,278
Interest from banks	**17,720,724**	13,141,587
Others	**463,455,599**	390,044,570
	5,019,692,120	4,426,799,335
Less: Allowance for ECLs	**1,531,015,926**	1,521,879,489
	₱3,488,676,194	₱2,904,919,846

The classes of the Group's receivables arising from water and used water services rendered to customers, collectible within thirty (30) days from billing date, follow:

- Residential - pertains to receivables from residential households.
- Commercial - pertains to receivables from commercial customers.
- Semi-business - pertains to receivables from small businesses.
- Industrial - pertains to receivables from customers for industrial and manufacturing purposes.

Trade receivables from pipework services pertain to pipelaying, pipe replacements, and other services related to water and used water treatment facilities. These receivables are collectible within sixty (60) days.

Trade receivables arising from supervision fees on the development of water and used water facilities are collectible within thirty (30) days from billing date.

Trade receivables from distributors' fees arise from the Exclusive Distributorship Agreement (EDA) entered into by MWTS with distributors of its Healthy Family drinking water and were collectible within the period that is agreed with the distributors. Provision for ECL pertaining to this receivable amounted to ₱117.00 million as at December 31, 2024 and 2023.

Receivable from ZCWD pertains to billed charges for service fees, construction revenue, and performance fees arising from Zamboanga Water's NRWRSA. Provision for ECL pertaining to this receivable amounted to ₱39.51 million as at December 31, 2024 and 2023.

Receivable from employees arise from car, salary, and other loans which are due and demandable based on an agreed payment schedule and are collected through salary deductions.

Interest from banks are accrued interest arising from the Group's cash in banks, cash equivalents, and short-term investments. Other receivables include receivables from associates for advances made by MWAP to IWP1 and IWP2, receivable from Maynilad for cross-border billings and receivable from MWSS for shared facilities.

Movements in the Group's allowance for ECLs follow:

	2024					
	Receivable from Customers				**Other**	
	Residential	**Commercial**	**Semi-business**	**Industrial**	**Receivables**	**Total**
Balance at beginning of year	**₱1,011,159,113**	**₱84,359,396**	**₱74,854,410**	**₱34,493,628**	**₱317,012,942**	**₱1,521,879,489**
Net Provisions (Note 18)	**94,830,194**	**23,727,900**	**13,040,336**	**11,649,413**	**20,086,241**	**163,334,084**
Write-off	**(157,317,492)**	**(16,356,209)**	**(8,245,747)**	**(854,502)**	**–**	**(182,773,950)**
Impact of business combination (Note 4)	**25,050,955**	**8,350,318**	**–**	**–**	**–**	**33,401,273**
Impact of divestment/ deconsolidation (Note 1)	**(4,824,970)**	**–**	**–**	**–**	**–**	**(4,824,970)**
Balance at end of year	**₱968,897,800**	**₱100,081,405**	**₱79,648,999**	**₱45,288,539**	**₱337,099,183**	**₱1,531,015,926**

	2023					
	Receivable from Customers				Other	
	Residential	Commercial	Semi-business	Industrial	Receivables	Total
Balance at beginning of year	₱1,103,241,327	₱124,725,640	₱101,017,709	₱5,844,840	₱296,855,027	₱1,631,684,543
Net Provisions / (Reversals) (Note 18)	188,416,906	(11,202,913)	(11,461,026)	30,172,376	20,157,915	216,083,258
Write-off	(280,499,120)	(29,163,331)	(14,702,273)	(1,523,588)	–	(325,888,312)
Balance at end of year	₱1,011,159,113	₱84,359,396	₱74,854,410	₱34,493,628	₱317,012,942	₱1,521,879,489

b. Contract assets

This account consists of:

	2024	2023
Contract assets from:		
Supervision fees	**₱158,191,713**	₱364,631,855
NRWRSA with ZCWD	**285,928,838**	285,928,838
Pipeworks and integrated used water services	**83,025,628**	72,546,702
Bulk water contracts:		
TWD	**106,855,739**	112,693,897
Current portion	**634,001,918**	835,801,292
Bulk water contracts:		
TWD	**899,109,995**	855,597,215
CIWD	**481,073,594**	340,134,026
Noncurrent portion	**1,380,183,589**	1,195,731,241
	2,014,185,507	2,031,532,533
Less: Allowance for ECLs	**316,374,870**	312,876,006
	₱1,697,810,637	₱1,718,656,527

Contract assets from supervision fees are initially recognized for revenue earned arising from the provision of design and project management services in the development of water and used water facilities. These contract assets are reclassified to "Receivables" upon acceptance and reaching certain construction milestones for the related water and used water facilities.

Contract assets from pipeworks and integrated used water services are initially recognized for revenue earned arising from water and wastewater network related services. These contract assets are reclassified to "Receivables" upon acceptance of and billings to customers of MWTS and MWTV.

Contract assets from the NRWRSA with ZCWD were initially recognized for revenue earned arising from construction revenue and performance fees for NRW reduction services. These contract assets were reclassified to "Receivables" upon acceptance of and billing to the customer.

As of December 31, 2024 and 2023, Zamboanga Water recognized allowance for ECL on its contract assets with ZCWD amounting to ₱285.93 million.

Contract assets arising from the Bulk Water Supply Agreement with MCWD and the BWSPA with TWD and CIWD consist of the cost of rehabilitation works, are reclassified to "Receivables" when Cebu Water, Tagum Water, and Ilagan Water complete all performance obligations under its concession arrangements with MCWD, TWD, and CIWD, respectively.

On December 1, 2023, the Bulk Water Supply Agreement with MCWD was terminated. The termination, however, did not qualify Cebu Water's operation to be discontinued. Accordingly, the Group reclassified the contract assets to property, plant and equipment amounting to ₱961.29 million (Note 9) and written-off contract assets and related allowance for ECL amounting to ₱69.42 million.

In 2024, 2023 and 2022, there are instances where Tagum Water was not able to deliver the required twenty-six (26) million liters of water per day under the BWSPA due to flood and emergency plant works. As a result, Tagum Water recognized impairment loss amounting to ₱3.50 million, ₱1.10 million, and ₱1.25 million in 2024, 2023 and 2022, respectively (see Note 18).

The rollforward of Tagum Water, and Ilagan Water's contract assets follows (Note 27):

	2024	2023
Cost		
Balance at beginning of year	**₱1,308,425,138**	₱2,121,359,957
Rehabilitation works	**83,218,257**	206,302,064
Finance income	**212,025,886**	281,798,935
Service income (Note 18)	**108,191,005**	189,036,744
Collections	**(224,820,958)**	(459,363,998)
Reclassification to PPE	**–**	(961,290,359)
Write-off (Notes 1 and 9)	**–**	(69,418,205)
Balance at end of year	**1,487,039,328**	1,308,425,138
Allowance for ECL		
Balance at beginning of year	**26,947,168**	95,278,891
Provisions (Note 18)	**3,498,863**	1,086,482
Write-off	**–**	(69,418,205)
Balance at end of year	**30,446,031**	26,947,168
Net book value	**₱1,456,593,297**	₱1,281,477,970

7. **Inventories**

This account consists of:

	2024	2023
Maintenance materials	**₱175,134,006**	₱186,572,384
Water meters and connection supplies	**141,819,270**	91,311,080
Water treatment chemicals	**137,116,809**	117,784,497
Spare parts	**31,204,154**	21,587,594
	485,274,239	417,255,555
Less: Allowance for obsolescence	**36,640,437**	36,640,437
	₱448,633,802	₱380,615,118

The cost of inventories carried at NRV amounted to ₱100.47 million and ₱81.14 million as of December 31, 2024 and 2023, respectively. The Group's inventories are carried at NRV. Loss from inventory obsolescence is presented under "Operating expenses – Other expenses" in the consolidated profit or loss (see Note 18).

In 2024, Tagum Water transferred certain property, plant and equipment classified under construction in progress to inventories amounting to ₱24.77 million (see Note 9).

8. **Other Current Assets**

This account consists of:

	2024	2023
Prepaid expenses	**₱1,044,652,087**	₱417,376,645
Net input VAT	**790,711,570**	926,699,011
Advances to suppliers, contractors, and deposits	**362,223,121**	316,146,760
	2,197,586,778	1,660,222,416
Less: Provisions	**125,670,251**	125,670,251
	₱2,071,916,527	₱1,534,552,165

Net input VAT pertains to the Group's excess input VAT over output VAT as of the end of the reporting period. Due to the effectivity of the Legislative Water Franchise starting March 21, 2022, the Parent Company has removed the output VAT from the customer bills and charge the customers' bills the related national franchise tax of 2% plus applicable local franchise tax instead. Moreover, any input VAT imposed by the Parent Company's suppliers are treated as part of cost of purchase starting March 21, 2022 (see Note 1).

Prepaid expenses consist of advance payments for business taxes, regulatory costs, insurance, interest, repairs and maintenance, performance bond and employee health care expenses and other employee benefits, among others.

Advances to suppliers, contractors, and deposits pertain to the Group's advance payments for various contractual projects and other advance payments for goods and services that can be recovered within one (1) year.

In 2023 and 2022, the Group recognized provision for (reversal of) impairment loss on advances to suppliers, contractors and deposits amounting to amounting (₱12.40 million) and ₱138.07 million, respectively, presented under operating expenses in the consolidated profit or loss. No impairment loss was recognized in 2024 (see Note 18).

9. **Property, Plant and Equipment and Software**

The rollforward analysis of this account follows:

	2024							
	Land	**Plant and Technical Equipment**	**Office Furniture and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Construction in Progress**	**Software**	**Total**
Cost								
Balance at beginning of year	**₱235,704,078**	**₱8,082,459,683**	**₱1,150,997,237**	**₱1,751,140,930**	**₱565,871,637**	**₱2,248,855,942**	**₱1,887,755,359**	**₱15,922,784,866**
Additions	**13,683,683**	**650,238,282**	**54,801,392**	**31,086,164**	**29,763,602**	**100,854,242**	**355,416,185**	**1,235,843,550**
Impact of business combination (Note 4)	**200,000**	**9,772,573**	**19,012,260**	**22,567,605**	**–**	**–**	**13,650,622**	**65,203,060**
Transfers (Notes 7 and 10)	**(20,312,536)**	**(277,695,302)**	**312,963**	**28,838,156**	**240,981,071**	**(29,965,305)**	**84,282**	**(57,756,671)**
Impact of divestment/ deconsolidation (Note 1)	**–**	**(24,782,572)**	**(4,012,710)**	**(5,771,155)**	**(6,544,126)**	**(13,395,491)**	**(8,429,167)**	**(62,935,221)**
Disposals	**–**	**–**	**(782,143)**	**(12,354,673)**	**–**	**–**	**–**	**(13,136,816)**
Balance at end of year	**229,275,225**	**8,439,992,664**	**1,220,328,999**	**1,815,507,027**	**830,072,184**	**2,306,349,388**	**2,248,477,281**	**17,090,002,768**
Accumulated depreciation and amortization								
Balance at beginning of year	**–**	**2,122,740,833**	**1,004,845,933**	**1,435,434,701**	**486,169,592**	**–**	**1,764,838,534**	**6,814,029,593**
Depreciation and amortization (Note 18)	**–**	**313,485,474**	**50,379,239**	**160,165,489**	**89,274,665**	**–**	**148,071,975**	**761,376,842**
Impact of business combination (Note 4)	**–**	**8,496,660**	**10,798,722**	**19,323,817**	**–**	**–**	**11,675,378**	**50,294,577**
Transfers (Notes 7 and 10)	**–**	**(11,893,657)**	**312,963**	**–**	**(322,666)**	**–**	**84,282**	**(11,819,078)**
Impact of divestment/ deconsolidation (Note 1)	**–**	**(6,332,820)**	**(3,224,694)**	**(3,196,510)**	**(6,504,832)**	**–**	**(8,029,931)**	**(27,288,787)**
Disposals	**–**	**–**	**(743,249)**	**(8,044,239)**	**–**	**–**	**–**	**(8,787,488)**
Balance at end of year	**–**	**2,426,496,490**	**1,062,368,914**	**1,603,683,258**	**568,616,759**	**–**	**1,916,640,238**	**7,577,805,659**
Net book value	**₱229,275,225**	**₱6,013,496,174**	**₱157,960,085**	**₱211,823,769**	**₱261,455,425**	**₱2,306,349,388**	**₱331,837,043**	**₱9,512,197,109**

	2023							
	Land	Plant and Technical Equipment	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Software	Total
Cost								
Balance at beginning of year	₱226,391,550	₱6,791,103,102	₱927,100,180	₱1,708,997,896	₱508,062,330	₱1,439,546,122	₱1,630,549,552	₱13,231,750,732
Additions	9,312,528	424,947,336	234,007,282	51,266,605	10,121,849	818,952,640	260,926,925	1,809,535,165
Transfers (Notes 6 and 10)	–	887,717,991	3,576,538	1,241,518	47,687,458	(9,642,820)	(3,580,207)	927,000,478
Disposals	–	(21,308,746)	(13,484,977)	(10,365,089)	–	–	(80,392)	(45,239,204)
Retirement	–	–	(201,786)	–	–	–	(60,519)	(262,305)
Balance at end of year	235,704,078	8,082,459,683	1,150,997,237	1,751,140,930	565,871,637	2,248,855,942	1,887,755,359	15,922,784,866
Accumulated depreciation and amortization								
Balance at beginning of year	–	1,928,960,612	827,617,234	1,264,291,631	443,116,888	–	1,603,843,818	6,067,830,183
Depreciation and amortization (Note 18)	–	205,631,445	187,369,454	175,470,624	43,602,929	–	164,673,601	776,748,053
Transfers	–	(677,485)	3,544,669	–	(550,225)	–	(3,537,974)	(1,221,015)
Disposals	–	(11,173,739)	(13,483,638)	(4,327,554)	–	–	(80,392)	(29,065,323)
Retirement	–	–	(201,786)	–	–	–	(60,519)	(262,305)
Balance at end of year	–	2,122,740,833	1,004,845,933	1,435,434,701	486,169,592	–	1,764,838,534	6,814,029,593
Net book value	₱235,704,078	₱5,959,718,850	₱146,151,304	₱315,706,229	₱79,702,045	₱2,248,855,942	₱122,916,825	₱9,108,755,273

As of December 31, 2024 and 2023, noncash acquisitions of property, plant and equipment, amounted to ₱210.14 million and nil, respectively. In 2023, payments related to the portion of prior payable related to acquisitions of property, plant and equipment amounted to ₱133.64 million.

In 2024, Tagum Water transferred certain property, plant and equipment classified under construction in progress to inventories amounting to ₱24.77 million (see Note 7).

In 2024 and 2023, certain property, plant and equipment was reclassified to SCA with a net book value of ₱21.17 million and ₱35.51 million, respectively (see Note 10).

10. **Service Concession Assets and Obligations**

a. *Service concession assets*

The movements in this account follow:

	2024	2023
Cost		
Balance at beginning of year	**₱202,573,920,282**	₱181,997,505,759
Additions:		
Rehabilitation works	**25,339,751,344**	19,568,560,474
Concession fees	**215,532,090**	777,890,509
Local component cost	**116,804,868**	193,231,627
Impact of divestment/ deconsolidation (Note 4)	**(1,192,269,738)**	–
Impact of business combination (Note 1)	**1,990,375,467**	–
Transfers from property, plant and equipment (Note 9)	**21,171,042**	36,731,913
Balance at end of year	**229,065,285,355**	202,573,920,282
Accumulated amortization		
Balance at beginning of year	**40,356,421,331**	36,932,300,208
Amortization	**4,484,908,750**	3,422,900,108
Impact of business combination (Note 4)	**224,701,612**	–
Impact of divestment/ deconsolidation (Note 1)	**(258,210,869)**	–
Transfers from property, plant and equipment (Note 9)	**–**	1,221,015
Balance at end of year	**44,807,820,824**	40,356,421,331
Net book value	**₱184,257,464,531**	₱162,217,498,951

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, Calasiao Water, Boracay Water, Calbayog Water, Clark Water, Obando Water, Bulakan Water, MWPVI, Ilagan Water (septage management), South Luzon Water, North Luzon Water, Laguna Water, LARC and Aqua Centro (Lambunao Project) pursuant to the Group's concession agreements, JVAs and SMA; and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the concession arrangements, JVAs and SMA.

In 2024, the Parent Company transferred certain property, plant and equipment to SCA with a net book value of ₱21.17 million. In 2023, Parent Company, Calbayog Water and North Luzon Water transferred certain property, plant and equipment to SCA with a net book value of ₱35.51 million (see Note 9).

In 2019, MWSS along with the Parent Company signed the thirty (30)-year Wawa Bulk Water Agreement with Wawa JVCo, Inc., which involves supply of 518 million liters per day of raw water from the Wawa and Tayabasan Rivers. The first phase of the agreement will involve supply of 80 million liters per day of raw water starting October 2022, while the second phase will supply the additional 438 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Upper Wawa Dam was completed, and Wawa JVCo., Inc. commenced the provision of an initial 80 million liters per day of raw water to the Parent Company. The Parent Company accounts for the Wawa Bulk Water Agreement under the intangible asset model initially recognizing SCA and SCO amounting to ₱6,762.50 million.

Contract assets shown as part of SCA arising from concession agreements consist of the cost of rehabilitation works covered by the respective concession agreements, JVAs and SMAs of the Parent Company, Calasiao Water, Boracay Water, Calbayog Water, Clark Water, Obando Water, Bulakan Water, Ilagan Water, South Luzon Water, North Luzon Water, Laguna Water, LARC, Tagum Water, and Aqua Centro (Lambunao Project).

As of December 31, 2024 and 2023, noncash additions to service concession assets amounted to ₱3,311.73 million, and ₱3,770.71 million, respectively.

As of December 31, 2024, 2023 and 2022, total interest and other borrowing costs capitalized as part of the rehabilitation works amounted to ₱4,354.75 million, ₱3,418.21 million and ₱2,066.99 million, respectively. General borrowing costs amounted to ₱349.61 million, ₱319.30 million and ₱1,756.86 million, and specific borrowing cost amounted to ₱4,005.14 million, ₱3,098.91 million 319.30 million and ₱1,881.14 million in 2024, 2023 and 2022, respectively. The capitalization rates used ranged from 3.00% to 6.34%, 2.50% to 5.70% and 0.91% to 3.36% in 2024, 2023 and 2022, respectively.

b. *Service concession obligations*

The breakdown of service concession obligations follows:

	2024	2023
Current	**₱636,644,692**	₱910,632,846
Noncurrent	**14,474,470,843**	15,214,188,022
	₱15,111,115,535	₱16,124,820,868

<u>MWSS Concession Fees</u>
The aggregate concession fees of the Parent Company are equal to the sum of the following:

i. 10.00% of the aggregate Peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;
ii. 10.00% of the aggregate Peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
iii. 10.00% of the local component costs and cost overruns related to the UATP;
iv. 100.00% of the aggregate Peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by the Parent Company for continuation;
v. 100.00% of the local component costs and cost overruns related to existing projects;
vi. Parent Company's share in the repayment of MWSS loan for the financing of new projects; and
vii. one-half of MWSS annual corporate operating budget.

In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II. Total loan facility amounted to $116.60 million with a maturity of twenty (20) years including a five (5)-year grace period. The interest rate is 3.00% per annum. MWSS subsequently entered into a MOA with the Parent Company and Maynilad for the Parent Company and Maynilad to equally shoulder the repayment of the loan with such repayment to form part of the concession fees.

On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounted to US$123.30 million with a maturity of twenty-five (25) years including a six and a half (6.5)-year grace period. On April 27, 2022, the loan had an unutilized and cancelled amount of US$56.73 million. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

In 2016, the Parent Company paid MWSS ₱500.00 million as compensation for additional water allocation in the Angat reservoir.

In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China on November 20, 2018 amounting to US$211.21 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

On August 27 2020, a supplemental MOA was entered into by MWSS with the Parent Company and Maynilad for the separate loan to be obtained by MWSS to finance the construction of Aqueduct No. 7, which is a new and seventh aqueduct downstream of Ipo Dam from Bigte Basin to Novaliches Portal that will convey the additional output to further strengthen the reliability and adequacy of the water supply system. The loan amounts to US$126.02 million with a maturity of twenty-five (25) years including a six and a half (6.5)-year grace period. As stipulated in the MOA, all expenses to be incurred by the Concessionaires in connection with the Angat Water Transmission Improvement Project and Aqueduct No. 7, including the amortization payment as well as the local counterpart funds, shall be part of the Concessionaire's respective business plans which shall be considered in the next rate rebasing exercise.

The schedule of undiscounted future concession fee payments of the Parent Company follows:

Year	Foreign Currency-Denominated Loans (Translated to US$)	Peso Loans/ Project Local Support	Total Peso Equivalent*
2025	$8,988,193	₱395,714,907	₱915,636,931
2026	8,514,212	395,714,907	888,219,500
2027	11,441,446	395,714,907	1,057,545,351
2028	11,163,542	395,714,907	1,041,469,994
2029	10,921,930	395,714,907	1,027,493,948
2030 onwards	69,060,131	2,967,861,801	6,962,645,079
	$120,089,454	₱4,946,436,336	₱11,893,010,803

**Peso equivalent is translated using the closing rate as of December 31, 2024 amounting to ₱57.8450 to US$1.*

<u>CWD Concession Fees</u>
Under Calasiao Water's concession agreement with CWD, concession fees are based on a fixed schedule of annual payments over the twenty-five (25) year concession period.

<u>TIEZA Concession Fees</u>
The aggregate concession fees pursuant to Boracay Water's concession agreement with TIEZA is equal to the sum of the following:

i. servicing the aggregate Peso equivalent of all liabilities of BWSS as of commencement date;
ii. 5.00% of the monthly gross revenue of Boracay Water, inclusive of all applicable taxes which are for the account of Boracay Water; and
iii. payment of annual operating budget of the TIEZA-RO starting 2010. For 2010 and 2011, the amount shall not exceed ₱15.00 million. For the year 2012 and beyond, Boracay Water shall pay ₱20.00 million, subject to annual CPI adjustments.

<u>CCWD Revenue Share</u>
Under Calbayog Water's JVA with CCWD, Calbayog Water is required to pay, on a monthly basis, an annual revenue share, amounting to ₱18.00 million subject to an increase of ₱1.00 million every five (5) years, conditioned upon the approval by the CCWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share for the duration of the appointment period follows:

Appointment Period	Revenue Share
Years 1 to 5	₱18.00 million
Years 6 to 10	₱19.00 million
Years 11 to 25	₱20.00 million
Years 16 to 20	₱21.00 million
Years 21 to 25	₱22.00 million

Subject to the provision of the JVA on EPA, Calbayog Water shall increase the revenue share due to CCWD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the appointment period of the JVA.

CDC Concession Fees

The aggregate concession fees pursuant to Clark Water's concession agreement with CDC is equal to the sum of the following:

i. annual franchise fee of ₱1.50 million; and
ii. semi-annual rental fees of ₱2.77 million for leased facilities from CDC.

As a result of the extension of the concession agreement of Clark Water, payment of rental fees on the CDC existing facilities was extended by an additional fifteen (15) years from October 1, 2025 to October 1, 2040 (see Note 1).

OWD Concession Fees

The aggregate concession fee pursuant to Obando Water's concession agreement with OWD is equal to the sum of the following:

i. base concession fee which shall be used for operations of the OWD; and
ii. additional concession fee composed of amounts representing amortization payments for the outstanding obligations of OWD (which includes OWD's loan with LWUA) and 2.00% of the gross annual receipts of Obando Water, representing franchise tax to be paid by the OWD.

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer impose penalties from OWD.

BuWD Concession Fees

The aggregate concession fee pursuant to Bulakan Water's concession agreement with BuWD is equal to the sum of the following:

i. base concession fee which shall be used for operations of the BuWD; and
ii. additional concession fees composed of:
    - 2.00% of the gross monthly water sales of Bulakan Water,
    - one-time expenditures and payables applicable only for Year 1 of the concession agreement, and
    - an amount equivalent to the monthly consumption of BuWD under a bulk water supply agreement with Luzon Clean Water Development Corporation, including any minimum guaranteed volume consumption.

Any loss or reduction in profit for any given year as a result of the operation of the facilities in the service area of BuWD shall not in any way affect or reduce the payment of the base concession fee.

TnWD Fees

Under South Luzon Water's JVA with TnWD, South Luzon Water is required to pay, on an annual basis, a revenue share, amounting to ₱17.50 million subject to an increase of ₱1.00 million every five (5) years, conditioned upon the approval by the TnWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share for the duration of the appointment period follows:

Appointment Period	Revenue Share
Years 1 to 5	₱17.50 million
Years 6 to 10	₱18.50 million
Years 11 to 25	₱19.50 million
Years 16 to 20	₱20.50 million
Years 21 to 25	₱21.50 million

PGL Concession Fees

Under Laguna Water's concession agreement with PGL, Laguna Water is required to pay concession fees to PGL computed as a percentage of water sales as follows:

Operational Period	Percentage of Water Sales
Years 1 to 5	4.00%
Years 6 to 25	3.00%

Seventy percent (70.00%) of the concession fees shall be applied against any advances made by Laguna Water to PGL. The remaining thirty percent (30.00%) of the concession fees shall be payable annually thirty (30) days after the submission of the audited financial statements by Laguna Water, starting on the first operational period, which begins upon the expiration of the transition period.

<u>PAGWAD Revenue Share</u>
Under Laguna Water's JVA with PAGWAD, Laguna Water is required to pay, on a calendar year basis, an annual revenue share, amounting to the higher of:

i. ₱10.50 million for a twelve (12)-month period or the proportionate amount for those years with less than twelve (12) months (the "base revenue share"); or
ii. seven percent (7.00%) of the annual gross operating revenues for the immediately preceding year based on the audited financial statements (the "variable revenue share").

The revenue share shall be payable by Laguna Water in advance at the start of the relevant year. The base revenue share shall be payable within fifteen (15) calendar days from the start of the relevant year. In the event the variable revenue share is higher than the base revenue share, the difference between the variable revenue share and the base revenue share shall be payable to PAGWAD within fifteen (15) calendar days after the approval of Laguna Water's audited financial statements.

Subject to the provision of the JVA on EPA, Laguna Water shall increase the revenue share due to PAGWAD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the period of the JVA.

On March 15, 2021, the annual revenue share was increased to P11.5 million due to change in the basis of 2% franchise tax from gross receipts to revenue share. In 2024 and 2023, annual revenue share amounted to ₱13.13 million.

<u>Municipalities of Sta. Barbara, San Fabian, and Manaoag Fees</u>
Under North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag, North Luzon Water is required to pay a royalty amounting to:

Municipality	Percentage of Gross Sales*
Sta. Barbara	Not exceeding 0.6%
San Fabian	Not exceeding 0.5%
Manaoag	Not exceeding 0.5%

**Gross sales from water supply or distribution less VAT*

<u>LWD Fees</u>
Under Aqua Centro's JVA with LWD, Aqua Centro is required to pay, on a monthly basis, an annual revenue share, amounting to ₱15.75 million, conditioned upon the approval by the LWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share shall no longer be guaranteed and shall be subject to adjustment by mutual agreement and discussion of Aqua Centro and LWD if the tariff adjustment is not secured or obtained from LWUA. The revenue share for the duration of the appointment period follows:

Appointment Period	Revenue Share
Years 1 to 5	₱15.75 million
Years 6 to 10	₱17.50 million
Years 11 to 25	₱17.50 million
Years 16 to 20	₱17.50 million
Years 21 to 25	₱20.65 million
Years 26 to 30	₱25.75 million
Years 31 to 35	₱35.33 million

Subject to the provision of the JVA on EPA, Aqua Centro shall increase the revenue share due to LWD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the appointment period of the JVA.

The Group's interest expense on its service concession obligations amounted to ₱1,153.61 million, ₱1,135.45 million, and ₱898.64 million in 2024, 2023, and 2022, respectively (see Note 18).

11. **Leases**

The Group as a Lessee
The Group leases office space, storage and plant facilities, land, and right-of-way wherein it is the lessee. The terms of the leases range from one year or until the end of the concession period.

The rollforward analysis of the Group's right-of-use assets follows:

	2024			
	Office Space and Parking	**Storage and Plant Facilities**	**Land and Right-of-Way**	**Total**
Cost				
Balance at beginning of year	**₱466,407,770**	**₱216,637,566**	**₱102,235,248**	**₱785,280,584**
Additions	**164,017,370**	**111,582,979**	**–**	**275,600,349**
Pre-terminations	**(3,550,427)**	**–**	**–**	**(3,550,427)**
Balance at end of year	**626,874,713**	**328,220,545**	**102,235,248**	**1,057,330,506**
Accumulated amortization				
Balance at beginning of year	**282,418,753**	**145,723,674**	**28,672,291**	**456,814,718**
Amortization	**59,980,713**	**35,229,611**	**5,923,599**	**101,133,923**
Pre-terminations	**(3,978,489)**	**–**	**–**	**(3,978,489)**
Balance at end of year	**338,420,977**	**180,953,285**	**34,595,890**	**553,970,152**
Net book value	**₱288,453,736**	**₱147,267,260**	**₱67,639,358**	**₱503,360,354**

	2023			
	Office Space and Parking	Storage and Plant Facilities	Land and Right-of-Way	Total
Cost				
Balance at beginning of year	₱456,181,916	₱216,637,566	₱102,235,248	₱775,054,730
Additions	10,225,854	–	–	10,225,854
Balance at end of year	466,407,770	216,637,566	102,235,248	785,280,584
Accumulated amortization				
Balance at beginning of year	222,462,322	105,048,598	21,407,615	348,918,535
Amortization	59,956,431	40,675,076	7,264,676	107,896,183
Balance at end of year	282,418,753	145,723,674	28,672,291	456,814,718
Net book value	₱183,989,017	₱70,913,892	₱73,562,957	₱328,465,866

In 2024, the Group pre-terminated certain office space and parking lease agreements which resulted to a loss in pre-termination amounting to ₱0.43 million, presented under other income (losses) in the consolidated profit or loss (see Note 18).

Amortization of plant facilities used for construction amounting to ₱0.37 million and ₱0.14 million were capitalized in 2024 and 2023, respectively.

The rollforward analysis of the Group's lease liabilities follows:

	2024	2023
Balance at beginning of year	**₱332,377,758**	₱436,347,432
Additions	**275,600,349**	10,225,854
Payments	**(227,665,523)**	(133,017,393)
Accretion	**21,293,733**	18,821,865
Balance at end of year	**₱401,606,317**	₱332,377,758
Current portion	**₱96,510,374**	₱117,029,647
Noncurrent portion	**₱305,095,943**	₱215,348,111

The maturity analysis of lease liabilities is disclosed in Note 28.

The following are the amounts recognized in profit or loss:

	2024	2023	2022
Depreciation expense of right-of-use assets (Note 18)	**₱100,759,864**	₱107,761,176	₱73,326,708
Expenses relating to short-term leases and lease of low-value assets (Note 18)	**38,903,993**	24,235,210	26,121,109
Interest expense on lease liabilities (Note 18)	**21,293,733**	18,821,865	14,192,393
Loss (gain) on pre-termination (Note 18)	**(428,062)**	–	2,826,840
	₱160,529,528	₱150,818,251	₱116,467,050

12. **Investments in Associates**

This account consists of the following:

	2024	2023
Acquisition cost, net	**₱13,031,980,437**	₱13,031,980,437
Accumulated equity in net losses	**(5,996,015,031)**	(2,007,769,733)
Cumulative translation adjustments	**143,199,779**	164,623,294
Accumulated equity in other comprehensive gain / (loss)	**7,098,753**	2,734,309
	₱7,186,263,938	₱11,191,568,307

Details of the Group's investments in associates are discussed below.

Thu Duc Water
Thu Duc Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On October 12, 2011, TDWH and Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) entered into a share sale and purchase agreement whereby CII will sell to TDWH its 49.00% interest (equivalent to 2.45 million common shares) in Thu Duc Water. On December 8, 2011, TDWH completed the acquisition of CII's interest in the common shares of Thu Duc Water after which TDWH obtained significant influence in Thu Duc Water.

The acquisition cost of the investment amounted to ₱1,788.00 million (VND857.50 billion). The investments in associate account includes a notional goodwill amounting to ₱1,455.51 million (VND698.04 billion) arising from the acquisition of shares of stock in Thu Duc Water.

The financial information of Thu Duc Water as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱181,887,292**	₱254,529,744
Noncurrent assets	**4,321,010,936**	4,168,630,712
Current liabilities	**274,772,005**	263,580,669
Noncurrent liabilities	**148,942,307**	207,556,319
Revenue	**1,000,337,682**	1,016,503,323
Net income	**620,546,336**	663,141,317

The conversion rate used was ₱0.0023 to VND1.00 as of December 31, 2024 and 2023.

The share of the Group in the net income of Thu Duc Water for the years ended December 31, 2024, 2023 and 2022 amounted to ₱304.07 million, ₱327.94 million, and ₱315.27 million, respectively.

Kenh Dong Water
Kenh Dong Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On May 17, 2012, the Parent Company, through KDWH, entered into a sale and purchase agreement with CII for the purchase of 47.35% of CII's interest in Kenh Dong Water. The payment for the shares was done in two tranches, with additional contingent considerations subject to the fulfillment of certain conditions precedent, for a total purchase price of ₱1,659.89 million.

As of December 31, 2012, considerations paid by the Parent Company for its investment in Kenh Dong Water amounted to ₱1,571.92 million (VND785.24 billion). The share purchase transaction was completed on July 20, 2012 and KDWH gained significant influence in Kenh Dong Water.

In 2013, Kenh Dong Water finalized its purchase price allocation which resulted in a final notional goodwill amounting to ₱1,373.57 million (VND650.85) billion.

The financial information of Kenh Dong Water as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱831,296,434**	₱722,521,066
Noncurrent assets	**2,539,199,211**	2,534,877,131
Current liabilities	**93,363,437**	77,819,240
Noncurrent liabilities	**–**	26,630,312
Revenue	**747,514,122**	761,244,247
Net income	**397,477,313**	458,060,397

The conversion rate used was ₱0.0023 to VND1.00 as of December 31, 2024 and 2023.

The share of the Group in the net income of Kenh Dong Water for the years ended December 31, 2024, 2023, and 2022 amounted to ₱188.21 million, ₱216.89 million, and ₱197.40 million, respectively.

The Group's share in net income from its investments in Thu Duc Water and Kenh Dong Water resulted from concession arrangements with the People's Committee of Ho Chi Minh City (the Grantor). These concession arrangements are accounted for under the Financial Asset model of IFRIC 12 as these associates have an unconditional contractual right to receive fixed and determinable amounts of payment for its construction services at the direction of the Grantor.

Saigon Water Infrastructure Corporation (Saigon Water)
Saigon Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam. Saigon Water is listed in the Ho Chi Minh City Stock Exchange.

On October 8, 2013, the Parent Company, through MWSAH, entered into an Investment Agreement for the acquisition of a 31.47% stake in Saigon Water. The acquisition cost of the investment amounted to ₱642.76 million (VND310.45 billion). The share subscription transaction was completed on October 8, 2013 and MWSAH gained significant influence in Saigon Water.

In 2014, MWSAH finalized the notional goodwill amounting to ₱293.65 million (VND139.51 billion) arising from the acquisition of shares of stock in Saigon Water by the Group as of December 31, 2013. There were no adjustments made to the fair values of the net assets as of acquisition date.

On June 21, 2017, MWSAH subscribed to an additional 6.15 million primary shares of Saigon Water for ₱229.16 million (VND103.87 billion), which increased MWSAH's holding in Saigon Water's outstanding capital stock from 31.47% to 37.99%. The notional goodwill arising from the additional subscription amounted to ₱42.05 million (VND19.06 billion).

The financial information of Saigon Water as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱2,188,109,069**	₱355,055,339
Noncurrent assets	**3,430,044,974**	4,061,246,077
Current liabilities	**779,622,437**	1,741,912,538
Noncurrent liabilities	**2,032,252,726**	1,071,818,315
Revenue	**840,815,651**	774,627,966
Net income (loss)	**1,220,663,390**	(105,278,100)

The conversion rate used was ₱0.0023 to VND1.00 as of December 31, 2024 and 2023.

In 2024, the management of Saigon Water approved the sale of its 43% stake in Tan Hiep Investment Joint Stock Company to Binh Duong Water - Environment Corporation – JSC, resulting in a one-off gain of VND 542 billion recorded during the year.

The share of the Group in the consolidated net loss of Saigon Water for the years ended December 31, 2024, 2023 and 2022 amounted to ₱438.28 million (inclusive of impairment loss of ₱902.01 million), ₱40.00 million and ₱78.64 million, respectively. The closing share price of Saigon Water as of December 31, 2024 and December 31, 2023 were VND16,700 per share and VND14,700 per share, respectively.

In 2024, the Group recognized impairment on its investment in Saigon Water amounting to ₱902.01million (shown as part of equity in net losses) based on current operating and market conditions and our outlook on this investment. No provision for impairment loss was recognized in 2023 (see Notes 3 and 18).

As of December 31, 2024 and 2023, MWSAH's allowance for impairment on investment in Saigon Water amounted to ₱1,046.04 million and ₱144.03 million, respectively.

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital and growth rates.

Discount Rates
The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets taking into consideration the debt premium, market risk premium, liquidity premium, gearing, corporate tax rate and asset betas. Management assumed a pre-tax discount rates of 9.80% to 14.70% in 2024.

Revenues and costs
Average growth rates in revenues are based on Saigon Water's expectation of market developments and the changes in the environment in which it operates. Saigon Water's anticipated revenue growth rate averaging from 2.50% to 5.00% in 2024, within the forecast period, is based on past historical performance as well as expectations on the operating results of the business. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of the economy in which the business operates.

Costs and expenses assumed to grow based on average inflationary increases throughout the forecast period of 3.50% in 2024.

Cu Chi Water Supply Sewerage Company Ltd. (Cu Chi Water)
Cu Chi Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam. As of December 31, 2024, Cu Chi has no commercial operations.

On October 10, 2015, MWSAH executed a Capital Transfer Agreement with Saigon Water for the acquisition of 24.50% of the charter capital of Cu Chi Water in the total amount of ₱318.16 million (VND154.35 billion). Pursuant to the Capital Transfer Agreement, Saigon Water granted a put option to MWSAH and VIAC (No 1) Limited Partnership, another party to the agreement, which option can be exercised upon the occurrence of certain trigger events. On October 29, 2021, the Capital Transfer Agreement has been extended for one (1) year. As of December 31, 2024 and 2023, no trigger event has occurred and the value of the put option was determined to be nil.

In 2020, MWSAH recognized impairment on its investment in Cu Chi Water amounting to ₱336.67 million due to the current and prospective financial performance and condition of Cu Chi Water.

The financial information of Cu Chi Water as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱119,067**	₱93,613
Noncurrent assets	**1,430,191,802**	1,437,572,742
Current liabilities	**329,116**	285,189

The conversion rate used was ₱0.0023 to VND1.00 as of December 31, 2024 and 2023.

On January 9, 2024, MWSAH's BOD approved the sale of its investment in Cu Chi to Saigon Water in exchange for shares in Saigon Water amounting to VND 154 billion representing 7,529,268 shares. As of December 31, 2024, the transaction is still ongoing since a certain condition precedent is yet to be complied.

PT. Sarana Tirta Ungaran (PT STU)
PT STU is incorporated in Indonesia with principal place of business in Semarang, Indonesia. PT STU is a bulk water supply company servicing Perusahaan Daerah Air Minum (PDAM) Kabupaten Semarang and industrial customers in Bawen, located in Ungaran area of Semarang Regency, Central Java Province, with a capacity of 21.50 million liters per day.

On March 6, 2018, PTMWI signed a SPA with PT. Triguna Rapindo Mandiri to acquire 4,478 ordinary shares in PT STU to own 20.00% of its outstanding capital stock.

The financial information of PT STU as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱90,002,562**	₱80,556,230
Noncurrent assets	**137,082,359**	147,088,053
Current liabilities	**2,704,506**	7,194,293
Revenue	**104,758,034**	93,361,081
Net income	**12,416,160**	4,952,927

The conversion rates used were ₱0.0036 to IDR1.00 as of December 31, 2024 and 2023.

The acquisition cost of the investment amounted to ₱37.00 million (IDR10.00 billion). The investment in associate account includes a notional goodwill amounting to ₱1.01 million (IDR295.46 million) arising from the acquisition of shares of stock in PT STU. The share in the net identifiable assets of PT STU on the date of acquisition amounted to ₱35.91 million.

The share of the Group in the net income of STU for the year ended December 31, 2024, 2023 and 2022 amounted to ₱2.48 million, ₱1.00 million and ₱0.14 million, respectively.

Eastern Water Resources Development and Management Public Company Limited (East Water)
East Water is incorporated in Thailand with principal place of business in Bangkok, Thailand. East Water is listed in the Stock Exchange of Thailand.

On February 19, 2018, the Parent Company signed a SPA with Electricity Generating Public Company Limited (EGCO) to acquire EGCO's 18.72% equity in East Water. East Water is engaged in the provision of raw water and tap water since 1992 in the eastern seaboard of Thailand.

On March 14, 2018, MWTC acquired 311.44 million ordinary shares in East Water representing 18.72% equity of East Water.

The financial information of East Water as of and for the years ended December 31, 2024 and 2023 and follows:

	2024	2023
Current assets	**₱2,836,473,597**	₱3,990,200,744
Noncurrent assets	**42,848,864,039**	42,417,023,784
Current liabilities	**8,447,418,777**	5,053,766,660
Noncurrent liabilities	**21,041,112,186**	21,494,193,653
Revenue	**5,256,588,110**	5,153,778,052
Net loss	**(742,845,902)**	(289,792,774)
Other comprehensive income	**4,364,444**	4,641,047

The conversion rates used was ₱1.6166 and ₱1.6102 to THB1.00 as of December 31, 2024 and 2023, respectively.

The acquisition cost of the investment amounted to ₱8,834.04 million (THB5.29 billion). As of December 31, 2024 and 2023, the investment in associate account includes a notional goodwill amounting to nil and ₱153.10 million, respectively.

In 2024 and 2023, MWTC recognized impairment on its investment in East Water amounting to ₱3,558.74 million and ₱4,063.26 million (shown as part of equity in net losses) based on current operating and market conditions and our outlook on this investment. (see Notes 3).

The share of the Group in the net income (loss) of East Water, for the years ended December 31, 2024, 2023 and 2022, amounted to (₱3,697.80 million) (inclusive of impairment loss of ₱3,558.74 million), (₱4,117.51 million) (inclusive of impairment loss of ₱4,063.26 million), and ₱63.22 million, respectively. The closing share price of East Water as of December 28, 2024 and December 28, 2023 were THB2.74 per share and THB4.18 per share, respectively.

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital and growth rates.

Discount Rates
The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets taking into consideration the debt premium, market risk premium, liquidity premium, gearing, corporate tax rate and asset betas. Management assumed a pre-tax discount rate of 8.20% and 6.80% in 2024 and 2023, respectively.

Revenues and Costs
Average growth rates in revenues are based on East Water's expectation of market developments and the changes in the environment in which it operates. East Water's anticipated revenue growth rates of 1.00% and 1.20% in 2024 and 2023, respectively, within the forecast period, are based on past historical performance as well as expectations on the operating results of the business.

Costs and expenses are assumed to grow based on average inflationary increases throughout the forecast period of 1.85% and 1.82% in 2024 and 2023, respectively.

Terminal Growth Rates
In 2023, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of the economy in which the business operates. In 2024, the terminal value was affected by the recent increased competition, instability in leadership and lack of significant business expansion plans and initiatives in the pipeline.

IWP
IWP is incorporated in Saudi Arabia with principal place of business in the city of Madinah, Kingdom of Saudi Arabia. IWP is a mixed capital limited liability company incorporated under the laws of the Kingdom of Saudi Arabia by Saur Saudi Arabia Ltd., Miahona Company, and MWAP with equity shareholdings of 40.00%, 40.00%, and 20.00%, respectively.

The financial information of IWP as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱644,844,300**	₱500,023,490
Noncurrent assets	**1,451,695**	2,351,043
Current liabilities	**148,478,724**	132,476,678
Noncurrent liabilities	**68,581,977**	67,580,936
Revenue	**643,389,777**	671,123,209
Net income	**112,285,165**	134,963,776

The conversion rate used was ₱15.43 and ₱14.82 to SAR1.00 as of December 31, 2024 and 2023, respectively.

The share of the Group in the net income of IWP for the years ended December 31, 2024, 2023 and 2022, amounted to ₱22.46 million, ₱27.00 million and ₱11.32 million, respectively.

IWP2
On January 27, ,2022, IWP2 was incorporated with MWAP, Saur, and Miahona owning 30.00%, 35.00%, and 35.00%, respectively. On April 1, 2022, IWP2 officially commenced the implementation of the MOMC.

The financial information of IWP as of and for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Current assets	**₱480,978,820**	₱406,812,169
Noncurrent assets	**7,302,091**	4,104,506
Current liabilities	**234,990,561**	249,780,494
Noncurrent liabilities	**47,625,798**	44,649,681
Revenue	**553,274,062**	496,059,812
Net income	**83,141,985**	70,977,703

The conversion rate used was ₱15.43 and ₱14.82 to SAR1.00 as of December 31, 2024 and 2023, respectively.

The share of the Group in the net income of IWP2 for the years ended December 31, 2024, 2023 and 2022, amounted to ₱24.94 million, ₱21.29 million and ₱11.36 million, respectively.

The reconciliation of the net assets of the associates to the carrying amounts of the investments in associates recognized in the consolidated financial statements follows:

	December 31, 2024				
Associate	**Net Assets of Associate***	**Proportionate Ownership Interest**	**Share in Net Identifiable Assets**	**Notional Goodwill (Impairment)**	**Carrying Values**
Thu Duc Water	**₱4,079,183,916**	**49.00%**	**₱1,998,800,119**	**₱1,584,384,621**	**₱3,583,184,740**
Kenh Dong Water	**3,277,132,208**	**47.35%**	**1,551,722,100**	**1,477,274,328**	**3,028,996,428**
Saigon Water	**2,806,278,880**	**37.99%**	**1,066,105,347**	**(685,502,900)**	**380,602,447**
Cu Chi Water	**1,429,981,753**	**24.50%**	**350,345,529**	**(350,345,529)**	**–**
PT STU	**224,380,415**	**20.00%**	**44,876,083**	**1,057,815**	**45,933,898**
East Water	**16,196,806,673**	**18.72%**	**3,032,042,209**	**(3,032,042,209)**	**–**
IWP	**429,235,294**	**20.00%**	**85,847,059**	**–**	**85,847,059**
IWP2	**205,664,552**	**30.00%**	**61,699,366**	**–**	**61,699,366**
Total	**₱28,648,663,691**		**₱8,191,437,812**	**(₱1,005,173,874)**	**₱7,186,263,938**

	December 31, 2023				
Associate	Net Assets of Associate*	Proportionate Ownership Interest	Share in Net Identifiable Assets	Notional Goodwill (Impairment)	Carrying Values
Thu Duc Water	₱3,952,023,468	49.00%	₱1,936,491,500	₱1,592,582,991	₱3,529,074,491
Kenh Dong Water	3,152,948,645	47.35%	1,492,921,183	1,484,918,456	2,977,839,639
Saigon Water	1,602,570,563	37.99%	608,816,557	217,624,383	826,440,940
Cu Chi Water	1,437,381,166	24.50%	352,158,386	(352,158,386)	–
PT STU	220,449,990	20.00%	44,089,998	1,059,644	45,149,642
East Water	23,922,523,333	18.72%	4,478,296,368	(760,642,107)	3,717,654,261
IWP	302,316,919	20.00%	60,463,384	–	60,463,384
IWP2	116,486,500	30.00%	34,945,950	–	34,945,950
Total	₱34,706,700,584		₱9,008,183,326	₱2,183,384,981	₱11,191,568,307

**Attributable to common shareholders.*

The rollforward of accumulated equity in net earnings follows:

	2024	2023
Balance at beginning of year	**(₱2,007,769,733)**	₱1,864,920,588
Equity in net loss	**(3,593,920,432)**	(3,561,491,909)
Dividend income	**(394,324,866)**	(311,198,412)
Balance at end of year	**(₱5,996,015,031)**	(₱2,007,769,733)

13. Other Noncurrent Assets

This account consists of:

	2024	2023
Deferred FCDA	**₱6,232,600,618**	₱2,631,234,667
Advances to contractors	**3,563,303,221**	4,762,241,194
Deposits	**547,208,269**	554,506,907
Water rights	**192,802,742**	192,802,742
Net input VAT	**126,923,087**	117,582,941
Receivable from Ayala Multi-Purpose Cooperative (AMPC)	**17,006,258**	41,981,977
Escrow fund	**–**	300,000,000
Derivative assets	**–**	391,839,337
Miscellaneous	**10,970,823**	51,509,563
	₱10,690,815,018	₱9,043,699,328

Deferred FCDA refers to the net unrecovered amounts from (amounts for refund to) customers for realized losses (gains) from payments of foreign loans based on the difference between the drawdown or rebased rate versus the closing rate at payment date. This account also covers the unrealized gains or losses from loan revaluations (see Note 1).

Advances to contractors are advance payments for the construction of the Group's property and equipment and service concession assets. These are being recouped for more than one (1) year against progress billings based on contract provisions.

Deposits pertain to those made for land acquisition, for leased properties, for environmental guaranty funds, and for guaranty deposits with Manila Electric Company for electric connections and its related deferred charges.

Water rights pertains to the rights to draw water from the Luyang River, Pampanga River, Abacan River, Pasig-Potrero River, Agno River, and Cagayan River.

On August 22, 2012, the NWRB approved the assignment of Water Permit No. 16241 from Central Equity Ventures Inc. (now Stateland Inc.) to MW Consortium which MW Consortium allows Cebu Water to use for its project. As of December 31, 2023 and 2022, Cebu Water's water right amounted to ₱45.00 million.

MWPVI incurred costs to acquire conditional water permits from the NWRB amounting to ₱10.56 million in 2022, nil in 2021 and ₱137.25 million in 2020. A conditional water permit is necessary prior to the issuance of the water permit by NWRB subject to submission of certain requirements, including plans and specifications for the diversion works, pump structure, water measuring device and water distribution system, and environmental compliance certification by the DENR, among others. On April 23, 2018, the NWRB granted MWPVI the permit to use the water from the Pampanga River and on September 24, 2018, granted permits to use the water from the Abacan River and Pasig-Potrero River which superseded the conditional water permits granted to MWPVI on April 20 and September 20, 2017, respectively. On August 27, 2019, the NWRB granted MWPVI the permit to use water from the Agno River which superseded the conditional water permit granted on March 21, 2018. On February 11, 2022, NWRB approved and issued the final water permit in Cagayan River.

Escrow fund was established by Laguna Water to facilitate the repurchase of its redeemable preferred shares to comply with the pertinent rules of the Securities and Exchange Commission (SEC). On June 28, 2024, Laguna Water fully utilized the ₱300.00 million escrow fund as part of the payment for its redemption of the ₱570.00 million redeemable preferred shares to MWPV.

Receivable from AMPC pertains to the term loan and credit line facility agreement.

Derivative assets consist of principal only swap and currency option agreements used to hedge the Parent Company's exposure to foreign currency risk on its long-term debt.

On May 24, 2024, the Group unwound the derivative asset designated to its USD100 million USD-denominated bond. The unwinding resulted to derecognition of derivative asset amounting to ₱694.76 million and derecognition of OCI related to cost of hedging and fair value changes amounting to ₱139.66 million. The current year profit and loss impact amounted to ₱460.00 million net loss included under "Foreign exchange gains (losses)".

On August 10, 2023, the Group unwound the derivative asset related to its EUR120 million Euro-loan principal only swap. The unwinding resulted to derecognition of derivative asset amounting to ₱1,263.52 million and derecognition of OCI amounting to ₱1,557.28 million. The 2023 profit or loss impact amounted to ₱38.44 million net loss included under "Foreign exchange gains (losses)".

Miscellaneous noncurrent assets include Cebu Water's advances to the Carmen Development Fund for its permit to extract water at the Carmen property in Cebu, and MWAP's receivable from IWP2 as shareholder loans including interests.

14. **Accounts and Other Payables and Contract Liabilities**

a. Accounts and other payables

This account consists of:

	2024	2023
Trade payables	**₱11,302,884,092**	₱10,060,590,505
Accrued expenses:		
Contractual services	**671,322,983**	109,339,568
Salaries, wages, and employee benefits	**628,293,522**	517,739,970
Utilities	**555,739,984**	553,544,001
Management and professional fees (Note 23)	**333,735,492**	333,271,717
Repairs and maintenance	**316,942,790**	416,189,530
Water service connections	**114,363,068**	112,857,935
Wastewater costs	**70,372,352**	48,597,118
Occupancy costs (Note 25)	**60,752,343**	84,945,362
Water tankering and bulk water costs	**41,878,070**	25,270,206
Printing and communication	**18,454,807**	14,137,807
Water treatment chemicals	**16,405,088**	38,576,534
Rental of equipment	**8,822,513**	4,310,713
Collection fees	**5,195,207**	3,631,093
Miscellaneous	**278,428,995**	42,579,633
Contractors' payable	**4,334,122,750**	4,948,731,350
Interest payable (Note 15)	**1,724,168,831**	1,418,719,426
Others	**201,227,314**	28,040,501
	₱20,683,110,201	₱18,761,072,969

Trade payables and accrued expenses are non-interest bearing and are normally settled on fifteen (15) to sixty (60)-day terms.

Miscellaneous accrued expenses include accruals for payment of LARC acquisition amounting to ₱230.00 million (see Note 4), advertising, transportation and travel, and supplies.

Contractors' payable pertains to the accrual of expenses which requires the Group to pay the contractor based on progress billings. Contracts payable are normally settled within one (1) year.

Interest payable pertains to the unpaid portion of interest arising from the long-term debts of the Group.

Other payables are non-interest bearing and are normally settled within one (1) year.

b. Contract liabilities

This account consists of:

	2024	2023
Supervision fees	**₱500,934,673**	₱387,658,147
Connection fees - current	**1,742,877**	1,912,823
Current portion	**502,677,550**	389,570,970
Supervision fees	**904,532,196**	674,592,877
Connection fees	**284,481,064**	246,826,685
Noncurrent portion	**1,189,013,260**	921,419,562
	₱1,691,690,810	₱1,310,990,532

Contract liabilities from supervision fees consist of advance customer payments for the provision of design and project management services in the development of water and used water facilities and for future water service. Contract liabilities are reclassified to "Supervision fees" under "Other operating income" upon completion of performance milestones for these services.

Contract liabilities from connection fees pertain to customer payments for the set-up of a connection from the customer's establishment to the Group's water or used water network. These are initially recognized at the time of receipt of customer payments and reclassified to "Connection fees from water and service connections" under "Other operating income" upon provision of the related water and used water services to customers.

15. Long-term Debt

a. Domestic Subsidiaries Short-term debt

Metro Ilagan's loan agreement with Philippine National Bank (PNB)
On September 22, 2023, Metro Ilagan entered into an Omnibus Line agreement with PNB with gross principal amount of ₱150.00 million. In the last quarter of 2023, Metro Ilagan made short-term loan drawdowns aggregating to gross principal amount of ₱135.00 million with maturities ranging from 58 to 90 days and subject to prevailing market rates. These loans were renewed in the first quarter of 2024 and additional drawdown was made with gross principal amount of ₱15.00 million on February 2, 2024.

In the second quarter of 2024, additional drawdowns were made aggregating to gross principal amount of ₱85.00 million. On September 10, 2024, Metro Ilagan made its last drawdown amounting to ₱15.00 million. The proceeds of the loans was used for Metro Ilagan Water's CAPEX and general funding requirements. As of December 31, 2024 and 2023, the carrying amount of the short-term loans, net of loan payments, amounted to ₱135.00 million and ₱250.00 million and ₱135.00 million, respectively.

b. Long-term debt

This account consists of:

	2024	2023
Parent Company loans:		
USD bonds:		
US$500.00 million sustainability bonds	**₱28,501,083,220**	₱27,226,738,326
USD loans:		
US$137.50 million MWMP Loan	**5,548,941,597**	5,734,950,932
European (EUR) loan:		
EUR250.00 million Loan	**–**	3,519,836,009
PHP loans:		
₱15.00 billion Chinabank Loan	**14,918,948,632**	14,903,231,775
₱10.00 billion Metrobank Loan	**9,036,585,430**	8,932,635,710
₱7.00 billion Landbank Loan	**6,952,381,084**	3,473,707,741
₱15.00 billion Metrobank Loan	**6,947,591,990**	–
₱5.00 billion BDO Loan	**3,190,362,738**	4,982,808,371
₱3.00 billion Landbank Loan	**2,981,045,062**	2,977,493,220
₱10.00 billion Chinabank Loan	**2,977,539,051**	–
₱5.00 billion PNB Loan	**1,869,170,399**	2,365,811,796
Subsidiaries' loans:		
USD loan:		
US$110.00 million MWAP Loan	**6,362,950,000**	–
Thailand Baht (THB) loan:		
THB5.30 billion MWTC Loan	**–**	8,488,482,165
Canadian Dollar (CAD) loan:		
CAD0.87 million Laguna Water Loan	**39,005,117**	36,669,405
PHP loans:		
₱2.50 billion Laguna Water SBC Loan	**1,149,840,774**	1,340,819,490
₱2.50 billion Laguna Water BPI Loan	**848,978,171**	1,027,034,305
₱1.60 billion Laguna Water BPI Loan	**894,234,051**	694,905,499
₱0.83 billion Laguna Water DBP Loan	**441,138,953**	491,493,092
₱0.50 billion Laguna Water DBP Loan	**257,005,654**	286,342,198
₱10.00 billion MWPVI Loan	**7,672,343,915**	7,413,755,414

(Forward)

	2024	2023
₱2.40 billion Boracay Water BPI Loan	**₱1,486,021,113**	₱1,499,827,683
₱0.50 billion Boracay Water DBP-SBC Loan	**282,419,895**	292,604,226
₱0.50 billion Boracay Water DBP-SBC Loan	**302,188,451**	313,075,737
₱0.65 billion Boracay Water DBP-SBC Loan	**519,724,589**	538,351,832
₱1.53 billion Clark Water BPI Loan	**789,279,455**	367,152,059
₱1.15 billion Clark Water RCBC Loan	**549,008,813**	644,144,709
₱0.54 billion Clark Water DBP Loan	**410,206,085**	454,353,599
₱0.45 billion Tagum Water PNB Loan	**259,892,874**	293,309,580
₱0.15 billion Tagum Water PNB Loan	**101,300,304**	114,132,723
₱0.23 billion Aqua Centro BPI Loan	**200,944,042**	231,710,323
₱0.47 billion South Luzon Water BPI Loan	**431,522,895**	323,075,648
₱0.39 billion Calbayog Water BPI Loan	**260,321,580**	148,997,580
₱0.20 billion Bulakan Water BPI Loan	**–**	130,000,000
	106,181,975,934	99,247,451,147
Less current portion	**6,969,972,900**	16,971,501,294
	₱99,212,003,034	₱82,275,949,853

Unamortized debt discounts and issuance costs of the Group's long-term debt are as follows:

	2024	2023
USD loans	**₱450,632,350**	₱490,354,488
PHP loans	**379,977,347**	304,215,894
EUR loan	**–**	12,837,491
THB loan	**–**	45,437,038
	₱830,609,697	₱852,844,911

The rollforward analysis of unamortized debt discounts and issuance costs of long-term debt follows:

	2024	2023
Balance at beginning of year	**₱852,844,911**	₱841,679,807
Additions	**139,183,685**	167,091,792
Amortization (Note 18)	**(187,263,244)**	(163,293,338)
Foreign exchange adjustments	**25,844,345**	7,366,650
Balance at end of year	**₱830,609,697**	₱852,844,911

Interest expense on short and long-term debt amounted to ₱2,337.40 million, ₱2,427.79 million, and ₱1,568.88 million in 2024, 2023, and 2022, respectively (see Note 18).

All proceeds from loan drawdowns of the Parent Company were used for the East Zone business to mainly fund the Parent Company capital expenditures.

Parent Company Bonds

US$500.00 million sustainability bonds

On July 22, 2020, the Parent Company announced its plan to issue an offering of USD-denominated senior unsecured notes, which qualified as ASEAN sustainability bonds. Proceeds from the issuance of the bond were intended to refinance debt and finance programmed capital expenditures for 2020 to 2021 of the East Zone, pursuant to the Sustainability Financing Framework (SFF) which the Parent Company established; proceeds are targeted towards financing projects related to (1) Sustainable water and wastewater management, (2) Terrestrial and aquatic biodiversity conservation, and (3) Affordable basic infrastructure categories. The Parent Company's SFF is aligned with the Green Bond Principles 2018 and Social Bond Principles 2018 and likewise complies with the ASEAN Sustainability Bond Standards 2018 and SEC Memorandum Circular No. 8, series of 2019.

On July 23, 2020, the Parent Company successfully issued the US$500.00 million ASEAN sustainability bonds, debuting in the international debt capital markets. The Parent Company is the first Philippine Corporate to issue an ASEAN sustainability bond. Equally important, this issuance is the single largest green, social or sustainability bond issued by a listed private water utility in Asia.

The ten (10)-year bond was priced at 99.002 with a coupon rate of 4.375% p.a. payable in equal installments semi-annually in arrears, on January 30 and July 30 of each year. The bonds will be redeemed at their principal amount on July 30, 2030 unless previously redeemed or repurchased and cancelled as provided in the following conditions:

Gross-up Event

- If a Gross-up Event occurs, the Parent Company may redeem the Notes (in whole but not in part) at 100% of the principal amount of the Notes plus any accrued but unpaid interest, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders.

Change of Control Event

- Following the occurrence of a Change of Control triggering event, each bondholder will have a right at such bondholder's option to require the Parent Company to redeem in whole but not in part such bondholder's notes on the change of control triggering event put date at 101% of the principal amount plus any accrued but unpaid interest.

Regulatory Redemption Event

- Upon a regulatory redemption triggering event, each bondholder will have the right to require the Parent Company to repurchase all or any part of such holder's bonds pursuant to a Special Repurchase Offer. In the Special Repurchase Offer, the Parent Company will offer to purchase the bonds at a purchase price in cash equal to the special redemption price and additional amounts, if any, to but excluding the date of repurchase (subject to the right of bondholders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Parent Company has previously or concurrently elected to redeem the Notes in full as described under the conditions of an early redemption due to a gross-up event.

Redemption at the Option of the Issuer

- On any payment business day on or after July 30, 2025, and up to but excluding the maturity date, the Parent Company may on one or more occasions redeem all or a part of the bonds, at the redemption prices plus accrued and unpaid interest, if any, to the date of redemption, if redeemed during the twelve (12)-month period commencing on the call dates set forth below:

Call Dates	Prices
July 30, 2025	102.188%
July 30, 2026	101.094%
July 30, 2027	100.547%
July 30, 2028 and thereafter	100.000%

The successful bond issuance enabled the Parent Company to diversify its fund sources, to refinance maturing obligations, as well as fund its committed water and wastewater infrastructure projects in the East Zone concession. The carrying value of the bonds as of December 31, 2024 and 2023 amounted to US$491.72 million.

<u>Parent Company Loans</u>

MWMP Loan

On October 2, 2012, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines under the Metro Manila Wastewater Management Project (MWMP) with the World Bank (MWMP Loan). The MWMP aims to improve wastewater services in Metro Manila through increased wastewater collection and treatment. The loan has a term of twenty-five (25) years and was made available in United States Dollar in the aggregated principal amount of US$137.50 million, payable via semi-annual installments after the seven (7)-year grace period. The Parent Company has made four (4) drawdowns in 2015 with an aggregate amount of US$22.60 million, three (3) drawdowns in 2016 with an aggregate amount of US$17.46 million, three (3) drawdowns in 2017 with a total amount of US$22.40 million, one (1) drawdown in 2018 amounting to US$8.88 million, and four (4) drawdowns in 2019 with an aggregate amount of US$41.68 million. In 2020, the Parent Company made three (3) additional drawdowns with a total amount of US$24.48 million to fully utilize the facility. The carrying value of the MWMP loan as of December 31, 2024 and 2023 amounted to US$95.93 million and US$103.58 million, respectively.

EUR250.00 million Loan

On August 27, 2019, the Parent Company entered into a syndicated loan agreement amounting to €250.00 million to fund the capital investment program of the East Zone starting in 2019. The loan will be prepaid in eight (8) installments starting April 2023 and is financed by a syndicate of two (2) banks namely Bank of China (Hong Kong) Limited and Bank of China Limited, Manila Branch. The Parent Company has made a drawdown amounting to €40.00 million in 2019, and

€90.00 million in 2020. In August 2021, the Parent Company prepaid the outstanding loan amounting to €130.00 million with a prepayment cost of ₱7.74 million (see Note 18). In the same month, the Parent Company drew €120.00 million which it will use to continue funding its capital investment program. The carrying value of the loan as of December 31, 2023 amounted to €57.29 million. The loan was fully paid in 2024.

₱15.00 billion Term-Loan with China Banking Corporation (CBC) Loan
On September 12, 2022, the Parent Company entered into a loan agreement with CBC for a 10-year term loan amounting to ₱15.00 billion to be used to finance various capital expenditures of East Zone projects. The Parent Company has made drawdowns amounting to ₱7.50 billion and ₱4.00 billion in September 13, 2022 and December 15, 2022, respectively. Interest and principal payments are payable semi-annually. Principal payment is due beginning March 13, 2026.

On February 21, 2023 and April 25, 2023, the Parent Company made additional drawdowns from the loan facility amounting to ₱1,500.00 million and ₱2,000.00 million, respectively. Interest and principal payments are payable semi-annually. The proceeds of the loan will be used to finance various capital expenditures of East Zone projects.

The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱14,918.95 million and ₱14,903.23 million, respectively.

₱10.00 Billion Term-Loan with Metropolitan Bank and Trust Company (MBTC)
On December 06, 2023, the Parent Company entered into a loan agreement with MBTC for a 10-year term loan amounting to ₱10,000.00 million to be used to finance East Zone's capital expenditures and/or general corporate requirements. The Parent Company has made a drawdown amounting to ₱9,000.00 million on December 11, 2023. Interest and principal payments are payable semi-annually. Principal payment is due beginning June 11, 2024.

On December 18, 2024, the Parent Company made the final drawdown amounting to ₱1,000.00 million to fully utilize the facility. The carrying value as of December 31, 2024 and 2023 amounted ₱9,036.59 million and ₱8,932.64 million, respectively.

₱7.00 Billion Term-Loan with Land Bank of the Philippines (LBP)
On December 19, 2023, the Parent Company entered into a loan agreement with LBP for a 10-year term loan amounting to ₱7.00 billion to be used to finance East Zone's general corporate requirements including, capital expenditures. The Parent Company has made its initial drawdown amounting to ₱3,500.00 million on December 28, 2023 and made the final drawdown ₱3,500.00 million on October 24, 2024 to fully utilize the facility. Interest and principal payments are payable semi-annually. Principal payment is due beginning June 28, 2025. The carrying value as of December 31, 2024 and 2023 amounted to ₱6,952.38 million and ₱3,473.71 million, respectively.

₱15.00 Billion Term-Loan with MBTC
On December 19, 2024, the Parent Company entered into a loan agreement with MBTC for a 10-year term loan amounting to ₱15,000.00 million to finance East Zone's capital expenditures and general corporate requirements. The Parent Company has made a drawdown amounting to ₱7,000.00 million on December 27, 2024. Interest and principal are payable semi-annually. Principal payment will begin on June 27, 2025. The carrying value as of December 31, 2024 amounted to ₱6,947.59 million.

₱5.00 billion Term-Loan with BDO Unibank, Inc. (BDO)
On November 13, 2019, the Parent Company signed a ₱5.00 billion, five (5)-year term, revolver loan facility with BDO with principal payable at bullet after sixty (60) months. The loan proceeds were used for the expansion and improvement of the water source, distribution and sewerage systems, and other general corporate requirements as well as to refinance existing concessionaire loans. The Parent Company made two (2) drawdowns in 2019 with an aggregate amount of ₱3,800.00 million, and an additional drawdown in 2020 amounting to ₱1,200.00 million. On December 19, 2022, the Parent Company re-availed ₱2,000.00 million portion of the loan facility, payable at bullet after sixty (60) months. The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱3,190.36 million and ₱4,982.81 million, respectively.

₱3.00 Billion Term-Loan with LBP
On February 20, 2023, the Parent Company entered into a loan agreement with LBP for a ₱3.00 billion 10-year term loan to be to used to partially finance the Parent Company's general corporate requirements, including capital expenditures. The Parent Company made its first and only drawdown amounting to ₱3.00 billion on November 29, 2023. Interest and principal payments are payable semi-annually. Principal payment is due beginning on May 29, 2025. The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱2,981.05 million and ₱2,977.50 million, respectively.

₱10.00 Billion Term-Loan with CBC
On November 28, 2024, the Parent Company entered into a loan agreement with CBC for a 10-year term loan amounting to ₱10,000.00 million to finance East Zone's capital expenditures. The Parent Company has made a drawdown amounting to ₱3,000.00 million on December 12, 2024 from the facility. Interest and principal are payable semi-annually. Principal payment is due beginning June 12, 2025. The carrying value as of December 31, 2024 amounted to ₱2,977.54 million.

₱5.00 billion Term-Loan with Philippine National Bank (PNB)
On May 11, 2018, the Parent Company signed a ₱5.00 billion, ten (10)-year term loan facility with the PNB. The loan will be used to finance general corporate requirements and capital investment programs in the East Zone as well as to refinance existing concessionaire loans. On July 31, 2018, the Parent Company made its first and only drawdown amounting to ₱5.00 billion. The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱1,869.17 million and ₱2,365.81 million, respectively.

Amendments to Omnibus Agreements, Intercreditor Agreement and Loan Agreements
On July 17, 2008, the Parent Company, together with all of its lenders, signed an Omnibus Amendment Agreement and Intercreditor Agreement and these agreements became effective on September 30, 2008.

Prior to the execution of the Omnibus Amendment Agreement, the obligations of the Parent Company to pay amounts due and owing or committed to be repaid to the lenders under the existing facility agreements were secured by Assignments of Interests by Way of Security executed by the Parent Company in favor of a trustee acting on behalf of the lenders. The Assignments were also subject to the provisions of the Amended and Restated Intercreditor Agreement dated March 1, 2004 and its Amendatory Agreement dated December 15, 2005 executed by the Parent Company, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released the Parent Company from the assignment of its present and future fixed assets, receivables, and present and future bank accounts, all the Project Documents (except for the Agreement, Technical Corrections Agreement and the DOF Undertaking Letter), all insurance policies where the Parent Company is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

In consideration for the release of the assignment of the above-mentioned assets, the Parent Company agreed not to create, assume, incur, permit or suffer to exist, any mortgage, lien, pledge, security interest, charge, encumbrance or other preferential arrangement of any kind, upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or upon or with respect to any right to receive income, subject only to some legal exceptions.

The lenders shall continue to enjoy their rights and privileges as Concessionaire Lenders (as defined under the Agreement), which include the right to appoint a qualified replacement operator and the right to receive payments and/or other consideration pursuant to the Agreement in case of a default of either the Parent Company or MWSS. Currently, all lenders of the Parent Company are considered Concessionaire Lenders and are on *pari passu* status with one another.

In November and December 2014, the Parent Company signed Amendment Agreements to its loan agreements with its existing lenders. This effectively relaxed certain provisions in the loan agreements providing the Parent Company more operational and financial flexibility. The loan amendments include the shift to the use of the Parent Company from consolidated financial statements to stand-alone financial statements for the purposes of calculating the financial covenant ratios, the increase in maximum debt to equity ratio to 3:1 from 2:1 and the standardization of the definition of debt service coverage ratio at a minimum of 1.2:1 across all loan agreements.

In November 2023, the Second Amendment to the Intercreditor Agreement was signed by MWCI and the Lenders to update certain defined terms and provisions of the Intercreditor Agreement and align them with provisions of the Amended Revised Concession Agreement.

Effective October 31, 2024, all existing lenders of the Parent Company formally consented to the removal of the debt service coverage ratio among the Parent Company's loan covenants.

MWAP Loan
On March 1, 2024, MWAP signed a USD110 million, three (3)-year term loan facility with Mizuho Bank-Singapore Branch and ING N.V. Singapore. The loan was fully drawn on March 7, 2024 and was used to partly refinance gross principal amount of THB5.30 billion loan of MWTC with Mizuho Bank-Bangkok Branch and Bank of Ayudhya. The loan bears interest at the Secured Overnight Financing Rate plus margin and is guaranteed by the Parent Company. The carrying value of the loan amounted to ₱6.36 billion as of December 31, 2024.

MWTC Loan
On February 27, 2019, MWTC signed a THB5.30 billion, five (5)-year term loan facility with Mizuho Bank Ltd. – Bangkok Branch and Bank of Ayudhya Public Company Limited to refinance the previous bridge loan used for the acquisition of an 18.72% equity stake in East Water. This loan bears interest of BIBOR plus margin and is guaranteed by the Parent Company. The carrying value of the loan as of December 31, 2023 amounted to THB5,271.78 million. The loan was fully paid in 2024.

Laguna Water Loans
On April 29, 2013, Laguna Water entered into a loan agreement with Development Bank of the Philippines (DBP) to partially finance the modernization and expansion of the water network system and water supply facilities in Biñan, Sta. Rosa and Cabuyao, Laguna. Under the agreement, the lender has agreed to provide a loan to the borrower through the Philippine Water Revolving Fund (PWRF) in the aggregate principal amount of up to ₱500.00 million. The first and second drawdowns were made in July and November 2013 which amounted to ₱250.00 million each. The carrying value of this loan as of December 31, 2024 and 2023 amounted to ₱257.01 million and ₱286.34 million, respectively.

On January 9, 2014, Laguna Water exercised its option to avail of the second tranche of its loan agreement with DBP, to finance its water network and supply projects, including the development of a well-field network in the Biñan, Sta. Rosa area of Laguna. Under the expanded facility agreement, the lender provided additional loans to Laguna Water in the aggregate principal amount of ₱833.00 million. The first and second drawdowns were made in January and May 2014, respectively, amounting to ₱416.50 million each. The carrying value of the loan amounted to ₱441.14 million and ₱491.49 million as of December 31, 2024 and 2023, respectively.

On October 23, 2015, Laguna Water entered into a loan agreement with Security Bank Corp. (SBC) to finance the modernization and expansion of its water network system and water supply facilities throughout the province of Laguna. Under the loan agreement, the lender agreed to provide a loan to the borrower in the aggregate principal amount of up to ₱2.50 billion for an applicable fixed interest rate, as determined in respect of each drawdown. The first drawdown was made in December 2015 amounting to ₱600.00 million. The second drawdown was made in two tranches in April 2016 amounting to ₱150.00 million and ₱300.00 million. The third drawdown was made in September 2016 amounting to ₱400.00 million. The fourth drawdown was made in three (3) tranches, the first tranche in March amounting to ₱100.00 million and the second and third tranches in April 2017 amounting to ₱50.00 million and ₱350.00 million. The fifth drawdown was made in two (2) tranches in September 2017 amounting to ₱150.00 million and ₱400.00 million. The carrying value of the loan amounted to ₱1,149.84 million and ₱1,340.82 million as of December 31, 2024 and 2023, respectively.

On March 29, 2017, Laguna Water entered into a loan agreement with Grand Challenges Canada to fund a project during the period beginning on the effective date of the loan agreement and ending on the project end date of March 31, 2018 for up to an aggregate principal amount of CAD873,000. The project supported by the loan is the "Bundling water and sanitation services for the poor in informal urban communities." As of December 31, 2024 and 2023, the carrying value of the loan amounted to CAD873,000.

On June 28, 2019, Laguna Water signed a ten (10)-year term loan facility amounting to ₱2.50 billion with BPI. The loan will be used to partially finance Laguna Water's capital expenditure program. The first drawdown was made in July 2019 amounting to ₱200.00 million. The second drawdown was made in December 2019 amounting to ₱500.00 million. The third drawdown was made in March 2020 amounting to ₱400.00 million. The fourth drawdown was made in December 2021 amounting to ₱200.00 million. The carrying value of the loan amounted to ₱848.98 million and ₱1,027.03 million as of December 31, 2024 and 2023, respectively.

Omnibus Loan and Security Agreement – BPI
On August 17, 2023, Laguna Water and BPI finalized the Omnibus Loan and Security Agreement (Sixth OLSA) loan facility amounting to ₱1.60 billion. The loan will be used to finance capital expenditure projects for 2023 to 2025. The first drawdown was made on October 23, 2023 amounting to ₱700.00 million. Interest and principal payments are payable quarterly, with interest payment starting in January 2024 and principal payment beginning October 2026.

On November 25, 2024, Laguna Water made additional loan drawdown amounting to ₱200.00 million to finance Laguna Water's capital expenditure projects. Interest and principal payments are payable quarterly, with interest payment starting in January 2025 and principal payment beginning October 2026.

The carrying value of the loan amounted to ₱894.23 million and ₱694.91 million as of December 31, 2024 and 2023.

MWPVI Loan
On October 5, 2016, MWPVI signed a fifteen (15)-year fixed rate term loan facility amounting to ₱4.00 billion with SBC and Metrobank. The terms of the loan include an option to increase the size of the facility to a maximum of ₱7.00 billion. The proceeds of the loan will be used to finance MWPVI's capital expenditures, future acquisitions and other general corporate requirements.

On February 24, 2017, MWPVI made a bridge loan drawdown amounting to ₱150.00 million each from SBC and Metrobank. These bridge loans had a 119-day term. On June 23, 2017, these bridge loans were rolled-over for additional 180 days, repriced monthly. On November 9, 2017, MWPVI repaid its ₱300.00 million bridge loan and made the first drawdown on its loan facility amounting to ₱450.00 million from each bank.

On October 5 and December 19, 2018, MWPVI made its subsequent drawdowns amounting to ₱50.00 million and ₱175.00 million from each bank, respectively. In 2019, MWPVI made additional drawdowns totaling to ₱800.00 million from each bank. These loan drawdowns have a term of thirteen (13) to fifteen (15) years, with interest payable semi-annually and principal repayments starting on November 9, 2022.

On January 15, February 19, and April 7, 2020, MWPVI made additional drawdowns amounting to ₱150.00 million, ₱200.00 million and ₱175.00 million from each bank, respectively.

MWPVI has exercised its option to borrow an additional ₱3.00 billion under the Greenshoe Option of the Omnibus Loan and Security Agreement (OLSA) with SCB and Metrobank. MWPVI signed the Second OLSA on May 22, 2020 and made the first drawdown of ₱750.00 million from each lender. The proceeds of the loan will be used to finance MWPVI's capital expenditures, existing projects of subsidiaries or equity investments, and other general corporate requirements. On March 12, August 10 and October 5, 2021, MWPVI made additional drawdowns in equal tranches of ₱150.00 million from each bank.

On December 21, 2022, MWPVI signed a bilateral ten (10)-year fixed rate term loan facility for the Third OLSA amounting to ₱3.00 billion with SBC. The proceeds of the loan will be used to finance the Company's capital expenditures, fund existing projects of subsidiaries or Equity Investments, and other general corporate requirements. On December 23, 2022, the MWPVI made its first drawdown on its loan facility amounting to ₱700.00 million.

On March 29 and June 29, 2023, MWPVI made additional loan drawdowns from its Third OLSA amounting to ₱150.00 million and ₱600.00 million, respectively. The proceeds of the loan will be used to finance the MWPVI's capital expenditures, fund existing projects of subsidiaries and other general corporate requirements. These loan drawdowns have a term of ten (10) years and will mature on December 23, 2032.

On April 15, 2024, MWPVI made additional drawdown with its existing loan facility from Security Bank with gross principal amount of ₱920.00 million, subject to an interest rate based on 3Y BVAL rate plus credit spread. The proceeds of the loan will be used to finance the MWPVI's capital expenditures, future acquisitions, working capital and other general corporate requirements. The loan drawdown has a term of ten (10) years, with interest payable semi-annually starting on June 23, 2024, and principal repayments starting on June 23, 2025. The loan will mature on December 23, 2032.

The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱7,672.34 million and ₱7,413.76 million, respectively.

Boracay Water Loans
Boracay Water entered into various Omnibus Loan and Security Agreements with DBP, SBC, and BPI to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and wastewater services for its service area under its concession agreement with TIEZA, as well as the operation and maintenance of the completed drainage system.

Omnibus loan and security agreement - Sub-tranche 1
On July 29, 2011, Boracay Water entered into an Omnibus Loan and Security Agreement with DBP and SBC. The loan shall not exceed the principal amount of ₱500.00 million and is payable in twenty (20) years inclusive of a three (3)-year grace period. The loan shall be available in three sub-tranches, as follows:

- Sub-tranche 1A, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- Sub-tranche 1B, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF; and

- Sub-tranche 1C, the loan in the amount of ₱125.00 million to be provided by SBC and funded through its internally-generated funds.

The first, second, and final loan drawdowns amounted to ₱150.00 million on August 25, 2011, ₱155.00 million on August 25, 2012, and ₱195.00 million on August 23, 2013, respectively. The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱282.42 million and ₱292.60 million, respectively.

Omnibus loan and security agreement - Sub-tranche 2
The Agreement provided Boracay Water the option to borrow additional loans from the lenders. On November 14, 2012, Boracay Water entered into the second omnibus loan and security agreement with DBP and SBC. The agreed aggregate principal of the loan amounted to ₱500.00 million which is available in three sub-tranches:

- Sub-tranche 2A, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- Sub-tranche 2B, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF; and
- Sub-tranche 2C, the loan in the amount of ₱125.00 million to be provided by SBC and funded through its internally-generated funds.

In consideration of DBP undertaking to purchase sub-tranches 1C and 2C, Boracay Water will pay DBP purchase commitment fee which is equivalent to 0.25% per annum of the purchase price on a quarterly basis. Purchase commitment fee payable amounted to nil as of December 31, 2024 and 2023, respectively.

The first, second, and final loan drawdowns amounted to ₱75.00 million on November 23, 2012, ₱200.00 million on August 26, 2014, and ₱225.00 million on November 25, 2015, respectively. The carrying value of the loan amounted to ₱302.19 million and ₱313.08 million as of December 31, 2024 and 2023, respectively.

Omnibus Loan and Security Agreement – Sub-tranche 3
On October 9, 2014, Boracay Water signed a Third Omnibus Loan and Security Agreement amounting to ₱650.00 million with SBC. The first, second, and third drawdowns on this loan were made on November 25, 2016, May 25, 2017, and September 25, 2017, amounting to ₱200.00 million, ₱250.00 million, ₱200.00 million, respectively. The carrying value of the loan amounted to ₱519.72 million and ₱538.35 million as of December 31, 2024 and 2023, respectively.

Omnibus Loan and Security Agreement – BPI
On December 20, 2017, Boracay Water signed a Fourth Omnibus Loan and Security Agreement in the amount of ₱2.40 billion with the BPI. The drawdowns on this loan made on April 30, 2018, September 25, 2018, and December 20, 2018 amounted to ₱250.00 million, ₱250.00 million and ₱100.00 million respectively. On February 13, 2020, March 31, 2020, April 7, 2020, and December 22, 2020, additional drawdowns were made amounting to ₱50.00 million, ₱30.00 million, ₱520.00 million, and ₱50.00 million respectively. On January 28, 2021 and May 26, 2021, drawdowns were made amounting to ₱100.00 million and 70.00 million, respectively. On January 21, 2022, another drawdown was made amounting to ₱100.00 million.

On October 7, 2021, BPI approved the amendment of the repayment structure from 40 equal quarterly installments to sculpted quarterly installments payable in 41 quarters to commence on the 5th anniversary from initial drawdown date. The change in payment terms did not result to debt modification.

The carrying value of loan amounted to ₱1,486.02 million and ₱1,499.83 million as of December 31, 2024 and 2023, respectively.

Clark Water Loans
On April 10, 2015, Clark Water entered into a loan agreement with Rizal Commercial Banking Corporation (RCBC), whereby RCBC extended credit to Clark Water for up to ₱1.15 billion to partially finance its capital expenditures program. Under the agreement, principal payments will be made in forty-eight (48) consecutive equal quarterly installments starting December 2018. The first and second drawdowns on the loan were made on September 29, 2015 and December 29, 2015, amounting to ₱800.00 million and ₱200.00 million, respectively. The last drawdown was made on August 29, 2016 amounting to ₱150.00 million. The carrying value of the loan amounted to ₱549.01 million and ₱644.14 million as of December 31, 2024 and 2023, respectively.

On March 11, 2019, Clark Water signed a term loan agreement amounting to ₱535.00 million with the DBP. The proceeds of the loan will be used to partially finance Clark Water's capital expenditure programs. Under the agreement, principal payments will be made in forty-eight (48) consecutive equal quarterly installments starting March 2022. The first, second, third, and fourth drawdowns on this loan were made on March 22, 2019, December 20, 2019, April 24, 2020, and December 23, 2020 amounting to ₱100.00 million, ₱80.00 million, ₱80.00 million, and ₱60.00 million, respectively. The last drawdown was made on May 7, 2021 amounting to ₱215.00 million. The carrying value of the loan amounted to ₱410.21 million and ₱454.35 million as of December 31, 2023 and 2022, respectively.

Omnibus Loan and Security Agreement – BPI
On June 15, 2023, Clark Water and BPI finalized the Omnibus Loan and Security Agreement (Third OLSA) loan facility amounting to ₱1.53 billion. The loan will be used to finance capital expenditure projects for 2023 to 2025. In November and December of 2023, first and second loan drawdown took place amounting to ₱200.00 million and ₱170.00 million, respectively.

On September 24, October 22, and November 25, 2024, Clark Water made additional drawdowns with gross principal amount of P50.00 million, P75.00 million and P300.00M, respectively, subject to an interest rate based on 2Y BVAL rate plus credit spread. The proceeds of the loan will be used to partially finance its capital expenditure projects. Principal payments will be made in twenty-eight (28) consecutive equal quarterly installments starting February 2027. The loan will mature on November 17, 2033.

As of December 31, 2024 and 2023, the carrying value of the loan amounted to ₱789.28 million and ₱367.15 million, respectively.

Tagum Water Loan
On October 6, 2016, Tagum Water signed an OLSA in the amount of ₱450.00 million with PNB. The loan will be used to partially finance the construction works in relation to the Tagum Bulk Water Supply Project. Principal payments will be made in forty-eight (48) equal quarterly installments starting December 2020. The first, second, and third drawdowns on this loan were made on September 25, 2017, April 18, 2018, and November 23, 2018, amounting to ₱130.00 million, ₱120.00 million, and ₱154.00 million, respectively. The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱259.89 million and ₱293.31 million, respectively.

On April 22, 2021, the OLSA was amended for the loan upsize request to fund the additional construction works for the bulk water supply project. The lender has agreed to grant an additional loan in the principal amount of ₱150.00 million under the same payment terms of the initial loan. The first drawdown was made on August 2, 2021 amounting to ₱150.00 million, payable quarterly. The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱101.30 million and ₱114.13 million, respectively.

Aqua Centro Loan
On March 1, 2021, Aqua Centro signed a ₱233.00 million ten (10)-year term loan facility with BPI to partially finance its capital expenditures, future acquisitions and other general corporate requirements. On March 19 and November 26, 2021, Aqua Centro made its first and second drawdown amouting to ₱80.00 million and ₱27.00 million, respectively. On June 14, 2022, Aqua Centro made its third drawdown amounting to ₱61.00 million. On May 29 and December 20, 2023, Aqua Centro made its fourth and fifth drawdown amounting to ₱30.00 million and ₱35.00 million, respectively. These loan drawdowns have a term of nine (9) to ten (10) years, with interest payable quarterly and principal repayments starting on March 19, 2024.

The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱200.94 million and ₱231.71 million, respectively.

South Luzon Water Loan
On August 18, 2021, South Luzon Water signed a ₱465.00 million term loan facility with BPI to partially finance its capital expenditure projects. Under the agreement, principal payments will be made in fifteen (15) consecutive equal semi-annual installments starting August 2024. The first and second drawdowns were made on August 25, 2021 and December 6, 2021, respectively, amounting to ₱50.00 million each.

On April 25, 2022, South Luzon Water made the third drawdown amounting to ₱70.00 million, with a term of ten (10) years. Quarterly interest payments will start on May 25, 2022 while principal repayments will start on May 25, 2024.

On March 30, 2023, June 29, 2023, and September 22, 2023, South Luzon Water made additional drawdowns from its BPI loan facility amounting to ₱60.00 million, ₱45.00 million and ₱50.00 million, respectively.

The proceeds of the loan will be used to partially finance its capital expenditure projects. Principal payments will be made in fifteen (15) consecutive equal semi-annual installments starting August 2024.

On June 19 and August 15, 2024, South Luzon Water made additional drawdowns with its existing loan facility from BPI with gross principal amounts of ₱40.00 million and ₱100.00 million, respectively, subject to an interest rate based on 5Y BVAL rate plus credit spread. The proceeds of the loans will be used to partially finance its capital expenditure projects. Principal payments will be made in fifteen (15) consecutive equal semi-annual installments starting August 25, 2024. The loan will mature on August 25, 2031.

The carrying value of the loans as of December 31, 2024 and 2023 amounted to ₱431.52 million and ₱323.08 million, respectively.

Calbayog Water Loan
On October 12, 2021, Calbayog Water signed a ₱393.00 million term loan facility with BPI to partially finance its capital expenditure projects. Under the agreement, principal payments will be made in fifteen (15) equal semi-annual payments starting October 24, 2024. The first drawdown was made on October 22, 2021 amounting to ₱70.00 million. On July 26, 2022, Calbayog Water made the second drawdown amounting to ₱80.00 million.

On June 20, 2024, Calbayog Water made additional drawdown with its existing loan facility from BPI with gross principal amount of ₱30.00 million, subject to an interest rate based on 5Y BVAL rate plus credit spread.

On September 10 and 25, 2024, Calbayog Water made additional loan drawdowns with gross principal amount aggregating to ₱100.00 million, subject to an interest rate based on 5Y BVAL rate plus credit spread. The proceeds of the loan will be used to partially finance its capital expenditure projects. Principal payments will be made in fifteen (15) consecutive equal semi-annual installments starting October 2024. The loan will mature on October 22, 2031.

The carrying value of the loan as of December 31, 2024 and 2023 amounted to ₱260.32 million and ₱149.00 million, respectively.

Cebu Water Loan
On December 19, 2013, Cebu Water entered into an Omnibus Loan and Security Agreement with the DBP to partially finance the construction works in relation to its bulk water supply project in Cebu. The lender has agreed to extend a loan facility in the aggregate principal amount of ₱800.00 million or up to 70% of the total project cost, whichever is lower. Principal payments will be made in twenty (20) equal quarterly installments starting December 2017.

In 2013, MW Consortium entered into a real estate mortgage agreement with the DBP, as third-party mortgagor, in consideration for this Cebu Water loan.

The first, second, and final drawdowns on the loan facility amounted to ₱541.13 million on December 20, 2013, ₱195.64 million on May 20, 2014, and ₱14.79 million on November 14, 2014, respectively. The carrying value of the loan as of December 31, 2022 amounted to ₱481.60 million. On October 2, 2023, the total outstanding loan of ₱453.15 million with DBP was prepaid and fully settled.

Bulakan Water Loan
On January 20, 2023, Bulakan Water signed an Omnibus Loan and Security Agreement (OLSA) in the amount of ₱200.00 million with BPI. The loan will be used to finance the projects of the company. Nominal interest is at 6.6224% per annum. Principal payments will be made in forty-eight (48) equal quarterly installments starting April 2026.

On June 27, 2023, Bulakan Water signed an Amendment Agreement relating to the OLSA entered last January 20, 2023, with BPI to exclude in "Debt" definition the present value of concession fee payments computed based on BWCI's interpretation of IFRIC 12.

On January 31, March 23, October 24 and November 29, 2023, Bulakan Water made drawdowns from its BPI loan facility amounting to ₱40.00 million, ₱40.00 million, ₱20.00 million and ₱30.00 million, respectively.

On October 22, 2024, the Group completed its divestment of Bulakan Water. As of December 31, 2024 and 2023, the carrying value of the loan amounted to nil and ₱130.00 million, respectively.

South Luzon Water, Aqua Centro, Boracay Water, Laguna Water, Clark Water, and MWPVI have assigned their rights under their respective concession agreements or project documents as their loan collateral, while Cebu Water and Tagum Water's loans are secured by real estate mortgages on real assets with total carrying value amounting to ₱30.59 million as of December 31, 2024 and 2023.

Compliance with loan covenants

All these loan agreements provide for certain covenants that must be complied by the Group which include compliance with certain financial ratios such as the debt-to-equity, debt-service-coverage and early termination, as well as limitations in the declaration of dividends to stockholders in some of the subsidiaries.

Effective October 31, 2024, all existing lenders of the Parent Company formally consented to the removal of the debt service coverage ratio among the Parent Company's loan covenants.

As of December 31, 2024 and 2023, the Group is in compliance with all the loan covenants required by the creditors.

16. Retirement Plan

The Parent Company, MWPVI, Boracay Water, Clark Water, and Laguna Water have funded noncontributory defined benefit pension plans while MWTS, Obando Water, BMDC, and MWTV have nonfunded noncontributory defined benefit pension plans. The defined benefit pension plans cover substantially all of their respective regular employees. The benefits are based on current salaries, years of service, and compensation as of the last year of employment. The latest actuarial valuations were made as of December 31, 2024.

RA No. 7641, the existing regulatory framework, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding for the plan.

The Parent Company's funding policies state that equivalent target funding ratio must always be at least 80% and should the ratio reach 120.00%, the Retirement and Welfare Plan Committee may opt to declare a funding holiday. In the event there is an extraordinary increase in defined benefit obligation, which may arise from benefit improvement, massive hiring and the other extraordinary personnel movements, the Parent Company has a maximum of three (3) years to comply with the required minimum funding ratio of 80.00%.

The retirement plans of Parent Company, MWPVI, Boracay Water, Clark Water, and Laguna Water are each covered by a retirement fund administered by trustee banks, which are under the supervision of their respective Retirement and Welfare Plan Committees (the "Committees"). The Committees, which are composed of six (6) to seven (7) members appointed by management, define the investment strategy of the fund and regularly review the strategy based on market developments and changes in the plan structure. When defining the investment strategy, the Committees take into account the plan's objectives, benefit obligations, and risk capacity. The Committees review, on a quarterly basis, the performance of the funds managed by trustee banks.

Changes in the net defined benefit liability of retirement plans are as follows:

	2024		
	Present value of defined benefit obligations	**Fair value of plan assets**	**Net defined benefit liabilities**
Balance at beginning of year	**₱1,095,101,930**	**₱706,879,513**	**₱388,222,417**
Net benefit costs in profit or loss before capitalized costs:			
Current and past service cost	**129,018,991**	**–**	**129,018,991**
Net interest (Note 18)	**65,328,450**	**41,913,527**	**23,414,923**
Total *(Carried Forward)*	**194,347,441**	**41,913,527**	**152,433,914**

	2024		
	Present value of defined benefit obligations	**Fair value of plan assets**	**Net defined benefit liabilities**
Total *(Brought Forward)*	**₱194,347,441**	**₱41,913,527**	**₱152,433,914**
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	**–**	**(72,305,844)**	**72,305,844**
Actuarial changes arising from:			
Financial assumptions	**(8,402,886)**	**–**	**(8,402,886)**
Demographic assumptions	**93,091**	**–**	**93,091**
Experience adjustments	**(43,485,482)**	**–**	**(43,485,482)**
	(51,795,277)	**(72,305,844)**	**20,510,567**
Benefits paid from retirement funds	**(143,572,411)**	**(143,572,411)**	**–**
Contributions	**–**	**38,500,000**	**(38,500,000)**
Benefits paid from operating funds	**(24,344,119)**	**–**	**(24,344,119)**
Impact of business combination (Note 4)	**6,430,926**	**–**	**6,430,926**
Impact of divestment/ deconsolidation (Note 1)	**(4,585,171)**	**–**	**(4,585,171)**
Balance at end of year	**₱1,071,583,319**	**₱571,414,785**	**₱500,168,534**

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at beginning of year	₱1,018,607,781	₱730,393,930	₱288,213,851
Net benefit costs in profit or loss before capitalized costs:			
Current service cost	116,876,897	–	116,876,897
Net interest (Note 18)	61,482,115	50,411,049	11,071,066
	178,359,012	50,411,049	127,947,963
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	–	(38,935,854)	38,935,854
Actuarial changes arising from:			
Financial assumptions	51,720,523	–	51,720,523
Demographic assumptions	4,680,655	–	4,680,655
Experience adjustments	(3,813,179)	–	(3,813,179)
	52,587,999	(38,935,854)	91,523,853
Benefits paid from retirement funds	(112,789,612)	(112,789,612)	–
Contributions	–	77,800,000	(77,800,000)
Benefits paid from operating funds	(41,663,250)	–	(41,663,250)
Balance at end of year	₱1,095,101,930	₱706,879,513	₱388,222,417

The components of the fair value of plan assets are as follows:

	2024	2023
Assets:		
Cash and cash equivalents	**₱11,999**	₱942,763
Debt investments – domestic	**518,340,321**	630,078,494
Equity investments – domestic	**38,326,959**	69,883,526
Interest receivable	**1,877,942**	2,077,340
Other receivable	**13,152,483**	5,021,994
	571,709,704	708,004,117
Liabilities:		
Other payables	**294,919**	1,124,604
	294,919	1,124,604
Fair value of plan assets	**₱571,414,785**	₱706,879,513

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in active markets.

The plan assets are invested in different financial instruments and do not have any concentration risk.

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuations involve making various assumptions. The principal assumptions used in determining pension obligations for the defined benefit plans are shown below.

	2024	2023	2022
Discount rate	**6.09%**	6.14%	7.33%
Salary increase rate	**5.00%**	6.10%	7.00%

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

		Effect on Defined Benefit Obligation	
	Increase (Decrease)	**2024**	2023
Discount rate	1.00%	**(₱98,922,862)**	(₱78,972,469)
	(1.00%)	**123,072,913**	94,574,445
Salary increase rate	1.00%	**127,763,313**	97,641,054
	(1.00%)	**(104,520,405)**	(82,951,221)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Less than 1 year	**₱139,757,834**	₱160,365,805
More than 1 year and up to 5 years	**286,930,228**	309,288,326
More than 5 years and up to 10 years	**405,475,221**	403,476,786
	₱832,163,283	₱873,130,917

The average duration of the defined benefit obligation at the end of the reporting period is 15.73 years and 16.48 years as of December 31, 2024 and 2023, respectively.

The asset allocation of the plan is set and reviewed from time to time by the Committees taking into account the membership profile and the liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset durations.

Contributions to the plan are recommended by the Retirement and Welfare Plan Committees and approved by the Parent Company, MWPVI, Boracay Water, Clark Water, Laguna Water, Obando Water, and BMDC in consideration of the contribution advice from the actuary. The Parent Company expects to make an additional contribution in 2025 amounting to ₱115.18 million while MWPVI, Boracay Water, Clark Water and Laguna Water expects to make an additional contribution in 2025 amounting to ₱41.37 million.

As of December 31, 2024, and 2023, the plan assets include shares of stock of International Container Terminal Services, Inc. (ICTSI) with a total fair value of ₱4.47 million and ₱4.00 million, respectively. As of December 31, 2023, the plan assets include shares of stock and debt securities of Ayala and its affiliates with a total fair value of ₱19.90 million and ₱13.45 million, respectively. Starting May 17, 2024, Ayala and its affiliates ceased to be related parties. Accordingly, no amount related to Ayala and its affiliates were included in the 2024 balances.

17. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	2024	2023
Deferred credits	**₱635,953,325**	₱610,170,577
Customers' guaranty deposits and other deposits	**389,640,978**	354,901,184
Long-term sick leave and vacation leave (SLVL) liability	**174,622,515**	244,151,093
Other noncurrent liabilities	**38,584,426**	264,719,426
	₱1,238,801,244	₱1,473,942,280

Deferred credits pertain to the unamortized discounts of the customers' guaranty deposits. The rollforward analysis of the deferred credits follows:

	2024	2023
Balance at beginning of year	**₱610,170,577**	₱610,566,545
Additions	**39,586,449**	11,875,027
Amortization	**(13,803,701)**	(12,270,995)
Balance at end of year	**₱635,953,325**	₱610,170,577

Customers' guaranty deposits and other deposits pertain to the deposits paid by the Group's customers for the set-up of new connections which will be refunded to the customers upon termination of the customers' water service connections or at the end of the concession, whichever comes first.

Other noncurrent liabilities amounting to ₱226.18 million and ₱38.54 million pertain to loans obtained by the Group from the minority shareholders of Cebu Water, Provincial Government of Cebu and Vicsal Development Corporation, respectively, subject to interest rate of 8.00%. The proceeds of the loans were used to finance the prepayment of its commercial loan from DBP. These loans have a term of 3 years and will mature on September 27, 2026. In 2024, the shareholder loan to the Provincial Government of Cebu amounting to ₱226.18 million has been fully paid (see Note 23).

Long-term SLVL liability pertains to sick leave and vacation leave encashments entitled to the employees of the Parent Company that are expected to be availed of after more than one (1) year. In 2024 and 2023, the Parent Company recognized expenses related to long-term SLVL in the operating expenses amounting to (₱13.83 million) and ₱55.36 million, respectively. The latest actuarial valuations were made on December 31, 2024.

As of December 31, 2024 and 2023, actuarial gain on SLVL liability recognized in the other comprehensive income amounted to ₱18.83 million and ₱4.66 million, net of tax. The latest actuarial valuations were made on December 31, 2024.

18. Other Operating Revenue, Operating Expenses, Interest Income and Expense, and Other Income and Losses

Other operating revenue consists of:

	2024	2023	2022
Supervision fees (Note 23)	**₱306,509,990**	₱260,941,725	₱337,762,316
Connection fees from water and service connections	**249,679,522**	218,987,339	354,716,825
Pipeworks and integrated used water services	**248,862,575**	377,708,993	476,849,463
Cross-border billing*	**220,889,698**	543,895,877	273,651,813
Reconnection fee	**149,102,905**	93,709,745	73,345,301
Operations and maintenance services	**145,195,678**	136,373,426	112,278,840
Service income from bulk water contracts (Note 6)	**108,191,005**	189,036,744	193,840,519
Income from customer late payments	**71,720,123**	65,207,951	38,485,674
Septic sludge disposal and bacteriological water analysis	**44,067,848**	32,634,862	33,588,860
Miscellaneous	**35,503,627**	5,592,462	7,202,418
	₱1,579,722,971	₱1,924,089,124	₱1,901,722,029

**Pertains to cross-border charges to Maynilad*

Miscellaneous includes income from reimbursement of water tankering, rental of equipment, and due diligence.

Operating expenses consist of:

	2024	2023	2022
Salaries, wages and employee benefits (Notes 16 and 23)	**₱1,481,576,697**	₱1,232,691,256	₱1,324,237,409
Management, technical and professional fees (Note 23)	**1,378,865,662**	1,065,779,948	1,090,704,265
Depreciation and amortization (Notes 9, 10 and 11)	**655,432,058**	625,904,679	342,473,948
Contractual services	**436,422,367**	336,259,337	364,920,241
Taxes and licenses	**403,778,009**	170,099,093	233,377,072
Repairs and maintenance	**355,659,676**	388,799,940	487,047,917
Insurance	**297,605,360**	235,194,685	153,373,132
Provision for (reversal of) ECL on receivables and contract assets (Note 6)	**166,832,947**	217,169,740	(134,355,963)
Provisions and penalty (Notes 1 and 30)	**77,788,893**	105,222,167	47,991,394
Donations	**66,949,538**	50,713,787	54,695,557
Business meetings and representation	**35,682,105**	32,888,550	25,833,248
Transportation and travel	**29,852,463**	32,082,718	27,557,794
Printing and communication (Note 23)	**27,286,156**	16,986,871	17,201,108
Advertising	**16,900,691**	18,252,541	13,477,054
Rent (Notes 11, 23 and 25)	**13,576,513**	13,434,098	21,100,467
Other expenses	**185,871,559**	128,745,609	209,865,951
	₱5,630,080,694	₱4,670,225,019	₱4,279,500,594

Other expenses include expenses incurred for utilities, fuel, bank charges, equipment rental and other rentals, among others.

Interest income consists of:

	2024	2023	2022
Interest income on:			
Cash and cash equivalents and short-term investments (Note 5)	**₱373,962,880**	₱300,992,854	₱120,982,688
Others	**951,954**	236,217	775,812
	₱374,914,834	₱301,229,071	₱121,758,500

Interest expense consists of:

	2024	2023	2022
Interest expense on:			
Service concession obligations (Note 10)	**₱1,153,611,793**	₱1,135,448,327	₱898,636,458
Short and long-term debt (Note 15)*:			
Coupon interest	**2,150,141,495**	2,264,494,956	1,406,910,162
Amortization of debt discount, issuance costs and premium	**187,263,244**	163,293,338	159,968,195
Lease liabilities (Note 11)*	**21,293,733**	18,821,865	14,192,393
Pension liabilities (Note 16)*	**22,202,800**	14,911,540	2,818,156
Long-term SL and VL liability	**14,790,283**	13,368,401	11,268,149
Other financing charges (Notes 15 and 17)	**16,216,135**	163,338,648	322,450,929
	₱3,565,519,483	₱3,773,677,075	₱2,816,244,442

**Net of capitalized interest expense*

Other financing charges consist of hedging costs, hedging ineffectiveness, amortization of guaranty deposits, and loan pre-termination fees.

Other income - net consists of:

	2024	2023	2022
Gain from disposal of subsidiaries (Note 1)	**₱1,013,928,053**	₱–	₱–
Gain from reversal of provision for CWA (Note 1)	**–**	–	450,263,217
Others – net	**344,824,664**	346,274,429	250,505,102
	₱1,358,752,717	₱346,274,429	₱700,768,319

Others - net include liquidated damages and partial reversal of SCO related to EZ's bulk water contract (Note 23), provision for probable losses, reversals of long-outstanding accounts, gain on sale of scrap materials, input VAT adjustments, loss on pre-terminations of leases and gain on insurance claims, among others.

19. Discontinued Operations

MWTS Healthy Family

On August 26, 2020, MWTS announced the permanent closure of its Healthy Family business division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations, which qualified the MWTS Healthy Family division as a discontinued operation for the years ended December 31, 2024, 2023 and 2022.

The net increase in cash flows of MWTS Healthy Family Division are as follows:

	2024	2023	2022
Net cash provided by operating activities	**₱576,241**	₱55,000	₱555,982

Zamboanga Water

On April 3, 2020, the ZCWD requested for the termination of the NRWRSA citing the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the DMAs established by Zamboanga Water has rendered the NRWRSA impractical and unworkable. On April 30, 2020, Zamboanga Water approved the termination of the NRWRSA, without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSA, which qualified Zamboanga Water as a discontinued operation.

The results of discontinued operations of Zamboanga Water are as follows:

	2024	2023	2022
Revenue from contracts with customers	**₱–**	₱–	₱85,411
Cost of services and operating expenses	**1,011,043**	1,273,167	6,485,540
Operating loss	**(1,011,043)**	(1,273,167)	(6,400,129)
Interest income	**6,973**	683	791
Other income – net	**–**	382,549	103,687
Loss before income tax	**(1,004,070)**	(889,935)	(6,295,651)
Provision for (benefit from) income tax	**9,260**	(59,075)	62,378
Loss from discontinued operations	**(₱1,013,330)**	(₱830,860)	(₱6,358,029)

The net cash flows of Zamboanga Water are as follows:

	2024	2023	2022
Operating	**(₱590,948)**	(₱1,136,643)	₱1,590,214
Investing	**6,973**	683	791
Financing	**–**	–	–
Net increase (decrease) in cash and cash equivalents	**(₱583,975)**	(₱1,135,960)	₱1,591,005

The net income attributable to the owners of the Parent Company and noncontrolling interest from continuing and discontinued operations are as follows:

	2024	2023	2022
Net income (loss) attributable to:			
Equity holders of Manila Water Company, Inc.			
Continuing operations	**₱10,500,380,032**	₱5,594,150,378	₱5,927,227,030
Discontinued operations	**(709,330)**	(581,602)	(4,450,620)
	₱10,499,670,702	₱5,593,568,776	₱5,922,776,410
Noncontrolling interests			
Continuing operations	**₱471,031,547**	₱277,137,480	₱220,538,662
Discontinued operations	**(304,000)**	(249,258)	(1,907,409)
	₱470,727,547	₱276,888,222	₱218,631,253
EPS			
Basic, net loss from discontinued operations	**₱–**	₱–	₱–
Diluted, net loss from discontinued operations	**₱–**	₱–	₱–

20. **Income Tax**

Provision for (benefit from) income tax consists of:

	2024	2023	2022
Current	**₱2,370,679,289**	₱1,756,292,414	₱1,443,529,558
Final	**30,016,944**	21,752,294	6,530,722
Deferred	**1,733,403,761**	1,326,532,054	563,139,188
	₱4,134,099,994	₱3,104,576,762	₱2,013,199,468

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2024	2023	2022
Statutory income tax rate	**25.00%**	25.00%	25.00%
Tax effects of:			
Change in unrecognized deferred tax	**(0.22)**	(0.17)	0.20
Interest income subjected to final tax	**(2.48)**	(3.36)	(0.37)
Nondeductible (nontaxable) equity in net loss (earnings) of associates	**5.95**	9.92	(1.59)
Nondeductible expense	**43.46**	43.09	76.05
Income exempt from tax	**(44.37)**	(40.33)	(79.98)
Others – net	**0.03**	0.44	5.36
Effective income tax rate	**27.37%**	34.59%	24.67%

The tax effect of "others - net" pertain to the Group's temporary differences and taxable income and deductible expenses for tax reporting purposes.

The net deferred tax assets of the Group pertain to the deferred income tax effects of the following:

	2024	2023
Deferred tax assets:		
Unearned revenues	**₱208,467,369**	₱298,396,283
NOLCO and MCIT	**185,341,826**	141,259,532
Provisions and accruals	**151,436,797**	141,346,175
Allowance for ECL	**117,943,667**	108,706,312
Service concession obligations – net	**47,611,671**	81,187,470
Pension liabilities	**40,829,458**	13,928,520
	751,630,788	784,824,292
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight line method and per UOP	**(212,193,913)**	(253,915,212)
Others	**(36,147,708)**	(31,219,928)
	(248,341,621)	(285,135,140)
	₱503,289,167	₱499,689,152

The components of the net deferred tax liabilities of the Group represent the deferred income tax effects of the following:

	2024	2023
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight-line method and per UOP	**₱3,743,842,297**	₱2,844,565,774
Capitalized interest	**603,673,876**	359,757,502
Contract assets from bulk water arrangements	**271,502,970**	271,612,631
Fair value on identifiable net assets (Note 4)	**256,466,342**	–
Cash flow hedge reserve	**119,789,097**	–
Unrealized gain on bargain purchase	**7,523,078**	7,523,078
Others	**56,021,339**	–
	5,058,818,999	3,483,458,985
Deferred tax assets:		
Service concession obligations – net	**(1,100,782,916)**	(1,583,392,757)
Provisions and accruals	**(556,889,452)**	(544,604,874)
Allowance for ECL	**(174,128,608)**	(175,237,258)
Pension liabilities	**(88,698,314)**	(83,127,084)
Others	**–**	(44,792,029)
	(1,920,499,290)	(2,431,154,002)
	₱3,138,319,709	₱1,052,304,983

Clark Water
Clark Water as a duly registered CFZ enterprise under RA No. 9400, An Act Amending RA No. 7227 otherwise known as the Bases Conversion and Development Act of 1992, is entitled to all the rights, privileges and benefits established thereunder including tax and duty-free importation of raw materials and capital equipment and special income tax rate of 5% applied on its gross income earned in lieu of all national and local taxes.

Starting 2020, all sales outside the CFZ are charged with 12% value-added tax and subjected to the Regular Corporate Income Tax rate of 25.00% in 2021 and 30.00% in 2020.

Other subsidiaries
All other domestic subsidiaries of the Parent Company used the Itemized Deduction in determining the amount of their deductible expenses for income tax purposes. As a result, the applicable income tax rate is the Regular Corporate Income Tax rate of 25.00% and Minimum Corporate Income Tax (MCIT) rate of 2.00%, while foreign subsidiaries are subject to tax rates applicable in their respective countries. MCIT rate is reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023, due to enactment of the Corporate Recovery and Tax Incentives for Enterprises Act. Starting July 1, 2023, the MCIT reverted back to 2%.

NOLCO
The Parent Company's subsidiaries, namely, MWPVI, Filipinas Water, South Luzon Water, North Luzon Water, Davao Water, MW Consortium, MWTV, Calbayog Water , Leyte Water, Metro Ilagan and Zamboanga Water have total NOLCO amounting to ₱587.90 million and ₱708.94 million as of December 31, 2024 and 2023, respectively, which may be used as deduction against future taxable gross income. No deferred tax assets were recognized on these future deductible losses. As of December 31, 2024 and 2023, the unrecognized deferred tax assets on NOLCO amounted to ₱146.98 million and ₱177.23 million, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2024, the Group has incurred NOLCO for taxable years 2022 to 2024 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2022	2023 to 2025	₱286,690,580	₱112,009,916	₱174,680,664
2023	2024 to 2026	90,387,018	4,525,208	85,861,810
2024	2025 to 2027	33,684,517	–	33,684,517
		₱410,762,115	₱116,535,124	₱294,226,991

As of December 31, 2024, the Group has incurred NOLCO for taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2020	2021 to 2025	₱645,969,122	₱100,914,471	₱545,054,651
2021	2022 to 2026	541,390,731	111,239,257	430,151,474
		₱1,187,359,853	₱212,153,728	₱975,206,125

MCIT
The movements of the Group's MCIT as of December 31, 2024 which can be claimed against future Regular Corporate Income Tax due on taxable income, but not beyond three (3) succeeding taxable years from the year the excess MCIT arose, are as follows:

Year Incurred	Amount	Applied/Expired	Balance	Expiry Year
2021	₱8,500,891	₱8,500,891	₱–	2024
2022	12,059,485	1,703,699	10,355,786	2025
2023	8,200,255	–	8,200,255	2026
2024	11,299,777	–	11,299,777	2027
	₱40,060,408	₱10,204,590	₱29,855,818	

21. Equity

Paid-in capital
The Parent Company's capital stock consists of:

	2024		2023	
	Shares	**Amount**	Shares	Amount
Common stock - ₱1 per share				
Authorized	**3,100,000,000**	**₱3,100,000,000**	3,100,000,000	₱3,100,000,000
Issued and subscribed	**2,885,795,897**	**2,885,795,897**	2,884,839,617	2,884,839,617
Issued and outstanding	**2,166,111,941**	**2,166,111,941**	2,163,389,444	2,163,389,444
Preferred stock - ₱0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible				
Authorized and issued - 4,000,000,000 shares	**4,000,000,000**	**400,000,000**	4,000,000,000	400,000,000
Issued and outstanding	**3,563,756,068**	**356,375,607**	4,000,000,000	400,000,000

On March 18, 2005, the Parent Company launched its Initial Public Offering where a total of 745.33 million common shares were offered at an offering price of ₱6.50 per share. The Parent Company has 948 and 954 existing certificated shareholders as of December 31, 2022 and 2021, respectively. The Scripless shareholders are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino).

On March 1, 2018, the BOD approved the following:

a. amendment of the Parent Company's Articles of Incorporation to exclude the 300.00 million common shares from the pre-emptive rights of existing stockholders, and endorsed the said amendment for approval by the stockholders; and
b. allotment and subsequent issuance of up to 300.00 million common shares for the purpose of exchanging such shares for assets and/or raising funds to acquire assets needed for the business of the Parent Company.

On April 16, 2018, the stockholders of the Parent Company approved the amendment of the Seventh Article of the Articles of Incorporation to exempt from pre-emptive rights 300.00 million unissued common shares ("carved-out shares") which are reserved or allocated for issuance in one or more transactions or offerings, (i) for properties or assets needed for the business of the Parent Company, or (ii) for cash to acquire properties or assets needed for the business of the Parent Company. The issuance of all or any of the carved-out shares does not require the approval of stockholders.

On February 26, 2019, the BOD approved the amendment of the Second Article of the Articles of Incorporation to include the authority to enter into contracts of guarantee and/or suretyships. This amendment was later ratified by the Parent Company's stockholders during the annual stockholders meeting held on April 22, 2019.

On January 31, 2020, the BOD approved the amendment of the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱3.50 billion to ₱4.40 billion, which increase will consist of an additional 900.00 million common shares. The BOD also approved the increase in the carved-out shares from 300.00 million to 900.00 million unissued common shares and to allow the issuance of the carved-out shares "for cash, properties or assets to carry out" the corporate purposes" of the Parent Company as approved by the BOD. Both the increase in authorized capital stock and the increase in the carved-out shares were ratified at the annual stockholders' meeting on April 17, 2020. The Parent Company did not push through with its application for the increase in its authorized capital stock.

On July 2, 2020, the SEC approved the increase in carved-out shares and the issuance of the 900.00 million carved-out common shares "for cash, properties or assets to carry out" the corporate purposes" as approved by the BOD and stockholders.

On February 15, 2021, the Parent Company and Prime Strategic Holdings, Inc. signed an Amendment to the Subscription Agreement. The amendment covers the inclusion of Trident Water Company Holdings, Inc. (Trident Water) as party to the Subscription Agreement following its establishment, as well as the updated payment terms which is 50.00% or ₱5.33 billion upon Closing and 50.00% or ₱5.33 billion upon call of the Parent Company's BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agreed to sell 2,691,268,205 of its preferred shares in the Parent Company to Trident Water with a payment term over a five (5)-year period. The purchase of the preferred shares reflects a 39.09% voting stake and 8.19% economic stake in the Parent Company. The rights and title to the shares, except voting rights covered by the proxies, which shall be executed upon the execution of the Shareholders' Agreement, shall not be transferred until all payments are made. Dividends earned by the preferred shares shall continue to be for the account of Philwater until full payment has been made.

On April 8, 2021, the Parent Company received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of the Parent Company through a tender offer to all shareholders. Said tender offer does not include the 866,996,201 common shares held by Ayala Corporation and its nominees and the 4,000,000,000 preferred shares held by Philwater Holdings Company, Inc. and its nominees. On May 31, 2021, a total of 462,660 common shares of Manila Water were tendered, accepted and purchased by Trident Water via block sale through the facilities of the Philippine Stock Exchange.

On June 3, 2021, Trident Water completed the tender offer. Following the completion of the tender offer, Trident Water owns 870,462,660 common shares of the Parent Company and has voting rights over 2,691,268,205 preferred shares to be acquired by Trident Water. In addition, Prime Strategic Holdings, Inc. also owns 29,589,500 common shares of the Parent Company. On June 24, 2021, Trident Water acquired 29,589,500 shares of the Parent Company from Prime Strategic Holdings, Inc.

The movement of the Parent Company's issued and outstanding common stock follows:

	2024	2023
Number of issued shares at beginning of year	**2,454,532,016**	2,044,098,916
Additions	**281,812**	410,433,100
Number of issued shares at end of year	**2,454,813,828**	2,454,532,016
Treasury shares	**(288,701,887)**	(291,142,572)
Number of issued and outstanding shares at end of year	**2,166,111,941**	2,163,389,444

The movement of the Parent Company's issued and outstanding preferred stock follows:

	December 31, 2024	December 31, 2023
Number of issued shares at end of the period	**4,000,000,000**	4,000,000,000
Treasury shares	**(436,243,932)**	–
Number of issued and outstanding shares at end of the period	**3,563,756,068**	4,000,000,000

The movement of the Parent Company's paid-in capital for the years ended December 31, 2024, 2023, and 2022 follows:

	2024						
	Common Stock	**Subscribed Common Stock**	**Preferred Stock**	**Additional Paid-in Capital**	**Subscription Receivable**	**Treasury Shares**	**Paid-in Capital**
Balance at beginning of year	**₱2,454,532,016**	**₱430,307,601**	**₱400,000,000**	**₱14,458,016,211**	**(₱5,607,257,718)**	**(₱5,749,624,306)**	**₱6,385,973,804**
Issuance of shares	**281,812**	**(281,812)**	**–**	**–**	**–**	**–**	**–**
Additional subscription	**–**	**956,280**	**–**	**(956,280)**	**–**	**–**	**–**
Cost of share-based payment	**–**	**–**	**–**	**75,660,269**	**(15,563,119)**	**47,593,174**	**107,690,324**
Collections	**–**	**–**	**–**	**–**	**21,535,257**	**–**	**21,535,257**
Balance at end of year	**₱2,454,813,828**	**₱430,982,069**	**₱400,000,000**	**₱14,532,720,200**	**(₱5,601,285,580)**	**(₱5,702,031,132)**	**₱6,515,199,385**

	2023						
	Common Stock	Subscribed Common Stock	Preferred Stock	Additional Paid-in Capital	Subscription Receivable	Treasury Shares	Paid-in Capital
Balance at beginning of year	₱2,044,098,916	₱840,740,701	₱400,000,000	₱14,427,621,413	(₱5,644,968,396)	(₱43,313,195)	₱12,024,179,439
Issuance of shares	410,433,100	(410,433,100)	–	–	–	–	–
Cost of share-based payment	–	–	–	30,394,798	22,147,558	10,002,917	62,545,273
Collections	–	–	–	–	15,563,120	–	15,563,120
Purchase of treasury shares	–	–	–	–	–	(5,716,314,028)	(5,716,314,028)
Balance at end of year	₱2,454,532,016	₱430,307,601	₱400,000,000	₱14,458,016,211	(₱5,607,257,718)	(₱5,749,624,306)	₱6,385,973,804

	2022						
	Common Stock	Subscribed Common Stock	Preferred Stock	Additional Paid-in Capital	Subscription Receivable	Treasury Shares	Paid-in Capital
Balance at beginning of year	₱2,043,237,036	₱841,602,581	₱400,000,000	₱14,417,217,151	(₱5,654,475,773)	₱–	₱12,047,580,995
Issuance of shares	861,880	(861,880)	–	–	–	–	–
Cost of share-based payment	–	–	–	10,404,262	9,507,377	–	19,911,639
Purchase of treasury shares	–	–	–	–	–	(49,407,905)	(49,407,905)
Reissuance of treasury shares	–	–	–	–	–	6,094,710	6,094,710
Balance at end of year	₱2,044,098,916	₱840,740,701	₱400,000,000	₱14,427,621,413	(₱5,644,968,396)	(₱43,313,195)	₱12,024,179,439

The movement in the Parent Company's common stock and subscribed common stock pertains to the issuance of shares related to the employee stock ownership plan (ESOWN) as the shareholders have made full payment of their subscription.

Retained earnings

The movement of the Group's retained earnings follows:

	2024		
	Unappropriated Retained Earnings	**Appropriated Retained Earnings**	**Total Retained Earnings**
Balance at beginning of year	**₱5,717,748,773**	**₱56,500,000,000**	**₱62,217,748,773**
Net income	**10,499,670,702**	**–**	**10,499,670,702**
Dividends declared	**(3,370,089,762)**	**–**	**(3,370,089,762)**
Net appropriations	**(3,015,563,981)**	**3,015,563,981**	**–**
Balance at end of year	**₱9,831,765,732**	**₱59,515,563,981**	**₱69,347,329,713**

	2023		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱18,087,151,743	₱40,610,000,000	₱58,697,151,743
Net income	5,593,568,776	–	5,593,568,776
Dividends declared	(2,072,971,746)	–	(2,072,971,746)
Net Appropriations	(15,890,000,000)	15,890,000,000	–
Balance at end of year	₱5,717,748,773	₱56,500,000,000	₱62,217,748,773

	2022		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱13,448,628,617	₱40,610,000,000	₱54,058,628,617
Net income	5,922,776,410	–	5,922,776,410
Dividends declared	(1,284,253,284)	–	(1,284,253,284)
Balance at end of year	₱18,087,151,743	₱40,610,000,000	₱58,697,151,743

The approved Business Plan includes planned capital expenditures on (i) service continuity, (ii) service accessibility, (iii) water security, and (iv) environmental sustainability described as follows:

- Service continuity projects are endeavored to maintain the level of service provided to its customers even in times of calamity;
- Service accessibility projects would enable the Parent Company to expand its service coverage;
- Water security projects include two components: (1) new water source development and, (2) existing water source rehabilitation and improvement; and
- Projects under the Environmental Sustainability Investment category are comprised of wastewater projects endeavored to achieve the Parent Company's wastewater coverage targets.

On November 14, 2024 and November 10, 2023, the Parent Company's BOD approved the appropriation of ₱3,015.56 million and ₱15,890.00 million, respectively, to ensure the completion of the Parent Company's large system projects included in its approved Business Plan.

The implementation of these projects is consistent with the timeline of the approved Business Plan which covers until the end of the concession period. Appropriated retained earnings amounted to ₱59,515.56 million and ₱56,500.00 million as of December 31, 2024 and 2023, respectively. In 2024, additional retained earnings appropriated amounted to ₱10.40 billion, while retained earnings utilized and released amounted to ₱7.38 billion.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates accounted for under the equity method amounting to nil as of December 31, 2024 and 2023, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

In accordance with the Revised SRC Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2024 and 2023 amounted to ₱4,322.00 million and nil, respectively.

Dividends
The following table shows the cash dividends declared by the Parent Company's BOD on the outstanding capital stock for each of the three (3) years ended December 31, 2024:

		Amount Per Share		
Declaration Date	Record Date	Common Shares	Participating Preferred Shares	Payment Date
November 17, 2022	December 2, 2022	0.3796	0.0480	December 19, 2022
March 28, 2023	April 14, 2023	0.6190	0.0620	April 28, 2023
February 29, 2024	March 18, 2024	1.1290	0.1129	April 12, 2024

On February 24, 2025, the Board of Directors during its meeting, approved the declaration of cash dividends amounting to ₱1.841 per share on the outstanding common shares, ₱0.184 per share on the outstanding unlisted participating preferred shares, and accumulated fixed cash dividends of ₱0.01 per share on the outstanding unlisted participating preferred shares.

The record date is March 10, 2025, and payment date is March 28, 2025.

The Parent Company has no dividends in arrears as of December 31, 2024, 2023 and 2022.

Treasury Shares
On September 13, 2022, the Parent Company's BOD approved a buy-back program in relation to the Stock Incentive Plan (SIP) for its senior leaders and officers. The Parent Company acquired 3,200,000 treasury shares for a total amount of ₱49.41 million.

On October 11, 2023, the Parent Company's BOD approved a buy-back of its shares with Ayala Corporation and Philwater Holdings Company, Inc. The Parent Company re-acquired its 288,998,734 common shares and 436,243,932 participating preferred shares, respectively, for a total amount of ₱5.7 billion. This transaction reduced Ayala Corporation's effective economic stake from 30.4% to 22.5%.

In 2023 and 2022, the Parent Company reissued 401,011 shares and 655,151 shares, respectively, in relation to the SIP, amounting to ₱10.00 million and ₱6.10 million, respectively.

As of December 31, 2024 and 2023, total number of treasury shares - common stock follows:

	2024	2023
Number of shares at beginning of year	**291,142,572**	2,798,809
Acquisitions	**–**	288,998,734
Reissuance	**(2,440,685)**	(654,971)
Number of shares at end of year	**288,701,887**	291,142,572

As of December 31, 2024 and 2023, total number of participating preferred shares held in treasury amounted to 436,243,932 shares.

Executive Stock Option Plan (Executive SOP), Expanded Executive SOP, and ESOWN
The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule.

On March 6, 2018, the Renumeration Committee of the Parent Company's BOD approved the grants of ESOWN equivalent to 16,054,873 shares at the subscription price of ₱27.31 per share. The subscription price is equivalent to the average closing price of Parent Company's common shares at the PSE for twenty (20) consecutive trading days ending March 6, 2018.

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follows:

	Grant Dates	
	March 7, 2018	February 10, 2015
Number of shares granted	16,054,873	7,281,647
Number of unsubscribed shares	5,161,140	884,873
Fair value of each option	₱5.74	₱11.58
Weighted average share price	₱26.55	₱21.35
Exercise price	₱27.31	₱26.00
Expected volatility	24.92%	26.53%
Dividend yield	2.80%	2.55%
Risk-free interest rate	3.43%	3.79%

To enjoy the rights provided for in the ESOWN, the grantee should be with the Parent Company at the time the holding period expires. The holding period of the ESOWN shares granted follows:

Year	Holding Period
After one year from subscription date	40%
After two years from subscription date	30%
After three years from subscription date	30%

For the 2018 and 2015 grants, unsubscribed shares were forfeited.

There were no additional stock options in 2024 and 2023.

The expected life of the options is based on management's estimate and is not necessarily indicative of exercise patterns that may occur. The Parent Company's expected volatility was used as an input in the valuation of the outstanding options. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily reflect the actual outcome.

No other features of the options granted were incorporated into the measurement of fair value.

Stock Incentive Plan (SIP)
On February 24, 2022, the BOD approved the Stock Incentive Plan, which is a performance-based bonus extended to the senior leadership, officers, and consultants of Manila Water, its subsidiaries and affiliates, in the form of Manila Water shares as equity-settled transactions, in lieu of cash incentives and bonuses. Shares to be awarded shall vest in three (3) years: 25.00% on the first anniversary date of the award; 25.00% on the second anniversary date of the award; and 50.00% on the third anniversary date of the award. Vesting shall grant the grantee absolute beneficial title and rights over the shares, including full dividend and voting rights. The shares for the SIP will be acquired from the market and held in treasury before they are issued to the SIP grantees.
The SIP is in addition to the existing ESOP and ESOWN Plans.

Details of the SIP follows:

	December 31, 2024	December 31, 2023
Cumulative number of granted shares*	**15,066,049**	8,631,991
Dates of grant	**April 5, 2024/ April 14, 2023/ April 22, 2022**	April 14, 2023/ April 22, 2022
Fair values of shares at grant date	**21.65/ 19.66/ 19.20**	19.66/ 19.20

**Includes 588,072 shares and 259,396 shares adjusted by dividend reinvestment plan as of December 31, 2024 and 2023, respectively.*

Summary of vested and unvested shares follows:

	December 31, 2024	December 31, 2023
Vested shares	**9,854,490**	4,589,303
Unvested shares	**5,211,559**	4,042,688
	15,066,049	8,631,991

Total share-based payment cost arising from SIP amounted to ₱105.09 million and ₱62.17 million in 2024 and 2023, respectively.

Other equity reserves
On March 8, 2022, MWPVI increased its ownership interest in Davao Water from 51.00% to 100.00% through the purchase of iWater's 49.00% ownership interest in Davao Water. The Group recognized a loss on the dilution of noncontrolling interest amounting to ₱272.94 million and presented this as part of "Other equity reserves" in the statements of financial position.

On April 7, 2022, MWPVI secured the approval of its BOD to purchase the 32.6% stake (107,601,639 common shares) of Metro Pacific Water Investment Corporation (MWIC) in MW Consortium for a purchase price of ₱107.60 million. The Group recognized a gain on the dilution of noncontrolling interest amounting to ₱74.37 million and presented this as part of "Other equity reserves" in the statements of financial position.

22. Earnings per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2024, 2023, and 2022 were computed as follows:

	2024	2023	2022
Net income (loss) attributable to common equity holders of the Parent Company			
Continuing operations	**₱10,500,380,032**	₱5,594,150,378	₱5,927,227,031
Discontinued operations	**(709,330)**	(581,602)	(4,450,620)
Dividends on preferred shares*	**(1,267,618,708)**	(680,149,783)	(756,574,986)
Net income attributable to common shareholders for basic and diluted earnings per share	**₱9,232,051,994**	₱4,913,418,993	₱5,166,201,425
Weighted average number of common shares for basic earnings per share	**2,595,479,671**	2,810,282,353	2,883,830,801
Dilutive common shares arising from stock options	**–**	–	–
Adjusted weighted average number of common stocks for diluted earnings per share	**2,595,479,671**	2,810,282,353	2,883,830,801
EPS before discontinued operations			
Basic earnings per share	**₱3.56**	₱1.75	₱1.79
Diluted earnings per share	**₱3.56**	₱1.75	₱1.79
EPS			
Basic earnings per share	**₱3.56**	₱1.75	₱1.79
Diluted earnings per share	**₱3.56**	₱1.75	₱1.79

**Including participating preferred shares' participation in earnings.*

23. **Related Party Transactions**

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

In the normal course of business, the Group has transactions with related parties. The sales and investments made to related parties are made at normal market prices. Service agreements are based on rates agreed upon by the parties. Outstanding balances at year-end are unsecured, due for cash settlement or collection, and interest-free except for balances related to cash in banks and cash equivalents and long-term debt. There have been no guarantees provided for nor received on any related party receivables or payables. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Related party transactions are as follows:

a. The Parent Company entered into a Consultancy Agreement with Prime Infrastructure Capital Holdings, Inc. (PICI), an affiliate of Trident Water effective June 3, 2021. Under the agreement, PICI shall provide strategic advice and assistance, for which the Parent Company and its subsidiaries shall pay PICI an amount equal to 2.70% of the net revenues of the Group for the calendar quarter from October 1, 2021 onwards.

   Total management and professional fees charged to operations arising from this agreement amounted to ₱1,198.13 million, ₱986.55 million and ₱₱689.44 million in 2024, 2023 and 2022, respectively. Total outstanding payables amounted to ₱283.30 million and ₱227.87 million as of December 31, 2024 and 2023, respectively (see Note 14).

b. On May 17, 2024, Trident, executed with Ayala and its wholly-owned subsidiary, Michigan, the underlying agreements for the special block sales covering AC's and Michigan's 577,997,467 MWC common shares. Trident and Philwater, a wholly-owned subsidiary of AC, also executed a Deed of Absolute Sale for the sale of Philwater's 872,487,863 MWC preferred shares. The gross consideration for these transactions among Trident and AC, Michigan, and Philwater (collectively, "Ayala"), amounted to ₱14.5 billion.

   As of December 31, 2024, Ayala no longer held common shares of MWC and its voting stake was nil (0%) as a result of the block sale and voting proxy issued in favor of Trident vis-à-vis the participating preferred shares. Starting May 17, 2024, Ayala and its affiliates ceased to be related parties. Accordingly, no related party balances were presented in the narratives and tables below.

c. The Parent Company entered into an Administrative and Support Services Agreement (ASSA) with Ayala in 1997, being its sponsor as required during the privatization process. The ASSA was initially effective for ten (10) years and automatically renewable every five (5) years. Under the agreement, Ayala shall provide technical and other knowledge, experience and skills as reasonably necessary for the development, administration and operation of the concession, for which the Parent Company shall pay an annual base fee of US$1.00 million and adjusted for the effect of CPI. As a result, certain key management positions are occupied by employees of Ayala.

   On March 1, 2017, the BOD confirmed the automatic renewal of the ASSA between the Parent Company and Ayala for another five (5) years until July 30, 2022 and approved the amendment reducing the base fee to ₱1.00 per year beginning August 1, 2017. The ASSA was not renewed after expiration.

   Total management and professional fees charged to operations arising from these agreements amounted to nil in 2024 and 2023, and ₱21.82 million in 2022.

d. The following tables provide the total amount of all other transactions that have been entered into with the Parent Company's shareholders and affiliates for the relevant financial year:

	Cash in Banks, Cash Equivalents and Short-term Investments (Note 5)		**Receivables and Contract Assets*** (Note 6)	
	2024	2023	**2024**	2023
Shareholder:				
Ayala**	**₱–**	₱–	**₱**	₱203,231
Affiliates:				
Trident Inc	**–**	–	**5,330,000,000**	5,330,000,000
WawaJVCo, Inc.	**–**	–	**224,141,555**	113,017,973
Sureste Properties Inc.	**–**	–	**51,228,504**	32,450,297
Prime Metro BMD	**–**	–	**29,614,352**	**–**
ALI and subsidiaries**			**–**	263,248,693
Globe and subsidiaries**	**–**	–	**–**	140,878
BPI and subsidiaries**	**–**	1,737,370,625	**–**	143,138
	–	1,737,370,625	**5,634,984,411**	5,739,000,979
	₱–	₱1,737,370,625	**₱5,634,984,411**	₱5,739,204,210

**Includes trade, subscription, retention and interest receivables*
***Starting May 17, 2024, Ayala and its affiliates ceased to be related parties. Accordingly, no related party balances were presented in the table above.*

Trade receivables are primarily composed of receivables for water and used water services rendered by the Group. These are non-interest bearing and are collectible within thirty (30) days from bill generation.

	Payables and Contract Liabilities* (Note 14)		**Long-term Debt** (Note 15)	
	2024	2023	**2024**	2023
Shareholder:				
PICI	**₱283,303,278**	₱227,871,493	**₱–**	₱–
Affiliates:				
WawaJVCo	**6,534,106,926**	6,644,268,738		
Prime Metro BMD	**252,524,562**	336,920,619	**–**	–
Sureste Properties Inc.	**12,443**	236,538	**–**	–
ALI and subsidiaries**	**–**	160,576,797	**–**	–
BPI and Subsidiaries**	**–**	16,766,491	**–**	4,422,703,097
Globe and subsidiaries**	**–**	13,201,832	**–**	–
HCX Technology Partners, Inc.**	**–**	1,678,071	**–**	–
Bestfull Holdings, Inc. and subsidiaries**	**–**	352,013	**–**	–
	6,786,643,931	7,174,001,099	**–**	4,422,703,097
	₱7,069,947,209	₱7,401,872,592	**₱–**	₱4,422,703,097

**Includes trade, retention and interest payables*
***Starting May 17, 2024, Ayala and its affiliates ceased to be related parties. Accordingly, no related party balances were presented in the table above.*

Trade payables pertain to retentions deducted from contractors' billings and are normally paid within a year after project acceptance.

As of December 31, 2023, long-term debt pertains to loans made by Boracay Water, Laguna Water, Clark Water, Aqua Centro, South Luzon, Calbayog Water and Bulakan Water with BPI (see Note 15).

The table below shows the total amount of revenues and purchases between Parent Company's shareholders and affiliates for the relevant financial year.

	Revenues			Purchases		
	2024	2023	2022	**2024**	2023	2022
Shareholders:						
PICI	**₱–**	₱–	₱–	**₱1,198,126,989**	₱986,553,839	₱689,443,859
Ayala*	**–**	7,256,034	4,530,470	**–**	–	21,823,200
	–	7,256,034	4,530,470	**1,198,126,989**	986,553,839	711,267,059
Affiliates:						
WawaJVCo, Inc.	**224,141,555**	113,017,973	–	**738,458,218**	737,601,443	134,357,841
Sureste Properties, Inc.	**89,593,700**	72,567,696	3,790,000	**1,564,725**	1,115,193	1,107,752
Prime Metro BMD Corporation	**26,441,385**	–	–	**933,349,949**	1,213,769,455	751,785,469
ALI and subsidiaries*	**–**	857,456,517	740,211,689	**–**	69,120,702	38,079,208
IMI and subsidiaries*	**–**	60,951,055	57,716,421	**–**	–	–
BPI and subsidiaries*	**–**	55,246,860	21,912,761	**–**	100,036,277	73,737,733
AITHI and subsidiaries*	**–**	7,751,482	6,771,342	**–**	–	–
Globe and subsidiaries*	**–**	4,486,935	1,072,639	**–**	86,746,788	54,675,771
HCX Technology Partners, Inc*.	**–**	–	–	**–**	39,883,524	11,911,868
Bestfull Holdings, Inc. and subsidiaries*	**–**	–	–	**–**	165,683	158,019
	340,176,640	1,171,478,518	831,474,852	**1,673,372,892**	2,248,439,065	1,065,813,661
	₱340,176,640	₱1,178,734,552	₱836,005,322	**₱2,871,499,881**	₱3,234,992,904	₱1,777,080,720

***Starting May 17, 2024, Ayala and its affiliates ceased to be related parties. Accordingly, no related party balances were presented in the table above.*

Revenue is mainly attributable to water and used water services and facilities, and supervision fees rendered by the Group to its shareholder and affiliates.

Purchases from related parties arise from the following transactions:

- PICI for management fees;
- ALI and subsidiaries, and Bestfull Holdings and subsidiaries for rental of office space;
- BPI for banking transactions and financial services such as insurance;
- Sureste Properties, Inc. for representation expense;
- Globe for telecommunication services;
- HCX Technology Partners, Inc. for payroll management services; and
- Prime Metro BMD for construction services;
- Wawa JVCo, Inc. for the supply of raw water.

e. On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004, July 22, 2009, and June 30, 2015) with PGL, one of its shareholders. Regulatory fees to PGL amounted to ₱83.92 million and ₱75.34 million in 2024 and 2023, respectively (see Notes 1 and 29).

f. On December 17, 2009, Boracay Water entered into a concession agreement with TIEZA, one of its shareholders. Concession fees paid to TIEZA amounted to ₱37.96 million and ₱31.79 million in 2024 and 2023, respectively (see Notes 1 and 29).

g. On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Wawa Bulk Water Agreement with WawaJVCo, Inc., a joint venture company formed between Prime Metroline Infrastructure Holdings Corporation and San Lorenzo Builders and Developers Corporation. This will involve the supply of 518 million liters per day of raw water from the Wawa and Tayabasan rivers and is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of the East Service Area. On January 7, 2020, the parties executed the First Supplement to the Wawa Bulk Water Agreement to reflect their agreement on the joint conditions precedent. On September 28, 2021, the parties executed the Second Supplement to the Wawa Bulk Water Agreement to reflect the impact of the COVID-19 pandemic on the timeline of the project.

On October 25, 2022, the construction of the Upper Wawa Dam was completed, and Wawa JVCo., Inc. commenced the provision of initial 80 million liters per day of raw water to the Parent Company. The Parent Company accounts for the Wawa Bulk Water Agreement under the intangible asset model recognizing SCA and SCO amounting to ₱6,762.50 million in 2022. In 2024 and 2023, the Parent Company recognized liquidated damages against Wawa JVCo., Inc. amounting to ₱224.14 million and ₱113.02 million, respectively, and other income of ₱210.96 million and ₱138.85 million, respectively, due to unmet delivery of contracted 80 million liters per day of raw water.

h. On February 24, 2022, the BOD approved the award for the design and construction of the Cabading Reservoir and Booster Station to Prime BMD Corporation. This project is part of the water sources roadmap of the MWSS to address the deficit in water supply of the East Zone in the next five (5) years. In 2024 and 2023, total purchases by Parent Company related to the project amounted to ₱933.35 million and ₱1,213.77 million, respectively.

i. As of December 31, 2024, and 2023, the plan assets include shares of stock of ICTSI with a total fair value of ₱4.47 million and ₱4.00 million, respectively.

j. On September 27, 2023, Cebu Water obtained a loan from Provincial Government of Cebu and Vicsal Development Corporation to finance the prepayment of its commercial loan from DBP. The carrying amount of the shareholder loans amounted to ₱38.54 million and ₱264.72 million as of December 31, 2024 and 2023, respectively.

k. Compensation of key management personnel of the Group by benefit type, included as part of "Salaries, wages and employee benefits," are as follows:

	2024	2023	2022
Short-term employee benefits	**₱930,618,560**	₱865,940,476	₱750,307,855
Post-employment and long-term employee benefits	**48,269,912**	48,018,392	28,185,877
Share-based payments	**78,465,122**	62,719,089	26,082,254
	₱1,057,353,594	₱976,677,957	₱804,575,986

24. Significant Contracts with the West Zone Concessionaire

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

a. Interconnection Agreement that provides for the arrangements on the cross-border flows both incidental or permanent transfers, including the water interconnection points. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones. For sewerage, the Parent Company and Maynilad may enter into separate contracts.

   Joint Venture Arrangement that will operate, maintain, renew, and as appropriate, decommission common purpose facilities, and perform other functions pursuant to and in accordance with the provisions of the Agreement and perform such other functions relating to the concession (and the concession of the West Zone Concessionaire) as the Concessionaires may choose to delegate to the joint venture, subject to the approval of MWSS.

b. In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility is US$116.60 million with maturity of twenty (20) years, including five (5) years of grace period. Interest rate is 3% per annum. MWSS then entered into a MOA with the Parent Company and Maynilad for the Parent Company and Maynilad to shoulder equally the repayment of the loan, with such repayment to be part of the concession fees (see Note 10).

c. On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounts to US$123.30 million with a maturity of twenty-five (25) years including a six and a half (6.5)-year grace period. On April 27, 2022, the loan had an unutilized and cancelled amount of US$56.73 million. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

d. In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China on November 20, 2018 amounting to US$211.21 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

On August 27 2020, a supplemental MOA was entered into by MWSS with the Parent Company and Maynilad for the separate loan to be obtained by MWSS to finance the construction of Aqueduct No. 7, which is a new and seventh aqueduct downstream of Ipo Dam from Bigte Basin to Novaliches Portal that will convey the additional output to further strengthen the reliability and adequacy of the water supply system. The loan amounts to US$126.02 million with a maturity of twenty-five (25) years including a six and a half (6.5)-year grace period. As stipulated in the MOA, all expenses to be incurred by the Concessionaires in connection with the Angat Water Transmission Improvement Project and Aqueduct No. 7, including the amortization payment as well as the local counterpart funds, shall be part of the Concessionaire's respective business plans which shall be considered in the next rate rebasing exercise.

e. In 2021, the Parent Company and Maynilad entered into a contract with Dohwa Engineering, Co. Ltd. for the construction management of the proposed Angat Water Transmission Project (Tunnel 5). On January 25, 2022, the Parent Company and Maynilad 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). The contractor will provide the necessary resources, skills and expertise for the performance and completion of certain civil, electro-mechanical, installation and other related works. 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.

f. In 2022, the Parent Company and Maynilad entered into a Bulk Water Sale and Purchase Agreement wherein the Parent Company will supply raw and treated water to Maynilad to provide adequate service to the customers of Maynilad in the West Zone.

   On February 1, 2024, the Parent Company and Maynilad entered into a Bulk Water Supply Agreement wherein the Parent Company will supply raw and treated water to Maynilad for a period of one (1) year. In 2024, 2023 and 2022, total cross-border billings to Maynilad amounted to ₱220.89 million, ₱543.90 million and ₱273.65 million, respectively (see Note 18).

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25. **Assets Held in Trust**

<u>MWSS</u>
The Parent Company was granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Concession Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and 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.

The Concession Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both the East and West Zones 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 ₱4.60 billion, with a sound value of ₱10.40 billion.

MWSS' corporate headquarters is made available to the Concessionaires starting August 1, 1997, subject to periodic renewal by mutual agreement of the parties. On August 28, 2012, additional office space was leased by the Parent Company. The lease was last renewed on July 8, 2019. Payments amounting to ₱55.14 million, ₱63.83 million, and ₱40.37 million was recorded in 2024, 2023 and 2022, respectively, as deduction to lease liabilities.

In March 2015, the Parent Company and MWSS entered into an agreement for the lease of a portion of the San Juan Reservoir and Aqueduct Complex being utilized by the Parent Company as stockyard for its pipes and other materials. The lease agreement shall continue to be in effect until the termination of the Concession Agreement. Rent payments amounting to ₱18.14 million each year is recorded from 2022 to 2024 as deduction to lease liabilities.

CWD
On October 23, 2017, Calasiao Water was granted the right to develop, manage, operate, maintain, repair, refurbish and improve, expand, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Calasiao. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Calasiao Water, shall remain with CWD.

CCWD
On July 3, 2019, Calbayog Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of CCWD.

TIEZA
Boracay Water was granted the right to operate, maintain in good working order, repair, decommission and refurbish all fixed and movable property (except retained assets) required to provide the water and sewerage services under its concession agreement with TIEZA. The legal title to all these assets in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of such assets as may be determined by Boracay Water, such assets shall be returned to TIEZA in its then-current condition at no charge to TIEZA or Boracay Water.

The net book value of the facilities transferred to Boracay Water on commencement date based on TIEZA's closing audit report amounted to ₱618.24 million.

CDC
Clark Water was granted the right to finance, design and construct new facilities and to manage, exclusively possess, occupy, operate, repair, maintain, decommission, and refurbish all facilities, except private deep wells, to provide and manage the water and wastewater-related services in the CFZ.

BuWD
On June 14, 2019, Bulakan Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the service area of BuWD. On October 22, 2024, the Group completed the divestment of its shares in OWD.

TnWD
On February 4, 2019, South Luzon Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of TnWD.

OWD
On October 12, 2017, Obando Water was granted the right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Obando. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Obando Water, shall remain with OWD. On October 22, 2024, the Group completed the divestment of its shares in BuWD.

PGL
Laguna Water was granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with PGL. The legal title of all property in existence at the commencement date shall be retained by PGL. Upon expiration of the useful life of any such property as may be determined by Laguna Water, such property shall be returned to PGL in its then condition at no charge to PGL or Laguna Water.

PAGWAD
On January 21, 2019, Laguna Water was granted the right to operate, finance, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required and exclusively used to provide water delivery and sanitation services in the service area of PAGWAD.

LWD
On July 3, 2019, Aqua Centro was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply in the service area of LWD.

26. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on geographic location.

The Group's BOD and Management Committee monitor the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS.

The segments where the Group operates follow:

- Manila Concession and Head Office – represents the operations of the Manila Concession (East Zone) of the Parent Company in accordance with its Concession Agreement.
- Domestic Subsidiaries – represents the financial results of the Philippine businesses such as MWTS, Calasiao Water, MWPVI (including Laguna Water, Clark Water, Boracay Water, North Luzon Water, Filipinas Water, Ilagan Water, South Luzon Water, MW Consortium, Cebu Water, Davao Water, Tagum Water, BMDC, Aqua Centro, MWTV, EcoWater, Leyte Water, Zamboanga Water, and Calbayog Water). The 2024 amounts include profit or loss balances for Bulakan Water and Obando Water until October 22, 2024. The 2023 amounts include full year balances.
- Foreign Subsidiaries – consists of businesses outside the Philippines under MWAP (MWSAH, Asia Water, TDWH, KDWH, MWTC, MSEA, and PTMWI).

Details of the Group's operating segments as of and for the years ended December 31, 2024, 2023, and 2022 are as follows:

	2024				
	Manila Concession and Head Office	**Domestic Subsidiaries**	**Foreign Subsidiaries**	**Consolidation Adjustments**	**Consolidated**
			(In Thousands)		
Revenue					
Sales to external customers	**₱28,845,561**	**₱10,545,463**	**₱4,910**	**(₱2,960,903)**	**₱36,435,031**
Finance income from contract assets	**–**	**212,026**	**–**	**–**	**212,026**
Operating expenses (excluding depreciation and amortization)	**8,138,039**	**6,279,908**	**77,976**	**(2,587,278)**	**11,908,645**
Depreciation and amortization	**4,229,032**	**1,149,762**	**1,286**	**(32,287)**	**5,347,793**
Equity in net loss of associates	**–**	**–**	**(3,593,920)**	**–**	**(3,593,920)**
Other income (expenses) - net	**(3,902,715)**	**368,338**	**423,700**	**2,419,490**	**(691,187)**
Income (loss) before income tax	**12,575,775**	**3,696,157**	**(3,244,572)**	**2,078,152**	**15,105,512**
Provision for income tax	**3,538,814**	**534,125**	**263**	**60,898**	**4,134,100**
Net income (loss) from continuing operations	**9,036,961**	**3,162,032**	**(3,244,835)**	**2,017,254**	**10,971,412**
Net loss from discontinued operations	**–**	**(1,013)**	**–**	**–**	**(1,013)**
Net income (loss)	**₱9,036,961**	**₱3,161,019**	**(₱3,244,835)**	**₱2,017,254**	**₱10,970,399**
Other information					
Segment assets, exclusive of investments in associates, derivative assets and deferred tax assets - net	**₱191,245,749**	**₱45,429,037**	**₱15,557,725**	**(₱31,978,522)**	**₱220,253,989**
Deferred tax assets - net	**–**	**503,289**	**–**	**–**	**503,289**
Investments in associates	**–**	**–**	**8,569,359**	**(1,383,095)**	**7,186,264**
Derivative assets	**–**	**–**	**–**	**–**	**–**
	₱191,245,749	**₱45,932,326**	**₱24,127,084**	**(₱33,361,617)**	**₱227,943,542**
Segment liabilities	**₱117,391,839**	**₱30,181,851**	**₱13,197,904**	**(₱10,163,081)**	**₱150,608,513**

	2023				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
			(In Thousands)		
Revenue					
Sales to external customers	₱24,106,439	₱7,054,105	₱4,493	(₱736,969)	₱30,428,068
Finance income from contract assets	–	281,799	–	–	281,799
Operating expenses (excluding depreciation and amortization)	7,165,296	4,187,594	103,187	(661,737)	10,794,340
Depreciation and amortization	3,554,117	755,191	1,474	(3,238)	4,307,544
Equity in net loss of associates	–	–	(3,561,492)	–	(3,561,492)
Other income (expenses) - net	(1,758,524)	(451,848)	29,847	(890,102)	(3,070,627)
Income (loss) before income tax	11,628,502	1,941,271	(3,631,813)	(962,096)	8,975,864
Provision for income tax	2,819,494	372,598	288	(87,803)	3,104,577
Net income (loss) from continuing operations	8,809,008	1,568,673	(3,632,101)	(874,293)	5,871,287
Net loss from discontinued operations	–	(764)	–	(67)	(831)
Net income (loss)	₱8,809,008	₱1,567,909	(₱3,632,101)	(₱874,360)	₱5,870,456
Other information					
Segment assets, exclusive of investments in associates, derivative assets and deferred tax assets - net	₱173,896,719	₱40,766,778	₱11,303,106	(₱28,362,297)	₱197,604,306
Deferred tax assets - net	–	499,689	–	–	499,689
Investments in associates	–	–	13,288,157	(2,096,589)	11,191,568
Derivative assets	391,839	–	-	-	391,839
	₱174,288,558	₱41,266,467	₱24,591,263	(₱30,458,886)	₱209,687,402
Segment liabilities	₱106,695,585	₱27,685,042	₱8,919,969	(₱3,732,638)	₱139,567,958

	2022				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
			(In Thousands)		
Revenue					
Sales to external customers	₱17,625,349	₱5,870,739	₱24,710	(₱978,352)	₱22,542,446
Finance income from contract assets	–	256,538	–	–	256,538
Operating expenses (excluding depreciation and amortization)	7,157,034	3,719,348	252,315	(331,648)	10,797,049
Depreciation and amortization	2,284,402	774,855	1,489	(14,732)	3,046,014
Equity share in net income of associates	–	–	520,067	–	520,067
Other income (expenses) - net	(684,973)	(465,062)	558,165	(723,152)	(1,315,022)
Income (loss) before income tax	7,498,940	1,168,012	849,138	(1,355,124)	8,160,966
Provision for income tax	1,508,217	286,854	1,320	216,809	2,013,200
Net income (loss) from continuing operations	5,990,723	881,158	847,818	(1,571,933)	6,147,766
Net loss from discontinued operations	–	(602)	–	(5,756)	(6,358)
Net income (loss)	₱5,990,723	₱880,556	₱847,818	(₱1,577,689)	₱6,141,408
Other information					
Segment assets, exclusive of investments in associates, derivative assets and deferred tax assets - net	₱154,331,995	₱38,264,918	₱6,889,045	(23,047,191)	₱176,438,767
Deferred tax assets - net	210,699	424,524	–	–	635,223
Investments in associates	–	–	14,287,220	1,147,293	15,434,513
Derivative assets	2,295,670	–	–	–	2,295,670
	₱156,838,364	₱38,689,442	₱21,176,265	(₱21,899,898)	₱194,804,173
Segment liabilities	₱88,885,291	₱25,668,359	₱8,674,622	(₱1,877,358)	₱121,350,914

The Group does not have a single customer contributing more than 10.00% of its total revenue.

Disaggregated revenue information

The following are the disaggregation of the Group’s revenue from contracts with customers as of December 31, 2024, 2023 and 2022:

	2024			
	Manila Concession and Head Office	**Domestic Subsidiaries**	**Foreign Subsidiaries**	**Total**
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	**₱28,245,067**	**₱6,610,241**	**₱–**	**₱34,855,308**
Other operating income	**334,730**	**1,241,660**	**3,333**	**1,579,723**
	₱28,579,797	**₱7,851,901**	**₱3,333**	**₱36,435,031**

	2024			
	Manila Concession and Head Office	**Domestic Subsidiaries**	**Foreign Subsidiaries**	**Total**
	(In Thousands)			
Timing of revenue recognition:				
Revenue recognized over time	**₱28,446,762**	**₱7,713,704**	**₱3,333**	**₱36,163,799**
Revenue recognized at a point in time	**133,035**	**138,197**	**–**	**271,232**
	₱28,579,797	**₱7,851,901**	**₱3,333**	**₱36,435,031**

	2023			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
	(In Thousands)			
Revenue from contracts with customers:				
Water and used water revenues	₱23,255,824	₱5,248,155	₱–	₱28,503,979
Other operating income	799,522	1,121,944	2,623	1,924,089
	₱24,055,346	₱6,370,099	₱2,623	₱30,428,068
Timing of revenue recognition:				
Revenue recognized over time	₱23,956,300	₱6,275,408	₱2,623	₱30,234,331
Revenue recognized at a point in time	99,046	94,691	–	193,737
	₱24,055,346	₱6,370,099	₱2,623	₱30,428,068

	2022			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
	(In Thousands)			
Revenue from contracts with customers:				
Water and used water revenues	₱16,434,860	₱4,205,864	₱–	₱20,640,724
Other operating income	626,850	1,253,171	21,701	1,901,722
	₱17,061,710	₱5,459,035	₱21,701	₱22,542,446
Timing of revenue recognition:				
Revenue recognized over time	₱16,982,447	₱5,405,602	₱21,701	₱22,409,750
Revenue recognized at a point in time	79,263	53,433	–	132,696
	₱17,061,710	₱5,459,035	₱21,701	₱22,542,446

27. Fair Value Measurement

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial assets and financial liabilities as of December 31, 2024 and 2023:

	2024			
	Carrying Value	**Fair Value Quoted Market Prices (Level 1)**	**Fair Value Significant Observable Inputs (Level 2)**	**Fair Value Significant Unobservable Inputs (Level 3)**
	(In Thousands)			
Financial assets at fair value				
Derivative assets	**₱–**	**₱–**	**₱–**	**₱–**
Financial assets at amortized cost				
Contract assets from TWD and CIWD	**1,456,593**	**–**	**–**	**4,033,943**
	₱1,456,593	**₱–**	**₱–**	**₱4,033,943**
Other financial liabilities				
Long-term debt	**₱106,181,976**	**₱28,609,148**	**₱–**	**₱76,982,799**
Service concession obligations	**15,111,116**	**–**	**–**	**18,079,588**
Customers' guaranty deposits and other deposits	**389,641**	**–**	**–**	**158,215**
	₱121,682,733	**₱28,609,148**	**₱–**	**₱95,220,602**

	2023			
	Carrying Value	Fair Value Quoted Market Prices (Level 1)	Fair Value Significant Observable Inputs (Level 2)	Fair Value Significant Unobservable Inputs (Level 3)
		(In Thousands)		
Financial assets at fair value				
Derivative assets	₱391,839	₱–	₱–	₱391,839
Financial assets at amortized cost				
Contract assets from TWD and CIWD	1,281,478	–	–	3,660,202
	₱1,673,317	₱–	₱–	₱4,052,041
Other financial liabilities				
Long-term debt	₱99,247,451	₱25,492,902	₱–	₱74,183,461
Service concession obligations	16,124,821	–	–	17,399,130
Customers' guaranty deposits and other deposits	342,630	–	–	118,520
	₱115,714,902	₱25,492,902	₱–	₱91,701,111

The methods and assumptions used by the Group in estimating the fair value of the long-term financial assets at amortized cost and other financial liabilities such as long-term debt, service concession obligations, and customers' guaranty deposits and other deposits are as follows:

a. The fair values of derivative assets, specifically forward contracts, are calculated using valuation techniques with inputs and assumptions that are based on market unobservable data and conditions. The fair values of the US dollar-denominated bonds are based on quoted prices. The fair vales of financial assets at amortized cost, and other financial liabilities are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

b. The discount rates used for PHP-denominated loans were 0.50% to 8.00% in 2024 and 0.5% to 7.86% in 2023, while the discount rates used for foreign currency-denominated loans ranged from 7.00% to 9.25% in 2024 and 2023.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. As at December 31, 2024 and 2023, the mark-to market value of other derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

Fair Value Hierarchy
During the periods ended December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investments, contract assets from MCWD, TWD and CIWD, derivative assets, short-term debt, long-term debt, and service concession obligations. The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group has other financial assets such as trade receivables and payables which arise directly from the conduct of its operations.

The Parent Company's BOD reviews and approves the policies for managing each of these risks. The Group monitors risks arising from all financial instruments and regularly report financial management activities and the results of these activities to the Parent Company's BOD. In addition, the Group ensures that all loan covenants are complied with.

The Group's risk management policies are disclosed in full in its audited consolidated financial statements as of December 31, 2024 and updates to these risks are summarized below:

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating and/or fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

The Group's policy is to manage the interest payments using a mix of fixed and variable rate debts to minimize the Group's exposure to changes in interest rates primarily from its long-term debt. As of December 31, 2024 and 2023, the Group's mix of fixed interest and floating interest rate of long-term debt are 38% to 62% and 48% to 52%, respectively.

As of December 31, 2024 and December 31, 2023 the fixed interest rates of the Group's foreign currency denominated long-term debt are 4.375% and 5.16% to 8.90% for Peso denominated long-term debt. Floating interest rates are based on 6-month EURIBOR plus margin, SOFR plus margin, PHP BVAL Reference Rates and BSP Term facility rate plus margin as of December 31, 2024 and 2023.

The following tables summarize the maturity profile of the Group's long-term debt based on contractual undiscounted principal payments:

	2024*								
	Due in 2025	**Due in 2026**	**Due in 2027**	**Due in 2028**	**Due in 2029**	**Due after 2030**	**Total in Original Currency (In PHP)**	**Total in Original Currency (In USD)**	**Total (In PHP)**
Liabilities:									
Long-term debt									
East Zone loans:									
Fixed Rate (exposed to fair value risk)									
₱5.00 billion PNB Loan	₱500,000,000	₱500,000,000	₱500,000,000	₱375,000,000	₱–	₱–	₱1,875,000,000	$–	₱1,875,000,000
US$500.00 million sustainability bonds	$–	$–	$–	$–	$–	$500,000,000	₱–	$500,000,000	₱28,922,500,000
Floating Rate (exposed to cash flow risk)									
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$57,823,672	₱–	$96,432,832	₱5,578,157,167
₱5.00 billion BDO Loan	₱1,200,000,000	₱–	₱2,000,000,000	₱–	₱–	₱–	₱3,200,000,000	$–	₱3,200,000,000
₱15.00 billion Chinabank Loan	₱–	₱2,148,000,000	₱2,142,000,000	₱2,142,000,000	₱8,568,000,000	₱–	₱15,000,000,000	$–	₱15,000,000,000
₱10.00 billion with MBTC	₱900,000,000	₱900,000,000	₱900,000,000	₱900,000,000	₱900,000,000	₱4,600,000,000	₱9,100,000,000	$–	₱9,100,000,000
₱3.00 billion with LBP	₱333,600,000	₱333,600,000	₱333,600,000	₱333,600,000	₱333,600,000	₱1,332,000,000	₱3,000,000,000	$–	₱3,000,000,000
₱7.00 billion with LBP	₱389,200,000	₱389,200,000	₱389,200,000	₱389,200,000	₱389,200,000	₱5,054,000,000	₱7,000,000,000	$–	₱7,000,000,000
₱15.00 billion with MBTC	₱700,000,000	₱700,000,000	₱700,000,000	₱700,000,000	₱700,000,000	₱3,500,000,000	₱7,000,000,000	$–	₱7,000,000,000
₱10.00 billion Chinabank Loan	₱300,000,000	₱300,000,000	₱300,000,000	₱300,000,000	₱300,000,000	₱1,500,000,000	₱3,000,000,000	$–	₱3,000,000,000
Subsidiaries' loans:									
Fixed Rate (exposed to fair value risk)									
₱1.15 billion Clark Water RCBC Loan	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱71,875,002	₱551,041,667	$–	₱551,041,667
₱1.53 billion Clark Water BPI Loan	₱–	₱–	₱95,336,000	₱95,336,000	₱95,336,000	₱508,992,000	₱795,000,000	$–	₱795,000,000
₱0.54 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱111,006,143	₱258,064,968	$–	₱258,064,968
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱190,013,674	₱442,437,914	$–	₱442,437,914
₱2.50 billion Laguna Water SBC Loan	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱203,046,935	₱1,164,585,395	$–	₱1,164,585,395
₱2.50 billion Laguna Water BPI Loan	₱179,310,345	₱179,310,345	₱179,310,345	₱179,310,345	₱137,915,235	₱–	₱855,156,615	$–	₱855,156,615
₱1.60 billion Laguna Water BPI Loan	₱–	₱29,990,000	₱119,960,000	₱119,960,000	₱119,960,000	₱505,344,372	₱895,214,372	$–	₱895,214,372
₱0.50 billion Boracay Water DBP-SBC Loan	₱31,660,189	₱31,660,189	₱31,660,189	₱31,660,189	₱31,660,189	₱125,312,500	₱283,613,445	$–	₱283,613,445
₱0.50 billion Boracay Water DBP-SBC Loan	₱44,961,735	₱44,961,735	₱44,961,735	₱44,961,735	₱44,961,735	₱78,683,034	₱303,491,709	$–	₱303,491,709
₱0.65 billion Boracay Water DBP-SBC Loan	₱77,380,952	₱77,380,952	₱77,380,952	₱77,380,952	₱77,380,952	₱135,416,669	₱522,321,429	$–	₱522,321,429
₱2.40 billion Boracay Water BPI Loan	₱72,200,000	₱136,800,000	₱187,568,000	₱199,424,000	₱199,424,000	₱697,984,000	₱1,493,400,000	$–	₱1,493,400,000
₱0.45 billion Tagum Water PNB Loan	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱92,583,332	₱260,916,667	$–	₱260,916,667
₱0.15 billion Tagum Water PNB Loan	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱36,666,668	₱103,333,333	$–	₱103,333,333
₱7.00 billion MWPVI Loan	₱847,650,000	₱847,650,000	₱847,650,000	₱847,650,000	₱847,650,00	₱4,289,400,000	₱7,680,000,000	$–	₱7,680,000,000
₱0.39 billion Calbayog Water BPI Loan	₱28,676,661	₱28,676,661	₱28,676,661	₱28,676,661	₱28,676,661	₱136,616,695	₱280,000,000	$–	₱280,000,000
₱0.23 billion Aqua Centro BPI Loan	₱31,082,200	₱31,082,200	₱31,082,200	₱31,082,200	₱31,082,200	₱44,589,000	₱200,000,000	$–	₱200,000,000
₱0.47 billion South Luzon Water BPI Loan	₱62,021,667	₱62,021,667	₱62,021,667	₱62,021,667	₱62,021,667	₱123,891,665	₱434,000,000	$–	₱434,000,000
Floating Rate (exposed to cash flow risk)									
₱0.54 billion Clark Water DBP Loan	₱44,583,333	₱44,583,333	₱44,583,333	₱44,583,333	₱44,583,333	₱189,479,168	₱412,395,833	$–	₱412,395,833
US$110.00 million MWAP Loan	$–	$–	$–	$–	$–	$110,000,000	₱–	$110,000,000	₱6,362,950,000
Total in Original Currency							**₱66,109,973,347**	**$ 706,432,832**	**₱106,973,580,514**
Total in PHP	**₱6,157,364,720**	**₱7,199,954,720**	**₱9,430,028,720**	**₱7,316,884,720**	**₱13,326,489,610**	**₱23,526,900,857**	**₱66,109,973,347**	**₱40,863,607,167**	**₱106,973,580,514**

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis, unless otherwise stated. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
The spot exchange rates used were ₱57.8450 to US$1 in 2024.
**Excludes the CAD0.95 million Laguna Water loan whose repayment date is related to the completion of the funded project*

	2023*										
	Due in 2024	Due in 2025	Due in 2026	Due in 2027	Due in 2028	Due after 2029	Total in Original Currency (In PHP)	Total in Original Currency (In USD)	Total in Original Currency (In EUR)	Total in Original Currency (In THB)	Total (In PHP)
Liabilities:											
Long-term debt											
East Zone loans:											
Fixed Rate (exposed to fair value risk)											
₱5.00 billion PNB Loan	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱375,000,000	₱–	₱2,375,000,000	$–	€–	THB–	₱2,375,000,000
₱5.00 billion BDO Loan	₱1,800,000,000	₱–	₱–	₱–	₱–	₱–	₱1,800,000,000	$–	€–	THB–	₱1,800,000,000
US$500.00 million sustainability bonds	$–	$–	$–	$–	$–	$500,000,000	₱–	$500,000,000	€–	THB–	₱27,685,000,000
Floating Rate (exposed to cash flow risk)											
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$65,545,504	₱–	$104,154,664	€–	THB–	₱5,767,043,746
₱5.00 billion BDO Loan	₱–	₱1,200,000,000	₱–	₱2,000,000,000	₱–	₱–	₱3,200,000,000	$–	€–	THB–	₱3,200,000,000
EUR250.00 million Loan	€57,500,000	€–	€–	€–	€–	€–	₱–	$–	€57,500,000	THB–	₱3,532,673,500
₱15.00 billion Chinabank Loan	₱–	₱–	₱2,148,000,000	₱2,142,000,000	₱2,142,000,000	₱8,568,000,000	₱15,000,000,000	$–	€–	THB–	₱15,000,000,000
₱10.00 billion with MBTC	₱900,000,000	₱900,000,000	₱900,000,000	₱900,000,000	₱900,000,000	₱4,500,000,000	₱9,000,000,000	$–	€–	THB–	₱9,000,000,000
₱3.00 billion with LBP	₱–	₱333,600,000	₱333,600,000	₱333,600,000	₱333,600,000	₱1,665,600,000	₱3,000,000,000	$–	€–	THB–	₱3,000,000,000
₱7.00 billion with LBP	₱–	₱389,200,000	₱389,200,000	₱389,200,000	₱389,200,000	₱1,943,200,000	₱3,500,000,000	$–	€–	THB–	₱3,500,000,000
Subsidiaries' loans:											
Fixed Rate (exposed to fair value risk)											
₱1.15 billion Clark Water RCBC Loan	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱167,708,333	₱646,875,000	$–	€–	THB–	₱ 646,875,000
₱1.53 billion Clark Water BPI Loan	₱–	₱–	₱–	₱52,836,000	₱52,836,000	₱264,328,000	₱370,000,000	$–	€–	THB–	₱370,000,000
₱0.50 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱139,283,375	₱286,342,198	$–	€–	THB–	₱286,342,198
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱239,068,849	₱491,493,092	$–	€–	THB–	₱491,493,092
₱2.50 billion Laguna Water SBC Loan	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱379,281,028	₱1,340,819,490	$–	€–	THB–	₱1,340,819,490
₱2.50 billion Laguna Water BPI Loan	₱179,310,345	₱179,310,345	₱179,310,345	₱179,310,345	₱179,310,345	₱130,482,581	₱1,027,034,305	$–	€–	THB–	₱1,027,034,305
₱1.60 billion Laguna Water BPI Loan	₱–	₱–	₱24,990,000	₱99,960,000	₱99,960,000	₱469,995,499	₱694,905,499	$–	€–	THB–	₱694,905,499
₱0.50 billion Boracay Water DBP-SBC Loan	₱8,558,961	₱31,660,189	₱31,660,189	₱31,660,189	₱31,660,189	₱87,065,519	₱222,265,235	$–	€–	THB–	₱222,265,235
₱0.50 billion Boracay Water DBP-SBC Loan	₱11,240,434	₱44,961,735	₱44,961,735	₱44,961,735	₱44,961,735	₱123,644,770	₱314,732,143	$–	€–	THB–	₱314,732,143
₱0.65 billion Boracay Water DBP-SBC Loan	₱19,345,238	₱77,380,952	₱77,380,952	₱77,380,952	₱77,380,952	₱212,797,619	₱541,666,667	$–	€–	THB–	₱541,666,667
₱2.40 billion Boracay Water BPI Loan	₱15,200,000	₱72,200,000	₱136,800,000	₱187,568,000	₱199,424,000	₱897,408,000	₱1,508,600,000	$–	€–	THB–	₱1,508,600,000
₱0.45 billion Tagum Water PNB Loan	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱126,250,000	₱294,583,333	$–	€–	THB–	₱294,583,333
₱0.15 billion Tagum Water PNB Loan	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱50,000,000	₱116,666,665	$–	€–	THB–	₱116,666,665
₱7.00 billion MWPVI Loan	₱667,100,000	₱847,650,000	₱847,650,000	₱847,650,000	₱847,650,000	₱3,390,600,000	₱7,448,300,000	$–	€–	THB–	₱7,448,300,000
₱0.39 billion Calbayog Water BPI Loan	₱4,669,000	₱14,674,000	₱20,010,000	₱20,010,000	₱20,010,000	₱69,502,000	₱148,875,000	$–	€–	THB–	₱148,875,000
₱0.23 billion Aqua Centro BPI Loan	₱31,082,200	₱31,082,200	₱31,082,200	₱31,082,200	₱31,082,200	₱77,589,000	₱233,000,000	$–	€–	THB–	₱233,000,000
₱0.47 billion South Luzon Water BPI Loan	₱21,677,500	₱43,355,000	₱43,355,000	₱43,355,000	₱43,355,000	₱129,902,500	₱325,000,000	$–	€–	THB–	₱325,000,000
Floating Rate (exposed to cash flow risk)											
₱0.54 billion Clark Water DBP Loan	₱44,583,333	₱44,583,333	₱44,583,333	₱44,583,333	₱44,583,333	₱234,062,500	₱456,979,167	$–	€–	THB–	₱456,979,167
₱0.12 billion Boracay Water DBP-SBC Loan	₱1,945,241	₱10,356,618	₱10,356,618	₱10,356,618	₱10,356,618	₱28,480,699	₱71,852,412	$–	€–	THB–	₱71,852,412
THB5.30 billion Loan	THB5,300,000,000	THB–	THB–	THB–	THB–	THB–	₱–	$–	€–	THB5,300,000,000	₱8,533,919,203
Total in Original Currency							₱54,414,990,206	$604,154,664	€57,500,000	THB5,300,000,000	₱99,933,626,655
Total in PHP	₱17,113,900,431	₱5,562,609,848	₱6,605,535,848	₱8,778,109,848	₱6,664,965,848	₱55,208,504,829	₱54,414,990,206	₱33,452,043,746	₱3,532,673500	₱8,533,919,203	₱99,933,626,655

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis, unless otherwise stated. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
The spot exchange rates used were ₱55.3700 to US$1, ₱61.738 to EUR1, and ₱1.6102 to THB1 in 2023.
**Excludes the CAD0.87 million Laguna Water loan whose repayment date is related to the completion of the funded project*

The following tables demonstrate the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates on December 31, 2024 and 2023, with all variables held constant (through the impact on floating rate borrowings).

		2024	2023
	Changes in Basis Points	**Effect on Income Before Income Tax**	Effect on Income Before Income Tax
		(In Thousands)	
Floating rate borrowings	**100**	**(₱394,417)**	(₱509,094)
	(100)	**394,417**	509,094

Foreign exchange risk
The Group's foreign exchange risk results primarily from movements of the PHP against the USD, JPY and EUR on its short, long-term debt and service concession obligations. Substantially all revenues are generated in PHP while majority of capital expenditures are also in PHP. Approximately 38% and 45% of debt, including bonds payable, as of December 31, 2024 and 2023, respectively, are denominated in foreign currency.

The BOD approved the Foreign Exchange Risk Policy to help the Parent Company properly address or mitigate the adverse effects of foreign exchange volatility to its profit and loss through the employment of various risk mitigation strategies which include several derivative structures. As an enhancement on the foreign exchange risk management strategy approved by the BOD on February 24, 2022, the Parent Company shall maximize the use of available accounting hedges and shall take into account the capitalization of foreign exchange losses pertaining to capitalizable foreign currency-denominated loans as and when possible, to minimize the adverse effect of foreign exchange volatility to profit and loss while managing overall cost that includes hedging costs.

The Group manages its foreign currency risk by hedging transactions that are expected to occur upon maturity of the hedged long-term debts. When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure.

The Group hedges its exposure to fluctuations on the translation from USD to PHP of its investment in a foreign subsidiary by holding net borrowings in a foreign currency.

On December 31, 2024, the Group undesignated its Net Investment Hedge designated to its USD100 million USD denominated bond. The undesignation resulted to recognition of foreign currency differentials and deferred FCDA amounting to ₱862.50 million.

On May 24, 2024, the Group unwound the derivative asset designated to its USD100 million USD denominated bond. The unwinding resulted to derecognition of derivative asset amounting to ₱694.76 million and derecognition of OCI related to time value option and cost of hedging amounting to ₱139.66 million. In 2024, the profit and loss impact amounted to ₱321.74 million net gain.

On August 10, 2023, the Group unwound the derivative asset related to its EUR120 million Euro-loan principal only swap. The unwinding resulted to derecognition of derivative asset amounting to ₱1,263.52 million and derecognition of OCI amounting to ₱1,557.28 million. In 2023, the profit or loss impact amounted to ₱38.44 million net loss.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

	2024		2023	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
	(In Thousands)		(In Thousands)	
Assets				
Cash and cash equivalents:				
THB	**THB3,933**	**₱6,663**	THB1,635,467	₱2,633,386
USD	**USD8,911**	**515,481**	USD4,079	225,855
VND	**VND1,740,766**	**3,951**	VND21,440,330	48,916
IDR	**IDR1,287,223**	**4,608**	IDR1,524,085	5,466
SGD	**SGD2**	**81**	SGD–	–
Accounts receivable:				
USD	**USD5,158**	**298,357**	USD3,171	175,599
IDR	**IDR14,190**	**51**	IDR995,924	3,572
SAR	**SAR3,366**	**52,010**	SAR4,127	61,155
VND	**VND9,666,069**	**21,940**	VND–	–
THB	**THB100**	**169**	THB261	420
Other current assets:				
THB	**THB14,665**	**24,844**	THB25,985	41,841
VND	**VND–**	**–**	VND–	–
GBP	**GBP34**	**2,493**	GBP4	302
IDR	**IDR–**	**–**	IDR–	–
SGD	**SGD4**	**179**	SGD4	184
USD	**USD462**	**26,751**	USD36	1,990
Other noncurrent assets:				
USD	**USD–**	**–**	USD137	7,561
IDR	**IDR10,836,508**	**38,797**	IDR10,842,640	38,886
SAR	**SAR–**	**–**	SAR250	3,705
THB	**THB2,925,038**	**4,955,143**	THB5,291,971	8,520,991
SGD	**SGD30**	**1,281**	SGD30	1,263
VND	**VND1,656**	**4**	VND–	–
		5,952,803		11,771,092
Liabilities				
Accounts payable:				
THB	**THB58,381**	**98,900**	THB5,356,790	8,625,362
USD	**USD1,166**	**67,472**	USD3,166	175,300
VND	**VND161,045**	**366**	VND75,801	173
SGD	**SGD54**	**2,293**	SGD76	3,219
EUR	**EUR–**	**–**	EUR–	–
IDR	**IDR12,863,931**	**46,055**	IDR12,897,157	46,254
Long-term debt:				
USD	**USD698,642**	**40,412,975**	USD3,166	32,961,689
EUR	**EUR–**	**–**	EUR57,257	3,519,836
CAD	**CAD873**	**35,154**	CAD873	36,669
Service concession obligations:				
USD	**USD81,320**	**4,703,953**	USD177,865	9,848,397
JP¥	**JP¥74,353**	**27,302**	JP¥141,270	55,519
		45,394,470		55,272,418
Net foreign currency-denominated liabilities		**(₱39,441,667)**		(₱43,501,326)

The closing exchange rates used were ₱57.8450 to US$1, ₱40.2679 to CAD1, ₱60.4738 to EUR1, ₱72.6799 to GBP1, ₱0.0036 to IDR1, ₱0.3672 to JP¥1, ₱0.0278 to MMK1, ₱15.4539 to SAR1, ₱42.6919 to SGD1, ₱1.6940 to THB1, 0.0023 to VND1 and ₱0.2086 to PKR1 in 2024; and₱55.3700 to US$1, ₱42.0039 to CAD1, ₱61.4738 to EUR1, ₱70.7590 to GBP1, ₱0.0036 to IDR1, ₱0.3930 to JP¥1, ₱0.0264 to MMK1, ₱14.8187 to SAR1, ₱42.0898 to SGD1, ₱1.6102 to THB1, 0.0023 to VND1 and ₱0.1970 to PKR1 in 2023.

On May 10, 2023, the seventh Amendment of the RCA included FCDA that will be based on the following:
(1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex gains or losses arising from principal payments of loans, limited to the list of loans provided in the RCA. Forex gains or losses on additional/new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA. As of December 31, 2024 and 2023, deferred FCDA of the Parent Company amounted to ₱6,135.18 million and ₱2,510.95 million, respectively.

- *Cash flow hedges for foreign currency risks*
  On July 23, 2020, the Parent Company issued a ten (10)-year term, USD denominated bond amounting to USD500 million. To mitigate the foreign currency risk exposure associated with the bond, the Parent Company entered and designated a USD/PHP non-deliverable deferred premium currency option transaction as hedging instrument for the USD100.00 million out of the USD500.00 million denominated bond. The bond will be hedged against unfavorable movements of USD/PHP to minimize potential friction cost from unwinding in the event that the Parent Company wishes to exercise the pretermination right on the first call date.

  As the critical terms of the hedging instrument have been negotiated to match the terms of the hedged bond, the hedge was assessed to be effective. As such, the effective fair value changes of the options were deferred in equity under cash flow hedge reserve.

  On May 24, 2024 the Parent Company has pre-terminated the currency option with the counterparty bank. Consequently, the Group discontinued the application of cash flow hedge accounting. The pretermination resulted to derecognition of OCI related to the cost of hedging and fair value changes amounting to ₱139.66 million. The Group retained the OCI related to the cash flow hedge reserve amounting to ₱543.52 million (₱407.64 million, net of tax), until the related hedged cash flow has been paid. In 2024, the Group recognized amortization of the OCI on cash flow hedge reserve amounting to ₱64.36 million (₱48.27 million, net of tax).

  As of December 31, 2024 and 2023, unrealized gain of ₱359.37 million and ₱64.92 million, respectively, relating to the currency options are deferred in other comprehensive income.

- *Hedge of net investments in foreign operations*
  To further mitigate the foreign currency risk exposure of the Parent Company, it designated its USD100 million bond as a hedge of its net investment in MWAP. MWAP is the Parent Company's wholly owned foreign holding company, with USD as its functional currency.

  For the year ended December 31, 2024 and 2023, a gain (loss) of (₱243.63 million) and ₱37.77 million, respectively. The translation of this borrowing was recognized in Cumulative Translation Adjustment in equity, offsetting the gains and losses on translation of the investment in MWAP.

  On December 27, 2024, as the foreign currency risk management of the Group has changed due to the reinstatement of the FCDA, the Group has dedesignated the net investment hedge on its investment in MWAP. Any amount accumulated in cumulative translation adjustment will only be recycled to profit or loss when the original hedged investment is disposed of.

  Given the dedesignation of the above hedges in 2024, the Group has no outstanding hedging instruments as of December 31, 2024.

  The impact of the hedging instruments and hedged items on the statement of financial position as of December 31, 2024 and 2023 follows:

2024	**Notional amount**	**Carrying amount**	**Line item in the statement of financial position**	**Change in fair value***
USD100 Mn Bonds - Currency Option Transaction	**$100,000,000**	**₱–**	**₱–**	**₱563,944,760**
USD100 Mn Bonds - Net Investment Hedge	**$100,000,000**	**–**	**–**	**182,721,363**
		₱–	**₱–**	**₱746,666,123**

2023	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value*
USD100 Mn Bonds - Currency Option Transaction	$100,000,000	₱391,839,337	Other noncurrent assets	₱181,510,327
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	–	–	(28,325,764)
		₱391,839,337		₱153,184,563

net of income tax effect

The impact of the hedged items on the statement of financial position as of December 31, 2024 and 2023 follows:

2024	**Notional amount**	**Change in fair value ***	**Cash flow hedge reserve***	**Cost of hedging reserve***
USD100 Mn Bonds – Currency Option Transaction	**$100,000,000**	**₱563,944,760**	**₱563,944,760**	**₱–**
USD100 Mn Bonds - Net Investment Hedge	**$100,000,000**	**182,721,363**	**–**	**–**
		₱746,666,123	**₱563,944,760**	**₱–**

net of income tax effect

2023	Notional amount	Change in fair value *	Cash flow hedge reserve*	Cost of hedging reserve*
USD100 Mn Bonds – Currency Option Transaction	$100,000,000	₱181,510,327	₱406,413,386	(₱224,903,059)
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	(28,325,764)	–	–
		₱153,184,563	₱406,413,386	(₱224,903,059)

net of income tax effect

The effect of the cash flow hedge in the statement of profit and loss and OCI follows:

2024	**Total hedging gain (loss) recognized in OCI***	**Ineffectiveness recognized in profit or loss**	**Line item in profit or loss**	**Amount reclassified from OCI to profit or loss**	**Line item in profit or loss**
USD100 Mn Bonds – Currency Option Transaction	**₱563,944,760**	**(₱1,944,542)**	**Interest expense**	**₱271,596,329**	**Foreign exchange gains (losses)**
USD100 Mn Bonds - Net Investment Hedge	**182,721,363**	**–**	**–**	**243,628,484**	**Foreign exchange gains (losses)**
	₱746,666,123	**(₱1,944,542)**		**₱515,224,813**	

2023	Total hedging gain (loss) recognized in OCI*	Ineffectiveness recognized in profit or loss	Line item in profit or loss	Amount reclassified from OCI to profit or loss	Line item in profit or loss
USD100 Mn Bonds – Currency Option Transaction	₱181,510,327	₱1,669,979	Interest expense	(₱37,767,685)	Foreign exchange gains (losses)
USD100 Mn Bonds - Net Investment Hedge	(28,325,764)	–	–	(37,767,685)	Foreign exchange gains (losses)
	₱153,184,563	₱1,669,979		(₱75,535,370)	

net of income tax effect

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit risk for receivables from customers is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group has no significant concentration of credit risk. Outstanding customer receivables and contract assets are regularly monitored and customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, and product type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The information about the credit risk exposure on the Group's receivables and contract assets using a provision matrix follow:

	December 31, 2024						
	Current	Days Past Due					
	Standard Grade	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Expected Credit Loss	Total
				(In Thousands)			
Receivables							
Trade receivables	**₱924,529**	**₱901,648**	**₱345,374**	**₱180,858**	**₱643,443**	**₱1,473,021**	**₱4,468,873**
Employees	**30,127**	**–**	**–**	**–**	**–**	**5**	**30,132**
Interest from banks	**17,721**	**–**	**–**	**–**	**–**	**–**	**17,721**
Others	**444,976**	**–**	**–**	**–**	**–**	**57,990**	**502,966**
	1,417,353	**901,648**	**345,374**	**180,858**	**643,443**	**1,531,016**	**5,019,692**
Contract assets	**1,697,811**	**–**	**–**	**–**	**–**	**316,375**	**2,014,186**
	₱3,115,164	**₱901,648**	**₱345,374**	**₱180,858**	**₱643,443**	**₱1,847,391**	**₱7,033,878**

	December 31, 2023						
	Current	Days Past Due					
	Standard Grade	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Expected Credit Loss	Total
				(In Thousands)			
Receivables							
Trade receivables	₱724,735	₱766,073	₱355,830	₱171,000	₱648,122	₱1,301,193	₱3,966,953
Employees	17,145	–	–	–	–	5	17,150
Interest from banks	13,142	–	–	–	–	–	13,142
Others	208,873	–	–	–	–	220,681	429,554
	963,895	766,073	355,830	171,000	648,122	1,521,879	4,426,799
Contract assets	1,718,657	–	–	–	–	312,876	2,031,533
	₱2,682,552	₱766,073	₱355,830	₱171,000	₱648,122	₱1,834,755	₱6,458,332

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty limits are reviewed and approved by the BOD and are updated when necessary.

Cash and cash equivalents and short-term investments are placed in various banks. Material amounts are held by banks which belong to the top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and debentures. The Group's policy is to maintain a level of cash that is sufficient to fund its operating cash requirements for the next three (3) to six (6) months and any claim for refund of customers' guaranty deposits. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through internally generated cash. Maturing debts are refinanced through a combination of long-term debt and internally generated cash.

The Group's financial assets used for liquidity management based on their maturities are as follows:

	December 31, 2024			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	**₱7,436,737,551**	**₱–**	**₱–**	**₱7,436,737,551**
Receivables:				
Customers	**4,468,873,988**	**–**	**–**	**4,468,873,988**
Employees	**30,131,986**	**–**	**–**	**30,131,986**
Interest from banks	**17,720,724**	**–**	**–**	**17,720,724**
ZCWD	**39,509,823**	**–**	**–**	**39,509,823**
Others	**463,455,599**	**–**	**–**	**463,455,599**
Contract assets from TWD and CIWD	**118,632,897**	**956,762,561**	**1,164,037,436**	**2,239,432,894**
	₱12,575,062,568	**₱956,762,561**	**₱1,164,037,436**	**₱14,695,862,565**

	December 31, 2023			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱10,752,734,174	₱–	₱–	₱10,752,734,174
Receivables:				
Customers	3,966,953,076	–	–	3,966,953,076
Employees	17,150,278	–	–	17,150,278
Interest from banks	13,141,587	–	–	13,141,587
ZCWD	39,509,823	–	–	39,509,823
Others	390,044,571	–	–	390,044,571
Contract assets from TWD and CIWD	126,375,266	873,935,625	1,332,611,449	2,332,922,340
	₱15,305,908,775	₱873,935,625	₱1,332,611,449	₱17,512,455,849

The Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2024			
	Within 1 year	**1 to 5 years**	**More than 5 years**	**Total - Gross**
Liabilities:				
Accounts and other payables	**₱20,683,110,201**	**₱–**	**₱–**	**₱20,683,110,201**
Short-term debt	**250,000,000**	**–**	**–**	**250,000,000**
Long-term debt*	**10,750,182,111**	**78,837,714,290**	**26,350,254,916**	**115,938,151,317**
Service concession obligation*	**1,691,979,494**	**7,039,667,369**	**23,296,974,830**	**32,028,621,693**
Lease liabilities*	**97,569,972**	**212,719,984**	**163,789,101**	**474,079,057**
Other noncurrent liabilities	**–**	**–**	**1,238,801,244**	**1,238,801,244**
	₱33,472,841,778	**₱86,090,101,643**	**₱51,049,820,091**	**₱170,612,763,512**

**Includes contractual interest cash flows*

	December 31, 2023			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Liabilities:				
Accounts and other payables	₱18,761,072,969	₱–	₱–	₱18,761,072,969
Short-term debt	135,000,000	–	–	135,000,000
Long-term debt*	19,419,949,192	46,485,335,514	50,395,342,791	116,300,627,497
Service concession obligation*	2,193,937,888	8,465,985,107	23,946,046,455	34,605,969,450
Lease liabilities*	115,587,313	205,247,040	153,395,879	474,230,232
Other noncurrent liabilities	–	264,719,426	1,209,222,854	1,473,942,280
	₱40,625,547,362	₱55,421,287,087	₱75,704,007,979	₱171,750,842,428

**Includes contractual interest cash flows*

Changes in liabilities arising from financing activities:

	December 31, 2024					
	Short-term Debt	**Long-term Debt**	**Service Concession Obligations**	**Lease Liabilities**	**Interest Payable**	**Total**
Balance at beginning of year	**₱135,000,000**	**₱99,247,451,147**	**₱16,124,820,868**	**₱332,377,758**	**₱1,418,719,425**	**₱117,258,369,198**
Cash flows – net	**95,506,164**	**5,256,724,972**	**(1,652,750,484)**	**(227,665,523)**	**(5,747,233,838)**	**(2,275,418,709)**
Accretion	**19,493,836**	**147,082,193**	**1,114,599,781**	**21,293,733**	**–**	**1,302,469,543**
Interest	**–**	**–**	**–**	**–**	**6,052,683,244**	**6,052,683,244**
Concession fees	**–**	**–**	**215,532,090**	**–**	**–**	**215,532,090**
Additions – net	**–**	**–**	**(204,476,383)**	**275,600,349**	**–**	**71,123,966**
Foreign exchange gains – net	**–**	**1,660,933,745**	**200,301,381**	**–**	**–**	**1,861,235,126**
Impact of deconsolidation	**–**	**(130,216,123)**	**(686,911,718)**	**–**	**–**	**(817,127,841)**
	₱250,000,000	**₱106,181,975,934**	**₱15,111,115,535**	**₱401,606,317**	**₱1,724,168,831**	**₱123,668,866,617**

	December 31, 2023					
	Short-term Debt	Long-term Debt	Service Concession Obligations	Lease Liabilities	Interest Payable	Total
Balance at beginning of year	₱252,872,324	₱84,669,784,632	₱16,043,388,978	₱436,347,432	₱1,208,142,266	₱102,610,535,632
Cash flows – net	(117,872,324)	14,537,346,280	(1,683,326,593)	(133,017,393)	(4,778,431,859)	7,824,698,111
Accretion	–	155,033,387	1,110,058,097	18,821,865	–	1,283,913,349
Interest	–	–	–	–	4,989,009,018	4,989,009,018
Concession fees	–	–	777,890,509	–	–	777,890,509
Additions – net	–	–	(94,529,346)	10,225,854	–	(84,303,492)
Foreign exchange gains – net	–	(114,713,152)	(28,660,777)	–	–	(143,373,929)
	₱135,000,000	₱99,247,451,147	₱16,124,820,868	₱332,377,758	₱1,418,719,425	₱117,258,369,198

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 considers total equity and debt as its capital, and closely manages its capital structure by monitoring key covenant ratios in compliance with the respective loan covenants of the entities within the Group. These ratios include debt-to-equity, debt service coverage and early termination.

For the purposes of computing its debt-to-equity, which generally should not exceed 3x, "debt" is defined as the aggregate of all obligations of the borrower to pay or repay money or bank debt, excluding service concession obligations. Debt service coverage ratio, which measures the ability of the Group to pay the scheduled principal and interest payments, shall not be less than 1.2x to 1.3x. Early termination ratio, which applies to the Parent Company, is calculated consistent with the definition under the Concession Agreement and should not be less than 1x. The ratios are to be achieved by managing the level of borrowings and dividend payments to shareholders.

Effective October 31, 2024, all existing lenders of the Parent Company formally consented to the removal of the debt service coverage ratio among the Parent Company's loan covenants. As of December 31, 2024 and 2023, the Group in compliance with all the loan covenants required by the creditors.

As of December 31, 2024 and 2023, the Parent Company's market capitalization was lower than its net book value.

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29. **Commitments**

Parent Company's Concession Agreement
The significant commitments of the Parent Company under the Concession Agreement and Extension are as follows:

a. To pay MWSS concession fees;

b. To post a performance bond, bank guarantee or other security acceptable to MWSS in favor of MWSS as a bond for the full and prompt performance of the Parent Company's obligations under the Agreement. The aggregate amounts drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates are set out below.

Rate Rebasing Period	Aggregate amount drawable under performance bond (in US$ millions)
First (August 1, 1997 - December 31, 2002)	US$70.00
Second (January 1, 2003 - December 31, 2007)	70.00
Third (January 1, 2008 - December 31, 2012)	60.00
Fourth (January 1, 2013 - December 31, 2017)	60.00
Fifth (January 1, 2018 - December 31, 2022)	50.00
Sixth (January 1, 2023 - December 31, 2027)	50.00
Seventh (January 1, 2028 - December 31, 2032)	50.00
Eighth (January 1, 2033 - May 6, 2037)	50.00

Within thirty (30) days from the commencement of each renewal date, the Parent Company shall cause the performance bond to be reinstated in the full amount set forth above as applicable for that year.

With a minimum of ten (10)-day written notice period to the Parent Company, MWSS may make one or more drawings under the performance bond relating to a Rate Rebasing Period to cover amounts due to MWSS during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Appeals Panel for adjudication until the Appeals Panel has handed down its decision on the matter.

In the event that any amount payable to MWSS by the Parent Company is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid;

c. With the Extension, the Parent Company agreed to increase its annual share in MWSS operating budget from ₱100.00 million to ₱395.00 million, subject to annual CPI;

d. To meet certain specific commitments in respect of the provision of water and sewerage services in the East Zone, unless deferred by MWSS RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;

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 sewerage system in the East Zone 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 Agreement; and

h. To ensure that no debt or liability that would mature after the life of the Concession Agreement will be incurred unless with the approval of MWSS.

The Parent Company is committed to perform its obligations under the RCA to safeguard its continued right to operate the East Zone concession.

<u>Calasiao Water's Concession Agreement</u>
The significant commitments of Calasiao Water under its concession agreement with CWD are as follows:

a. Finance, design, engineer, and construct new facilities for water;

b. Upgrade existing water facilities;

c. Operate, manage, and maintain water facilities and services; and

d. Bill and collect tariff for water services.

<u>Calbayog Water's JVA with CCWD</u>
The significant commitments of Calbayog Water under its JVA are as follows:

a. Develop, improve, and expand the water infrastructure of CCWD;

b. Provide water supply and install new water service connections;

c. Ensure continuous water supply and appropriate pressure;

d. Connect water service connections to the water main;

e. Ensure potability of water supply and compliance with drinking water quality standards;

f. Provide high quality customer/after-sales service; and

g. Payment of revenue share of CCWD.

<u>Boracay Water's Concession Agreement</u>
The significant commitments of Boracay Water under its concession agreement with TIEZA are as follows:

a. Meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA-RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;

b. Pay concession fees, subject to the following provisions:

   i. Assumption of all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within Boracay Island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;

   ii. Payment of an amount equivalent to 5% of the monthly gross revenue of Boracay Water, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of Boracay Water as reflected in its separate financial statements;

   iii. Provision of the amount of the TIEZA BOD's approved budget in 2012, payable semi-annually and not exceeding:

Month	Maximum Amount
January	₱10,000,000
July	10,000,000

   iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

Year	Maximum Amount
2011	₱15,000,000
2012	20,000,000
2013 and beyond	Previous year, subject to annual CPI adjustment

c. Establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;

d. Pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;

e. Raise financing for the improvement and expansion of the BWSS water and wastewater facilities;

f. Operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with Boracay Water);

g. 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; and

h. Ensure that at all times, Boracay Water has sufficient financial, material and personnel resources available to meet its obligations under the concession agreement.

In addition, the Parent Company, as the main proponent of Boracay Water, shall post a bank security in the amount of US$2.50 million to secure the Parent Company's and Boracay Water's performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by the Parent Company following the schedule below:

Rate Rebasing Period	Amount of Performance Security (in US$ millions)
First	US$2.50
Second	2.50
Third	1.10
Fourth	1.10
Fifth	1.10

On or before the start of each year, Boracay Water shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

With a minimum of ten (10) days written notice period to Boracay Water, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by Boracay Water is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of Boracay Water to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

On December 9, 2024, TIEZA BOD approved the Company's request for twenty-five (25)-year extension of Boracay Water's concession agreement, subject to review of the Office of the Government Corporate Counsel, and consent of the Republic through the review and approval of the Extension by the Department of Finance. The extension period is from January 1, 2035 to December 31, 2059.

<u>Clark Water's Concession Agreement</u>
The significant commitments of Clark Water under its concession agreement with CDC are follows:

a. Pay franchise and lease fees of CDC;

b. Finance, design, and construct new facilities - defined as any improvement and extension works to (i) all existing facilities - defined as all fixed and movable assets specifically listed in the concession agreement; (ii) construction work - defined as the scope of construction work set out in the concession agreement; and (iii) other new works that do not constitute refurbishment or repair of existing facilities undertaken after commencement date;

c. Manage, exclusively possess, occupy, operate, repair, maintain, decommission and refurbish the existing facilities, except for the private deep wells set out in the concession agreement, the negotiations for the acquisition and control of which shall be the sole responsibility and for the account of the Clark Water; and manage, own, operate, repair, maintain, decommission and refurbish the new facilities;

d. Treat raw water and wastewater in CFZ;

e. Provide and manage all water and wastewater related services like assisting locator in relocating of pipes and assess internal leaks;

f. Bill and collect payment from the customers for the services (with the exception of SM City Clark). SM City Clark has been carved out by virtue of RA No. 9400 effective 2007 even if it is located within the franchise area; and

g. Extract raw water exclusively from all sources of raw water including all catchment areas, watersheds, springs, wells and reservoirs in CFZ free of charge by CDC.

On August 15, 2014, the Clark Water and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The Amendment provides for the following:

a. Extension of the original concession period for another fifteen (15) years up to October 1, 2040;

b. Additional investment of ₱4.00 billion provided under the amended concession agreement to be spent for further improvement and expansion water and wastewater services in the area. Investment requirement under the original CA amounted to ₱3.00 billion and the amended concession agreement required an additional investment of ₱2.00 billion. Total investment prior to the amendment of the concession agreement amounted to ₱1.00 billion;

c. Introduction of rate rebasing mechanism for every four (4) years starting 2014;

d. Reduction in tariff rates by 3.9% (from ₱25.63/m^3 to P₱24.63/m^3) effective September 1, 2014, subject to the Extraordinary Price Adjustment; and

e. Increase in tariff rates by:
   i. ₱0.41/m^3 (from ₱24.63/m^3 to ₱25.04/m^3) in 2018
   ii. ₱0.42/m^3 (from ₱25.04/m^3 to ₱25.45/m^3) in 2019
   iii. ₱0.42/m^3 (from ₱25.45/m^3 to ₱25.87/m^3) in 2020
   iv. ₱0.43/m^3 (from ₱25.87/m^3 to ₱26.30/m^3) in 2021

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.58 million. Further, the recovery period of Clark Water's investment is now extended by another fifteen (15) years from 2025 to 2040.

On May 26, 2017, Clark Water submitted its proposed 2018 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement. As of December 31, 2021, Clark Water's 2018 rate rebasing is still ongoing which put on hold the approved tariff increases when the concession agreement was amended in August 15, 2014. On February 9, 2023, Clark Water submitted its proposed 2022 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement.

On December 20, 2023, CDC Board approved the 60% tariff increase following 60-20-20 tranches to be implemented effective January 1, 2024.

On September 18, 2024, Clark Water and Clark Development Corporation (CDC) executed a fourth amendment to the Concession Agreement which is considered effective on the same date. These amendments clarify financial obligations, compensation terms for MAGA, and introduce mechanisms for adjusting tariffs in response to extraordinary circumstances. Below are the key changes in the seventh amendment to the Concession Agreement:

- Additional Concession Fee (Clause 16.5)
- Definition of Material Adverse Government Action (MAGA)
- Extraordinary Tariff Adjustment (Clause 17B, Annex F)
- CDC Events of Default (Clause 23.2)
- Arbitration (Clause 29)
- Expenditures and Tariff Adjustment Calculations
- Provisional CPI Adjustment (Clause 16.6)

<u>Ilagan Water's BWSPA with CIWD</u>
The significant commitments of Ilagan Water under the BWSPA are as follows:

a. Develop raw surface water sources which includes planning, designing, building, financing, testing, operating, and upgrading the bulk water facilities related thereto; and

b. Provision of minimum guaranteed volume of five (5) million liters of treated water per day on Year 1, gradually increasing to thirty (30) million liters per day on Year 23 of the operations of the bulk water facilities.

<u>Ilagan Water's SMA with CIWD</u>
The significant commitments of Ilagan Water under the SMA are as follows:

a. Develop septage facility which includes planning, designing, building, financing, testing, operating, and upgrading; and

b. Provision of septage management services to the customers of CIWD, particularly septage collection, septage treatment, and bio solids disposal for a period of twenty-two (22) years.

<u>Ilagan Water's Interim Bulk Water Supply with CIWD</u>

a. To construct and maintain interim bulk water facilities for production of raw water for 2 years

b. Provision of minimum guaranteed volume of three (3) million liters of raw water per day of the operations of the interim bulk water facilities.

South Luzon Water's JVA with TnWD
The significant commitments of South Luzon Water under its JVA are as follows:

a. Develop, improve, and expand the water infrastructure of TnWD;

b. Provide water supply and install new water service connections;

c. Provide sanitation services and septage management within the service area;

d. Ensure continuous water supply and appropriate pressure;

e. Connect water service connections to the water main;

f. Ensure potability of water supply and compliance with drinking water quality standards;

g. Provide high quality customer/after-sales service;

h. Payment of revenue share to TnWD; and

i. Such other obligations as may be agreed upon by the Parties.

Laguna Water's Concession Agreement
The significant commitments of Laguna Water under its concession agreement with PGL are as follows:

a. To pay PGL concession fees;

b. To manage, occupy, operate, repair, maintain, decommission, and refurbish the transferred facilities;

c. To design, construct and commission the new facilities during the cooperation period;

d. To provide and manage the services;

e. To bill and collect payment from the customer for all services;

f. To extract raw water exclusively from all sources of raw water; and

g. To negotiate in good faith with PGL any amendment or supplement to the concession agreement to establish, operate and maintain wastewater facilities if doing such is financially and economically feasible.

On June 30, 2015, PGL and MWPVI signed an amendment to their JVA dated November 10, 2000. Simultaneously, and consequent to the amendment of the JVA of Laguna Water, Laguna Water signed an amendment to its concession agreement with the PGL which includes the following:

a. Expansion of its concession area to cover all cities and municipalities in the PGL; and

b. Inclusion in the service obligations of Laguna Water the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

Laguna Water's APA with LTI
On December 23, 2013, Laguna Water entered an APA with LTI to acquire and operate its water operations division in Laguna. The significant commitments of Laguna Water under the agreement follow:

a. Offer water supply and sewerage services to all current or future locators in the Laguna Technopark, including future area(s) of expansion;

b. Ensure the availability of an uninterrupted 24-hour supply of water to all current and future locators, subject to interruptions resulting from the temporary failure of items of the Water Facilities (where Laguna Water acts promptly to remedy such failure) or required for the repair of the construction of the Water Facilities where such repairs or construction cannot be performed without interruption to the supply of water;

c. Upon request from a current or future locator in the LTI for a connection to a water main, make such a connection as soon as reasonably practicable, upon payment of reasonable connection fees as determined by Laguna Water;

d. Ensure at all times that the water supplied to current and future locators in LTI complies with Philippine National Standards for Drinking Water as published by the Department of Health (or successor entity responsible for such standards) and prevailing at such time and shall observe any requirement regarding sampling, record keeping or reporting as may be specified by law;

e. Make available an adequate supply of water for firefighting and other public purposes as the municipality and/or barangay in which LTI may reasonably request. Laguna Water shall not assess for such water used for firefighting purposes but may charge for all other water used for public purposes; and

Laguna Water shall make a supply of water available to current and future locators in LTI, including the areas of expansion in the future.

Laguna Water's JVA with PAGWAD

The significant commitments of Laguna Water under its JVA with PAGWAD are as follows:

a. Finance, design, engineer, and construct new facilities for water and sanitation;

b. Upgrade existing water and sanitation facilities;

c. Operate, manage, and maintain water and sanitation facilities and services; and

d. Bill and collect tariff for water supply and sanitation services.

North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan

The significant commitments of North Luzon Water under its MOAs are as follows:

a. Construct, maintain, and operate a water system;

b. Construct, maintain, and implement a septage management system;

c. Supply, sell, and furnish water to any person or entity within the territorial limits and political boundaries of the Municipalities of Sta. Barbara, San Fabian, and Manaoag for domestic, commercial or other use, and to charge and collect tariff for the supply of water; and

d. Provide septage management services and to charge and collect septage management fees and sewage collection.

Aqua Centro's JVA with LWD

The significant commitments of Aqua Centro under its JVA are as follows:

a. Develop, improve, and expand the water infrastructure of LWD;

b. Provide water supply and install new water service connections;

c. Ensure continuous water supply and appropriate pressure;

d. Connect water service connections to the water main;

e. Ensure potability of water supply and compliance with drinking water quality standards;

f. Provide high quality customer/after-sales service; and

g. Payment of revenue share to LWD.

Tagum Water's Bulk Water Supply and Purchase Agreement
Tagum Water will have the sole and exclusive right and responsibility during the term of the agreement to:

a. Develop raw surface water sources in Hijo River;

b. Plan, develop, design, build and test the facilities;

c. Implement the Tagum Bulk Water Project;

d. Manage, use, occupy, operate, repair, maintain, upgrade and develop the facilities; and

e. Supply treated water to TWD for distribution to its network.

Facilities and any and all assets, equipment and properties used by Tagum Water to implement the bulk water project will be owned by Tagum Water even after the expiration of the BWSPA.

Cebu Water's Bulk Water Supply Agreement
On December 18, 2013, Cebu Water entered into a bulk water supply agreement with MCWD. The significant commitments of Cebu Water under its agreement with MCWD are as follows:

a. Provide potable and treated water at an aggregate volume of eighteen (18) million liters per day for the first year and thirty-five (35) million liters per day for the succeeding years up to twenty (20) years at ₱24.59 per cubic meter;

b. Ensure that the source shall be sustainable and 100% reliable at any day for the duration of the agreement; and

c. Construct a facility capable of delivering a production capacity of thirty-five (35) million liters per day and maintain the same on its account.

On December 1, 2023, the bulk water supply agreement with MCWD was terminated.

MWPVI's Lease Agreement with PEZA
On December 18, 2017, MWPVI entered into a Lease Agreement for the Operations and Management of the Water and Used Water Facilities of PEZA in Cavite Economic Zone (CEZ), whereby MWPVI agrees to lease, operate, and maintain the existing water and used water facilities in the CEZ for the provision of water and used water services to the locators therein. The lease agreement has a term of twenty-five (25) years from signing of the contract and shall be effective on its commencement date on February 1, 2018.

MWPVI's MOA with LTI
On April 16, 2016, MWPVI entered into a MOA with LTI, whereby through its division, Estate Water, MWPVI shall exclusively provide water and used water services to LTI's Cavite Technopark to be located in Barangay Sabang, Naic, Cavite, and in pursuit of this objective, to construct, develop, finance, and own the water facilities and used water facilities under the terms and conditions set out in the MOA.

MWPVI's Deed of Accession with Orion Land, Inc. (OLI)
On July 1, 2022, MWPVI entered into a Deed of Accession (Agreement) with OLI for provision of used water services, and operation and management of the Used Water Facilities of SouthPark Center.

MWPVI's MOA with ROHM Electronics Philippines Inc. (REPI)
On November 03, 2022, MWPVI entered into a MOA with REPI for the rehabilitation, operation, and management of the existing water system of REPI and to supply a guaranteed volume of 13,200.00 million cubic per month for twenty-five (25) years.

MWPVI's MOA with Damosa Land Inc. (DLI)
On October 20, 2022, MWPVI and DLI signed a term of reference for the commercial term of the partnership between MWPVI and DLI. On February 6, 2023, MWPVI and DLI signed a 25-year partnership for the development, construction and operation, and management of the water system of Anflo Industrial Estate (AIE). In the partnership, MWPVI will invest at least ₱150M for the additional water facilities which will be integrated into the existing system to meet AIE's projected demand of 2.6 million liters of water per day.

Aqua Centro's MOAs with the SM Group

Under Aqua Centro's MOAs with the SM Group, Aqua Centro will develop, construct, finance, own, operate, maintain, rehabilitate, and upgrade the potable water and/or grey water facilities of the SM Group development.

MWPVI's JVA with San Jose City Water District (SJCWD)

On January 14, 2021, the consortium of the MWPVI, MWCI, and TPGI has signed and executed a JVA with the SJCWD for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

MWPVI's MOA with Canlubang Sugar Estate

On December 22, 2023, Canlubang Sugar Estate (CSE) and MWPVI entered to a Bulk Water Supply Arrangement. CSE shall supply MWPVI at least 518,400 cubic meters of raw water per month from Matang Tubig Spring for 25 years.

30. Provisions and Contingencies

On October 13, 2005, the Municipal Government of Norzagaray, Bulacan Province, issued a Notice of Assessment and Notice of Demand for Payment of Real Property Tax against the Parent Company and Maynilad (jointly, the Concessionaires) for the real property taxes on the Common Purpose Facilities (CPF) of MWSS for the period of 1998 to 2005 amounting to ₱357.11 million. The Concessionaires appealed the assessment to the Local Board of Assessment Appeals, and subsequently with the Central Board of Assessment Appeals (CBAA). In a decision dated August 25, 2022, the CBAA ruled in favor of the Parent Company and declared the Notice of Assessment and Notice of Demand for Payment of Real Property as void. The CBAA held that the Concessionaires are not liable to real property tax on the CPF.

On October 11, 2022, the Province of Bulacan filed a Petition for Review with the Court of Tax Appeals (CTA) assailing the decision of the CBAA. On May 26, 2023, the Court of Tax Appeals En Banc (CTA EB) dismissed the petition, without prejudice, due to the repeated failure to comply with the directives of the CTA to correct the deficiencies of the Petition filed by the Province of Bulacan. In a Resolution dated May 10, 2024, the CTA EB issued a Resolution that recalled its earlier Resolution dated May 26, 2023, and gave the Province of Bulacan an opportunity to rectify the formal defects identified by the court.

The Province of Bulacan submitted several Compliance but unable to fully comply with the directives of the CTA EB. On July 19, 2024, the Parent Company filed a Comment to highlight the deficiencies of the Province of Bulacan with the CTA EB's Resolutions. Maynilad also filed its Manifestation informing the CTA EB that it is joining the Parent Company's Comment in that the Province's multiple violations of the Rules of Court and the repeated failure of the Province of Bulacan to rectify the defects in the Petition. Maynilad similarly asked for the dismissal of the same. As of December 31, 2024, the matter is pending with the CTA EB for the resolution of the issues.

31. Other Matters

The Organization for Economic Co-operation and Development (OECD) has published the Global Anti-Base Erosion (GloBE) Model Rules, which include a minimum 15% tax rate per jurisdiction on multinational companies with an annual consolidated group revenue of EUR750 million or more for 2 out of the 4 preceding fiscal years ("Pillar Two"). The Group is in scope of Pillar Two Rules and has adopted the amendments to IAS 12. Although various countries have implemented Pillar Two Rules, it did not impact the 2024 results of the Group.

The Group expect the Domestic Minimum Top-up Tax and the Income Inclusion Rule will become effective in Singapore, Thailand, and Indonesia in 2025 and these rules may impact the Group, including entities located in the Philippines and Saudi Arabia. However, the Pillar Two legislations were enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as of December 31, 2024. The potential exposure of the Group, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report the potential exposure in its next interim financial statements.

For the year ended December 31, 2024, the Group has applied the IASB amendment to IAS 12, Income Taxes, which provides a mandatory temporary exception from recognizing or disclosing deferred taxes related to Pillar Two such that there is no impact to the 2024 Consolidated Financial Statements. The Group continues to follow Pillar Two legislative developments to evaluate the potential future impact on the Group's consolidated results of operations, financial position and cash flows beginning 2025.