

FINANCIAL HIGHLIGHTS

YTD September (In Million Pesos)	2011	2010	Change
Revenue	8,904	8,337	7%
<i>East Zone</i>	8,700	8,166	7%
<i>New Business</i>	204	171	19%
Operating Expenses	2,334	2,246	4%
EBITDA	6,570	6,091	8%
<i>EBITDA Margin</i>	74%	73%	1%
Net Income	3,114	2,975	5%
<i>Mark-to-market gain (loss)</i>	(230)	9	-
Core Income after Tax	3,334	2,966	13%

- Total operating revenues grew by 7% to P8.9 billion on the back of the approved adjustments in tariff for the year in the East Zone, and 19% growth in revenues from our New Businesses which accounted for 2% of the total revenues.
- The growth in revenues coupled with a 4% increase in operating expenses resulted in an 8% increase in EBITDA. EBITDA margin improved slightly to 74% as compared to 73% during the same period last year.
- Core income after tax increased by 13% to P3.3 billion while net income registered a 5% increase to P3.1 billion, reflecting the mark-to-market loss on the 4 Billion Peso bond and additional financing charges due to the issuance of the 10 Billion Peso corporate notes last April 2011.

Financial Summary (In Million Pesos)	YE 2010	3Q 2011	Change
Total Assets	48,621	64,971	34%
Total Liabilities	28,642	43,181	51%
Long-Term Debt	14,134	27,788	97%
SH equity	19,978	21,790	9%

- For the 1st semester, total assets grew by 34% to P65 billion driven by a combination of capital investments and cash generated by operations and borrowings.
- Total liabilities increased as a result of a P10 Billion Corporate Notes issuance.
- The prepayment of our the prepayment of the P4 billion corporate bond last October will help us realize savings on interest expense starting next year. and will help improve our debt ratios further and give us flexibility on our funding strategy moving forward.

LOAN PORTFOLIO

By Currency	3Q 2010	3Q 2011
Pesos (Php)	44.7%	60.2%
Japanese Yen (JPY)	38.4%	19.1%
US Dollar (US\$)	16.9%	20.6%

By Type	3Q 2010	3Q 2011
Fixed	72.3%	71.0%
Variable	27.7%	29.0%

OPERATIONAL HIGHLIGHTS

YTD September (In Million Pesos)	2010	2011	Change	
Billed Volume (in mcm)	307.3	308.3	0.3%	• Total billed volume sales in the East Zone grew by 0.3% year-on-year.
Non-revenue water	12.2%	11.4%	(0.8)	• We recognized cumulative cross-border sales of 1.77 mcm as of September 2010, billed volume for the East Zone actually grew by 0.7%.
Collection efficiency	100.2%	99.1%	(1.1)	• Service connections in the East Zone increased by 4% as of September 2011 with 30,400 new connections both from our platform and expansion areas.
Water Service Connections (in 000's)	817.3	847.7	4%	• Collection Efficiency in the East Zone remained favorable at 99.1% despite the slight delay in payments of government accounts. We expect this to normalize in the succeeding periods.
Supply (in mcm)	236.4	230.3	(2.6%)	
24 hour Water Availability	99%	99%	-	
Employee Headcount	1,592	1,582	(0.6%)	
Staff per 1000 connections	1.4	1.4	-	

YTD September (in Million Pesos)	2010		2011		Change
	Amount	% of Total	Amount	% of Total	
Operating Expense	2,246	100%	2,334	100%	4%
Major Cost Items					
Manpower	790	35%	798	34%	1%
Power, light and water	463	21%	533	23%	15%
Overhead	210	9%	129	6%	44%
Interest Expense	992		1,291		31%

- Total operating expenses increased by 4% for the period ending September 2011. Power cost increased by 15% due to higher cost per kwh and expected increase in volume consumption due to water and wastewater expansion projects.
- Cost per kwh effectively decreased by P0.05, however, overall power cost increased over time as more water and waste water facilities became operational.
- Overhead cost decreased by 44% as a result of partial reversals on the provision for bad debts and real property taxes. Without the reversal on the provisions, total operating expenses would have increased by 9% for the period.
- Interest expense increased by 31% as a result of the P10 Billion Peso Corporate Note issued last April 2011.

VOLUME ANALYSIS

Billed Volume by Customer (in mcm)	3Q 2010	3Q 2011	Change
Domestic/ Semi-Business	230.88	232.10	0.5%
Commercial/ Industrial	76.38	76.17	(0.3%)

Billed Volume by Area (in mcm)	3Q 2010	3Q 2011	Change
Platform	150.25	148.63	(1.1%)
Expansion	157.01	159.65	1.7%

Volume and Revenue Contribution by Customer	3Q 2010	3Q 2011
Domestic/Semi Business		
Revenue	54%	54%
Volume	75%	75%
Commercial/ Industrial		
Revenue	46%	46%
Volume	25%	25%

1 st SEMESTER (in mcm)	3Q 2010	3Q 2011	Change
Average Consumption	48.5	45.2	(7%)

- For the first nine months of 2011, weak sales performance was observed in the platform areas predominantly due to the lower consumption of base customers.
- This trend is a residual effect of the prolonged rainy weather and ongoing water conservation measures. However, this was offset by the billed volume growth primarily driven by additional sales from new service connections in the expansion areas.
- As of September, billed volume from industrial customers increased by 7.3% compared to last year. Semi-commercial accounts also registered billed volume growth by 3.4%.
- We have shut down approximately 60 deep-well operations through the support of various stakeholders from the public and private sectors.

NEW BUSINESS - LAGUNA

Laguna Water Company Inc. (LWCI)	Upon Take-over (2009)	FY 2010	YTD Sep 2011	YTD Sep 2010	Change%
Revenue (in Php millions)	62.9	75.0	68.3	57.2	19%
EBITDA	11.6	24.0	22.7	20.4	11%
EBITDA Margin	18%	32%	33%	36%	(3)
Net Income	4.6	15.8	11.2	9.2	21%
Net Income Margin	7%	21%	16.4%	16.1%	.3
NRW Level	38%	45%	40%	50%	(10.0)
Billed Volume (mcm)	3.7	3.9	3.5	3.0	17%



- Laguna Water's revenues increased by 19% to P68.3 million as a result of a 1% increase in effective tariff and a 17% increase in billed volume, driven by the additional connections from subdivision take-overs in Binan and Sta. Rosa. The number of connections grew by 55% versus last year.
- EBITDA ended 11% higher at P22.7 million, resulting in a net income of P11.2 million. Net Income increased by 21% compared to 2010 due to higher billed volume.
- Key growth drivers include the continued network expansion to untapped open communities in Cabuyao and Binan, connections of new industrial customers, and the maximization of existing ground water sources through NRW reduction to support the growth in water demand.

- Coverage Area: Cabuyao, Binan and Sta. Rosa, (Total Pop as of 2011 676T)
- 70-30 JV: (PGL) Provincial Government of Laguna; (SLWHI) South Luzon Water Holdings, Inc.
- 25-year Concession until 2032
- Started operations in September 2009
- Laguna Water is expected to surpass its targets, specifically service coverage which is forecasted to be at about 50% by 2014.

Note:

- No. of water connections increased from 18k to 28k yoy (55%)

NEW BUSINESS - BORACAY

Boracay Island Water Corp. (BIWC)	Upon Take-over (2009)	FY 2010	YTD Sep 2011	YTD Sep 2010	Change%
Revenue (in Php millions)	133.0	148.8	134.4	112.0	20%
EBITDA	90.3	79.8	79.4	56.7	40%
EBITDA Margin	68%	54%	59%	51%	8
Net Income	52.0	25.9	31.0	7.8	298%
Net Income Margin	39.0%	17%	23%	7.0%	16
NRW Level	37%	29%	25.9%	37.1%	(11.0)
Billed Volume (mcm)	1.9	2.1	1.8	1.5	20%



- For Boracay, revenues grew by 20% to P134.4 million. This was mainly driven by a 20% increase in billed volume due to the increase in tourist inflow and commercial accounts. Boracay Island received a total of more than 610 thousand tourists as of September.
 - The increase in revenues coupled with the careful management of operating expenses resulted in an EBITDA growth of 40% to P79.4 million and a three-fold increase in net income to P31 million.
 - Boracay Water secured a P1 Billion term loan facility last July 2011. This will finance key initiatives related to network improvement and expansion in order to ensure 100% water coverage by 2014 and 100% sewerage coverage by 2018. The loan is the first of its kind in the Philippine corporate market, carrying a 20-year tenor and fixed and floating rates for 75% and 25% of the loan amount respectively. This loan seamlessly aligns with the concession period of 25 years, making cash flows more manageable and predictable.
- Coverage Area: (Total Pop 18T, annual tourist inflow of 1M)
 - 80-20 JV (TIEZA) Tourism Infrastructure and Enterprise Zone Authority formerly PTA, (MWC)
 - 25-year Concession until 2034
 - Started operations in Jan 2010.
 - Boracay Island lies at the northwest tip of Panay Island in the Western Visayas region of the Philippines. (approximately 315 kms. south of Manila)