MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
981-8122

SEC FORM 17A
STOCK

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To be accomplished by SEC Personnel concerned

File Number

Document I.D.

STAMPS
SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 13B
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: December 31, 2015
2. SEC Identification Number: A 1996-11593
3. BIR Tax Identification Code: 005-038-428
4. Name of Registrant as specified in its charter:
   MANILA WATER COMPANY, INC.
5. Province, country or other jurisdiction of incorporation or organization:
   Republic of the Philippines
6. Address of principal office:
   MWSS Administration Bldg, 489 Katipunan Road
   Balara Quezon City, Metro Manila, Philippines 1105
7. Registrant’s telephone number: (02) 981-8129
8. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,053,945,884
   b. Debt Securities
      None

   Registrant has no other registered securities either in the form of shares, debt or otherwise.
9. Are any of Registrant’s securities listed in a Stock Exchange?
   Yes

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2,017,167,719  PSE Listed Shares as of December 31, 2015
36,778,165   Shares Under the Stock Ownership Plans
2,053,945,884

1
As of March 31, 2016, there are 2,017,240,763 Common Shares, par value P1.00 per share listed in the Philippine Stock Exchange.

10. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

The aggregate market value of the voting stock held by non-affiliates was computed by reference to the price at which the stock was sold as of a specified date within sixty (60) days prior to the date of filing. The term “affiliate” covers those identified in the 2015 Audited Financial Statements of the Company attached to this Report.

The aggregate market value of the voting stock held by non-affiliates of the Company as of March 31, 2016 is Php30,932,746,209.00 computed as follows:

<table>
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<th>Description</th>
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<tr>
<td>Outstanding Listed Shares as of March 31, 2016</td>
<td>2,017,240,763.00</td>
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<tr>
<td>Shares Held by Ayala Corporation as of March 31, 2016*</td>
<td>871,583,496.00</td>
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<tr>
<td>Shares Held by Non-Affiliates</td>
<td>1,145,657,267.00</td>
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<td>Closing Price as of March 31, 2016</td>
<td>27.00</td>
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<td></td>
<td>Php30,932,746,209.00</td>
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* The shares held by Ayala Corporation includes the 1,000,000 common shares held through Michigan Holdings, Inc., a wholly owned subsidiary of Ayala Corporation

Please see attached discussion on the following:

PART I - BUSINESS AND GENERAL INFORMATION
PART II - OPERATIONAL AND FINANCIAL INFORMATION
PART III - CONTROL AND COMPENSATION INFORMATION
PART IV - CORPORATE GOVERNANCE
PART V - EXHIBITS AND SCHEDULES

Unless otherwise indicated and where the context so permits or requires, information provided herein is as of December 31, 2015.
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Reports on SEC Form 17-C (Current Report)

SIGNATURES
PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Manila Water Company, Inc. ("Manila Water" or the "Company") holds the exclusive right to provide water and used water services to the eastern side ("East Zone") of the franchise area of the Metropolitan Waterworks and Sewerage System pursuant to the Concession Agreement entered into between the Company and MWSS on February 21, 1997. The original term of the concession was for a period of twenty five (25) years to expire in 2022. The Company’s concession was extended by another fifteen (15) years by MWSS and the Philippine Government in 2009, thereby extending the term from May 2022 to May 2037.

The Company provides water treatment, water distribution, sewerage and sanitation services to more than six million people in the East Zone, comprising a broad range of residential, commercial and industrial customers. The East Zone encompasses twenty three (23) cities and municipalities spanning a 1,400-square kilometer area that includes Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa.

Under the terms of the Concession Agreement, the Company has the right to the use of land and operational fixed assets, and the exclusive right, as agent of MWSS, to extract and treat raw water, distribute and sell water, and collect, transport, treat and dispose used water, including reusable industrial effluent discharged by the sewerage system in the East Zone. The Company is entitled to recover over the concession period its operating, capital maintenance and investment expenditures, business taxes, and concession fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession.

Manila Water has a wholly-owned subsidiary, the Manila Water Philippine Ventures, Inc. ("MWPV"), which is intended to hold all investments in the domestic operating subsidiaries. Currently under MWPV are LagunaAAA Water Corporation ("Laguna Water"), Boracay Island Water Company, Inc. ("Boracay Water"), Clark Water Corporation ("Clark Water"), and Manila Water Consortium, Inc. ("MW Consortium"). Cebu Manila Water Development, Inc. ("CMWD"), a subsidiary of MW Consortium, provides bulk water in the province of Cebu, commenced operations on January 5, 2015. At present, Manila Water holds direct equity interest in its projects that are still in the pre-operating stage, namely the Zamboanga City performance-based non-revenue water reduction and network restructuring project and the Tagum City bulk water supply project.

Manila Water Asia Pacific Pte. Ltd. ("MWAP"), another wholly-owned Singapore subsidiary of Manila Water, holds the international ventures of the Group. Included under MWAP are two affiliated companies in Vietnam, namely Thu Duc Water B.O.O Corporation ("Thu Duc Water") and Kenh Dong Water Supply Joint Stock Company ("Kenh Dong Water"), both supplying bulk treated water to Saigon Water Corporation (SAWACO) under a take-or-pay arrangement. Also under MWAP are Saigon Water Infrastructure Corporation ("Saigon Water"), a holding company listed in the Ho Chi Minh City Stock Exchange, Cu Chi Water Supply Sewerage Company, Ltd. ("Cu Chi Water"), to undertake the development of water network in Cu Chi, Ho Chi Minh City, and Asia Water Network Solutions Joint Stock Company, with primary purpose to pursue non-revenue water reduction projects in Vietnam. Meanwhile, the Company’s pilot leakage reduction project in Ho Chi Minh City which started in 2008 was completed in August 2014.
Lastly, the Group has Manila Water Total Solutions Corporation (“MWTS”), a wholly-owned subsidiary that handles after-the-meter products and services. Among its products is Healthy Family Purified Drinking Water which sells five-gallon packaged water in pilot areas in Metro Manila.

The Concession

The following are some of the key terms of the Concession Agreement:

- **Term and Service Area of Concession.** The Concession Agreement took effect on August 1, 1997 (“Commencement Date”) and will expire on May 6, 2037 or on an early termination date as provided therein. By virtue of the Concession Agreement, MWSS transferred its service obligations (i.e., water supply, sewerage and sanitation, and customer service) in the East Zone to the Company.

- **Ownership of Assets.** While the Company has the right to manage, operate, repair, decommission 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 MWSS by the Company during the concession remains with the Company until the expiration date (or an early termination date), at which time, all rights, titles and interests in such assets will automatically vest in MWSS.

- **Ownership of the Company.** Under the Concession Agreement, MWSS granted concessions for water distribution to private-sector corporations at least 60% of the outstanding capital stock of which is owned and controlled by Philippine nationals. In addition, the Company represents and warrants to MWSS that its outstanding voting capital is at least 60% owned by citizens of the Philippines or by corporations that are themselves at least 60% owned by citizens of the Philippines.

- **Sponsor Commitment.** Unless waived in writing by the MWSS-Regulatory Office, Ayala, as local sponsor, and United Utilities PLC, as international operator, are each required to own, directly or through a subsidiary that is at least 51% owned or controlled, at least 20% of the outstanding capital stock of the Company for the first five years (through December 31, 2002), and thereafter at least 10% each. At present, United Utilities PLC no longer hold any equity in the Company, whether direct or indirect.

- **Operations and Performance.** The Company has the right to bill and collect for water and sewerage services supplied in the East Zone. In return, the Company is responsible for the management, operation, repair and refurbishment of MWSS facilities in the East Zone and must provide service in accordance with specific operating and performance targets described in the Concession Agreement.

- **Concession Fees.** The Company is required to pay MWSS the following:
  
  - Concession fees consisting of the peso equivalent of (i) 10% of the payments due under any MWSS loan that was disbursed prior to the Commencement Date; (ii) 10% of payments due under any MWSS loan designated for the Umiray-Angat Transbasin Project (UATP) that was not disbursed prior to the Commencement Date; (iii) 10% of the local component costs and cost overruns related to the
UATP; (iv) 100% of the payments due under any MWSS designated loans for existing projects in the East Zone that were not disbursed prior to the Commencement Date and were awarded to third party bidders or elected by the Company for continuation; and (v) 100% of the local component costs and cost overruns related to existing projects in the East Zone; and

- Share in the annual operating budget of MWSS amounting to Php396 million each year subject to annual inflation adjustments.

MWSS is required to provide the Company with a schedule of concession fees payable during any year by January 15 of that year and a written notice of amounts due no later than 14 days prior to the scheduled payment date of principal, interest, fees and other amounts due. Currently, MWSS gives monthly invoices to the Company for these fees.

- **Appropriate Discount Rate.** The Company is entitled to earn a rate of return equal to the Appropriate Discount Rate (“ADR”) on its expenditures prudently and efficiently incurred for the remaining term of the concession. The ADR is the real (i.e. not inflation adjusted) weighted average cost of capital after taxes as determined by the MWSS Regulatory Office based on conventionally and internationally accepted methods, using estimates of the cost of debt in domestic and international markets, the cost of equity for utility business in the Philippines and abroad with adjustments to reflect country risk, exchange rate risk and any other project risk.

- **Tariff Adjustments and Rate Regulation.** Water tariff rates are adjusted according to mechanisms that relate to inflation, extraordinary events, foreign currency differentials and Rate Rebasing exercises.

- **Early Termination.** MWSS has a right to terminate the concession under certain circumstances which include insolvency of the Company or failure to perform an obligation under the Concession Agreement, which, in the reasonable opinion of the MWSS-Regulatory Office, jeopardizes the provision of essential water and sewerage supply services to all or any significant part of the East Zone. The Company also has the right to terminate the concession for the failure of MWSS to perform an obligation under the Concession Agreement, which prevents the Company from carrying out its responsibilities or upon occurrence of certain events that would impair the rights of the Company.

- **Reversion.** On the expiration of the Concession Agreement, all the rights, duties and powers of the Company automatically revert to MWSS or its successors or assigns. MWSS has the option to rebid the concession or renew the agreement with the express written consent of the government.

Under the Concession Agreement, the Company and the concessionaire of the West Zone of Metro Manila, Maynilad Water Services, Inc. (“Maynilad”), were required to enter into a joint venture or other arrangement that identifies the responsibilities and liabilities of each with regard to the operation, maintenance, renewal and decommissioning of Common Purpose Facilities (CPF), as well as an interconnection agreement which governs such matters as water supply transfers between the East and West Zones and boundary definitions and identifies the responsibilities and liabilities of parties with regard to the management, operation and
maintenance of certain interconnection facilities. Pursuant to this, the Concessionaires entered into the Common Purpose Facilities Agreement and the Interconnection Agreement in July 1997.

The Regulatory Office of MWSS

The Concession Agreement also provided for the establishment of the MWSS Regulatory Office (MWSS-RO) under the jurisdiction of the MWSS Board of Trustees (MWSS-BOT), to oversee and monitor the operations of the Concessionaires. The MWSS-Regulatory Office is composed of five members with five-year term and no member of the MWSS-Regulatory Office may have any present or prior affiliation with MWSS, the Company or Maynilad. The MWSS-Regulatory Office is funded by MWSS through the concession fee payments of the concessionaires. The Concession Agreement provides that major disputes between the Company and the MWSS-Regulatory Office be referred to an appeals panel consisting of two (2) members appointed by each of the MWSS-Regulatory Office and the Company and a third member appointed by the Chairman of the International Chamber of Commerce. Under the Concession Agreement, both parties waive their right to contest decisions of the appeals panel through the courts.

Key Performance Indicators and Business Efficiency Measures

The Concession Agreement initially set service targets relating to the delivery of services by the Company. As part of the Rate Rebasing exercise that ended on December 31, 2002, the Company and MWSS mutually agreed to amend these targets based on the Company’s business and capital investment plan accepted by the MWSS-Regulatory Office. In addition, the Company and MWSS adopted a new performance-based framework. This performance-based framework, designed to mimic the characteristics of a competitive market and help the MWSS-Regulatory Office determine prudent and efficient expenditures, utilizes Key Performance Indicators (KPI) and Business Efficiency Measures (BEM) to monitor the implementation of the Company’s business plan and will be the basis for certain rewards and penalties on the 2008 Rate Rebasing exercise.

Fourteen KPIs, representing critical performance levels for the range of activities the Company is responsible for, relate to water service, sewerage and sanitation service and customer service. The BEMs are intended to enable the MWSS-Regulatory Office to evaluate the efficiency of the management and operation of the concessions and gauge progress toward the efficient fulfillment of the concessionaires’ business plans. There are nine (9) BEMs relating to income, operating expenses, capital expenditures and NRW. The BEMs are evaluated for trends and annual forecasts.

Amendments to the Concession Agreement

The Concession Agreement was amended under Amendment No. 1 to the Concession Agreement executed on October 26, 2001 (“Amendment No. 1”). Amendment No. 1 adjusted water tariffs to permit adjustment for foreign exchange losses and reversal of such losses, which under the original Concession Agreement were recovered only when the concessionaire petitioned for an Extraordinary Price Adjustment (EPA).

The Concession Agreement was further amended under the Memorandum of Agreement and Confirmation executed on October 23, 2009 wherein the Company and the MWSS agree to renew
and extend the Concession Agreement for an additional period of fifteen (15) years from the year 2022 or until 2037, under the same terms and conditions.

Organization

The Organizational structure described below became effective as of April 1, 2015, with the objective of decentralizing the locus of operating control to the Senior Leadership Team composed of the President and Chief Executive Officer, the Chief Operating Officer for Manila Water Operations, the Chief Operating Officer for New Business Operations and New Business Development, and the Chief Finance Officer and Treasurer.

A. The Manila Water Operations

**Manila Water Operations (MWO)** is responsible for the East Zone Business Operations and the Company’s Corporate Support Functions. It is headed by the Chief Operating Officer for Manila Water Operations.

The **East Zone Business Operations** (EZBO) is responsible for the delivery of water and used water services to the whole East Zone and deals directly with the Company’s customers. It is composed of the East Zone Business Area Operations, East Zone Business Support, Technical Support Services for Water Network and Technical Support Services for Used Water.

- The **East Zone Business Area Operations** is the house of the eight (8) Business Areas. This Division is directly responsible for the delivery of water, used water and sanitation services to the customers and key accounts, geared towards achieving company targets on billed volume, revenue and customer service.

- The **East Zone Business Support Division** is composed of four (4) departments: Demand Forecasting and Total Management System (TMS) Management, Billing and Collection, Customer Service and Stakeholder Management and Program and Policy Development. The Demand Forecasting and TMS Management Department is responsible for revenue management, demand forecasting, provision of systems and analytical tools and performance management of all EZBO employees. The Billing and Collection Department ensures efficient meter reading to deliver quality customer bills. It also provides collection support to the business areas through service provider management and payment facilities sourcing. The Customer Service and Stakeholder Management Department reviews and enhances customer service processes and standards aimed to drive customer satisfaction. It regularly monitors customer centricity metrics to ensure that all customers’ concerns are attended to efficiently and effectively. The Program and Policy Development Department handles the EZBO rewards and recognition programs, and policy development and compliance.

- The **Technical Support Services Department for Water Network** oversees the water network and ensures efficiency and reliability within the distribution system. It develops programs and conducts research on the latest technologies to reduce water losses.

- The **Technical Support Services Department for Used Water** manages the implementation of the Company’s desludging services and all sewer connection-related activities with customer touch points.
The Business Areas and HQ departments aim towards driving the growth of the business, reduce water losses, manage water network operations and used water services and ensure achievement of regulatory targets in terms of delivery of quality service to Manila Water customers.

The Corporate Support Functions are responsible for providing support to the entire organization. It leads in the development of enterprise-wide policies, plans, and programs. The following are the Corporate Support Functions:

a. The Corporate Operations Group (COG) operates and maintains all of Manila Water’s water and used water facilities. It constantly seeks ways to further improve the efficiency and reliability in managing all of Manila Water’s facilities by developing high quality engineering standards, delivering innovative technology solutions and support, exploring new technologies and promoting a culture of a safe work environment while remaining compliant to environmental and regulatory standards. The COG is committed to protect the environment through environmental sustainability programs such as the Three-River Master Plan, the protection and development of the watersheds, and other various environmental efforts. The COG is composed of Water Source, Water Supply Operations, Used Water Operations, Corporate Business Resiliency, Operations Services and Technical Services.

b. The COG, in cooperation with counterparts from Maynilad, manages the Water Source or the Common Purpose Facilities (CPF), which includes headworks upstream of the La Mesa Dam (Angat Dam, Ipo Dam and the Novaliches portals). Water Source ensures that sufficient raw water allocation is maintained throughout the year.

c. From the La Mesa Dam, Water Supply Operations manages the water treatment facilities, primary transmission lines, pumping stations and service reservoirs to provide 24/7 water supply at a reliability level of, at least, 99.99% while maintaining 100% compliance in water quality as defined in the Philippine National Standards for Drinking Water. It is also responsible for ensuring that water supply meets demand by means of accurate forecasting from source to production, despite variability in consumer demand or environmental pressures.

d. Used Water Operations manages the used water treatment facilities and lift stations to ensure that treated used water discharge is consistently compliant to environmental standards. It is responsible for implementing the used water service expansion plan, advocating the Three-River System targeted to be completed by 2022.

e. The Corporate Business Resiliency (CBR) function is committed to developing a culture of preparedness, resiliency and continual improvement towards a world-class water service company, thus ensuring coordination, integration and alignment of national, local and company emergency plans and protocols. CBR enables Manila Water to immediately respond to emergencies, especially when there is a need to provide potable water to disaster-stricken areas. Through CBR, Manila Water is able to extend help even beyond its concession area by providing mobile water treatment assistance to various areas in the country.
• **Technical Services** is composed of three (3) departments: the Laboratory Services, Systems Analytics and Energy Departments.

  i. The **Laboratory Services** collects water samples daily from strategically located sampling points all over the East Zone from water treatment facilities to the distribution and effluent samples from all used water facilities. The samples are tested for physical, chemical and microbiological parameters to ensure true world-class standards. Aside from being recognized by the Department of Health (DOH) and the Department of Environment and Natural Resources (DENR), the Laboratory is also ISO standards certified (ISO 17025, ISO 9001, ISO 14001, and OHSAS 18001).

  ii. **System Analytics Department** facilitates operational data flow, consolidation, analytics and general information architecture and provides relevant and timely notification, reporting, and escalation of operational information through the Operations Communications Center.

  iii. The **Energy Department** monitors power consumption and recommends power-efficiency measures. It also develops and implements strategies for the Company to avail of advantageous power rates in all its facilities.

• Under **Operations Services** are four (4) departments: the Operations Management, Sustainability, Maintenance Services and Fleet Management Departments:

  i. **Operations Management Department** strategizes a unified management system to ensure the effectiveness and efficiency of group targets and programs. Operations Management is accountable for the ISO certifications (Quality, Environment, Health and Safety) and serves as a framework in order to produce and promote well-balanced implementation of all policies and processes across the Corporate Operations Group including specific requirements of international standards (ISO 9001, ISO 14001, and OHSAS 18001).

  ii. The **Sustainability Department** ensures that Manila Water’s implementation of projects and operations of facilities are compliant with current environmental regulations and aligned with the Company’s sustainability commitments. It incubates sustainability programs such as resource efficiency, communications and advocacy initiatives that are intended for institutionalization among the responsible business units. The department keeps track of the material sustainability indicators of the enterprise and is responsible for the preparation of the Company’s Sustainability Report.

  iii. **Maintenance Services** provides planned, proactive, reactive maintenance support for all operations facilities as well as all of the Company's physical structures, in order to ensure the efficiency, maximize the life of the equipment, and reduce the occurrence of unscheduled equipment breakdown.
iv. The **Fleet Management** is responsible for the dispatch and maintenance of Company vehicles and equipment. It also provides vehicle assistance during incidents / emergencies and special events of the Company.

b. The **Corporate Human Resources Group** (CHRG) is organized into six (6) core functions: Talent Management and Leadership Development, Manpower Planning and Organization Development, Total Rewards Management and PMO, HR Operations Management, Employee Engagement, and HR Business Partnering.

- The **Talent Management and Leadership Development** Department is responsible for training and development, succession, competency management and corporate university management.

- The **Manpower Planning and Organization Development** Department is responsible for manpower planning and strategic staffing.

- The **Total Rewards Management and PMO** Department handles the design and implementation of programs in rewards and performance management.

- **HR Operations Management** Department is responsible for the HR Information System and HR service delivery functions which includes compensation and benefits, and wellness management (covers employee wellness and occupational health programs).

- The **Employee Engagement** Department handles employee relations (employee engagement strategies and programs across the organization) and labor relations (employee grievances, employee discipline and programs involving the labor union).

- The **HR Business Partners** are responsible for providing business-focused HR solutions to stakeholders.

c. The **Corporate Information Technology Group** (CITG) is responsible for providing innovative technology solutions that support the Company’s initiatives towards greater efficiency and growth. It is composed of four (4) Departments: Systems and Solutions, Service Management, IT Governance and Information Security and Audit.

- The **Systems and Solutions** Department is responsible for the development and maintenance of all projects and systems supporting the business. It is in charge of identifying, designing, and delivering technology solutions and applications that support the success of the business.

- The **Service Management** Department oversees the day-to-day operations of CITG including the availability, performance, and capacity of CITG resources. It is responsible for the development of tactical plans in the deployment of hardware, operating systems, and data networks, in order to meet business-driven service levels and business continuity requirements.
The IT Governance Department handles the governance functions on program management, financial planning and control, risk management and other IT processes.

The Information Security Department is in charge of developing and enforcing the enterprise-wide IT security strategies, policies, standards, procedures and awareness program, and ensuring compliance with relevant information security standards. It also implements and maintains technical and procedural controls to protect information flow across networks.

d. The Corporate Project Management Group (CPMG) is tasked with the planning, design and construction of all water, used water and network capital projects that are crucial for the Company to achieve regulatory commitments as stipulated in the Concession Agreement and Rate Rebasing plans. The careful delivery of projects, strict adherence to the target timelines, prudent and efficient cost and highest standards of quality and safety, is the basis for the achievement of corporate business objectives aligned with the sustainable expansion of services that improve people's lives and support regional economic growth. CPMG is organized for an integrated, collaborative approach to project execution. It is composed of seven (7) departments namely: Project Management, Construction Management, Engineering, Project Management Office, Project Stakeholder Engagement, Quality Assurance, and Safety Solutions.

The Project Management Department is entrusted to manage the whole project-life cycle of capital expenditure programs of the Company. The department ensures timely, cost-efficient and quality delivery of all planned infrastructure projects.

The Construction Management Department is tasked with managing the multi-billion project portfolio of the Company. Construction Managers (CMs) are accountable for keeping the project in line with time, cost and quality, safety and environmental standards by leading a cross-functional team that manages the numerous interconnected components of execution.

The Engineering Department ensures the compliance of projects to established engineering standards by reviewing design concepts and cost estimates; conducting preliminary and detailed design, as necessary; spearheading the technical evaluation of technical proposals during bidding; design submissions during execution; and developing high-quality and cost-effective engineering standards that are used across the business. It is also at the forefront of studying the latest construction technologies and methodologies in view of value-engineering.

The Project Management Office is responsible for (1) project control functions to support construction projects, (2) implementation of integrated project management system and facilitation of continuous improvement initiatives, (3) strengthening of project information and analytics, and (4) building systems to ensure project construction documentation and control.

The Project Stakeholder Engagement Department ensures that the projects have the support of critical stakeholders such as local governments, national
agencies and the public through proactive project pre-selling and relationship building that ensure timely and smooth resolution of any project concerns.

- The **Quality Assurance** Department is in charge of the development and implementation of quality management procedures and system across CPMG through (1) process documentation, including policy formulation and system rollout, (2) management of the Quality Execution Academy and, (3) review/analysis of quality execution metrics/statistics for continuous improvement of CMs.

- The **Safety Solutions** Department performs a vital role in ensuring that not only are Manila Water employees empowered to work safely, but also ensures that vendors and contractors are well-trained in keeping worksites safe for employees and the general public, especially during construction activities. This utmost regard for a safety environment and mindset has top management support and carried-out by its employees and contractors/vendors.

e. The **Strategic Asset Management Group** (SAMG) was formed to help the Company achieve the optimal and sustainable delivery of services and profitability through the efficient and effective management and development of assets. The group is mandated to provide a comprehensive, holistic and integrated master plan that will address capital investments both for water and used water systems, the operation and maintenance of existing and new assets, and the rationalization and disposal of surplus assets.

To deliver these services, SAMG is organized into six (6) departments namely, (1) Value Assurance, (2) Portfolio Management, (3) Strategic Asset Planning, (4) Asset Management (5) Asset Investment and Management Support and (6) Water Sources and Environmental Planning.

- The **Value Assurance** Department provides a holistic approach that will help ensure the delivery of the programs/projects’ ultimate goals through value analysis and risk assessment that facilitate faster decision-making and thus optimize capital expenditures/life cycle costs and satisfy stakeholders.

- The **Portfolio Management** Department is tasked to deliver the overall corporate capital expenditure portfolio according to the approved corporate master plan. The department manages the overall portfolio performance, identifies the right mix of projects to maximize overall benefits, and meets regulatory and business goals. The department provides comprehensive analysis for portfolio impact assessment and investment, recommending changes and adjustments required to meet the objectives. It ensures that project-related issues are corrected in a timely manner.

- The **Strategic Asset Planning** Department is entrusted to strategically plan, develop and calibrate the water and used water master plan, and capital and operational expenditure programs for both regulated and non-regulated businesses through conducting concept studies to determine the annual project list and providing technical justification for the approval of the corporate master plan.
The Asset Management Department is in charge of optimizing financial and operational performance of assets at the least cost through risk-based, data driven strategies to deliver the Company’s service obligations.

The Asset Investment and Management Support Department provides assistance to the whole group on policy development, process improvement and implementation of programs to enhance project life cycle and asset management principles. It also provides comprehensive analysis for capital investments to aid in the attainment of the Company’s business and regulatory commitments.

The Water Sources and Environmental Planning Department is responsible for the development of new water resources and environmental master plan covering the regulated and non-regulated businesses.

de. The Corporate Regulatory Affairs Group (CRAG) is mandated to (1) lead the planning and development of the East Zone rate rebasing submission and Rate Rebasing Readiness Program, (2) engage different groups within the MWO in the aligned execution of the MWSS-approved East Zone business plan, (3) advocate with MWSS and other key government/private/non-government organizations to advance the Company’s policy interests, (4) provide political-regulatory management support services to the entire organization, and (5) conceptualize, develop and implement major Company political-regulatory initiatives.

The said mandates are carried out through four (4) departments, namely: the Business Operations Regulation (BOR) Department, the Financial Regulation (FR) Department, the Technical Regulation (TR) Department and the Public Policy Department. The Group, particularly through the Group Head and members of the BOR, FR and TR Departments, interface with the MWSS on matters relating to the Concession Agreement. It includes submitting reports and disclosures relating to compliance, handling negotiations with the MWSS relating to the Company’s service targets, and distilling information from the Company’s other groups to produce and periodically update financial projections (the bases for petitions submitted to the MWSS for quarterly, annual, and five-year tariff adjustments. The Public Policy Department handles matters related to public policy (e.g. preparation of policy position papers and attendance in various policy fora/dialogues, hearings) and relations with key government and non-government offices.

g. The Corporate Strategic Affairs Group (CSAG) is responsible for creating consistent corporate messaging and harmonizing communication channels that are aligned with the Company’s objectives in order to effectively connect with customers and stakeholders. The group is composed of two (2) departments: the Advocacy and Research Department and the Corporate Communications Department.

The Advocacy and Research Department handles the Lakbayan or Water Trail program as the Company’s information, education and communication program on water and used water appreciation. It also handles the Toka Toka Environmental Movement which is the country’s first and only environmental program focused on used water management. It is also in charge of building and differentiating the Manila Water brand through strategic communications research and development, and visual standards management.
• The **Corporate Communications** Department handles the execution of the Company’s strategic as well as tactical and/or crisis communication programs through publicity, events and other stakeholder services. The department handles all Company publicity in the media (TV, radio, print and below-the-line), as well as media planning, relations and engagement. It is also responsible for ensuring a well-informed workforce through the development and implementation of relevant internal communications. Lastly, it handles new media platforms through social media and web presence.

**B. The New Business Operations and New Business Development Group**

The New Business Operations and New Business Development Group is focused on existing products and services leveraging on expanding the core business to new geographies in the country and in Vietnam, Indonesia and Myanmar markets. These products and services are intended to be implemented through its wholly-owned subsidiaries, Manila Water Philippine Ventures, Inc. (MWPV) and Manila Water Asia Pacific Pte. Ltd. (MWAP), to ensure sustained growth beyond the East Zone. The strategic mandate of this group is to expand the business throughout the Philippines and in the ASEAN region. The geographical expansion is anchored on the core competencies of the Company which have already been proven through its subsidiaries, Laguna AAAWater Corporation, Clark Water Corporation, Boracay Island Water Company, Inc., and Cebu Manila Water Development, Inc., all under the MWPV. In addition, MWPV also has its own operations through its operating division, Estate Water (EW), which has been created to implement projects with strategic partners.


Both MWPV and MWAP have their own new Business Development units who are responsible for identifying and pursuing new business opportunities in the Philippines and in the ASEAN region.

Finally, Zamboanga Water Company, Inc. and Tagum Water Company, Inc., are the recent joint ventures of the Company with local water districts for implementation of non-revenue water reduction program and bulk water supply project, respectively.

**C. The Corporate Finance and Governance Group**

The **Corporate Finance and Governance Group**, which is headed by the Chief Finance Officer and Treasurer, provides financial and legal services to the Company. The Group is composed of three (3) divisions – the Accounting, Risk Management and Treasury Division; the Financial Planning, Controllership, Investor Relations and Supply Chain Division; and Legal and Corporate Governance Division. Other departments under this group are Finance and Governance for Subsidiaries and Corporate Planning Department.

• The **Accounting, Risk Management and Treasury** Division is composed of the Financial Accounting Department, the Fixed Assets, Project and Regulatory Accounting
Department, the Enterprise Risk and Insurance Management Department, and the Treasury Operations Department. The division provides financial and regulatory accounting, as well as treasury and risk management services.

i. The **Financial Accounting** Department maintains and safeguards the integrity of the Company’s computerized accounting system, books of accounts and processes to ensure the preparation of accurate and timely financial reports for the purpose of providing management, regulators and other stakeholders with financial information reflective of the Company’s true financial performance and condition. The department is ISO 9001:2008 certified and implements a Quality Management System which assures the consistent application of relevant accounting standards, policies, regulations and rules aimed towards the continuous improvement of its processes.

ii. The **Fixed Assets, Project and Regulatory Accounting** Department is a multi-disciplinary group which has key roles in the Company’s compliance with various regulators. It is responsible for providing management and the regulators with timely reports that are in compliance with all applicable accounting and regulatory standards. In line with the Company’s obligations as a concessionaire of the East Zone, it maintains records of the acquisition, status, and disposal/transfer of all fixed and movable assets of the Company. The department provides appropriate safeguards on disbursements of the Company and ensures that payments for goods and services are carried out in accordance with contractual requirements, and consistent with internal policies and tax requirements. It also ensures that capital projects are completed on time, within budget and in compliance with the Company’s business plan.

iii. The **Enterprise Risk and Insurance Management** Department is responsible for the sustained implementation of the Enterprise Risk Management program of the Company and ensures that key risks are identified and managed by the respective risk owners. It is responsible for managing the insurance program of the Company and is also providing oversight on the insurance program of the subsidiaries with the objective of making the program optimal, cost-effective, risk-based and responsive to the Company’s needs. The integration of risk management with insurance ensures the effective development and application of risk transfer strategies for the Company and its projects. The Insurance Management Section has established ISO 9001:2008-compliant policies and procedures and is ready for certification. The department is headed by the Chief Risk Officer and reports functionally to the Risk Committee and administratively to the Chief Finance Officer and Treasurer.

iv. The **Treasury Operations** Department is responsible for the effective management of the Company’s cash resources and financing activities, as well as the inherent risks associated with it. In carrying out its functions, the department maintains a sustainable and mutually beneficial relationship with the banking community. The Treasury Operations Department is ISO 9001:2008 certified and is committed to continuous improvements and innovations in its processes.

- The **Financial Planning, Controllership, Investor Relations and Supply Chain** Division is composed of Financial Planning and Investor Relations,Controllership,
i. **Financial Planning and Investor Relations** Department and **Controllership** Department are responsible for budget preparation and monitoring, cost controllership, financial planning and analysis. It is also in charge of investor relations and communicating relevant messages to the investment community.

ii. The **Procurement and Contracts Management** Department is in charge of all the buying functions within the East Zone in accordance with governance rules, and the highest level of integrity and transparency. It is responsible for ensuring quality, timely and cost-efficient procurement of services, supplies and materials sourced at optimal cost, and compliant with quality standards of the Company. The Procurement and Contracts Management Department is ISO 9001:2008 certified.

iii. The **Materials Planning and Inventory Management** Department is responsible for the strategic supply/inventory planning and inventory management to ensure the adequate and timely provision of critical supplies and materials for operations and project requirements. The department has established policies and procedures to respond to the requirements in a fast-paced environment aligned with the corporate goals and business needs with due regard to good governance. The Materials Planning and Inventory Management Department is ISO 9001:2008 certified.

iv. **Supply Chain Services** Department handles the procurement and vendor requirements of all the non-East Zone businesses of Manila Water. It employs strategic sourcing and an efficient supply management approach to address the requirements of each business. It also builds the procurement capabilities of the operating subsidiaries to enable them to handle transactions at the local level. Finally, it manages the vendor database of Manila Water and provides relevant vendor information to the procurement teams and various stakeholders of Manila Water.

- The **Legal and Corporate Governance** Division is composed of the Legal and Corporate Governance Department and the Tax Management Department. The division provides legal services, tax advisory, land acquisition and right-of-way services, and corporate governance guidance to the Company and across the organization.

  i. The **Legal and Corporate Governance** Department provides legal services, advice and support across the entire organization. It proactively ensures that the Company is fully compliant with all the applicable laws, rules and regulations, and defends and protects the Company’s interests in courts, administrative agencies and other tribunals. It is also responsible for the drafting and reviewing of contracts and other legal documents to ensure that they are protecting the Company’s interests and do not infringe any law, local or foreign, or any government rules and regulations. Its functions include the provision of guidance and assistance through the entire process of acquiring properties, maintenance of existing rights-of-way, and acquisition of rights-of-way required for the implementation of water and used water projects. In matters of corporate governance, the Department ensures that the Company adheres to the compliance
and disclosure requirements set forth by the Securities and Exchange Commission and the Philippine Stock Exchange for publicly listed companies. The department continuously orients all employees and business partners regarding the Company’s governance policies, particularly on matters relating to fair business dealings as well as the prompt and adequate disclosure of material information. It also provides corporate secretarial services to the Board of Directors and the Board Committees, and assistance to the Office of the Corporate Secretary in the preparation and conduct of the stockholders’ meeting and board meetings.

ii. The Tax Management Department provides strategic assistance to the different business and support units of the Company on matters relating to taxes and tax incentives applicable to the Company’s operations. The department also provides a focused analysis, interpretation and application of relevant tax laws, rules and regulations. It also ensures compliance with the reportorial requirements of the Bureau of Internal Revenue, Board of Investments and pertinent local government units and government agencies.

The other departments which are reporting directly to the Chief Finance Officer and Treasurer are as follows:

- **The Corporate Planning Department** is responsible for providing timely, objective and sound advice to the Board on strategic decisions and related matters. The department supports top management in charting the organization’s strategic roadmap, and in executing its strategic initiatives. This support is extended to the rest of the organization through timely strategic information analysis and provision, as well as the effective implementation of the management review cycle.

- **The Finance and Governance for Subsidiaries Department** leads the finance operations of the Company’s subsidiaries, which include, Manila Water Philippine Ventures, Inc. (“MWPV”) and the MWPV subsidiaries, Manila Water Asia Pacific Pte. Ltd. (“MWAP”) and the MWAP subsidiaries and associates, and the MWTS. The department ensures preparation of accurate and timely financial reports, as well as implementation of financial systems and controls in all non-East Zone entities. The department is also responsible for building the capability of the new businesses to be able to manage and perform all finance-related operations such as, but not limited to, accounting, treasury, procurement, policy development, risk management and tax management.

Please refer to Schedule J (Supplementary Schedules) on the relationships of the entities within the Group.

- **The Internal Audit Department** provides independent and objective assurance and internal consulting services and evaluates the effectiveness of the Company’s risk management, control and governance processes. The department reports functionally to the Audit and Governance Committee (AGC) and administratively to the Chief Finance Officer and Treasurer. It supports the AGC in the effective discharge of its oversight role and responsibility, and provides the management and the Board of Directors, through the AGC, with analyses, recommendations, advice and information concerning the activities and processes reviewed. The department obtained a “Generally Conforms” rating from the External Quality Assessment Review performed by IIA-Philippines in June 2012.
Water Operations

The supply of water by the Company to its customers generally involves abstraction from water sources and the subsequent treatment and distribution to customers’ premises. In 2014, the East Zone Business Operations supplied approximately 1,386 million liters per day (MLD) and billed 448.96 MCM of water compared to 1,434 MLD of water supplied and 448.96 MCM billed in 2014. The Company served a total of 1,342,807 households through 948,230 water service connections as of December 31, 2015, as compared to last year’s level of 1,342,807 households and 948,230 water service connections.

Water Resources

Under the Concession Agreement, MWSS is responsible for the supply of raw water to the Company’s distribution system and is required to supply to the Company a maximum quantity of water, currently pegged at 1,600 MLD. In case MWSS fails to supply the required quantity, the Company is required to distribute available water equitably.

The Company substantially receives all of its water from MWSS, which holds permits to the raw surface waters of the Angat and Umiray Rivers. The raw surface water which MWSS supplies to the Company comes from the Angat and Umiray Rivers, abstracted from the Angat Dam, and conveyed to the Ipo Dam through the Ipo River. Only a very small amount of the Company’s water supply is still ground-sourced through deep wells, which are primarily for the benefit of customers in the remotest towns of the Province of Rizal wherein conveyance from the existing treatment plants would be impractical. As of December 31, 2015, the Company has only three (3) operational deep wells with an average production of 2.04 MLD.

Water Treatment

Raw water is stored at the La Mesa reservoir located immediately downstream of the Novaliches portal interconnection before going to the three (3) treatment plants, two (2) of which are in Balara located seven (7) kilometers away and the third is nestled just at the northeast of La Mesa Dam.

The Balara treatment plants have a total design capacity of 1,600 MLD and consist of two (2) separate treatment systems: Balara Filter 1, which was commissioned in 1935 and Balara Filter 2 which was commissioned in 1958. These treatment plants make use of the same chemical preparation equipment and dosing facilities. The treatment process in these plants involves coagulation, flocculation, sedimentation, filtration and chlorination. The facilities consume higher quantities of chemicals during the rainy season when the turbidity of water increases, which leads to increased costs of operations.

Both plants are operating with an on-line monitoring system which enables real-time monitoring of water quality data which, in turn, provide an enhancement in chemical dosing efficiency. All of the filter beds have been recently upgraded to improve efficiency. The beds were modified using a multi-block underdrain system that includes an air-scour wash system, a more efficient method of cleaning the media using less water. Bulk of the sludge management plant was constructed in 2010 and started operating in 2011. Both plants have undergone a structural retrofit to make the facilities more resilient to earthquakes.
Water Distribution

After treatment, water is distributed through the Company's network of pipelines, pumping stations and mini-boosters. As of December 31, 2015, the Company's network consisted of approximately 5,000 km of total pipeline, comprising of primary, secondary and tertiary pipelines ranging in diameter from 50 to 2,200 mm. The pipes are made of steel, cast iron, asbestos cement pipe, polyvinyl chloride and other materials. Due to pipes' excessive tendency to leak, the Company have replaced most of its Asbestos Cement Pipes (ACP), down to 0.001% which at the start were estimated to comprise approximately 25.5% of the total pipeline length. From the start of the concession in 1997 until the end of 2015, the Company has laid almost 4,800 km of pipeline through expansion or replacement. This holistic pipe replacement supported with effective area management has led to a non-revenue water (NRW) percentage of 11.2%, far from the 1997 value of 63%.

Pumping stations also play a critical part in water distribution. Approximately 66% of the surface water supplied by the Company is pumped to ensure supply in high elevation areas. Currently, the Company operates nineteen (19) pumping stations with a combined maximum pumping capacity of 3000 MLD and an average plant output of 904 MLD. Most of the major pumping stations have reservoirs with a combined capacity of almost 400 MLD.

The Company operates twenty-one (21) line boosters in order to reach the fringe areas, which are quite distant from the treatment plants. Line boosters typically are small facilities aimed at augmenting water supply for areas that are not sufficiently supplied during the regular pumping operations of the pump stations.

Non-Revenue Water

NRW refers to the volume of water lost in the Company’s distribution system due to leakage, pilferage, illegal connections and metering errors. As determined by the MWSS-Regulatory Office, NRW is calculated as a percentage of the net volume of water supplied by the Company. The net volume of water supplied by the Company comprises the total volume of water supplied by the Company net of Cross Border Volume. Cross Border Volume is the volume of water transferred to the West Zone concessionaire less transfers received by the East Zone from the West Zone Concessionaire in the past. To date, the cross border flows have completely stopped.

The Company’s NRW levels have been significantly reduced from an average of 63% at the date of commencement of operations under the Concession Agreement to 11.2% for the year ended December 31, 2015. The significant improvement in the Company’s system losses was accomplished through effective management of water supply coupled with massive pipe replacement projects.

Water Quality

Since 1998, the Company’s water quality has consistently surpassed the Philippine National Standards for Drinking Water (PNSDW) set by the Department of Health (DOH) and based on World Health Organization (WHO) water quality guidelines. The Company’s rating is based on a series of tests conducted regularly at 836 (3% above the PNSDW requirement of 814 as of end of 2015) regulatory sampling points within the East Zone. The Company’s water samples scored an average bacteriological compliance of 100%, surpassing the threshold of 95% set in the PNSDW. In 1997, when the concession began, only 87% of water samples complied with these quality
standards. The Company collects and tests samples for microbial examination and physico-chemical examination from its surface water sources, (Angat, Ipo, Bicti and La Mesa reservoirs), ground water sources (deepwells), water treatment plants and distribution points based on frequencies as required in the standard.

Water quality at the Company’s water treatment plants undergoes daily microbial (bacteriological) and physico-chemical analysis and consistently is 100% compliant on the basic and health significant parameters required in the PNSDW. Regulatory sampling points are designated at strategic locations across the distribution system within the coverage area wherein sampling is conducted daily by Manila Water. The MWSS-Regulatory Office, Local Government Units (LGUs) and DOH likewise collect random samples from these designated sampling points and have them tested by third party laboratories and designated government laboratories. The results were consistently beyond the 95% set in the PNSDW.

The samples collected are tested at Manila Water’s own Laboratory, which is accredited by the DOH and a recognized EMB-DENR testing laboratory. The Laboratory has also gained its recognition as an ISO/IEC 17025:2005 accredited laboratory (meeting the principles of ISO 9001:2008 obtained by the Company’s laboratory for water/used water testing and sampling in October 2006) granted by the Philippine Accreditation Office, Department of Trade and Industry (DTI). These recognition and accreditations subject the laboratory to regular surveillance audits. Consistently, the Laboratory has gained excellent and satisfactory ratings on most proficiency testing programs it has participated through local and international proficiency testing program providers. In 2010, the Laboratory also gained certifications for ISO 9001:2008, ISO 14001:2004 and OSHAS 18001:2007. These recognitions have gained the confidence of the MWSS-Regulatory Office, the DOH and DENR in the tests results that are regularly provided to them.

Sewerage Operations

The Company is responsible for the provision of sewerage and sanitation services through the operation of new and existing sewerage systems and a program of regular maintenance of household septic tanks in the East Zone.

Sewerage and Sanitation System

Since 1997, the Company has significantly improved and expanded the limited used water infrastructure originally operated and maintained by the MWSS. Sewerage services are provided in areas where treatment facilities are available. Sewered areas are currently located in Quezon City and Makati, but parts of Manila, Taguig, Cainta, Pasig and Mandaluyong are also connected to sewer networks.

The Company had few facilities for sewerage services in 1997. The Sewage Treatment Plant (STP) in Magallanes Village was then the largest treatment facility in the country with a 40 MLD capacity. The STP in Magallanes provides sewerage services to the Makati central business district and some residential villages. Prior to privatization, this facility had poor treatment efficiency and did not meet effluent quality standards. The Karangalan Bio-module in Karangalan Village was serving approximately 100 households but also produced substandard effluent quality before 1997. An Imhoff tank in Phil-Am Village and thirty-one communal septic tanks (“CSTs”) in Quezon City were also turned-over in 1997. These facilities were serving approximately 19,000 households. These facilities have been upgraded to secondary treatment and now meet effluent standards set by the DENR.
In 2001, the Company constructed two (2) pilot package plants to determine if they were feasible in terms of social, financial, and environmental aspects. These are located in Valle Verde Homes, Pasig, one of which serves approximately 100 households and another serves some 400 households of the housing project in Makati together with approximately 4,000 students and employees in Rizal Elementary School.

With the success of the two (2) pilot STPs, the Company implemented the Manila Second Sewerage Project (MSSP) funded by World Bank. Under the MSSP, twenty-six (26) STPs were constructed. Sixteen (16) of these STPs were formerly CSTs and the rest are on-site STPs for medium and high rise housing establishments and for the University of the Philippines campus. Takeover and upgrade of the STP in Diego Silang, Taguig was also part of the MSSP.

As part of its commitment to expand this service, the Company constructed and subsequently operated in 2008 under the Manila Third Sewerage Project (MTSP) two (2) Septage Treatment Plans (“SpTPs”) aimed at managing septic tank materials siphoned from the East Concession customers. A total of 77 desludging trucks operate daily to ensure the desludging service is rendered to the entire East Zone population over the next five years. Since 1997, the Company has already provided such service to more than 1,000,000 households.

The MTSP is a follow-up to the MSSP and has the ultimate objective of improving sewerage and sanitation conditions in the East Zone. It was developed as a means of achieving the Company’s sewerage and sanitation service targets. The remaining components of the MTSP include the construction of sewer networks and treatment plants in several locations in the East Zone including upgrading of existing communal septic tanks with secondary treatment levels. There were six (6) sewage and septage treatment plants that were constructed under MTSP. It was in this project that combined sewer and drainage system was implemented. Out of the six (6) facilities, four (4) employed this approach.

As of the end of 2014, the Company has already served through sewer service, 251,868 households within the East Zone. As of year-end 2014, the Company operates 38 Used Water Facilities including the two (2) SpTPs, with a total capacity of 135 MLD, compared to 40 MLD in 1997.

In 2015, two (2) new used water facilities became operational, and these are the Marikina North STP and Liwasan ng Kagitingan at Kalikasan STP which have a combined capacity of 175 MLD and by far, the biggest STPs of the Company. Another remarkable feature of two (2) STPs is that both have the same treatment technology known as the Sequencing Batch Reactor (SBR) whereas the thirty-eight (38) facilities that were constructed under MSSP, MTSP and the take-over projects all employ the Conventional Activated Sludge treatment. As of year-end 2015, the total used water treatment capacity of the Company has increased to 310 MLD.

Customers who are not connected to the sewer network are provided with septic tank maintenance services through the “Sanitasyon Para Sa Barangay” (SPSB) program. Through cooperation with the barangays, the program aims to desludge all septic tanks in a barangay without charge over a specified, set schedule. For the period covering 2007 up to 2015, a total of 1,879,057 households have availed of the desludging service while a total of 515,317 septic tanks have been desludged for the said period.

The technical assistance component focus on information and education campaigns on proper liquid waste disposal and environment preservation and the preparation of follow-up programs on sewerage and sanitation, with emphasis on low-cost sanitation systems.
New Business and Investments

It is also the Company’s objective to further bring its expertise in water and usedwater services outside of the East Zone by establishing partnerships with private companies, local water districts and local government units in top metros of the country and in selected cities in the Asian region. Various water business models, such as NRW reduction, bulk arrangements, and operations and maintenance are also being explored and implemented. Towards this end, the Company has signed joint venture agreements and/or investment agreements with local and international partners in the last few years.

Local New Business and Investments

Laguna AAAWater Corporation ("Laguna Water") is a Joint Venture ("JV") between MWPV (formerly “AAA Water Corporation”), a wholly-owned subsidiary of Manila Water, and the Provincial Government of Laguna ("PGL"), with shareholdings of 70% and 30%, respectively. The JV is for the purpose of undertaking the development, design, construction, operation, maintenance and financing of the water facilities that will service the needs of the cities of Sta. Rosa and Biñan, and the municipality of Cabuyao in Laguna. Towards this end, Laguna Water entered into a Concession Agreement with the PGL on April 9, 2002 for an operational period of 25 years. By virtue of an amendment signed on June 30, 2015, the concession area was expanded to cover all the cities and municipalities of Laguna, and the scope was amended to include the provision of used water services and the establishment of an integrated sewage and septage system in the province.

Boracay Island Water Company, Inc. ("Boracay Water") is a JV between Manila Water and the Philippine Tourism Authority ("PTA") with shareholdings of 80% and 20%, respectively. In December 2009, Boracay Water entered into a concession agreement with the PTA (now Tourism Infrastructure and Enterprise Zone Authority) covering the provision of water and used water services in the Island of Boracay.

Clark Water Corporation ("Clark Water") is the water and used water concessionaire of Clark Development Corporation ("CDC") in the Clark Freeport Zone in Angeles, Pampanga. By virtue of an amendment agreement executed on August 15, 2014, the 25-year concession agreement with the CDC was extended by another fifteen (15) years or until October 1, 2040. In November 2011, Manila Water acquired 100% ownership of Clark Water through a Sale and Purchase Agreement with Veolia Water Philippines, Inc. and Philippine Water Holdings, Inc.

In the first quarter of 2012, the Company, through Manila Water Consortium, Inc. (formerly “Northern Waterworks and Rivers of Cebu, Inc.”) (“MW Consortium”), a consortium of Manila Water, Metropac Water Investments Corporation and Vicsal Development Corporation, signed a Joint Investment Agreement (“JIA”) with the Provincial Government of Cebu (“PGC”) for the development and operation of a bulk water supply system in the province. The JIA resulted in the incorporation of Cebu Manila Water Development, Inc. (“CMWD”), a corporation owned by the consortium and the PGC in the proportion of 51% and 49% respectively.

Effective March 2015, all the shareholdings of Manila Water in Boracay Water, Clark Water and MW Consortium have been transferred to MWPV, which is intended by the Company to be its vehicle to undertake further business expansions in the country.

In December 2013, CMWD signed a 20-year Bulk Water Supply Contract with the Metropolitan Cebu Water District for the supply of 18 million liters per day of bulk water for the first year and
35 million liters per day of bulk water for years two up to twenty. Thereafter, in the same month, Laguna Water signed an Asset Purchase Agreement with the Laguna Technopark, Inc. (“LTI”) for the acquisition of the water reticulation system of LTI in Laguna Technopark, a premier industrial park located in Sta. Rosa and Binan, Laguna which is home to some of the region’s largest and more successful light to medium non-polluting industries.

On December 19, 2014, the Company received a notice from the Zamboanga City Water District (“ZCWD”) awarding the project for nonrevenue water reduction activities in Zamboanga City. A 10-year JV agreement between the Parent Company and the ZCWD was signed on January 30, 2015 and the JV’s operations commenced on June 2, 2015 upon signing of the Nonrevenue Water Service Agreement.

In October 2015, Davao Del Norte Water Infrastructure Company, Inc., the consortium formed between the Company and iWater, Inc., signed a JV agreement with the Tagum City Water District for the operation of a 15-year take-or-pay bulk water supply arrangement for up to 38 MLD.

Finally, MWTS, also a wholly-owned subsidiary of Manila Water, is engaged, among others, in the provision of consultancy and related services for the implementation of water and used water network-related projects, as well as the maintenance, repair and installation of after-the-meter (water service) connection and appurtenances. In 2015, MWTS launched its first product offering in the packaged water category called “Healthy Family” purified water, which aims to address the purified drinking water needs of households in and out of the East Zone.

**International New Business and Investments**

International new business and investments of the Company are generally undertaken through its wholly-owned Singapore subsidiary, Manila Water Asia Pacific Pte. Ltd. (“MWAP”), and the latter’s subsidiaries, namely, Manila Water South Asia Holdings Pte. Ltd. (“MWSAH”), Thu Duc Water Holdings Pte. Ltd. (“TDWH”), and Kenh Dong Water Holdings Pte. Ltd. (“KDWH”). In November 2015, a new Singapore subsidiary, North-West of Saigon Holdings Pte. Ltd. (“NWSH”), was incorporated whose objective is to implement future expansions in the region.

In December 2011, TDWH purchased a 49% share ownership in Thu Duc Water B.O.O. Corporation (“Thu Duc Water”) which owns the second largest water treatment plant in Ho Chi Minh City. Thu Duc Water has a bulk water supply contract with Saigon Water Corporation (SAWACO) for a minimum consumption of 300 MLD on a take-or-pay arrangement.

In July 2012, KDWH completed the acquisition of a 47.35% stake in Kenh Dong Water Supply Joint Stock Company (“Kenh Dong Water”), a Vietnamese company established in 2003 to build, own, and operate major water infrastructure facilities in Ho Chi Minh City.

In October 2013, MWSAH completed the acquisition of 31.47% stake in Saigon Water Infrastructure Corporation (“Saigon Water”), a listed company in Vietnam. In 2015, Saigon Water entered into a 25-year Build-Own-Operate joint undertaking with Vietnam-Oman Investment Company and the People’s Committee of Ho Chi Minh City to expand and operate the water network in Cu Chi, a district in Ho Chi Minh City. The project will be undertaken with Cu Chi Water Supply Sewerage Company Limited (“Cu Chi Water”), a Vietnam limited company. Through a Capital Transfer Agreement executed with Saigon Water on November 3, 2015, a 24.5% share in the charter capital of Cu Chi Water was acquired by MWSAH.
On March 17, 2014, the Parent Company and Mitsubishi Corporation, signed a Memorandum of Understanding (“MOU”) with the Yangon City Development Committee (“YCDC”) in Yangon City, Myanmar for the development of a proposed nonrevenue water reduction project for Yangon City. YCDC is an administrative body of the city government in Yangon in charge of the water, infrastructure, business licenses and city property management, among others.

On November 6, 2015, MWAP signed an MOU with PDAM Tirtawening Bandung City for a nonrevenue water reduction demonstration project in Bandung City, Indonesia. PDAM Bandung is a water utility company owned and controlled by the Regional Government of Bandung City in West Java, Indonesia.

Environmental Compliance

The Company’s water and used water facilities must comply with Philippine environmental standards set by the Department of Environment and Natural Resources (DENR) on water quality, air quality, hazardous and solid wastes, and environmental impacts. In keeping with the Company’s commitment to sustainable development, all projects are assessed for their environmental impact and where applicable, must obtain an Environmental Compliance Certificate (ECC) from the DENR prior to construction or expansion and the conditions complied with, along with all other existing environmental regulations. During and subsequent to construction, ambient conditions and facility-specific emissions (e.g. air, water, hazardous wastes, treatment by-products) from water and used water facilities are routinely sampled and tested against DENR environmental quality standards using international sampling, testing and reporting procedures.

The Company has made efforts to meet and exceed all statutory and regulatory standards. The Company employs the appropriate environmental management systems and communicates to its employees, business partners and customers the need to take environmental responsibility seriously. The Company uses controlled work practices and preventive measures to minimize risk to the water supply, public health and the environment. The Company’s regular maintenance procedures involve regular disinfection of service reservoirs and mains and replacement of corroded pipes. Implementation and effectiveness of established operations and maintenance procedures is being monitored and checked for continual improvement through the Operations Management System (OMS). Monitoring of environmental compliance for operating facilities and on-going projects is being carried out proactively using risk-based assessment checklist in order to internally address compliance risks before it resulted into legal non-compliances. The Company’s water and used water treatment processes meet the current standards of the PNSDW, DOH, DENR and LLDA. The Company continues to undertake improvements in the way it manages both treated water and used water as well as treatment of by-products such as backwash water, sludge and biosolids.

The Company has contingency plans in the event of unforeseen failures in the water and used water treatment or chemical leakage and accidental discharge of septage and sewage. The Company’s Customer Care Center is trained to ensure that environmental incidents are tracked, monitored and resolved.

A policy on climate change was formulated to define the Company’s commitment to the National Framework Strategy for Climate Change. While the company is undertaking climate change mitigating measures such as greenhouse gas accounting and reporting along with initiatives to optimize consumption of fuel and electricity to reduce its carbon footprint, there is a current
emphasis towards climate change adaptation such as intensifying watershed rehabilitation work, vulnerability assessment of water sources and assets, improving the climate-resiliency of existing and future water and used water facilities, strengthening risk reduction and management systems with a business continuity plan, and development of new water sources.

**Sustainable Development Projects**

Sustainability for Manila Water is the full alignment of its business goals with its socio-environmental objectives. In order to provide excellent water and used water services to its over six million customers, Manila Water is guided with its sustainability framework, which focuses on developing employees, helping build communities, protecting the environment, safeguarding health and safety and contributing to local and national economies.

**Developing Employees**

The Company created a Talent Master Plan to ensure that it is able to sustain the development of the right quantity and quality of talents, not only for the current needs of the business but also for future requirements, as the Company has a rich pipeline of projects and business prospects. In 2015, the Manila Water University (MWU) launched and completed a competency assessment for each talent which is the basis for the trainings of talents to meet their competency requirements.

Manila Water formally launched in 2015, Bawat Patak, Tumatatak, which is an employee volunteerism program that focuses on education, environment and emergency. Consequently, several projects under each category were initiated.

**Helping Build Communities**

Manila Water believes that in the course of helping build communities, it is not enough to simply provide access to water and used water services for all. The resiliency of the services being provided is also of primary importance, considering that the Philippines is prone to natural and manmade disasters.

The Company has adopted strategies in order to minimize the adverse impacts of natural and manmade threats on the continuity of the Company’s operations. The Climate Change Policy of the Company has been revised to focus on align with the country’s strategy of prioritizing climate resilience work rather than carbon emissions reduction. The key manifestations of the climate change adaptation commitments of the Company include the mainstreaming of vulnerability assessment in the planning for new water and used water assets, retrofitting assets to be disaster-resilient, having a business continuity plan for its operations, taking a pro-active stance in the management and development of water sources and engaging key stakeholders in addressing risks beyond the control of the Company.

The Tubig Para sa Barangay continued to benefit more than 1.8 million people from urban poor communities with 208,436 water service connections and 307,761 households. TPSB allowed beneficiaries to avail of the Company’s services at considerably lower connection fees and less stringent requirements.
Through its Lingap program, Manila Water has rehabilitated the water reticulation systems and installed wash facilities and drinking fountains in 354 public service institutions such as schools, hospitals, city jails, markets and orphanages, benefitting about 1.5 million people.

**Protecting the Environment**

Manila Water continues to provide and expand its used water program with its sewerage and sanitation services. In 2015, the Manila Water Philippine operations treated 42.34 million cubic meters of used water and removed 8,329 tons of organic pollutants, measured as Biological Oxygen Demand (BOD), further lessened the pollution load in waterways. All effluent or treated used water from the used water facilities of Manila Water and its Philippine subsidiaries are within the limits of effluent standards of the Department of Environment and Natural Resources.

The expansion of sewer coverage continues with the construction of three large used water systems that will add 275 million liters of used water per day to the current capacity: the Marikina North Sewerage System, Taguig North Sewerage System and North and South Pasig Sewerage System which will serve more than one million residents of Marikina, San Mateo, Taguig, Makati and Pasig.

Manila Water continues to implement its watershed management programs for its critical watersheds: Ipo, La Mesa and Marikina watersheds for the Metro Manila East Zone Concession, Nabaoy Watershed for Boracay Water and Luyang River for Cebu Water.

Lakbaylan Program or the Water Trail Tour took 2,009 participants in 2015 to its water and used water facilities to raise awareness on the importance of water, used water and the environment. The mobile Lakbaylan and Bawat Patak, Tumatatak… Goes to School were launched in 2015 to cater for more communities and schools by bringing the environmental education to their area.

Toka-Toka advocacy, aimed at reviving the Metro’s heavily-polluted rivers and tributaries, to encourage consumers and partner organizations to commit to small and big acts of environmental responsibility. On its third year, Toka-Toka launched Project Lingap Sapa with the aim to change the mindset of the communities residing near creeks and rivers, and inspire them to have a greater sense of responsibility in taking care of waterways.

Manila Water’s continual improvement on its resource efficiency programs and innovations focus on the Company’s top operating expenses (OPEX) items, namely, water, electricity, fuel and chemicals.

**Safeguarding Health and Safety**

Manila Water ensures the health and safety of its employees, contractors and communities through the Operations Management System which include the Quality, Environment, Health and Safety Management Systems.

Manila Water has consistently achieved 100% compliance to the standards set by the Philippine National Standards for Drinking Water. The Metro Manila East Zone and Boracay Water have developed Water Safety Plans to identify risks to health and safety on water and ensure that the processes are controlled to meet the requirements of drinking water standards. Moreover, a
Sanitation Safety Plan is being developed for the used water facilities of the Metro Manila East Zone, and will be replicated in the Philippine subsidiaries.

Manila Water embarked on providing Healthy Family bottled water in the second half of 2014 in the advocacy for healthy living through the consumption of water that is clean and potable, as opposed to the prevailing lack of quality control and assurance among the small-scale and poorly regulated water refilling stations around the country.

**Contributing to Local and National Economies**

The Suki Vendor program has promoted inclusive growth and contributed significantly to local economies. The program aims to develop long term partnerships with the company’s regular pipe laying contractors by nurturing these contractors and providing them technical assistance until such time that they have built their own capabilities already and have grown into bigger companies as well.

Manila Water infused a total of 5,731 million of CAPEX investments to the economy through the expansion of its water and used water services in 2015. Manila Water has also provided direct employment to 1,555 individuals in the Metro Manila’s East Zone and its subsidiaries across the Philippines, Vietnam and Indonesia.

**Employees**

As of December 31, 2015, the Company had 1,365 employees. Approximately 14% were non-management employees and 86% held management positions. Six (6) employees are seconded from Ayala Corporation.

The following table presents the number of employees as of the end of the period indicated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Former MWSS</th>
<th>Direct Hires</th>
<th>Seconded from Ayala Corp.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>611</td>
<td>748</td>
<td>6</td>
<td>1,365</td>
</tr>
</tbody>
</table>

The following table presents the number of employees by function as of the December 31, 2015:

<table>
<thead>
<tr>
<th>Group</th>
<th>Management</th>
<th>Non-Management</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Finance &amp; Governance</td>
<td>118</td>
<td>5</td>
<td>123</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Corporate Human Resources</td>
<td>54</td>
<td>1</td>
<td>55</td>
</tr>
<tr>
<td>Corporate Strategic Affairs</td>
<td>16</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Corporate Regulatory Affairs</td>
<td>11</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>East Zone Business Operations</td>
<td>493</td>
<td>90</td>
<td>583</td>
</tr>
<tr>
<td>Corporate Information Technology</td>
<td>22</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Manila Water Foundation</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Manila Water Total Solutions</td>
<td>13</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>Office of the President</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>
Before privatization, the MWSS had 8.4 employees per 1,000 service connections. Manila Water Company has improved this ratio to 1.5 employees per 1,000 service connections as of December 31, 2015. This was accomplished through improvements in productivity achieved through, among other initiatives, value enhancement programs, improvements in work processes, employee coaching and mentoring, transformation of employees into knowledge workers, and various training programs. Manila Water’s organizational structure has been streamlined, and has empowered employees through decentralized teams with responsibility for managing territories. In addition, the Company formed multi-functional working teams which are composed of members of the management team tasked with addressing corporate issues such as quality and risk, and crisis management.

As of December 31, 2015, 188 or 14 percent of the employees of the company are members of the Manila Water Employees Union (MWEU). In 2013, the company and the MWEU concluded negotiations on a new collective bargaining agreement (CBA). MWEU has the option under the law to renegotiate the non-representation provisions of the CBA by the third quarter of 2016. The company believes that its management maintains a strong partnership with union officials and members as it has not had any strikes since its inception. Grievances are handled in management-led labor councils. The CBA also provides for a mechanism for the settlement of grievances.

The Company has a two-pronged strategy in talent development – strengthening leadership capabilities, and building and strengthening technical expertise to maintain its leadership in the water industry and contribute to national development. Programs were implemented in partnership with the line managers with the aim of ensuring an agile, enabled, mobile and highly engaged workforce that will support the corporate growth strategy.

On the leadership front, several initiatives were undertaken to ensure a strategic, well-rounded approach to leadership development:

- **Succession Management:** Manila Water has expanded its talent pool to strengthen the senior management leadership pool of Manila Water. Talents receive deliberate development interventions – individual development planning, stretched assignments, executive coaching, and mentorship to accelerate their development. Talent reviews have also been conducted with the line managers to identify and develop talents to assume current and emerging roles. Another key initiative was the integration of Manila Water’s talent and succession management process with the New Business Operations (i.e. Laguna Water, Clark Water and Boracay Water). This exercise aims to strengthen the talent bench in the subsidiaries, so that they may become a potential talent source for the Group.

- **Mentorship Program:** The members of the Management Committee (MANCOM) serve as mentors to high potential talents being developed for executive roles.
Business Zone Leadership School (BZLS): This is a competency-based training to ensure a steady supply of competent talents in the East Zone Business Operations who can assume the Business Zone Manager (BZM) role as needed by the business.

Center for Leadership Excellence: The Leadership Development Program (LDP) is an ongoing initiative which is part of the Manila Water University’s Center for Leadership Excellence. This program was established to help develop leadership competencies which are enablers to ensure sustainable business success.

Complementing leadership development, the same level of focus is given to technical roles where talents occupying highly technical positions are likewise given technical development through the Manila Water University’s Center for Technical Excellence. It aims to ensure that the Company strengthens the technical competencies of its talents in its fields of operations.

The Company ensures that its reward system is market competitive, performance-based, aligned with business strategies and results, and within regulatory parameters. In 2005, the Company extended an equal cash incentive to each employee covered by the reward system. In succeeding years, the Company further improved the system by taking care of the gaps in the distribution system and aligning the reward system with the yearend goals of the Company, which are anchored on the KPI/BEM targets. In 2013, the Company updated its guaranteed pay structure to ensure alignment with industry practices. Also in 2013, the company enhanced its variable pay program to increase the alignment of bonus scheme with business results. The Company continues to monitor pay competitiveness and reward talents according to their achievements and contributions to the business objectives.

In 2014, the Company implemented the Talent Mobility Program which is a talent management and reward platform that allows the seamless transition of talents from one Manila Water business to another. The program ensures a reasonable, engaging, and competitive secondment process to Manila Water businesses covering pre-deployment, actual deployment, and repatriation benefits and support for secondees.

Pursuant to the concession agreement (CA), the Company adopted the Employee Stock Option Plan (ESOP). The ESOP was instituted to allow employees to participate directly in the growth of the company and enhance the employees’ commitment toward its long-term profitability. In 2005, the company adopted an Employee Stock Ownership Plan as part of its incentives and rewards system.

Also in 2005, the company's Board of Directors approved the establishment of an enhanced retirement and welfare plan. The plan is being administered by a Retirement and Welfare Plan Committee, which also has the authority to make decisions on the investment parameters to be used by the trustee bank.

Over and above these benefit and reward schemes, the Company gives recognition for employees who best exemplify the Company’s culture of excellence through the Chairman’s Circle (C2) Awards for senior managers, the President’s Pride due to Performance (P3) honors for middle managers and the Huwarang Manggagawa (Model Employee) Awards for the rank-and-file employees. Eight (8) of the Company's model employee awardees have also been awarded ‘The Outstanding Workers of the Republic’ (TOWER) Award by the Rotary Club of Manila from 1999 to 2009, by far the most number of awards won by any single company over that period.
The exemplary performance of its employees have earned for Manila Water several awards and recognitions. Over the past seventeen years, the Company has been the recipient of numerous awards that include the following: the Global Grand Prize in the 2010 International Water Association Project Innovation Awards for the Company’s creative approaches in reducing systems losses to benefit its customers; the “Water Efficiency Project of the Year” from Global Water Intelligence and Water Desalination Report for the “Manila Water NRW Strategy” that reduced systems losses significantly and improved customer satisfaction; the Honour Award in the 2010 International Water Association Project Innovation Awards for the Olandes Sewage Treatment Plant project; 1st Philippine Stock Exchange Bell Awards for Corporate Governance; Platinum Plus award from the Institute of Corporate Directors; the four Best-Managed Company Awards from Asiamoney Magazine; the seven corporate governance awards from Corporate Governance Asia; the Best-Managed Mid-Cap Company Award from Finance Asia Magazine; twenty Anvil awards from the Public Relations Society of the Philippines from 2004 to 2012; twelve Quill Awards from the International Association of Business Communicators Philippines from 2006 to 2012; the Distinction Award for the Water Deal of the Year from Global Water Intelligence; the Asia Water Management Excellence Award-Industry Category; the Intel-Asian Institute of Management Corporate Responsibility Award in 2009; the Most Integrated into the Core Business Award from the Management Association of the Philippines and League of Corporate Foundations; and the 2002 Model Company Award and 2010 Hall of Fame Award from the Department of Trade and Industry, which singled out the company’s “consistency and passion” in pursuing programs on labor and management cooperation, quality and productivity improvement, and family welfare and community relations.

A landmark recognition was earned by Company when it was cited the 2006 Employer of the Year by the People Management Association of the Philippines. Another prestigious award earned by the Company was the Asian Human Capital Award given by the Singaporean government in 2012. The 2006 Employer of the Year honors were bestowed upon Manila Water for providing a remarkable example of how a group of much-maligned government workers was transformed into a thoroughly efficient organization that is now a leader in its industry. The Asian Human Capital Award, is one of the biggest recognition earned by the Company as an employer and is an award that is so difficult to obtain due the stringent standards of its giver, the Singaporean Ministry of Manpower. However, the comprehensive selection process did not prevent Manila Water from becoming the first-ever Filipino company to capture the elite honors when the Singaporean government deemed the Company worthy of the award for harnessing its people in transforming from a languishing water service provider into a world-class water and used water company, citing not only its accomplishments but also the way it turned around its business using its human resource.

In 2014, the Company bagged the following awards and recognitions: One of 20 Global Growth Companies (GGC) in East Asia – World Economic Forum (May 2014); No. 2 in the 2014 Sustainability Ranking – Channel NewsAsia (November 2014); Asia’s Icon on Corporate Governance – CorporateGovernance Asia (November 2014); 1st in Innovation in Water, Wastewater and Stormwater Network Modelling and Analysis for the Marikina North STP Project - Bentley Systems, Inc.’s Be Inspired Awards (November 2014); PSE Bell Award for Corporate Governance, Hall of Fame – Philippine Stock Exchange (November 2014); Asia Geospatial Excellence Award – Asia Geospatial Forum (November 2014); Philippine Esri Best Overall Map Award for ‘The Business Risk Exposure Assessment of Manila Water Network Asset Project Map’ – Philippine Esri User Conference and 2nd Philippine Esri Education GIS Conference (September 2014); First Don Emilio Abello Energy Efficiency Award for the San Juan Pumping Station – Department of Energy (October 2014); IABC Quill Awards, Awards of

In April 2014, the Laguna Lake Development Authority cited the following employees as Outstanding Pollution Control Officers – Blue Ratee for the 7 Sewage Treatment Plants of Manila Water: Sharon B. Cerbito - North Septage Treatment Plant (San Mateo); Jimaima M. Hoque - Sikatuna STP; Jocelyn M. General (PCO), Johannes Paulus O. Costales (Plant Manager) - Fisheries STP; John Von Wernher C. dela Cruz - Pagasa STP, Heroes’ Hill STP; Ninya Kristina L. Cabico - Belarmino Stp, Palosapis STP; and Jeremaine V. Esguerra - East Ave STP. In August 2014, the Department of Health also gave the Typhoon Yolanda ‘Unsung Heroes’ Plaque of Recognition for Manila Water’s Mobile Treatment Plant Operations.

In 2014, Manila Water was given the ISO 50001 Certification for Energy Management System (April 2014). Manila Water was the first Philippine company to receive this certification. As of 2015, Manila Water has the following ISO Certifications: ISO 50001: 2011 Energy Management System (ENMS) for five (5) water supply and five (5) used water facilities; ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, and OHSAS 18001:2007 Occupational Health and Safety Management System (QEHSMS) for nine (9) water supply and six (6) used water facilities, and two (2) support departments (Laboratory and Maintenance Services); and ISO/IEC 17025:2005 for the Company’s Laboratory Management System.

In 2015, the awards and recognitions received by the Company include the following: **Awards and Citations for Corporate Governance and Management** (2015 One of ASEAN Top 50 Publicly Listed Companies, ASEAN Corporate Governance Conference and Awards; 2015 9th ING-FINEX CFO of the Year for Mr. Luis Juan B. Oreta); **Awards and Citations for Corporate Social Responsibility and Sustainability** (2015 Change the World List (Ranked No. 29 out of 51), Fortune; 2015 One of Top Corporate Social Responsibility (CSR) Advocates in Asia, Asia Corporate Excellence and Sustainability (ACES) Awards; 2015 Winner, Sustainability Strategy and Resource Efficiency Category, ASEAN Corporate Sustainability Summit and Awards (ACSSA); 2015 Runner-up, Supply Chain Sustainability Category, ASEAN Corporate Sustainability Summit and Awards (ACSSA)); **Awards and Citations for Operations and Technical Management** (2015 Asia Geospatial Excellence Award for the Critical Activity Review and Geographic Information System (GIS) Integration, Asia Geospatial Forum; 2015 Special Award for Performance in Energy Efficiency and Conservation for Siruna Pumping Station, Don Emilio Abello Energy Efficiency Awards, Department of Energy; 2015 Award of Recognition for ASEAN Energy Awards Competition for Balara Pumping Station, Don Emilio Abello Energy Efficiency Awards, Department of Energy; 2015 Outstanding Award for Performance in Energy Efficiency and Conservation for San Juan Pumping Station, Don Emilio Abello Energy Efficiency Awards, Department of Energy; 2015 Outstanding Energy Manager Award (Mr. Rolando Mosqueda, San Juan Pumping Station), Don Emilio Abello Energy Efficiency Awards, Department of Energy; 2015 Special Award for Performance in Energy Efficiency and Conservation for Kingsville Pumping Station), Don Emilio Abello Energy Efficiency Awards, Department of Energy); **Awards and Citations for Communications** (2015 Gold Anvil Award and Silver Anvil Awards, 50th Anvil Awards, Public Relations Society of the Philippines (PRSP); 2015 Awards of Excellence and Awards of Merit, Quill Awards, International Association of Business Communicators (IABC) Philippines); **Others (Subsidiaries)** (2015 Case Study Category Winner of the Public-Private Partnerships (PPP) Short Stories Competition for Laguna Water’s Alternative PPP Model: The Laguna Water Story, World Bank Group and the Public-Private Infrastructure Advisory Facility (PPIAF)).
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 and interest-free. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2015 and 2014, the Group has not made any provision for probable losses relating to amounts owed by related parties. 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.

Significant transactions with related parties follow:

a. 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 10 years and automatically renewable every 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.

Total management and professional fees charged to operations arising from these agreements amounted to Php218.31 million and Php198.98 million in 2015 and 2014, respectively. Total outstanding payables amounted to nil and Php34.88 million as of December 31, 2015 and 2014, respectively.

b. 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:

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</tr>
</thead>
<tbody>
<tr>
<td>Cash in banks and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,955,082</td>
<td>207,400</td>
<td>243,325,649</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,955,082</td>
<td>207,400</td>
<td>243,325,649</td>
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</tr>
<tr>
<td>Receivables</td>
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</tr>
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<td>Ayala</td>
<td>P=</td>
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<tr>
<td>Total</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,955,082</td>
<td>207,400</td>
<td>243,325,649</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to contractors</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Ayala</td>
<td>P=</td>
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<td>P=</td>
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<tr>
<td>BPI and Subsidiaries</td>
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<td>1,998,160,172</td>
<td>77,209</td>
<td>4,955,082</td>
<td>207,400</td>
<td>243,325,649</td>
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<tr>
<td>Total</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,955,082</td>
<td>207,400</td>
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<tr>
<td>Trade payables</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Ayala</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
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<td>P=</td>
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<tr>
<td>BPI and Subsidiaries</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
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<td>207,400</td>
<td>243,325,649</td>
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<tr>
<td>Total</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,955,082</td>
<td>207,400</td>
<td>243,325,649</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash in banks and cash equivalents pertain to deposits and investments with original maturities of 3 months or less from the date of original acquisition.
Receivables are primarily composed of trade receivables for water and sewerage services rendered by the Group. These are non-interest bearing and are collectible within 30 days from bill generation. No allowance for doubtful accounts was provided for receivables from related parties as of December 31, 2015 and 2014.

Advances to contractors included as part of “Other current assets” pertains to down payments related to construction of fixed assets. These are normally applied within a year against progress billings.

Trade payables pertain to retentions deducted from contractors’ billings and are normally paid within a year after project acceptance.

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Shareholder:</td>
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<td>Ayala</td>
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<td>Affiliates:</td>
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<td>Ayala Land and Subsidiaries</td>
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<td>AAHC</td>
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<td>–</td>
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<tr>
<td>Total</td>
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<td>154,534,783</td>
<td>11,197,460</td>
<td>11,808,202</td>
</tr>
</tbody>
</table>

Revenue is mainly attributable to water and sewerage services rendered by the Group to its shareholder and affiliates. Purchases from Ayala Land and subsidiaries mainly pertain to construction of fixed assets while purchases from AAHC relates to acquisition and repairs of transportation equipment. Purchases from Globe pertain to telecommunication services and purchases from BPI relate to banking transactions and financial services to the Group.

c. On June 1, 2010, MWAP and Speedy-Tech Electronics Ltd. (Speedy-Tech), a subsidiary of Integrated Microelectronics, Inc., entered into a Tenancy Agreement wherein Speedy-Tech will lease office space to MWAP. On May 31, 2015, the Tenancy Agreement with Speedy-Tech was terminated. Total rent expense paid by MWAP to Speedy-Tech amounted to Php0.64 million and Php0.47 million in 2015 and 2014, respectively.

d. On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004) with PGL, one of its shareholders. Concession fees paid to PGL amounted to Php22.70 million and Php15.06 million in 2015 and 2014, respectively (see Notes 1 and 28).

e. One of the trustee banks which manages the Group’s retirement fund is BPI, an affiliate. The Group’s plan assets under BPI amounted to Php576.84 million and Php587.42 million as of December 31, 2015 and 2014, respectively.

f. On November 3, 2015, MWSAH completed the execution of a Capital Transfer Agreement with Saigon Water for the acquisition of 24.5% of the charter capital of Cu Chi Water Supply Sewerage Company Ltd., a company incorporated in Vietnam, in the total amount of VND154.35 billion or equivalent to Php330.10 million.
g. Compensation of key management personnel of the Group by benefit type, included as part of “Salaries, wages and employee benefits,” are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>₱397,804,200</td>
<td>₱283,797,080</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>23,832,969</td>
<td>18,971,484</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>50,584,861</td>
<td>30,227,909</td>
</tr>
<tr>
<td></td>
<td><strong>₱472,222,030</strong></td>
<td><strong>₱332,996,473</strong></td>
</tr>
</tbody>
</table>

Risks Disclosure

<table>
<thead>
<tr>
<th>2015 Top Corporate Risks</th>
<th>Mitigation Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Rebasing</td>
<td>Review and analysis of approved business plan versus actual accomplishment is done to ensure compliance to the arbitral award. In addition, improvements in various processes and systems have been implemented.</td>
</tr>
<tr>
<td>Investment Plan Execution</td>
<td>A capex optimization project was undertaken to optimize processes, functions and resources to ensure projects are implemented within budget and timeline, and at an acceptable quality level. A project risk management program is in place wherein projects are categorized in different tiers with varying frequency of review and reporting of risks and levels for risk acceptance.</td>
</tr>
<tr>
<td>Water Supply</td>
<td>Activities are being done to further increase reliability and efficiency of the current water supply system such as the development of medium-term water sources, weekly monitoring and investigation of non-revenue water (NRW) contributors, weekly monitoring of dam water levels, preventive and corrective maintenance of dam facilities and aqueducts and implementation of metering at raw water portal and tailrace metering.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Programs have been implemented to ensure control of regulatory and socio-political risks at both compliance and strategic levels. There were organizational changes to improve the regulatory compliance of the organization. The document management system has been enhanced to improve readiness in regulatory review and audit. In addition, guidelines on concession accounting and auditing and technical audit are under development.</td>
</tr>
<tr>
<td>New Business Operations</td>
<td>Organizational enhancements were implemented to improve Manila Water’s control and visibility in the subsidiaries. Risk Officers have been appointed to strengthen risk governance in the subsidiaries. The enterprise risk management framework had been implemented by the new businesses and their top risks and action plans are being reported to Manila Water.</td>
</tr>
</tbody>
</table>
In order to achieve its corporate objectives, Manila Water acknowledges the need for the active management of the risks inherent in its business which should involve the entire organization. For this reason, Manila Water has established an Enterprise Risk Management (ERM) Program which aims to use a globally accepted approach in managing imminent and emerging risks in its internal and external operating environments. Under the ERM Program, Manila Water shall appropriately respond to risks and manage them in order to increase shareholder value and enhance its competitive advantage.

Manila Water, through its Enterprise Risk and Insurance Management Department (ERIM Department), seeks to integrate risk awareness and responsibility at each level of management activities, and into all strategic planning and decision-making processes within Manila Water and its subsidiaries to support achievement of strategies and objectives.

In its report to the Board of Directors, the Risk Committee of the Board confirmed that:

- The Risk Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Risk Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in Manila Water.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

In its report to the Board of Directors, the Audit and Governance Committee confirmed that:

- The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

- The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

- The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.
Government Regulations

The Company has to comply with environmental laws and regulations which include:

- **General Environmental Safeguards**
  - Presidential Decree No. 1586 (Philippine Environmental Impact Statement System)
  - DENR Administrative Order No. 02, Series of 2014 (Appointment/Designation of Pollution Control Officers).
  - DENR Administrative Order No. 27, Series of 2003 (Self-Monitoring Report System)

- **Water**
  - Republic Act No. 9275 or the Philippine Clean Water Act of 2004
  - DENR Administrative Order No. 10, Series of 2005 (Implementing Rules and Regulations of R.A. No. 9275)
  - DENR Administrative Order No. 35, Series of 1990 (General Effluent Standards)
  - DENR Administrative Order No. 39, Series of 2003 (Environmental Users Fees)

- **Air**
  - Republic Act No. 8749 or the Philippine Clean Air Act of 1999
  - DENR Administrative Order No. 81, Series of 2000 (Implementing Rules and Regulations of R.A. 8749)

- **Solid Waste**
  - Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000
  - DENR Administrative Order No. 34, Series of 2001 (Implementing Rules and Regulations of R.A. No. 9003)

- **Hazardous Wastes and Chemicals**
  - Republic Act No. 6969 or the Toxic Substances, and Hazardous and Nuclear Waste Control Act of 1990
  - Philippine Drug Enforcement Agency – Republic Act 9165- Regulatory Controls in Licit Trade of Controlled Precursors and Essential Chemicals
  - Philippine National Police – License to Possess/Purchase Explosives (Chemical used in the laboratory that are ingredients/kind of explosives)

- **Others**
  - Republic Act No. 4850 or the Act Creating the Laguna Lake Development Authority (LLDA)
  - Relevant LLDA Board Resolutions and Memorandum Circulars, including but not limited to Resolution No. 25, Series of 1996 (Environmental User Fee System in the
Laguna de Bay Region) and Resolution No. 33, Series of 1996 (Approving the Rules and Regulations Implementing the Environmental User Fee System in the Laguna de Bay Region)

- Presidential Decree No. 856 or the Philippine Sanitation Code
- Implementing Rules and Regulations of the Philippine Sanitation Code

Other Matters

The Company has not been involved in any bankruptcy, receivership or similar proceeding as of December 31, 2015. Further, except as discussed above, the Company has not been involved in any material reclassification, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business. The Company is not engaged in sales to foreign markets. The Company is not dependent on a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company.

Item 2. Properties

The Concession Agreement grants the Company the right to operate, maintain in good working order, repair, decommission, and refurbish the MWSS facilities in the East Zone, which include treatment plants, pumping stations, aqueducts and the business area office. However, legal title to these facilities remains with MWSS. The net book value of these facilities on Commencement Date based on MWSS’ closing audit report amounted to Php4.6 billion, with a sound value, or the appraised value less observed depreciation, of Php10.40 billion. These assets are not reflected in the financial statements of the Company.

Pursuant to the terms of the Concession Agreement, new assets contributed to the MWSS system by the Company during the term of the Concession Agreement are reflected in the Company’s financial statements and remain with the Company until the Expiration Date (as defined in the Concession Agreement), at which time all right, title and interest in such assets automatically vest to MWSS. The Concession Agreement allows the Company to mortgage or create security interests over its assets solely for the purpose of financing, or refinancing, the acquisition or construction of the said assets, provided that no such mortgage or security interest shall (i) extend beyond the Expiration Date of the Concession Agreement, and (ii) be subject to foreclosure except following an event of termination as defined under the Concession Agreement.

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 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 Company, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released the 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 Department of Finance Undertaking Letter), all insurance policies where the 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 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 Company or MWSS. Currently, all lenders of the Company are considered Concessionaire Lenders and are on pari passu status with one another.

The Company’s corporate head office located in Balara, Quezon City and a stockyard located in San Juan is leased from MWSS and is subject to yearly renewal. In 2015 and 2014, rent expense of the Company to MWSS amounted to Php188.90 million and Php16.91 million, respectively. In 2015, this included a one-time payment of additional fees to MWSS amounting to Php154.25 million for the use of the stockyard.

Item 3. Legal Proceedings

The Company is presently involved in the following legal proceedings:

In the Matter of the Notice of Arbitration to the Republic of the Philippines
Arbitration under the Uncitral Rules (1976)

On December 10, 2015, the Company filed a Notice of Arbitration with the Permanent Court of Arbitration against the Republic of the Philippines (the “Republic”). The Notice of Arbitration was filed with respect to Notice of Claim made on the Republic on April 23, 2015 and reiterated on August 13, 2015 and October 20, 2015. The Notice of Claim was made under the Letter of Undertaking of the Republic, issued through the DOF and dated July 31, 1997, as reiterated in the DOF Letter dated October 19, 2009 (the “Sovereign Undertaking”), issued to guarantee the obligations of the Metropolitan Waterworks and Sewerage System (MWSS) under its Concession Agreement with the Company executed on February 21, 1997.

In the Sovereign Undertaking, the Republic, through the DOF, undertook to indemnify the Company against any loss caused by any action on the part of the Republic and/or the MWSS resulting in the reduction of the standard rates “below the level that would otherwise be applicable in accordance with the Concession Agreement”, thereby denying the Company the rate of return “allowed from time to time to operators of long term infrastructure concession agreement in other countries having a credit standing similar to the Philippines” pursuant to Section 9.4 of the Concession Agreement. As a result of certain actions by the MWSS and the Republic, which are covered by the provisions of the Sovereign Undertaking, the Company demanded indemnification from the Republic by reimbursing its losses in operating revenues to be realized for each remaining year of the Concession as such losses are realized, which losses are estimated to amount to Php79 billion for the period 2015 up to 2037.
The PCA and the Republic confirmed the receipt of the Notice of Arbitration on December 14, 2015 and December 11, 2015, respectively. Copy of the Republic’s acknowledgement was received by Manila Water on January 18, 2016.

On March 21, 2016, Manila Water nominated its arbitrator while the Republic is yet to nominate its arbitrator. The Chairman of the panel will thereafter be chosen by the nominees of the parties.

Manila Water Company, Inc. vs. MWSS
Arbitration under the UNCITRAL Rules (1976)
Case No. UNC 136/CYK

In a Resolution dated September 12, 2013, Metropolitan Waterworks and Sewerage System (MWSS) denied the petition of the Company for an upward adjustment of its tariffs and instead ordered the Company to effect a negative adjustment of 29.47% of its 2012 average water charge of ₱24.57 per cubic meter (the “Rate Rebasing Determination”).

The Company filed its formal objection to the Rate Rebasing Determination by serving the MWSS with a Dispute Notice commencing the arbitration process, the dispute resolution mechanism prescribed under the Concession Agreement. Pursuant to the said dispute resolution mechanism, MWSS and the Company convened an Appeals Panel which has since then conducted proceedings in accordance with the arbitration rules of the United Nations Commission on International Trade Law.

On April 21, 2015, the Company received the Decision of the Appeals Panel dated April 21, 2015 (the “Decision”). The Decision concluded a three-year rate rebasing process that began in March 2012 with the submission by the Company of a business plan to the MWSS upon which the MWSS released its Rate Rebasing Determination.

The final award of the Appeals Panel included the adoption of the following tariff component determinations:

a. Opening Cash Position or “OCP” (defined as the total amount of historical cash flows, in 2013 prices) of Php28.1 billion. This figure restores Php11 billion from the September 2013 OCP determination of the MWSS of Php17.1 billion. The amount of OCP contained in the Decision clarifies disagreements over the rules on disallowances adopted by the MWSS-Regulatory Office during the 2013 Rate Rebasing exercise. Prospectively, OCP calculations will be undertaken under a new set of regulatory accounting rules mutually agreed upon by the Company and the MWSS. These rules are envisioned to provide standards of “prudence and efficiency”, the bases upon which the Company’s expenditures are considered recoverable or not.

b. Capital Expenditures and Concession Fees (in 2013 prices and over the life of the concession) of Php199.6 billion. This figure restores Php29.5 billion from the September 2013 future capital and concession fee expenditures determination of MWSS of Php170.1 billion. Certain future capital expenditure programs were reviewed and aligned with the service obligation targets for the remaining life of the concession. Key projects to be pursued prospectively include the new water source development and the expansion of the used water collection and treatment system.
c. Appropriate Discount Rate or “ADR” (defined as the concessionaire’s rate of return in deriving tariff) of 7.61% (post-tax). This figure is an improvement of 79 bps from the post-tax ADR of 6.82% determined by MWSS in September 2013.

d. Exclusion of corporate income taxes or “CIT” from the cash flows beginning January 1, 2013. The Appeals Panel decided that CIT should be excluded from the cash flows used for the determination of tariffs. This was a result of their finding that the Company is a public utility.

The final award also resulted in the setting of the rate rebasing adjustment for the period 2013 to 2017 at a negative 11.05% from the Company’s 2012 average basic water charge of Php25.07 per cubic meter. This translates to a decrease of Php2.77 per cubic meter. The rate rebasing adjustment to the basic water charge will be implemented in the following manner: (a) negative Php1.66 per cubic meter in 2015, (b) negative Php0.55 per cubic meter in 2016, and (c) negative Php0.55 per cubic meter in 2017. Separately, a CPI adjustment of 4.19% will also be made to the basic water charge in 2015 equivalent to Php1.08 per cubic meter. Annual CPI adjustments will continue to be applied consistent with the Concession Agreement.

In relation to the finding that the Company is a public utility, the management is of the view that this fundamentally changed the Concession Agreement which categorically characterizes the Company as a mere agent and contractor of the MWSS, a deviation from the Government’s representation during the 1997 bidding for private sector participation in the operation of the MWSS.

**Manila Water Company, Inc. and Maynilad Water Services, Inc. vs. Hon. Borbe, et al.**

_CBAA Case No. L-69_

**Central Board of Assessment Appeals (“Central Board”)**

This is an appeal from the denial by the Local Board of Assessment Appeals of Bulacan Province (the “Local Board”) of the Company’s (and Maynilad Water Services, Inc.’s [Maynilad]) appeal from the Notice of Assessment and Notice of Demand for Payment of Real Property Tax in the amount of Php357,110,945 made by the Municipal Assessor of Norzagaray, Bulacan. The Company is being assessed for half of the amount. In a letter dated April 3, 2008, the Municipal Treasurer of Norzagaray and the Provincial Treasurer of the Province of Bulacan, informed both MWSS concessionaires (the Company and Maynilad) that their total real property tax accountabilities have reached Php648,777,944.60 as of December 31, 2007. This amount, if paid by the concessionaires, will ultimately be charged to the customers as part of the water tariff rate. The concessionaires (and the MWSS, which intervened as a party in the case) are thus contesting the legality of the tax on a number of grounds, including the fact that the properties subject of the assessment, are owned by the MWSS. MWSS is both a government-owned and controlled corporation and an instrumentality of the National Government that is exempt from taxation under the Local Government Code.

The Central Board conducted a hearing on June 25, 2009. In the said hearing, parties were given the opportunity and time to exchange pleadings regarding a motion for reconsideration filed by the Municipality to have the case remanded to and heard by the Local Board rather than by the Central Board.

Manila Water and Maynilad have concluded presentation of their respective evidence and witnesses, while MWSS has waived the presentation of its evidence.
On 12, 2015, the newly-constituted members of the Central Board’s Panel conducted an ocular inspection of the subject property. On September 17, 2015, the Province of Bulacan presented its first witness, Ms. Gloria P. Sta. Maria, the former Municipal Assessor of Norzagaray, Bulacan. The Company, Maynilad and MWSS have completed their cross-examination of Ms. Sta. Maria.

The Province of Bulacan is scheduled to present its second witness (Marty Marcelo) on April 7, 2016. The hearing scheduled on January 28, 2016 was cancelled as Mr. Marcelo was not available.

**Manila Water Company, Inc. vs. The Regional Director, Environmental Management Bureau-National Capital Region, et al.**  
**CA-G.R. No. 112023 (DENR-PAB Case No. NCR-00794-09)**  
**Supreme Court**

This case arose from a complaint filed by OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region ("EMB-NCR") before the Pollution Adjudication Board ("PAB") against the Company, Maynilad and the MWSS for alleged violation of R.A. No. 9275 (Philippine Water Act of 2004), particularly the five-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 April 22, 2009, the PAB through DENR Secretary and Chair Jose L. Atienza, Jr., issued a Notice of Violation finding that the Company, Maynilad and MWSS have committed the aforesaid violation of R.A. 9275. Subsequently, a Technical Conference was scheduled on May 5, 2009. In the said Technical Conference, the Company, MWSS and Maynilad explained to the PAB their respective positions and it was established that DENR has a great role to play to compel people to connect to existing sewer lines and those that are yet to be established by the Company and Maynilad.

In addition to the explanations made by the Company during the Technical Conference, the Company together with MWSS and Maynilad wrote a letter dated May 25, 2009 and addressed to the respondent Secretary where they outlined their position on the matter.

In response to the May 25, 2009 letter, the OIC, Regional Director for NCR, the Regional Director of Region IV-A and the Regional Director of EMB Region III submitted their respective Comments. The Company thereafter submitted its letter dated July 13, 2009 to the PAB where it detailed its compliance with the provisions of R.A. No. 9275 and reiterated its position that the continuing compliance should be within the context of the Company’s Concession Agreement with MWSS. Despite the explanations of the Company, the PAB issued the Order dated October 7, 2009 which found the Company, Maynilad and MWSS to have violated R.A. 9275. The Company filed its Motion for Reconsideration dated October 22, 2009 which the PAB denied in an Order dated December 2, 2009. Hence, the Company filed its Petition for Review dated December 21, 2009 with the Court of Appeals. The Company thereafter filed an amended Petition for Review dated January 25, 2010.
In a Decision dated August 14, 2012, the Court of Appeals denied the Company’s Petition for Review and on September 26, 2012, the Company filed a Motion for Reconsideration of the Court of Appeals’ Decision. On April 29, 2013, the Company received the Resolution dated April 11, 2013 of the Court of Appeals, denying its Motion for Reconsideration.

The Company has filed its appeal from the decision and resolution of the Court of Appeals in the form of a Petition for Review on Certiorari with the Supreme Court on May 29, 2013. In this Petition, the Company reinforced its argument that it did not violate Section 8 of R.A. 9275 as it was able to connect existing sewage lines to available sewage facilities contrary to the findings of the Court of Appeals.

The case remains pending with the Supreme Court and is now submitted for decision. Based on records, the last pleadings filed by the Company were the Motion for Leave to File and Admit Reply and Reply [To Respondents’ Comment dated 06 December 2013] which refutes the claim of the respondents in their Comment dated December 6, 2013.

Waterwatch Coalition, Inc. et al. vs. Ramon Alikpala, MWSS, et al.,
G.R. No. 207444, Supreme Court

Water for All Refund Movement vs. MWSS, et al.,
G.R. No. 208207, Supreme Court

Javier vs. MWSS, et al.,
G.R. No. 210147, Supreme Court

Neri Colmenares and Carlos Isagani Zarate,
Representatives of Bayan Muna Partylist vs. Cesar V. Purisima, in his capacity as the Secretary of Finance, et al.
G.R. No. 219362, Supreme Court

A. The Waterwatch Petition:

On June 25, 2013, the Company received a copy of the “Petition for Certiorari and Mandamus with Prayer for the Issuance of a Temporary Restraining Order” dated June 20, 2013 filed by the Waterwatch Coalition (“Waterwatch”), Inc. The issues raised in the Petition are as follows:

a. The Concession Agreements are unconstitutional for granting inherent sovereign powers to the Concessionaires who insists they are private entities and mere agents of the MWSS;

b. The Concessionaires are public utilities;

c. The Concession system of MWSS, the Company and Maynilad is in a state of regulatory capture;

d. The Concession Agreements are State Contracts and cannot invoke the non-impairment clause in the Constitution;

e. The Concessionaires have no vested property rights;

f. MWSS is in a state of regulatory capture;
B. The WARM Petition

On August 14, 2013, the Company received a copy of a Petition for Certiorari, Prohibition and Mandamus dated August 5, 2013 filed by the Water for All Refund Movement (“WARM”). The issues raised in the WARM Petition are as follows:

a. The Concession Agreements unduly grant to the Concessionaires the exercise of governmental powers even without the benefit of legislation or at the very least, a franchise for such purpose;
b. Concessionaires performing public service and are therefore, governed by the Public Service Law, and subject to the 12% rate of return cap;
c. Concessionaires are public utilities and they are not mere agents or contractors of the MWSS;
d. Public utility or not, Concessionaires may not, pass on their income taxes to the water consumers as expenditures;
e. The Concession Agreements may not cause the creation of a Regulatory Office, a public office performing public functions, and even source its funding from the concessionaires, which are the very same entities supposed to be regulated;

C. The Javier Petition

On January 3, 2014, the Company received a copy of a Petition for Certiorari, Prohibition and Mandamus dated December 13, 2013 filed by the Virginia S. Javier, et.al, (“Javier”) who were suing in their capacity as consumers/customers of the respondents. The issues raised in the Javier Petition are as follows:

a. The Concession Agreements are unconstitutional and/or ultra vires for being delegations of sovereign power without consent of the Congress;
b. The Concessionaires are public utilities;
c. Respondents have improperly implemented RORB calculations for purposes of establishing tariffs;
d. The Concession Agreements are not protected by the non-impairment clause;
e. Respondents should be enjoined from proceeding with arbitration;
f. MWSS is in a state of regulatory capture;

On February 4, 2014, the Company received a copy of the Supreme Court’s resolution dated January 14, 2014 consolidating the three (3) cases. The Company filed a consolidated Comment on the aforesaid Petitions. The arguments raised by Manila Water in response to the Petitions are as follows:

a. The Concession Agreements are valid, legal and constitutional as these have statutory basis and do not involve any grant or delegation of the “inherent sovereign powers of police power, eminent domain and taxation”.
b. The Concessionaires are not public utilities in themselves but are mere agents and contractors of a public utility (MWSS).
c. The Concession Agreements are protected by the non-impairment clause. Petitioners cannot invoke police power for courts to nullify, modify, alter or supplant the Concession Agreements. Police power is exercised by Congress, through the enactment of laws for the general welfare. No such law or enactment is involved in this case. If and when Congress passes a law affecting the Concession Agreements, only then will it be proper
to examine the interplay between police power vis-à-vis due process and the non-impairment clause.

d. The rates set under the Concession Agreements are compliant with the 12% rate of return cap in the MWSS Charter.

e. Not being public utilities but mere agents of the MWSS, the Concessionaires are not subject to COA audit.

f. The Concessionaires are authorized to pass on corporate income taxes to water consumers.

D. The ABAKADA-Guro Petition

On September 22, 2014, the Company received another Petition for Certiorari and Prohibition filed by the ABAKADA-Guro Party List, represented by Atty. Florante B. Legaspi, Jr. This Petition was likewise consolidated with the Waterwatch, WARM and Javier Petitions due to similarities in issues raised.

In particular, the Petition questions the constitutionality of the Concession Agreements entered into by MWSS with both the Company and Maynilad and the extension of the Concession Agreements for another 15 years from the year 2022. The Petition also seeks to nullify the arbitration proceedings between MWSS and the Concessionaires. The Company has filed its Comment on the Petition.

In its Resolution dated April 21, 2015, the Supreme Court directed the parties to file their respective memoranda within thirty (30) days from notice thereof. After moving for the extension of the deadline on several occasions, on September 18, 2015, the Company filed its Memorandum.

Maynilad, MWSS and Waterwatch have likewise filed their respective Memoranda. Petitioners WARM, ABAKADA-Guro and Javier, et al. have manifested that they would adopt their respective Petitions as their Memoranda.

E. The Colmenares Petition

This case is a Petition for Certiorari and Prohibition [with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction] dated August 6, 2015 filed by petitioners Neri Colmenares and Carlos Isagani Zarate, representatives of Bayan Muna Partylist. The Petition was filed primarily for the following purposes:

1. To nullify, supposedly for being unconstitutional, the Arbitration Clause contained in the Concession Agreements entered into by MWSS with the Company and Maynilad, respectively.

2. To nullify, supposedly for being unconstitutional, the Sovereign Guarantee contained in the Undertaking Letters executed by the Republic in favor of the Concessionaires.

3. To declare that the Concessionaires’ payments for corporate income taxes cannot be deducted as part of their operational expenditures; and

4. To prevent Secretary Cesar V. Purisima and President Benigno Simeon C. Aquino III from processing the Concessionaires’ claims under the Sovereign Guarantee.

On November 16, 2015, the Supreme Court issued a Resolution consolidating the Colmenares Petition with the Waterwatch, WARM, Javier, and ABAKADA-Guro Petitions and directing the respondents to file their respective Comments. On November 23, 2015, the Company filed its
Comment/Opposition (Re: Petition for Certiorari and Prohibition [with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction] dated 06 August 2015). On November 13, 2015, the MWSS and MWSS-Regulatory Office filed their Comment. On November 28, 2015, Maynilad filed its Comment with Opposition (To the Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction).

These consolidated cases are still pending with the Supreme Court.

_Ofelia Lim Mendoza, et.al. vs. Manila Water Company, Inc._
_Court of Appeals_
_CA G.R. SP No. 142050_
_(NLRC NCR Case No. 06-08649-13)_

This case arose from the complaint for illegal dismissal and non-payment of 13th month pay filed by Ms. Ofelia L. Mendoza and 142 other former Manila Water employees with the National Labor Relations Commission (“NLRC”) on June 11, 2013 against the Company and its President, Mr. Gerardo C. Ablaza, Jr. The complainants were former employees of the Company whose separation from employment was due to the redundancy program implemented by the Company last August 2012.

All of the complainants uniformly pray for reinstatement and payment of full backwages, 13th month pay, moral & exemplary damages, and attorney’s fees.

In accordance with the rules and procedures of the NLRC, the parties submitted their respective Position Papers on July 25, 2013. In its Position Paper, the Company and Mr. Ablaza state that complainants’ employments were validly terminated on the ground of redundancy as a consequence of a valid exercise of the management prerogative to contract out functions and positions. Moreover, the Release, Waiver and Quitclaims voluntarily executed by the complainants before a Labor Arbiter of the NLRC are valid and binding. For these reasons, the termination of employment was valid and complainants are not entitled to reinstatement and to their money claims.

The Company and Mr. Ablaza filed their Reply to the Position Paper of the complainants on August 2, 2013 and the Re-Joinder to the Reply of the complainants on August 30, 2013.

On November 25, 2013, Labor Arbiter Eric Chuanico rendered a Decision dismissing the Complaint for lack of merit.

Complainants filed a Memorandum of Appeal dated December 17, 2013, with the NLRC. The Company and Mr. Ablaza filed an Opposition on January 13, 2014. The NLRC rendered a Decision dated April 29, 2014 reversing the decision of the Labor Arbiter.

On May 19, 2014, the Company and Mr. Ablaza filed a Motion for Reconsideration, raising the following arguments: (a) the decision to outsource non-core functions is a valid exercise of management prerogative; (b) the Company presented substantial evidence to prove the validity of its redundancy program; (c) the Company has proved how outsourcing non-core functions has benefited its operations and its customers; and (d) the complainants’ quitclaims are valid.
On August 13, 2015, the Company and Mr. Ablaza received a copy of the Resolution of the NLRC denying the Motion for Reconsideration.

On September 7, 2015, the Company and Mr. Ablaza filed a Petition for Certiorari (with Application for a Temporary Restraining Order and/or Writ of Preliminary Prohibitory Injunction) with the Court of Appeals assailing the NLRC Decision and Resolution.

On October 7, 2015, the Company and Mr. Ablaza received the Notice of Resolution and Resolution of the Court of Appeals dated September 22, 2015 denying the Company and Mr. Ablaza’s prayer for the issuance of an injunctive writ. The Company and Mr. Ablaza filed a Motion for Reconsideration on the denial of the issuance of the injunctive relief raising the following arguments: (a) the Company’s management prerogative to streamline its redundant manpower complement to achieve operational efficiency exists prima facie; (b) the execution of the assailed resolution and assailed decision would violate the Company’s exercise of management prerogative; and (c) the Company would suffer grave and irreparable injury if the assailed decision and the assailed resolution are enforced.

On October 13, 2015, the Company and Mr. Ablaza received a copy of private respondents’ Comment dated October 8, 2015. On October 28, 2015, the Company and Mr. Ablaza filed its Reply to Private Respondents’ Comment. In addition, the Company and Mr. Ablaza filed its Supplemental Reply on December 7, 2015.

Meanwhile, on January 8, 2016, the Company and Mr. Ablaza received an Entry of Judgment from the Sixth Division of the NLRC dated December 22, 2015. It states that the decision dated April 29, 2015 has become final and executory on October 12, 2015.

On January 21, 2016, the Company and Mr. Ablaza received a Notice of Resolution accompanied by the Resolution dated January 11, 2016 wherein the Court of Appeals ruled as follows: “(a) denies the Company and Mr. Ablaza’s Motion for Reconsideration (Re: Denial of the Application for the Injunctive Writ); (b) notes the respondents’ Comment (On Petitioner’s Motion for Reconsideration Re: Injunctive Writ); and (c) notes the Company and Mr. Ablaza’s Supplemental Reply (To Private Respondent’s Comment to the Petition) and Rejoinder (To Private Respondents’ Comment to the Motion for Reconsideration).”

The main case is still pending resolution.

Allan Mendoza et al. vs. Manila Water Company, Inc.
Special Civil Action No. R-QZN-14-04863-SC
RTC QC Branch 77

On May 23, 2014, Allan Mendoza, et al. (“petitioners”) filed a Petition for Mandamus under Rule 65 of the Rules of Court praying that the Company and its President, Mr. Gerardo C. Ablaza, Jr. be commanded to (a) reinstitute the Welfare Fund, under terms and conditions which are no less favorable than those provided in the MWSS Employees Savings and Welfare Plan; to make an accounting, and reimburse and/or return to the MWC Welfare Fund the employer share as of December 2005 which was diverted to the MWC Retirement Plan; and to implement the progressive employer share from the time the Welfare Fund was dissolved in 2005 up to the time when the Fund is finally reinstated for the petitioners who are still employed, and up to the end of employment for those who are already separated on account of resignation, retirement, termination, etc.; (b) to implement correctly the benefits of petitioners which are guaranteed
against non-diminution, as indicated in Exhibit “F” of the Concession Agreement; (c) to allow petitioners to accumulate their paid leaves of 15 days of vacation leave and 15 days of sick leave annually; and (d) to pay interest on the foregoing at 12% per annum.

In an Order dated June 11, 2014, the Company and Mr. Ablaza were directed to file their Comment. On 27 June 2014, the Company and Mr. Ablaza filed their Comment and argued as follows: (a) the court has no jurisdiction over the subject matter of the instant Petition. Being essentially an action for payment of employee benefits, the Labor Arbiters under the National Labor Relations Commission have original and exclusive jurisdiction over this case; (b) petitioners have resorted to mandamus in order to avoid payment of filing fees for a collection case, thus, the court has not acquired jurisdiction over the case for failure of the petitioners to pay the prescribed docket fees as set forth in Rule 141 of the Rules of Court; (c) petitioners are not entitled to a writ of mandamus; (d) there was a plain, speedy and adequate remedy available to the petitioners; (e) the case should not be treated as a class suit; (f) the claims of petitioners have prescribed; (g) the Complaint should be dismissed because petitioners’ alleged cause of action is barred by laches; and (h) petitioners have received benefits no less favorable than those granted to such employees by the MWSS at the time of their separation from MWSS.

In an Order dated July 28, 2014, the Court set the presentation of petitioners’ evidence on September 10, 2014 and October 8, 2014. However, the September 10, 2014 hearing was cancelled because the branch clerk of court, the clerk-in-charge of civil cases, the court interpreter and the court aide of the branch were attending a seminar for the e-Court system.

Thereafter, petitioners filed a Motion to Cancel (the October 8, 2014) Hearing and to Allow Parties to Submit Memoranda. In their Motion, petitioners claimed that the issues for resolution in the instant case are legal questions and prayed that the parties be required to submit Memoranda in lieu of presentation of evidence.

On October 1, 2014, the Company and Mr. Ablaza filed a Comment on the Motion and stated that they do not entirely agree with petitioners’ statement as they have made factual allegations in their Petition that would need to be proven in a full-blown trial. These allegations include, among others, that the employees have suffered diminution of benefits and that the Company had allegedly used part of the Welfare Fund as seed money for the Retirement Fund.

However, the Company and Mr. Ablaza proposed that the following legal issues be initially disposed of by way of simultaneous Memoranda to be submitted by the parties, namely, whether or not: (a) the court has jurisdiction over the subject matter of the Petition being essentially an action for payment of employee benefits; (b) the court has acquired jurisdiction over the case considering the failure of the petitioners to pay the prescribed docket fees as set forth in Rule 141 of the Rules of Court; (c) the petitioners are entitled to a writ of mandamus; (d) there was a plain, speedy and adequate remedy available to the petitioners; (e) this case should be treated as a class suit; (f) the claims of petitioners have prescribed; and (g) the Complaint should be dismissed because petitioners’ alleged cause of action is barred by laches.

On October 8, 2014, the scheduled hearing for the initial presentation of petitioners’ evidence was cancelled due to the absence of the presiding judge and reset to March 5, 2015.

At the March 5, 2015 hearing, petitioners reiterated their prayer that the parties be required to submit Memoranda in lieu of presentation of evidence considering that only legal questions are involved. The Company and Mr. Ablaza countered that petitioners have made factual allegations in their Petition that would need to be proven in a full-blown trial.
The presiding judge stated that the proceedings for a petition for mandamus are summary in nature. Thus, he directed the parties to simultaneously submit their respective Memoranda within sixty days, or by May 5, 2015. He directed the parties to address all legal issues and if there are factual issues, to attach judicial affidavits of witnesses. Upon submission of the Memoranda, he will determine if a party would be allowed to cross-examine the other’s witnesses or if he would still conduct oral arguments.

The parties subsequently filed their respective Memoranda.

In an Order dated September 14, 2015, the parties were directed to manifest whether they would be submitting the case on the basis of their respective Memoranda or if they would request for a trial on the merits. At the October 12, 2015 hearing before the clerk of court, the Company and Mr. Ablaza, through counsel, reiterated that they would prefer if the issues on jurisdiction and other grounds for dismissal be resolved first before deciding whether or not the case should go to trial. The clerk of court noted this manifestation for discussion with the presiding judge.

**Item 4. Submission of Matters to a Vote of Security Holders**

No matter was submitted during the fourth quarter of 2015 to a vote of security holders, through the solicitation of proxies or otherwise.

**PART II - OPERATIONAL AND FINANCIAL INFORMATION**

**Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters**

The Company was listed in the Philippine Stock Exchange (PSE) on March 18, 2005 and its listed shares have since been actively traded therein. The high and low sale prices for each quarter that the Company’s shares have been listed are as follows:

<table>
<thead>
<tr>
<th></th>
<th>HIGH / LOW PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td>1st Qtr</td>
<td>32.95</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>27.50</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>25.40</td>
</tr>
<tr>
<td>4th Qtr</td>
<td>25.55</td>
</tr>
</tbody>
</table>

The price per share information as of the close of the latest practicable trading date, April 11, 2016, is Php26.70.

**Description of Major Shareholders**

The Company has an authorized capital stock of Php3.5 billion divided into 3.1 million common shares with a par value of Php1.00 per share and 4 billion participating preferred shares (PPS) with a par value of Php0.10 per share.
The Company had a total of 904 certificated stockholders as of December 31, 2015. The Scripless shareholders of the Company are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino). Please refer to Exhibit 1.D for the names of the top 20 holders of common shares, the number of shares held and the percentage of total outstanding shares held by each.

The Company has two classes of equity: common shares and PPS. As of December 31, 2015, outstanding shares of the Company consisted of 2,053,945,884 million common shares (including 36,778,165 common shares under the stock ownership plans, the listing of which has been approved in principle by the PSE), and 4 billion PPS.

**Ayala Corporation**

Ayala is the Philippines’ oldest business conglomerate. It is publicly listed with diversified businesses in real estate, banking and financial services, telecommunications, utilities, electronics and information technology, automotive, and international operations. Its subsidiaries include market leaders in their respective fields, namely: Ayala Land, Inc., Ayala’s principal real estate subsidiary, is the premier property developer in the Philippines; the Bank of the Philippine Islands, Ayala’s principal financial services subsidiary, is the oldest and one of the largest banks in the Philippines; and Globe Telecom, Inc., Ayala’s telecommunications subsidiary, is one of the leading telecommunications companies in the Philippines.

**Philwater Holdings Company, Inc.**

Philwater is a special purpose company that at present is wholly-owned by Ayala Corporation. Philwater was incorporated in December 23, 2004 by Ayala Corporation (60.00%) and United Utilities Pacific Holdings (40.00%) as a holding company and was organized to hold Ayala Corporation and United Utilities’ indirect interests in Manila Water.

**First State Investment Management**

First State Investments is part of a global asset management business with experience across a range of asset classes and specialist investment sectors. It manages investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients. It also has pooled funds registered in a number of different countries inside and outside of Europe.

**Dividends**

Subject to the preferential dividend rights of the participating preferred shares (“PPS”), each holder of a share of stock is entitled to such dividends as may be declared in accordance with the Company’s dividend policy. Under the Company’s cash dividend policy, common shares shall be entitled to annual cash dividends equivalent to 35% of the prior year’s net income, payable semi-annually in May and October. The Company’s Board may change the cash dividend policy at any time.
The Company’s Board is authorized to declare cash dividends. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend declaration requires the further approval of stockholders representing not less than two-thirds (2/3) of the Company’s outstanding capital stock. The Corporation Code defines the term “outstanding capital stock” to mean the “total shares of stock issued”, regardless of nomenclature, classification or voting rights, except treasury shares. Such stockholders’ approval may be given at a general or special meeting duly called for the purpose. Dividends may be declared only from unrestricted retained earnings. Some of the Company’s loan agreements carry covenants that restrict declaration of payments of dividends under certain circumstances, such as in the event of default or if payment would cause an event of default, if certain financial ratios are not met or if payment would cause them not to be met, requiring revenues of the Company to be applied toward certain expenses prior to the payment of dividends, and other circumstances.

Within the last two years, the Company has declared the following dividends:

<table>
<thead>
<tr>
<th>Declaration Date</th>
<th>Payment Date</th>
<th>Amount* (₱ thousands)</th>
<th>Nature of Dividends Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 26, 2015</td>
<td>December 22, 2015</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>August 11, 2015</td>
<td>September 9, 2015</td>
<td>834,364</td>
<td>0.4075 cash dividends to common shares</td>
</tr>
<tr>
<td>August 11, 2015</td>
<td>September 9, 2015</td>
<td>163,000</td>
<td>0.04075 cash dividends to PPS</td>
</tr>
<tr>
<td>February 20, 2015</td>
<td>March 20, 2015</td>
<td>834,364</td>
<td>0.4075 cash dividends to common shares</td>
</tr>
<tr>
<td>February 20, 2015</td>
<td>March 20, 2015</td>
<td>163,000</td>
<td>0.04075 cash dividends to PPS</td>
</tr>
<tr>
<td>November 27, 2014</td>
<td>December 26, 2014</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>October 7, 2014</td>
<td>November 5, 2014</td>
<td>825,354</td>
<td>0.4031 cash dividends to common shares</td>
</tr>
<tr>
<td>October 7, 2014</td>
<td>November 5, 2014</td>
<td>161,200</td>
<td>0.0403 cash dividends to PPS</td>
</tr>
<tr>
<td>February 20, 2014</td>
<td>March 21, 2014</td>
<td>825,354</td>
<td>0.4031 cash dividends to common shares</td>
</tr>
<tr>
<td>February 20, 2014</td>
<td>March 21, 2014</td>
<td>161,200</td>
<td>0.0403 cash dividends to PPS</td>
</tr>
</tbody>
</table>

* Gross amount of dividend

Recent Sale of Unregistered Securities

<table>
<thead>
<tr>
<th>Date</th>
<th>Security Sold</th>
<th>No. of Shares</th>
<th>Purchaser</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1999</td>
<td>Common Shares</td>
<td>104,443,965</td>
<td>ESOP Shareholders</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>April 2004</td>
<td>RPS</td>
<td>310,344,828</td>
<td>Ayala</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>April 2004</td>
<td>RPS</td>
<td>68,965,517</td>
<td>BPI Capital</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>April 2004</td>
<td>RPS</td>
<td>120,689,655</td>
<td>United Utilities</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>August 2004</td>
<td>Common Shares</td>
<td>176,400,000</td>
<td>IFC</td>
<td>₱4.75 per share</td>
</tr>
<tr>
<td>March 2005</td>
<td>Common Shares</td>
<td>550,000,000</td>
<td>Public</td>
<td>₱6.50 per share</td>
</tr>
</tbody>
</table>

The foregoing table sets out details of the issuance of new shares from 1999 up to December 31, 2004. Under existing regulations, the original issuance, an issuance to existing shareholders, and issuance pursuant to a private placement are exempt from the registration requirement for the sale of securities.
On June 11, 2001, the SEC approved the exemption from registration of the proposed issuance of 120 million common shares to the Company’s qualified employees pursuant to the ESOP under Section 10.2 of the SRC.

For its grant of 23.6 million shares under the Executive SOP, Manila Water sought the SEC’s confirmation that such issuance is exempt from the registration requirements of the SRC. In a resolution dated March 3, 2005, the SEC granted Manila Water’s application for confirmation.

On January 31, 2006, the SEC approved the registration exemption of the Company’s proposed issuance of 25 million common shares under its ESOWN Plan.

On October 12, 2006, the PSE approved the listing of additional 25 million common shares to cover the Company’s ESOWN Plan. The PSE further resolved that the remaining 1,525,000 listed treasury shares previously allocated for the Company’s Executive SOP, be re-allocated and distributed under the Company’s ESOWN Plan. The actual listing of the shares shall take effect only upon full payment.

As of March 31, 2016, of the 26,525,000 common shares (including 1,525,000 treasury shares) approved for listing by the PSE in its letter dated October 12, 2006 (the “PSE Letter”) for the Company’s ESOWN Plan (the “Plan”), 13,338,016 shares have been fully paid.

Item 6. Management’s Discussion and Analysis or Plan of Operations

Plan of Operations

The Company will employ various strategies to meet its targets by growing the business. This will be achieved through enhancement of key accounts management, establishment of demand-based management, integrated meter management, and full deep-well conversion in the East Zone. The growth of the East Zone has not ended. There is still about one million new customers to be connected in the Rizal expansion area, notwithstanding the growth in the areas already served. Billed volume is estimated to grow from 2% to 3% per annum over the remaining life of the concession. This expansion will require execution of various capital investments for reliability and expansion projects in both water and used water services.

Manila Water laid the foundation for a renewed and energized business in 2015. The Company aligned its organizational structure with the strategy of transforming operating models across the enterprise and accelerating growth. The new organization gives equal focus between platform and new businesses, with a leadership team to support growth and diversification efforts.

To sustain growth beyond the East Zone concession, the Company restructured the organization in 2015 and designated MWPV as the vehicle to expand the water business in the Philippines. With focus on geographic expansion, its specific mandate is to look for new acquisitions and partnerships while leveraging on the track record set by the new businesses in Boracay, Cebu, Clark and Laguna. Manila Water’s first venture in Mindanao is a 10-year non-revenue water reduction project in Zamboanga City. Its second venture in Mindanao is in Tagum city for a bulk water supply project. In the early part of 2015, MWPV also signed an agreement with Ayala Land to provide water and used water services to all Ayala Land developments nationwide.

The Company is pushing the boundaries for its new businesses, through expansion across the region. As such, the Company will be actively engaged in seeking new business opportunities in
the Philippines and in emerging countries in Asia through MWAP. At present, MWAP has projects in Vietnam, Indonesia and Myanmar in varying degrees of market penetration. It is geared to take advantage of opportunities in countries with similar characteristics to the Philippines.

Manila Water is also going into vertical expansion through the development of MWTS. This is done through the creation of innovative products and services that are not as regulated as concession-type arrangements.

To promote transparency and ensure that these programs will be properly communicated to the Company’s shareholders, a focused investor relations program will continue to be put in place. The Company will implement measures to widen its investor base with socially responsible investment funds.

With these strategies complemented by a strong financial performance and a commitment to good governance, the Company expects to sustain the growth of its shareholder value through the coming years.

Management’s Discussion & Analysis of Results of Operations and Financial Condition

The following management’s discussion and analysis (“MD&A”) of Manila Water Company Inc. and subsidiaries’ (“Group”) financial condition and results of operations should be read in conjunction with the Group’s audited financial statements, including related notes. This report may contain forward-looking statements that involve risks and uncertainties. The actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to, economic, regulatory, socio-political, financial and other risk factors.

Any references in this MD&A to “our”, “us”, “we”, “MWCI” or the “Group” shall refer to Manila Water Company, Inc., including its subsidiaries. Any reference to “Manila Water Company”, “Manila Water”, “MWC” or the “Company” shall refer to the parent company only.

Additional information about the Group, including recent disclosures of material events and annual/quarterly reports, are available at our corporate website at www.manilawater.com.

Overview of the Business

Manila Water Company, Inc. holds the exclusive right to provide water and used water services to the eastern side (“East Zone”) of Metro Manila under a Concession Agreement entered into between the Company and Metropolitan Waterworks and Sewerage System (“MWSS”) in August 1997. The original term of the concession was for a period of 25 years to expire in 2022. The Company’s concession was extended by another 15 years by MWSS and the Philippine Government in 2009, thereby extending the term from May 2022 to May 2037.

The Company provides water treatment, water distribution, sewerage and sanitation services to more than six million people in the East Zone, comprising a broad range of residential, commercial and industrial customers. The East Zone encompasses 23 cities and municipalities spanning a 1,400-square kilometer area that includes Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, as well as the following...
towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa.

Under the terms of the Concession Agreement, the Company has the right to the use of land and operational fixed assets, and the exclusive right, as agent of MWSS, to extract and treat raw water, distribute and sell water, and collect, transport, treat and dispose used water, including reusable industrial effluent discharged by the sewerage system in the East Zone. The Company is entitled to recover over the concession period its operating, capital maintenance and investment expenditures, business taxes, and concession fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession.

Aside from the East Zone, the Group has a holding company for all its domestic operating subsidiaries through Manila Water Philippine Ventures, Inc. (“MWPV”). Currently under MWPV are Laguna AAA Water Corporation (“Laguna Water”), Boracay Island Water Company, Inc. (“Boracay Water”), Clark Water Corporation (“Clark Water”), and Manila Water Consortium, Inc. (“MW Consortium”). Cebu Manila Water Development (“CMWD”), a subsidiary of MW Consortium that provides bulk water in the province of Cebu, commenced operations on January 5, 2015. In 2015, the Group added two new projects to its portfolio, namely the Zamboanga City performance-based non-revenue water reduction project, and the Tagum City bulk water supply project.

The Group also has a holding company for its international ventures through Manila Water Asia Pacific Pte. Ltd. (“MWAP”). Included under MWAP are two affiliated companies in Vietnam, namely Thu Duc Water B.O.O Corporation (“Thu Duc Water”) and Kenh Dong Water Supply Joint Stock Company (“Kenh Dong Water”), both supplying treated water to Saigon Water Company (SAWACO) under a take-or-pay arrangement. Also under MWAP are Saigon Water Infrastructure Corporation (“Saigon Water”), a holding company listed in the Ho Chi Minh City Stock Exchange, Cu Chi Water Supply Sewerage Company, Ltd. (“Cu Chi Water”) and Asia Water Network Solutions, a company tasked to pursue non-revenue water reduction projects in Vietnam. Meanwhile, the Company’s pilot leakage reduction project in Ho Chi Minh City which started in 2008 was completed in August 2014.

Lastly, the Group has Manila Water Total Solutions Corporation (“MWTS”), a wholly-owned subsidiary that handles after-the-meter products and services. Among its products is Healthy Family Purified Drinking Water which sells five-gallon packaged water in pilot areas in Metro Manila.
RESULTS OF OPERATIONS (2015 VS. 2014)

CONSOLIDATED FINANCIAL PERFORMANCE

The Group’s key financial performance indicators are discussed below:

<table>
<thead>
<tr>
<th>For the years ended December 31</th>
<th>2015</th>
<th>2014</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>16,935,883</td>
<td>16,357,145</td>
<td>578,738</td>
<td>4%</td>
</tr>
<tr>
<td>Total cost and expenses (excluding depreciation and amortization)</td>
<td>5,848,990</td>
<td>5,087,759</td>
<td>761,231</td>
<td>15%</td>
</tr>
<tr>
<td>Other income (expense) - net</td>
<td>582,875</td>
<td>291,349</td>
<td>291,526</td>
<td>100%</td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td>403,515</td>
<td>357,298</td>
<td>46,216</td>
<td>13%</td>
</tr>
<tr>
<td>Others</td>
<td>179,360</td>
<td>(65,949)</td>
<td>245,309</td>
<td>-372%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>11,669,768</td>
<td>11,560,736</td>
<td>109,032</td>
<td>1%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,600,213</td>
<td>2,443,987</td>
<td>156,226</td>
<td>6%</td>
</tr>
<tr>
<td>Income before other income/expenses</td>
<td>9,069,554</td>
<td>9,116,747</td>
<td>(47,194)</td>
<td>-1%</td>
</tr>
<tr>
<td>Interest income (expense) - net</td>
<td>(1,140,591)</td>
<td>(1,450,501)</td>
<td>309,910</td>
<td>-21%</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>7,928,963</td>
<td>7,666,247</td>
<td>262,716</td>
<td>3%</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,794,924</td>
<td>1,836,298</td>
<td>(41,374)</td>
<td>-2%</td>
</tr>
<tr>
<td>Net income</td>
<td>6,134,039</td>
<td>5,829,949</td>
<td>304,090</td>
<td>5%</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>176,260</td>
<td>16,860</td>
<td>159,400</td>
<td>945%</td>
</tr>
<tr>
<td>Net income attributable to MWC</td>
<td>5,957,780</td>
<td>5,813,089</td>
<td>144,690</td>
<td>2%</td>
</tr>
</tbody>
</table>

Consolidated net income grew by 2% to Php5,958 million in 2015 from Php5,813 million the previous year on the back of a 4% growth to P16,936 million in consolidated operating revenues. The growth in revenues was driven by the continued expansion in the East Zone, with its billed volume rising by 3%. Furthermore, the domestic operating subsidiaries and MWTS contributed Php2,067 million in revenues, higher by 43% year-on-year.

A breakdown of the revenue drivers is shown below:

<table>
<thead>
<tr>
<th>For the years ended December 31</th>
<th>2015</th>
<th>2014</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>13,220,230</td>
<td>12,847,210</td>
<td>373,020</td>
<td>3%</td>
</tr>
<tr>
<td>Environmental charges</td>
<td>2,374,388</td>
<td>2,303,873</td>
<td>70,515</td>
<td>3%</td>
</tr>
<tr>
<td>Sewer</td>
<td>434,749</td>
<td>419,720</td>
<td>15,030</td>
<td>4%</td>
</tr>
<tr>
<td>Revenue from management contracts</td>
<td>-</td>
<td>25,488</td>
<td>(25,488)</td>
<td>-100%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>906,515</td>
<td>760,853</td>
<td>145,662</td>
<td>19%</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>16,935,883</td>
<td>16,357,145</td>
<td>578,737</td>
<td>4%</td>
</tr>
</tbody>
</table>

The Group derived 78% of its operating revenues from the sale of water, while 17% came from environmental and sewer charges. Other revenues, which accounted for the balance of 5%, were from after-the-meter services, connection fees and septic sludge disposal, among others.

On the other hand, consolidated operating costs and expenses (excluding depreciation and amortization) rose by 15% to Php5,849 million in 2015. Non-personnel costs led the growth with an increase of 15%, primarily because of higher direct costs, materials and supplies. The biggest...
contributors to the increase in direct costs include the start-up expenses of the packaged water business under MWTS, increased contractual services due to the expansion of water and used water facilities as well as IT maintenance. Higher premises cost, due to the payment of back rentals of the San Juan stock yard in the second quarter which resolved a long outstanding matter with MWSS relating to turned over assets, also contributed to the increase. For salaries, wages and employee benefits, the increase was due to the reclassification of department-related personnel costs from capital expenditures to operating expenses, and additional manpower for the new subsidiaries.

Below is a summary of the operating expenses incurred during the period:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>1,639,183</td>
<td>1,377,649</td>
<td>261,534</td>
<td>19%</td>
</tr>
<tr>
<td>Non-personnel costs</td>
<td>3,793,147</td>
<td>3,286,172</td>
<td>506,975</td>
<td>15%</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>989,603</td>
<td>1,051,434</td>
<td>(61,831)</td>
<td>-6%</td>
</tr>
<tr>
<td>Other direct costs, materials and supplies</td>
<td>1,430,263</td>
<td>1,145,261</td>
<td>285,002</td>
<td>25%</td>
</tr>
<tr>
<td>Overhead</td>
<td>983,928</td>
<td>905,395</td>
<td>78,533</td>
<td>9%</td>
</tr>
<tr>
<td>Premises</td>
<td>389,352</td>
<td>184,082</td>
<td>205,270</td>
<td>112%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>416,660</td>
<td>423,938</td>
<td>(7,278)</td>
<td>-2%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>5,848,990</td>
<td>5,087,759</td>
<td>761,231</td>
<td>15%</td>
</tr>
</tbody>
</table>

Meanwhile, other income (net of expense) rose by 100% to Php583 million in 2015 from Php291 million in 2014 due to the improvement in equity share in net income of associates and the reversal of contingent liability of a subsidiary. The two bulk water companies in Vietnam, Thu Duc Water and Kenh Dong Water, with the addition of SII, contributed Php404 million in net income, growing by 13% from the previous year.

The movements in operating revenues and expenses, as well as other income that increased by 100%, resulted in a consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of Php11,670 million in 2015, growing by 1% from the previous year. EBITDA margin, however, slightly declined to 69% from 71%.
BUSINESS SEGMENTS’ FINANCIAL AND OPERATING PERFORMANCE

Results of operations detailed as to business segment are shown below:

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Operating Subsidiaries</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>14,910,074</td>
<td>2,025,809</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses (including depreciation and amortization)</td>
<td>7,066,555</td>
<td>1,330,752</td>
<td>-</td>
</tr>
<tr>
<td>Operating income</td>
<td>7,843,519</td>
<td>695,057</td>
<td>(51,893)</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>3,834,841</td>
<td>1,384,517</td>
<td>-</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(3,834,841)</td>
<td>(1,384,517)</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>100,468</td>
<td>216,476</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,311,938)</td>
<td>(145,597)</td>
<td>-</td>
</tr>
<tr>
<td>Share in equity income of associates</td>
<td>-</td>
<td>403,515</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>24,325</td>
<td>155,032</td>
<td>-</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>6,656,374</td>
<td>1,324,483</td>
<td>(51,893)</td>
</tr>
<tr>
<td>Provision for tax</td>
<td>1,693,184</td>
<td>101,740</td>
<td>-</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>4,963,190</td>
<td>1,222,743</td>
<td>(51,893)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gain (loss) on pension liabilities - net</td>
<td>(36,907)</td>
<td>16,179</td>
<td>-</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>-</td>
<td>285</td>
<td>-</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>-</td>
<td>278,620</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>4,926,283</td>
<td>1,517,827</td>
<td>(51,893)</td>
</tr>
<tr>
<td>Total comprehensive net income attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of MWCI</td>
<td>4,926,283</td>
<td>1,341,567</td>
<td>(51,893)</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>-</td>
<td>176,260</td>
<td>-</td>
</tr>
<tr>
<td>4,926,283</td>
<td>1,517,827</td>
<td>(51,893)</td>
<td>6,392,217</td>
</tr>
<tr>
<td>Segment assets, exclusive of deferred assets</td>
<td>63,278,437</td>
<td>10,526,958</td>
<td>155,055</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>5,723,534</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>853,139</td>
<td>71,363</td>
<td>-</td>
</tr>
<tr>
<td>64,131,576</td>
<td>16,321,855</td>
<td>155,055</td>
<td>80,608,486</td>
</tr>
<tr>
<td>Segment liabilities, exclusive of deferred liabilities</td>
<td>34,653,561</td>
<td>6,120,466</td>
<td>43,554</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>-</td>
<td>71,912</td>
<td>-</td>
</tr>
<tr>
<td>34,653,561</td>
<td>6,192,378</td>
<td>43,554</td>
<td>40,889,493</td>
</tr>
<tr>
<td>Segment additions to equipment and SCA</td>
<td>4,156,950</td>
<td>1,789,508</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,331,131</td>
<td>269,079</td>
<td>-</td>
</tr>
<tr>
<td>Noncash expenses other than depreciation and amortization</td>
<td>(20,453)</td>
<td>33,734</td>
<td>-</td>
</tr>
</tbody>
</table>

Net income in 2015 was derived largely from the East Zone, accounting for 84% of the total. Businesses outside the East Zone, which collectively grew by 46%, contributed the balance of 16% to consolidated net income.
## Operating Highlights

<table>
<thead>
<tr>
<th>Billed volume (in million cubic meters)</th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>461.4</td>
<td>449.0</td>
<td>12.4</td>
<td>3%</td>
</tr>
<tr>
<td>Semi-Commercial</td>
<td>301.7</td>
<td>292.9</td>
<td>8.8</td>
<td>3%</td>
</tr>
<tr>
<td>Commercial</td>
<td>89.7</td>
<td>91.0</td>
<td>-1.3</td>
<td>-1%</td>
</tr>
<tr>
<td>Industrial</td>
<td>19.4</td>
<td>17.7</td>
<td>1.7</td>
<td>10%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>976,321.0</td>
<td>949,230</td>
<td>27,091</td>
<td>3%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>11%</td>
<td>11%</td>
<td>0% pts</td>
<td></td>
</tr>
</tbody>
</table>

### Financial Highlights (in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>14,910,074</td>
<td>14,882,023</td>
<td>28,051</td>
<td>0%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>4,711,099</td>
<td>4,428,431</td>
<td>282,668</td>
<td>6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10,198,975</td>
<td>10,453,592</td>
<td>(254,617)</td>
<td>-2%</td>
</tr>
<tr>
<td>Net income</td>
<td>4,963,190</td>
<td>5,148,502</td>
<td>(185,312)</td>
<td>-4%</td>
</tr>
</tbody>
</table>

East Zone’s billed volume, reported in millions of cubic meters (“mcm”), increased by 3% in 2015. The number of water connections grew by 3% to 976,321 customers at the end of the period, mostly from the expansion areas of Pasig, Marikina and Taguig. Average consumption was maintained at 43.2 cubic meters per connection while average effective tariff dropped slightly by 1% due to implementation of the arbitral ruling reducing the basic water charge beginning June 1, 2015.

Aside from the continued growth in residential customers, billed volume growth was also driven by the improvement in semi-commercial accounts by 7% with the completion of new residential buildings and the conversion of deep well users in the areas of Pasig and Marikina, as well as the 10% growth of industrial customers. Billed volume from commercial accounts saw a decline of 1% year-on-year due to the reclassification of some commercial accounts to semi-commercial.

The level of system losses, as measured by the non-revenue water (“NRW”) ratio, was recorded at 11.2% at the end of 2015, which was almost the same level at the end of 2014 at 11.3%. The maintenance of NRW at this level is a result of continuous repair works done at the distribution lines.

Collection efficiency in 2015 was strong at 100%. Meanwhile, average accounts receivable days was at 19 days which was the same number of days registered in the previous year.

Manila Water received on April 21, 2015 the decision of the Appeals Panel in the arbitration proceedings between the Company and MWSS. The decision concluded a three-year rate rebasing process that began in March 2012 with the submission of a business plan by Manila Water to MWSS and which subsequently resulted in arbitration. The final award of the Appeals Panel resulted in the setting of the rate rebasing adjustment for the period 2013 to 2017 at a negative 11.05% from Manila Water’s 2012 average basic water charge of P25.07 per cubic meter. This translates to a decrease of Php2.77 per cubic meter in the basic water charge for implementation in the following manner: (a) negative Php1.66 per cubic meter in 2015, (b) negative Php0.55 per cubic meter in 2016, and (c) negative Php0.55 per cubic meter in 2017.
The negative P hp 1.66 per cubic meter adjustment was implemented on June 1, 2015 together with a CPI adjustment of 4.19% on top of the basic water charge equivalent to P hp 1.08 per cubic meter.

Boracay Island Water Company, Inc. (Boracay Water)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>4.3</td>
<td>4.0</td>
<td>0.3</td>
<td>8%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>6,379</td>
<td>6,125</td>
<td>254.0</td>
<td>4%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>21%</td>
<td>17%</td>
<td>(4% pts)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in thousand Pesos)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>401,304</td>
<td>327,270</td>
<td>74,034</td>
<td>23%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>206,548</td>
<td>140,068</td>
<td>66,480</td>
<td>47%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>194,755</td>
<td>187,202</td>
<td>7,553</td>
<td>4%</td>
</tr>
<tr>
<td>Net income</td>
<td>69,855</td>
<td>96,059</td>
<td>(26,204)</td>
<td>-27%</td>
</tr>
</tbody>
</table>

Boracay Water posted a billed volume growth of 8% in 2015 to 4.3 mcm from 4.0 mcm in 2014. The growth was driven by a 4% expansion in water service connections and 6% growth in tourist arrivals that reached almost 1.6 million during the year. NRW, however, increased to 21% at the end of December 2015 from 17% at the end of 2014 due to leaks in the main line and defective meters that are due for replacement. Boracay Water spent P hp 399 million in capital expenditures in 2015 mostly for the expansion of used water services, growing by 385% year-on-year.

The growth in billed volume coupled with a higher average tariff led to a 23% improvement in total revenues to P hp 401 million. Boracay Water implemented a scheduled tariff adjustment as part of the February 2013 rate rebasing resulting in an increase in average effective tariff by 16% to P hp 78.25 per cubic meter. Operating expenses increased by 47% to P hp 207 million due to higher direct and overhead costs, particularly higher treatment cost and maintenance cost of used water facilities. Notwithstanding the rise in operating expenses, EBITDA still improved by 4% to P hp 195 million. However, due to higher depreciation and amortization, net income dropped by 27% to P hp 70 million in 2015.
Clark Water Corporation (Clark Water)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>12.8</td>
<td>11.6</td>
<td>1.3</td>
<td>11%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>1,978</td>
<td>1,978</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>4%</td>
<td>5%</td>
<td>1% pt</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in thousand Pesos)</th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>400,036</td>
<td>382,592</td>
<td>17,444</td>
<td>5%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>206,731</td>
<td>197,648</td>
<td>9,083</td>
<td>5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>193,306</td>
<td>184,944</td>
<td>8,362</td>
<td>5%</td>
</tr>
<tr>
<td>Net income</td>
<td>116,927</td>
<td>100,185</td>
<td>16,742</td>
<td>17%</td>
</tr>
</tbody>
</table>

Clark Water posted billed volume growth of 11% to 12.8 mcm with the higher consumption of key commercial accounts and the sale of bulk water to residential subdivisions outside the Clark Freeport Zone in nearby Angeles City, Pampanga. The sale of bulk water outside the Zone reduced average tariff by 6% to Php30.70 per cubic meter. Nevertheless, Clark Water continued to be very efficient in its non-revenue water reduction efforts as the NRW level declined further to 4% at the end 2015 from 5% at the end of 2014. Clark Water disbursed Php305 million for capital expenditures in 2015 mostly for the expansion of the water and used water networks. Capital expenditures in 2015 was 52% higher than the Php200 million spent in the previous year.

The increase in billed volume that was tempered by lower average tariff led to a revenue growth of 5% from Php383 million in 2014 to P400 million in 2015. Meanwhile, operating expenses increased by 5% to P207 million thereby resulting in a 4% growth in EBITDA to P193 million. With lower depreciation and amortization due to the extension of the Concession Agreement, net income of Clark Water in 2015 rose by 17% to P117 million.

Laguna AAAWater Corporation (Laguna Water)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>36.2</td>
<td>31.8</td>
<td>4.4</td>
<td>14%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>107,263</td>
<td>90,016</td>
<td>17,247</td>
<td>19%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>11%</td>
<td>12%</td>
<td>1% pt</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in thousand Pesos)</th>
<th>2015</th>
<th>2014</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>827,671</td>
<td>676,883</td>
<td>150,788</td>
<td>22%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>383,078</td>
<td>322,976</td>
<td>60,102</td>
<td>19%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>444,592</td>
<td>353,908</td>
<td>90,684</td>
<td>26%</td>
</tr>
<tr>
<td>Net income</td>
<td>203,207</td>
<td>165,160</td>
<td>38,047</td>
<td>23%</td>
</tr>
</tbody>
</table>

Billed volume of Laguna Water grew by 14% to 36.2 mcm in 2015 largely brought about by additional service connections totaling more than 17,000 that raised billed volume in the base business to 22.3 mcm, growing by 20% year-on-year. The balance of 13.9 mcm came from the 164 industrial customers of Laguna Technopark, Inc. (LTI), growing by 5% from the previous year. NRW improved further by one percentage point at the end of 2015 to 11% from 12% at the
end of 2014 despite the higher number of water service connections due to continuing leak repair programs. Laguna Water maintained its level of expenditures in 2015, disbursing Php760 million during the year mostly for the development of new water sources and network expansion.

Revenues grew by 22% in 2015 to Php828 million as a result of the higher billed volume, service connection fees and other income, more than offsetting the 3% decline in average effective tariff to Php17.14 per cubic meter. On the other hand, operating expenses grew by 19% to Php383 million, resulting in an EBITDA growth of 26% to Php445 million. Net income of Laguna Water reached Php203 million in 2015, growing by 23% from the previous year.

On June 30, 2015, Laguna Water signed an amendment to its Concession Agreement with the Provincial Government of Laguna expanding the scope of its concession from the cities of Biñan, Cabuyao and Sta. Rosa to cover all cities and municipalities in the entire Province of Laguna. The amendment likewise included the provision of used water services and the establishment of an integrated sewage and septage system in the province.

Thu Duc Water B.O.O Corporation (Thu Duc Water)

<table>
<thead>
<tr>
<th></th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Operating Highlights</strong></td>
<td></td>
</tr>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>109.9</td>
</tr>
<tr>
<td><strong>Financial Highlights (in million VND)</strong></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>312,310</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>105,918</td>
</tr>
<tr>
<td>EBITDA</td>
<td>206,392</td>
</tr>
<tr>
<td>Net income</td>
<td>97,470</td>
</tr>
<tr>
<td><strong>in PFRS (in thousand Pesos)</strong></td>
<td></td>
</tr>
<tr>
<td>Net income (49% contribution)</td>
<td>215,207</td>
</tr>
</tbody>
</table>

Thu Duc Water sold a total of 109.9 mcm in 2015, dropping by 8% from the 119.7 mcm billed volume the previous year. The decline was due to the lower water intake of Saigon Water Corporation (“SAWACO”) which was slightly over the take-or-pay contract of 300 million liters per day (mld), at 301 mld, against the previous year’s average of 328 mld.

Under Vietnamese Accounting Standards (VAS), revenues declined by 6% to VND312 billion while operating expenses likewise increased by 4% to VND106 billion due to higher direct costs particularly power, raw materials and maintenance costs. This led to a drop of 10% in EBITDA and a decline of 16% in net income to VND97 billion. In peso terms, the PFRS-translated income reflected in the consolidated financial statements as equity share in net income of associates amounted to Php215 million, equivalent to Manila Water’s 49% stake in Thu Duc Water.
Kenh Dong Water Supply Joint Stock Company (Kenh Dong Water)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2015</th>
<th>2014</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>55.1</td>
<td>55.2</td>
<td>(0.1)</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in million VND)</th>
<th>2015</th>
<th>2014</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>203,981</td>
<td>203,018</td>
<td>963</td>
<td>0%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>57,776</td>
<td>52,120</td>
<td>5,656</td>
<td>11%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>146,205</td>
<td>150,898</td>
<td>(4,693)</td>
<td>-3%</td>
</tr>
<tr>
<td>Net income</td>
<td>54,860</td>
<td>46,619</td>
<td>8,241</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in PFRS (in thousand Pesos)</th>
<th>2015</th>
<th>2014</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (47% contribution)</td>
<td>118,957</td>
<td>111,800</td>
<td>7,157</td>
<td>6%</td>
</tr>
</tbody>
</table>

Kenh Dong Water registered a billed volume of 55.1 mcm in 2015 which was almost the same level posted in 2014. The billed volume, at 151 million liters per day (mld), is slightly higher than the guaranteed minimum consumption of 150 mld under the bulk water supply take-or-pay arrangement with SAWACO.

Under Vietnamese Accounting Standards (VAS), Kenh Dong Water posted revenues of VND204 billion and an EBITDA of VND146 billion. With lower interest expense, this led to a net income of VND55 billion, growing by 18% year-on-year. Similar to Thu Duc Water, income from Kenh Dong Water is translated into PFRS and is reported as equity share in net income of associates in the consolidated financial statements. In peso terms, the PFRS-translated income of Manila Water’s 47.35% stake in Kenh Dong Water amounted to Php119 million.

**BALANCE SHEET**

The consolidated balance sheet as of the end of 2015 remained strong and supportive of future expansion. Strong cash inflows attributable to the high collection efficiency during the year and lower capital expenditure due to the delay in the approval of the East Zone’s business plan brought cash and cash equivalents to Php6.8 billion. Total assets rose by 8% or Php6.0 billion to Php80.6 billion as the Company continued to undertake additional capital investments for headline projects. Liabilities, on the other hand, increased by 3% to Php40.9 billion.

The Company continued to be compliant with its loan covenants. Debt to equity ratio stood at 0.85x, excluding concession obligations, while net bank debt to equity registered at 0.50x.

The Company signed a seven-year JPY40 billion loan facility on September 30, 2015 with three international banks to finance capital expenditures for 2016 and 2017. The Company has yet to draw from the facility as of the end of 2015.

Under the Company’s cash dividend policy, common shares are entitled to annual cash dividends equivalent to 35% of the prior year’s net income, payable semi-annually. This translated to dividend payments of Php0.815 per common share and P0.0815 per preferred share in 2015.
CAPITAL EXPENDITURES

The Company’s East Zone spent a total of Php4,224 million (inclusive of concession fee payments) for capital expenditures in 2015, 2% more than the Php4,135 million spent the previous year. The bulk of capital expenditures was spent on headline projects such as used water expansion, network reliability and overhead projects, which accounted for 79% of the total. The balance of 21% was accounted for by concession fees paid to MWSS. Capital expenditures in the next two years is expected to increase with an approved business plan in place following the conclusion of the 2013 Rate Rebasing exercise.

Meanwhile, total capital expenditures of the domestic operating subsidiaries grew by 38% to Php1,464 million from the Php1,062 million spent in 2014. Of the total amount, Php760 million was used by Laguna Water for its network coverage expansion, while Boracay Water and Clark Water disbursed Php399 million and Php305 million, respectively.

Material Changes (Increase or Decrease of 5% or more in the financial statements)

Income Statement Items (End 2015 vs. End 2014)

CONSOLIDATED REVENUE

Revenue from management contracts – 100% decrease
Decrease of Php25 million was attributable to the completion of the contract with Saigon Water Company (SAWACO) in Ho Chi Minh City, Vietnam for a leakage reduction project in Zone 1. The winding down of the project is expected to be finalized in February 2016.

Other operating income – 19% increase
Increase of Php146 million was accounted for by the higher revenue generated from new water service connections, and additional pipelaying works and sewerage treatment plant projects of MWTS. This was countered by lower income realized from the liquidation of service connection expenses.

CONSOLIDATED OPERATING COSTS AND EXPENSES

Depreciation and amortization – 6% increase
Increase of Php156 million was attributable to additional amortization arising from completion of several projects of the Group, during the last quarter 2015.

Salaries, allowance and employee benefits – 17% increase
Increase of Php234 million was mainly due to the reclassification of manpower-related expenses and change in the compensation structure in addition to the increase in salary and other employee benefits, on account of the usual performance-based merit increases.

Power, light and water – 5% decrease
Decrease of Php52 million was on account of lower effective price per kilowatt hour in 2015.

Management, technical and professional fees – 24% increase
Increase of Php113 million was primarily due to the consultancy costs incurred for business development projects in 2015.
**Repairs and maintenance – 13% increase**
Increase of ₱53 million was attributable to the increase in maintenance activities brought about by the expanding service coverage area by the Parent Company and the operating subsidiaries.

**Contractual services – 62% increase**
Increase of ₱168 million was due mainly to higher civil works related to the increase in number of pipelaying projects of MWTS, as well as the growth in contractual personnel costs in proportion to the expansion of the subsidiaries’ operations.

**Collection fees – 6% decrease**
Decrease of ₱6 million was attributable mainly to lower number of disconnection as a result of the implementation of longer collection period, in compliance with the newly issued MWSS-Regulatory Office Implementing Rules and Regulations.

**Regulatory costs – 19% increase**
Increase of ₱19 million was attributable to the cumulative effects of consumer price index adjustments on the operating cost component of annual regulatory fees paid to Metropolitan Waterworks and Sewerage System (MWSS).

**Occupancy costs – 136% increase**
Increase of ₱184 million was on account of the one-time payment made by the Parent Company to MWSS related to the use of a certain facility.

**Wastewater costs – 21% increase**
Increase of ₱19 million was mainly due to higher volume of desludged wastes from customers’ septic tanks in 2015 compared to the same period in 2014.

**Water treatment chemicals – 17% increase**
Increase of ₱12 million was attributable to higher chemical usage this year due to lower quality of raw water.

**Insurance – 15% increase**
Increase of ₱8 million was due mainly to new facilities and treatment plant in 2015.

**Transportation and travel – 8% increase**
Increase of ₱6 million was attributable to expenses on account of business development projects during the year.

**Postage, telephone and supplies – 67% increase**
Increase of ₱31 million was due to higher supplies and communication costs as a result of the implementation of records management project.

**Taxes and licenses – 10% increase**
Increase of ₱14 million was mainly attributable to higher business taxes and permits in 2015.

**Provision for probable losses – 59% decrease**
Decrease of ₱112 million was mainly attributable to lower provisions for bad debts as a result of better collection efficiency.
**Donations – 58% increase**
Increase of ₱18 million was solely on account of the donation made by the Parent Company to the Manila Water Foundation to support the increase in the number of beneficiaries of its program and expanded socio-civic activities, such as environmental protection, health and educational campaigns.

**Cost of inventory sold – 6% increase**
Increase of ₱1 million was due to higher volume of materials withdrawn by contractors and other parties during the year.

**Advertising – 37% decrease**
Decrease of ₱8 million was related to the payment for certain sponsorships in 2014.

**Premium on performance bond – 19% decrease**
Decrease of ₱1 million was due to a lower premium rate on the stand-by letter of credit guaranteeing the Parent Company’s performance under the Concession Agreement with MWSS.

**Cost of new market development – 808% increase**
Increase of ₱1 million was due higher organizational restructuring study related to key accounts development.

**Other expenses – 24% increase**
Increase of ₱61 million was attributable to higher overhead cost and miscellaneous expenses due to the expanding service area, increasing number of customers and increased operational activities of the Group.

**OTHER INCOME (EXPENSES)**

**Revenue from and cost of rehabilitation works – 52% increase**
Increase of ₱1,784 million was primarily on account of higher rehabilitation works attributable to the increase in the number of projects in 2015.

**Foreign currency differentials and gains (losses) – 1446% increase**
Increase of ₱104 million was mainly attributable to the unrealized and realized foreign currency differential recognized as a result of the new rebased rates.

**Interest expense – 11% decrease**
Decrease of ₱179 million was due to the prepayment of a loan coupled with lower interest rates of the Group’s outstanding long-term debt and diminishing balance of service concession obligation.

**Interest income – 71% increase**
Increase of ₱131 million was mainly attributable to the accretion of interest income related to the concession financial receivable of Cebu Water.

**Equity share in net income of associates – 13% increase**
Increase of ₱46 million was due to higher net income generated by associates in Vietnam, namely Thu Duc Water B.O.O., Kenh Dong Water Supply Joint Stock Company and Saigon Water Infrastructure Corporation.
Gain on disposal of property and equipment – 58578% increase
Increase of ₱25 million was attributable to higher gain on the disposal of property and equipment in 2015.

Other income (loss) – 164% increase
Increase of ₱108 million in other income was mainly attributable to the reversal the previously recognized contingent liability arising from the share purchase transaction of Kenh Dong Water in 2012.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (End 2015 vs. End 2014)

Cash and cash equivalents – 6% increase
Increase of ₱397 million was mainly attributable to the growth in the Group’s water revenues following the higher billed volume and additional loan drawdowns made during the year to finance capital expenditure.

Receivables –net – 10% increase
Increase of ₱170 million was due to the growth in water, sewer and environmental revenue of the Group.

Concession financial receivable – current portion – 172% increase
Increase of ₱132 million was on account of the additional costs incurred by Cebu Water related to the construction of its reservoir during the year which is recoverable in the future.

Inventories – net – 5% decrease
Decrease of ₱9 million was mainly due to lower stock purchases for chemical inventories, water meter and service connection supplies of the Group in 2015.

Other current assets – 24% increase
Increase of ₱164 million was mainly due to higher advances to contractors for the new projects implemented by the Group.

Property, plant and equipment – 41% decrease
Decrease of ₱877 million was mainly on account of the reclassification of land to service concession assets countered by the acquisition of office furniture and transportation and equipment in 2015.

Service concession assets – net – 8% increase
Increase of ₱4,357 million was attributable to the reclassification of land from property, plant and equipment and recognition of FCDA adjustment as a result of the 2013 revised rebased rate.

Concession financial receivable – net of current portion – 10% increase
Increase of ₱90 million was due mainly to the accretion of interest income during the period on the recognized receivable from Cebu Water from MCWD which is accounted for as a financial asset under IFRIC 12, Service Concession Arrangements.
Investment in associates – 15% increase
Increase of ₱762 million was mainly attributable to the higher equity share in the net earnings and foreign currency difference take up arising from converting from USD to PHP of the associates in Vietnam.

Deferred tax assets net – 5% increase
Increase of ₱43 million was caused by the increase in deferred tax benefit during the year. This is in relation to the net temporary differences arising from service concession assets, service concession obligation and deferred FCDA.

Other noncurrent assets – 56% increase
Increase of ₱519 million was accounted for mainly by deferred FCDA on account of foreign exchange losses in 2015, recoverable through water tariff adjustment.

Accounts and other payables – 15% increase
Increase of ₱587 million was mainly brought about by higher volume of trade payables and payable to contractors on account of new projects of the Group.

Current portion of long term debt – 151% increase
Increase of ₱3,764 million was mainly due to the Parent Company’s reclassification from noncurrent portion of its corporate notes due for settlement in the middle of 2016. This was partially offset by the prepayment of the EIB loan in February 2015.

Current portion of service concession obligation – 23% increase
Increase of ₱236 million attributable to higher principal amortization due during the year.

Income tax payable – 9% decrease
Decrease of ₱544 million was due to lower income tax payable during the fourth quarter of 2015 compared to the same period in 2014.

Payable to related parties – 6% decrease
Decrease of ₱1 million was attributable to settlements made to related parties during the year.

Long term debt-net of current portion – 13% decrease
Decrease of ₱3,014 million was mainly attributed to reclassification of current portion of the Parent Company’s corporate notes due for settlement in 2016.

Pension liability – 164% decrease
Increase of ₱64 million was attributable to the recognition of pension expense during the year, net of the contribution to the retirement fund amounting to ₱50 million pursuant to PAS 19, Employee Benefits.

Other noncurrent liabilities – 17% decrease
Decrease of ₱142 million was mainly accounted for by liquidation of collections for service connection costs advanced by the Parent Company.

Additional paid-in capital – 6% increase
Increase of ₱224 million was due to additional APIC recognized under the Executive Stock Ownership Plan (ESOWN) for 2015.
Subscriptions receivable – 38% decrease
Decrease of ₱94 million was on account of collections of subscriptions made under the ESOWN in 2015.

Common stock options outstanding – 28% increase
Increase of ₱5 million was attributable to additional subscriptions under the ESOWN for 2015.

Retained earnings – 14% increase
Increase of ₱3,918 million was on account of net income generated in 2015, net of cash dividends declared.

Remeasurement loss on defined benefit plans – 20% increase
Increase of ₱20 million pertains to remeasurement adjustments on valuation of pension liabilities in accordance with PAS 19, Employee Benefits.

Cumulative translation adjustment – 127% increase
Increase of ₱279 million was attributable to the exchange differences arising from the conversion of Manila Water Asia Pacific Pte., Ltd.’s books from United States Dollar which was stronger versus the Philippine Peso as of December 31, 2015.

Non-controlling interest – 51% increase
Increase of ₱301 million was due to higher value attributable to the net income portion of subsidiaries with non-controlling interests including Laguna Water, Boracay Water and MW Consortium. Further, additional investments in subsidiaries, which includes Tagum Water, Davao Water and Zamboanga Water, with non-controlling interest were made during the year.

RESULTS OF OPERATIONS (2014 VS. 2013)

Consolidated Financial Performance

The Group’s key financial performance indicators are discussed below:

<table>
<thead>
<tr>
<th>For the years ended December 31</th>
<th>2014 (in thousand Pesos)</th>
<th>2013 (in thousand Pesos)</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>16,357,145</td>
<td>15,925,817</td>
<td>431,328</td>
<td>3%</td>
</tr>
<tr>
<td>Total cost and expenses (excluding depreciation and amortization)</td>
<td>5,087,759</td>
<td>4,653,609</td>
<td>434,150</td>
<td>9%</td>
</tr>
<tr>
<td>Other income (expense) - net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td>291,349</td>
<td>375,284</td>
<td>(83,935)</td>
<td>-22%</td>
</tr>
<tr>
<td>Others</td>
<td>(65,949)</td>
<td>81,289</td>
<td>(147,238)</td>
<td>-181%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>11,560,735</td>
<td>11,647,472</td>
<td>(86,737)</td>
<td>-1%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,443,987</td>
<td>2,454,763</td>
<td>(10,776)</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Income before other Income/expenses</td>
<td>9,116,748</td>
<td>9,152,709</td>
<td>(35,961)</td>
<td>0%</td>
</tr>
<tr>
<td>Interest income/(expense) - net</td>
<td>(1,450,501)</td>
<td>(1,560,575)</td>
<td>110,074</td>
<td>-7%</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>7,666,247</td>
<td>7,592,134</td>
<td>74,113</td>
<td>1%</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,836,298</td>
<td>1,811,573</td>
<td>24,725</td>
<td>1%</td>
</tr>
<tr>
<td>Net income</td>
<td>5,829,949</td>
<td>5,780,561</td>
<td>49,388</td>
<td>1%</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>16,860</td>
<td>28,199</td>
<td>(11,339)</td>
<td>-40%</td>
</tr>
<tr>
<td>Net income attributable to MWC</td>
<td>5,813,089</td>
<td>5,752,362</td>
<td>60,727</td>
<td>1%</td>
</tr>
</tbody>
</table>
Consolidated net income grew by 1% to Php5,813 million in 2014 from Php5,752 million the previous year despite the absence of a tariff adjustment in the East Zone. Consolidated operating revenues rose by 3% toPhp16,357 million driven largely by the continued expansion in the East Zone, with its billed volume growing by 3.6%. The contribution from the domestic operating subsidiaries amounting to Php1,450 million, higher by 48% year-on-year, also helped improve the growth in revenues. This offset the decline in revenues due to the completion of the leakage reduction project in Zone 1 of Ho Chi Minh City in 2014.

A breakdown of the revenue drivers is shown below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>12,847,211</td>
<td>11,995,693</td>
<td>851,518</td>
<td>7%</td>
</tr>
<tr>
<td>Environmental charges</td>
<td>2,303,873</td>
<td>2,250,483</td>
<td>53,390</td>
<td>2%</td>
</tr>
<tr>
<td>Sewer</td>
<td>419,720</td>
<td>396,664</td>
<td>23,056</td>
<td>6%</td>
</tr>
<tr>
<td>Revenue from management contracts</td>
<td>25,488</td>
<td>174,939</td>
<td>(149,451)</td>
<td>-85%</td>
</tr>
<tr>
<td>Others</td>
<td>760,853</td>
<td>1,108,039</td>
<td>(347,186)</td>
<td>-31%</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>16,357,145</strong></td>
<td><strong>15,925,817</strong></td>
<td><strong>431,328</strong></td>
<td><strong>3%</strong></td>
</tr>
</tbody>
</table>

The Group derived 78% of its operating revenues from water bills, while 17% came from environmental and sewer charges. Other revenues, which accounted for the balance of 5%, came from connection fees and laboratory fees, among others.

On the other hand, consolidated operating costs and expenses (excluding depreciation and amortization) rose by 9% to Php5,088 million in 2014. Non-personnel costs led the growth with an increase of 7%, primarily because of the increase in power, light and water due to the higher power rates, and other direct costs, materials and supplies.

Below is a summary of the operating expenses incurred during the period:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>1,414,257</td>
<td>1,258,241</td>
<td>156,016</td>
<td>12%</td>
</tr>
<tr>
<td>Non-personnel costs</td>
<td>3,379,967</td>
<td>3,152,825</td>
<td>227,142</td>
<td>7%</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>1,051,454</td>
<td>854,198</td>
<td>197,256</td>
<td>23%</td>
</tr>
<tr>
<td>Other direct costs, materials and supplies</td>
<td>557,961</td>
<td>447,992</td>
<td>109,969</td>
<td>25%</td>
</tr>
<tr>
<td>Premises Cost</td>
<td>1,580,330</td>
<td>1,676,804</td>
<td>(96,474)</td>
<td>-6%</td>
</tr>
<tr>
<td>Overhead</td>
<td>190,222</td>
<td>173,831</td>
<td>16,391</td>
<td>9%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>293,535</td>
<td>242,543</td>
<td>50,992</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>5,087,759</strong></td>
<td><strong>4,653,609</strong></td>
<td><strong>434,150</strong></td>
<td><strong>9%</strong></td>
</tr>
</tbody>
</table>

Meanwhile, other income (net of expense) declined by 22% to Php291 million in 2014 from Php375 million the previous year, due largely to higher transaction costs incurred for a loan, that outweighed the higher equity share in net income of associates. The two bulk water companies in
Vietnam, Thu Duc Water and Kenh Dong Water, together with Saigon Water Infrastructure, contributed P357 million in net income, growing by 22% in 2014 from the previous year.

The movements in operating revenues and expenses, together with the decrease in other income, resulted in consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of Php11,561 million in 2014, slightly dropping by 1% from the previous year. EBITDA margin declined to 71% from 73% as the growth of expenses outpaced revenues.

Business Segments’ Financial and Operating Performance

Results of operations detailed as to business segment are shown below:

For the year ended December 31, 2014
(in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>East Zone</th>
<th>Operating Subsidiaries</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>14,882,023</td>
<td>1,449,633</td>
<td>25,488</td>
<td>16,357,145</td>
</tr>
<tr>
<td><strong>Operating expenses (including depreciation and amortization)</strong></td>
<td>6,537,113</td>
<td>940,347</td>
<td>54,287</td>
<td>7,531,746</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>8,344,910</td>
<td>509,287</td>
<td>(28,798)</td>
<td>8,825,399</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>2,749,201</td>
<td>686,588</td>
<td>-</td>
<td>3,435,789</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(2,749,201)</td>
<td>(686,588)</td>
<td>-</td>
<td>(3,435,789)</td>
</tr>
<tr>
<td>Interest income</td>
<td>94,485</td>
<td>91,150</td>
<td>-</td>
<td>185,635</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,513,124)</td>
<td>(123,013)</td>
<td>-</td>
<td>(1,636,137)</td>
</tr>
<tr>
<td>Share in equity income of associates</td>
<td>-</td>
<td>357,298</td>
<td>-</td>
<td>357,298</td>
</tr>
<tr>
<td>Others</td>
<td>(84,188)</td>
<td>18,239</td>
<td>-</td>
<td>(65,949)</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>6,842,083</td>
<td>852,962</td>
<td>(28,798)</td>
<td>7,666,247</td>
</tr>
<tr>
<td>Provision for tax</td>
<td>1,693,581</td>
<td>142,717</td>
<td>-</td>
<td>1,836,298</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>5,148,502</td>
<td>710,245</td>
<td>(28,798)</td>
<td>5,829,949</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>40,538</td>
<td>(3,310)</td>
<td>-</td>
<td>37,228</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>(370)</td>
<td>112</td>
<td>-</td>
<td>(258)</td>
</tr>
<tr>
<td>Unrealized gain (loss) on AFS Financial assets</td>
<td>(3,301)</td>
<td>-</td>
<td>-</td>
<td>(3,301)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>-</td>
<td>101,970</td>
<td>-</td>
<td>101,970</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>5,185,369</td>
<td>809,018</td>
<td>(28,798)</td>
<td>5,965,588</td>
</tr>
</tbody>
</table>

Total comprehensive net income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>East Zone</th>
<th>Operating Subsidiaries</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of MWCI</td>
<td>5,185,369</td>
<td>792,158</td>
<td>(28,798)</td>
<td>5,948,728</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>-</td>
<td>16,860</td>
<td>-</td>
<td>16,860</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,185,369</td>
<td>809,018</td>
<td>(28,798)</td>
<td>5,965,588</td>
</tr>
</tbody>
</table>

Segment assets, exclusive of deferred assets | 60,977,236 | 7,833,131 | 206,854 | 69,017,221 |
Investments in associates | - | 4,961,500 | - | 4,961,500 |
Deferred tax assets | 819,584 | 61,599 | - | 881,183 |
| **Total**            | 61,796,820 | 12,856,230 | 206,854 | 74,859,904 |

Segment liabilities, exclusive of deferred liabilities | 35,428,341 | 4,236,623 | 24,420 | 39,689,384 |
Deferred tax liabilities | - | 68,950 | - | 68,950 |
| **Total**            | 35,428,341 | 4,305,573 | 24,420 | 39,758,334 |

Segment additions to equipment and SCA | 2,924,926 | 919,491 | - | 3,844,417 |
Depreciation and amortization | 2,192,870 | 251,117 | - | 2,443,987 |
Noncash expenses other than depreciation and amortization | 13,693 | 21,876 | - | 35,570 |
The Group is composed of the Metro Manila East Zone Concession, its operating subsidiaries and management contracts secured outside of the service concession. The operating subsidiaries in the Philippines include Boracay Island Water Company, Inc. (“Boracay Water”), Clark Water Corporation (“Clark Water”) and Laguna AAAWater Corporation (“Laguna Water”). The Group is also the single largest shareholder in two bulk water suppliers in Ho Chi Minh City in Vietnam, namely Thu Duc Water BOO Corporation (“Thu Duc Water”) and Kenh Dong Water Supply Joint Stock Company (“Kenh Dong Water”). It also has a stake in the listed holding company, Saigon Water Infrastructure Corporation (“Saigon Water”), and it has completed its performance-based leakage reduction contract in Zone 1 of Ho Chi Minh City. Meanwhile, the project in the Province of Cebu started its commercial operations following the delivery of first water on January 5, 2015.

Net income in 2014 was derived largely from the East Zone Concession, accounting for 89% of the total. Businesses outside the East Zone contributed the balance of 11% to consolidated net income.

### East Zone Concession (“East Zone”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>449.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>292.9</td>
</tr>
<tr>
<td>Semi-Commercial</td>
<td>47.3</td>
</tr>
<tr>
<td>Commercial</td>
<td>91.0</td>
</tr>
<tr>
<td>Industrial</td>
<td>17.7</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>949,230</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>11%</td>
</tr>
</tbody>
</table>

### Financial Highlights (in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>14,882,023</td>
<td>14,794,066</td>
<td>87,957</td>
<td>1%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>4,428,431</td>
<td>4,123,258</td>
<td>305,173</td>
<td>7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10,453,592</td>
<td>10,670,808</td>
<td>(217,216)</td>
<td>-2%</td>
</tr>
<tr>
<td>Net income</td>
<td>5,148,502</td>
<td>5,102,510</td>
<td>45,992</td>
<td>1%</td>
</tr>
</tbody>
</table>

East Zone’s billed volume, reported in millions of cubic meters (“mcm”), increased by 4% to 449 mcm in 2014, driven largely by the continued growth of domestic/residential customers. Aside from this segment, all other customer classes registered improvements in billed volume. Semi-commercial accounts grew by 4% with the completion of new buildings and the conversion of deep well users in the areas of Taguig, Marikina and Rizal, while industrial accounts rose by 13%. Commercial accounts, which were on a decline the previous year, also posted a 2% growth.

The growth in billed volume outpaced the growth in water connections as the latter increased at 3% to 949,000 customers at the end of 2014, mostly from the expansion areas of Pasig, Marikina and Rizal. Average consumption was almost flat at 43.3 cubic meters, while average effective tariff was kept at Php31.35 per cubic meter with the absence of any tariff increase in 2014.

The level of system losses, as measured by the non-revenue water (“NRW”) ratio, was maintained at 11% at the end of 2014. The NRW of the East Zone has stabilized since the operational adjustments made in late-2012 to the water flows from the primary transmission lines going to the expansion areas to service the demand of the existing and new customers.
Collection efficiency in 2014 registered at 100%, slightly lower than the 101% the previous year following Manila Water’s alignment with MWSS policy of allowing for a longer disconnection period. Average account receivable days however improved to 19 days from 20 days in 2013. The impact of the longer reading and billing days following the implementation in August 2012 of a new meter reading and billing system has already normalized.

On 12 September 2013, MWSS released the final tariff determination for the East Zone after reviewing Manila Water’s submitted business plan for the 2013 Rate Rebasing exercise. MWSS determined a negative adjustment of 29.47% from Manila Water’s 2012 average basic water charge, eliminating what the Company believes to be significant programs for building and maintaining the water and used water systems in the East Zone.

Manila Water, on 24 September 2013, raised its objection by filing a Dispute Notice with the International Chamber of Commerce, formally commencing the arbitration process which is a dispute resolution mechanism outlined under the Concession Agreement. While awaiting the outcome of the arbitration process which is ongoing to date, existing tariffs previously approved by the MWSS have been maintained in the East Zone.

### Boracay Island Water Company, Inc. (“Boracay Water”)

#### For the years ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Highlights</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>4.0</td>
<td>3.6</td>
<td>0.4</td>
<td>11%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>6,125</td>
<td>5,647</td>
<td>478</td>
<td>8%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>16%</td>
<td>14%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Highlights (in thousand Pesos)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>327,266</td>
<td>266,790</td>
<td>60,476</td>
<td>23%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>140,139</td>
<td>111,320</td>
<td>28,819</td>
<td>26%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>187,127</td>
<td>155,470</td>
<td>31,657</td>
<td>20%</td>
</tr>
<tr>
<td>Net income</td>
<td>96,058</td>
<td>72,770</td>
<td>23,288</td>
<td>32%</td>
</tr>
</tbody>
</table>

Boracay Water posted an increase in billed volume of 11% in 2014 to 4.0 mcm from 3.6 mcm in 2013 on the back of an 8% increase in both water service connections and tourist arrivals, with the latter totaling 1.5 million. It however faced a slight setback in NRW as this increased to 16% in 2014 from 14% the previous year due to leaks in the main line and defective meters that are due for replacement.

The growth in billed volume coupled with the higher average tariff led to a 23% improvement in total revenues to PhP327 million. Boracay Water implemented a scheduled tariff adjustment as part of the February 2013 rate rebasing resulting in an increase in average effective tariff by 8%. Meanwhile, operating expenses increased by 26% to PhP140 million due to higher direct costs, thereby leading to an EBITDA of PhP187 million, with an EBITDA margin of 57%. With the slower growth of depreciation and amortization, net income grew by 32% to PhP96 million.
Clark Water Corporation (“Clark Water”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2014</th>
<th>2013</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>11.6</td>
<td>9.8</td>
<td>1.8</td>
<td>18%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>1,978</td>
<td>1,975</td>
<td>3</td>
<td>0%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>5%</td>
<td>8%</td>
<td>-3%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in thousand Pesos)</th>
<th>2014</th>
<th>2013</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>382,592</td>
<td>335,612</td>
<td>46,980</td>
<td>14%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>197,049</td>
<td>167,483</td>
<td>29,566</td>
<td>18%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>185,543</td>
<td>168,129</td>
<td>17,414</td>
<td>10%</td>
</tr>
<tr>
<td>Net income</td>
<td>100,195</td>
<td>85,627</td>
<td>14,568</td>
<td>17%</td>
</tr>
</tbody>
</table>

Clark Water posted a billed volume growth of 18% to 11.6 mcm as it continued to connect new commercial customers in its concession area. Efforts to reduce non-revenue water resulted in significant results as the NRW level declined further to 5% in 2014 from 8% in 2013 due to the proper management of water levels and monitoring of water pumping schedules.

The increase in billed volume, tempered by a 4% reduction in average effective tariff, led to a revenue growth of 14% from P336 million in 2013 to P383 million in 2014. Meanwhile, operating expenses increased by 18% to Php197 million largely due to higher direct costs, resulting in a 10% EBITDA growth to Php186 million. Net income growth of 17% to Php100 million in 2014 outpaced EBITDA growth as depreciation and amortization was lower by 4% due to the concession extension.

Clark Water, together with Clark Development Corporation, signed in August 2014 an amendment agreement to extend the original concession period for another 15 years up to 2040. The extension requires an investment by Clark Water of Php5.0 billion over the life of the concession, while the recovery will henceforth be defined by a rebasing mechanism that is similar to the East Zone concession.

Laguna AAAWater Corporation (“Laguna Water”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2014</th>
<th>2013</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>31.8</td>
<td>11.4</td>
<td>20.4</td>
<td>179%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>90,016</td>
<td>66,433</td>
<td>23,583</td>
<td>35%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>12%</td>
<td>18%</td>
<td>-6%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in thousand Pesos)</th>
<th>2014</th>
<th>2013</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>676,883</td>
<td>332,308</td>
<td>344,575</td>
<td>104%</td>
</tr>
<tr>
<td>Cost and expenses</td>
<td>322,976</td>
<td>132,174</td>
<td>190,802</td>
<td>144%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>353,908</td>
<td>200,134</td>
<td>153,774</td>
<td>77%</td>
</tr>
<tr>
<td>Net income</td>
<td>163,949</td>
<td>107,539</td>
<td>56,410</td>
<td>52%</td>
</tr>
</tbody>
</table>

Billed volume of Laguna Water grew by 179% to 31.8 mcm in 2014 brought about by the additional volume of 13.3 mcm coming from the 160 industrial customers of Laguna Technopark, Inc. (LTI). Laguna Water officially took over at the beginning of 2014 as the exclusive water
provider in LTI, which is an industrial estate located within the cities of Sta. Rosa and Biñan in Laguna, following the signing of an Asset Purchase Agreement with LTI for the acquisition of the latter’s water reticulation and sewerage system. Excluding LTI, additional service connections in the base business totaling almost 24,000 also helped raise billed volume to 18.6 mcm, growing by 7.2 mcm or 63% year-on-year. The NRW ratio improved by six percentage points to end 2014 at 12% from 18% in 2013 following the continuing leak repair programs.

Revenues grew by 104% in 2014 to Php677 million as a result of the significant increase in billed volume despite the 14% drop in average effective tariff to Php16.72 per cubic meter. On the other hand, operating expenses grew by 144% to P323 million, resulting in an EBITDA growth of 77% to Php354 million. Net income of LAWC reached P164 million in 2014, growing by 52% from the previous year.

Thu Duc Water B.O.O Corporation (“Thu Duc Water”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2014</th>
<th>2013</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>119.7</td>
<td>120.4</td>
<td>-0.7</td>
<td>-1%</td>
</tr>
</tbody>
</table>

Financial Highlights (in million VND)

| Revenues | 331,622 | 323,994 | 7,628 | 2% |
| Cost and expenses | 101,207 | 97,639 | 3,568 | 4% |
| EBITDA | 230,414 | 226,355 | 4,059 | 2% |
| Net income | 117,154 | 111,702 | 5,452 | 5% |

Net income (49% contribution)

| Net income (49% contribution) | 217,705 | 216,301 | 1,404 | 1% |

Thu Duc Water sold a total of 119.7 mcm in 2014, slightly less than the 120.4 mcm billed volume in 2013, due to the lower water intake of Saigon Water Corporation (SAWACO). Nevertheless, the billed volume of 328 million liters per day (mld) is higher than the guaranteed minimum consumption of 300 mld under the bulk water supply take-or-pay arrangement with SAWACO.

Under Vietnamese Accounting Standards (VAS), revenues grew by 2% to VND332 billion while operating expenses went up by 4%, attributable to the increase in direct costs brought about by higher power rates and cost of raw materials. It led to a 2% growth in EBITDA and 5% improvement in net income to VND117 billion as the Company booked lower interest expenses owing to the continued paydown of its debt. In peso terms, the PFRS-translated income reflected in the consolidated financial statements as Equity Share in Net Income of Associates amounted to Php218 million, equivalent to Manila Water’s 49% stake in Thu Duc Water.
Kenh Dong Water Supply Joint Stock Company ("Kenh Dong Water")

<table>
<thead>
<tr>
<th>Operating Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in million VND)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Cost and expenses</td>
</tr>
<tr>
<td>EBITDA</td>
</tr>
<tr>
<td>Net income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in PFRS (in thousand Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (47% contribution)</td>
</tr>
</tbody>
</table>

Kenh Dong Water registered a billed volume of 55.2 mcm in its first full year of operations in 2014, more than doubling the volume of 20.6 mcm posted the previous year as it started commercial operations in July 2013. The billed volume is in line with the guaranteed minimum consumption of 150 million liters per day (mld) under the bulk water supply take-or-pay arrangement with SAWACO.

Under Vietnamese Accounting Standards (VAS), Kenh Dong Water posted revenues of VND203 billion and an EBITDA of VND151 billion. Together with depreciation and interest expenses of VND103 billion, this led to a net income of VND47 billion. Similar to Thu Duc Water, income from Kenh Dong Water is translated into PFRS using the financial asset model due to its take-or-pay arrangement, and is reported as Equity in Net Earnings of Associates in the consolidated financial statements. In peso terms, the PFRS-translated income of Manila Water’s 47.35% stake in Kenh Dong Water amounted to Php112 million.

**Balance Sheet**

The consolidated balance sheet remained strong and geared for expansion at the end of 2014. Strong cash inflows attributable to the high collection efficiency during the period and the delay in the implementation of capital expenditure projects due to the ongoing arbitration brought cash and cash equivalents to Php6.5 billion. Total assets rose by 3% to Php74.9 billion as the Company continued to make additional capital investments on network, water and used water expansion projects, albeit at a slower pace. Liabilities, on the other hand, dropped by 5% to Php39.8 billion due to the payment of debt and other service concession obligations.

The Company continued to be compliant with its loan covenants. Debt to equity ratio stood at 0.92x, excluding concession obligations, while, net bank debt to equity registered at 0.56x.

The Company declared cash dividends for the first and second semesters of the year on February 20, 2014 and October 7, 2014, respectively. Under the Company’s cash dividend policy, shareholders are entitled to annual cash dividends equivalent to 35% of the prior year’s net income, payable semi-annually. As such, common shareholders received Php0.8063 per common share, while preferred shareholders got Php0.0806 per preferred share, for dividends totaling to Php1.97 billion in 2014.
Capital Expenditures

The Company’s East Zone spent a total of Php4,135 million (inclusive of concession fee payments) for capital expenditures in 2014, 12% less than the P4,682 million spent the previous year. The bulk of capital expenditures was spent on used water expansion and network reliability projects, which accounted for 72% of the total. The balance of 28% or Php1,167 million was accounted for by concession fees paid to MWSS. Capital expenditures in 2014 was limited to on-going and service reliability projects in the absence of an approved business and capital expenditure plan as part of the 2013 Rate Rebasing exercise.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to Php1,062 million in 2014, growing by 11% from the previous year. Of the total amount, Php758 million or 71% was used by Laguna Water for its network coverage expansion, while the balance was disbursed by Boracay Water and Clark Water.

Material Changes (Increase or Decrease of 5% or more in the financial statements)

Income Statement Items (End 2014 vs. End 2013)

Consolidated Revenue

Water, environmental charges and sewer revenue – 6% increase
Increase of Php28 million was due to strong billed volume growth of the Parent Company and the operating subsidiaries following an increase in the number of new water service connections.

Revenue from management contracts – 85% decrease
Decrease of Php149 million was attributable to the completion in August 2014 of the contract with Saigon Water Company (SAWACO) in Ho Chi Minh City, Vietnam for a leakage project in Zone 1.

Other operating income – 31% decrease
Decrease of Php347 million was accounted for mainly by lower income realized from the liquidation of service connection costs advanced by the Parent Company for private residential subdivisions.

Consolidated Operating Costs And Expenses

Salaries, allowance and benefits – 12% increase
Increase of Php156 million was mainly attributable to improvements in the Group’s compensation package and other benefits, higher shared options expense and retirement costs.

Power, light and water – 23% increase
Increase of Php197 million was on account of higher power consumption due mainly to the commissioning of East La Mesa Treatment Plant starting October 2013 and power rate increase of Meralco commencing the later part of 2013.

Management, technical and professional fees – 18% decrease
Decrease of Php108 million was due to the one-time consultancy service for enterprise transformation study and accrual of professional fees related to the Parent Company’s rate rebasing arbitration process in 2013.
Repairs and maintenance – 9% increase
Increase of P33 million was attributable to the increase in maintenance activities brought about by the expanding service coverage area including the commissioning of additional treatment and pumping station facilities.

Contractual services – 25% increase
Increase of P54 million was due mainly to outsourced IT Help Desk, operations and maintenance of the Records Management Center and increase in the number of outsourced administrative support service as the Group expands its business operations.

Regulatory costs – 51% increase
Increase of P34 million was attributable to the payment to Metropolitan Waterworks and Sewerage System (MWSS) of prior years concession fees and the cumulative effects of CPI adjustments on the operating cost component of annual regulatory fees.

Occupancy costs – 12% increase
Increase of P14 million was on account of additional janitorial and security costs related to the commissioning of East La Mesa Plant and the mandated increase in the wage rate of security and janitorial personnel.

Wastewater costs – 10% increase
Increase of P9 million was mainly due to higher volume of desludged wastes from customers’ septic tanks in 2014.

Water treatment chemicals – 10% decrease
Decrease of P8 million was attributable to lower chemical usage this year due to better raw water quality and use of more cost-efficient treatment chemicals.

Postage, telephone and supplies – 8% decrease
Decrease of P4 million was due to the combination of lower communication expenses and the decrease in office supplies due to the implementation of the Parent Company of the Manage Print Services (MPS) System wherein the printing equipment together with printing supplies are provided by an independent supplier, costs of which are charged under equipment rental.

Provision for probable losses – 10% increase
Increase of P17 million was mainly attributable to additional provision for various taxes in 2014.

Business meetings and representation – 14% increase
Increase of P18 million was due to activities related to business expansion programs of the Group.

Donations – 1352% increase
Increase of P29 million was solely on account of the donation made by the Parent Company to the Manila Water Foundation to support increase in the number of beneficiaries of the ‘Kabuhayan Para sa Barangay’ program and expanded socio-civic activities, such as environmental protection, health and educational campaigns.

Cost of inventory sold – 75% decrease
Decrease of P56 million was due to lower volume of materials sold to contractors and other parties during the year.
**Premium on performance bond – 23% decrease**
Decrease of ₱2 million was due to a lower premium rate on the stand-by letter of credit guaranteeing the Parent Company’s performance under the Concession Agreement with MWSS.

**Cost of new market development – 98% decrease**
Decrease of ₱8 million was mainly due to a one-time cost of organizational restructuring study related to key accounts development in 2013. No similar expense was incurred in 2014.

**Reversal of prepaid transaction costs – 100% decrease**
Decrease of ₱33 million was a non-recurring cost incurred in 2013 related to the reclassification to operating expense from prepaid expenses of arrangement fees for a loan to finance an expansion project which did not materialize.

**Other expenses – 55% increase**
Increase of ₱91 million was attributable to higher overhead cost and miscellaneous expenses due to the expanding service area, increasing number of customers and increased operational activities.

**Other Income (Expenses)**

**Revenue from and cost of rehabilitation works – 32% decrease**
Decrease of ₱1,635 million was primarily on account of lower rehabilitation works due to constrained capital expenditure in 2014 pending the resolution of ongoing rate rebasing arbitration.

**Interest income – 7% increase**
Increase of ₱13 million was mainly attributable to the accretion of interest income related to the concession financial receivable of CMWD.

**Amortization of deferred credits – 17% increase**
Increase of ₱1 million was the result of higher unamortized discounts of customers’ guaranty deposits in 2014.

**Interest expense – 6% decrease**
Decrease of ₱97 million was mainly due to lower interest rates of the Group’s loans and lower interest expense on service concession loans on account of diminishing outstanding balance.

**Equity share in net income of associates – 22% increase**
Increase of ₱63 million was due to higher net income generated by associates in Vietnam, namely, Thu Duc Water B.O.O., Kenh Dong Water Supply Joint Stock Company, and Saigon Water Infrastructure Corporation.

**Gain on disposal of property and equipment – 216% increase**
Increase of ₱0.03 million was attributable to higher gain on disposal, as property and equipment with greater value was sold in 2014.

**Gain (loss) on revaluation of receivable from Bonifacio Water Corporation – 100% decrease**
Decrease of ₱1 million was due to non-recognition of revaluation loss in 2014 of Parent Company’s receivable from Bonifacio Water Corporation.
Other loss – 194% decrease
Decrease of ₱136 million was mainly attributable to the reversal of accrued transaction costs related to Parent Company’s loan facility which was neither activated nor disbursed and was subsequently cancelled in November 2014.

Consolidated Statements of Financial Position (End 2014 Vs. End 2013)

Cash and cash equivalents – 11% decrease
Decrease of ₱727 million was mainly due to settlement of loan, dividends and service concession obligation partially offset by loan availing by the operating subsidiaries.

Short-term cash investments – 324% increase
Increase of ₱306 million was due to money placements of Boracay Water pending disbursements for projects.

Receivables (net) – 22% increase
Increase of ₱301 million was due to higher water, sewer and environmental billings and increase in collection period of the Parent Company as a result of strict implementation of disconnection guidelines.

Materials and supplies – at cost – 80% increase
Increase of ₱83 million was mainly due to higher stock purchases for chemical inventories, water meter and service connection supplies during the year due to reclassification of water meters inventory.

Other current assets – 10% increase
Increase of ₱63 million was mainly due to higher advances to contractors attributable to new projects implemented by the subsidiaries during the year and higher input value-added tax (VAT), which will be applied against future output VAT.

Property, plant and equipment (net) – 5% increase
Increase of ₱93 million was mainly due to acquisition of technical equipment and IT hardware and software in line with SAP enhancement upgrade and business intelligence projects.

Available for sale financial assets (AFS) – 98% decrease
Decrease of ₱103 million was accounted for by the maturity of AFS investments of the Parent Company in 2014.

Deferred tax assets (net) – 7% increase
Increase of ₱59 million was caused by higher deferred tax benefit derived from the decrease in net temporary differences related to service concession assets, service concession obligation and deferred FCDA.

Investment in associates – 5% increase
Increase of ₱253 million was mainly attributable to the higher equity share in the net earnings of Saigon Water Infrastructure Corporation, Thu Duc Water B.O.O., Kenh Dong Water Supply Joint Stock Company and cumulative translation adjustment during the year as a result of the conversion of the MWAP financial statements from USD to PHP, net of dividend income from Thu Duc Water B.O.O.
Concession financial receivable – net of current portion – 49% increase
Increase of ₱295 million was due to the accretion of interest income related to the financial receivable of CMWD as a result of the signing of the Bulk Water Supply Contract with MCWD in December 2013 and additional revenue from construction works in 2014.

Other noncurrent assets – 16% increase
Increase of ₱126 million was accounted for mainly by deferred FCDA on account of foreign exchange losses in 2014 which are recoverable through water tariff adjustment.

Accounts and other payables – 9% decrease
Decrease of ₱376 million was mainly brought about by the reduction in contracts payable due to settlements of project related expenditures and payments of trade payables during the year.

Current portion of long term debt – 32% increase
Increase of ₱605 million was mainly due to the reclassification of noncurrent portion of EIB loan to current following the Parent Company’s decision to prepay the EIB loan on February 20, 2015.

Current portion of service concession obligation – 21% decrease
Decrease of ₱271 million was accounted for by the diminishing outstanding balance of concession loans.

Income tax payable – 9% decrease
Decrease of ₱45 million was due to payment of the 2013 tax due and the first three quarters of 2014 corporate income tax.

Payable to related parties – 92% decrease
Decrease of ₱128 million was accounted for by the settlement by Manila Water Consortium of its shareholder loan from Metropac Water and VICSAL.

Long term debt- net of current portion – 6% decrease
Decrease of ₱1,386 million was mainly attributed to loan settlement in 2014 and reclassification of EIB loan noncurrent portion to current.

Pension liability – 90% decrease
Decrease of ₱343 million was attributable to additional contribution to the retirement fund amounting to ₱400 million in 2014 partially offset by the recognition of retirement expense during the year pursuant to PAS 19, Employee Benefits.

Deferred tax liability – 100% increase
Increase of ₱69 million was mainly due to the deferred tax liabilities recognized by CMWD related to the concession financial receivable.

Provisions – 18% increase
Increase of ₱152 million pertains to accrual of various taxes for the year which are either pending decision by the courts or being contested.

Other noncurrent liabilities – 16% decrease
Decrease of ₱162 million was mainly accounted for by liquidation of collections for service connection costs advanced by the Parent Company.
**Subscriptions receivable – 11% decrease**
Decrease of P32 million was due to collection of subscriptions made under the Executive Stock Ownership Plan (ESOWN) in 2014.

**Common stock options outstanding – 17% increase**
Increase of P2 million was attributable to additional subscriptions under the ESOWN for 2014.

**Appropriated Retained earnings – 100% decrease**
Decrease of P7,000 million was on account of the reversal of appropriation of the Parent Company’s retained earnings.

**Unappropriated Retained earnings – 62% increase**
Increase of P10,800 million was on account of net income generated in 2014, net of cash dividends declared and P7,000 million reversal of appropriated retained earnings.

**Unrealized gain on available for sale financial asset – 100% decrease**
Decrease of P3 million was due to maturity of the remaining AFS investment in 2014.

**Remeasurement gain (loss) on defined benefit plans – 27% decrease**
Decrease of P37 million pertains to remeasurement adjustments on valuation of pension liabilities in accordance with PAS 19, *Employee Benefits*.

**Cumulative translation adjustment – 86% increase**
Increase of P102 million was attributable to the exchange differences arising from the translation of Manila Water Asia Pacific Pte., Ltd.’s books from United States Dollar into Philippine Peso which was stronger at year-end 2014.

**RESULTS OF OPERATIONS (2013 VS. 2012)**

**CONSOLIDATED FINANCIAL PERFORMANCE**

The Group’s key financial performance indicators are discussed below:

<table>
<thead>
<tr>
<th></th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousand Pesos)</td>
</tr>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>15,925,817</td>
</tr>
<tr>
<td>Total cost and expenses, excluding depreciation and amortization</td>
<td>4,653,609</td>
</tr>
<tr>
<td>Other income/(expense) - net</td>
<td>375,264</td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td>293,975</td>
</tr>
<tr>
<td>Others</td>
<td>81,289</td>
</tr>
<tr>
<td>EBITDA</td>
<td>11,647,472</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,494,763</td>
</tr>
<tr>
<td>Income before other income/expenses</td>
<td>9,152,709</td>
</tr>
<tr>
<td>Interest income/(expense) - net</td>
<td>(1,560,575)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>7,592,134</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,811,573</td>
</tr>
<tr>
<td>Net income</td>
<td>5,780,561</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>28,199</td>
</tr>
<tr>
<td>Net income attributable to MWC</td>
<td>5,752,362</td>
</tr>
</tbody>
</table>
Manila Water posted Php5,752 million in net income for the year 2013, 5% higher than the Php5,490 million recorded the previous year. Consolidated operating revenues reached Php15,926 million, or 9% higher year-on-year. The increase was driven largely by the continued expansion in the East Zone, with the 1.5% billed volume growth and 2% improvement in average effective tariff resulting from the CPI adjustment of 3.2% implemented at the beginning of the year. The contribution from the domestic operating subsidiaries amounting to Php957 million, higher by 30% year-on-year, also helped improve the growth in revenues.

A breakdown of the revenue drivers is shown below:

<table>
<thead>
<tr>
<th></th>
<th>For the years ended December 31 (in thousand Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Water</td>
<td>11,995,693</td>
</tr>
<tr>
<td>Environmental charges</td>
<td>2,250,483</td>
</tr>
<tr>
<td>Sewer</td>
<td>396,664</td>
</tr>
<tr>
<td>Revenue from management contracts</td>
<td>174,939</td>
</tr>
<tr>
<td>Other operating income</td>
<td>1,108,038</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>15,925,817</strong></td>
</tr>
</tbody>
</table>

The Group derived 75% of its operating revenues from water bills, while 17% came from environmental and sewer charges. Other revenues, which accounted for the balance of 8%, were from connection fees, management contracts in Vietnam, and septic sludge disposal, among others. The Company realized income from reconciliation of service connection costs amounting to Php609 million, helping boost other operating income.

On the other hand, consolidated operating costs and expenses (excluding depreciation and amortization) rose by 10% to Php4,654 million in 2013. Non-personnel costs led the growth with an increase of 19%. Overhead, in particular, rose by 30% as higher management and professional fees were incurred during the period arising from the ongoing arbitration proceedings with MWSS. This will be discussed in more detail in the East Zone Concession section. Higher non-personnel costs were however tempered by lower salaries, wages and employee benefits which dropped by 8% as the Company continued to benefit from the manpower restructuring program initiated in 2012.

Below is a summary of the operating expenses incurred during the period:

<table>
<thead>
<tr>
<th></th>
<th>For the years ended December 31 (in thousand Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Salaries wages and employee benefits</td>
<td>1,258,241</td>
</tr>
<tr>
<td>Non personnel costs</td>
<td>3,152,824</td>
</tr>
<tr>
<td>Direct costs, materials and supplies</td>
<td>1,302,190</td>
</tr>
<tr>
<td>Overhead</td>
<td>1,676,804</td>
</tr>
<tr>
<td>Premises</td>
<td>173,831</td>
</tr>
<tr>
<td>Other expenses</td>
<td>242,544</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>4,653,609</strong></td>
</tr>
</tbody>
</table>
Meanwhile, other income (net of expense) decreased by 5% to Php375 million from Php394 million in 2012. The two bulk water companies in Vietnam, Thu Duc Water and Kenh Dong Water, contributed Php294 million in net income, growing by 42% from the previous year.

The movements in revenues and operating expenses, together with other income that decreased by 5%, resulted in a consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of Php11,647 million in 2013, growing by 9% from the previous year. EBITDA margin was maintained at 73%.

**BUSINESS SEGMENTS' FINANCIAL AND OPERATING PERFORMANCE**

Results of operations detailed as to business segment are shown below:

<table>
<thead>
<tr>
<th>For the years ended December 31</th>
<th>East Zone</th>
<th>Operating Subsidiaries</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>14,794,066</td>
<td>956,812</td>
<td>174,939</td>
<td>15,925,817</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>6,421,361</td>
<td>630,798</td>
<td>96,213</td>
<td>7,148,372</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>8,372,705</td>
<td>326,014</td>
<td>78,726</td>
<td>8,777,445</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>4,177,636</td>
<td>893,622</td>
<td>-</td>
<td>5,071,258</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(4,177,636)</td>
<td>(893,622)</td>
<td>-</td>
<td>(5,071,258)</td>
</tr>
<tr>
<td>Interest income</td>
<td>152,614</td>
<td>20,211</td>
<td>-</td>
<td>172,825</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,671,312)</td>
<td>(62,088)</td>
<td>-</td>
<td>(1,733,400)</td>
</tr>
<tr>
<td>Share in equity income of associates</td>
<td>-</td>
<td>293,975</td>
<td>-</td>
<td>293,975</td>
</tr>
<tr>
<td>Others</td>
<td>6,039</td>
<td>75,250</td>
<td>-</td>
<td>81,289</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>6,860,046</td>
<td>653,362</td>
<td>78,726</td>
<td>7,592,134</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,757,536</td>
<td>54,037</td>
<td>-</td>
<td>1,811,573</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>5,102,510</td>
<td>599,325</td>
<td>78,726</td>
<td>5,780,561</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized loss on AFS financial assets</td>
<td>(18,568)</td>
<td>-</td>
<td>-</td>
<td>(18,568)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>-</td>
<td>127,109</td>
<td>-</td>
<td>127,109</td>
</tr>
<tr>
<td>Actuarial loss on pension liabilities - net</td>
<td>(66,233)</td>
<td>(1,462)</td>
<td>-</td>
<td>(67,695)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>5,017,709</td>
<td>724,972</td>
<td>78,726</td>
<td>5,821,407</td>
</tr>
<tr>
<td><strong>Net income attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of MWCI</td>
<td>5,017,709</td>
<td>696,870</td>
<td>-</td>
<td>5,714,579</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>-</td>
<td>28,102</td>
<td>-</td>
<td>28,102</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,017,709</td>
<td>724,972</td>
<td>-</td>
<td>5,742,681</td>
</tr>
<tr>
<td>Segment assets, exclusive of deferred assets</td>
<td>60,651,146</td>
<td>6,479,136</td>
<td>197,296</td>
<td>67,327,578</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>4,708,207</td>
<td>-</td>
<td>4,708,207</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>781,409</td>
<td>40,331</td>
<td>-</td>
<td>821,740</td>
</tr>
<tr>
<td><strong>Segment assets, exclusive of deferred liabilities</strong></td>
<td>61,432,555</td>
<td>11,227,674</td>
<td>197,296</td>
<td>72,857,525</td>
</tr>
<tr>
<td>Segment liabilities, exclusive of deferred liabilities</td>
<td>38,388,811</td>
<td>3,390,062</td>
<td>24,595</td>
<td>41,803,468</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>38,388,811</td>
<td>3,390,062</td>
<td>24,595</td>
<td>41,803,468</td>
</tr>
<tr>
<td>Segment additions to equipment and SCA</td>
<td>4,856,870</td>
<td>1,388,686</td>
<td>-</td>
<td>6,245,556</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,298,103</td>
<td>196,660</td>
<td>-</td>
<td>2,494,763</td>
</tr>
<tr>
<td>Noncash expenses other than depreciation and amortization</td>
<td>32,677</td>
<td>22,968</td>
<td>-</td>
<td>55,645</td>
</tr>
</tbody>
</table>
The Group is comprised of the Metro Manila East Zone Concession, its operating subsidiaries and management contracts secured outside of the service concession. The operating subsidiaries in the Philippines include Boracay Island Water Company (“Boracay Water”), Clark Water Corporation (“Clark Water”) and Laguna AAAWater Corporation (“Laguna Water”). The Group also has a leakage reduction contract and stakes in two bulk water suppliers in Ho Chi Minh City in Vietnam, namely Thu Duc Water BOO Corporation (Thu Duc Water) and Kenh Dong Water Supply Joint Stock Company (Kenh Dong Water). Meanwhile, contribution from the new project in the Province of Cebu will be recognized upon completion of the transmission lines which is expected to be in the second quarter of 2014.

Net income in 2013 was derived largely from the East Zone Concession, accounting for 88% of the total. Businesses outside the East Zone contributed the balance of 12% to consolidated net income.

### East Zone Concession (“East Zone”)**

<table>
<thead>
<tr>
<th>For the years ended December 31</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Highlights</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>433.6</td>
<td>427.3</td>
<td>6.4</td>
<td>1%</td>
</tr>
<tr>
<td>Domestic</td>
<td>283.6</td>
<td>278.2</td>
<td>5.4</td>
<td>2%</td>
</tr>
<tr>
<td>Semi-Commercial</td>
<td>45.3</td>
<td>43.0</td>
<td>2.3</td>
<td>5%</td>
</tr>
<tr>
<td>Commercial</td>
<td>89.0</td>
<td>92.4</td>
<td>-3.3</td>
<td>-4%</td>
</tr>
<tr>
<td>Industrial</td>
<td>15.7</td>
<td>13.8</td>
<td>1.9</td>
<td>14%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>921,898</td>
<td>896,148</td>
<td>25,750</td>
<td>3%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>11.2%</td>
<td>12.2%</td>
<td>-1.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Financial Highlights (in thousand Pesos)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>14,794,066</td>
<td>13,648,127</td>
<td>1,145,939</td>
<td>8%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>4,123,258</td>
<td>3,841,492</td>
<td>281,766</td>
<td>7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10,670,808</td>
<td>9,806,635</td>
<td>864,173</td>
<td>9%</td>
</tr>
<tr>
<td>Net income</td>
<td>5,102,510</td>
<td>5,130,555</td>
<td>(28,045)</td>
<td>-1%</td>
</tr>
</tbody>
</table>

East Zone’s billed volume, reported in millions of cubic meters (“mcm”), increased by nearly 1.5% in 2013. The number of water connections grew by 3% to 921,898 customers at the end of the period, mostly from the expansion areas of Marikina, Pasig and Rizal. However, since the new connections were mostly residential customers with relatively lower water usage, average consumption dropped by 2% to 43.1 cubic meters from 44.2 cubic meters in the previous year. The impact on tariff of the slight change in customer mix biased towards residential customers was muted by the CPI adjustment of 3.2% implemented at the beginning of the year resulting in a 2% improvement in average effective tariff.

Aside from the continued growth in residential customers, billed volume growth was also driven by the improvement in semi-commercial accounts and the conversion of deep well users in the areas of Pasig and Taguig, as well as the 14% growth of industrial customers. This was however tempered by the 4% decline in commercial accounts.

The level of system losses, as measured by the non-revenue water (“NRW”) ratio, improved to 11.2% at the end of 2013 from 12.2% at the end of 2012. The NRW of the East Zone deteriorated in 2012 as a result of the stabilization of the Company’s operational adjustment in...
the water flows from the primary transmission lines going to the expansion areas of Marikina, Pasig, Rizal and some parts of Taguig to service the demand of the existing and new customers.

Collection efficiency in 2013 was recorded at 101%, a significant improvement from the previous year’s 97%. However, average account receivable days rose to 20 days in 2013 from 17 days in 2012 as a result of the longer reading and billing days following the implementation in August 2012 of a new meter reading and billing system.

On 12 September 2013, MWSS released a new set of tariffs for the East Zone as part of the rate rebasing review of Manila Water’s investment plan for the continuing provision of quality water supply and used water services to its customers. MWSS determined a negative adjustment of 29.47% from Manila Water’s 2012 average basic water charge, eliminating what the Company believes to be significant programs for building and maintaining the water and used water systems in the East Zone.

Manila Water, on 24 September 2013, raised its objection by filing a Dispute Notice with the International Chamber of Commerce, formally commencing the arbitration process which is a dispute resolution mechanism outlined under the Concession Agreement. While awaiting the outcome of the arbitration proceedings, existing tariffs as previously approved by the MWSS will be maintained in the East Zone at present levels.

Boracay Island Water Company, Inc. (“Boracay Water”)

| For the years ended December 31 | 2013 (in thousand Pesos) | 2012 (in thousand Pesos) | Increase/Decrease | %
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Highlights</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>3.6</td>
<td>3.1</td>
<td>0.5</td>
<td>15%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>5,647</td>
<td>5,288</td>
<td>359</td>
<td>7%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>13%</td>
<td>14%</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Highlights (in thousand Pesos)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>266,790</td>
<td>223,480</td>
<td>43,310</td>
<td>19%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>111,320</td>
<td>108,400</td>
<td>2,920</td>
<td>3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>155,470</td>
<td>115,080</td>
<td>40,390</td>
<td>35%</td>
</tr>
<tr>
<td>Net income</td>
<td>72,770</td>
<td>32,820</td>
<td>39,950</td>
<td>122%</td>
</tr>
</tbody>
</table>

Boracay Water posted a 15% increase in billed volume in 2013 to 3.6 mcm from 3.1 mcm in the previous year on the back of a 7% increase in water service connections and 13% growth in tourist arrivals that reached 1.4 million. With the continued improvement in network operations, the NRW level improved by one percentage point to 13% in 2013 from 14% in the previous year.

The growth in billed volume coupled with higher average tariff led to a 19% improvement in total revenues to Php267 million. Boracay Water implemented its approved rate rebasing tariff adjustment in February 2013 resulting in an increase in average tariff of 6%. Operating expenses increased at a slower rate of 3% to Php111 million, corresponding to the higher water production and used water expansion, thereby improving its EBITDA margin to 58% from 51% last year. Net income grew by 122% to Php73 million as higher depreciation and amortization charges were offset by lower interest expense and deferred tax provision.
Clark Water Corporation (“Clark Water”)

Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>9.8</td>
<td>9.0</td>
<td>0.8</td>
<td>9%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>1,975</td>
<td>1,913</td>
<td>62</td>
<td>3%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>6%</td>
<td>12%</td>
<td>-6%</td>
<td></td>
</tr>
</tbody>
</table>

Financial Highlights (in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>335,612</td>
<td>318,567</td>
<td>17,045</td>
<td>5%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>167,483</td>
<td>149,213</td>
<td>18,270</td>
<td>12%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>168,129</td>
<td>169,354</td>
<td>(1,225)</td>
<td>-1%</td>
</tr>
<tr>
<td>Net income</td>
<td>85,627</td>
<td>85,935</td>
<td>(308)</td>
<td>0%</td>
</tr>
</tbody>
</table>

Clark Water posted a billed volume growth of 9% to 9.8 mcm as it continued to connect new customers in its concession area. Efforts to reduce non-revenue water resulted in significant results as the NRW level as of the end of 2013 declined to 6% from 12% in 2012. Proper management of water levels and monitoring of water pumping schedules led to the NRW improvement.

The increase in billed volume led to a revenue growth of 5% from Php319 million in 2012 to Php336 million in 2013. Meanwhile, operating expenses increased by 12% to Php167 million, thereby resulting in a slight decline in EBITDA to Php168 million. Net income of Clark Water reached Php86 million in 2013, moving sideways, as the higher depreciation was offset by lower interest expense during the year.

Laguna AAAA Water Corporation (“Laguna Water”)

Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>11.4</td>
<td>8.1</td>
<td>3.3</td>
<td>41%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>65,665</td>
<td>42,343</td>
<td>23,322</td>
<td>55%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>18%</td>
<td>25%</td>
<td>-7%</td>
<td></td>
</tr>
</tbody>
</table>

Financial Highlights (in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>332,308</td>
<td>189,554</td>
<td>142,754</td>
<td>75%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>132,174</td>
<td>89,300</td>
<td>42,874</td>
<td>48%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>200,134</td>
<td>100,254</td>
<td>99,880</td>
<td>100%</td>
</tr>
<tr>
<td>Net income</td>
<td>107,539</td>
<td>56,478</td>
<td>51,061</td>
<td>90%</td>
</tr>
</tbody>
</table>

Billed volume of Laguna Water grew by 41% to 11.4 mcm largely due to the additional service connections totaling more than 23,000. Laguna Water converted a number of residential subdivisions and commercial accounts during year. The NRW ratio improved by seven percentage points to end 2013 at 18% from 25% the previous year with the completion of the pipe replacement projects in Cabuyao and leak repair activities in the old Matang Tubig Spring transmission lines in late 2012.

Revenues grew by 75% in 2013 to Php332 million as a result of the higher billed volume and average effective tariff that went up by 8% to Php21.07 per cubic meter with the improved share of commercial customers in the mix. On the other hand, operating expenses grew at a slower rate
of 48%, resulting in an EBITDA growth of 100% to P200 million. Net income of Laguna Water reached Php108 million in 2013, growing by 90% from the previous year.

On January 2, 2014, Laguna Water signed an Asset Purchase Agreement with Laguna Technopark, Inc. for the acquisition of the water reticulation and sewerage system of Laguna Technopark which is an industrial estate located within the cities of Sta. Rosa and Binan in Laguna. Laguna Water officially took over at the beginning of 2014 as the exclusive water provider in the said industrial estate that is home to some of the region’s largest and more successful light to medium non-polluting industries.

Thu Duc Water B.O.O Corporation (“Thu Duc Water”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>120.4</td>
<td>122.4</td>
<td>-2.0</td>
<td>-2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in million VND)</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>360,167</td>
<td>312,568</td>
<td>47,599</td>
<td>15%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>99,358</td>
<td>90,674</td>
<td>8,684</td>
<td>10%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>260,809</td>
<td>221,894</td>
<td>38,915</td>
<td>18%</td>
</tr>
<tr>
<td>Net income</td>
<td>240,507</td>
<td>94,352</td>
<td>146,155</td>
<td>155%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in PFRS (in thousand Pesos)</th>
<th>216,301</th>
</tr>
</thead>
</table>

Thu Duc Water sold a total of 120.4 mcm in 2013, dropping by 2% from the 122.4 mcm billed volume the previous year, due to the lower water intake of Saigon Water Corporation (SAWACO). The billed volume is however still higher than the guaranteed minimum consumption of 300 million liters per day (mld) under the bulk water supply take-or-pay arrangement with SAWACO.

Using Vietnamese Accounting Standards (VAS), revenues grew by 15% to VND360 billion despite the slight decline of 2% in billed volume as SAWACO drew less water from Thu Duc Water during the year. Meanwhile, operating expenses went up by 10%, attributable to the increase in General and Administrative Expenses. This led to a growth of 18% in EBITDA and 155% improvement in net income to VND241 billion as the company booked lower interest expenses owing to the continued paydown of its debt, and recognized deferred tax assets. In peso terms, the PFRS-translated income reflected in the consolidated financial statements as Equity Share in Net Income of Associates amounted to Php216 million, equivalent to Manila Water’s 49% stake in Thu Duc Water.
Kenh Dong Water Supply Joint Stock Company (“Kenh Dong Water”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>20.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in million VND)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>200,383</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>58,162</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>142,221</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>79,929</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in PFRS (in thousand Pesos)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (47% contribution)</td>
<td>76,653</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Kenh Dong Water started commercial operations in July 2013, registering a billed volume of 20.6 mcm in the six-month period ending December. The billed volume started lower than the guaranteed minimum consumption of 150 million liters per day (mld) under the bulk water supply take-or-pay arrangement with SAWACO but improved to 150 mld in December 2013.

Using Vietnamese Accounting Standards (VAS), Kenh Dong Water posted revenues of VND200 billion and an EBITDA of VND142 billion. Together with depreciation and interest expenses of VND62 billion, this led to a net income of VND80 billion. Similar to Thu Duc Water, income from Kenh Dong Water is translated into PFRS and is reported as Equity in Net Earnings of Associates in the consolidated financial statements. In peso terms, the PFRS-translated income of Manila Water’s 47% stake in Kenh Dong Water amounted to Php77 million.

**BALANCE SHEET**

The consolidated balance sheet remained strong and prepared for expansion at the end of 2013. Strong cash inflows brought about by the higher collection efficiency during the period and additional debt brought cash and cash equivalents to Php6.8 billion. Total assets rose by 9% to Php72.9 billion as the Company continued to lay additional capital investments on network, water and used water expansion projects. Liabilities, on the other hand, rose by 4% to Php41.8 billion due to new loan availments.

The Company continued to be compliant with the loan covenants, as the debt to equity ratio stood at 1.09x, excluding concession obligations. Meanwhile, net bank debt to equity registered at 0.64x.

**CAPITAL EXPENDITURES**

The Company’s East Zone spent a total of Php4,682 million (inclusive of concession fee payments) for capital expenditures in 2013, 35% less than the Php7,215 million spent the previous year. The bulk of capital expenditures was spent on network reliability, water supply and used water expansion projects, which accounted for 76% of the total. The balance of 24% was accounted for by concession fees paid to MWSS. Capital expenditures in 2013 were limited to on-going and service reliability projects in the absence of an approved business and capital expenditure plan as part of the 2013 Rate Rebasin exercise.
Meanwhile, total capital expenditures of the subsidiaries amounted to Php954 million, growing by 101% from 2012. Of the total amount, 79% was used by Laguna Water for its network coverage expansion, while the balance was disbursed by Boracay Island Water and Clark Water.

Material Changes (Increase or Decrease of 5% or more in the financial statements)

Income Statement Items (End 2013 VS. End 2012)

CONSOLIDATED REVENUE

Other operating income – 319% increase
Increase of Php844 million was accounted for mainly by income realized from the liquidation of service connection costs advanced by the Parent Company including the effect of change in the treatment of service connection fees directly as revenue starting January 2013.

CONSOLIDATED OPERATING COSTS AND EXPENSES

Depreciation and Amortization – 8% increase
Increase of Php175 million arose from additional investments and capitalizations during the year, particularly service concession assets consisting of pipe network extensions, treatment plants and pump stations.

Salaries, allowance and benefits – 8% decrease
Decrease of Php115 million was mainly attributable to the cost of the early retirement program implemented in 2012, a non-recurring expense needed for organizational streamlining in that year.

Management, technical and professional fees – 46% increase
Increase of Php184 million was accounted for by the cost of a one-time consultancy service for enterprise transformation study and accrual of professional fees related to the on-going Rate Rebasing 2013 arbitration.

Repairs and maintenance – 16% increase
Increase of Php50 million was attributable to the increase in maintenance activities brought about by the expanding service coverage area including the commissioning of additional treatment and pumping station facilities.

Contractual services – 50% increase
Increase of Php73 million was due mainly to outsourcing of the Parent Company’s meter reading and billing services and outsourced administrative support service.

Provision for probable losses – 102% increase
Increase of Php87 million was mainly attributable to additional provision for various taxes in 2013.

Business meetings and representation – 21% decrease
Decrease of Php34 million was due to higher representation activities in 2012 related to a major planned acquisition.
**Occupancy costs – 14% increase**
Increase of ₱15 million was attributable to the deployment of additional security guards and janitors for new facilities and the additional cost arising from the mandated increase in their minimum wage.

**Wastewater costs – 27% increase**
Increase of ₱18 million was mainly due to higher volume of desludged wastes from customers’ septic tanks in 2013 compared to the volume in 2012.

**Water treatment chemicals – 44% decrease**
Decrease of ₱62 million was attributable to lower chemical usage this year due to lower water turbidity and use of more cost efficient treatment chemicals.

**Cost of inventory sold – 70% increase**
Increase of ₱31 million was due to higher volume of materials withdrawn by contractors and other parties during the year.

**Transportation and travel – 12% decrease**
Decrease of ₱9 million mainly represented full year savings in 2013 against 5 months reduction in transportation expenses in 2012 due to outsourcing of meter reading services which started in August 2012.

**Regulatory costs – 31% increase**
Increase of ₱15 million was attributable to the cumulative effects of CPI adjustments on the operating cost component of annual regulatory fees paid to the Metropolitan Waterworks and Sewerage System (MWSS).

**Insurance – 5% increase**
Increase of ₱2 million pertains to higher property insurance premium paid on account of higher asset base.

**Postage, telephone and supplies – 41% increase**
Increase of ₱15 million was due to the upgrade of communication network and systems necessitated by the expanding business operations.

**Reversal of prepaid transaction costs – 100% increase**
This is a non-recurring item in which the increase of ₱33 million was a reclassification to operating expense of prepaid loan arrangement fees related to an expansion project which did not materialize.

**Advertising – 15% increase**
Increase of ₱3 million was due to additional cost to run waste water advocacy programs and higher promotional and marketing costs in support of the launch of the new Manila Water brand and logo.

**Cost of new market development – 293% increase**
Increase of ₱6 million was on account of the continued pursuit of new businesses.

**Premium on performance bond – 18% increase**
Increase of ₱1 million was due to a higher premium rate on the stand-by letter of credit guaranteeing the Parent Company’s performance under the Concession Agreement with MWSS.
Other expenses – 113% increase
Increase of ₱90 million was attributable to higher overhead cost and miscellaneous expenses necessitated by the expanding service area and increased operational activities.

OTHER INCOME (EXPENSES)

Interest income – 35% decrease
Decrease of ₱92 million was driven by lower investment in Available-for-sale Financial Assets (AFS) and lower interest rates in 2013.

Amortization of deferred credits – 21% increase
Increase of ₱1 million was the result of higher unamortized discounts of customers’ guaranty deposits in 2013.

Interest expense – 11% increase
Increase of ₱169 million was mainly due to cessation of capitalization of the interest expense related to a concession (MWSS) loan. The loan was utilized for the activities related to the Angat Water Utilization Improvement Project which was completed in 2012.

Equity share in net income of associates – 42% increase
Increase of ₱87 million was due to higher net income generated by associates in Vietnam, namely Thu Duc Water B.O.O., Kenh Dong Water Supply Joint Stock Company and a new associate, Saigon Water Infrastructure Corporation, which was acquired in October 2013.

Gain on disposal on property and equipment – 100% decrease
Decrease of ₱4 million was due mainly to fewer disposals of property and equipment in 2013.

Gain on disposal on AFS – 100% decrease
Decrease of ₱13 million was mainly attributable to the liquidation or sale of majority of AFS in 2012.

Gain (loss) on revaluation of receivable from Bonifacio Water Corporation – 101% decrease
Decrease of ₱115 million was due to lower revalued receivables as of December 31, 2013 on account of non-implementation of projected tariff increase as a result of delay in the completion of the rate rebasing review.

Other income – 125% increase
Increase of ₱39 million was mainly attributable to indemnity income from Kenh Dong Water Holdings, Pte. Ltd. related to the delayed start of operations of Kenh Dong Water Supply Joint Stock Company.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (End 2013 VS. End 2012)

Cash and cash equivalents – 22% increase
Increase of ₱1,240 million mainly came from the proceeds of the Parent Company’s ₱5 billion loan from Metrobank and the return of escrow account from Other Current Assets.
**Short-term cash investments – 100% increase**
Increase of ₱94 million represented money placements during the year while awaiting disbursements for projects.

**Concession financial receivable – current portion – 100% increase**
Increase of ₱77 million represented current portion of a recognized receivable of Cebu Manila Water Development, Inc.’s (CMWD) from Metropolitan Cebu Water District (MCWD) by virtue of the application of the financial asset model under IFRIC12, *Service Concession Arrangements*. This is based on the Notice of Award for the supply of bulk water issued by MWCD to CMWD following which, CMWD and MCWD signed on December 18, 2013 a 20-year Bulk Water Supply Contract for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years two to twenty.

**Materials and supplies – at cost – 7% decrease**
Decrease of ₱8 million was mainly due to lower stock purchases for chemical inventories, water meter and service connection supplies during the year.

**Other current assets – 44% decrease**
Decrease of ₱493 million pertains mainly to the return to Cash and Cash Equivalents of the escrow deposit intended for a new business acquisition.

**Property, plant and equipment (net) – 12% decrease**
Decrease of ₱279 million was mainly due to reclassification of certain components of the “Land” account to Service Concession Assets, being part of an on-going project.

**Service concession asset (net) – 8% increase**
Increase of ₱3,828 million was the net effect of additional capital expenditures and amortizations during the year.

**Available for sale financial assets (AFS) – 79% decrease**
Decrease of ₱389 million was due to the maturities and sale of investments in 2013.

**Investment in associates – 29% increase**
Increase of ₱1,063 million was mainly attributable to acquisition of shares in Saigon Water Infrastructure Corporation and equity pick-up in net earnings of Thu Duc Water B.O.O. Corporation, Kenh Dong Water Supply Joint Stock Company and Saigon Water Infrastructure Corporation.

**Concession financial receivable – net of current portion – 100% increase**
Increase of ₱604 million represented first-time take-up of CMWD’s financial receivable as a result of the signing of the Bulk Water Supply Contract with MCWD in 2013 (non-current portion).

**Other noncurrent assets – 8% increase**
Increase of ₱59 million was accounted for mainly by deferred FCDA on account of foreign exchange losses during the last quarter of 2013, recoverable through water tariff adjustment.

**Current portion of long term debt – 56% decrease**
Decrease of ₱2,374 million was mainly due to the settlement during the year of peso-loan maturities under bullet payment term.
Current portion of service concession obligation – 54% increase
Increase of ₱450 million was accounted for by maturing concession loans and the new MWSS loan used for the Angat Water Utilization Improvement Project.

Income tax payable – 13% increase
Increased of ₱63 million was on account of higher revenues during the period.

Payable to related parties – 404% increase
Increase of ₱111 million was accounted for by Manila Water Consortium’s shareholder loan from Metropac Water and VICSAL in 2013.

Long term debt-net of current portion – 23% increase
Increase of ₱4,554 million was mainly attributed to the loan availment of the Parent Company from Metrobank amounting to ₱5 billion in 2013.

Deferred tax liability – 100% decrease
Decrease of ₱0.16 million was due to lower amortization expense differential and deferred taxes arising from other comprehensive income relating to the re-measurement effects on defined benefit plans under PAS 19.

Provisions for probable losses – 16% increase
Increase of ₱116 million pertains to accrual of various taxes for the year. Said taxes are either pending decision by the courts or being contested.

Other noncurrent liabilities – 52% decrease
Decrease of ₱1,048 million was mainly accounted for by deferred FCDA due to the implementation of negative FCDA effective July 2013 and liquidation of collected service connection costs.

Subscriptions receivable – 28% increase
Increase of ₱62 million was due to subscriptions made under the 2013 ESOWN grant.

Unappropriated Retained earnings – 28% increase
Increase of ₱3,847 million was on account of net income generated in 2013, net of cash dividends paid.

Unrealized gain on available for sale financial asset – 85% decrease
Decrease of ₱19 million was due to investment maturities and sale of AFS financial assets in 2013.

Remeasurement gain (loss) on defined benefit plans – 93% increase
Increase of ₱68 million pertains to re-measurement loss adjustments on valuation of pension liabilities in accordance with PAS 19, Employee Benefits.

Cumulative translation adjustment – 1433% decrease
Decrease of ₱127 million was attributable to the exchange differences arising from the translation of Manila Water Asia Pacific Pte., Ltd.’s books from Singapore Dollar into Philippine Peso which was stronger at year-end 2013.
Non-controlling interest – 116% increase
Increase of ₱310 million was attributable to higher net income of subsidiaries where MWC has non-controlling interests and the decrease in ownership in MW Consortium in 2013 from 84% to 51%.

Results of Operations

The Group’s revenue is composed of:

- water charges from customers;
- sewer charges from customers;
- environmental charges; and
- other income (which includes connection fees, integrated used water services, reconnection fees, sale of packaged water, sale of scrap materials, and income from septic sludge disposal and bacteriological water analysis).

The Group’s costs and expenses are comprised of:

- depreciation and amortization;
- salaries, wages and employee benefits;
- power, light and water;
- contractual services;
- management, technical and professional fees (including system costs under the Administrative and Support Services Agreement with Ayala Corporation and payments for audit fees);
- repairs and maintenance;
- occupancy costs; and
- others (which include regulatory costs, interest expense, amortization of deferred credits, foreign exchange losses, collection fees, provision for probable losses and doubtful accounts, water treatment chemicals, transportation and travel, taxes and licenses, insurance, premium on performance bond, business meetings and representation, donations, postage, telephone and telegram, supplies, and others).

The following table sets out, for the periods indicated, certain items in the Group’s statements of income, each expressed as a percentage of revenue:
In 2015, the Group generated a net income after non-controlling interests of Php5.96 billion which was 2.49% higher than last year’s Php5.81 billion. The increase was driven by higher billed volume and additional service connections of the Parent Company which cushioned the increase in cost and expenses and the rate rebasing adjustment resulting from the conclusion of its 2013 Rate Rebasing exercise.

**Water Tariff**

The Parent Company’s water rates are determined according to the Concession Agreement. Different water tariff schedules apply to the four main categories of retail customers: residential, small business, large commercial and industrial. Each category has a graduated block rate cost structure, divided into nine (9) consumption bands for each residential and small business and thirty-three (33) bands for each commercial and industrial customers. As a result, large commercial and industrial customers, on average, pay more than the average residential customer on a unit cost per volume of water consumed basis.

Customers pay service charges based on the following:

- Basic charge calculated from consumption on a tariff table;
- Foreign Currency Differential Adjustment (FCDA);
- Environmental charge (EC);
- Sewer charge (SC); and
- Meter maintenance service charge.

In 2015, the Parent Company generated 79% of its revenue from water tariff charges to customers, 16% of its revenue from environmental charges, 2% of its revenue from sewerage charges and 4% from other income including its projects outside the East Zone.
Factors Affecting the Company’s Results of Operations

Tariff Rate Adjustments

Given that bulk of the Company’s income is generated by the Metro Manila East Zone business, the Company’s results of operations and financial condition are highly dependent upon its ability to receive adequate tariff rate increases for its water and sewerage services in this concession. Under the Concession Agreement, the Company is entitled to request the following tariff rate adjustments on top of the basic water charge:

- annual standard rates adjustment to compensate for increases in the Philippine Consumer Price Index (CPI), subject to the rates adjustment limit;
- extraordinary price adjustments (EPAs) to account for the financial consequences of certain unforeseen events, subject to the grounds stipulated in the Concession Agreement; and
- FCDAs to recover or account for foreign exchange losses and gains arising from MWSS loans and any concessionaire loans used for its service expansion and improvement.

In addition to the tariff adjustments described above, under the Concession Agreement, tariff rates are evaluated and adjusted every five years under a process called Rate Rebasing, through which the rates for water and sewerage services are reset to allow the Company to recover over the remaining concession period the following:

- its operating, capital maintenance and investment expenditures (efficiently and prudently incurred);
- Philippine business taxes; and
- payments corresponding to the Company’s debt service on MWSS loans and concession fees.

The Rate Rebasing also allows the Company to earn a rate of return equal to the ADR on these expenditures for the remaining term of the concession.

Philippine Economic Conditions

With most of the Company’s operations based in the Philippines, the Company’s results of operations and financial condition are affected by general economic conditions in the country, particularly by inflation rates, interest rates and currency exchange rate movements. For example, the general performance of the Philippine economy affects demand for water and sewer services, and inflation affects the Company’s costs and its margins. Although the Concession Agreement allows the Company to recover certain costs associated with changes in inflation and currency exchange rates, these adjustments are implemented after varying periods of time. Additionally, approved tariff rate adjustments may not cover all increased costs to the Company associated with changes in economic conditions. The Philippine economic environment has historically been characterized by significant variations in economic growth rates.

Inflation. Each year, the Company may propose tariff rate adjustments to account for inflation, as measured by the CPI and published by the Philippine Statistics Authority, subject to the rates adjustment limit set forth in the Concession Agreement. Although the Company has generally
been granted its proposed CPI related tariff rate adjustments in the past, a significant increase in inflation could increase the Company’s costs beyond what it may be able to recover through the CPI tariff rate adjustment.

*Currency Exchange Rates.* The Company is also allowed to request a quarterly tariff rate adjustment for foreign currency differentials in order to recover or compensate for present and future foreign exchange losses or gains on MWSS loans and Company loans used for capital expenditures and payments of concession fees. Similar to the CPI adjustment, there can be no assurance that the Company will be able to obtain adjustments on its tariff rates for full reimbursement of these losses, particularly tariff rates where there is a significant depreciation of the peso.

*Water Supply*

The Philippines cyclically experiences the El Niño phenomenon which is characterized by prolonged and severe drought. During such periods, sources of water available to the Company from MWSS is diminished dramatically which may affect the Company’s ability to supply adequate treated water to its customers.

*Accounting Treatments*

The Concession Agreement has an impact on the manner of treating Depreciation and Amortization Expense in the Company’s financial statements. Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset. Service concession assets, on the other hand, are amortized over the remaining term of the Concession Agreement. With the Concession Agreement extended by another 15 years by MWSS and the Philippine Government in 2009, the amortization period has been extended until 2037.

*Liquidity and Capital Resources*

The Group was able to meet its operating cash needs, including its funding needs for capital expenditures, concession fee payments, debt servicing and dividends payment in 2015, mainly from the Group’s cash flows from operations.

*Capital Sources*

The Group’s cash and cash equivalents as of December 31, 2015 totaled Php6.85 billion. The principal source of cash inflows were cash flows from operations. Cash outflows were primarily for capital expenditures, concession fee payments to MWSS, dividends, and debt repayment. The Group is financially capable of implementing improvement and expansion projects from internally generated funds augmented by available credit lines and loan facilities from reputable financing institutions locally and internationally.

*Cash Provided by Operating Activities.* Net cash provided by operations in 2015 amounted to Php4.99 billion, after funding service improvement activities required under the Concession Agreement amounting to Php4.45 billion. Internal cash generation continues to provide the major source of capital to fund the Group’s investing and financing activities.

*Cash Used in Investing Activities.* Net cash used in investments for the year reached Php795.53 million. This was mostly made up of Php725.86 million for purchases of additional property,
plant and equipment, additional investment in associates amounting to Php318.16 million and increase in other noncurrent assets by Php164.06 million which were partly offset by the Php259.01 million proceeds from dividends from associates and Php107.60 million interest received during the year.

**Cash Used in Financing Activities.** Net cash used in financing activities amounted to Php3.80 billion in 2015. The Parent Company paid out cash dividends to common and preferred shareholders of Php0.815 and Php0.0915 per share, respectively, or a total of Php2.04 billion, representing 35% percent of prior year’s net income.

**Debt Financing.** The Group had approximately Php19.96 billion in long-term debt outstanding (net of the current portion of long-term debt), of which approximately 33% consists of foreign currency-denominated long-term debt. The current portion of the Group’s long-term debt was approximately Php6.26 billion on December 31, 2015.

**Parent Company**

**NEXI Loan**

On October 21, 2010, the Parent Company entered into a term loan agreement (NEXI Loan) amounting to US$150.00 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndicate of four banks namely, ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation, and is insured by Nippon Export and Investment Insurance. The first, second and third drawdowns of the loan amounted to US$84.00 million, US$30.00 million and US$36.00 million, respectively. The carrying value of the loan as of December 31, 2015 and 2014 amounted to US$90.63 million and US$108.08 million, respectively.

**LBP Loan**

On October 20, 2005, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines (LBP Loan) to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years, and was made available in Japanese Yen in the aggregate principal amount of JPY6.59 billion payable via semi-annual installments after the 5-year grace period. The Parent Company made its last drawdown on October 26, 2012.

The total drawn amount from the loan is JPY3.99 billion. As of December 31, 2015 and 2014, the outstanding balance of the LBP loan amounted to JPY2,192.93 million and JPY2,527.86 million, respectively.

**IFC Loan**

On March 28, 2003, the Parent Company entered into a loan agreement with IFC (First IFC Loan) to partially finance the Parent Company’s investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of the Parent Company, and concession fee payments. The First IFC Loan was made available in Japanese Yen in the aggregate principal amount of JPY3,591.60 million equivalent to US$30.00 million and payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2015 and 2014, the carrying value of the loan amounted to JPY710.97 million and JPY992.06 million, respectively.
On May 31, 2004, the Parent Company entered into a loan agreement with IFC (Second IFC Loan) composed of a regular loan in the amount of up to US$20.00 million and a standby loan in the amount of up to US$10.00 million to finance the investment program from 2004 to 2007 to expand water supply and sanitation services, improvement of existing facilities of the Parent Company, and concession fee payments. This loan was subsequently amended on November 22, 2006 when the Parent Company executed the Amended and Restated Loan Agreement for the restructuring of the Second IFC Loan. The terms of the second loan were amended to a loan in the aggregate amount of up to US$30.00 million, no part of which shall consist of a standby loan. On December 12, 2008, the Parent Company made a full drawdown on the said facility. As of December 31, 2015 and 2014, outstanding balance of the Second IFC loan amounted to US$1.99 million and US$5.91 million, respectively.

On July 31, 2013, the Parent Company entered into a loan agreement with IFC (Fourth Omnibus Agreement) in the amount of up to $100.00 million for financing the Projects in accordance with the provisions of the Agreement. The loan has a term of 18 years, payable in semi-annual installments after the grace period. This loan facility has neither been activated nor disbursed and was consequently cancelled in November 2014. The transaction costs related to the cancellation of the loan were included as part of “Other income (loss).”

**EIB Loan**

On June 20, 2007, the Parent Company entered into a Finance Contract (EIB Loan) with the European Investment Bank (EIB) to partially finance the capital expenditures of the Parent Company from 2007 to 2010, as specified under Schedule 1 of the Finance Contract. The loan, in the aggregate principal amount of EUR€60.00 million, having a term of 10 years, is subject to the Relevant Interbank Rate plus a spread to be determined by EIB, and may be drawn in either fixed-rate or floating-rate tranches. The loan has two tranches as described below:

a. **Sub-Credit A:** In an amount of EUR€40.00 million to be disbursed in US Dollars and Japanese Yen payable via semi-annual installments after the 2 1/2 grace period. This loan tranche is guaranteed against all commercial risks by a consortium of international commercial banks composed of ING Bank, Development Bank of Singapore and Sumitomo-Mitsui Banking Corporation under a Guaranty Facility Agreement; and

b. **Sub-Credit B:** In an amount of EUR€20.00 million to be disbursed in Japanese Yen payable via semi-annual installments after the 2 1/2 grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.

On May 21, 2012, the Sub-Credit A Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. Two of the original guarantors, ING Bank and Sumitomo Mitsui Banking Corporation, agreed to extend the guarantee by another 5 years towards the maturity of the loan.

On July 30, 2013, the Sub-Credit B Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. The original guarantor, ING Bank, agreed to extend the guarantee by another 5 years towards the maturity of the loan.

The carrying values of the EIB Loan amounted to nil as of December 31, 2015 and JPY¥1,755.06 million and US$9.33 million as of December 31, 2014. On February 20, 2015, the Parent Company prepaid the EIB Loan amounting to JPY¥1,807.98 million and US$9.38 million.
**Fixed Rate Corporate Notes**

On April 8, 2011, the Parent Company issued Php10.00 billion notes (Fixed Rate Corporate Notes) with Php5.00 billion having a term of 5 years (Five-Year FXCN Note) from the issue date and the other Php5.00 billion with a term of 10 years (Ten-Year FXCN Note) from the issue date which is both payable quarterly. The Parent Company may repay the whole and not a part only of the Ten-Year FXCN Notes on the 7th anniversary of the drawdown date of such FXCN Note or on any FXCN interest payment date thereafter. The amount payable in respect to such prepayment shall be calculated as 102.00% of the principal amount being prepaid and accrued interest on the prepayment date. The carrying value of the fixed rate corporate notes as of December 31, 2015 and 2014 amounted to Php9.80 billion and Php9.83 billion, respectively.

**Php5.00 billion Loan**

On August 16, 2013, the Company entered into a Credit Facility Agreement (Php5.00 billion Loan) with Metropolitan Bank and Trust Company (Metrobank) having a fixed nominal rate of 4.42% and with a term of 7 years from the issue date and is payable annually. The Parent Company may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter. The amount payable in respect to such prepayment shall be calculated as 102.00% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 3rd anniversary but before the 4th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 4th anniversary but before the 5th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.00% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 5th anniversary but before the 6th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 100.50% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 6th anniversary but before the 7th anniversary of the drawdown date. The carrying value of the notes as of December 31, 2015 and 2014 amounted to Php4.93 billion and Php4.95 billion, respectively.

**JPY40 billion Loan**

On September 30, 2015, the Parent Company signed a 7-year JPY40.00 billion term loan facility with three international banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation. The proceeds of the loan will be used to finance the Parent Company’s capital expenditures. As of December 31, 2015, the Parent Company has not made any drawdown from this facility.

**Debt Financing of Subsidiaries**

**Clark Water Loan**

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 Php1.15 billion to partially finance its concession capital expenditures program. Under the agreement, the loan bears interest at a rate of 6.179% and principal payments will be made in 48 consecutive equal quarterly installments starting July 2018.
The first and second drawdowns on the loan were made in September and December 2015, amounting to Php800.00 million and Php200.00 million, respectively. The carrying value of the loan amounted to Php990.94 million as of December 31, 2015.

**Cebu Water Loan**

On December 19, 2013, Cebu Water entered into an Omnibus Loan and Security Agreement with Development Bank of the Philippines (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 Php800.00 million or up to 70% of the total project cost, whichever is lower.

The first, second and final drawdowns on the loan facility amounted to Php541.13 million on December 20, 2013, Php195.64 million on May 20, 2014 and Php14.22 million on November 14, 2014, respectively. The carrying value of the loan as of December 31, 2015 and 2014 amounted to Php741.77 million and Php741.01 million, respectively.

**Laguna Water Loans**

On September 7, 2010, Laguna Water entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to Laguna Water up to Php500.00 million, the principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. The first and second drawdowns from the loan were made in November 2010 and July 2011 amounting to Php250.00 million each. The carrying value of this loan amounted to Php330.89 million and Php396.56 million as of December 31, 2015 and 2014, respectively.

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 Php500.00 million bearing an effective interest rate of 7.25%. The first and second drawdowns were made in July 2013 and December 2013 which amounted to Php250.00 million each. The carrying value of this loan as of December 31, 2015 and 2014 amounted to Php498.81 million and Php498.71 million.

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 Php833.00 million. The first and second drawdowns were made in January and May 2014, respectively, amounting to Php416.50 million each. The carrying value of the loans amounted to Php830.94 million and Php830.78 million as of December 31, 2015 and 2014, respectively.

On October 23, 2015, the Company 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 Php2.50 billion for an
applicable fixed interest rate, as determined in respect of each drawdown. The first drawdown was made in December 2015 amounting to Php600.00 million bearing an effective interest rate of 6.03%.

Boracay Water Loans

On July 29, 2011, Boracay Water entered into an Omnibus Loan and Security Agreement with DBP and SBC to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and waste water services for its service area under its concession agreement with TIEZA, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of Php500.00 million and is payable in 20 years inclusive of a 3-year grace period.

Omnibus loan and security agreement - Sub-tranche 1

The loan shall be available in three sub-tranches, as follows:

- Sub-tranche 1A, the loan in the amount of Php250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- Sub-tranche 1B, the loan in the amount of Php125.00 million to be provided by SBC and funded through PWRF; and
- Sub-tranche 1C, the loan in the amount of Php125.00 million to be provided by SBC and funded through its internally-generated funds.

The first loan drawdown made on August 25, 2011 amounted to Php150.00 million, second drawdown on August 25, 2012 amounted to Php155.00 million and final drawdown on August 23, 2013 amounted to Php195.00 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to Php474.16 million and Php487.58 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 Php500.00 million which is available in three sub-tranches:

- Sub-tranche 2A, the loan in the amount of Php250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- Sub-tranche 2B, the loan in the amount of Php125.00 million to be provided by SBC and funded through PWRF; and
- Sub-tranche 2C, the loan in the amount of Php125.00 million to be provided by SBC and funded through Boracay Water’s internally-generated funds.

The first loan drawdown made on November 23, 2012 amounted to Php75.00 million, second loan drawdown on August 26, 2014 amounted to Php200.00 million and final drawdown on November 25, 2015 amounted to Php225.00 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to Php476.90 million and Php271.35 million, respectively.

On October 9, 2014, Boracay Water signed a Third Omnibus Loan and Security Agreement in the amount of Php650.00 million with SBC. The loan will be used to fund the capital
expenditures which will be used to provide water and sewerage services in the concession area of Boracay Water. As of December 31, 2015, Boracay Water has not made any drawdown from this facility.

**Capital Requirements**

The Group has, and expects to continue to have, substantial liquidity and capital resource requirements to fund debt repayment, concession fees to MWSS, and capital expenditures to maintain, improve and expand the water and sewage systems.

**Debt Principal Repayment.** The Group’s debt service obligations as of December 31, 2015 included debt maturities in 2015 amounting to approximately Php2.48 billion.

**Capital Expenditures.** The Group’s cash disbursements for purchases of property, plant and equipment and service concession assets under its capital expenditure program (including concession fees) totaled approximately Php5.18 billion in 2015.

**Financial Obligations/Relationship with Unconsolidated Entities**

There are no events that will trigger direct or contingent financial obligation that is material to the Group. Similarly, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

**Contractual Obligations and Commercial Commitments**

The following table summarizes the Group’s significant contractual obligations and commercial commitments that affect the Group’s liquidity as of December 31, 2015:

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>2013 (Peso millions)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual obligations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, including current portion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>2,496</td>
<td>75</td>
<td>75</td>
<td>4,950</td>
<td>50</td>
<td>50</td>
<td>7,696</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,749</td>
<td>1,696</td>
<td>2,364</td>
<td>1,221</td>
<td>1,127</td>
<td>1,071</td>
<td>9,228</td>
</tr>
<tr>
<td>Concession fees</td>
<td>1,119</td>
<td>1,167</td>
<td>867</td>
<td>329</td>
<td>863</td>
<td>–</td>
<td>4,948</td>
</tr>
<tr>
<td>Capital expenditure commitments</td>
<td>3,563</td>
<td>2,968</td>
<td>3,357</td>
<td>7,858</td>
<td>10,164</td>
<td>–</td>
<td>27,910</td>
</tr>
<tr>
<td>Total contractual obligations</td>
<td>8,927</td>
<td>5,906</td>
<td>6,663</td>
<td>14,961</td>
<td>12,204</td>
<td>1,121</td>
<td>49,782</td>
</tr>
</tbody>
</table>

*Concession Fees and Capital Expenditure Commitments for 2018 are subject to approval.*

Under the Concession Agreement, the Parent Company is required to post a performance bond, bank guarantee or other security acceptable to MWSS amounting to US$60.00 million in favor of MWSS as a bond for the full and prompt performance of the Parent’s obligation under the Concession Agreement. A new standby letter of credit (in compliance with the 2015 performance bond) was issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd. for the full amount of US$60.00 million prior to the expiry of the performance bond in December 31, 2015.
The capital expenditures of the Group shall be financed by a combination of internally-generated funds and long-term debt.

There are no known trends, events or uncertainties that may have a material effect on sales.

There are no significant elements of income or loss from continuing operations and seasonal aspects that may have a material effect on the financial statements.

**Item 7. Financial Statements**

*Please see attached Exhibit I.*

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

SGV and Co. has been the external auditor of the Company since 1997 and continues to perform the same services for the Company up to the present date. Pursuant to SRC Rule 68, the signing partner of SGV & Co. is rotated every five (5) years.

There are no disagreements with SGV and Co. on accounting and financial disclosures.

<table>
<thead>
<tr>
<th>External Audit Fees</th>
<th>Audit and Audit-Related Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Audit of Financial Statements</td>
<td>2,000,000.00</td>
</tr>
<tr>
<td>All Other Fees*</td>
<td>82,880.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Php2,082,880.00</strong></td>
</tr>
</tbody>
</table>

*GPOBA, Proxy Validation, Validation of ASM Votes and Equity Restructuring*

The Company’s Audit and Governance Committee\(^1\) reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. The amount of audit fees will then be presented for approval by the stockholders in the annual meeting. The scope of and payment of services rendered by the external auditor other than the audit of financial statements are also subject to review and approval by the Audit and Governance Committee.

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\(^{1}\) The Audit and Governance Committee is composed of the following: Oscar S. Reyes (Chairman / independent director), Jose L. Cuista Jr. (independent director), Victoria P. Garchitorena, and Jaime C. Laya (independent director).
PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

Board of Directors

The Board of Directors (the “Board”) is primarily responsible for the governance of the corporation. It controls and holds all corporate powers, all businesses conducted and all properties of the Corporation. The Board is structured in a way that it provides an independent check on management.

Under the Charter of the Board of Directors, the Company shall have a minimum of three (3) independent directors. A director is considered independent if he holds no interests or relationships with the Company that may hinder his independence from the Company or its management and would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Company presently has four (4) independent directors namely, Mr. Oscar S. Reyes, Mr. Jose L. Cuisia Jr., Mr. Jaime C. Laya and Ms. Sherisa P. Nuesa.

The Board has eleven (11) members elected by the Company’s stockholders entitled to vote at the annual meeting. The directors hold office for one (1) year and until their successors are elected and qualified in accordance with the Company’s By-Laws.

Every stockholder has a right to submit a nomination for election to the Board. All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee at least thirty (30) working days before the date of the annual stockholders meeting. The stockholders, in making their nominations, or the Company, may make use of professional search firms or external sources of candidates when searching for candidates to the Board.

Upon expiration of the period within which nominations for election to the Board are required to be submitted, the Nomination Committee shall hold a meeting for the specific purpose of determining whether the nominees to the Board have all the qualifications and none of the qualifications (specified in the Corporation Code, the Manual, the Charter of the Board, the SRC Rules, and applicable laws, rules and regulations). The Nomination Committee shall evaluate each and every nomination and for this purpose, may even make an inquiry with their professional networks and outside references. The Nomination Committee undertakes the process of identifying the quality of directors aligned with the Company's strategic directions. Towards this end, the Committee confirms that all nominees for election have all the qualifications and none of the disqualifications to become directors, and that they have the competence and professional background that will enable them to perform their duties as directors of a highly regulated business as that of Manila Water. After evaluation of the qualifications/disqualifications of the nominees, the Nomination Committee shall issue a resolution whether endorsing or not the nominees for election to the Board of Directors. If a nominee is not endorsed for election by reason of a disqualification, the resolution of the Nomination Committee should clearly specify the grounds relied upon for disqualification.
The following are the members of the Board as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Years as Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>54</td>
<td>Chairman of the Board and Executive Committee</td>
<td>18</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>55</td>
<td>Vice Chairman</td>
<td>18</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>62</td>
<td>President and CEO</td>
<td>6</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>68</td>
<td>Director</td>
<td>17</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>68</td>
<td>Director</td>
<td>13</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>44</td>
<td>Director</td>
<td>5</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>61</td>
<td>Independent Director</td>
<td>2</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>69</td>
<td>Independent Director</td>
<td>10</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>71</td>
<td>Independent Director</td>
<td>5</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>75</td>
<td>Independent Director</td>
<td>1</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>71</td>
<td>Director</td>
<td>1</td>
</tr>
</tbody>
</table>

The same set of directors were elected during the Annual Stockholders Meeting held on April 11, 2016.

**PROFILES OF THE MEMBERS OF THE BOARD OF DIRECTORS:**

**FERNANDO ZOBEL DE AYALA**
*Filipino, 54 years old*
Chairman of the Board of Directors
Chairman of the Executive Committee
Member, Remuneration Committee
Director of Manila Water since May 15, 1997

Education and Trainings:
- Liberal Arts degree, Harvard College;
- Certificate in International Management, INSEAD, France.

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)
- Ayala Corporation (Ayala Group)
- Ayala Land, Inc. (Ayala Group)
- Bank of the Philippine Islands (Ayala Group)
- Globe Telecom, Inc. (Ayala Group)
- Integrated Micro-Electronics, Inc. (Ayala Group)

Membership in the Board of Non-Listed Companies:
- AC Energy Holdings, Inc. (Ayala Group)
- Accendo Commercial Corporation (Ayala Group)
- Alabang Commercial Corporation (Ayala Group)
- AC International Finance Ltd. (Ayala Group)
- Ayala International Pte. Ltd. (Ayala Group)
- Ayala Automotive Holdings Corporation (Ayala Group)
• Automobile Central Enterprises, Inc., Liontide Holdings, Inc. (Ayala Group)
• Aurora Properties, Inc. (Ayala Group)
• Ceci Realty, Inc. (Ayala Group)
• Vesta Property Holdings, Inc. (Ayala Group)
• Emerging City Holdings, Inc. (Ayala Group)
• Bonifacio Land Corporation (Ayala Group)
• Livelt Investments, Ltd. (Ayala Group)
• Columbus Holdings, Inc. (Ayala Group)
• Fort Bonifacio Development Corporation (Ayala Group)
• Mermac, Inc. (Ayala Group)
• AG Holdings Ltd. (Ayala Group)
• Ayala International Holdings Limited (Ayala Group)
• AC Infrastructure Holdings Corporation (Ayala Group)
• Asiacom Philippines, Inc. (Ayala Group)
• AI North America, Inc. (Ayala Group)
• Sonoma Services, Inc. (Ayala Group)
• Ayala Retirement Fund Holdings, Inc. (Ayala Group)

Positions and Memberships in Other Organizations and Corporations:
• President and COO of Ayala Corporation
• Chairman of the Board of Directors of Ayala Land, Inc., Manila Water Company, Inc., AC International Finance Ltd., AC Energy Holdings, Inc., Hero Foundation, Inc. and Habitat for Humanity’s Asia-Pacific Capital Campaign Steering Committee;
• Co-Chairman of the Board of Trustees of Ayala Foundation, Inc.
• Vice Chairman of the Executive Committee of BPI
• Member, Philippine-Singapore Business Council, INSEAD East Asia Council and World Presidents’ Organization
• Member of the Board of Trustees, Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board, National Museum and the Foundation of the Roman Catholic Church

JAIME AUGUSTO ZOBEL DE AYALA

Vice Chairman of the Board of Directors
Member, Nomination Committee
Filipino, 55 years old
Director of Manila Water since May 15, 1997

Education and Trainings:
• B.A. in Economics (with honors) degree, Harvard College
• MBA, Harvard Graduate School of Business

Membership in the Board of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)
• Ayala Corporation (Ayala Group)
• Globe Telecom, Inc. (Ayala Group)
• Bank of the Philippine Islands (Ayala Group)
• Integrated Micro-Electronics, Inc. (Ayala Group)
• Ayala Land, Inc. (Ayala Group)
Membership in the Board of Non-Listed Companies:
- AC Energy Holdings, Inc. (Ayala Group)
- Ayala Foundation, Inc. (Ayala Group)
- Ayala Education, Inc. (Ayala Group)
- Ayala Retirement Fund Holdings, Inc. (Ayala Group)
- Asiacom Philippines, Inc. (Ayala Group)
- Ayala Group Club, Inc. (Ayala Group)
- Mermac, Inc. (Ayala Group)
- Alabang Commercial Corporation (Ayala Group)
- Ayala International Pte. Ltd. (Ayala Group)
- LiveIt Investments Limited (Ayala Group)
- AI North America, Inc. (Ayala Group)
- AG Holdings Limited (Ayala Group)

Positions and Memberships in Other Organizations and Corporations:
- Chairman of the Board of Directors and CEO of Ayala Corporation since April 1996
- Chairman of the Board of Directors of Globe Telecom, Inc., Bank of the Philippine Islands and Integrated Micro-Electronics, Inc.
- Co-Chairman of Ayala Foundation, Inc.
- Vice Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy Holdings, Inc.
- Chairman of Harvard Business School Asia-Pacific Advisory Board
- Vice Chairman of the Makati Business Club
- Member, Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council and Endeavor Philippines and National Competitiveness Council
- Philippine Representative for the APEC Business Advisory Council

GERARDO C. ABLAZA JR.
President and CEO of the Manila Water since June 30, 2010
Member of the Board of Directors
Member, Executive Committee
Filipino, 62 years old
Director of Manila Water since November 26, 2009

Education and Training:
Liberal Arts Degree, Major in Mathematics (Honors Program), summa cum laude, De La Salle University in 1974
As one of the most accomplished graduates of his alma mater, he sits as a member of the Board of Trustees in various De La Salle Schools in the country.

Mr. Ablaza is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee, a post he has held since 1998.

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)
- Hochiminh City Infrastructure Investment Joint Stock Company (Ayala Group) (Ho Chi Minh Stock Exchange)
- Globe Telecom, Inc. (Ayala Group)
Membership in the Board of Non-Listed Companies:
- Manila Water Philippine Ventures, Inc. (Ayala Group)
- Boracay Island Water Company, Inc. (Ayala Group)
- Clark Water Corporation (Ayala Group)
- Manila Water Total Solutions Corp. (Ayala Group)
- Manila Water Asia Pacific Pte. Ltd (Ayala Group)
- Manila Water South Asia Holdings Pte. Ltd. (Ayala Group)
- Thu Duc Water Holdings Pte. Ltd. (Ayala Group)
- Kenh Dong Water Holdings Pte. Ltd. (Ayala Group)
- Manila Water Foundation, Inc. (Ayala Group)
- Laguna AAAWater Corporation (Ayala Group)
- Manila Water International Solutions, Inc. (Ayala Group)
- AC Energy Holdings (formerly Michigan Power Inc.) (Ayala Group)
- Purefoods International Ltd. (Ayala Group)
- Asiacom Philippines, Inc. (Ayala Group)
- Azalea International Venture Partners Limited (Ayala Group)
- LiveIT Investment Limited (Ayala Group)
- Ayala Foundation, Inc. (Ayala Group)
- North-West of Saigon Holdings Pte. Ltd. (Ayala Group)
- A.C.S.T. Business Holdings, Inc. (Ayala Group)
- AC Infrastructure Holdings Corporation (Ayala Group)
- Ayala Retirement Fund Holdings, Inc. (Ayala Group)

Positions in Other Organizations and Corporations:
- Senior Managing Director of Ayala Corporation
- Member of the Management Committee, Ayala Corporation
- President of Manila Water Consortium, Inc. and Manila Water International Solutions, Inc.
- Vice-Chairman of Laguna AAAWater Corporation
- Co-Vice Chairman of Globe Telecom, Inc.
- Chairman of the Board of Trustees of Manila Water Foundation, Inc.

In 1997, Mr. Ablaza was the Chief Operating Officer of Globe Telecom, Inc. and became President and CEO from 1998 to April 2009. He was also the Chairman of the Board of Directors of Inove Communications, Inc., a wholly owned subsidiary of Globe Telecom Inc. from October 2003 to April 2009. In April 2009, he was tasked to handle AC Capital as Deputy CEO and became CEO the following year. Before joining Ayala Group, he held several positions in Citibank: Vice-President and Country Business Manager for the Philippines and Guam of Citibank, N.A. for its Global Consumer Banking Business (1994-1997), Vice-President for Consumer Banking of Citibank, N.A. Singapore (1994 – 1995), Vice President for Consumer Account Management Group-Citibank Manila in 1986 and there after became the bank’s representative to the board of directors of City Trust Banking Corporation and its various subsidiaries from 1987 to 1994.
In 2004, Mr. Ablaza was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. In the same year, he was awarded by Telecom Asia as the Best Asian Telecom CEO. In 2013, he was recognized for his consistent leadership and innovation across the banking, investment, telecommunications and utility service industries through the Citi Distinguished Alumni Award for Leadership and Ingenuity. Mr. Ablaza was the first and only Filipino to be awarded with such an honor.

ANTONINO T. AQUINO  
Member of the Board of Directors  
Member, Executive Committee  
Filipino, 68 years old  
Director of Manila Water since April 24, 1998

Education and Training:  
- Bachelor of Science, major in Management degree, Ateneo de Manila University  
- Masteral Degree in Business Management, Ateneo Graduate School of Business

Membership in the Board of Listed Companies:  
- Manila Water Company, Inc. (Ayala Group)  
- Ayala Land, Inc. (Ayala Group)

Membership in the Board of Non-Listed Companies:  
- Anvaya Cove Beach and Nature Club, Inc.  
- The Philippine American Life & General Insurance Company

Mr. Aquino first joined Manila Water as Group Director for Corporate Affairs and was later appointed President and CEO in January 1999. He left Manila Water to take on the position of President of Ayala Land, Inc. on April 1, 2009, but remained a Director of the Company.

He was named “Co-Management Man of the Year 2009” by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership.

Mr. Aquino has been with the Ayala Group in various capacities for the past thirty (30) years and has held the position of Senior Managing Director in Ayala Corporation. He was President of the Ayala Property Management Corporation from 1990 to 1998 and Senior Vice President of Ayala Land, Inc. from 1989 to 1998. He was also a Business Unit Manager at IBM Philippines, Inc. from 1968-1980.

DELFIN L. LAZARO  
Member of the Board  
Filipino, 68 years old  
Director of Manila Water since May 6, 2002

Education and Training:  
- B.S. in Metallurgical Engineering degree, University of the Philippines  
- MBA (with Distinction), Harvard Graduate School of Business

Membership in the Board of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)
• Ayala Land, Inc. (Ayala Group)
• Integrated Micro-Electronics, Inc. (Ayala Group)
• Ayala Corporation (Ayala Group)
• Globe Telecom, Inc. (Ayala Group)

Membership in the Board of Non-Listed Companies:
• Empire Insurance Company
• Insular Life Assurance Co., Ltd.
• Asiacom Philippines, Inc.

Positions in Other Organizations and Corporations:
• President of Asiacom Philippines, Inc.

Mr. Lazaro was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successive high growth levels up to the Asian crisis in 1997.

JOHN ERIC T. FRANCIA
Member of the Board of Directors
Member, Executive Committee
Filipino, 44 years old
Director of Manila Water since April 12, 2010

Education and Training:
• Undergraduate degree in Humanities and Political Economy, magna cum laude, University of Asia & the Pacific
• Masters Degree in Management Studies, with First Class Honors, University of Cambridge, United Kingdom

Membership in the Board of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)
• Integrated Micro-Electronics, Inc. (Ayala Group)
• Hochiminh City Infrastructure Investment Joint Stock Company (Ho Chi Minh City Stock Exchange)

Membership in the Board of Non-Listed Companies:
• AC Energy Holdings, Inc. (Ayala Group)
• AC Infrastructure Holdings Corporation (Ayala Group)
• Northwind Power Development Corporation (Ayala Group)
• North Luzon Renewable Energy Corporation (Ayala Group)
• South Luzon Thermal Energy Corporation (Ayala Group)
• Dinginin Power GP Corp.
• Arlington Mariveles Philippines GP Corporation
• Kauswagan Power GP Corp.
• Quadriver Energy Corporation (Ayala Group)
• Monte Solar Energy, Inc. (Ayala Group)
• AF Payments, Inc. (Ayala Group)
• Light Rail Manila Corporation (Ayala Group)
• MCX Tollway, Inc.
• Ayala Aviation Corporation
• Ayala Hotels, Inc.
• Livelt Investments Ltd. (Ayala Group)
• AC College of Enterprise and Technology, Inc.
• LINC Institute, Inc.

Positions in Other Organizations and Corporations:
• President and CEO of AC Energy Holdings, Inc. and AC Infrastructure Holdings Corporation.
• Managing Director of Ayala Corporation
• Member of the Management Committee of Ayala Corporation

Prior to joining Ayala, Mr. Francia was involved in the fields of management consulting, academe and media.

SHERISA P. NUESA
Independent Director
Member of the Executive Committee
Member of the Remuneration Committee
Filipino, 61 years old
Independent Director of the Company since April 15, 2013

Education and Training:

Membership in the Board of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)
• Far Eastern University

Membership in the Board of Non-Listed Companies:
• Generika Group (Actimed, Erikagen, Pharmagen, Novelis)
• ALFM Mutual Funds Group
• East Asia Computer Center Inc./East Asia Educational Foundation
• Integrity Initiative Inc.
• FINEX Foundation
• Institute of Corporate Directors
• FEU Health and Retirement Fund
• Judicial Reform Initiative (JRI)

Positions in Other Organizations and Corporations:
• President of ALFM Mutual Funds Group
• Board Adviser or Metro Retail Stores Group (MRSG)
• Consultant of VICSAL Development Corporation
Ms. Nuesa was a Managing Director of Ayala Corporation where she served in various senior management positions until December 2011 which includes the following:

- Chief Finance Officer and Chief Administrative Officer, Integrated Micro-Electronics, Inc. (January 2009 to July 2010)
- Chief Finance Officer, Manila Water Company, Inc. (January 2000 to December 2008)
- Group Controller and later Vice President for Commercial Centers, Ayala Land, Inc. (January 1989 to March 1999);
- Member of the boards of various subsidiaries of ALI and IMI and member of the board of trustees of Manila Water Foundation, Inc.

Ms. Nuesa was awarded the ING-FINEX Chief Finance Officer of the year for 2008.

OSCAR S. REYES  
**Independent Director, Board of Directors**  
Chairman, Audit and Governance Committee  
Chairman, Related Party Transaction Committee  
Chairman, Remuneration Committee  
Member, Nomination Committee  
Member, Risk Committee  
Filipino, 69 years old  
Independent Director of the Company since February 3, 2005

Education and Training:

- Bachelor of Arts degree in Economics, Cum Laude, Ateneo de Manila University  
- Post-Graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Membership in the Board of Listed Companies:

- Manila Water Company, Inc. (Ayala Group)  
- Bank of the Philippine Islands (Ayala Group)  
- Manila Electric Company  
- Philippine Long Distance Telephone Company  
- Pepsi Cola Products (Philippines), Inc.  
- Basic Energy Corporation  
- Cosco Capital, Inc.

Membership in the Board of Non-Listed Companies:

- PLDT Communications & Energy Ventures, Inc.  
- Sun Life Financial Plans, Inc.  
- Sun Life Prosperity Dollar Advantage Fund, Inc.  
- Sun Life Prosperity Dollar Abundance Fund, Inc.  
- Sun Life Prosperity GS Fund, Inc.  
- Sun Life of Canada Prosperity Bond Fund, Inc.  
- Sun Life Prosperity Money Market Fund, Inc.  
- Sun Life Prosperity Dynamic Fund, Inc.

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1 Pursuant to SEC Memorandum Circular No. 9 Series of 2011 of the Securities and Exchange Commission, all previous terms served by existing Independent Directors as of January 2, 2012 shall not be included in the application of the term limits under the Circular.
• Grepalife Fixed Income Fund Corporation  
• Grepalife Dollar Bond Fund Corporation  
• Grepalife Bond Fund Corporation  
• Petrolift, Inc.  
• Eramen Minerals Inc.  
• Meralco PowerGen Corporation  
• Meralco Industrial Engineering Services Corporation (MIESCOR)  
• CIS Bayad Center  
• Meralco Energy, Inc. (MEI)  
• Redondo Peninsula Energy, Inc.  
• PacificLight Pte. Ltd.  
• MRail, Inc.  
• Republic Surety & Insurance Corporation  
• Calamba Aero Power Corporation  
• Clark Electric Development Corporation

Positions in Other Organizations and Corporations:
• Member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT)
• President and CEO of Meralco
• President of Meralco PowerGen Corporation  
• Chairman of MIESCOR, CIS Bayad Center, MEI, Redondo Peninsula Energy, Inc., PacificLight Pte., Ltd. and MRail, Inc.

Mr. Reyes served as Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

JOSE L. CUISIA JR.
Independent Director, Board of Directors  
Chairman, Nomination Committee  
Member, Remuneration Committee  
Member, Audit and Governance Committee  
Member, Related Party Transaction Committee  
Member, Risk Committee  
Filipino, 71 years old  
Independent Director of the Company since April 12, 2010

Education and Training:
• AB-BSC degrees, Magna Cum Laude, De La Salle University  
• MBA degree, University of Pennsylvania (University Scholar)

Membership in the Board of Directors of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)  
• SM Prime Holdings  
• PHINMA Corporation  
• Century Properties Group, Inc.
Membership in the Board of Other Organizations and Corporations:
- The Covenant Car Company, Inc.
- AIG Shared Services – Business Processing, Inc.
- Phinma, Inc.

Positions in Other Organizations and Corporations:
- Chairman of the Board of Directors of The Covenant Car Company, Inc.
- Vice-Chairman of SM Prime Holdings

Mr. Cuisia is presently the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti, Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.

Before becoming Philam Life’s President and CEO for 16 years, Mr. Cuisia served the Philippine Government as Governor of the Central Bank of the Philippines and Chairman of its Monetary Board from 1990-1993. He was also appointed Commissioner, representative of the Employer’s Group, for the Social Security System (SSS) in September 2010. Mr. Cuisia was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was also Administrator and CEO of the Philippine Social Security System from 1986-1990.

JAIME C. LAYA
Independent Director, Board of Directors
Member, Audit and Governance Committee
Member, Related Party Transaction Committee
Member, Nomination Committee
Chairman, Risk Committee
Filipino, 75 years old
Independent Director of the Company since April 4, 2014

Education and Training:
- Certified Public Accountant
- BSBA, Magna cum Laude, University of the Philippines
- M.S. in Industrial Management, Georgia Institute of Technology
- Ph.D. in Financial Management, Stanford University in 1966

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)
- Ayala Land, Inc. (Ayala Group)
- Philippine Trust Company (Philtrust Bank)
- GMA Network, Inc.
- GMA Holdings, Inc.

Membership in the Board of Non-Listed Companies:
- Philippine AXA Life Insurance Co., Inc.
- Cultural Center of the Philippines
- St. Paul’s University – Quezon City
• Ayala Foundation, Inc.
• Fundacion Santiago
• Yuchengco Museum
• CIBI Foundation, Inc.
• Escuela Taller de Filipinas Foundation, Inc.
• Manila Polo Club.

Positions in Other Organizations and Corporations:
• Chairman of the Board of Directors and President of Philippine Trust Company (Philtrust Bank).

Mr. Laya has served as Minister of the Budget; Minister of Education, Culture and Sports; Governor of the Central Bank of the Philippines; Chairman of the National Commission for Culture and the Arts; and Professor and Dean of Business Administration of the University of the Philippines.

VICTORIA P. GARCHITORENA
Member of the Board of Directors
Member, Audit and Governance Committee
Member, Risk Committee
Filipino, 71 years old
Director of the Company since April 4, 2014

Education and Training:
• B.S. Physics, Summa cum Laude, College of the Holy Spirit
• Post-graduate studies in Management Development Program, Asian Institute of Management
• Post-graduate studies in Environmental Economics & Policy Analysis, Harvard Institute for International Development

Membership in the Board of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)

Membership in the Board of Non-Listed Companies:
• UCPB Finance Corp.
• UCPB Foundation, Inc.
• Avignon Tower Condominium Corporation
• Asian Institute of Management
• Ayala Foundation, Inc.

Positions in Other Organizations and Corporations:
• Consultant of Ayala Corporation
• Member, Makati Business Club
• Member, National Executive Committee of the Bishops-Businessmen's Conference for Human Development
• Member, National Executive Committee of the UBAS (Ugnayan ng Barangay at Simbahan)
• Adviser, Gerry Roxas Foundation
• Adviser, United CSO Federation of Makati
Ms. Garchitorena has served as a member of the Management Committee of Ayala Corporation (Ayala Group) from 2006 until 2011.

She was a Managing Director of Ayala Corporation, President of Ayala Foundation, Inc. and Philippine Development Foundation (formerly Ayala Foundation USA). Her other significant past positions include: Trustee of the International Center on Innovation, Transformation and Excellence in Governance and Pinoy Me Foundation; member of the Asia Pacific Advisory Council Against Corruption-World Bank and the World Bank Social Protection Advisory Board; League of Corporate Foundations and Makati Business Club; and member of the National Committee of Bishops-Businessmen’s Council for Human Development.

Previously, she was a Senior Consultant on Poverty Alleviation and Good Governance and the Head of the Presidential Management Staff and Secretary to the Cabinet under the Office of the President of the Republic of the Philippines; a Director of Philippine Charity Sweepstakes Office; Executive Assistant to the Chairman and President of the Meralco Foundation, Inc.; a Trustee of the Ramon Magsaysay Awards Foundation; and Co-Chairperson of EDSA People Power Commission; a Board Member of the US based Council of Foundations; Member of the Global Foundation Leaders Advisory Group of World Economic Forum and Governor of Management Association of the Philippines.

SOLOMON M. HERMOSURA  
*Corporate Secretary*  
*Filipino, 53 years old*

Mr. Hermosura assumed his role as Corporate Secretary on April 3, 2006.

Mr. Hermosura has served as Managing Director of Ayala since 1999 and a member of the Management Committee of Ayala (Holding Company) since 2009 and the Group Management Committee since 2010.

He also holds the following positions:

- Group Head of Corporate Governance of Ayala Corporation
- General Counsel, Compliance Officer, and the Corporate Secretary of Ayala Corporation
- CEO of Ayala Group Legal
- Group General Counsel and Corporate Secretary of Ayala Land, Inc.
- Member of the Board of Directors of a number of companies in the Ayala group.

Mr. Hermosura graduated valedictorian with Bachelor of Laws degree from San Beda College of Law in 1986 and placed third in the 1986 Bar Examinations.
Executive Officers

The following are the Company’s key executive officers as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>62</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>59</td>
<td>Chief Finance Officer and Treasurer</td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td>54</td>
<td>Chief Operating Officer, New Business Operations</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>49</td>
<td>Chief Operating Officer, Manila Water Operations</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>55</td>
<td>Group Director, Operations</td>
</tr>
<tr>
<td>Abelardo P. Basilio</td>
<td>55</td>
<td>Group Director, Strategic Asset Management</td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td>59</td>
<td>Chief Technology Adviser</td>
</tr>
<tr>
<td>Thomas T. Mattison</td>
<td>50</td>
<td>Group Director, Corporate Project Management</td>
</tr>
</tbody>
</table>

PROFILES OF THE EXECUTIVE OFFICERS:

GERARDO C. ABLAZA JR.
President and CEO
Member of the Board of Directors
Member, Executive Committee
Filipino, 62 years old

Please see profile of Mr. Ablaza under the section “Incumbent Directors”.

LUIS JUAN B. ORETA
Chief Finance Officer and Treasurer
Group Director for Corporate Finance and Governance
Compliance Officer
Filipino, 59 years old

Mr. Oreta joined Manila Water in January 1, 2009. He provides operational and strategic support to the organization through his supervision of the Corporate Finance and Governance Group that covers Financial Planning and Investor Relations, Controllership, Financial Accounting, Fixed Assets, Projects and Regulatory Accounting, Treasury, Tax Management, Procurement and Contracts Management, Materials Planning and Inventory, Supply Chain Services, Legal & Corporate Governance, Internal Audit, Corporate Planning and Enterprise Risk and Insurance Management.

He is part of the Senior Leadership Team of Manila Water. He is the President of Manila Water Consortium, Chairman of the Board of Controllers of Kenh Dong Water Join Stock Company and Chairman of the Board of Trustees of Cebu Manila Water Development Corporation. He is also a member of the Board of Directors of the following domestic and international subsidiaries and affiliates of the company: Manila Water Philippine Ventures, Inc., Laguna AAAWater Corporation, Boracay Island Water Company, Inc., Clark Water Corporation, Manila Water Total Solutions Corporation, Manila Water International Solutions, Inc., Manila Water Asia Pacific Pte. Ltd., Manila Water South Asia Holdings Pte. Ltd., Thu Duc Water Holdings Pte. Ltd., Thu Duc B.O.O. Corporation, and Saigon Water Infrastructure Corporation. He is also a member of the Board of Trustees of Manila Water Foundation, Inc.
He also holds the following positions:

- Concurrently the Compliance Officer and Group Director for Corporate Finance and Governance Group of Manila Water

Mr. Oreta has been with the Ayala Group for over 30 years and started his involvement with the Ayala Group at the Bank of the Philippine Islands where he worked in various capacities in commercial and investment banking from October 1983 to March 1997. Prior to his appointment as Manila Water CFO, Mr. Oreta was Managing Director of Ayala Corporation - Strategic Planning Group from March 1997 to 2008 and was CFO of Integrated Microelectronics, Inc. until December 2008. He made significant contributions to Ayala’s strategic initiatives and has been actively involved in financial planning at both subsidiary and group levels.

He is the recipient of the ING-FINEX CFO of the Year Award.

Mr. Oreta graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics. He has a Master in Business Administration degree from Rutgers University, Graduate School of Management.

**VIRGILIO C. RIVERA JR.**

*Chief Operating Officer*

*New Business Operations*

*Filipino, 54 years old*

Mr. Rivera has been with the Ayala Group for more than 25 years and has held various appointments with Ayala Corporation. He holds the rank of a Managing Director seconded to Manila Water as Chief Operating Officer for New Business. In this role, he acquired extensive experience in water PPPs and successfully managed price reviews during the past 15 years for Manila Water.

Mr. Rivera concurrently serves as the President and CEO of Manila Water Philippine Ventures (MWPV) and Manila Water Asia Pacific (MWAP) which house its new subsidiaries in the Philippines: Laguna Water, Clark Water, Boracay Island Water, Cebu Manila Water Development and Zamboanga Water. He also holds directorships in Thu Duc, Kenh Dong and Saigon Water, subsidiaries of MWC in Vietnam. As the principal strategist of MWPV and MWAP, he provides the overall strategy for new business operations and new business development as the company expands its core business to new geographies in the Philippines, and ASEAN markets.

He also sits as an Independent Director of the Toilet Board Coalition, the world’s first multi-discipline coalition of leading companies, government agencies, sanitation experts and non-profit organizations that aims to develop commercially sustainable and scalable solutions to the sanitation crisis.

He is also a member of the Academy of Regulatory Professionals, a community of recognized experts who dedicate themselves to the understanding of regulatory issues and practices and
developing new knowledge and mutual professional growth, organized by the Public Utility Research Center at the University of Florida.

His achievements have earned him distinction as a valuable resource person in international conferences on infrastructure privatization, regular and PPP initiatives sponsored by the World Bank, Asian Development Bank, Japan International Cooperation Agency, IWA, Singapore Public Utilities Board, academic institutions such as TERI and Stanford University, and host national governments in emerging countries. Mr. Rivera has extensive experience in strategic planning, price reviews and contract amendments resulting in extension of concession period and enhanced profitability of the concession company. He also acted as Chairman of the management’s negotiating panel for the 2006 and 2008 collective bargaining agreements.


FERDINAND M. DELA CRUZ
Chief Operating Officer
Manila Water Operations
Filipino, 49 years old

Mr. dela Cruz joined the Company in July 2011 as the East Zone Business Operations Group Director and as Group Director for Corporate Strategic Affairs Group in December 2011. He is also currently the President of Manila Water Foundation, Inc. and President of Manila Water Total Solutions Corporation.

Mr. dela Cruz also holds a board seat in Clark Water Corporation, Manila Water Total Solutions Corporation and Manila Water Foundation, Inc.

Before joining the Company, Mr. dela Cruz was the head of the Consumer Sales Group and the Consumer Sales and After Sales Group of Globe Telecom for two years, and was head of its Wireless Business Group for nearly seven years from October 2002 to June 2009. Prior to that, he was the President and General Manager of Kraft Foods (Philippines) Inc. for more than a year and the same company’s Country General Manager for its various operating companies in Indonesia for two years.

Mr. dela Cruz also had senior leadership roles in Ayala Land, San Miguel Brewing Philippines, Inbisco Philippines and Unilever Philippines. He started his working career as a Junior Engineer in DCCD’s Mechanical Engineering Division in 1986.

Mr. dela Cruz holds a B.S. in Mechanical Engineering degree (cum Laude) from the University of the Philippines. He is a board topnotcher and a licensed Mechanical Engineer.
GEODINO V. CARPIO  
*Group Director, Operations*  
*Filipino, 55 years old*

Mr. Carpio joined Manila Water in 1997 as Chief Information Officer. His responsibility as such included the implementation, operation and maintenance of Information Technology Infrastructure and applications for the Company’s head office, 8 business areas, and various operations facilities.

In 2004, he became Group Director for the Project Delivery Group (PDG) responsible for the formulation of strategy, planning and management of capital works for the Company. Since 2010, he has lead the Operations Group, ensuring the efficient and reliable operation of all treatment and primary conveyance facilities for water sources, drinking water and used water.

Mr. Carpio is also a member of the Board of Directors of Manila Water Philippine Ventures, Inc., Laguna AAAWater Corporation, Boracay Island Water Company, Inc., Clark Water Corporation, Manila Water International Solutions, Inc., Manila Water Total Solutions Corporation, Manila Water Asia Pacific Pte. Ltd., Manila Water South Asia Holdings Pte. Ltd., Kenh Dong Water Holdings Pte. Ltd., Thu Duc Water Holdings Pte. Ltd., and Kenh Dong Water Supply and Joint Stock Company. He is also a member of the Board of Trustees and the Vice President of Manila Water Foundation, Inc.

Before joining Manila Water, Mr. Carpio was the Vice President for Information Technology for the Marsman Group of Companies (1995 to 1997). In that role, Mr. Carpio was responsible for the IT planning and management for the four Marsman companies across 32 branches nationwide.

He holds a B.S. in Physics Teaching degree (Cum Laude) from the Philippine Normal College in consortium with De La Salle University under the National Science Development Board Scholarship Grant and attended a Software Engineering Course under the Scholarship Grant from the Center for International Cooperation for Computerization in Tokyo, Japan in 1986.

RODELL A. GARCIA  
*Chief Technology Adviser*  
*Filipino, 59 years old*

Mr. Garcia has been in the IT industry for over 39 years. He joined Manila Water in September 2012 to oversee the transformation of the company’s information and communications technology. Prior to this appointment, Mr. Garcia was with Globe Telecom as Chief Information Officer (CIO) from 2000 to 2009, Chief Technical Officer (CTO) from 2009 to 2010, and Head of IT Transformation from 2011 up to 2012. As CIO, Mr. Garcia was responsible for defining and implementing Globe’s IT strategy, and for ensuring the stability of the IT infrastructure. As CTO, he was primarily responsible for Network Technology Strategy, Planning, Engineering, and Network Operations.

Mr. Garcia also spent 22 years in the banking industry, having worked in various capacities in companies such as Citytrust Banking Corporation, where he last held the position of Vice President of Corporate Technology Division, and DBS Bank Philippines as Executive Vice President of Information Technology.
Mr. Garcia graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Mathematics, under a scholarship grant from the National Science Development Board.

ABELARDO P. BASILIO  
*Group Director, Strategic Asset Management*  
*Filipino, 55 years old*

Mr. Basilio has been with Manila Water for 18 years and has held several appointments under various capacities within the company including Director of Technical Services Group and Group Director of East Zone Business Operations. He is currently the Group Director of Strategic Asset Management Group.

Mr. Basilio joined Metropolitan Waterworks and Sewerage Systems (MWSS) as a young cadet in 1984 and gained experience in utility operations which include hydraulic engineering, water treatment, distribution and network management. He later joined Manila Water in 1997. Currently, as the Strategic Asset Management Group Director, he provides comprehensive, holistic and integrated strategic plans that sets up the platform for capital investment, operation and maintenance of existing and new assets and the rationalization and disposal of assets.

He holds a degree in Civil Engineering from the University of the Philippine under the university scholarship program. He completed a Management Development Program in Asian Institute of Management, Water Network Design and Modelling in Manchester, United Kingdom and SCADA/Telemetry Training in Singapore.

THOMAS T. MATTISON  
*Group Director, Corporate Project Management Group*²  
*British, 50 years old*

Mr. Mattison has worked in the Utility industry for 34 years, 32 of which being in the Water Sector and 2 of which being in the Electricity Sector. He was seconded to Manila Water in 1997 as Technical Manager for Maintenance Services and in 2007 as Reliability and Efficiency Consultant. In 2011, he became the Operations Support Services Director managing 9 diverse departments under the Operations Group. These included: Maintenance Services, Fleet Services, Property Services, Laboratory Services, Environmental Management, Safety Solutions, Business Continuity, Engineering Standards, Energy Management and System Analytics.

In September 2013, Mr. Mattison was designated to lead the Corporate Project Management Group and has since that designation began transforming the function of the Group into a full engineering services provider. He is responsible for the management of the engineering and project delivery function within the Company as well as the management of the planning, design and construction of all Water, Used Water and Network capital projects.

In recognition of his exemplary contributions to the Company, Mr. Mattison was appointed Group Director of the Corporate Project Management Group of the Company in February 2015.

Mr. Mattison graduated from Manchester Metropolitan University, UK with a degree in Engineering.

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² Mr. Mattison was appointed Group Director for Project Delivery on February 6, 2015. His appointment’s effectivity is on March 1, 2015.
Significant Employees

The Company considers its human resources working as a team as a key element for its continued success. The Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

The Company’s Chairman, Fernando Zobel de Ayala, and Vice Chairman, Jaime Augusto Zobel de Ayala are brothers.

Involvement in Certain Legal Proceedings

There is no bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a Securities or Commodities Law involving any director, any nominee for election as director, executive officer, underwriter or control person of the Company that occurred during the past five (5) years up to the present that is material to an evaluation of the ability or integrity of the director, nominee for election as director, executive officer, underwriter or control person of the Company.

Item 10. Executive Compensation

The aggregate compensation paid or accrued during the last two (2) fiscal years and the ensuing fiscal year to the Company’s Chief Executive Officer and the most highly compensated officers and all other officers as a group is as follows:

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Annual Compensation in Millions of Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td></td>
</tr>
<tr>
<td>President and CEO</td>
<td></td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td></td>
</tr>
<tr>
<td>CFO and Treasurer</td>
<td></td>
</tr>
<tr>
<td>Virgilio C. Rivera, Jr.</td>
<td></td>
</tr>
<tr>
<td>Chief Operating Officer-</td>
<td></td>
</tr>
<tr>
<td>New Business Operations</td>
<td></td>
</tr>
<tr>
<td>Ferdinand M. Dela Cruz</td>
<td></td>
</tr>
<tr>
<td>Chief Operating Officer -</td>
<td></td>
</tr>
<tr>
<td>Manila Water Operations</td>
<td></td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td></td>
</tr>
<tr>
<td>Group Directors, Operations</td>
<td></td>
</tr>
<tr>
<td>Above-named officers as a</td>
<td>2014</td>
</tr>
<tr>
<td>group</td>
<td>2015</td>
</tr>
<tr>
<td>Estimated</td>
<td>2016</td>
</tr>
<tr>
<td>All other officers as a</td>
<td></td>
</tr>
<tr>
<td>group unnamed</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Estimated</td>
</tr>
</tbody>
</table>
The Company has no standard arrangement or any other arrangements or compensation plan or arrangement with regard to the remuneration of its existing officers aside from the compensation herein stated.

**Directors’ Compensation**

In a special meeting held on April 11, 2011, the Board recommended for stockholders’ approval the following compensation of the members of the Board and the Board Committees:

- A fixed retainer fee of Php500,000 per year of service;
- For each Board Director – Php200,000.00 for each quarterly and annual meeting actually attended;
- For each Board Committee Member – Php50,000.00 per Committee meeting actually attended.

The aforesaid compensation of the members of the Board was approved by the stockholders in the annual stockholders’ meeting held on April 11, 2011. This compensation scheme has not changed since then.

Currently, Article III, Section 10 of the By-Laws provides that: “By resolution of the Board, each director shall receive a reasonable per diem for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 1% of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors.”

The table below summarizes the compensation/remuneration received or to be received by the directors for 2015 as members of the Board of Directors of the Company:

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Fixed Retainer for 2015**</th>
<th>Remuneration for ASM and Board Meetings Attended in 2015**</th>
<th>Remuneration for Committee Meetings Attended in 2015**</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala*</td>
<td>Php500,000</td>
<td>Php1,400,000</td>
<td>Php100,000</td>
<td>Php2,100,000</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala*</td>
<td>500,000</td>
<td>1,400,000</td>
<td>100,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.*</td>
<td>500,000</td>
<td>1,400,000</td>
<td>150,000</td>
<td>2,050,000</td>
</tr>
<tr>
<td>Delfin L. Lazaro*</td>
<td>500,000</td>
<td>1,200,000</td>
<td>-</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>500,000</td>
<td>1,400,000</td>
<td>100,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>John Eric T. Francia*</td>
<td>500,000</td>
<td>1,400,000</td>
<td>150,000</td>
<td>2,050,000</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>500,000</td>
<td>1,400,000</td>
<td>300,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>500,000</td>
<td>1,400,000</td>
<td>250,000</td>
<td>2,150,000</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>500,000</td>
<td>1,400,000</td>
<td>600,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>500,000</td>
<td>1,400,000</td>
<td>550,000</td>
<td>2,450,000</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>500,000</td>
<td>1,400,000</td>
<td>450,000</td>
<td>2,350,000</td>
</tr>
</tbody>
</table>

* The board remuneration of Messrs. Gerardo C. Ablaza Jr., Fernando Zobel de Ayala, Jaime Augusto Zobel de Ayala, John Eric T. Francia and Delfin L. Lazaro were paid directly to Ayala Corporation.

** Tax.inclusive

1 The Remuneration Committee is composed of the following: Oscar S. Reyes (Chairman / independent director), Jose L. Cuisia Jr. (independent director), Sherisa P. Nuesa (independent director), and Fernando Zobel de Ayala.
Warrants and Options Outstanding

As of January 31, 2016, 37.04 million subscriptions are outstanding under the Company’s Employee Stock Ownership Plan (ESOWN) which was approved by the Securities and Exchange Commission (SEC) on January 31, 2006. The subscriptions include those for shares covered by options that were granted in 2005 under the Company’s Executive Stock Option Plan (ExSOP) and converted to subscriptions under the ESOWN. As a result of the conversion of options under the ExSOP to subscriptions under the ESOWN, the Company will no longer grant options under the ExSOP. There were disclosures on grants to senior officers under the ESOWN for the years 2005, 2006, 2007, 2008, 2009, 2011, 2012, 2013, and 2014.

The number of employees and officers of the Company who are eligible to participate in the ESOWN is approximately 173.

As of January 31, 2016, the following are the outstanding grants under the ESOWN to the directors and senior executive officers of the Company:

<table>
<thead>
<tr>
<th>Name</th>
<th>No. of Shares</th>
<th>Date of Grant</th>
<th>Exercise Price</th>
<th>Market Price at Date of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td></td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td></td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Ferdinand M. Dela Cruz</td>
<td></td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Above-named officers as a group</td>
<td>6,787,676</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>All other officers and directors as a group unnamed</td>
<td>11,575,040</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
</tbody>
</table>

The Exercise Price is the Subscription price. For the 2014 ESOWN grant, the Subscription Price is based on the average closing price at the PSE for twenty (20) consecutive trading days with a discount to be determined by the Remuneration Committee at the date of grant.

Item 11. Security Ownership of Certain Record and Beneficial Owners

As of January 31, 2016, the following shareholders are the only owners of more than 5% of the Company’s voting capital stock, whether directly or indirectly, as record owner or beneficial owner:

<table>
<thead>
<tr>
<th>Title of class</th>
<th>Name and address of record owner</th>
<th>Name of beneficial owner</th>
<th>Citizenship</th>
<th>No of shares held</th>
<th>Percent of class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Ayala Corporation*</td>
<td>Ayala Corporation*</td>
<td>Filipino</td>
<td>871,383,496**</td>
<td>42.42%</td>
</tr>
<tr>
<td></td>
<td>34F Tower One, Ayala Triangle, Ayala Ave., Makati City (Principal shareholder)</td>
<td>(The same as the record owner)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. The following persons shall have the right to vote on behalf of the following shareholders:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Proxy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>Fernando Zobel de Ayala or the Chairman of the Meeting</td>
</tr>
<tr>
<td>Philwater Holdings Company, Inc.</td>
<td>Delfin C. Gonzalez, Jr. or the Chairman of the Meeting</td>
</tr>
</tbody>
</table>

The Company has no knowledge on how the shares of First State Investment Management in the Company are to be voted.

**Security Ownership of Directors and Management**

The following table sets forth, as of January 31, 2016, the beneficial ownership of each director and executive officer of the Company:

<table>
<thead>
<tr>
<th>Title of Class</th>
<th>Name of Beneficial Owner</th>
<th>Citizenship</th>
<th>Amount of Beneficial Ownership</th>
<th>Nature of Beneficial Ownership</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Fernando Zobel de Ayala</td>
<td>Filipino</td>
<td>1</td>
<td>Direct</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Filipino</td>
<td>200,001</td>
<td>Direct</td>
<td>0.00973740%</td>
</tr>
<tr>
<td>Common</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>Filipino</td>
<td>4,126,078</td>
<td>Direct and Indirect</td>
<td>0.20088543%</td>
</tr>
<tr>
<td>Common</td>
<td>Delfin L. Lazaro</td>
<td>Filipino</td>
<td>1</td>
<td>Direct</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common</td>
<td>Antonino T. Aquino</td>
<td>Filipino</td>
<td>12,749,543</td>
<td>Direct and Indirect</td>
<td>0.62073412%</td>
</tr>
<tr>
<td>Preferred</td>
<td>Victoria P. Garchitorena</td>
<td>Filipino</td>
<td>1</td>
<td>Direct</td>
<td>0.00000003%</td>
</tr>
<tr>
<td>Preferred</td>
<td>John Eric T. Francia</td>
<td>Filipino</td>
<td>1</td>
<td>Direct</td>
<td>0.00000003%</td>
</tr>
<tr>
<td>Common</td>
<td>Jaime C. Laya</td>
<td>Filipino</td>
<td>5,000</td>
<td>Direct and Indirect</td>
<td>0.00024343%</td>
</tr>
<tr>
<td>Common</td>
<td>Jose L. Cuisia Jr.</td>
<td>Filipino</td>
<td>1</td>
<td>Direct</td>
<td>0.00000005%</td>
</tr>
</tbody>
</table>
### Changes in Legal and Beneficial Ownership of the Board, the Key Officers and the Major Shareholders (December 31, 2015 vs. December 31, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>As of December 31, 2015</th>
<th>Class of Share</th>
<th>As of December 31, 2014</th>
<th>Class of Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECTORS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>4,126,078</td>
<td>Common</td>
<td>3,626,078</td>
<td>Common</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>200,001</td>
<td>Common</td>
<td>200,001</td>
<td>Common</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1</td>
<td>Common</td>
<td>1</td>
<td>Common</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>4,126,078</td>
<td>Common</td>
<td>3,626,078</td>
<td>Common</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>12,749,543</td>
<td>Common</td>
<td>12,749,543</td>
<td>Common</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>1</td>
<td>Preferred</td>
<td>1</td>
<td>Preferred</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>330,001</td>
<td>Common</td>
<td>330,001</td>
<td>Common</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>1</td>
<td>Common</td>
<td>1</td>
<td>Common</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>5,309,607</td>
<td>Common</td>
<td>5,309,607</td>
<td>Common</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>1</td>
<td>Preferred</td>
<td>1</td>
<td>Preferred</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>5,000</td>
<td>Common</td>
<td>5,000</td>
<td>Common</td>
</tr>
<tr>
<td><strong>OFFICERS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>4,126,078</td>
<td>Common</td>
<td>3,626,078</td>
<td>Common</td>
</tr>
<tr>
<td>Virgilio C. Rivera, Jr.</td>
<td>2,242,795</td>
<td>Common</td>
<td>1,974,212</td>
<td>Common</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>1,572,727</td>
<td>Common</td>
<td>1,281,341</td>
<td>Common</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>1,248,264</td>
<td>Common</td>
<td>921,517</td>
<td>Common</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>1,629,800</td>
<td>Common</td>
<td>1,372,500</td>
<td>Common</td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td>513,600</td>
<td>Common</td>
<td>253,500</td>
<td>Common</td>
</tr>
<tr>
<td>Abelardo P. Basilio</td>
<td>775,200</td>
<td>Common</td>
<td>609,800</td>
<td>Common</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>50,100</td>
<td>Common</td>
<td>50,100</td>
<td>Common</td>
</tr>
<tr>
<td>Thomas T. Mattison</td>
<td>274,100</td>
<td>Common</td>
<td>0</td>
<td>Common</td>
</tr>
<tr>
<td><strong>MAJOR SHAREHOLDERS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Corporation</td>
<td>870,542,896*</td>
<td>Common</td>
<td>791,912,996</td>
<td>Common</td>
</tr>
<tr>
<td>First State Investment Management (UK) Limited (through PCD Nominee Corporation)</td>
<td>152,142,261</td>
<td>Common</td>
<td>117,100,761</td>
<td>Common</td>
</tr>
<tr>
<td>Philwater Holdings Corporation</td>
<td>3,999,999,998</td>
<td>Preferred</td>
<td>3,999,999,998</td>
<td>Preferred</td>
</tr>
</tbody>
</table>

*Excludes the percentage of the two (2) preferred shares in the name of Directors Garchitorena and Francia.

None of the members of the Company’s Board of Directors (the “Board”) and management owns 2.0% or more of the outstanding capital stock of the Company.
Item 12. Certain Relationships and Related Transactions

In March 1997, the Company contracted with Ayala Corporation for the provision of administrative, technical and support services in relation to human resources, treasury, accounting, capital works, corporate services and regulatory affairs and administrative management of the Company.

In January 2016, Manila Water Philippine Ventures, Inc. ("MWPV"), a wholly-owned subsidiary of Manila Water, signed a Memorandum of Agreement with Ayala Land, Inc. ("ALI"), wherein MWPV agreed to provide the water and used water services and facilities to all the property development projects of the ALI Group nationwide.

No other transaction was undertaken by the Company in which any director or executive officer or any nominee for election as director or security holder owning 10% or more of the Company’s total outstanding shares, and/or any member of their immediate family, was involved or had a direct or indirect material interest.

Please see related discussion in Part I. Item 1 and in the Notes to Financial Statements on Related Party Transactions.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance


The Company’s ACGR is also posted in the Company’s Official Website www.manilawater.com.

Attachments to the ACGR:

a. Secretary’s Certificate on Updates to the ACGR
b. Certificate of Full Compliance with the Manual of Corporate Governance
c. Report of the Risk Committee to the Board
d. Report of the Audit and Governance Committee to the Board
e. SEC Certification on permanent exemption of Ambassador Jose L. Cuisia, Jr. (independent director), from attendance in Corporate Governance Training requirements of the SEC

In its report to the Board of Directors, the Risk Committee of the Board confirmed that:

- The Risk Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.
- The Risk Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in Manila Water.
• The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

In its report to the Board of Directors, the Audit and Governance Committee confirmed that:

• The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

• The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

• The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

• The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

Part V - LIST OF EXHIBITS/SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a. Exhibit 1 - See accompanying Index to Financial Statements and Supplementary Schedules

b. Exhibit 2 - Reports on SEC Form 17-C

FINANCIAL STATEMENTS - Exhibit 1

a. Statement of Management’s Responsibility for Financial Statements

b. Report of Independent Auditors

c. Balance Sheets as of December 31, 2015 and 2014


e. Statement of Changes in Stockholders Equity for the years ended December 31, 2015, 2014 and 2013

f. Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013
### g. Notes to Financial Statements

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules - Exhibit 1.A

<table>
<thead>
<tr>
<th>Schedule A</th>
<th>Financial Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule B</td>
<td>Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)</td>
</tr>
<tr>
<td>Schedule C</td>
<td>Amounts Receivable from Related Parties which are Eliminated during the Consolidation of the Financial Statements</td>
</tr>
<tr>
<td>Schedule D</td>
<td>Intangible Assets - Other Assets</td>
</tr>
<tr>
<td>Schedule E</td>
<td>Long-Term Debt</td>
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<td>Schedule F</td>
<td>Indebtedness to Related Parties (Long-Term Loans from Related Companies)</td>
</tr>
<tr>
<td>Schedule G</td>
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<tr>
<td>Schedule H</td>
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<tr>
<td>Schedule I</td>
<td>Retained Earnings Available for Dividend Declaration as of December 31, 2015 – same as the Supplementary Schedule to FS</td>
</tr>
<tr>
<td>Schedule J</td>
<td>Map Showing the Relationships between and among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries</td>
</tr>
<tr>
<td>Schedule K</td>
<td>Financial Ratios</td>
</tr>
<tr>
<td>Schedule L</td>
<td>Beneficial Ownership of Shares</td>
</tr>
</tbody>
</table>

### OTHERS

a. General Form for Financial Statements - Exhibit 1.B

b. Certification from the Treasurer that the GFFS Diskette has the Basic and Material Data in the Audited Financial Statements - Exhibit 1.C

c. List of Top 20 Stockholders of Record of Manila Water Company, Inc. as of December 31, 2015 - Exhibit 1.D.

### REPORTS ON SEC FORM 17-C – Exhibit 2

Aside from compliance with periodic reporting requirements, the Company promptly discloses major and market sensitive information such as dividend declarations, joint ventures and
acquisitions, the sale and disposition of significant assets, and other information that may affect the decision of the investing public.

In 2015 the Company filed the following reports using SEC Form 17C:

<table>
<thead>
<tr>
<th>DATE</th>
<th>TEMPLATE NAME</th>
<th>SUBJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 6, 2015</td>
<td>Material Information/Transactions</td>
<td>Employee Stock Ownership Grant</td>
</tr>
<tr>
<td>January 14, 2015</td>
<td>Change in Directors and/or Officers</td>
<td>Resignation of Officer</td>
</tr>
<tr>
<td>January 30, 2015</td>
<td>Material Information/Transactions</td>
<td>Joint Venture Agreement between Manila Water Company, Inc. and Zamboanga City Water District</td>
</tr>
<tr>
<td>February 2, 2015</td>
<td>Notice of Annual or Special Stockholders’ Meeting</td>
<td>Annual Stockholders’ Meeting</td>
</tr>
<tr>
<td>February 6, 2015</td>
<td>Notice of Analysts’/Investors’ Briefing</td>
<td>Analysts’ Briefing</td>
</tr>
<tr>
<td>February 11, 2015</td>
<td>Change in Directors and/or Officers</td>
<td>Appointment of Officer</td>
</tr>
<tr>
<td>February 12, 2015</td>
<td>Material Information/Transactions</td>
<td>Unaudited Full Year 2014 Performance Results</td>
</tr>
<tr>
<td>February 20, 2015</td>
<td>Material Information/Transactions</td>
<td>Results of Regular Meeting of the Board of Directors on February 20, 2015</td>
</tr>
<tr>
<td>February 20, 2015</td>
<td>Declaration of Cash Dividends</td>
<td>Declaration of Cash Dividends</td>
</tr>
<tr>
<td>March 13, 2015</td>
<td>Material Information/Transactions</td>
<td>Foreign Currency Differential Adjustment</td>
</tr>
<tr>
<td>March 17, 2015</td>
<td>Notice of Annual or Special Stockholders’ Meeting</td>
<td>Annual Stockholders’ Meeting</td>
</tr>
<tr>
<td>April 7, 2015</td>
<td>Results of Annual or Special Stockholders’ Meeting</td>
<td>Results of Annual Stockholders’ Meeting</td>
</tr>
<tr>
<td>April 7, 2015</td>
<td>Results of Organizational Board Meeting</td>
<td>Results of Organizational Board Meeting</td>
</tr>
<tr>
<td>April 7, 2015</td>
<td>Material Information/Transactions</td>
<td>Results of Meetings of the Board of Directors and Meeting of the Non-Executive Directors</td>
</tr>
<tr>
<td>April 8, 2015</td>
<td>Clarification of News Reports</td>
<td>Clarification on the News Article entitled “Manila Water ramp up annual spending to over P10B”</td>
</tr>
<tr>
<td>April 10, 2015</td>
<td>Material Information/Transactions</td>
<td>Term-Loan Facility for Clark Water Corporation</td>
</tr>
<tr>
<td>April 16, 2015</td>
<td>Material Information/Transactions</td>
<td>Independent Directors’ Certifications</td>
</tr>
<tr>
<td>April 21, 2015</td>
<td>Material Information/Transactions</td>
<td>Decision of the Appeals of Manila Water Arbitration with the Metropolitan Waterworks and Sewerage System</td>
</tr>
<tr>
<td>Date</td>
<td>Type of Information</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>April 23, 2015</td>
<td>Material Information/Transactions</td>
<td>Notice of Claim to the Republic of the Philippines</td>
</tr>
<tr>
<td>April 24, 2015</td>
<td>Material Information/Transactions</td>
<td>Healthy Family Purified Drinking Water Certificate of Product Registration</td>
</tr>
<tr>
<td>April 29, 2015</td>
<td>Notice of Analysts’/Investors’ Briefing</td>
<td>Notice of Analysts’ Briefing</td>
</tr>
<tr>
<td>May 7, 2015</td>
<td>Material Information/Transactions</td>
<td>Unaudited First Quarter 2015 Performance Results</td>
</tr>
<tr>
<td>May 15, 2015</td>
<td>Material Information/Transactions</td>
<td>New Water Tariff Rates</td>
</tr>
<tr>
<td>June 8, 2015</td>
<td>Material Information/Transactions</td>
<td>Foreign Currency Differential Adjustment</td>
</tr>
<tr>
<td>June 9, 2015</td>
<td>Material Information/Transactions</td>
<td>Results of Regular Meeting of the Board of Directors</td>
</tr>
<tr>
<td>June 30, 2015</td>
<td>Material Information/Transactions</td>
<td>Amendment to the Concession Agreement of Laguna AAAWater Corporation</td>
</tr>
<tr>
<td>July 23, 2015</td>
<td>Notice of Analysts’/Investors’ Briefing</td>
<td>Notice of Analysts’ Briefing</td>
</tr>
<tr>
<td>July 28, 2015</td>
<td>Material Information/Transactions</td>
<td>Notice of Award from the Tagum City Water District (TCWD)</td>
</tr>
<tr>
<td>July 30, 2015</td>
<td>Material Information/Transactions</td>
<td>Unaudited First Half 2015 Performance Results</td>
</tr>
<tr>
<td>August 11, 2015</td>
<td>Material Information/Transactions</td>
<td>Results of Special Meeting of the Board of Directors</td>
</tr>
<tr>
<td>August 11, 2015</td>
<td>Declaration of Cash Dividends</td>
<td>Declaration of Cash Dividends</td>
</tr>
<tr>
<td>August 14, 2015</td>
<td>Material Information/Transactions</td>
<td>Boracay Island Water Company, Inc. Tariff Adjustment</td>
</tr>
<tr>
<td>September 14, 2015</td>
<td>Material Information/Transactions</td>
<td>Foreign Currency Differential Adjustment</td>
</tr>
<tr>
<td>September 30, 2015</td>
<td>Material Information/Transactions</td>
<td>7-Year JPY40 Billion Loan Facility</td>
</tr>
<tr>
<td>October 5, 2015</td>
<td>Material Information/Transactions</td>
<td>Results of Regular Meeting of the Executive Committee</td>
</tr>
<tr>
<td>October 15, 2015</td>
<td>Material Information/Transactions</td>
<td>Joint Venture Agreement between the Tagum City Water District and the Consortium of Manila Water Company, Inc. and iWater, Inc.</td>
</tr>
<tr>
<td>October 23, 2015</td>
<td>Material Information/Transactions</td>
<td>Term-Loan Facility for Laguna AAAWater Corporation</td>
</tr>
<tr>
<td>October 30, 2015</td>
<td>Notice of Analysts’/Investors’ Briefings</td>
<td>Notice of Analysts’ Briefing</td>
</tr>
<tr>
<td>November 2, 2015</td>
<td>Change in the Number of Issued and/or Outstanding Shares</td>
<td>Number of Issued and Outstanding Common Shares as of September 30, 2015</td>
</tr>
<tr>
<td>November 3, 2015</td>
<td>Material Information/Transactions</td>
<td>Manila Water’s Singapore Subsidiary Signs Agreement to Invest in Cu Chi Water Supply Sewerage Company Ltd. in Vietnam</td>
</tr>
<tr>
<td>November 4, 2015</td>
<td>Acquisition or Disposition of Shares of Another Corporation</td>
<td>Manila Water’s Singapore Subsidiary Signs Agreement to Invest in Cu Chi Water Supply Sewerage Company Ltd. in</td>
</tr>
<tr>
<td>Date</td>
<td>Type of Information/Transactions</td>
<td>Details</td>
</tr>
<tr>
<td>------------------</td>
<td>----------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>November 6, 2015</td>
<td>Material Information/Transactions</td>
<td>Manila Water Asia Pacific Pte. Ltd. signs a Memorandum of Understanding with PDAM Tirtawening Kota Bandung in Bandung City</td>
</tr>
<tr>
<td>November 6, 2015</td>
<td>Material Information/Transactions</td>
<td>Unaudited Year-to-Date September 2015 Performance Results</td>
</tr>
<tr>
<td>November 26, 2015</td>
<td>Clarification of News Reports</td>
<td>Clarification of News Article</td>
</tr>
<tr>
<td>November 26, 2016</td>
<td>Material Information/Transactions</td>
<td>Results of Regular Meeting of the Board of Directors</td>
</tr>
<tr>
<td>November 26, 2015</td>
<td>Notice of Annual or Special Stockholders’ Meeting</td>
<td>Setting of the Date of the 2016 Annual Stockholders’ Meeting</td>
</tr>
<tr>
<td>December 10, 2015</td>
<td>Material Information/Transactions</td>
<td>Notice of Arbitration to the Republic of the Philippines under the Letter of Undertaking of the Department of Finance</td>
</tr>
<tr>
<td>December 14, 2015</td>
<td>Material Information/Transactions</td>
<td>Boracay Island Water Company, Inc. Tariff Adjustment</td>
</tr>
<tr>
<td>December 14, 2015</td>
<td>Material Information/Transactions</td>
<td>New Water Tariff Rates</td>
</tr>
<tr>
<td>December 21, 2015</td>
<td>Clarification of News Reports</td>
<td>Clarification of News Article Entitled “Manila Water sets P30-B capex for 2016-17”</td>
</tr>
</tbody>
</table>
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on ___ April 2016.

By:

[Signature]

Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13th day of April 2016, affiants exhibiting to me their respective passport with details, as follows:

<table>
<thead>
<tr>
<th>NAME</th>
<th>PASSPORT NUMBER</th>
<th>VALID UNTIL</th>
<th>PLACE OF ISSUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solomon M. Hermosura</td>
<td>EC5542301</td>
<td>September 29, 2020</td>
<td>Manila</td>
</tr>
</tbody>
</table>

[Signature]

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on _____ April 2016.

Gerardo C. Ablaza, Jr.
President & CEO

By:

Luis Juan B. Oreta
Chief Finance Officer and Treasurer

Ma. Victoria P. Sugapong
Chief Accountant and Chief Risk Officer

SUBSCRIBED AND SWORN to before me this 12th day of April 2016, affiants exhibiting to me their respective passport with details, as follows:

<table>
<thead>
<tr>
<th>NAME</th>
<th>PASSPORT NUMBER</th>
<th>VALID UNTIL</th>
<th>PLACE OF ISSUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma. Victoria P. Sugapong</td>
<td>EB7025928</td>
<td>December 27, 2017</td>
<td>Manila</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>EB6664924</td>
<td>October 29, 2017</td>
<td>Manila</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>EB9475335</td>
<td>October 28, 2018</td>
<td>Manila</td>
</tr>
</tbody>
</table>

ATTY. JOVENCIO P. FULGUERAS
MY COMMISSION EXPIRES ON DEC. 31, 2017
IBP NO. 199512O-2015-PASIG CITY
ROLL NO. 20318
PTR NO. 20318-0-11/4/2015 Q.C.
MCLE COMPLIANCE NO. 7-V-000676 0
MV. SS BLDG. JOVENCIO BASEMENT KATIPUNAN RD,
BALARA, QUEZON CITY
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Manila Water Company, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

FERNANDO ZOBEL DE AYALA
Chairman of the Board

GERARDO C. ABLAZA, JR.
President & CEO

LUIS JUAN B. ORETA
Chief Finance Officer and Treasurer

SUBSCRIBED AND SWORN to before me this MAR 07 2016 at Quezon City, affiants exhibiting to me their respective Passports, to wit:

<table>
<thead>
<tr>
<th>Name</th>
<th>Passport No.</th>
<th>Date &amp; Place of Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>EC6148225</td>
<td>December 8, 2015 - Manila</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>EB9475335</td>
<td>October 29, 2013 - Manila</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>EB6664924</td>
<td>October 30, 2012 - Manila</td>
</tr>
</tbody>
</table>

ATTY. ADVENCIO P. FULGUERAS
MY COMMISSION EXPIRES ON DEC. 31 2017
IBP NO. 1056120-2015-PASICITY
ROLL NO. 313368
PTR NO. 1377448-C 11/4/2015 Q.C.
MCC COMPLIANCE NO. 7-000675-0
MWSS BLDG. WASSBCO BASEMENT KATIPUNAN R1,
PANADA, QUEZON CITY
# COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

**SEC Registration Number**
A 1996 - 11593

**COMPANY NAME**
MANILA WATER COMPANY, INC. AND SUBSIDIARIES

**PRINCIPAL OFFICE**
MWSS ADMINISTRATION BUILDING,
489 KATIPUNAN ROAD, BALARA,
QUEZON CITY

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

<table>
<thead>
<tr>
<th>Name of Contact Person</th>
<th>Email Address</th>
<th>Telephone Number/s</th>
<th>Mobile Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Juan B. Oreta</td>
<td><a href="mailto:luis-juan.oreta@manilawater.com">luis-juan.oreta@manilawater.com</a></td>
<td>(632) 981-8156</td>
<td></td>
</tr>
</tbody>
</table>

**CONTACT PERSON's ADDRESS**
2nd floor, MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City

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

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

The Stockholders and the Board of Directors
Manila Water Company, Inc.
MWSS Administration Building, Katipunan Road
Balara, Quezon City

We have audited the accompanying consolidated financial statements of Manila Water Company, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manila Water Company, Inc. and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

[Signature]
Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-1 (Group A),
   June 30, 2015, valid until June 29, 2018
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2015,
   January 5, 2015, valid until January 4, 2018
PTR No. 5321694, January 4, 2016, Makati City

February 26, 2016
### ASSETS

**Current Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Notes 4, 21 and 27)</td>
<td>₱6,849,856,679</td>
<td>₱6,452,563,832</td>
</tr>
<tr>
<td>Receivables - net (Notes 5, 21 and 27)</td>
<td>1,864,847,935</td>
<td>1,694,446,688</td>
</tr>
<tr>
<td>Concession financial receivable - current portion (Notes 9, 26 and 27)</td>
<td>209,010,713</td>
<td>76,914,317</td>
</tr>
<tr>
<td>Inventories - net (Note 6)</td>
<td>177,027,271</td>
<td>189,290,061</td>
</tr>
<tr>
<td>Other current assets (Note 7)</td>
<td>847,456,833</td>
<td>683,859,757</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>₱9,948,298,431</td>
<td>₱9,094,064,655</td>
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</tbody>
</table>

**Noncurrent Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment (Note 8)</td>
<td>1,254,887,558</td>
<td>2,131,965,618</td>
</tr>
<tr>
<td>Service concession assets - net (Notes 9, 21 and 23)</td>
<td>60,192,856,303</td>
<td>55,835,665,758</td>
</tr>
<tr>
<td>Concession financial receivable - net of current portion (Notes 9, 26 and 27)</td>
<td>988,072,860</td>
<td>899,069,520</td>
</tr>
<tr>
<td>Available-for-sale financial assets (Notes 10, 25 and 27)</td>
<td>2,409,290</td>
<td>2,409,290</td>
</tr>
<tr>
<td>Investments in associates (Note 11)</td>
<td>5,723,534,022</td>
<td>4,961,499,753</td>
</tr>
<tr>
<td>Goodwill (Note 3)</td>
<td>130,319,485</td>
<td>130,319,485</td>
</tr>
<tr>
<td>Deferred tax assets - net (Note 18)</td>
<td>924,501,972</td>
<td>881,182,911</td>
</tr>
<tr>
<td>Other noncurrent assets (Note 12)</td>
<td>1,442,605,891</td>
<td>923,726,626</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>₱70,660,187,351</td>
<td>₱65,765,839,941</td>
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</tbody>
</table>

**Total Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>₱80,608,486,782</td>
<td>₱74,859,903,596</td>
</tr>
</tbody>
</table>

### LIABILITIES AND EQUITY

**Current Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and other payables (Notes 13 and 27)</td>
<td>₱4,433,087,387</td>
<td>₱3,846,824,496</td>
</tr>
<tr>
<td>Current portion of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt (Notes 14, 26 and 27)</td>
<td>6,259,416,860</td>
<td>2,495,629,251</td>
</tr>
<tr>
<td>Service concession obligation (Notes 9, 26 and 27)</td>
<td>1,255,676,876</td>
<td>1,015,515,457</td>
</tr>
<tr>
<td>Income tax payable (Note 18)</td>
<td>440,787,122</td>
<td>484,703,087</td>
</tr>
<tr>
<td>Payables to related parties (Notes 21 and 27)</td>
<td>10,834,774</td>
<td>11,480,133</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>₱12,399,813,019</td>
<td>7,856,162,424</td>
</tr>
</tbody>
</table>

**Noncurrent Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt - net of current portion (Notes 14, 26 and 27)</td>
<td>19,960,955,809</td>
<td>22,975,121,467</td>
</tr>
<tr>
<td>Service concession obligation - net of current portion (Notes 9, 23, 26 and 27)</td>
<td>6,671,153,814</td>
<td>6,981,693,612</td>
</tr>
<tr>
<td>Pension liabilities (Note 15)</td>
<td>102,346,600</td>
<td>38,769,100</td>
</tr>
<tr>
<td>Deferred tax liabilities - net (Note 18)</td>
<td>71,912,390</td>
<td>66,949,798</td>
</tr>
<tr>
<td>Provisions (Note 29)</td>
<td>1,003,512,442</td>
<td>1,013,824,883</td>
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<tr>
<td>Other noncurrent liabilities (Notes 16 and 26)</td>
<td>679,756,302</td>
<td>821,812,248</td>
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<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>₱28,499,860,397</td>
<td>31,900,171,108</td>
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</tbody>
</table>

**Total Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>₱48,924,352,736</td>
<td>39,758,333,552</td>
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</table>

(Forward)
## Equity
Attributable to equity holders of Manila Water Company, Inc.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital stock (Note 19)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>₱2,053,666,576</td>
<td>₱2,047,270,452</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td><strong>Total paid-up capital</strong></td>
<td>2,453,666,576</td>
<td>2,447,270,452</td>
</tr>
<tr>
<td><strong>Additional paid-in capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>4,193,022,955</td>
<td>3,969,016,591</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>(346,017,396)</td>
<td>(251,543,666)</td>
</tr>
<tr>
<td><strong>Total paid-up capital</strong></td>
<td>4,453,666,576</td>
<td>4,247,270,452</td>
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<tr>
<td><strong>Common stock options outstanding (Note 19)</strong></td>
<td>20,818,325</td>
<td>16,206,572</td>
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<tr>
<td><strong>Retained earnings</strong></td>
<td>32,120,480,845</td>
<td>28,202,654,069</td>
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<tr>
<td>Remeasurement loss on defined benefit plans (Note 15)</td>
<td>(123,583,985)</td>
<td>(103,140,677)</td>
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<tr>
<td>Other equity reserve (Note 19)</td>
<td>7,500,000</td>
<td>7,500,000</td>
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<tr>
<td>Cumulative translation adjustment (Note 2)</td>
<td>498,830,099</td>
<td>220,209,709</td>
</tr>
<tr>
<td><strong>Non-controlling interests (Note 1)</strong></td>
<td>38,824,717,420</td>
<td>34,508,173,050</td>
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<tr>
<td><strong>Total Equity</strong></td>
<td>39,718,992,406</td>
<td>35,101,570,064</td>
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</table>

**Total Equity**

<table>
<thead>
<tr>
<th></th>
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<th>2014</th>
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<tbody>
<tr>
<td><strong>Total Equity</strong></td>
<td>₱80,608,485,782</td>
<td>₱74,859,903,596</td>
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</tbody>
</table>

*See accompanying Notes to Consolidated Financial Statements.*
## MANILA WATER COMPANY, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water (Note 21)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>East Zone</td>
<td><strong>₱11,897,119,383</strong></td>
<td><strong>₱11,772,381,095</strong></td>
<td><strong>₱11,322,404,038</strong></td>
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<tr>
<td>Outside East Zone</td>
<td><strong>1,323,110,432</strong></td>
<td><strong>1,074,829,358</strong></td>
<td><strong>673,289,068</strong></td>
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<tr>
<td>Environmental charges</td>
<td><strong>2,374,388,215</strong></td>
<td><strong>2,303,873,152</strong></td>
<td><strong>2,250,482,542</strong></td>
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<tr>
<td>Sewer (Note 21)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>East Zone</td>
<td><strong>269,456,863</strong></td>
<td><strong>271,008,639</strong></td>
<td><strong>265,462,739</strong></td>
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<tr>
<td>Outside East Zone</td>
<td><strong>165,292,277</strong></td>
<td><strong>148,710,996</strong></td>
<td><strong>131,201,229</strong></td>
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<tr>
<td>Revenue from management</td>
<td><strong>—</strong></td>
<td><strong>25,488,456</strong></td>
<td><strong>174,938,833</strong></td>
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<tr>
<td>contracts (Note 22)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other operating income</td>
<td><strong>906,515,470</strong></td>
<td><strong>760,853,355</strong></td>
<td><strong>1,108,039,013</strong></td>
</tr>
<tr>
<td></td>
<td><strong>16,935,882,640</strong></td>
<td><strong>16,357,145,051</strong></td>
<td><strong>15,925,817,462</strong></td>
</tr>
<tr>
<td><strong>COST OF SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and</td>
<td><strong>2,303,707,042</strong></td>
<td><strong>2,135,943,763</strong></td>
<td><strong>2,384,936,194</strong></td>
</tr>
<tr>
<td>amortization (Notes 8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and 9)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and</td>
<td><strong>1,183,972,052</strong></td>
<td><strong>1,049,288,817</strong></td>
<td><strong>960,101,617</strong></td>
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<tr>
<td>employee benefits (Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15, 19 and 21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power, light and water</td>
<td><strong>911,444,002</strong></td>
<td><strong>1,009,782,892</strong></td>
<td><strong>814,227,751</strong></td>
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<tr>
<td>Contractual services</td>
<td><strong>432,550,207</strong></td>
<td><strong>270,242,113</strong></td>
<td><strong>215,824,474</strong></td>
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<tr>
<td>Management, technical</td>
<td><strong>383,996,024</strong></td>
<td><strong>409,090,595</strong></td>
<td><strong>412,606,429</strong></td>
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<tr>
<td>and professional fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td><strong>365,645,322</strong></td>
<td><strong>384,165,387</strong></td>
<td><strong>358,204,520</strong></td>
</tr>
<tr>
<td>Occupancy costs (Note 24)</td>
<td><strong>280,036,911</strong></td>
<td><strong>98,763,316</strong></td>
<td>98,018,208</td>
</tr>
<tr>
<td>Regulatory costs (Note 1)</td>
<td><strong>126,288,346</strong></td>
<td><strong>99,493,003</strong></td>
<td><strong>65,882,799</strong></td>
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<tr>
<td>Collection fees</td>
<td><strong>110,420,035</strong></td>
<td><strong>109,241,055</strong></td>
<td><strong>114,102,430</strong></td>
</tr>
<tr>
<td>Cost of water service</td>
<td><strong>108,904,080</strong></td>
<td><strong>119,147,381</strong></td>
<td><strong>104,862,799</strong></td>
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<tr>
<td>connections</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wastewater costs</td>
<td><strong>104,063,441</strong></td>
<td><strong>92,601,779</strong></td>
<td><strong>84,042,255</strong></td>
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<tr>
<td>Water treatment chemicals</td>
<td><strong>83,546,019</strong></td>
<td><strong>71,179,346</strong></td>
<td><strong>79,103,032</strong></td>
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<tr>
<td>Insurance</td>
<td><strong>56,056,426</strong></td>
<td><strong>45,775,658</strong></td>
<td><strong>49,702,630</strong></td>
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<tr>
<td>Postage, telephone and</td>
<td><strong>21,278,116</strong></td>
<td><strong>18,342,226</strong></td>
<td><strong>23,020,977</strong></td>
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<tr>
<td>supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and travel</td>
<td><strong>18,170,276</strong></td>
<td><strong>26,154,855</strong></td>
<td><strong>40,531,449</strong></td>
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<td>Taxes and licenses</td>
<td><strong>12,881,411</strong></td>
<td><strong>14,679,755</strong></td>
<td><strong>22,505,452</strong></td>
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<tr>
<td>Other expenses</td>
<td><strong>173,814,720</strong></td>
<td><strong>55,534,248</strong></td>
<td><strong>44,560,692</strong></td>
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<td></td>
<td><strong>6,676,774,430</strong></td>
<td><strong>6,009,426,189</strong></td>
<td><strong>5,872,824,494</strong></td>
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<tr>
<td><strong>GROSS PROFIT</strong></td>
<td><strong>10,259,108,210</strong></td>
<td><strong>10,347,718,862</strong></td>
<td><strong>10,052,984,968</strong></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td><strong>1,772,425,207</strong></td>
<td><strong>1,522,320,184</strong></td>
<td><strong>1,275,539,592</strong></td>
</tr>
<tr>
<td><strong>INCOME BEFORE OTHER</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INCOME (EXPENSES)</strong></td>
<td><strong>8,486,683,003</strong></td>
<td><strong>8,825,398,678</strong></td>
<td><strong>8,777,445,376</strong></td>
</tr>
<tr>
<td>Revenue from rehabilitation works (Notes 1, 2 and 9)</td>
<td><strong>5,219,358,277</strong></td>
<td><strong>3,435,789,320</strong></td>
<td><strong>5,071,257,510</strong></td>
</tr>
<tr>
<td>Cost of rehabilitation works (Notes 1, 2 and 9)</td>
<td><strong>(5,219,358,277)</strong></td>
<td><strong>(3,435,789,320)</strong></td>
<td><strong>(5,071,257,510)</strong></td>
</tr>
<tr>
<td>Foreign currency</td>
<td><strong>517,463,433</strong></td>
<td><strong>174,789,320</strong></td>
<td><strong>545,916,143</strong></td>
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<tr>
<td>differentials (Note 1)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest expense (Notes 14 and 17)</td>
<td><strong>(413,741,038)</strong></td>
<td><strong>167,614,258</strong></td>
<td><strong>(539,490,917)</strong></td>
</tr>
<tr>
<td>Interest income (Note 17)</td>
<td><strong>(1,457,535,361)</strong></td>
<td><strong>163,136,708</strong></td>
<td><strong>(1,733,400,506)</strong></td>
</tr>
<tr>
<td>Equity share in net</td>
<td><strong>316,944,042</strong></td>
<td><strong>185,635,301</strong></td>
<td><strong>172,825,432</strong></td>
</tr>
<tr>
<td>income of associates (Note 11)</td>
<td><strong>403,514,812</strong></td>
<td><strong>357,298,362</strong></td>
<td><strong>293,975,032</strong></td>
</tr>
<tr>
<td>Gain on disposal of</td>
<td><strong>24,952,444</strong></td>
<td><strong>42,524</strong></td>
<td><strong>13,448</strong></td>
</tr>
<tr>
<td>property, plant and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of</td>
<td><strong>8,432,177</strong></td>
<td><strong>7,240,954</strong></td>
<td><strong>6,167,676</strong></td>
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<tr>
<td>deferred credits (Note 16)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on revaluation of</td>
<td><strong>(557,719,174)</strong></td>
<td><strong>(1,159,152,014)</strong></td>
<td><strong>(1,185,311,695)</strong></td>
</tr>
<tr>
<td>receivable from Bonifacio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Corporation (Notes 5 and 12)</td>
<td><strong>(42,250,317)</strong></td>
<td><strong>(66,057,375)</strong></td>
<td><strong>70,093,853</strong></td>
</tr>
<tr>
<td>Other income (loss) (Notes 11, 14 and 16)</td>
<td><strong>(5,792,963,829)</strong></td>
<td><strong>7,666,246,664</strong></td>
<td><strong>7,592,133,681</strong></td>
</tr>
<tr>
<td><strong>INCOME BEFORE INCOME</strong></td>
<td><strong>7,928,963,829</strong></td>
<td><strong>7,666,246,664</strong></td>
<td><strong>7,592,133,681</strong></td>
</tr>
<tr>
<td><strong>TAX</strong></td>
<td><strong>1,794,923,838</strong></td>
<td><strong>1,836,298,011</strong></td>
<td><strong>1,811,572,574</strong></td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td><strong>6,134,039,991</strong></td>
<td><strong>5,829,948,653</strong></td>
<td><strong>5,780,561,107</strong></td>
</tr>
</tbody>
</table>

(Forward)
### OTHER COMPREHENSIVE INCOME (LOSS)

**Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized fair value gain (loss) on available-for-sale financial assets (Note 10)</td>
<td>P=– ($3,300,716)</td>
<td>($3,502,145)</td>
<td></td>
</tr>
<tr>
<td>Realized fair value gain on available-for-sale transferred to profit or loss (Note 10)</td>
<td>–</td>
<td>–</td>
<td>($15,065,800)</td>
</tr>
<tr>
<td>Cumulative translation adjustment (Note 11)</td>
<td>278,620,390</td>
<td>101,970,215</td>
<td>127,109,003</td>
</tr>
<tr>
<td></td>
<td>278,620,390</td>
<td>98,669,499</td>
<td>108,541,058</td>
</tr>
</tbody>
</table>

**Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gain (loss) on pension liabilities (Note 15)</td>
<td>($20,727,744)</td>
<td>37,227,700</td>
<td>(68,194,900)</td>
</tr>
<tr>
<td>Income tax effect (Note 18)</td>
<td>285,264</td>
<td>(257,680)</td>
<td>499,830</td>
</tr>
<tr>
<td></td>
<td>($20,442,480)</td>
<td>36,970,020</td>
<td>(67,695,070)</td>
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</table>

**TOTAL COMPREHENSIVE INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests (Note 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,957,780,447</td>
<td>5,813,088,880</td>
<td>5,752,361,946</td>
</tr>
<tr>
<td></td>
<td>176,259,544</td>
<td>16,859,773</td>
<td>28,199,161</td>
</tr>
<tr>
<td></td>
<td>P6,134,039,991</td>
<td>P5,829,948,653</td>
<td>P5,780,561,107</td>
</tr>
</tbody>
</table>

**Total comprehensive income attributable to:**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>P6,215,957,529</td>
<td>P5,948,616,019</td>
<td>P5,793,304,768</td>
</tr>
<tr>
<td>Non-controlling interests (Note 1)</td>
<td>176,260,372</td>
<td>16,972,153</td>
<td>28,102,327</td>
</tr>
<tr>
<td></td>
<td>P6,392,217,901</td>
<td>P5,965,588,172</td>
<td>P5,821,407,095</td>
</tr>
</tbody>
</table>

**Earnings per Share (Note 20)**

|                                                                                   | Basic                 | Diluted               |                       |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|                       |
| Net income attributable to common equity holders of Manila Water Company, Inc.    | P2.41                 | P2.36                 | P2.34                 |

See accompanying Notes to Consolidated Financial Statements.
### ATTRIBUTABLE TO EQUITY HOLDERS OF MANILA WATER COMPANY, INC.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL STOCK</strong></td>
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<td></td>
</tr>
<tr>
<td>Common stock - P=1 par value</td>
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<tr>
<td>Authorized - 3,100,000,000 shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued and outstanding - 2,016,708,607 in 2014, and 2,015,301,474 in 2013</td>
<td>P2,018,209,523</td>
<td>P2,016,708,607</td>
<td>P2,015,301,474</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>30,561,845</td>
<td>31,968,978</td>
<td>36,009,267</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>6,396,124</td>
<td>-</td>
<td>5,817,220</td>
</tr>
<tr>
<td>Issuance of shares</td>
<td>(1,500,916)</td>
<td>(1,407,133)</td>
<td>(9,857,509)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>35,457,053</td>
<td>30,561,845</td>
<td>31,968,978</td>
</tr>
<tr>
<td><strong>Preferred stock</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized, issued and outstanding - 4,000,000,000 shares</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONAL PAID-IN CAPITAL</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>3,969,016,591</td>
<td>3,908,364,990</td>
<td>3,750,425,522</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>224,006,364</td>
<td>60,651,601</td>
<td>157,939,468</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>4,193,022,955</td>
<td>3,969,016,591</td>
<td>3,908,364,990</td>
</tr>
<tr>
<td><strong>SUBSCRIPTIONS RECEIVABLE</strong></td>
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<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>(251,543,666)</td>
<td>(283,527,324)</td>
<td>(221,425,456)</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>(166,316,124)</td>
<td>-</td>
<td>(113,151,413)</td>
</tr>
<tr>
<td>Collections during the year</td>
<td>71,842,395</td>
<td>31,983,658</td>
<td>51,049,545</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(346,017,395)</td>
<td>(251,543,666)</td>
<td>(283,527,324)</td>
</tr>
<tr>
<td><strong>COMMON STOCK OPTIONS OUTSTANDING</strong> (Note 19)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>16,206,572</td>
<td>13,806,787</td>
<td>13,578,433</td>
</tr>
<tr>
<td>Cost of share-based payment during the year</td>
<td>68,698,117</td>
<td>63,051,386</td>
<td>50,833,629</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>64,086,364</td>
<td>(60,651,601)</td>
<td>(50,605,275)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>20,818,325</td>
<td>16,206,572</td>
<td>13,806,787</td>
</tr>
<tr>
<td><strong>RETAINED EARNINGS</strong> (Note 19)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated for capital expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>-</td>
<td>7,000,000,000</td>
<td>7,000,000,000</td>
</tr>
<tr>
<td>Transferred to unappropriated retained earnings</td>
<td>-</td>
<td>(7,000,000,000)</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>-</td>
<td>-</td>
<td>7,000,000,000</td>
</tr>
<tr>
<td>Unappropriated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>28,202,654,069</td>
<td>17,402,675,096</td>
<td>13,555,773,394</td>
</tr>
<tr>
<td>Net income</td>
<td>5,957,780,447</td>
<td>5,813,088,880</td>
<td>5,752,361,946</td>
</tr>
<tr>
<td>Transferred from appropriated retained earnings (Note 19)</td>
<td>-</td>
<td>7,000,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Dividends declared (Note 19)</td>
<td>(2,039,953,671)</td>
<td>(2,013,109,907)</td>
<td>(1,905,460,244)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>32,120,480,845</td>
<td>28,202,654,069</td>
<td>17,402,675,096</td>
</tr>
</tbody>
</table>
|                      | 32,120,480,845 | 28,202,654,069 | 24,402,675,096 | (Forward)
## UNREALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱–</td>
<td>₱3,300,716</td>
<td>₱21,868,661</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized fair value loss on available-for-sale financial assets (Note 10)</td>
<td>–</td>
<td>(3,300,716)</td>
<td>(3,502,145)</td>
</tr>
<tr>
<td>Realized fair value gain on available-for-sale financial assets transferred to profit and loss (Note 10)</td>
<td>–</td>
<td>–</td>
<td>(15,065,800)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>–</td>
<td>–</td>
<td>3,300,716</td>
</tr>
</tbody>
</table>

## REMEASUREMENT LOSS ON DEFINED BENEFIT PLANS (Note 15)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>(103,140,677)</td>
<td>(140,372,917)</td>
<td>(72,774,681)</td>
</tr>
<tr>
<td>Actuarial gain (loss) on pension liabilities</td>
<td>(20,728,572)</td>
<td>37,602,300</td>
<td>(68,094,610)</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>285,264</td>
<td>(370,060)</td>
<td>496,374</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(123,583,985)</td>
<td>(103,140,677)</td>
<td>(140,372,917)</td>
</tr>
</tbody>
</table>

## OTHER EQUITY RESERVE (Note 19)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,500,000</td>
<td>7,500,000</td>
<td>7,500,000</td>
</tr>
</tbody>
</table>

## CUMULATIVE TRANSLATION ADJUSTMENT (Notes 2 and 11)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>220,209,709</td>
<td>118,239,494</td>
<td>(8,869,509)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>278,620,390</td>
<td>101,970,215</td>
<td>127,109,003</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>498,830,099</td>
<td>220,209,709</td>
<td>118,239,494</td>
</tr>
</tbody>
</table>

## NON-CONTROLLING INTERESTS (Notes 1 and 2)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>593,397,014</td>
<td>576,799,461</td>
<td>266,739,634</td>
</tr>
<tr>
<td>Additions</td>
<td>124,617,600</td>
<td>–</td>
<td>281,957,500</td>
</tr>
<tr>
<td>Remeasurement gain (loss) on defined benefit plans</td>
<td>828</td>
<td>(262,220)</td>
<td>(96,834)</td>
</tr>
<tr>
<td>Share in net income of non-controlling interests</td>
<td>176,259,544</td>
<td>16,859,773</td>
<td>28,199,161</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>894,274,986</td>
<td>593,397,014</td>
<td>576,799,461</td>
</tr>
</tbody>
</table>


See accompanying Notes to Consolidated Financial Statements.
MANILA WATER COMPANY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  

Years Ended December 31  

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>PhP 7,926,963,829</td>
<td>PhP 7,666,246,664</td>
<td>PhP 7,592,133,681</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 8 and 9)</td>
<td>2,600,212,924</td>
<td>2,443,987,207</td>
<td>2,494,762,992</td>
</tr>
<tr>
<td>Interest expense (Notes 14 and 17)</td>
<td>1,457,535,361</td>
<td>1,636,136,708</td>
<td>1,733,400,506</td>
</tr>
<tr>
<td>Equity share in net income of associates (Note 11)</td>
<td>(403,514,812)</td>
<td>(357,298,362)</td>
<td>(293,975,032)</td>
</tr>
<tr>
<td>Interest income (Note 17)</td>
<td>(316,944,042)</td>
<td>(185,635,301)</td>
<td>(172,825,432)</td>
</tr>
<tr>
<td>Provision for probable losses and doubtful accounts (Note 17)</td>
<td>76,525,809</td>
<td>188,034,322</td>
<td>171,294,230</td>
</tr>
<tr>
<td>Share-based payments (Note 19)</td>
<td>68,668,117</td>
<td>63,051,387</td>
<td>50,833,629</td>
</tr>
<tr>
<td>Pension expense, net of contribution and benefit payment</td>
<td>42,252,955</td>
<td>(24,173,020)</td>
<td>(68,614,844)</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(24,952,444)</td>
<td>(42,524)</td>
<td>(6,448)</td>
</tr>
<tr>
<td>Amortization of deferred credits (Note 16)</td>
<td>(8,432,177)</td>
<td>(7,240,954)</td>
<td>(6,167,676)</td>
</tr>
<tr>
<td>Loss on revaluation of receivable from Bonifacio Water Corporation (Notes 5 and 12)</td>
<td>–</td>
<td>–</td>
<td>1,411,856</td>
</tr>
<tr>
<td>Operating income before changes in operating assets and liabilities</td>
<td>11,420,345,520</td>
<td>11,123,066,227</td>
<td>11,502,240,462</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(178,664,379)</td>
<td>(291,607,402)</td>
<td>40,374,240</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>9,262,790</td>
<td>(82,692,799)</td>
<td>7,704,418</td>
</tr>
<tr>
<td>Service concession assets (Note 9)</td>
<td>(4,449,379,786)</td>
<td>(3,252,081,286)</td>
<td>(4,677,183,266)</td>
</tr>
<tr>
<td>Concession financial receivable</td>
<td>(13,254,662)</td>
<td>(212,288,640)</td>
<td>(681,363,724)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(255,161,602)</td>
<td>(399,72,459)</td>
<td>394,700,055</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>243,998,576</td>
<td>(197,048,449)</td>
<td>(640,974,433)</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>(655,359)</td>
<td>(127,528,720)</td>
<td>111,459,197</td>
</tr>
<tr>
<td>Net cash provided by operations</td>
<td>6,776,491,098</td>
<td>6,801,713,037</td>
<td>6,053,826,899</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(1,787,621,757)</td>
<td>(1,777,131,404)</td>
<td>(1,714,907,911)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>4,988,869,341</td>
<td>5,024,581,633</td>
<td>4,338,918,988</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM INVESTING ACTIVITIES** |                           |                           |                           |
| Interest received | 107,602,321              | 58,444,925               | 133,816,460              |
| Dividends received from associates (Note 11) | 259,014,197            | 134,028,372            | 87,749,151               |
| Acquisitions of: |                           |                           |                           |
| Investments in associates (Notes 1 and 11) | (318,163,290)         | –              | (642,759,834)           |
| Property and equipment (Note 8) | (725,855,263)        | (352,516,515)          | (274,945,648)           |
| Proceeds from: |                           |                           |                           |
| Sale of property and equipment | 45,935,076            | 1,243,709              | 3,042,742               |
| Maturities of available-for-sale financial assets | –                  | 100,000,000            | 370,043,605             |
| Decrease (increase) in: |                           |                           |                           |
| Short-term cash investments | –              | 94,344,600              | (94,344,600)           |
| Other noncurrent assets | (164,061,650)       | (395,042,077)           | 433,218,351             |
| Net cash provided by (used) in investing activities | (795,528,609)        | (359,496,886)          | 15,820,227              |

**CASH FLOWS FROM FINANCING ACTIVITIES** |                           |                           |                           |
| Long-term debt (Note 14): |                           |                           |                           |
| Availments | 2,798,379,413          | 1,235,628,647            | 6,195,926,714            |
| Payments | (2,476,014,276)       | (1,866,518,477)          | (4,255,918,126)          |
| Payments of service concession obligation (Note 9) | (799,794,043)        | (698,927,235)           | (924,935,673)           |
| Payments of dividends (Note 19) | (2,039,953,670)      | (2,013,109,906)         | (1,905,460,244)         |

(Forward)
<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection of subscriptions receivable (Note 19)</td>
<td>₱71,842,395</td>
<td>₱31,983,658</td>
<td>₱51,049,545</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,341,395,535)</td>
<td>(1,507,049,894)</td>
<td>(1,515,973,850)</td>
</tr>
<tr>
<td>Decrease in other noncurrent liabilities (Note 16)</td>
<td>(133,620,769)</td>
<td>(154,318,453)</td>
<td>(1,041,755,320)</td>
</tr>
<tr>
<td>Additional investment of non-controlling interest (Note 1)</td>
<td>124,617,600</td>
<td>–</td>
<td>281,957,500</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(3,795,938,885)</td>
<td>(4,992,311,660)</td>
<td>(3,115,109,454)</td>
</tr>
</tbody>
</table>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</td>
<td>397,401,847</td>
<td>(327,227,013)</td>
<td>1,239,629,761</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</td>
<td>₱6,849,955,679</td>
<td>₱6,452,553,832</td>
<td>₱6,779,780,845</td>
</tr>
</tbody>
</table>

See accompanying Notes to Consolidated Financial Statements.
1. Corporate Information

Manila Water Company, Inc. (the Parent Company) was incorporated on January 6, 1997 and 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, 2015, the Parent Company is 42.38% owned by Ayala Corporation (Ayala). Ayala is a publicly listed company which is 49.01% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The Parent Company and its Subsidiaries (collectively referred to as the Group) are incorporated to provide water, sewerage and sanitation, distribution services, pipeworks and management services.

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

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

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Country of Incorporation</th>
<th>Percentages of Ownership</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water International Solutions, Inc. (MWIS)</td>
<td>Philippines</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Total Solutions Corp. (MWTS)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Asia Pacific Pte. Ltd. (MWAP)</td>
<td>Singapore</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water South Asia Holdings Pte. Ltd. (MWSAH)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Asia Water Network Solutions Joint Stock Company</td>
<td>Vietnam</td>
<td>48.5</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Thu Duc Water Holdings Pte. Ltd. (TDWH)</td>
<td>Singapore</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Kenh Dong Water Holdings Pte. Ltd. (KDWH)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Philippine Ventures, Inc. (MWPVI)</td>
<td>Philippines</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Laguna AAA Water Corporation (Laguna Water)</td>
<td>-do-</td>
<td>70</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Clark Water Corporation (Clark Water)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Manila Water Consortium, Inc. (MW Consortium)</td>
<td>-do-</td>
<td>51</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Cebu Manila Water Development, Inc. (Cebu Water)</td>
<td>-do-</td>
<td>51</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Boracay Island Water Company, Inc. (Boracay Water)</td>
<td>-do-</td>
<td>80</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Zamboanga Water Company, Inc. (Zamboanga Water)</td>
<td>-do-</td>
<td>70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Davao del Norte Water Infrastructure Company, Inc.</td>
<td>(Davao Water)</td>
<td>-do-</td>
<td>51</td>
<td>–</td>
</tr>
<tr>
<td>Tagum Water Company, Inc. (Tagum Water)</td>
<td>-do-</td>
<td>90</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

*Asia Water is 51.0% owned by Saigon Water Infrastructure Corporation (Saigon Water) and 48.5% owned by MWSAH. MWSAH’s effective ownership interest in Asia Water is 64.55% by virtue of its 31.47% ownership interest in Saigon Water.

Unless otherwise indicated, the Philippines is the principal place of business and country of incorporation of the Group’s investments in subsidiaries.

Group Reorganization

On June 19, 2014, AAA Water Corporation changed its corporate name to Manila Water Philippine Ventures, Inc. (MWPVI). On October 13, 2014, the Board of Directors (BOD) of MWPVI approved the increase of MWPVI’s authorized capital stock. The BOD approved the subscription of the Parent Company to new and additional shares of MWPVI and the exchange of shares between the Parent Company and MWPVI for the Parent Company’s shares in Boracay Water, Clark Water and MW Consortium.

On February 20, 2015, the Securities and Exchange Commission (SEC) approved the increase of the authorized capital stock of MWPVI from 750.00 million shares to 1,750.00 million shares. In March 2015, the Parent Company transferred to MWPVI the ownership of all its shares in Boracay Water, Clark Water and MW Consortium in exchange for new shares of MWPVI.
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 organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Zone (East Zone). The Concession Agreement sets forth the rights and obligations of the Parent Company throughout a 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 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 in the East Zone for a period of 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 interest in such assets will automatically vest in 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 will be attained 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 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, 9 and 14); 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 Charging Years shall be zero; and
   ii. where the Rebasing Adjustment is found to be negative, the Rebasing Adjustment for each of the five Charging Years of the Rebasing Period shall be equal to the Rebasing Adjustment divided by five.

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;
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 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-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 passed Resolution No. 2009-072 approving the 15-year extension of the Concession Agreement (the Extension) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (DOF), by authority from the office of the President of the Republic of the Philippines, on October 19, 2009. The significant commitments under the Extension follow:

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 P1.00 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 P = 187.00 billion for the periods 2008 to 2022 to P450.00 billion for 2008 to 2037.

With the approval of the Extension, the recovery period for the Parent Company’s investment is now extended by another 15 years from 2022 to 2037.

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. The MWSS conducted a review of the proposal including the Parent Company’s last five (5) years’ financial performance. The financial review process extended up to 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 P = 24.57 per cubic meter shall be implemented in 5 equal tranches of negative 5.894% per charging year. The Parent Company objected to the 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 Board of Trustees, 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 final award included the following tariff component determination:

a. P28.1 billion Opening Cash Position (OCP) which restored P11.0 billion from the September 2013 OCP determination of MWSS of P17.1 billion;
b. P199.6 billion capital expenditures and concession fees which restores P29.5 billion from the September 2013 future capital and concession fee expenditure of P170.1 billion;
c. 7.61% Appropriate Discount Rate (ADR) which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and

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 P25.07 per cubic meter. This adjustment translates to a decrease of P2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments and the quarterly FCDA will continue to be made consistent with the Parent Company’s Concession Agreement with MWSS.

On December 10, 2015, the Company filed a Notice of Arbitration with the Permanent Court of Arbitration against the National Government. The Notice of Arbitration was filed with respect to a Notice of Claim made on the National Government on April 23, 2015 and reiterated on August 13, 2015 and October 20, 2015. The Notice of Claim was made under the Letter of Undertaking of the National Government, which was dated July 31, 1997 and issued through the DOF, and was subsequently reiterated in the DOF Letter dated October 19, 2009 (the “Sovereign Undertaking”). These were issued to guarantee the obligations of the MWSS under its Concession Agreement with the Parent Company executed on February 21, 1997.

In the Sovereign Undertaking, the National Government, through the DOF, undertook to indemnify the Parent Company against any loss caused by any action on the part of the National Government and/or the MWSS resulting in the reduction of the standard rates “below the level that would otherwise be applicable in accordance with the Concession Agreement”, thereby denying the Parent Company the rate of return “allowed from time to time to operators of long term infrastructure concession agreement in other countries having a credit standing similar to the Philippines” pursuant to Section 9.4 of the Concession Agreement. As a result of certain actions by the MWSS and the National Government, which are covered by the provisions
of the Sovereign Undertaking, the Parent Company demanded indemnification from the National Government by reimbursing its losses in operating revenues to be realized for each remaining year of the Concession as such losses are realized.

The MWSS Board of Trustees approves the FCDA adjustment quarterly. The FCDA has 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. During 2015, the following FCDA adjustments and their related foreign exchange basis took effect.

<table>
<thead>
<tr>
<th>Approval Date</th>
<th>FCDA Adjustment</th>
<th>Foreign Exchange Rate Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 18, 2014</td>
<td>₱0.36 per cubic meter</td>
<td>USD1: ₱44.80 / JPY1: ₱0.42</td>
</tr>
<tr>
<td>March 12, 2015</td>
<td>₱0.05 per cubic meter</td>
<td>USD1: ₱44.60 / JPY1: ₱0.38</td>
</tr>
<tr>
<td>June 4, 2015</td>
<td>₱0.02 per cubic meter</td>
<td>USD1: ₱44.41 / JPY1: ₱0.37</td>
</tr>
<tr>
<td>September 9, 2015</td>
<td>₱0.05 per cubic meter</td>
<td>USD1: ₱45.26 / JPY1: ₱0.37</td>
</tr>
</tbody>
</table>

**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 and July 22, 2009) with PGL, a local government unit organized and existing under Philippine Laws.

Under the terms of the concession agreement, the 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 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 rights to provide water services to specific areas for an operational period of 25 years which commenced on October 20, 2004.

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 30 days after the submission of the audited financial statements by Laguna Water, from the start of the operational period.

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.

**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 the 25-year concession period. The TIEZA Regulatory Office will monitor and review the performance of the concessionaire throughout the concession period.

Under the concession agreement, TIEZA grants Boracay Water 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 in the entire Boracay Island. 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.

As part of the agreement, Boracay Water advanced concession fees to TIEZA amounting to ₱60.00 million, which will be applied as payment of, and shall be offset against the annual concession fees payable to TIEZA equivalent to 5% of the annual gross revenue of Boracay Water.
Under its concession agreement, Boracay Water is entitled to the following rate adjustments:

- Annual standard rate adjustment to compensate for increases in the consumer CPI;
- EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the concession agreement; and
- 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, 9 and 14).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasering 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.

Boracay Water requested for the deferment of the rate rebasing since it was not able to commence operations in June 2009, as originally planned, because the SEC required the Company to seek conformity from the DOF before it could be incorporated.

In January 14, 2013, TIEZA approved the Rebasering Convergence adjustment for Boracay Water which is equivalent to an increase from its existing rates of 35% to be implemented on a staggered basis for a period of four (4) years with a 10.10% increase in 2013; 9.18% in 2014; 8.40% in 2015; and 7.75% in 2016, effective starting February 1, 2013.

For 2013 and 2014, only the approved rate rebasing adjustment was implemented while the CPI adjustment was deferred due to economic considerations relative to the first time adjustment and natural calamities in 2013.

For 2015, the rate rebasing adjustment was implemented plus the catch-up CPI adjustment of 3.70% pertaining to 2013. In September 2015, Boracay Water also implemented a downward adjustment in the FCDA of 14.34% together with two CPI adjustments of 2.70% and 4.40% pertaining to years 2014 and 2015, respectively.

The Agreement also provides a general rate setting policy for rates chargeable by Boracay Water for water and sewerage services as follows:

- For the period through the second rate rebasing date (January 1, 2016), the maximum rates chargeable by Boracay Water (subject to interim adjustments) are set out in the Agreement; and
- 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 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-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 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 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 9).
Clark Water’s Concession Agreement with Clark Development Corporation (CDC)

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 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 P=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, 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 P=2.77 million equivalent to six months lease rental and a performance security amounting to P=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 P=2.77 million amounting to a total of P=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 15 years up to October 1, 2040;

b. Additional investment of P=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 water and waste water services in the area. Investment requirement under the original concession agreement amounted to P=3.00 billion and the amended concession agreement required an additional investment of P=2.00 billion. Initial investment prior to the amendment of the concession agreement amounted to P=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 Php25.63/m$^3$ to Php25.04/m$^3$) effective September 1, 2014, subject to the EPA.

e. Increase in tariff rates by:
   i. P=0.41/m$^3$ (from Php24.63/m$^3$ to Php25.04/m$^3$) in 2018;
   ii. P=0.42/m$^3$ (from Php25.04/m$^3$ to Php25.45/m$^3$) in 2019;
   iii. P=0.42/m$^3$ (from Php25.45/m$^3$ to Php25.87/m$^3$) in 2020; and
   iv. P=0.43/m$^3$ (from Php25.87/m$^3$ to Php26.30/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 P=56.98 million. Further, the recovery period of the Clark Water’s investment is now extended by another 15 years from 2025 to 2040.

On September 29, 2014, Clark Water’s BOD approved and authorized the equity restructuring of Clark Water. Clark Water converted 700 issued and outstanding common stock to redeemable preferred stock with par value of P=100.00 per share. Subsequently, on September 30, 2014, Clark Water redeemed all issued and outstanding preferred stock.

MW Consortium Agreement with the Provincial Government of Cebu (PGC)

On March 21, 2012, MW Consortium signed a joint investment agreement with the PGC for the formation of a joint venture company with 51% and 49% equity participation for MW Consortium and the PGC, respectively. Under the joint investment agreement, the parties agreed to develop and operate a bulk water supply system that will supply 35.00 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 30 years starting March 2012 and renewable for another 25 years. MW Consortium and the PGC incorporated Cebu Water, with an ownership of 51% and 49%, respectively, pursuant to the joint investment agreement.

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 20-year Bulk Water Supply Contract for the supply of 18.00 million liters per day of water for the first year and 35.00 million liters per day of water for years two (2) up to 20. Cebu Water delivered its initial 18.00 million liters per day bulk water supply to MCWD on January 5, 2015. Cebu Water will increase its bulk water delivery to 35.00 million liters per day in 2016.

Memorandum of Understanding (MOU) with Yangon City Development Committee (YCDC)
On March 17, 2014, the Parent Company and Mitsubishi Corporation, signed a MOU with the YCDC in Yangon City, Myanmar for the development of a proposed non-revenue water reduction (NRW) project for Yangon City. YCDC is an administrative body of the city government in Yangon in charge of the water, infrastructure, business licenses and city property management, among others.

As of December 31, 2015, the Parent Company, through its subsidiary, MWAP, is in the process of implementing its pilot NRW reduction project in Yangon.

Joint Venture for NRW Reduction Activities with Zamboanga City Water District (ZCWD)
On December 19, 2014, the Parent Company received a notice from the ZCWD awarding the project for NRW reduction in Zamboanga City, Zamboanga. On January 30, 2015, the Parent Company and ZCWD signed and executed a joint venture agreement in relation to the NRW reduction project in Zamboanga City. On April 10, 2015, the Parent Company and ZCWD incorporated Zamboanga Water.

On June 2, 2015, Zamboanga Water entered into a Non-revenue Water Reduction Service Agreement (NRWSA) with ZCWD. Under the NRWSA, ZCWD grants the Zamboanga Water the right to implement Network Restructuring and Non-Revenue Water Reduction Programs for ZCWD’s water distribution system.

The project will run for a 10-year period, beginning June 2, 2015, with three (3) phases namely:
   a. Network Improvement Program (DMA Formation) and NRW Reduction Program (Service Line and Meter Replacement, Active Leak Detection and Repair) – from Year 1 to 5
   b. Maintenance Period – in Year 6
   c. Technical Assistance and Consultancy – from Year 7 to 10

In consideration of the above, ZCWD shall pay Zamboanga Water the following:
   a. Fixed Fees of P=16.00 million annually (VAT inclusive, subject to annual inflation adjustment), payable quarterly in equal amounts of P=4.00 million.
   b. Performance Fees of P=11.00 per cubic meter volume recovered (VAT inclusive, subject to annual inflation adjustment), payable quarterly

The annual fixed fees shall cover the total cost of the Network Restructuring Program (from Year 1 to 5) and overhead and miscellaneous costs (from Year 1 to 10).

Joint Venture for NRW Reduction Activities by Asia Water and Saigon Water
On April 22, 2015, Asia Water was granted the Investment Certificate from the Department of Planning and Investment of Ho Chi Minh City, Vietnam. Asia Water is a joint venture between MWSAH and Saigon Water which aims to carry out activities such as NRW reduction management, waste system design and construction, and operation and management of distribution system and network. MWSAH, a wholly owned subsidiary, effectively owns a 64.55% stake in Asia Water as of December 31, 2015.

Healthy Family Purified Drinking Water
On April 15, 2015, MWTS was granted by the Bureau of Food and Drugs its Certificate of Product Registration for its Healthy Family Purified Drinking Water. This authorizes MWTS to implement the full-scale marketing and promotion of its product to further expand its distribution in Metro Manila.

Joint Venture for the Tagum City Bulk Water Supply Project with Tagum Water District (TWD)
On July 28, 2015, the TWD awarded the Tagum City Bulk Water Supply Project to the consortium of the Parent Company and iWater, Inc. On October 15, 2015, Davao Water, the joint venture company of Parent Company and iWater, Inc., signed and executed a joint venture agreement with the TWD. Under the said agreement, Davao Water and the TWD shall cause the incorporation of a joint venture company which shall
implement the Bulk Water Supply Project for 15 years from the operations start date as defined in the joint venture agreement. Tagum Water, the joint venture company, which is 90% and 10% owned by Davao Water and TWD, was registered with the SEC on December 15, 2015. Tagum Water will develop supplemental surface water resources that will deliver potable bulk water to TWD.

**MWSAH Capital Transfer Agreement with Saigon Water**
On November 3, 2015, MWSAH completed the execution of a Capital Transfer Agreement with Saigon Water for the acquisition of 24.5% of the charter capital of Cu Chi Water Supply Sewerage Company Ltd., a company incorporated in Vietnam, in the total amount of VND154.35 billion. Pursuant to the Capital Transfer Agreement, Saigon Water has 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. As of December 31, 2015, no trigger event has occurred and the value of the put option was determined to be nil.

Cu Chi Water is limited liability company in Vietnam with the following line of business, among others: water exploitation, treatment and supply sewerage and wastewater treatment, installation of water supply system and management consultancy services.

**MWAP MOU with the Perusahaan Daerah Air Minum (PDAM) Tirtawening Kota Bandung (PDAM Bandung)**
On November 6, 2015, MWAP signed a MOU with the PDAM Bandung in Bandung City, West Java, Indonesia. PDAM Bandung is a water utility company owned and controlled by the Regional Government of Bandung City.

Pursuant to the MOU, MWAP shall conduct a Demonstration Project for NRW reduction in Bandung City, Indonesia as the first step in the implementation of other cooperation schemes for the development of PDAM Bandung services in accordance with the prevailing Indonesian laws and regulations. MWAP and PDAM Bandung intend to cooperate to undertake the Demonstration Project towards the successful realization of the cooperation scheme. The execution of the MOU is in line with the Group’s strategic objective to pursue expansion projects and investments outside of the East Zone business area.

**Approval for the Issuance of the Consolidated Financial Statements**
The BOD approved and authorized the issuance of the accompanying consolidated financial statements on February 26, 2016.

### 2. Summary of Significant Accounting Policies

**Basis of Preparation**
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for AFS financial assets 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 otherwise stated.

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

**Basis of Consolidation**
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015.

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 statement of comprehensive income 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 non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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 non-controlling 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 the consolidated financial statements are consistent with those of the previous financial years except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2015. The nature and the impact of each of new standards and amendments are described below:

a. PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment does not have an impact to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after July 1, 2014 and did not have a material impact on the Group, unless otherwise stated. These include the following:

a. PFRS 2, Share-based Payment - Definition of Vesting Condition
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

i. A performance condition must contain a service condition;
ii. A performance target must be met while the counterparty is rendering service;
iii. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
iv. A performance condition may be a market or non-market condition; and
v. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
b. **PFRS 3, Business Combinations**
The amendment is applied prospectively and clarifies that all contingent consideration classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of PAS 39.

c. **PFRS 8, Operating Segments**
The amendments are applied retrospectively and clarify that:

i. An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of PFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’; and

ii. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

d. **PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets**
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

e. **PAS 24, Related Party Disclosures – Key Management Personnel**
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

**Annual Improvements to PFRSs (2011-2013 cycle)**
These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in the consolidated financial statements and did not have a material impact on the Group, unless otherwise stated. These include the following:

a. **PFRS 3, Business Combinations**
The amendment is applied prospectively and clarifies for the scope exceptions within PFRS 3 that:

i. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3; and

ii. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

b. **PFRS 13, Fair Value Measurement**
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The Group does not apply the portfolio exception in PFRS 13.

c. **PAS 40, Investment Property**
The description of ancillary services in PAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is a purchase of an asset or a business combination. In previous periods, the Group has relied on PFRS 3, not PAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.
Future Changes in Accounting Policies

The Group will consider the effects on the Group’s consolidated financial statements of the following future changes in accounting policies as these become effective and applicable in the future.

Effective in 2016

a. PAS 1, Presentation of Financial Statements - Disclosure Initiative (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS. They clarify the following:

i. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
ii. That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated;
iii. That entities have flexibility as to the order in which they present the notes to financial statements; and
iv. That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The Group is currently assessing the impact of these amendments on its consolidated financial statements.

b. PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its property and equipment.

c. PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact as the Group does not have any bearer plants.

d. PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group’s consolidated financial statements.
e. 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 and PAS 28, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. The Group will assess the impact on its consolidated financial statements when such sale or contribution of assets take place in future periods.

f. PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3) must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact as the Group currently has no interest in joint operations.

g. PFRS 14, Regulatory Deferral Accounts

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate regulation and the effects of that rate regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard will not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include the following:

a. PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

b. PFRS 7, Financial Instruments: Disclosures - Servicing Contracts

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. The amendment will not have an impact on the Group’s financial statements since the Group does not offer servicing contracts that involve continuing involvement in a derecognized financial asset.
c. **PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements**

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will not have any impact on the Group’s financial position and performance since it does not offset its financial instruments.

d. **PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate**

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will not have an impact on the Group’s financial statements since the Group’s policy is already consistent with the amendment.


The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment will not have an impact on the Group’s financial statements since the Group already presents the required disclosures in its interim financial statements.

**Effective in 2018**

a. **PFRS 9, Financial Instruments**

In July 2014, the IASB issued the final version of International Financial Reporting Standard (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The Group does not expect the adoption of PFRS 9 to have any significant impact on the Group’s consolidated financial statements.

b. **IFRS 15, Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is in the process of performing a preliminary assessment of the impact IFRS 15 to its consolidated financial statements.

**Effective in 2019**

a. **IFRS 16, Leases**

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current standard for leases, and its related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.
The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group will perform an assessment of the impact of IFRS 16 on its existing lease agreements.

**Interpretation with Deferred Effective Date**

a. **Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate**
   This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. This interpretation is not relevant to the Group since the Group does not engage in the construction of real estate directly or indirectly through subcontractor.

**Current versus Noncurrent Classification**

The Group presents assets and liabilities in its 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 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 months after the reporting period. All other assets are classified as non-current.

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 months after the reporting period, or
d. There is no unconditional right to defer the settlement of the liability for at least twelve 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.

**Fair Value Measurement**

Fair value is the estimated 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.
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
b. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
c. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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 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 non-recurring 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 dates of acquisition and that are subject to an insignificant risk of change in value.

Financial Assets and Financial Liabilities

Date of recognition
The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Day 1 profit
For transactions other than those related to customers’ guaranty deposits and other deposits, where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instruments or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a ‘Day 1’ profit) in profit or loss under “Other income” unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the ‘Day 1’ profit amount.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or
combined instrument is not recognized at FVPL. Embedded derivatives are measured at fair value with fair value changes being reported through profit or loss, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification in the cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract, or both have changed and whether the change is significant relative to the previously expected cash flows from the contract.

The Group has certain closely and clearly related derivatives that are embedded in the host contract (such as long-term debt) which does not require bifurcation.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest income” in profit or loss. The losses arising from impairment of such loans and receivables are recognized as “Provision for probable losses and doubtful accounts” in profit or loss.

This accounting policy applies primarily to the Group’s cash and cash equivalents, receivables, concession financial receivable and deposits.

**AFS financial assets**

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded net of tax from net income and are reported as “Unrealized gain (loss) on available-for-sale financial assets” under OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized under OCI is recognized as “Gain (loss) on disposal of available-for-sale financial assets” in profit or loss. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized under the “Other income” account when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as “Provisions for probable losses” in profit or loss.

Fair value of AFS financial assets which cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, are carried at cost.

The Group’s AFS financial assets are presented as noncurrent in the consolidated statement of financial position. The details of the Group’s AFS financial assets are disclosed in Note 10.

**Other financial liabilities**

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are
accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issuance.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Group’s long-term debt, accounts and other payables, customers’ guaranty deposits and other deposits under other noncurrent liabilities, service concession obligation, payable to related parties and other payables that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities and income tax payable).

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another financial liability 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 profit or loss.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the Group’s receivables from customers, evidence of impairment may also include non-collection of the Group’s trade receivables, which remain unpaid after thirty days from bill generation.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being
indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

**AFS financial assets**

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

**Financial Guarantee Contracts**

Financial guarantee contracts issued by the Parent Company to its subsidiaries are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified holder fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognized at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guaranty has become probable).

**Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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, or to realize the asset and settle the liability simultaneously.

**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. The cost of raw materials and finished goods are determined based on the periodic weighted average method.

The cost of raw materials includes all costs directly attributable to its acquisition.

Finished goods include the cost of raw materials, direct labor and a proportion of manufacturing overhead.

**Prepaid Expenses**

Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for 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:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>EUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Leasehold improvements are amortized over 5 years or the term of the lease, whichever is shorter.

Plant and technical equipment are depreciated over 5 years or the term of the related management contract, 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.

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.

Service Concession Assets and Obligations

The Group accounts for its concession arrangements with MWSS, PGL, TIEZA and CDC under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Group’s concession agreements, 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 remain with MWSS, PGL, TIEZA and CDC at the end of the concession period.

On the other hand, the concession arrangement with the PGC is 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 concession arrangement, Cebu Water is awarded the right to deliver bulk water supply to the grantor for a specific period of time under the concession period.

The “Service concession assets” (SCA) pertain to the fair value of the service concession obligations at drawdown date, construction costs related to the rehabilitation works performed by the Group, and other local component costs and cost overruns paid by the Group. These are amortized using the straight-line method over the life of the related concession.

In addition, the Parent Company, Boracay Water, Clark Water and Laguna Water recognize and measure revenue from rehabilitation works in accordance with PAS 11, Construction Contracts, and PAS 18, Revenue, for the services it performs. Recognition of revenue is by reference to the ‘stage of completion method,’ also known as the ‘percentage of completion method’ as provided under PAS 11. Contract revenue and costs from rehabilitation works are recognized as “Revenue from rehabilitation works” and “Cost of rehabilitation works” in profit or loss in the period in which the work is performed.

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 associate are accounted for using the equity method.

Under the equity method, the 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 statement of comprehensive income reflects the Group’s share of the results of operations of the associate. 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 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 statement of income outside operating profit and represents profit or loss after tax and non-controlling 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 “Share of profit of an associate” in the consolidated statement of comprehensive income.

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 non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition 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 acquiree’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. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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 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 being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. 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. If the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in profit or loss any excess remaining after reassessment.

Impairment of Non-financial Assets

This accounting policy applies primarily to the Group’s property and equipment, service concession assets and investments in associates. The Group assesses at each reporting date 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. An asset’s recoverable amount is calculated as the higher of the asset’s or CGU’s fair value less costs to sell 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. Where 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 pre-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 cost to sell, 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal of or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

A lease where the lessor retains substantially all the risks and benefits of ownership of the asset is classified as an operating lease.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized.

Water and sewer revenue
Water and sewer revenue are recognized when the related water and sewerage services are rendered. Water and sewerage 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 are estimated and accrued. These estimates are based on historical consumption of the customers. Also, twenty percent (20%) of water revenue is recognized by the Parent Company as environmental charge.

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 and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (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. Interest income is included in finance income in the statement of income.

Revenue from rehabilitation works and Cost of rehabilitation works
Revenue from rehabilitation works is recognized and measured by the Group in accordance with PAS 11 for the construction and PAS 18 for the service. This includes revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of SCA.

When the Group provides construction or upgrade services, the consideration received or receivable is recognized at fair value. The Group accounts for revenue and costs relating to operation services in accordance with PAS 18 under the captions “Revenue from rehabilitation works” and Cost of rehabilitation works” in the consolidated statement of comprehensive income.

Management contracts
Management contracts are recognized using the percentage of completion method of accounting, measured principally on the basis of the physical proportion of the contract work to the estimated completion of a project.

Other operating income
Other customer related fees such as connection, reconnection and disconnection fees are recognized when these services have been rendered.
Revenue from pipeworks
Revenue from pipeworks is recognized when the related water and wastewater network related services are rendered.

Revenue from packaged water
Revenue from packaged water and other water related products is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount can be measured reliably, with the discount recognized as a reduction of revenue as the sales are recognized.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale but usually occurs when the customer receives the product.

Cost of Services and Operating Expenses
Cost of services and operating expenses are recognized as they are incurred.

Foreign Currency-Denominated Transactions
Foreign exchange differentials arising from foreign currency transactions are credited or charged to operations. As approved by the MWSS Board of Trustees (BOT) under Amendment No.1 of the Concession Agreement, the following will be recovered through billings to customers:
a. Restatement of foreign currency-denominated loans;
b. Excess of actual concession fee payment over 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 rate is P41.19:US$1.00 based on the latest rate rebasing exercise effective January 1, 2013.
c. Excess of actual interest payment translated at exchange spot rate on settlement date over the amount of interest translated at drawdown rate; and
d. Excess of actual payment of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date over the amount of other financing charges translated at drawdown rate.

The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso (P). 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 in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency 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.

The functional currency of MWAP, MWSAH, Asia Water, TDWH and KDWH is the United States Dollar (US$ or USD). As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling 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 deferred cumulative amount recognized in OCI relating to that particular foreign operation shall be recognized in profit or loss.

In view of the automatic reimbursement mechanism, the Group recognizes deferred FCDA (included as part of “Other noncurrent assets” or “Other noncurrent liabilities” in the consolidated statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCUDA 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.
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 takes a substantial period of time to get ready for its intended use are recorded as SCA are capitalized as part of the cost of fixed assets. 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 amounts capitalized is the gross 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 “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 but 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), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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:

- Service cost
- Net interest on the net defined benefit liability or asset
- 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 statement of comprehensive income.
Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) 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 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 Company during the reporting period, the Company 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 entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-Based Payment
Employee share purchase plans
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the 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. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
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 less dividends declared.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Other reserves pertain to gain from sale of investments in a subsidiary by the Parent Company that did not result to a loss of control.

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.

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 “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 “Other current assets” account.

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

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

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, associates and interests in joint ventures, 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 carry forward 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, associates and interests in joint ventures, 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.

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

**Earnings per Share (EPS)**
Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. The net income attributable to common stock is net of the dividends attributable to participating preferred stock. 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 by the weighted average number of common shares outstanding during the period, after giving retroactive effect of any stock dividends 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, PGL, TIEZA and CDC 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.

**Segment Reporting**
The Group’s operating businesses are organized based on geographic location. Financial information on business segments is presented in Note 25 to the consolidated financial statements.

**Events after the Reporting Date**
Any event after the reporting date 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 accompanying 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 accompanying 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 represent 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 arrangement**
In applying Philippine Interpretation IFRIC 12, Service Concession Arrangements, the Group has made a judgment that its concession agreements with MWSS, PGL, TIEZA and CDC qualify under the Intangible Asset model as it receives the right (license) to charge users of public service (see Notes 2 and 9).
On the other hand, the Group has made a judgment that the concession agreement with PGC qualifies 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 PGC (see Notes 2 and 9).

Investments in subsidiaries
The Group considers the entities listed in Note 1 as its subsidiaries because it exercises control over the said entities. The Group is exposed, or has rights to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities (see Note 1).

The Group has determined that it exercises control over Asia Water even though it owns less than 51% of Asia Water’s shares of stock. Factors considered include, among others, its representation in the BOD and the assignment of Parent Company employees in the key management positions to direct the activities that significantly affect the returns of Asia Water.

Investments in associates
The Parent Company considers Thu Duc Water B.O.O. Corporation (Thu Duc Water), Kenh Dong Water Supply Joint Stock Company (Kenh Dong Water), Saigon Water and Cu Chi Water as associates because it has the power to participate in the financial and operating policy decisions of these entities but does not have control or joint control over those policies. See Note 11 for the related balances.

Impairment of investments in associates
At each reporting date, the Group makes an assessment whether it is necessary to recognize an impairment loss in its “Investments in associates” by considering internal and external sources of information (e.g., the Group has determined that there are no indicators of impairment for its investments in Thu Duc Water, Kenh Dong Water, Saigon Water and Cu Chi Water).

Non-financial asset impairment
The Group assesses the impairment of non-financial assets (property, plant and equipment, SCA, other current assets and other 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; and
- significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use.

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. As of December 31, 2015 and 2014, the Group did not recognize any impairment loss on its non-financial assets (see Notes 7, 8, 9 and 12 for the related balances).

Operating lease commitments - Group as lessee
The Group has determined, based on the evaluation of the terms and conditions of the arrangements, that the significant risks and rewards for properties leased from third parties are retained by the lessors and accordingly, accounts for these contracts as operating leases. See Note 24 for related disclosure.

Embedded derivative
The Group has entered into loan facility agreements with prepayment options. These prepayment options give the Group the right to redeem the outstanding loans in part or in full after the lapse of a prescribed period. The Group assessed that these prepayment options are clearly and closely related considering that the amortized cost of the loan approximates the prepayment at exercise dates. As a result, the Group did not bifurcate any embedded derivative as of December 31, 2015 and 2014 (see Note 14).

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 considers the East Zone, Outside East Zone and Management Contracts as its operating segments and are aggregated as such based on the source and types of revenues (see Note 25).
Contingencies
The Group is currently involved in various legal proceedings 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 outside counsels handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe these proceedings will have a material or adverse effect on the Group’s financial position and results of operations (see Note 29).

Use of Estimates
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
The Group’s revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the following revenue and costs:

- **Management contracts**
  The Group’s management contracts recognized based on the percentage of completion method is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

- **Rehabilitation works**
  The Group measures revenue from rehabilitation works at the fair value of the consideration received or receivable. The Company’s revenue from rehabilitation works recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total costs of the project. 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.

- **Water and sewerage**
  The Group’s revenue from water and sewerage 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 are estimated and accrued. These estimates are based on historical consumption of the customers. Twenty percent (20%) of water revenues are recognized by the Parent Company as environmental charges with the rationalization of the sewerage and environmental charges as approved in the 2008 rate rebasing.

Estimating allowance for doubtful accounts
The Group maintains allowance for doubtful accounts based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable’s original effective interest rate. Impairment loss is determined as the difference between the receivable’s carrying amount and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management’s judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2015 and 2014, the outstanding balance of allowance for doubtful accounts amounted to ₱726.49 million and ₱717.73 million, respectively (see Note 5).
Estimating useful lives of water banking rights
Cebu Water estimates the useful lives of its water banking rights to be indefinite considering that the water permits remain valid for as long as water is beneficially used. Cebu Water annually reviews the estimated useful life of water banking rights based on the asset’s expected utilization. It is possible that future results of operations could be materially affected by changes in Cebu Water’s estimates brought about by changes in the factors mentioned. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

Goodwill impairment
Goodwill impairment testing requires an estimation if the recoverable amount which is the fair value less cost to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use amount requires management to make an estimate of the expected future cash flows for the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

The Parent Company’s impairment test for goodwill related to the acquisition of Clark Water is based on value in use calculations. The value in use calculations in 2015 used a discounted cash flow model. The cash flows are derived from the budget for the next 25 years and assume a steady growth rate. The Parent Company used the remaining concession life of Clark Water, which is a period longer than the maximum of five years. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model. The post-tax discount rate applied to cash flow projections was 9.72% in 2015.

The carrying value of goodwill in the consolidated statement of financial position amounted to ₱130.32 million as of December 31, 2015 and 2014. No impairment loss was recognized as a result of the impairment testing performed.

Impairment of water banking rights
Impairment of water banking rights requires an estimation of the recoverable amount of the asset which is the higher of fair value less cost to sell or value in use. Estimating value in use amount requires management to make an estimate of the expected future cash flows for the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

At each reporting date, Cebu Water performs an impairment assessment of its water banking rights. As of December 31, 2015 and 2014, it was determined that the recoverable amount of the water banking rights was more than its carrying value. No impairment loss was recognized in 2015 and 2014. The carrying value of water banking rights in the consolidated statement of financial position amounted to ₱45.00 million as of December 31, 2015 and 2014 (see Note 12).

Deferred tax assets
The Group reviews the carrying amounts of deferred income 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. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

Also, the Group does not recognize certain deferred taxes on deductible temporary differences where doubt exists as to the tax benefits they will bring in the future. See Note 18 for the related balances.

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” or “Other noncurrent liabilities” 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. 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, 2015 and 2014, the Parent Company and Boracay Water’s deferred FCDA classified under “Other noncurrent assets” amounted to ₱644.43 million and ₱141.19 million (see Note 12).
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.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company. See Note 19 for the related balances.

Pension expense
The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. Discount rate and salary increase rate assumptions are reviewed at each reporting date. The net benefit liability as of December 31, 2015 and 2014 is ₱102.35 million and ₱38.77 million, respectively (see Note 15).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. While significant components of the fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rate and interest rate), the amount of changes in fair value may differ due to usage of different methodology (see Note 26).

4. Cash and Cash Equivalents
Cash and cash equivalents consist of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks (Note 21)</td>
<td>₱1,862,685,336</td>
<td>₱1,478,227,092</td>
</tr>
<tr>
<td>Cash equivalents (Note 21)</td>
<td>4,987,270,343</td>
<td>4,974,326,740</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱6,849,955,679</td>
<td>₱6,452,553,832</td>
</tr>
</tbody>
</table>

Cash in banks earn interest at the respective bank deposit rates ranging from 0.19% to 2.50%, 0.50% to 3.25% and 1.25% to 5.00% in 2015, 2014 and 2013, respectively. Cash equivalents are highly liquid investments with varying periods of up to 3 months and earn interest at the respective short-term rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱70.33 million, ₱66.98 million, and ₱99.63 million in 2015, 2014 and 2013, respectively (see Note 17).
5. Receivables

This account consists of receivables from:

- **Residential**
  - Customers: P1,613,144,600
  - BWC (Note 12): 529,500,647
  - Industrial: 113,826,382
  - Interest from banks: 12,438,613
  - Saigon Water Corporation (SAWACO) (Note 22): –
  - Employees: 39,753,731
  - Interest from banks: 12,438,613
- **Commercial**
  - Customers: 452,559,164
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - BWC (Note 12): 529,500,647
- **Semi-business**
  - Customers: 74,353,461
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - Saigon Water Corporation (SAWACO) (Note 22): –
- **Industrial**
  - Customers: 113,826,382
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - BWC (Note 12): 529,500,647
- **BWC (Note 12)**
  - Customers: 529,500,647
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - BWC (Note 12): 529,500,647
- **Employees**
  - Customers: 39,753,731
  - BWC (Note 12): 529,500,647
  - Employees: 39,554,286
  - BWC (Note 12): 529,500,647
- **Interest from banks**
  - Customers: 12,438,613
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - BWC (Note 12): 529,500,647
- **Saigon Water Corporation (SAWACO) (Note 22)**
  - Customers: –
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - BWC (Note 12): 529,500,647
- **Others (Note 14)**
  - Customers: 214,408,000
  - BWC (Note 12): 529,500,647
  - Employees: 39,753,731
  - BWC (Note 12): 529,500,647

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at beginning of year</strong></td>
<td>P1,613,144,600</td>
</tr>
<tr>
<td><strong>Provision (Note 17)</strong></td>
<td>30,276,922</td>
</tr>
<tr>
<td></td>
<td>5,407,876</td>
</tr>
<tr>
<td><strong>Reversal (Note 17)</strong></td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>P1,643,421,522</td>
</tr>
<tr>
<td><strong>Individual impairment</strong></td>
<td>P25,550,322</td>
</tr>
<tr>
<td></td>
<td>P1,768,489</td>
</tr>
<tr>
<td><strong>Collective impairment</strong></td>
<td>486,118,978</td>
</tr>
<tr>
<td></td>
<td>27,046,083</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P1,648,945,385</td>
</tr>
</tbody>
</table>

The classes of the Group’s receivables arising from water and sewer services rendered to customers, collectible within 30 days from billing date, follow:

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

Receivable from BWC pertains to the assigned receivable between the Parent Company and VWPI covered by the Share Purchase Agreement (SPA) related to the acquisition of VWPI’s interest in Clark Water in 2011. The loss from revaluation amounting to P1.41 million in 2013 was recorded as a “Gain (loss) on revaluation of receivable from Bonifacio Water Corporation” in the consolidated statements of comprehensive income (nil in 2015 and 2014).

The assigned receivable will be paid by BWC at an amount equal to 30% of the product consumed by all of BWC’s customers and the tariff imposed by the Parent Company on its customers falling under the corresponding classification pursuant to the Concession Agreement, and all amounts received by BWC as connection fees from customers, and any fee BWC may charge in relation to the interconnection with the wastewater treatment plant of areas of developments outside the BWC service area.

Receivable from SAWACO pertains to the unpaid portion of billing for services rendered by the Group in relation to its management contract with SAWACO (see Note 22).

Receivable from employees are due and demandable and are collected through salary deductions or expense liquidations.

Others include receivables from indemnity related to the acquisition of Kenh Dong Water (see Note 11), and receivables from shared facilities, insurance agencies and collection facilities.

Movements in the Group’s allowance for doubtful accounts follow:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at beginning of year</strong></td>
<td>P1,643,421,522</td>
</tr>
<tr>
<td><strong>Provision (Note 17)</strong></td>
<td>30,276,922</td>
</tr>
<tr>
<td></td>
<td>5,407,876</td>
</tr>
<tr>
<td><strong>Reversal (Note 17)</strong></td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>P1,648,945,385</td>
</tr>
<tr>
<td><strong>Individual impairment</strong></td>
<td>P25,550,322</td>
</tr>
<tr>
<td></td>
<td>P1,768,489</td>
</tr>
<tr>
<td><strong>Collective impairment</strong></td>
<td>486,118,978</td>
</tr>
<tr>
<td></td>
<td>27,046,083</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P1,648,945,385</td>
</tr>
</tbody>
</table>
6. Inventories

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance materials</td>
<td><strong>P=53,617,721</strong></td>
<td><strong>P=90,142,091</strong></td>
</tr>
<tr>
<td>Water meters and connection supplies</td>
<td><strong>P=81,109,681</strong></td>
<td><strong>P=66,646,295</strong></td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td><strong>P=37,308,637</strong></td>
<td><strong>P=29,501,675</strong></td>
</tr>
<tr>
<td>Others</td>
<td><strong>P=4,991,232</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>P=177,027,271</strong></td>
<td><strong>P=186,290,061</strong></td>
</tr>
</tbody>
</table>

Others includes finished goods and raw materials. Finished goods consist of 5-gallon packaged water and dispenser while raw materials consist of the cap seals for the 5-gallon packaged water bottles.

7. Other Current Assets

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to contractors</td>
<td><strong>P=577,975,322</strong></td>
<td><strong>P=419,941,769</strong></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>201,544,882</td>
<td>125,899,202</td>
</tr>
<tr>
<td>Guaranty deposits</td>
<td>67,932,629</td>
<td>20,993,444</td>
</tr>
<tr>
<td>Input VAT</td>
<td>–</td>
<td>117,025,342</td>
</tr>
<tr>
<td></td>
<td><strong>P=847,456,833</strong></td>
<td><strong>P=683,859,757</strong></td>
</tr>
</tbody>
</table>

Advances to contractors are normally applied within a year against progress billings.

Prepaid expenses consist of prepayments for business taxes, insurance and employee health care expenses and other benefits.

Guaranty deposits consist of rental deposits and other advance payments that can be recovered within one year.

Input VAT is fully realizable and will be applied against future output VAT.

8. Property, Plant and Equipment

The rollforward analysis of this account follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Furniture</td>
<td><strong>P=1,437,902,133</strong></td>
<td><strong>P=1,495,255,532</strong></td>
</tr>
<tr>
<td>and Equipment</td>
<td><strong>P=444,701,760</strong></td>
<td><strong>P=285,696,144</strong></td>
</tr>
<tr>
<td>Transportation</td>
<td><strong>P=1,945,255,532</strong></td>
<td><strong>P=285,696,144</strong></td>
</tr>
<tr>
<td>Equipment</td>
<td><strong>P=1,041,616,501</strong></td>
<td><strong>P=133,379,117</strong></td>
</tr>
<tr>
<td>Leasehold</td>
<td><strong>P=6,659,174,070</strong></td>
<td><strong>P=725,855,263</strong></td>
</tr>
<tr>
<td>Improvements</td>
<td><strong>P=4,695,174,070</strong></td>
<td><strong>P=725,855,263</strong></td>
</tr>
<tr>
<td>Plant and Technical</td>
<td><strong>P=304,567,672</strong></td>
<td><strong>P=157,182,295</strong></td>
</tr>
<tr>
<td>Equipment</td>
<td><strong>P=157,182,295</strong></td>
<td><strong>P=157,182,295</strong></td>
</tr>
<tr>
<td>Construction in</td>
<td><strong>P=304,567,672</strong></td>
<td><strong>P=157,182,295</strong></td>
</tr>
<tr>
<td>Progress</td>
<td><strong>P=157,182,295</strong></td>
<td><strong>157,182,295</strong></td>
</tr>
<tr>
<td>Total</td>
<td><strong>P=4,695,174,070</strong></td>
<td><strong>P=725,855,263</strong></td>
</tr>
</tbody>
</table>

(Forward)
2015

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture</th>
<th>Transportation</th>
<th>Equipment</th>
<th>Leasehold</th>
<th>and Technical Equipment</th>
<th>Plant Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Depreciation and Amortization</td>
<td>$4,125,301,000</td>
<td>$310,223,000</td>
<td>$3,815,078</td>
<td>$720,538,000</td>
<td>$2,560,000,000</td>
<td>$1,254,887,000,000</td>
<td>$2,815,078,000</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>$4,125,301,000</td>
<td>$310,223,000</td>
<td>$3,815,078</td>
<td>$720,538,000</td>
<td>$2,560,000,000</td>
<td>$1,254,887,000,000</td>
<td>$2,815,078,000</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$1,254,887,000</td>
<td>$60,223,000</td>
<td>$1,254,887</td>
<td>$60,223,000</td>
<td>$1,254,887,000</td>
<td>$60,223,000</td>
<td>$1,315,110,000</td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$4,125,301,000</td>
<td>$310,223,000</td>
<td>$3,815,078</td>
<td>$720,538,000</td>
<td>$2,560,000,000</td>
<td>$1,254,887,000,000</td>
<td>$2,815,078,000</td>
</tr>
</tbody>
</table>

As of December 31, 2015, land amounting to $1.30 billion was transferred to service concession assets since these form part of rehabilitation works or service expansions (see Note 9).

As of December 31, 2015 and 2014, fully depreciated property and equipment that are still in use by the Group amounted to $957.12 million and $529.54 million, respectively.

9. Service Concession Assets and Obligations

   a. Service concession assets

   The movements in this account follow:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$73,381,997,758</td>
<td>$69,942,684,717</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation works</td>
<td>5,219,358,277</td>
<td>3,435,789,320</td>
</tr>
<tr>
<td>Transfer (Note 8)</td>
<td>1,297,667,113</td>
<td></td>
</tr>
<tr>
<td>Adjustments (Note 1)</td>
<td>154,844,638</td>
<td></td>
</tr>
<tr>
<td>Local component cost</td>
<td>1,249,863</td>
<td>3,523,721</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>80,055,117,649</td>
<td>73,381,997,758</td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>17,546,332,000</td>
<td>15,360,455,322</td>
</tr>
<tr>
<td>Amortization</td>
<td>2,315,929,346</td>
<td>2,185,876,678</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>19,862,261,346</td>
<td>17,546,332,000</td>
</tr>
<tr>
<td>Net Book Value</td>
<td>$60,192,856,303</td>
<td>$55,835,665,758</td>
</tr>
</tbody>
</table>

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, Laguna Water, Boracay Water and Clark Water, pursuant to the Group’s concession agreements and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements.
Total interest and other borrowing costs capitalized as part of the rehabilitation works amounted to ₱513.17 million, ₱377.70 million, and ₱299.48 million in 2015, 2014 and 2013, respectively. The capitalization rates used ranged from 6.24% to 8.10% in 2015, 7.01% to 8.78% in 2014, and 4.16% to 7.06% in 2013.

b. Service concession obligations

The breakdown of service concession obligations follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₱1,255,676,876</td>
<td>₱1,019,515,457</td>
</tr>
<tr>
<td>Noncurrent</td>
<td>₱6,671,193,814</td>
<td>₱6,981,693,612</td>
</tr>
<tr>
<td></td>
<td>₱7,926,870,690</td>
<td>₱8,001,209,069</td>
</tr>
</tbody>
</table>

Estimated concession fee payments on future concession projects, excluding the Group’s share in current operating budget is still not determinable. It is only determinable upon either loan drawdowns and actual construction of the related concession projects, as a percentage of revenues, or as a fixed amount.

MWSS Concession Fees

The aggregate concession fees of the Parent Company pursuant to the Agreement are equal to the sum of the following:

i. 10% 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% 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% of the local component costs and cost overruns related to the UATP;

iv. 100% 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% 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 (the Project). Total loan facility amounted to $116.60 million with maturity of 20 years including a 5-year grace period. Interest rate is 3% per annum.

MWSS subsequently entered into a Memorandum of Agreement (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 be part of the concession fees.

The schedule of undiscounted future concession fee payments follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign Currency Denominated Loans (Translated to USD)</th>
<th>Peso Loans/Project Local Support</th>
<th>Total Peso Equivalent*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$19,043,231</td>
<td>₱395,714,907</td>
<td>₱1,291,889,358</td>
</tr>
<tr>
<td>2017</td>
<td>10,960,747</td>
<td>395,714,907</td>
<td>911,527,661</td>
</tr>
<tr>
<td>2018</td>
<td>10,836,185</td>
<td>395,714,907</td>
<td>905,665,773</td>
</tr>
<tr>
<td>2019</td>
<td>8,526,286</td>
<td>395,714,907</td>
<td>796,961,926</td>
</tr>
<tr>
<td>2020 onwards</td>
<td>53,484,891</td>
<td>7,122,868,322</td>
<td>9,639,867,292</td>
</tr>
<tr>
<td></td>
<td>$102,851,340</td>
<td>₱8,705,727,950</td>
<td>₱13,545,912,010</td>
</tr>
</tbody>
</table>

*Peso equivalent is translated using the closing rate as of December 31, 2015 amounting to ₱47.06 to US$1.
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:

<table>
<thead>
<tr>
<th>Operational Period</th>
<th>Percentage of Water Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years 1 to 5</td>
<td>4%</td>
</tr>
<tr>
<td>Years 6 to 10</td>
<td>3%</td>
</tr>
<tr>
<td>Years 11 to 25</td>
<td>2%</td>
</tr>
</tbody>
</table>

Advance payment to PGL was made for the said concession fees and 70% of the annual concession fees is applied against the said advances. The remaining 30% of the annual concession fees is expensed in the period they are incurred. Advances as of December 31, 2015 and 2014 amounted to ₱86.58 million and ₱102.83 million, respectively.

TIEZA Concession Fees
The aggregate concession fee 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% 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 Regulatory Office starting 2010. For 2010 and 2011, the amount shall not exceed ₱15.00 million. For the year 2012 and beyond, Boracay Water shall pay not more than ₱20.00 million, subject to annual CPI adjustments.

In addition, advance payment of ₱60.00 million was provided to TIEZA which shall be offset against the annual concession fees amounting to 5% annual gross revenue of Boracay Water, within a period of 10 years from the signing of the concession agreement or until fully paid. Any amount payable after application of the advance payment will be expensed in the period this is incurred. The remaining balance of the advances amounted to ₱4.16 million as of December 31, 2014. The advances were fully paid in 2015.

CDC Concession Fees
The aggregate concession fee 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 15 years from October 1, 2025 to October 1, 2040 (see Note 1).

c. Concession financial receivable

On December 13, 2013, Cebu Water received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). In relation to this, Cebu Water and MCWD signed a 20-year Bulk Water Supply Contract for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years 2 up to 20.

Concession financial receivable is accounted for in accordance with IFRIC 12, arising from the bulk water contract between Cebu Water and MCWD whereby the facilities constructed by Cebu Water shall be used for the delivery of potable and treated water to MCWD at an aggregate volume of 18,000 cubic meters per day for the first year and 35,000 cubic meters per day for the succeeding years up to 20 years at ₱24.59 per cubic meter.

Cebu Water entered into a 30-year Right of Way Agreement with certain individuals for an easement of right of way of a portion of their lands wherein the pipelines and other appurtenances between the weir and water treatment plant of Cebu Water will pass through. In 2014, this was transferred from “Other noncurrent assets” to “Concession financial receivable” as this formed part of rehabilitation works.
The breakdown of the concession financial receivable is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₱209,010,713</td>
<td>₱76,914,317</td>
</tr>
<tr>
<td>Noncurrent</td>
<td>989,072,850</td>
<td>899,069,520</td>
</tr>
<tr>
<td></td>
<td>₱1,198,083,563</td>
<td>₱975,983,837</td>
</tr>
</tbody>
</table>

10. Available-for-Sale Financial Assets

This account consists of investments in unquoted equity instruments amounting to ₱2.41 million as of December 31, 2015 and 2014. The unquoted investments in equities in 2015 and 2014 pertain to unlisted preferred shares in a public utility company.

11. Investments in Associates

This account consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost</td>
<td>₱4,408,813,817</td>
<td>₱4,090,650,527</td>
</tr>
<tr>
<td>Accumulated equity in net earnings</td>
<td>780,758,895</td>
<td>636,258,280</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>533,961,310</td>
<td>234,590,946</td>
</tr>
<tr>
<td></td>
<td>₱5,723,534,022</td>
<td>₱4,961,499,753</td>
</tr>
</tbody>
</table>

Details of the Group’s investments in associates, all of which are incorporated in the Socialist Republic of Vietnam and have their principal place of business in Ho Chi Minh City, Vietnam, are shown below:

**Thu Duc Water**

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 (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 ₱1.79 billion (VND858.00 billion). The investments in associate account includes a notional goodwill amounting to ₱1.41 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, 2015 and 2014 follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>₱151,081,711</td>
<td>₱102,232,559</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>2,724,185,482</td>
<td>2,279,923,547</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>381,307,348</td>
<td>399,688,104</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>476,530,416</td>
<td>260,590,404</td>
</tr>
<tr>
<td>Revenue</td>
<td>742,538,177</td>
<td>770,316,632</td>
</tr>
<tr>
<td>Net income</td>
<td>439,198,016</td>
<td>444,295,946</td>
</tr>
</tbody>
</table>

The conversion rates used was ₱0.0021 to VND1 as of December 31, 2015 and 2014.

The share of the Group in the net income of Thu Duc Water for the years ended December 31, 2015 and 2014 amounted to ₱215.21 million and ₱217.71 million, respectively.

**Kenh Dong Water**

On May 17, 2012, the Parent Company thru KDWH entered into a SPA with CII for the purchase of 47.35% of CII’s interest in Kenh Dong Water. The payment for the shares shall be done in two tranches, with additional contingent considerations subject to the fulfillment of certain conditions precedent, for a total purchase price of ₱1.66 billion.
As of December 31, 2012, considerations paid by the Parent Company for its investment in Kenh Dong Water amounted to P = 1.57 billion (VND785.24 billion). Contingent consideration included in the purchase price allocation amounted to P = 95.98 million (VND44.49 billion) (see Note 16). 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 P = 1.38 billion. The Group also recorded an income of P = 62.90 million under the caption “Other income” in the consolidated statement of comprehensive income as indemnification for the damages resulting from the delay in the start of the bulk water operations of Kenh Dong Water.

On December 31, 2015, the KDWH reversed its previously recognized contingent liability amounting to P = 95.98 million (VND44.49 billion) (see Note 16).

The financial information of Kenh Dong Water as of and for the years ended December 31, 2015 and 2014 follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>P 737,695,232</td>
<td>P 654,566,749</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>3,028,507,933</td>
<td>2,251,871,473</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>229,930,299</td>
<td>346,204,390</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>1,798,451,225</td>
<td>1,510,062,513</td>
</tr>
<tr>
<td>Revenue</td>
<td>435,517,225</td>
<td>464,795,958</td>
</tr>
<tr>
<td>Net income</td>
<td>251,229,754</td>
<td>236,113,628</td>
</tr>
</tbody>
</table>

The conversion rate used was P = 0.0021 to VND1 as of December 31, 2015 and 2014.

The share of the Group in the net income of Kenh Dong Water for the years ended December 31, 2015 and 2014 amounted to P = 118.96 million and P = 111.80 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 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**

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 P = 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 P = 288.84 million 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.

The financial information of Saigon Water as of and for the years ended December 31, 2015 and 2014 follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>P 1,865,305,459</td>
<td>P 640,519,449</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>4,459,192,292</td>
<td>1,084,396,628</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>476,056,119</td>
<td>231,758,420</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>4,244,995,687</td>
<td>231,758,420</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,277,090,235</td>
<td>127,870,666</td>
</tr>
<tr>
<td>Net income</td>
<td>220,370,179</td>
<td>88,317,587</td>
</tr>
</tbody>
</table>

The conversion rate used was P = 0.0021 to VND1 as of December 31, 2015 and 2014.

The share of the Group in the consolidated net income of Saigon Water for the years ended December 31, 2015 and 2014 amounted to P = 69.35 million and P = 27.79 million, respectively.

**Cu Chi Water**

On October 10, 2015, MWSAH executed a Capital Transfer Agreement with Saigon Water for the acquisition of 24.5% of the charter of Cu Chi Water Supply Sewerage Company Ltd. in the amount of P = 318.16 million (VND154.35 billion).
The financial information of Cu Chi Water as of and for the year ended December 31, 2015 is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>₫7,790,792</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>1,324,000,275</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,099,863</td>
</tr>
<tr>
<td>Revenue</td>
<td>371,910</td>
</tr>
<tr>
<td>Net loss</td>
<td>(5,376)</td>
</tr>
</tbody>
</table>

The conversion rate used was ₫0.0021 to VND1 as of December 31, 2015.

The share of the Group in the net loss of Cu Chi Water for the year ended December 31, 2015 amounted to ₫1,317.

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:

<table>
<thead>
<tr>
<th></th>
<th>Thu Duc Water</th>
<th>Kenh Dong Water</th>
<th>Saigon Water</th>
<th>Cu Chi Water</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets of associate attributable to common shareholders</td>
<td>₫2,017,429,429</td>
<td>₫1,737,821,641</td>
<td>₫1,603,445,945</td>
<td>₫1,330,691,204</td>
<td>₫6,689,388,219</td>
</tr>
<tr>
<td>Proportionate ownership in the associate</td>
<td>49.00%</td>
<td>47.35%</td>
<td>31.47%</td>
<td>24.50%</td>
<td></td>
</tr>
<tr>
<td>Share in net identifiable assets</td>
<td>988,540,420</td>
<td>822,858,547</td>
<td>504,604,439</td>
<td>326,019,345</td>
<td>2,642,022,751</td>
</tr>
<tr>
<td>Notional goodwill</td>
<td>1,413,891,653</td>
<td>1,378,777,432</td>
<td>288,842,185</td>
<td>-</td>
<td>3,081,511,270</td>
</tr>
<tr>
<td>Carrying values</td>
<td>₫2,402,432,073</td>
<td>₫2,201,635,979</td>
<td>₫793,446,624</td>
<td>₫326,019,345</td>
<td>₫5,723,534,021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Thu Duc Water</th>
<th>Kenh Dong Water</th>
<th>Saigon Water</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets of associate attributable to common shareholders</td>
<td>₫1,721,877,598</td>
<td>₫1,350,171,319</td>
<td>₫1,261,399,237</td>
<td>₫4,333,448,154</td>
</tr>
<tr>
<td>Proportionate ownership in the associate</td>
<td>49.00%</td>
<td>47.35%</td>
<td>31.47%</td>
<td></td>
</tr>
<tr>
<td>Share in net identifiable assets</td>
<td>843,720,023</td>
<td>639,306,120</td>
<td>396,962,340</td>
<td>1,879,988,483</td>
</tr>
<tr>
<td>Notional goodwill</td>
<td>1,413,891,653</td>
<td>1,378,777,432</td>
<td>288,842,185</td>
<td>-</td>
</tr>
<tr>
<td>Carrying values</td>
<td>₫2,257,611,676</td>
<td>₫2,018,083,552</td>
<td>₫685,804,525</td>
<td>₫4,961,499,753</td>
</tr>
</tbody>
</table>

The rollforward of accumulated equity in net earnings follow:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₫636,258,280</td>
<td>₫412,988,290</td>
</tr>
<tr>
<td>Equity in net earnings during the year</td>
<td>403,514,812</td>
<td>357,298,362</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(259,014,197)</td>
<td>(134,028,372)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₫780,758,895</td>
<td>₫636,258,280</td>
</tr>
</tbody>
</table>

12. Other Noncurrent Assets

This account consists of:

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred FCDA</td>
<td>₫644,428,617</td>
<td>₫141,189,217</td>
</tr>
<tr>
<td>Receivable from BWC - net of current portion (Note 5)</td>
<td>458,642,155</td>
<td>465,051,543</td>
</tr>
<tr>
<td>Deposits</td>
<td>103,863,952</td>
<td>121,579,940</td>
</tr>
<tr>
<td>Receivable from Ayala Multi-Purpose Cooperative (AMPC)</td>
<td>95,757,000</td>
<td>89,124,098</td>
</tr>
<tr>
<td>Water banking rights</td>
<td>45,000,000</td>
<td>45,000,000</td>
</tr>
<tr>
<td>Advances to Carmen Development Fund</td>
<td>35,000,000</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>59,914,167</td>
<td>26,781,828</td>
</tr>
<tr>
<td></td>
<td>₫1,442,605,891</td>
<td>₫923,726,626</td>
</tr>
</tbody>
</table>
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 valuations.

Deposits pertain to the Group’s advance payments for the guarantee deposits with Manila Electric Company for the electric connection, its related deferred charges, deposits to the Department of Environment and Natural Resources and land acquisitions.

Receivable from AMPC pertains to the term loan and credit line facility agreement.

Water banking rights pertains to the rights assigned by MW Consortium to Cebu Water. On August 22, 2012, the National Water Resources Board (NWRB) approved the assignment of Water Permit No. 16241 from Central Equity Ventures Inc. (now Stateland Inc.) to MW Consortium. The NWRB likewise approved the change of the purpose of Water Permit No. 16241 from Domestic to Municipal. MW Consortium allows Cebu Water to use the said water permit for its project.

Advances to Carmen Development Fund pertain to the advance payments for the permit to extract water at the Carmen property in Cebu.

### 13. Accounts and Other Payables

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>P2,451,213,310</td>
<td>P2,347,681,511</td>
</tr>
<tr>
<td>Accrued expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>298,094,912</td>
<td>324,935,018</td>
</tr>
<tr>
<td>Management and professional fees</td>
<td>293,513,008</td>
<td>180,703,866</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>223,669,358</td>
<td>173,402,270</td>
</tr>
<tr>
<td>Utilities</td>
<td>98,897,160</td>
<td>140,858,704</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>184,729,370</td>
<td>86,108,068</td>
</tr>
<tr>
<td>Collection fees</td>
<td>61,543,234</td>
<td>109,910,311</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>25,474,682</td>
<td>22,336,280</td>
</tr>
<tr>
<td>Others</td>
<td>93,673,091</td>
<td>59,990,835</td>
</tr>
<tr>
<td>Interest payable (Note 14)</td>
<td>341,550,237</td>
<td>321,624,639</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>284,090,343</td>
<td>26,034,472</td>
</tr>
<tr>
<td>Advances from SAWACO</td>
<td>76,638,682</td>
<td>719,292</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>52,519,230</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P4,433,087,387</strong></td>
<td><strong>P3,846,824,496</strong></td>
</tr>
</tbody>
</table>

Trade payables and accrued expenses are non-interest-bearing and are normally settled on 15 to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

Other accrued expenses include accruals for advertising, insurance, transportation and travel, postage, telephone and supplies.

Interest payable pertains to the unpaid portion of interest arising from the long-term debts of the Group.

Contracts payable pertains to the accrual of expenses which requires the Group to pay the contractor based on progress billings. Contracts payable are due and demandable and are normally settled within one year.

Advances from SAWACO pertain to the advance payments made by SAWACO to the Parent Company to facilitate the start-up and operating expenses related to the management contract entered with SAWACO (see Note 22). These are offset against the progress billings made by the Parent Company.
14. Long-term Debt

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD loans:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEXI Loan</td>
<td><strong>$4,264,837,624</strong></td>
<td><strong>$4,833,453,736</strong></td>
</tr>
<tr>
<td>LBP Loan</td>
<td>1,055,747,830</td>
<td></td>
</tr>
<tr>
<td>Second IFC Loan</td>
<td><strong>$93,457,939</strong></td>
<td>264,444,993</td>
</tr>
<tr>
<td>EIB Loan</td>
<td>–</td>
<td>417,288,433</td>
</tr>
<tr>
<td><strong>Japanese Yen (JPY) loans:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LBP Loan</td>
<td>859,630,505</td>
<td>936,826,680</td>
</tr>
<tr>
<td>First IFC Loan</td>
<td>276,701,027</td>
<td>367,657,849</td>
</tr>
<tr>
<td>EIB Loan</td>
<td>–</td>
<td>650,425,082</td>
</tr>
<tr>
<td><strong>PHP loans:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Rate Corporate Notes</td>
<td>9,795,031,029</td>
<td>9,825,180,078</td>
</tr>
<tr>
<td>P5.00 billion Loan</td>
<td>4,928,561,646</td>
<td>4,949,487,025</td>
</tr>
<tr>
<td>P1.15 billion Clark Water RCBC Loan</td>
<td>990,939,069</td>
<td></td>
</tr>
<tr>
<td>P0.75 billion Cebu Water DBP Loan</td>
<td>741,770,953</td>
<td>741,007,446</td>
</tr>
<tr>
<td>P0.83 billion Laguna Water DBP Loan</td>
<td>830,941,608</td>
<td>830,777,810</td>
</tr>
<tr>
<td>P2.50 billion Laguna Water SBC Loan</td>
<td>599,996,080</td>
<td></td>
</tr>
<tr>
<td>P0.50 billion Laguna Water DBP Loan</td>
<td>498,812,152</td>
<td>498,711,853</td>
</tr>
<tr>
<td>P0.50 billion Laguna Water Loan</td>
<td>330,889,889</td>
<td>396,563,814</td>
</tr>
<tr>
<td>P0.50 billion Boracay Water DBP-SBC Loan</td>
<td>474,158,175</td>
<td>487,580,163</td>
</tr>
<tr>
<td>P0.50 billion Boracay Water DBP-SBC Loan</td>
<td>476,897,143</td>
<td>271,345,756</td>
</tr>
<tr>
<td><strong>Less current portion</strong></td>
<td><strong>$26,220,372,669</strong></td>
<td><strong>25,470,750,718</strong></td>
</tr>
<tr>
<td><strong>Unamortized debt discounts and issuance costs of the Group’s long-term debt as of December 31, 2015 and 2014 follow:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD loans</td>
<td><strong>$155,507,607</strong></td>
<td><strong>$203,422,898</strong></td>
</tr>
<tr>
<td>JPY loans</td>
<td>9,715,183</td>
<td>33,523,618</td>
</tr>
<tr>
<td>PHP loans</td>
<td><strong>$66,732,599</strong></td>
<td><strong>$74,956,319</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$231,955,389</strong></td>
<td><strong>$311,902,835</strong></td>
</tr>
</tbody>
</table>

The rollforward analysis of unamortized debt discounts and issuance costs of long-term debt follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>$311,902,835</strong></td>
<td><strong>$427,238,334</strong></td>
</tr>
<tr>
<td>Additions</td>
<td>17,287,841</td>
<td>11,119,023</td>
</tr>
<tr>
<td>Amortization (Note 17)</td>
<td>(94,503,563)</td>
<td>(122,224,413)</td>
</tr>
<tr>
<td>Foreign exchange adjustments</td>
<td>(2,731,724)</td>
<td>(4,230,109)</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td><strong>$311,955,389</strong></td>
<td><strong>$311,902,835</strong></td>
</tr>
</tbody>
</table>

**Parent Company Loans**

**NEXI Loan**

On October 21, 2010, the Parent Company entered into a term loan agreement (NEXI Loan) amounting to US$150.00 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndicate of four banks namely, ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation, and is insured by Nippon Export and Investment Insurance. The first, second and third drawdowns of the loan amounted to US$84.00 million, US$30.00 million and US$36.00 million, respectively. The carrying value of the loan as of December 31, 2015 and 2014 amounted to US$90.63 million and US$108.08 million, respectively.
LBP Loan
On October 20, 2005, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines (LBP Loan) to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years, and was made available in Japanese Yen in the aggregate principal amount of JPY6.59 billion payable via semi-annual installments after the 5-year grace period. The Parent Company made its last drawdown on October 26, 2012.

The total drawn amount from the loan is JPY3.99 billion. As of December 31, 2015 and 2014, the outstanding balance of the LBP loan amounted to JPY2,192.93 million and JPY2,527.86 million, respectively.

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 25 years, and was made available in United States Dollars in the aggregated principal amount of US$137.5 million payable via semi-annual installments after the 7-year grace period. The Parent Company has made four drawdowns during 2015 amounting to US$22.60 million. The carrying value of the MWMP loan as of December 31, 2015 is US$22.43 million.

Summary of financial transactions related to the MWMP Loan for the year ended December 31, 2015 are shown below (in thousands):

| Balance at beginning of year | $– |
| Amounts received during the period | 22,600 |
| Expenditures during the period | (22,362) |
| Balance at end of year | $238 |

The US$0.24 million as at December 31, 2015 represents the outstanding balance of the Land Bank of the Philippines designated account No. 3404-032-835, under the account name MWMP - Category 1 - MWCI, and is presented as part of “Other receivables” under “Receivables” account (see Note 5). The proceeds of the MWMP loan will be expended in accordance with the intended purposes as specified in the loan agreement.

IFC Loan
On March 28, 2003, the Parent Company entered into a loan agreement with IFC (First IFC Loan) to partially finance the Parent Company’s investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of the Parent Company, and concession fee payments. The First IFC Loan was made available in Japanese Yen in the aggregate principal amount of JPY3,591.60 million equivalent to US$30.00 million and payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2015 and 2014, the carrying value of the loan amounted to JPY710.97 million and JPY992.06 million, respectively.

On May 31, 2004, the Parent Company entered into a loan agreement with IFC (Second IFC Loan) composed of a regular loan in the amount of up to US$20.00 million and a standby loan in the amount of up to US$10.00 million to finance the investment program from 2004 to 2007 to expand water supply and sanitation services, improvement of existing facilities of the Parent Company, and concession fee payments. This loan was subsequently amended on November 22, 2006 when the Parent Company executed the Amended and Restated Loan Agreement for the restructuring of the Second IFC Loan. The terms of the second loan were amended to a loan in the aggregate amount of up to US$30.00 million, no part of which shall consist of a standby loan. On December 12, 2008, the Parent Company made a full drawdown on the said facility. As of December 31, 2015 and 2014, outstanding balance of the Second IFC loan amounted to US$1.99 million and US$5.91 million, respectively.

On July 31, 2013, the Parent Company entered into a loan agreement with IFC (Fourth Omnibus Agreement) in the amount of up to $100.00 million for financing the Projects in accordance with the provisions of the Agreement. The loan has a term of 18 years, payable in semi-annual installments after the grace period. This loan facility has neither been activated nor disbursed and was consequently cancelled in November 2014. The transaction costs related to the cancellation of the loan were included as part of “Other income (loss).”
EIB Loan
On June 20, 2007, the Parent Company entered into a Finance Contract (EIB Loan) with the European Investment Bank (EIB) to partially finance the capital expenditures of the Parent Company from 2007 to 2010, as specified under Schedule 1 of the Finance Contract. The loan, in the aggregate principal amount of EUR60.00 million, having a term of 10 years, is subject to the Relevant Interbank Rate plus a spread to be determined by EIB, and may be drawn in either fixed-rate or floating-rate tranches. The loan has two tranches as described below:

a. Sub-Credit A: In an amount of EUR40.00 million to be disbursed in US Dollars and Japanese Yen payable via semi-annual installments after the 2 1/2 grace period. This loan tranche is guaranteed against all commercial risks by a consortium of international commercial banks composed of ING Bank, Development Bank of Singapore and Sumitomo-Mitsui Banking Corporation under a Guaranty Facility Agreement; and
b. Sub-Credit B: In an amount of EUR20.00 million to be disbursed in Japanese Yen payable via semi-annual installments after the 2 1/2 grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.

On May 21, 2012, the Sub-Credit A Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. Two of the original guarantors, ING Bank and Sumitomo Mitsui Banking Corporation, agreed to extend the guarantee by another 5 years towards the maturity of the loan.

On July 30, 2013, the Sub-Credit B Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. The original guarantor, ING Bank, agreed to extend the guarantee by another 5 years towards the maturity of the loan.

The carrying values of the EIB Loan amounted to nil as of December 31, 2015 and JPY1,755.06 million and US$9.33 million as of December 31, 2014. On February 20, 2015, the Parent Company prepaid the EIB Loan amounting to JPY1,807.98 million and US$9.38 million.

Fixed Rate Corporate Notes
On April 8, 2011, the Parent Company issued P=10.00 billion notes (Fixed Rate Corporate Notes) with P=5.00 billion having a term of 5 years (Five-Year FXCN Note) from the issue date and the other P=5.00 billion with a term of 10 years (Ten-Year FXCN Note) from the issue date which is both payable quarterly. The Parent Company may repay the whole and not a part only of the Ten-Year FXCN Notes on the 7th anniversary of the drawdown date of such FXCN Note or on any FXCN interest payment date thereafter. The amount payable in respect to such prepayment shall be calculated as 102.00% of the principal amount being prepaid and accrued interest on the prepayment date. The carrying value of the fixed rate corporate notes as of December 31, 2015 and 2014 amounted to P=9.80 billion and P=9.83 billion, respectively.

P=5.00 billion Loan
On August 16, 2013, the Company entered into a Credit Facility Agreement (P=5.00 billion Loan) with Metropolitan Bank and Trust Company (Metrobank) having a fixed nominal rate of 4.42% and with a term of 7 years from the issue date and is payable annually. The Parent Company may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter.

The amount payable in respect to such prepayment shall be calculated as 102.00% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 3rd anniversary but before the 4th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 4th anniversary but before the 5th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.00% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 5th anniversary but before the 6th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 100.50% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 6th anniversary but before the 7th anniversary of the drawdown date. The carrying value of the notes as of December 31, 2015 and 2014 amounted to P=4.93 billion and P=4.95 billion, respectively.

JPY40 billion Loan
On September 30, 2015, the Parent Company signed a 7-year JPY40.00 billion term loan facility with three international banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation. The proceeds of the loan will be used to finance the Parent Company’s capital expenditures. As of December 31, 2015, the Parent Company has not made any drawdown from this facility.
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 Department of Finance 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 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 Company more operational and financial flexibility. The loan amendments include the shift to the use of the Parent Company from consolidated 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.

Clark Water Loan

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 concession capital expenditures program. Under the agreement, the loan bears interest at a rate of 6.179% and principal payments will be made in 48 consecutive equal quarterly installments starting July 2018.

The first and second drawdowns on the loan were made in September and December 2015, amounting to ₱800.00 million and ₱200.00 million, respectively. The carrying value of the loan amounted to ₱990.94 million as of December 31, 2015.

Cebu Water Loan

On December 19, 2013, Cebu Water entered into an Omnibus Loan and Security Agreement with Development Bank of the Philippines (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.

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 ₱14.22 million on November 14, 2014, respectively. The carrying value of the loan as of December 31, 2015 and 2014 amounted to ₱741.77 million and ₱741.01 million, respectively.

Laguna Water Loans

On September 7, 2010, Laguna Water entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to Laguna Water up to ₱500.00 million, the principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. The first and second drawdowns from the loan were made in November 2010 and July 2011 amounting to ₱250.00 million each. The carrying value of this loan amounted to ₱330.89 million and ₱396.56 million as of December 31, 2015 and 2014, respectively.
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 PhP500.00 million bearing an effective interest rate of 7.25%. The first and second drawdowns were made in July 2013 and December 2013 which amounted to PhP250.00 million each. The carrying value of this loan as of December 31, 2015 and 2014 amounted to PhP498.81 million and PhP498.71 million.

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 PhP833.00 million. The first and second drawdowns were made in January and May 2014, respectively, amounting to PhP416.50 million each. The carrying value of the loans amounted to PhP830.94 million and PhP830.78 million as of December 31, 2015 and 2014, respectively.

On October 23, 2015, the Company 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 PhP2.50 billion for an applicable fixed interest rate, as determined in respect of each drawdown. The first drawdown was made in December 2015 amounting to PhP600.00 million bearing an effective interest rate of 6.03%.

**Boracay Water Loans**

On July 29, 2011, Boracay Water entered into an Omnibus Loan and Security Agreement with DBP and SBC to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and waste water services for its service area under its concession agreement with TIEZA, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of PhP500.00 million and is payable in 20 years inclusive of a 3-year grace period.

**Omnibus loan and security agreement - Sub-tranche 1**

The loan shall be available in three sub-tranches, as follows:

- **Sub-tranche 1A**, the loan in the amount of PhP250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- **Sub-tranche 1B**, the loan in the amount of PhP125.00 million to be provided by SBC and funded through PWRF; and
- **Sub-tranche 1C**, the loan in the amount of PhP125.00 million to be provided by SBC and funded through its internally-generated funds.

The first loan drawdown made on August 25, 2011 amounted to PhP150.00 million, second drawdown on August 25, 2012 amounted to PhP155.00 million and final drawdown on August 23, 2013 amounted to PhP195.00 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to PhP474.16 million and PhP487.58 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 PhP500.00 million which is available in three sub-tranches:

- **Sub-tranche 2A**, the loan in the amount of PhP250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- **Sub-tranche 2B**, the loan in the amount of PhP125.00 million to be provided by SBC and funded through PWRF; and
- **Sub-tranche 2C**, the loan in the amount of PhP125.00 million to be provided by SBC and funded through Boracay Water’s internally-generated funds.

The first loan drawdown made on November 23, 2012 amounted to PhP75.00 million, second loan drawdown on August 26, 2014 amounted to PhP200.00 million and final drawdown on November 25, 2015 amounted to PhP225.00 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to PhP476.90 million and PhP271.35 million, respectively.
On October 9, 2014, Boracay Water signed a Third Omnibus Loan and Security Agreement in the amount of ₱650.00 million with SBC. The loan will be used to fund the capital expenditures which will be used to provide water and sewerage services in the concession area of Boracay Water. As of December 31, 2015, Boracay Water has not made any drawdown from this facility.

Compliance with loan covenants
All these loan agreements provide for certain covenants which must be complied by the Parent Company, Clark Water, Cebu Water, Laguna Water and Boracay Water which include compliance with certain financial ratios such as the debt-to-equity and debt-service-coverage ratios. As of December 31, 2015 and 2014, the Parent Company, Clark Water, Cebu Water, Laguna Water and Boracay Water were in compliance with all the loan covenants required by the creditors.

15. Retirement Plan

The Parent Company has a funded, noncontributory, tax-qualified defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation as of the last year of employment. The latest actuarial valuation was made on December 31, 2015.

Under the existing regulatory framework, Republic Act No. 7641 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 policy states that equivalent target funding ratio must always be at least 80% and should the ratio reach 120%, 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 3 years to comply with the required minimum funded ratio of 80%.

The plan is covered by a retirement fund administered by trustee banks, which is under the supervision of the Retirement and Welfare Plan Committee. The Committee, which is composed of six (6) members appointed by the BOD of the Parent Company, defines the investment strategy of the fund and regularly reviews the strategy based on market developments and changes in the plan structure. When defining the investment strategy, the Committee takes into account the plan’s objectives, benefit obligations and risk capacity. The Committee reviews, on a quarterly basis, the performance of the funds managed by trustee banks.

The subsidiaries of the Group, namely, Laguna Water, Clark Water and Boracay Water, have a nonfunded and noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation as of the last year of employment. The latest actuarial valuations were made on December 31, 2015.
Changes in net defined benefit liability of funded funds are as follows:

### 2015

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Fair value of plan assets</th>
<th>Net benefit cost in consolidated statement of comprehensive income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td></td>
<td>Net interest</td>
<td>Subtotal</td>
</tr>
<tr>
<td>956,262,000</td>
<td>817,492,900</td>
<td>92,640,256</td>
<td>37,540,700</td>
</tr>
</tbody>
</table>

### 2014

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Fair value of plan assets</th>
<th>Net benefit cost in consolidated statement of comprehensive income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td></td>
<td>Net interest</td>
<td>Subtotal</td>
</tr>
<tr>
<td>783,835,800</td>
<td>402,234,900</td>
<td>77,841,000</td>
<td>38,421,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Fair value of plan assets</th>
<th>Net benefit cost in consolidated statement of comprehensive income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td></td>
<td>Net interest</td>
<td>Subtotal</td>
</tr>
<tr>
<td>381,000,000</td>
<td>402,234,900</td>
<td>77,841,000</td>
<td>16,354,900</td>
</tr>
</tbody>
</table>
The fair value of net plan assets by each class is as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>₱12,916,006</td>
<td>₱19,670,028</td>
</tr>
<tr>
<td>Debt investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>591,637,863</td>
<td>390,397,982</td>
</tr>
<tr>
<td>International</td>
<td>53,267,010</td>
<td>20,483,958</td>
</tr>
<tr>
<td>Equity investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>193,519,695</td>
<td>179,425,727</td>
</tr>
<tr>
<td>International</td>
<td>–</td>
<td>26,442,028</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>6,817,792</td>
<td>12,001,590</td>
</tr>
<tr>
<td></td>
<td>858,156,366</td>
<td>825,421,313</td>
</tr>
</tbody>
</table>

| Liabilities                 |            |            |
| Accrued trust fees          | 654,335    | 7,928,413  |
| Other payables              | 2,296,131  | –          |
|                             | 2,950,466  | 7,928,413  |

Fair value of plan assets

 TableName

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 have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment medical benefits, 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 and post-employment medical benefit obligations for the defined benefit plans are shown below:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.25% to 5.00%</td>
<td>4.50% to 5.00%</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>5.00% to 15.00%</td>
<td>6.00% to 7.00%</td>
</tr>
</tbody>
</table>

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is settled.

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:

<table>
<thead>
<tr>
<th>2015</th>
<th>Increase (Decrease)</th>
<th>Effect on defined benefit obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>1.00% (1.00%)</td>
<td>₱99,749,158</td>
</tr>
<tr>
<td></td>
<td>(₱83,179,669)</td>
<td></td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>1.00% (1.00%)</td>
<td>₱79,846,929</td>
</tr>
<tr>
<td></td>
<td>(₱96,979,200)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2014</th>
<th>Increase (Decrease)</th>
<th>Effect on defined benefit obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>1.00% (1.00%)</td>
<td>₱88,770,462</td>
</tr>
<tr>
<td></td>
<td>(₱74,468,769)</td>
<td></td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>1.00% (1.00%)</td>
<td>₱74,119,832</td>
</tr>
<tr>
<td></td>
<td>(₱86,584,204)</td>
<td></td>
</tr>
</tbody>
</table>
Shown below is the maturity analysis of the undiscounted benefit payments:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>₱55,246,200</td>
<td>₱44,053,200</td>
</tr>
<tr>
<td>More than 1 year and up to 5 years</td>
<td>368,353,700</td>
<td>307,057,700</td>
</tr>
<tr>
<td>More than 5 years and up to 10 years</td>
<td>571,955,600</td>
<td>591,940,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽995,555,500</strong></td>
<td><strong>₽943,051,200</strong></td>
</tr>
</tbody>
</table>

The average duration of the defined benefit obligation at the end of the reporting period is 14.31 years and 20.86 years as of December 31, 2015 and 2014, respectively.

The asset allocation of the plan is set and reviewed from time to time by the Committee 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 Committee and approved by the Parent Company, in consideration of the contribution advice from the actuary. The Parent Company expects to contribute ₱56.95 million to the defined benefit pension plan in 2016 based on the latest actuarial valuation report.

16. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred credits</td>
<td>₱384,875,516</td>
<td>₱363,763,649</td>
</tr>
<tr>
<td>Customers' guaranty deposits and other deposits</td>
<td>294,883,786</td>
<td>362,064,821</td>
</tr>
<tr>
<td>Contingent consideration (Note 11)</td>
<td>–</td>
<td>95,983,778</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽679,759,302</strong></td>
<td><strong>₽821,812,248</strong></td>
</tr>
</tbody>
</table>

Deferred credits pertain to the unamortized discounts of the customers’ guaranty deposits. The rollforward analysis of the deferred credits follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱363,763,649</td>
<td>₱338,857,711</td>
</tr>
<tr>
<td>Additions</td>
<td>29,544,044</td>
<td>32,146,892</td>
</tr>
<tr>
<td>Amortization</td>
<td>(8,432,177)</td>
<td>(7,240,954)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱384,875,516</td>
<td>₱363,763,649</td>
</tr>
</tbody>
</table>

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.

The deposits include amounts collected from customers to cover service connection related expenses. The Group recognized income arising from liquidation of these service connection expenses amounting to ₱103.49 million, ₱214.66 million and ₱609.47 million in 2015, 2014 and 2013, respectively (see Note 17).

Contingent consideration is part of the purchase price of Kenh Dong Water (see Note 11). In 2015, the contingent consideration amounting to ₱95.98 million was reversed and included as part of “Other income (loss)” in the consolidated statement of comprehensive income” as CII failed to obtain a new or amended Investment Certificate 3 years from KDWH’s date of acquisition of Kenh Dong Water.
17. Other Operating Income, Operating Expenses, Interest Income and Interest Expense

Other operating income includes the following:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection fees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized income from liquidation of service connection costs (Note 16)</td>
<td>P103,485,786</td>
<td>P214,659,742</td>
<td>P609,473,171</td>
</tr>
<tr>
<td>Water and service connections and pipeworks</td>
<td>518,527,626</td>
<td>357,942,748</td>
<td>274,736,513</td>
</tr>
<tr>
<td>Integrated used water services</td>
<td>59,849,074</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reconnection fee</td>
<td>34,287,722</td>
<td>44,720,908</td>
<td>66,607,107</td>
</tr>
<tr>
<td>Sale of packaged water</td>
<td>33,356,824</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sale of scrap materials</td>
<td>24,735,957</td>
<td>37,312,115</td>
<td>4,076,150</td>
</tr>
<tr>
<td>Septic sludge disposal and bacteriological water analysis</td>
<td>17,230,920</td>
<td>15,207,029</td>
<td>13,235,506</td>
</tr>
<tr>
<td>Income from customer late payments</td>
<td>14,972,262</td>
<td>11,844,816</td>
<td>4,266,713</td>
</tr>
<tr>
<td>Sale of inventories</td>
<td>462,456</td>
<td>20,857,925</td>
<td>82,666,483</td>
</tr>
<tr>
<td>Miscellaneous (Note 16)</td>
<td>99,606,843</td>
<td>58,308,072</td>
<td>52,977,370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P906,515,470</strong></td>
<td><strong>P760,853,355</strong></td>
<td><strong>P1,108,039,013</strong></td>
</tr>
</tbody>
</table>

Integrated used water services pertain to the income earned by MWTS in providing used water management solutions.

Sale of packaged water relates to the sale of the “Healthy Family” purified water, which aims to address the drinking water needs of households in and out of the East Zone.

Miscellaneous income includes income from rental of equipment, other customer related fees, consultancy services and sale of signages.

Operating expenses consist of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and employee benefits (Notes 15, 19 and 21)</td>
<td>P455,211,346</td>
<td>P364,968,537</td>
<td>P298,139,404</td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 8 and 9)</td>
<td>296,505,882</td>
<td>308,043,544</td>
<td>109,826,798</td>
</tr>
<tr>
<td>Management, technical and professional fees (Note 21)</td>
<td>180,470,373</td>
<td>66,111,403</td>
<td>170,462,704</td>
</tr>
<tr>
<td>Business meetings and representation</td>
<td>160,892,401</td>
<td>149,571,570</td>
<td>131,402,042</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>147,555,407</td>
<td>122,256,707</td>
<td>110,682,255</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>78,158,862</td>
<td>41,670,677</td>
<td>39,969,853</td>
</tr>
<tr>
<td>Provision for probable losses and doubtful accounts (Notes 5, 13 and 29)</td>
<td>76,525,809</td>
<td>188,034,322</td>
<td>171,294,230</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>64,726,087</td>
<td>39,203,693</td>
<td>26,051,134</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>52,304,277</td>
<td>10,014,173</td>
<td>3,234,791</td>
</tr>
<tr>
<td>Donations</td>
<td>51,666,524</td>
<td>30,889,230</td>
<td>2,127,256</td>
</tr>
<tr>
<td>Contractual services</td>
<td>46,790,795</td>
<td>22,161,854</td>
<td>–</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>44,246,344</td>
<td>27,820,073</td>
<td>26,928,190</td>
</tr>
<tr>
<td>Occupancy costs (Note 24)</td>
<td>41,064,364</td>
<td>36,558,225</td>
<td>22,451,751</td>
</tr>
<tr>
<td>Advertising</td>
<td>15,804,595</td>
<td>20,321,270</td>
<td>19,700,378</td>
</tr>
<tr>
<td>Insurance</td>
<td>12,194,613</td>
<td>9,124,903</td>
<td>3,058,258</td>
</tr>
<tr>
<td>Premium on performance bond (Note 28)</td>
<td>7,476,820</td>
<td>5,034,285</td>
<td>6,568,035</td>
</tr>
<tr>
<td>Cost of new market development</td>
<td>559,265</td>
<td>160,001</td>
<td>7,177,258</td>
</tr>
<tr>
<td>Cost of inventory sold</td>
<td>–</td>
<td>18,987,514</td>
<td>75,173,746</td>
</tr>
<tr>
<td>Reversal of prepaid transaction costs</td>
<td>–</td>
<td>–</td>
<td>33,053,221</td>
</tr>
<tr>
<td>Other expenses</td>
<td>40,271,443</td>
<td>61,388,203</td>
<td>17,698,288</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P1,772,425,207</strong></td>
<td><strong>P1,522,320,184</strong></td>
<td><strong>P1,275,539,592</strong></td>
</tr>
</tbody>
</table>
Other expenses include expenses incurred for bank charges and equipment rental.

Interest income consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₱70,329,969</td>
<td>₱66,976,304</td>
<td>₱99,632,252</td>
</tr>
<tr>
<td>Finance income of concession financial receivable</td>
<td>208,845,065</td>
<td>82,331,472</td>
<td>—</td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>35,739,893</td>
<td>32,916,947</td>
<td>44,629,842</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>—</td>
<td>2,900,000</td>
<td>28,177,467</td>
</tr>
<tr>
<td>Others</td>
<td>2,029,115</td>
<td>510,578</td>
<td>385,871</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱316,944,042</td>
<td>₱185,635,301</td>
<td>₱172,825,432</td>
</tr>
</tbody>
</table>

Interest expense consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accretion of service concession obligations and deposits</td>
<td>₱558,434,006</td>
<td>₱578,508,902</td>
<td>₱613,142,324</td>
</tr>
<tr>
<td>Long-term debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon interest</td>
<td>804,000,992</td>
<td>918,848,493</td>
<td>967,841,819</td>
</tr>
<tr>
<td>Amortization of debt discount, issuance costs and premium (Note 14)</td>
<td>94,503,563</td>
<td>122,224,413</td>
<td>134,167,263</td>
</tr>
<tr>
<td>Pension liabilities (Note 15)</td>
<td>596,800</td>
<td>16,554,900</td>
<td>18,249,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱1,457,535,361</td>
<td>₱1,636,136,708</td>
<td>₱1,733,400,506</td>
</tr>
</tbody>
</table>

18. Income Tax

Provision for income tax consists of:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₱1,835,280,307</td>
<td>₱1,826,790,779</td>
<td>₱1,802,808,076</td>
</tr>
<tr>
<td>Deferred</td>
<td>(40,356,469)</td>
<td>9,507,232</td>
<td>8,764,498</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱1,794,923,838</td>
<td>₱1,836,298,011</td>
<td>₱1,811,572,574</td>
</tr>
</tbody>
</table>

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td>30.00%</td>
<td>30.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Tax effects of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrecognized deferred tax</td>
<td>0.21</td>
<td>1.33</td>
<td>5.76</td>
</tr>
<tr>
<td>Nondeductible expense</td>
<td>0.11</td>
<td>2.35</td>
<td>0.63</td>
</tr>
<tr>
<td>Excess of 40% Optional Standard Deduction (OSD) against allowable deductions</td>
<td>(4.76)</td>
<td>(3.99)</td>
<td>(10.71)</td>
</tr>
<tr>
<td>Income exempt from tax</td>
<td>(1.64)</td>
<td>(4.17)</td>
<td>0.10</td>
</tr>
<tr>
<td>Nontaxable equity in net earnings</td>
<td>(1.53)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest income subjected to final tax</td>
<td>(0.26)</td>
<td>(0.25)</td>
<td>(0.44)</td>
</tr>
<tr>
<td>Others - net</td>
<td>0.51</td>
<td>(1.32)</td>
<td>(1.48)</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td>22.64%</td>
<td>23.95%</td>
<td>23.86%</td>
</tr>
</tbody>
</table>
The net deferred tax assets of the Group pertain to the deferred income tax effects of the following:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service concession obligations - net</td>
<td>₱891,967,100</td>
<td>₱855,049,666</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>17,397,960</td>
<td>13,406,942</td>
</tr>
<tr>
<td>Provision for probable losses and doubtful accounts</td>
<td>11,504,635</td>
<td>10,079,437</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>3,632,277</td>
<td>2,646,866</td>
</tr>
<tr>
<td></td>
<td>₱924,501,972</td>
<td>₱881,182,911</td>
</tr>
</tbody>
</table>

The components of the net deferred tax liabilities of the Group as of December 31, 2015 and 2014 represent the deferred income tax effects of the following:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concession financial receivable</td>
<td>₱68,677,309</td>
<td>₱67,873,534</td>
</tr>
<tr>
<td>Service concession obligations - net</td>
<td>4,828,269</td>
<td>2,494,975</td>
</tr>
<tr>
<td>Rent expense differential</td>
<td>(796,419)</td>
<td>(704,267)</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>(791,869)</td>
<td>(709,544)</td>
</tr>
<tr>
<td>Allowance for inventory losses</td>
<td>(4,900)</td>
<td>(4,900)</td>
</tr>
<tr>
<td></td>
<td>₱71,912,390</td>
<td>₱68,949,798</td>
</tr>
</tbody>
</table>

**Parent Company**

RR No. 16-2008 provided the implementing guidelines for Section 34 of RA No. 9504 on the use of the optional standard deductions (OSD) for corporations. The OSD allowed shall be an amount not exceeding 40% of the gross income. Gross income earned refers to gross sales or gross revenue derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. This was applied by the Parent Company for the years ended December 31, 2015, 2014 and 2013.

The Parent Company secured an income tax holiday (ITH) benefit for the Antipolo Water Supply Project in 2011 and East La Mesa Water Treatment Plant Project in 2012. These projects have been registered with the Board of Investments (BOI).

The tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes on the net service concession obligation starting 2009.

The availment of OSD affected the recognition of several deferred tax assets and liabilities, in which the related income and expenses are not considered in determining gross income for income tax purposes. The Parent Company forecasts that it will continue to avail of the OSD, such that the manner by which it will recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result in any future tax consequence under OSD.

Details of the accounts for which no deferred taxes were recognized as of December 31, 2015 and 2014 follow:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts (Note 5)</td>
<td>₱585,686,205</td>
<td>₱606,331,445</td>
</tr>
<tr>
<td>Unamortized debt discounts and issuance costs of long-term debt (Note 14)</td>
<td>(191,630,115)</td>
<td>(287,279,413)</td>
</tr>
<tr>
<td>Pension liabilities (Note 15)</td>
<td>73,191,500</td>
<td>10,850,200</td>
</tr>
<tr>
<td></td>
<td>₱467,247,590</td>
<td>₱329,902,232</td>
</tr>
</tbody>
</table>

The net reduction in deferred tax assets from applying the 18% tax rate to the recognized deferred taxes on net service obligation, and the derecognition of the deferred taxes relating to the accounts with temporary differences which are not considered in determining gross income for income tax purposes by the Parent Company amounted to ₱467.25 million and ₱329.90 million as of December 31, 2015 and 2014, respectively.

In addition to the deferred tax assets and liabilities that have not been recognized as a consequence of the OSD availment, the Parent Company’s subsidiaries, MWIS and MWTS, have Net Operating Loss Carry Over (NOLCO) amounting to ₱14.02 million and ₱6.32 million as of December 31, 2015 and 2014, respectively, that are available for offset against future taxable income, for which no deferred tax assets have been recognized. As of December 31, 2015 and 2014, the unrecognized deferred tax assets on NOLCO amounted to ₱4.21 million and ₱1.89 million, respectively.
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 there under including tax and duty-free importation of capital equipment and special income tax rate of 5% of gross income earned from sources within the CFZ.

Boracay Water
On January 25, 2011, Boracay Water filed an application for registration with the BOI under Executive Order (EO) No. 226, as amended, as a new operator of water supply and distribution for the Boracay Island on a non-pioneer status. The application was ratified on February 9, 2011.

On June 17, 2011, Boracay Water’s application was registered with the BOI under Book 1 of EO 226. The ITH is for 4 years from June 2011 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. The ITH entitlement shall be limited to the water sales schedule reflected in specific terms and condition of the registration. Further, the ITH entitlement for the wastewater or sewerage services shall be limited only to 10% of the total revenue derived from its water supply.

In June 2015, the BOI has approved the bonus year under Boracay Water’s Certificate of Registration No. 2011-127 from June 17, 2015 to June 16, 2016 using the indigenous raw material criterion pursuant to Article 39(1)(ii) of EO 226 subject to the following conditions:

1. At the time of actual availment of the ITH incentive, the derived ratio of the cost of indigenous raw materials shall be at least 50% of the total raw materials cost; and

2. The grantee shall undertake Corporate Social Responsibilities (CSR) activities which shall be completed on the actual availment of the bonus year. The CSR activity shall be aligned with the priority programs/projects of the National Anti-Poverty Commission and/or other special laws such as R.A. 7942 or the Mining Act and DOE Energy Regulation 1-94. The amount spent for the CSR activities shall be reflected in the notes to the audited financial statements. Failure to complete with the CSR activity shall mean forfeiture of the approved ITH bonus year.

In compliance with the second requirement, Boracay Water has entered into a MOA with Barangay Nabaoy, Malay, Aklan, last December 11, 2015. Both parties agreed to implement poverty alleviation programs in the community. The parties recognize education, specifically early childhood care and development, is the key to alleviate poverty in the community. Boracay Water committed to spend ₱50,000 for 2015 and ₱0.20 million for 2016 by purchasing learning materials and equipment, repairs of the day care center, institute feeding programs, provide trainings and additional honorarium for the day care worker, among others. In December 2015, Boracay Water spent ₱50,000 for the purchase of learning materials and equipment for the adopted Day Care Center.

Laguna Water
Laguna Water is registered with the BOI under the Omnibus Investment Code of 1987. The registration entitles the Company to an ITH for 4 years until 2010. In 2011, Laguna Water applied for a 1 year extension of the ITH incentive which was approved by BOI on January 19, 2012.

In 2013 and 2015, Laguna Water availed of the OSD and the tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes of Laguna Water. In 2014, Laguna Water applied the Regular Corporate Income Tax of 30% for transactions outside of LTI.

Laguna Water’s transactions within LTI are registered with the Philippine Economic Zone Authority. Under the registration, Laguna Water is entitled to certain tax and non-tax incentives, which includes, but are not limited to, a special tax rate of 5% on Laguna Water’s gross income on water and used water revenues within the premises. In October 2015, Laguna Water received approval of its de-registration from the Philippine Economic Zone Authority.

Other subsidiaries
All other domestic subsidiaries are subject to Regular Corporate Income Tax of 30% while foreign subsidiaries are subject to tax rates applicable in their respective countries.
NOLCO
The movements of the Group’s NOLCO as of December 31, 2015, which are available for offset against future taxable income for 3 succeeding years and for which no deferred tax assets have been recognized follow:

<table>
<thead>
<tr>
<th>Year Incurred</th>
<th>Amount</th>
<th>Used/Expired</th>
<th>Balance</th>
<th>Expiry Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>₱11,564,673</td>
<td>₱11,564,673</td>
<td>₱–</td>
<td>2015</td>
</tr>
<tr>
<td>2014</td>
<td>2,423,834</td>
<td>–</td>
<td>₱2,423,834</td>
<td>2017</td>
</tr>
<tr>
<td>2015</td>
<td>3,855,223</td>
<td>–</td>
<td>₱3,855,223</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>₱17,879,712</td>
<td>₱11,564,673</td>
<td>₱6,315,039</td>
<td></td>
</tr>
</tbody>
</table>

19. Equity

The Parent Company’s capital stock consists of:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>Common stock - ₱1 per share</td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>₱3,100,000,000</td>
</tr>
<tr>
<td>Issued and subscribed</td>
<td>₱2,053,666,576</td>
</tr>
<tr>
<td>Outstanding</td>
<td>₱2,018,209,523</td>
</tr>
<tr>
<td>Preferred stock - ₱0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible</td>
<td></td>
</tr>
<tr>
<td>Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td>₱4,000,000,000</td>
</tr>
<tr>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Common stock - ₱1 per share</td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>₱3,100,000,000</td>
</tr>
<tr>
<td>Issued and subscribed</td>
<td>₱2,053,666,576</td>
</tr>
<tr>
<td>Outstanding</td>
<td>₱2,018,209,523</td>
</tr>
<tr>
<td>Preferred stock - ₱0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible</td>
<td></td>
</tr>
<tr>
<td>Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td>₱4,000,000,000</td>
</tr>
</tbody>
</table>

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 904 and 916 existing certificated shareholders as of December 31, 2015 and 2014, respectively. The Scripless shareholders are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino).

Dividends
The following table shows the cash dividends declared by the Parent Company’s BOD on the outstanding capital stock for each of the 3 years ended December 31, 2015:

| Amount Per Share |
| Declaration Date | Record Date | Common Shares | Participating Shares | Payment Date |
| April 15, 2013 | April 29, 2013 | ₱0.382 | ₱0.0382 | May 15, 2013 |
| September 26, 2013 | October 10, 2013 | 0.382 | 0.0382 | October 25, 2013 |
| November 28, 2013 | December 1, 2013 | – | 0.0100 | December 27, 2013 |
| February 20, 2014 | March 6, 2014 | 0.4031 | 0.0403 | March 21, 2014 |
| October 8, 2014 | October 21, 2014 | 0.4031 | 0.0403 | November 5, 2014 |
| November 27, 2014 | December 1, 2014 | – | 0.0100 | December 26, 2014 |
| February 20, 2015 | March 6, 2015 | 0.4075 | 0.04075 | March 20, 2015 |
| August 11, 2015 | August 26, 2015 | 0.4075 | 0.04075 | September 9, 2015 |
| November 27, 2015 | December 1, 2015 | – | 0.0100 | December 26, 2015 |

There are no dividends in arrears for the Parent Company’s participating preferred shares as of December 31, 2015 and 2014.

Retained earnings
In 2014, the Parent Company reversed its appropriation which were approved by the BOD on April 15, 2013 amounting to ₱7.00 billion and was intended to fund major capital expenditures arising from its mandate under the Concession Agreement.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates accounted for under the equity method amounting to ₱1,867.14 million and ₱1,242.58 million as of December 31, 2015 and 2014, respectively, which are not available for dividend declaration by the Company until these are declared by the investee companies.
In accordance with SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company’s retained earnings available for dividend declaration as of December 31, 2015 and 2014 amounted to P=28.66 billion and P25.75 billion, respectively.

The approved Business Plan, consistent with the final determination of the Appeals Panel on April 21, 2015 following the results of the Rate Rebasings charging year 2013, included planned capital expenditures on (1) service continuity, (2) service accessibility, (3) water security and (4) environmental sustainability, particularly 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, particularly to the Municipalities of Rizal;
- Water security projects include two components: (1) new water source development and, (2) existing water source rehabilitation and improvement. New water source development projects include the Rizal Province Water Supply Improvement Project, as well as the Sumag, Tayabasan and Kaliwa River development projects. Other components include major improvement works for key raw water structures such as Angat Dam and Ipo Dam, transmission aqueducts extending from Bulacan to La Mesa Dam managed under the Common Purpose Facilities framework, and transmission aqueducts extending from La Mesa Dam to the Balara Treatment Plant; and
- Projects under the Environmental Sustainability Investment category are comprised of wastewater projects endeavored to achieve the Parent Company’s wastewater coverage targets.

The Parent Company is expected to spend an estimated P=65.61 billion (in 2013 prices) from 2016 to 2020 as part of the approved Business Plan.

**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. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. In computing for the stock option value for the 2015 grant, the Parent Company assumed 26.53%, 2.55% and 3.79% as the volatility, dividend yield and risk-free interest rate, respectively.

For the unsubscribed shares, the employee still has the option to subscribe within 7 years.

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 follow:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares granted</td>
<td>7,281,647</td>
<td>6,671,196</td>
<td>4,772,414</td>
<td>5,073,000</td>
<td>9,241,025</td>
</tr>
<tr>
<td>Number of unsubscribed shares</td>
<td>884,873</td>
<td>351,680</td>
<td>460,000</td>
<td>992,000</td>
<td>1,442,000</td>
</tr>
<tr>
<td>Fair value of each option</td>
<td>P=11.58</td>
<td>P=10.58</td>
<td>P=11.76</td>
<td>P=9.68</td>
<td>P=9.60</td>
</tr>
<tr>
<td>Weighted average share price</td>
<td>P=21.35</td>
<td>P=23.00</td>
<td>P=26.24</td>
<td>P=19.80</td>
<td>P=13.50</td>
</tr>
<tr>
<td>Exercise price</td>
<td>P=26.00</td>
<td>P=22.92</td>
<td>P=24.07</td>
<td>P=17.38</td>
<td>P=9.63</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>26.53%</td>
<td>24.90%</td>
<td>30.66%</td>
<td>33.68%</td>
<td>44.66%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>2.55%</td>
<td>3.47%</td>
<td>2.56%</td>
<td>2.68%</td>
<td>2.92%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>3.79%</td>
<td>2.99%</td>
<td>4.57%</td>
<td>4.76%</td>
<td>8.53%</td>
</tr>
<tr>
<td>Expected life of option</td>
<td>4 years</td>
<td>4 years</td>
<td>4 years</td>
<td>4 years</td>
<td>4 years</td>
</tr>
</tbody>
</table>

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 follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Holding Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>After one year from subscription date</td>
<td>40%</td>
</tr>
<tr>
<td>After two years from subscription date</td>
<td>30%</td>
</tr>
<tr>
<td>After three years from subscription date</td>
<td>30%</td>
</tr>
</tbody>
</table>
The ESOWN grantees are allowed to subscribe fully or partially to whatever allocation may have been granted to them. In case of partial subscriptions, the employees are still allowed to subscribe to the remaining unsubscribed shares granted to them provided that this would be made at the start of Year 5 from grant date up to the end of Year 6. Any additional subscription made by the employee (after the initial subscription) will be subjected to another 3-year holding period.

Movements in the number of stock options outstanding under ESOWN are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Weighted average exercise price</th>
<th>2014</th>
<th>Weighted average exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>4,193,347 P 22.92</td>
<td>6,791,736 P 22.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>7,281,647</td>
<td>26.00</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>(6,396,774)</td>
<td>26.00</td>
<td>(2,528,708)</td>
<td>22.92</td>
</tr>
<tr>
<td>Cancelled</td>
<td>(81,627)</td>
<td>–</td>
<td>(69,681)</td>
<td>–</td>
</tr>
<tr>
<td>At December 31</td>
<td>4,996,593 P 23.49</td>
<td>4,193,347 P 22.92</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total expense arising from equity-settled share-based payment transactions amounted to P 68.70 million, P 63.05 million, and P 50.83 million in 2015, 2014 and 2013, respectively.

On January 6, 2015, the Remuneration Committee approved the grant to the qualified executives, officers and employees of Manila Water, pursuant to the ESOWN, of stock options covering up to 7,281,647 common shares at a subscription price of P 26.00 per share which is equivalent to the average closing price of the Company’s common shares at the Philippine Stock Exchange for 20 consecutive trading days ending November 26, 2014, net of 10% discount.

The expected life of the options is based on management’s estimate and is not necessarily indicative of exercise patterns that may occur. The expected volatility used for the 2007 and 2006 grants was based on the average historical price volatility of several water utility companies within the Asian region. For the grants beginning 2008, the Parent Company’s volatility was used as input in the valuation. 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.

Other equity reserve
This account pertains to gain on sale of the Parent Company’s investment in MW Consortium to Vicsal Development Corporation on May 9, 2012 amounting to P 7.50 million. The sale has decreased the ownership of the Parent Company in MW Consortium by 10% without loss of control. Proceeds from the sale amounted to P 15.00 million.

20. Earnings per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2015, 2014 and 2013 were computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to equity holders of the Parent Company</td>
<td>P 5,957,780,447</td>
<td>P 5,813,088,880</td>
<td>P 5,752,361,946</td>
</tr>
<tr>
<td>Less dividends on preferred shares*</td>
<td>1,004,724,467</td>
<td>983,596,385</td>
<td>975,524,597</td>
</tr>
<tr>
<td>Net income attributable to common shareholders for basic and diluted earnings per share</td>
<td>P 4,953,055,980</td>
<td>P 4,829,492,495</td>
<td>P 4,776,837,349</td>
</tr>
<tr>
<td>Weighted average number of shares for basic earnings per share</td>
<td>2,053,133,566</td>
<td>2,047,270,452</td>
<td>2,042,422,769</td>
</tr>
<tr>
<td>Dilutive shares arising from stock options</td>
<td>3,135,207</td>
<td>2,787,883</td>
<td>2,763,058</td>
</tr>
<tr>
<td>Adjusted weighted average number of common stock for diluted earnings per share</td>
<td>2,056,268,773</td>
<td>2,050,058,335</td>
<td>2,045,185,827</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>P 2.41</td>
<td>P 2.36</td>
<td>P 2.34</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>P 2.41</td>
<td>P 2.36</td>
<td>P 2.34</td>
</tr>
</tbody>
</table>

*Including participating preferred shares’ participation in earnings.
21. 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 and interest-free. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2015 and 2014, the Group has not made any provision for probable losses relating to amounts owed by related parties. 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.

Significant transactions with related parties follow:

a. 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 10 years and automatically renewable every 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.

Total management and professional fees charged to operations arising from these agreements amounted to P=218.31 million and P=198.98 million in 2015 and 2014, respectively. Total outstanding payables amounted to nil and P=34.88 million as of December 31, 2015 and 2014, respectively.

b. 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in banks and cash equivalents</td>
<td>B=-</td>
<td>P=-</td>
<td>P11,111</td>
<td>P39,156</td>
<td>B=-</td>
<td>P=-</td>
<td>B=-</td>
<td>P-</td>
</tr>
<tr>
<td>Receivables</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,930,789</td>
<td>207,400</td>
<td>242,671,961</td>
<td>243,325,649</td>
<td></td>
</tr>
<tr>
<td>Advances to contractors</td>
<td>2,346,595,838</td>
<td>1,998,160,172</td>
<td>77,209</td>
<td>4,930,789</td>
<td>207,400</td>
<td>242,671,961</td>
<td>243,325,649</td>
<td></td>
</tr>
</tbody>
</table>

Cash in banks and cash equivalents pertain to deposits and investments with original maturities of 3 months or less from the date of original acquisition.

Receivables are primarily composed of trade receivables for water and sewerage services rendered by the Group. These are non-interest bearing and are collectible within 30 days from bill generation. No allowance for doubtful accounts was provided for receivables from related parties as of December 31, 2015 and 2014.

Advances to contractors included as part of “Other current assets” pertains to down payments related to construction of fixed assets. These are normally applied within a year against progress billings.
Trade payables pertain to retentions deducted from contractors’ billings and are normally paid within a year after project acceptance.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2015</th>
<th>Purchases</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala</td>
<td>P=7,288,972</td>
<td></td>
<td>P=7,177,859</td>
<td></td>
<td>P=198,979,421</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Land and Subsidiaries</td>
<td>116,965,856</td>
<td>137,380,568</td>
<td>1,428,393</td>
<td>1,792,850</td>
<td></td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>9,913,438</td>
<td>9,739,496</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>3,131,483</td>
<td>2,933,077</td>
<td>9,127,597</td>
<td>10,015,352</td>
<td></td>
</tr>
<tr>
<td>Integrated Microelectronics, Inc. and Subsidiaries</td>
<td>8,466,732</td>
<td>4,077,818</td>
<td>641,470</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>AAHC</td>
<td>481,838</td>
<td>403,824</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>138,959,347</td>
<td>154,534,783</td>
<td>11,197,460</td>
<td>11,808,202</td>
<td></td>
</tr>
</tbody>
</table>

Revenue is mainly attributable to water and sewerage services rendered by the Group to its shareholder and affiliates. Purchases from Ayala Land and subsidiaries mainly pertain to construction of fixed assets while purchases from AAHC relates to acquisition and repairs of transportation equipment. Purchases from Globe pertain to telecommunication services and purchases from BPI relate to banking transactions and financial services to the Group.

c. On June 1, 2010, MWAP and Speedy-Tech Electronics Ltd. (Speedy-Tech), a subsidiary of Integrated Microelectronics, Inc., entered into a Tenancy Agreement wherein Speedy-Tech will lease office space to MWAP. On May 31, 2015, the Tenancy Agreement with Speedy-Tech was terminated. Total rent expense paid by MWAP to Speedy-Tech amounted to P=0.64 million and P=0.47 million in 2015 and 2014, respectively.

d. On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004) with PGL, one of its shareholders. Concession fees paid to PGL amounted to P=22.70 million and P=15.06 million in 2015 and 2014, respectively (see Notes 1 and 28).

e. One of the trustee banks which manages the Group’s retirement fund is BPI, an affiliate. The Group’s plan assets under BPI amounted to P=572.81 million and P=587.42 million as of December 31, 2015 and 2014, respectively.

f. On November 3, 2015, MWSAH completed the execution of a Capital Transfer Agreement with Saigon Water for the acquisition of 24.5% of the charter capital of Cu Chi Water Supply Sewerage Company Ltd., a company incorporated in Vietnam, in the total amount of VND154.35 billion or equivalent to P=330.10 million.

g. Compensation of key management personnel of the Group by benefit type, included as part of “Salaries, wages and employee benefits,” are as follows:

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>P=397,804,200</td>
<td>P=283,797,980</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>23,832,969</td>
<td>18,971,484</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>50,584,861</td>
<td>30,227,909</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=472,222,030</td>
<td>P=332,996,473</td>
</tr>
</tbody>
</table>

22. Management Contracts

On July 22, 2008, the Parent Company entered into a Performance-Based Leakage Reduction and Management Services Contract with SAWACO. The contract involves the following components:

a. General requirements;
b. District Metering Area establishment;
c. Leakage reduction and management services;
d. System expansion work;
e. Emergency and unforeseen works; and
f. Daywork schedule.
On August 19, 2014, the management contract with SAWACO expired. In 2015, 2014 and 2013, total revenue from the Vietnam Project amounted to nil, ₱25.49 million and ₱174.94 million. Total costs related to the Vietnam Project amounted to ₱51.89 million, ₱54.29 million and ₱96.21 million in 2015, 2014 and 2013, respectively. Costs arising from the management contract in 2015 pertain to maintenance, manpower and other administrative expenses arising from the winding down of the project which is expected to be finalized by February 2016.

23. Significant Contracts with the West Zone Concessionaire

In relation to the Agreement, the Parent Company entered into the following contracts with Maynilad:

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

b. 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.

c. 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 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 9).

24. Assets Held in Trust

MWSS

The Parent Company is 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 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.

In 2015, the Parent Company engaged the services of Royal Asia Appraisal Corporation to conduct a re-appraisal of the assets managed by the Parent Company as of 2014, based on the asset registry as of December 31, 2013. Total reproduction cost as of December 31, 2015 amounted to ₱123.47 billion with a sound value of ₱69.10 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 October 27, 2006, the Parent Company has renewed the lease for 5 years, with expiry of October 27, 2011. On August 28, 2012, additional office space was leased by the Parent Company, which will expire on July 31, 2017. Rent expense amounted to ₱18.45 million, ₱16.91 million and ₱16.99 million in 2015, 2014 and 2013, respectively. These are included under “Occupancy costs” in consolidated statement of comprehensive income.
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 expense recognized in 2015 amounted to ₱170.45 million which is included under “Occupancy costs” in consolidated statement of comprehensive income.

PGL
Laguna Water is 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.

In 2014, Laguna Water engaged the services of Cuervo Appraisers to conduct a re-appraisal of PGL assets on record as of December 31, 2013. Total replacement cost as of December 31, 2013 amounted to ₱2,138.38 million with a sound value of ₱1,596.19 million.

TIEZA
Boracay Water is 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.

25. 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 the nature of service the Group is providing and its geographic location.

The Group’s BOD and Management Committee monitors 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 statement of financial position which is in accordance with PFRS.

The segments where the Group operates follow:

- East Zone Head Office - manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services in the East Zone. Revenue from this business segment consists of water, environmental charges, sewer, income from septic sludge disposal and bacteriological water analysis and other miscellaneous income.
- Outside East Zone - manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services outside the East Zone. Revenue from this segment consists of water and other miscellaneous income.
- Management contracts - agreements related to improvements in the customers’ water systems. Revenue from management contracts comprises the revenue of this business segment.
Details of the Group’s operating segments as of and for the years ended December 31, 2015, 2014 and 2013 are as follows:

### 2015

<table>
<thead>
<tr>
<th>East Zone (Head Office)</th>
<th>Outside East Zone (Operating Subsidiaries)</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to external customers</td>
<td>$14,910,074</td>
<td>$2,025,809</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$7,843,518</td>
<td>$695,057</td>
<td>$1,384,517</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>$3,834,841</td>
<td>$1,384,517</td>
<td>$–</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>$(3,834,841)</td>
<td>$(1,384,517)</td>
<td>$–</td>
</tr>
<tr>
<td>Interest income</td>
<td>$100,468</td>
<td>$216,476</td>
<td>$–</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$(1,311,938)</td>
<td>$(145,597)</td>
<td>$–</td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td>$–</td>
<td>$403,515</td>
<td>$–</td>
</tr>
<tr>
<td>Other income</td>
<td>$24,325</td>
<td>$155,032</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>$7,843,519</td>
<td>$695,057</td>
<td>$(51,893)</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>$7,066,555</td>
<td>$1,330,752</td>
<td>$51,893</td>
</tr>
<tr>
<td><strong>Revenue from rehabilitation works</strong></td>
<td>$3,834,841</td>
<td>$1,384,517</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Revenue from rehabilitation works</strong></td>
<td>$(3,834,841)</td>
<td>$(1,384,517)</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>$7,843,519</td>
<td>$695,057</td>
<td>$(51,893)</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>$7,066,555</td>
<td>$1,330,752</td>
<td>$51,893</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>$6,656,374</td>
<td>$1,324,483</td>
<td>$(51,893)</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>$1,693,184</td>
<td>$101,740</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$4,963,190</td>
<td>$1,222,743</td>
<td>$(51,893)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>–</td>
<td>$278,620</td>
<td>$–</td>
</tr>
<tr>
<td>Actuarial gain (loss) on pension liabilities - net</td>
<td>$(36,907)</td>
<td>$16,179</td>
<td>$–</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>–</td>
<td>$256</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>$4,926,283</td>
<td>$1,517,827</td>
<td>$(51,893)</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Parent Company</td>
<td>$4,926,283</td>
<td>$1,517,827</td>
<td>$(51,893)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>$176,260</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td>$4,926,283</td>
<td>$1,517,827</td>
<td>$(51,893)</td>
</tr>
</tbody>
</table>

### 2014

<table>
<thead>
<tr>
<th>East Zone (Head Office)</th>
<th>Outside East Zone (Operating Subsidiaries)</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to external customers</td>
<td>$14,882,023</td>
<td>$1,449,634</td>
<td>$25,488</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$6,537,113</td>
<td>$523,353</td>
<td>$54,286</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>$2,749,201</td>
<td>$686,588</td>
<td>$–</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>$(2,749,201)</td>
<td>$(686,588)</td>
<td>$–</td>
</tr>
<tr>
<td>Interest income</td>
<td>$94,485</td>
<td>$919,150</td>
<td>$–</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$(1,513,124)</td>
<td>$(123,013)</td>
<td>$–</td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td>$–</td>
<td>$357,298</td>
<td>$–</td>
</tr>
<tr>
<td>Other income</td>
<td>$(84,188)</td>
<td>$182,400</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Revenue from rehabilitation works</strong></td>
<td>$2,749,201</td>
<td>$686,588</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Revenue from rehabilitation works</strong></td>
<td>$(2,749,201)</td>
<td>$(686,588)</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>$6,842,083</td>
<td>$852,962</td>
<td>$(26,798)</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>$6,344,910</td>
<td>$509,277</td>
<td>$(26,798)</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>$4,585,873</td>
<td>$343,685</td>
<td>$(26,798)</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>$1,693,518</td>
<td>$142,717</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$5,188,351</td>
<td>$596,378</td>
<td>$(26,798)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized loss on AFS financial assets</td>
<td>$(3,301)</td>
<td>$–</td>
<td>$(3,301)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>$–</td>
<td>$101,970</td>
<td>$(3,301)</td>
</tr>
<tr>
<td>Actuarial gain (loss) on pension liabilities - net</td>
<td>$(40,537)</td>
<td>$(3,309)</td>
<td>$–</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>$(370)</td>
<td>$112</td>
<td>$–</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>$5,185,358</td>
<td>$599,072</td>
<td>$(26,798)</td>
</tr>
</tbody>
</table>

(Forward)
Total revenue derived from Vietnam amounted to nil, P=25.49 million and P=174.94 million in 2015, 2014 and 2013, respectively, and are included under the management contracts segment of the Group. The Group does not have a single customer contributing more than 10% of its total revenue.
26. 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, 2015 and 2014:

<table>
<thead>
<tr>
<th></th>
<th>Carrying Value</th>
<th>Fair Value</th>
<th>Significant unobservable inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted</td>
<td>₱2,409,290</td>
<td>₱2,409,290</td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concession financial receivable</td>
<td>₱1,198,084</td>
<td>2,140,700</td>
<td>975,984</td>
</tr>
<tr>
<td></td>
<td>₱3,607,374</td>
<td>₱4,549,990</td>
<td>1,881,765</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>₱26,220,373</td>
<td>₱24,688,413</td>
<td>₱25,470,751</td>
</tr>
<tr>
<td></td>
<td>₱25,141,255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service concession obligation</td>
<td>7,926,871</td>
<td>11,701,046</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,806,727</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers’ guaranty deposits and other deposits</td>
<td>384,876</td>
<td>355,509</td>
<td>362,065</td>
</tr>
<tr>
<td></td>
<td>₱34,532,120</td>
<td>₱36,744,968</td>
<td>₱33,834,025</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>₱37,492,848</td>
</tr>
</tbody>
</table>

The methods and assumptions used by the Group in estimating the fair value of the long-term loans and receivables and other financial liabilities such as long-term debt, customers’ guaranty deposits and other deposits, and service concession obligations are as follows:

a. The fair values 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 was 2.68% to 4.90% in 2015 and 2.54% to 5.17% in 2014 while the discount rates used for foreign currency-denominated loans ranged from 0.02% to 3.01% in 2015 and 0.02% to 2.17% in 2014.

Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2015 and 2014. During the periods ended December 31, 2015 and 2014, 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.

27. Financial Risk Management Objectives and Policies

The Group’s principal financial instruments comprise of cash and cash equivalents, AFS financial assets, concession financial receivable, long-term debt and service concession obligation. 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 various 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.

The Group’s risk management policies 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.
For cash flow interest rate risk, the Group’s policy is to manage the interest payments using a mix of fixed and variable rate debts. As of December 31, 2015 and 2014, the Group’s mix of fixed interest and floating interest rate of long-term debt are 70.00% to 30.00% and 74.00% to 26.00%, respectively.

For fair value interest rate risk, the Group’s investment policy requires it to hold AFS financial assets until maturity, unless the need to sell arises, and to reduce the duration gap between financial assets and financial liabilities to minimize interest rate risk. Debt securities are also marked-to-market monthly to reflect and account for both unrealized gains and losses.
## Liabilities:

### Long-Term Debt

**Fixed Rate (exposed to fair value risk)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (In JPY)</th>
<th>Rate</th>
<th>Amount (In USD)</th>
<th>Rate</th>
<th>Amount (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC Loan - JPY</td>
<td>¥44,048,000</td>
<td>4.66%</td>
<td>$44,048,000</td>
<td>4.66%</td>
<td>¥22,024,000</td>
</tr>
<tr>
<td>IFC Loan USD</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Fixed Rate Corporate Notes</td>
<td>¥4,925,000,000</td>
<td>6.33-7.33%</td>
<td>$25,000,000</td>
<td>6.33-7.33%</td>
<td>¥25,000,000</td>
</tr>
<tr>
<td>¥5.00 billion Loan</td>
<td>¥25,000,000</td>
<td>4.42%</td>
<td>¥25,000,000</td>
<td>4.42%</td>
<td>¥25,000,000</td>
</tr>
<tr>
<td>P1.15 billion Clark Water</td>
<td>¥1,000,000,000</td>
<td>6.24%</td>
<td>P150,000,000</td>
<td>6.24%</td>
<td>P150,000,000</td>
</tr>
<tr>
<td>P0.75 billion Cebu Water</td>
<td>¥44,048,000</td>
<td>7.32%</td>
<td>¥44,048,000</td>
<td>7.32%</td>
<td>¥22,024,000</td>
</tr>
<tr>
<td>P0.83 Laguna Water DBP Loan</td>
<td>¥49,000,000</td>
<td>7.25%</td>
<td>¥49,000,000</td>
<td>7.25%</td>
<td>¥49,000,000</td>
</tr>
<tr>
<td>P2.50 Laguna Water SBC Loan</td>
<td>¥49,000,000</td>
<td>7.25%</td>
<td>¥49,000,000</td>
<td>7.25%</td>
<td>¥49,000,000</td>
</tr>
<tr>
<td>P0.50 Laguna Water DBP Loan</td>
<td>¥7,610,622</td>
<td>6.33%</td>
<td>¥7,610,622</td>
<td>6.33%</td>
<td>¥375,000,000</td>
</tr>
<tr>
<td>P0.50 Laguna Water SBC Loan</td>
<td>¥7,610,622</td>
<td>6.33%</td>
<td>¥7,610,622</td>
<td>6.33%</td>
<td>¥375,000,000</td>
</tr>
<tr>
<td>NEXI Loan</td>
<td>¥18,750,000</td>
<td>6m Libor plus margin</td>
<td>$18,750,000</td>
<td>6m Libor plus margin</td>
<td>$18,750,000</td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥243,280,000</td>
<td>4.66%</td>
<td>¥243,280,000</td>
<td>4.66%</td>
<td>¥121,640,000</td>
</tr>
<tr>
<td>IFC Loan USD</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>MTSP Loan</td>
<td>¥340,366,724</td>
<td>6m Libor plus margin</td>
<td>¥340,366,724</td>
<td>6m Libor plus margin</td>
<td>¥340,366,724</td>
</tr>
<tr>
<td>MWMP Loan</td>
<td>$610,200</td>
<td>6m Libor plus margin</td>
<td>$610,200</td>
<td>6m Libor plus margin</td>
<td>$610,200</td>
</tr>
</tbody>
</table>

*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.*

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (In JPY)</th>
<th>Total - Gross (In USD)</th>
<th>Total - Gross (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>¥2,928,690,601</td>
<td>$116,350,000</td>
<td>$26,270,960,471</td>
</tr>
</tbody>
</table>

- 65 -
<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>More than 5 years</th>
<th>Total (In JPY)</th>
<th>Total - Gross (In USD)</th>
<th>Total – Gross (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-Term Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Rate (exposed to fair value risk)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan - JPY</td>
<td>¥1,167,353,232</td>
<td>¥–</td>
<td>¥–</td>
<td>¥–</td>
<td>¥–</td>
<td>¥–</td>
<td>¥1,167,353,232</td>
<td>–</td>
<td>¥432,621,108</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.5430% - 2.5440%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan - USD</td>
<td>$9,375,000</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>–</td>
<td>$9,375,000</td>
<td>$419,250,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>5.53%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥22,024,000</td>
<td>¥–</td>
<td>¥–</td>
<td>¥154,168,000</td>
<td>–</td>
<td>–</td>
<td>¥57,134,661</td>
</tr>
<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan USD</td>
<td>$2,000,000</td>
<td>$1,000,000</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>–</td>
<td>$3,000,000</td>
<td>$134,160,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.00 Billion Notes</td>
<td>¥10,000,000,000</td>
<td>¥4,925,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥4,800,000,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.34% - 7.33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.00 Billion Loan</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥4,850,000,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>4.42%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50.00 Billion - Laguna Water 1</td>
<td>¥66,666,667</td>
<td>¥66,666,667</td>
<td>¥66,666,667</td>
<td>¥66,666,666</td>
<td>¥66,666,666</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥400,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.73% - 7.58%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50.00 Billion - Laguna Water 2</td>
<td>–</td>
<td>¥7,352,941</td>
<td>¥72,286,765</td>
<td>¥78,411,765</td>
<td>¥1,096,536,764</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥1,333,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>7.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50.00 Billion - Boracay Water 1</td>
<td>¥22,058,824</td>
<td>¥22,058,824</td>
<td>¥22,058,824</td>
<td>¥22,058,824</td>
<td>¥22,058,824</td>
<td>¥259,191,176</td>
<td>–</td>
<td>–</td>
<td>¥369,485,296</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.25%-9.48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50.00 Billion - Boracay Water 2</td>
<td>¥4,296,875</td>
<td>¥17,187,500</td>
<td>¥17,187,500</td>
<td>¥17,187,500</td>
<td>¥17,187,500</td>
<td>¥201,953,125</td>
<td>–</td>
<td>–</td>
<td>¥275,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.25%-9.48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75.00 Billion - Cebu Water</td>
<td>–</td>
<td>¥44,209,804</td>
<td>¥44,209,804</td>
<td>¥44,209,804</td>
<td>¥618,937,255</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥751,566,667</td>
</tr>
<tr>
<td>Interest rate</td>
<td>7.32%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Floating Rate (exposed to cash flow risk)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEXI Loan</td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>–</td>
<td>$112,500,000</td>
<td>$5,031,000,000</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan</td>
<td>¥640,625,000</td>
<td>¥–</td>
<td>¥–</td>
<td>¥–</td>
<td>¥–</td>
<td>¥640,625,000</td>
<td>–</td>
<td>–</td>
<td>¥237,415,625</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥121,640,000</td>
<td>¥–</td>
<td>¥–</td>
<td>¥351,840,000</td>
<td>–</td>
<td>–</td>
<td>¥315,558,488</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - USD</td>
<td>$2,000,000</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>$–</td>
<td>–</td>
<td>$3,000,000</td>
<td>$134,160,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50.00 Billion - Boracay Water</td>
<td>¥7,352,941</td>
<td>¥7,352,941</td>
<td>¥7,352,941</td>
<td>¥7,352,941</td>
<td>¥7,352,941</td>
<td>¥86,397,060</td>
<td>–</td>
<td>–</td>
<td>¥123,161,765</td>
</tr>
<tr>
<td>Interest rate</td>
<td>3m PDST-F plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 following tables demonstrate the sensitivity of the Group’s income before income tax to a reasonably possible change in interest rates on December 31, 2015 and 2014, with all variables held constant (through the impact on floating rate borrowings).

### 2015

<table>
<thead>
<tr>
<th>Changes in basis points</th>
<th>Effect on income before income tax (In Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating rate borrowings</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
</tr>
<tr>
<td></td>
<td>(P64,323)</td>
</tr>
<tr>
<td></td>
<td>64,323</td>
</tr>
</tbody>
</table>

### 2014

<table>
<thead>
<tr>
<th>Changes in basis points</th>
<th>Effect on income before income tax (In Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating rate borrowings</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
</tr>
<tr>
<td></td>
<td>(P75,550)</td>
</tr>
<tr>
<td></td>
<td>75,550</td>
</tr>
</tbody>
</table>

**Foreign exchange risk**

The Group’s foreign exchange risk results primarily from movements of the PHP against the USD and JPY. Substantially all revenues are generated in PHP and majority of capital expenditures are also in PHP. Approximately 33.00% and 34.00% of debt as of December 31, 2015 and 2014, respectively, are denominated in foreign currency. Under Amendment 1 of the Agreement, however, the Parent Company has a natural hedge on its foreign exchange risks on its loans and concession fee payments through a recovery mechanism in the tariff (see Notes 1 and 12).

Information on the Group’s foreign currency-denominated monetary assets and liabilities and their Peso equivalents are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>USD7,269</td>
<td>P342,056</td>
</tr>
<tr>
<td>VND</td>
<td>VND62,102,626</td>
<td>129,173</td>
</tr>
<tr>
<td>AUD</td>
<td>AUD31</td>
<td>1,067</td>
</tr>
<tr>
<td>SGD</td>
<td>SGD211</td>
<td>7,089</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>479,385</td>
<td>P419,445</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPY loan</td>
<td>JPY2,903,907</td>
<td>1,138,332</td>
</tr>
<tr>
<td>USD loan</td>
<td>USD115,046</td>
<td>5,414,043</td>
</tr>
<tr>
<td>Service concession obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPY loan</td>
<td>JPY1,249,435</td>
<td>489,778</td>
</tr>
<tr>
<td>USD loan</td>
<td>USD76,897</td>
<td>3,618,787</td>
</tr>
<tr>
<td>French Franc (FRF) loan</td>
<td>FRF1,175</td>
<td>9,249</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,670,189</td>
<td>11,445,990</td>
</tr>
</tbody>
</table>

The spot exchange rates used were P47.06 to US$1, P0.3920 to JPY1, P7.87 to FRF1, P33.5176 to SGD1, P34.2652 to AUD1, and P0.0021 to VND1 in 2015 and P44.72 to US$1, P0.3705 to JPY1, P8.30 to FRF1, P33.7982 to SGD1, P36.5972 to AUD1, and P0.0021 to VND1 in 2014.

The Group does not expect any movement of the USD, VND, SGD, AUD and FRF against the Philippine Peso to have a significant effect on the Group’s profit before tax.

**Credit risk**

The Group trades only with recognized, creditworthy third parties. It is the Group’s policy that except for connection fees and other highly meritorious cases, the Group does not offer credit terms to its customers.
With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and short-term cash investments, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past five (5) years.

With respect to receivables from customers, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk for the components of the consolidated statement of financial position is equal to their carrying value.

As of December 31, 2015 and 2014, the credit quality per class of the Group’s financial assets are as follows:

### 2015

<table>
<thead>
<tr>
<th>Class</th>
<th>Neither Past Due nor Impaired</th>
<th>Past Due and Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents*</td>
<td>6,844,465,827</td>
<td>(–)</td>
<td>6,844,465,827</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>918,762,413</td>
<td>250,126,476</td>
<td>1,163,888,889</td>
</tr>
<tr>
<td>Commercial</td>
<td>337,068,574</td>
<td>19,857,607</td>
<td>356,926,181</td>
</tr>
<tr>
<td>Semi-business</td>
<td>40,577,762</td>
<td>6,829,564</td>
<td>47,407,326</td>
</tr>
<tr>
<td>Industrial</td>
<td>58,481,871</td>
<td>2,106,249</td>
<td>60,588,118</td>
</tr>
<tr>
<td>Concession financial receivable</td>
<td>1,198,083,563</td>
<td>–</td>
<td>1,198,083,563</td>
</tr>
<tr>
<td>Employees</td>
<td>205,071</td>
<td>39,126,019</td>
<td>244,197,080</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>–</td>
<td>1,238,613</td>
<td>1,238,613</td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>–</td>
<td>529,500,647</td>
<td>529,500,647</td>
</tr>
<tr>
<td>Others</td>
<td>97,344,108</td>
<td>53,759,982</td>
<td>151,104,090</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,494,989,209</strong></td>
<td><strong>913,745,157</strong></td>
<td><strong>10,408,734,366</strong></td>
</tr>
</tbody>
</table>

*Excludes cash on hand.

### 2014

<table>
<thead>
<tr>
<th>Class</th>
<th>Neither Past Due nor Impaired</th>
<th>Past Due and Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents*</td>
<td>6,450,907,044</td>
<td>(–)</td>
<td>6,450,907,044</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>1,146,667,730</td>
<td>10,290,457</td>
<td>1,156,958,187</td>
</tr>
<tr>
<td>Commercial</td>
<td>112,670,545</td>
<td>3,484,600</td>
<td>116,155,145</td>
</tr>
<tr>
<td>Semi-business</td>
<td>46,745,213</td>
<td>1,128,265</td>
<td>47,873,478</td>
</tr>
<tr>
<td>Industrial</td>
<td>41,487,945</td>
<td>–</td>
<td>41,487,945</td>
</tr>
<tr>
<td>Concession financial receivable</td>
<td>975,983,837</td>
<td>–</td>
<td>975,983,837</td>
</tr>
<tr>
<td>Employees</td>
<td>138,930</td>
<td>39,415,356</td>
<td>178,345,356</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>–</td>
<td>11,941,957</td>
<td>11,941,957</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>–</td>
<td>32,888,246</td>
<td>32,888,246</td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>–</td>
<td>529,500,647</td>
<td>529,500,647</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,774,601,244</strong></td>
<td><strong>811,787,868</strong></td>
<td><strong>9,586,389,112</strong></td>
</tr>
</tbody>
</table>

*Excludes cash on hand.

As of December 31, 2015 and 2014, the Group does not have financial assets that are ‘past due but not impaired.’

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

Cash and cash equivalents are placed in various banks. Material amounts are held by banks which belong to the top 5 banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. Management assesses the quality of these assets as high grade.

Receivables which are classified as high grade pertains to receivables that are collectible within 7 days from bill delivery. Receivables rated as standard are collectible from 11 to 30 days from bill delivery.
Liquidity risk
The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, leases and hire purchase contracts. The Group’s policy is to maintain a level of cash that is sufficient to fund its operating cash requirements for the next 4 to 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 internal cash generation.

The Group’s financial assets used for liquidity management based on their maturities are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Within 1 Year</th>
<th>1-5 years</th>
<th>More than 5 years</th>
<th>Total - Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>P=6,849,955,679</td>
<td>P=–</td>
<td>P=–</td>
<td>P=6,849,955,679</td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>2,253,883,607</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>39,753,731</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Interest from banks</td>
<td>12,436,613</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>214,408,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>AFS financial assets</td>
<td>2,409,290</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total - Gross</td>
<td>P=6,972,848,920</td>
<td>P=–</td>
<td>P=–</td>
</tr>
</tbody>
</table>

The Group’s financial liabilities based on contractual undiscounted payments:

<table>
<thead>
<tr>
<th>Year</th>
<th>Within 1 year</th>
<th>1-5 years</th>
<th>More than 5 years</th>
<th>Total - Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>P=4,433,087,387</td>
<td>P=–</td>
<td>P=–</td>
<td>P=4,433,087,387</td>
</tr>
<tr>
<td></td>
<td>Accounts and other payables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payables to related parties</td>
<td>10,834,774</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Long-term debt*</td>
<td>7,308,311,734</td>
<td>19,255,909,286</td>
<td>3,507,885,936</td>
</tr>
<tr>
<td></td>
<td>Service concession obligation*</td>
<td>1,452,667,556</td>
<td>5,030,175,936</td>
<td>12,537,719,686</td>
</tr>
<tr>
<td></td>
<td>Customers’ guaranty deposits and other deposits</td>
<td>–</td>
<td>–</td>
<td>294,883,786</td>
</tr>
<tr>
<td></td>
<td>Total - Gross</td>
<td>P=13,204,901,451</td>
<td>P=24,286,085,222</td>
<td>P=16,580,469,408</td>
</tr>
</tbody>
</table>

*Includes contractual interest cash flows
Capital management
The primary objective of the Group’s capital management strategy is to ensure that it maintains a healthy capital structure, in order to maintain a strong credit standing while it maximizes shareholder value.

The Group closely manages its capital structure vis-à-vis a certain target gearing ratio, which is total debt (less service concession obligation) divided by the sum of the total stockholders’ equity and total debt (less service concession obligation). The Group’s target gearing ratio is set at 60%. This target is to be achieved by managing the Group’s level of borrowings and dividend payments to shareholders.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>₱40,889,493,376</td>
<td>₱39,758,333,532</td>
</tr>
<tr>
<td>Less service concession obligation</td>
<td>7,926,870,690</td>
<td>8,001,209,069</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>32,962,622,686</td>
<td>31,757,124,463</td>
</tr>
<tr>
<td>Total</td>
<td>₱72,681,615,092</td>
<td>₱66,858,694,527</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>45%</td>
<td>47%</td>
</tr>
</tbody>
</table>

For purposes of computing its net debt, the Group includes the outstanding balance of its long-term debt (including current portion), accounts and other payables, less cash and cash equivalents and AFS financial assets. To compute its total capital, the Group uses the total stockholders’ equity.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>₱40,889,493,376</td>
<td>₱39,758,333,532</td>
</tr>
<tr>
<td>Less: Total service concession obligation</td>
<td>7,926,870,690</td>
<td>8,001,209,069</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,849,955,679</td>
<td>6,452,553,832</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>2,409,290</td>
<td>2,409,290</td>
</tr>
<tr>
<td>Net debt</td>
<td>14,779,235,659</td>
<td>14,456,172,191</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>39,718,992,406</td>
<td>35,101,570,064</td>
</tr>
<tr>
<td>Total net debt and stockholders’ equity</td>
<td>₱65,529,250,123</td>
<td>₱60,403,731,405</td>
</tr>
<tr>
<td>Total net debt to equity ratio</td>
<td>40%</td>
<td>42%</td>
</tr>
</tbody>
</table>

28. 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 amounting to US$70.00 million 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.

<table>
<thead>
<tr>
<th>Rate Rebasing Period</th>
<th>Aggregate amount drawable under performance bond (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First (August 1, 1997 - December 31, 2002)</td>
<td>US$70.00</td>
</tr>
<tr>
<td>Second (January 1, 2003 - December 31, 2007)</td>
<td>70.00</td>
</tr>
<tr>
<td>Third (January 1, 2008 - December 31, 2012)</td>
<td>60.00</td>
</tr>
<tr>
<td>Fourth (January 1, 2013 - December 31, 2017)</td>
<td>60.00</td>
</tr>
<tr>
<td>Fifth (January 1, 2018 - December 31, 2022)</td>
<td>50.00</td>
</tr>
<tr>
<td>Sixth (January 1, 2023 - December 31, 2027)</td>
<td>50.00</td>
</tr>
<tr>
<td>Seventh (January 1, 2028 - December 31, 2032)</td>
<td>50.00</td>
</tr>
<tr>
<td>Eighth (January 1, 2033 - May 6, 2037)</td>
<td>50.00</td>
</tr>
</tbody>
</table>

Within 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.
Upon not less than 10-day written notice 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 by 100% 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 Agreement will be incurred unless with the approval of MWSS.

The Parent Company is committed to perform its obligations under the Concession Agreement and Extension to safeguard its continued right to operate the Concession.

**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 MWPV signed an amendment to their joint venture agreement dated November 10, 2000. Simultaneously, and consequent to the amendment of the joint venture agreement 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.
Technical Services Agreement
Under the JVA (as amended), Laguna Water, as the joint venture corporation, shall enter into a technical services agreement with MWPVI to secure the specialized services necessary for the performance of Laguna Water’s obligations.

Accordingly, on March 18, 2005, the MWPVI and Laguna Water entered into the Technology Transfer and Support Agreement (TTSA). Under the TTSA, Laguna Water shall pay MWPVI an annual technical service fee equivalent to 5% of Laguna Water’s annual gross revenue, which annual technical support fee shall in no case be less than the Peso equivalent of US$0.25 million.

Boracay Water’s Concession Agreement
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 Regulatory Office (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:

<table>
<thead>
<tr>
<th>Month</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>P=10,000,000</td>
</tr>
<tr>
<td>July</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

   iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>P=15,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>20,000,000</td>
</tr>
<tr>
<td>2013 and beyond</td>
<td>previous year, subject to annual CPI adjustment</td>
</tr>
</tbody>
</table>

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 P=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:

<table>
<thead>
<tr>
<th>Rate Rebasing Period</th>
<th>Performance Security Amount (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>US$2.50</td>
</tr>
<tr>
<td>Second</td>
<td>2.50</td>
</tr>
<tr>
<td>Third</td>
<td>1.10</td>
</tr>
<tr>
<td>Fourth</td>
<td>1.10</td>
</tr>
<tr>
<td>Fifth</td>
<td>1.10</td>
</tr>
</tbody>
</table>

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.

Upon not less than 10 days written notice 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.

**Technical Services Agreement**

Simultaneous with the execution of Boracay Water’s concession agreement, Boracay Water and the Parent Company executed a Technical Services Agreement by which the Parent Company is being paid by Boracay Water a technical services fee equivalent to 4% of the annual gross revenue of Boracay Water, for rendering the following services to Boracay Water:

a. Financial management, including billing and collection services, accounting methods and financial control devices; and

b. Operations and project management, including facility operations and maintenance, and infrastructure project management.

**Clark Water’s Concession Agreement**

The significant commitments of Clark Water under its concession agreement with CDC are as follows:

a. Pay franchise and rental 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 CSEZ;

e. Provide and manage all water and wastewater related services like assisting locator of relocating of pipes and assess internal leaks;
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 Republic Act 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 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 waste water 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 years starting 2014;

d. Reduction in tariff rates by 3.9% (from ₱25.63/m³ to ₱24.63/m³) effective September 1, 2014, subject to the Extraordinary Price Adjustment; and

e. Increase in tariff rates by:
   i. ₱0.41/m³ (from ₱24.63/m³ to ₱25.04/m³) in 2018
   ii. ₱0.42/m³ (from ₱25.04/m³ to ₱25.45/m³) in 2019
   iii. ₱0.42/m³ (from ₱25.45/m³ to ₱25.87/m³) in 2020
   iv. ₱0.43/m³ (from ₱25.87/m³ to ₱26.30/m³) 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 the Company’s investment is now extended by another 15 years from 2025 to 2040.

On July 28, 2014, Clark Water’s BOD approved and authorized the equity restructuring of Clark Water. Clark Water converted 700 issued and outstanding common stock to redeemable preferred stock with par value of ₱100.00 per share. Subsequently, on September 29, 2014, Clark Water redeemed all issued and outstanding preferred stock.

On August 15, 2014 Clark Water and CDC signed an amendment agreement to their Concession Agreement dated March 16, 2000 (the “Amendment”). The Amendment provides for, among others, the (a) extension of the original concession period for another fifteen years; (b) additional investment by Clark Water of ₱5.00 billion for the entire concession period, as extended, to be spent for the further improvement and expansion of water and wastewater services in the service area; and (c) the introduction of rebasing mechanism that will enable Clark Water to recover its investment at a reasonable tariff to the locators and residents of CDC in the service area.

Bulk Water Supply Agreement with MCWD
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 18,000 cubic meters per day for the first year and 35,000 cubic meters per day for the succeeding years up to 20 years at ₱24.59 per cubic meter;

b. Ensure that the source shall be sustainable and 100% reliable at any day the duration of the agreement; and

c. Construct a facility capable of delivering a production capacity of 35,000 cubic meters per day and maintain the same on its account.
Asset Purchase Agreement with LTI
On December 23, 2013, Laguna Water entered into an asset purchase agreement with LTI to acquire and operate its water operations division in Laguna. The significant commitments of Laguna Water under its agreement with LTI 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

f. Laguna Water shall make a supply of water available to current and future locators in LTI, including the areas of expansion in the future.

NRWSA with ZCWD
On June 2, 2015, the Zamboanga Water entered into a NRWSA with ZCWD. The NRWSA sets forth the rights and obligations of the Zamboanga Water throughout the 10-year period. The significant provisions under the agreement with ZCWD consist of:

a. Zamboanga Water being required to implement Network Restructuring and Non-Revenue Water Reduction Programs for ZCWD’s water distribution system; and

b. Zamboanga Water having the right to restructure and maintain the facilities in the ZCWD service area, legal title to these assets remains with ZCWD. The legal title to all fixed assets contributed to the existing ZCWD system by Zamboanga Water during the project tenure remains with Zamboanga Water until the expiration date (or an early termination date) at which time all rights, titles and interest in such assets will automatically vest in ZCWD.

29. Provisions and Contingencies

Provisions
On October 13, 2005, the Municipality of Norzagaray, Bulacan assessed the Parent Company and Maynilad Water Services, Inc. (jointly, the Concessionaires) real property taxes on certain common purpose facilities registered in the name of and owned by MWSS purportedly due from 1998 to 2005 amounting to P=357.11 million. On November 15, 2010, the local government of Quezon City demanded the payment of P=302.71 million for deficiency real property taxes from MWSS on MWSS properties within its territorial jurisdiction. The assessments from the municipality of Norzagaray and Quezon City have been questioned by the Concessionaires and MWSS, and are pending resolution before the Central Board of Assessment Appeals and Supreme Court, respectively.

Total provisions amounted to P=712.92 million and P=718.62 million as of December 31, 2015 and 2014, respectively.
The Group is also involved in various legal proceedings 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.

30. **Events after the Reporting Period**

**MWPVI Memorandum of Agreement (MOA) with Ayala Land, Inc. (ALI)**

On January 15, 2016, MWPVI entered into a MOA with ALI and its subsidiaries (the ALI Group), whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.

**Bulk Water Supply and Purchase Agreement between Tagum Water and TWD**

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 from the operations start date. 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 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.
INDEPENDENT AUDITORS’ REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
 Manila Water Company, Inc.
 MWSS Administration Building, Katipunan Road
 Balara, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial
statements of Manila Water Company, Inc. and its subsidiaries as at December 31, 2015 and 2014,
and for each of the three years in the period ended December 31, 2015, included in this Form 17-A
and have issued our report thereon dated February 26, 2016. Our audits were made for the purpose
of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules
A to L listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the
responsibility of the Company’s management. These schedules are presented for purposes of
complying with the Securities Regulation Code Rules 68, As Amended (2011) and are not part of the
basic consolidated financial statements. These schedules have been subjected to the auditing
procedures applied in the audit of the basic consolidated financial statements and, in our opinion,
present fairly, in all material respects, the information required to be set forth therein in relation to the
basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[Signature]
Phonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-1 (Group A),
June 30, 2015, valid until June 29, 2018
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5321694, January 4, 2016, Makati City

February 26, 2016
**MANILA WATER COMPANY, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

| Unappropriated retained earnings, beginning | ₱28,202,654,069 |
| Adjustments: | |
| Equity in net earnings of subsidiaries and associates | (1,242,581,377) |
| Deferred tax asset recognized | (1,174,431,248) |
| Accretion of receivable from Bonifacio Water Corporation (BWC) | (120,591,565) |
| Mark-to-market gain on receivables from BWC | (113,488,598) |
| Accretion of deferred credits | (13,408,630) |
| **Unappropriated retained earnings, adjusted to available for dividend distribution, beginning** | 25,538,152,651 |
| Add (Less): | |
| Net income during the period closed to retained earnings | 5,333,135,806 |
| Deferred tax benefit during the period | (131,709,583) |
| Accretion of receivable from BWC | (35,739,893) |
| Amortization of deferred credits | (8,432,177) |
| **Total** | 30,695,406,804 |
| Less: Dividend declarations during the period | (2,039,953,671) |
| **Unappropriated retained earnings available for dividend distribution, ending** | ₱28,655,453,133 |

*As discussed in Note 19 to the audited financial statements, excess retained earnings will be utilized for capital expenditures under the approved Business Plan in compliance with the Parent Company’s service obligations under the Concession Agreement.*
COVER SHEET

A199611593
S.E.C. Registration Number

MANILA WATER COMPANY INC
(Company’s Full Name)

MWS ADMINISTRATION BUILDING

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA
(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

ACGR WITH 2016 UPDATES

STOCK
FORM TYPE

04
Any

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
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1. Report is Filed for the Year **2016**
2. Exact Name of Registrant as Specified in its Charter **MANILA WATER COMPANY, INC.**

3. **2F MWSS Admin. Bldg., 489 Katipunan Road, Balarina, Quezon City** 1105
   Address of Principal Office
   Postal Code

4. SEC Identification Number **A 1996-11593**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **005-038-428**

7. **(02)926-7999 local 8130 / or (02)981-8133**
   Issuer's Telephone number, including area code

8. Former name or former address, if changed from the last report
A. BOARD MATTERS

1) Board of Directors

<table>
<thead>
<tr>
<th>Number of Directors per Articles of Incorporation</th>
<th>Eleven (11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual number of Directors for the year</td>
<td>Eleven (11)</td>
</tr>
</tbody>
</table>

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Data as of December 31, 2015

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Type ¹</th>
<th>If nominee, identify the principal</th>
<th>Nominator in the last election ²</th>
<th>Date first elected</th>
<th>Date last elected</th>
<th>Elected when</th>
<th>No. of years served as Director ³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>NED</td>
<td>AC*</td>
<td>AC</td>
<td>May 15, 1997</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>18</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>NED</td>
<td>AC</td>
<td>AC</td>
<td>May 15, 1997</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>18</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>ED</td>
<td>AC</td>
<td>AC</td>
<td>November 26, 2009</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>6</td>
</tr>
</tbody>
</table>

¹ Executive (ED), Non-Executive (NED) or Independent Director (ID)
² If ID, state the relationship with the nominator
³ If ID, state the number of years served as ID.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Start Date</th>
<th>End Date</th>
<th>Committee</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antonino T. Aquino</td>
<td>NED</td>
<td>AC</td>
<td>AC</td>
<td>April 24, 1998</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>17</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>NED</td>
<td>AC</td>
<td>AC</td>
<td>May 6, 2002</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>13</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>NED</td>
<td>Philwater **</td>
<td>Philwater **</td>
<td>April 12, 2010</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>5</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>ID</td>
<td>N/A</td>
<td>Janice G. Lim (not related)</td>
<td>February 3, 2005</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>10</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr.</td>
<td>ID</td>
<td>N/A</td>
<td>Janice G. Lim (not related)</td>
<td>April 12, 2010</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>5</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>ID</td>
<td>N/A</td>
<td>Thom Ryan Q. Ortega (not related)</td>
<td>April 15, 2013</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>2</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>ID</td>
<td>N/A</td>
<td>Thom Ryan Q. Ortega (not related)</td>
<td>April 4, 2014</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>1</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>NED</td>
<td>N/A</td>
<td>Janice G. Lim (not related)</td>
<td>April 4, 2014</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>1</td>
</tr>
</tbody>
</table>

*Ayala Corporation
**Philwater Holdings Company, Inc.
Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The corporate governance policy of Manila Water Company, Inc. (hereafter, the “Company”, the “Corporation”, or “Manila Water”) is primarily contained in its Manual of Corporate Governance (“Manual”) which the Board of Directors adopted and approved on April 11, 2011. As contained in the Manual, the Company’s corporate governance framework is based on the following principles:

- Accountability - The Manual establishes the Company’s accountability to all its shareholders and guides the Board in setting strategies and monitoring the Company’s management.
- Fairness - The Company obligates itself to safeguard shareholder rights and ensure the fair treatment of all shareholders, including minority shareholders.
- Transparency - The Company ensures that timely and accurate disclosures are made on all material matters, including the financial situation, performance, ownership, and governance, in a manner easily accessible to the public and all interested parties.
- Sustainability - The Company believes that its business goals are intertwined with the well-being of the communities that it serves, and that of the natural environment that supports its resources. It recognizes the value of working with all its stakeholders in order to achieve its social, environmental and business objectives.\(^4\)

The last update to the Manual was approved by the Board in its regular meeting held on June 25, 2014 to comply with SEC Memorandum Circular No. 9 Series of 2014 dated May 6, 2014. In addition to the changes required by the said Circular, some changes were also made to the Manual for the purpose of improving its format. The endorsement of the Audit and Governance Committee on the proposed changes to the Manual was obtained last June 6, 2014.

How often does the Board review and approve the vision and mission?

To ensure good governance of the Company, the Board is mandated under the Manual to establish a vision and mission and strategic objectives and key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating the Management’s performance, especially that of the President and CEO. The Board is enjoined to periodically review the vision, mission, corporate strategic objectives and key policies of the Company in order to sustain the Company’s market competitiveness and enhance shareholder value.

Pursuant to the Rate Rebasing provision of the Concession Agreement of the Company with the Metropolitan Waterworks and Sewerage System (MWSS), and in accordance with good corporate business practice, the Company revisits its business plan every five (5) years. Further, in its Charter which the Board

\(^4\) Manual of Corporate Governance, page 2.
approved and adopted on April 4, 2014 (“Charter of the Board”), it is provided in Section 3.12 thereof that the Board shall regularly review, at least annually, the vision and mission of the Corporation and shall revise the same, as may be necessary, in accordance with the strategic directions of the Company.

In its regular meeting held on August 11, 2015, which meeting was attended by all the members of the Board, the Board has approved the new mission-vision statement and strategy of the Company, to wit:

Mission

“Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.”

Vision

“Our vision is to become a leader in the provision of water, used water and environmental services which will empower people, protect the environment, and enhance sustainable development.”

(d) Directorship in Other Companies

(i) Directorship in the Company’s Group

Identify, as and if applicable, the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

Below are the directorships in the Company’s Group of the members of the Board:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Corporate Name of the Group Company</th>
<th>Type of Directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>Executive</td>
</tr>
<tr>
<td>Name</td>
<td>Company</td>
<td>Role</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td>Ayala Group Club, Inc.</td>
<td>Non-Executive (Co-Chairman)</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>Executive (Chairman)</td>
</tr>
<tr>
<td></td>
<td>Ayala Foundation and Ayala Group Club, Inc.</td>
<td>Non-Executive (Co-Chairman)</td>
</tr>
<tr>
<td></td>
<td>Ayala Land, Inc.</td>
<td>Non-Executive (Vice Chairman)</td>
</tr>
<tr>
<td></td>
<td>Mermac, Inc.</td>
<td>Non-Executive (Co-Vice Chairman)</td>
</tr>
<tr>
<td></td>
<td>Laguna AAAWater Corporation</td>
<td>Non-Executive (Vice-Chairman)</td>
</tr>
<tr>
<td></td>
<td>Manila Water International Solutions, Inc.</td>
<td>Executive (Chairman)</td>
</tr>
<tr>
<td>Name</td>
<td>Affiliations</td>
<td>Role</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>Ayala Land, Inc. and Anvaya Cove Beach and Nature Club, Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>AC Energy Holdings, Inc. and AC Infrastructure Holdings Corporation</td>
<td>Executive</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>Bank of the Philippine Islands</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>Ayala Foundation, Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>Ayala Land, Inc., Ayala Foundation, Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>Actimed Group composed of Actimed, Inc., Erikagen, Inc., Novelis Solutions, Inc. and Pharma Gen Ventures Corp.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td></td>
<td>Non-Executive (Co-Vice-Chairman)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Executive</td>
<td></td>
</tr>
</tbody>
</table>
(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

Below are the directorships of the Company’s members of the Board in publicly-listed companies outside of its Group:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Name of Listed Company</th>
<th>Type of Directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sherisa P. Nuesa</td>
<td>Far Eastern University</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>Pepsi Cola Products (Phils.), Inc.</td>
<td>Non-Executive (Chairman)</td>
</tr>
<tr>
<td></td>
<td>Basic Energy Corporation, Cosco Capital, Inc., PLDT, Sun Life Financial Phils., Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td></td>
<td>Manila Electric Company, Inc.</td>
<td>Executive</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>SM Prime Holdings</td>
<td>Non-Executive (Vice-Chairman)</td>
</tr>
<tr>
<td></td>
<td>Phinma Corporation</td>
<td>Non-Executive</td>
</tr>
<tr>
<td></td>
<td>Century Properties Group Inc.</td>
<td>Non-Executive (Independent)</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>Philippine Trust Company (Philtrust Bank)</td>
<td>Executive (Chairman)</td>
</tr>
<tr>
<td></td>
<td>GMA Network, Inc., GMA Holdings, Inc.</td>
<td>Non-Executive</td>
</tr>
</tbody>
</table>

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Name of the Significant Shareholder</th>
<th>Description of the relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>President and Chief Operating Officer of Ayala Corporation</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>Chairman and CEO of Ayala Corporation</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>Ayala Corporation</td>
<td>Non-Executive Director of Ayala Corporation</td>
</tr>
</tbody>
</table>
(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Yes. The Company ensures that adequate time and attention is given to the fulfillment of the directors of their duties. The independent directors can hold no more than five board seats in publicly-listed companies and executive directors can hold no more than two board seats in listed companies outside the Corporation’s group. In the implementation of this policy, the Charter of the Board considers several directorships in related companies or companies in the same industry as one.\(^7\)

In particular, the Company subscribes to the following guidelines which are contained in the Manual, in the Charter of the Board, and in the relevant laws, rules and regulations:

<table>
<thead>
<tr>
<th>Guidelines</th>
<th>Maximum Number of Directorships in other companies</th>
</tr>
</thead>
</table>
| **CEO**    | The President, who is also the CEO, must be a director. Hence, the guidelines for a director apply to the CEO.  
A director shall exercise due discretion in accepting and holding directorships outside of the Company.\(^8\)  
No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged --  

h.1) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or |
| **A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as director of the Company.\(^10\)** |
| **An executive Director shall not hold more than two (2) directorships in publicly listed companies outside of the Group.\(^11\)** |

\(^7\) Charter of the Board, Section 5.1  
\(^8\) Manual of Corporate Governance, Article I, Section 1.6, page 9  
\(^10\) Manual of Corporate Governance, Article I, Section 1.6, page 9.  
\(^11\) Charter of the Board of Directors, Section 5.1 (c.2)
antagonistic to that of the Company, or

h.2) If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person’s membership in the Board of Directors; or

h.3) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.  

<table>
<thead>
<tr>
<th><strong>Independent Director</strong></th>
<th>SEC Memorandum Circular No. 9 S. 2011</th>
</tr>
</thead>
</table>
| A director shall exercise due discretion in accepting and holding directorships outside of the Company.  
No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or antagonistic to that of the Company.  |

There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where an Independent Director can be elected to only (5) companies of the Conglomerate.  

*Independent directors can hold no more than five (5) board seats in publicly-listed companies.*  
In the implementation of this policy, the Board considers several directorships in related companies or companies in the same industry as one.

---

12 Manual of Corporate Governance, Article I, Section 1.6, page 9
13 Manual of Corporate Governance, Article I, Section 1.3, page 6
14 SEC Memorandum Circular No. 9 Series of 2011
15 Charter of the Board, Section 5.1 (c.3)
16 Charter of the Board, Section 5.1
### Executive Director

A director shall exercise due discretion in accepting and holding directorships outside of the Company. \(^{17}\)

No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or antagonistic to that of the Company. \(^{18}\)

A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as director of the Company. \(^{19}\)

However, an executive Director shall not hold more than two (2) directorships in publicly listed companies outside of the Group. \(^{20}\) In the implementation of this policy, the Board considers several directorships in related companies or companies in the same industry as one. \(^{21}\)

### Non-Executive Director

A director shall exercise due discretion in accepting and holding directorships outside of the Company. \(^{22}\)

A director shall exercise due discretion in accepting and holding directorships outside of the Company. \(^{23}\)

A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as director of the Company. \(^{24}\)

---

(c) Shareholding in the Company

Complete the following table on the members of the company’s Board of Directors who directly and indirectly own shares in the company:

---

\(^{17}\) Manual of Corporate Governance, Article I, Section 1.6, page 9
\(^{18}\) Manual of Corporate Governance, Article 1, Section 1.3, page 6
\(^{19}\) Manual of Corporate Governance, Article I, Section 1.6, page 9.
\(^{20}\) Charter of the Board, Section 5.1 (c.2).
\(^{21}\) Charter of the Board, Section 5.1
\(^{22}\) Manual of Corporate Governance, Article I, Section 1.6, page 9
\(^{23}\) Ibid.
\(^{24}\) Ibid.
The following table lists the shareholding of the Board of Directors in the Company as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Number of Direct shares</th>
<th>Number of Indirect shares / Through (name of record owner)</th>
<th>Class of Share</th>
<th>% of Total Common Stock or Preferred Stock</th>
<th>% of Total Outstanding Capital Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.000000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>200,001</td>
<td>0</td>
<td>Common</td>
<td>0.00973740%</td>
<td>0.00330365%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>1</td>
<td>4,126,077</td>
<td>Common</td>
<td>0.20088543%</td>
<td>0.06815518%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.00000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>7,200,001</td>
<td>5,549,542</td>
<td>Common</td>
<td>0.62073412%</td>
<td>0.21059889%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>1</td>
<td>0</td>
<td>Preferred</td>
<td>0.00000003%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>1,900,000</td>
<td>3,409,607</td>
<td>Common</td>
<td>0.25850764%</td>
<td>0.08770489%</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr. (Independent)</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.00000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>200,001</td>
<td>130,000</td>
<td>Common</td>
<td>0.01606668%</td>
<td>0.00545101%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>1</td>
<td>0</td>
<td>Preferred</td>
<td>0.00000003%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>100</td>
<td>4,900</td>
<td>Common</td>
<td>0.00024343%</td>
<td>0.00008259%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,500,109</td>
<td>13,220,126</td>
<td></td>
<td>0.37529631%</td>
<td></td>
</tr>
</tbody>
</table>

The following table lists the shareholding of the Board of Directors in the Company as of December 31, 2014:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Number of Direct shares</th>
<th>Number of Indirect shares / Through (name of record owner)</th>
<th>Class of Share</th>
<th>% of Total Common Stock or Preferred Stock</th>
<th>% of Total Outstanding Capital Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.000000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>200,001</td>
<td>0</td>
<td>Common</td>
<td>0.00976797%</td>
<td>0.00330716%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>1</td>
<td>3,626,077</td>
<td>Common</td>
<td>0.17709617%</td>
<td>0.05995976%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.00000005%</td>
<td>0.00000002%</td>
</tr>
</tbody>
</table>

25 Based on the number of Common Shares (2,053,945,884) or Preferred Shares (4,000,000,000) of the Company as of December 31, 2015, as the case may be
26 Based on the total number of outstanding capital stock of the Company as of December 31, 2015
27 Based on the number of Common Shares (2,047,519,110) or Preferred Shares (4,000,000,000) of the Company as of December 31, 2014, as the case may be
28 Based on the total number of outstanding capital stock of the Company (6,053,915,884) as of December 31, 2014
### Antonino T. Aquino
- **Number of Shares:** 7,200,001
- **Type:** Common
- **Percentage:** 0.62268244%

### John Eric T. Francia
- **Number of Shares:** 1
- **Type:** Preferred
- **Percentage:** 0.00000005%

### Sherisa P. Nuesa (Independent)
- **Number of Shares:** 5,309,607
- **Type:** Common
- **Percentage:** 0.25931904%

### Jose L. Cuisia Jr. (Independent)
- **Number of Shares:** 1
- **Type:** Common
- **Percentage:** 0.00000005%

### Oscar S. Reyes (Independent)
- **Number of Shares:** 200,001
- **Type:** Common
- **Percentage:** 0.01611711%

### Victoria P. Garchitorena
- **Number of Shares:** 1
- **Type:** Preferred
- **Percentage:** 0.00000005%

### Jaime C. Laya (Independent)
- **Number of Shares:** 100
- **Type:** Common
- **Percentage:** 0.00024420%

### Total
- **Total Number of Shares:** 12,709,716
- **Total Percentage:** 0.36742728%

### 2) Chairman and CEO

(a) **Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.**

- **Yes** [ ] **No** [ ]

Identify the Chair and CEO:

<table>
<thead>
<tr>
<th>Chairman of the Board</th>
<th>Fernando Zobel de Ayala</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/President</td>
<td>Gerardo C. Ablaza, Jr.</td>
</tr>
</tbody>
</table>

(b) **Roles, Accountabilities and Deliverables**

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

<table>
<thead>
<tr>
<th>Role</th>
<th>Chairman</th>
<th>Chief Executive Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The primary functions of the Chairman are as follows:</td>
<td>The CEO/President shall have the administration and direction of the day to day business affairs of the Company.³⁰</td>
</tr>
<tr>
<td>a. Facilitate the operations and deliberations of the Board; and</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

³⁰ Amended By Laws, Article IV, Section 4.
| **Accountabilities** | b. Ensure the performance of the Board’s functions and responsibilities\(^{29}\)  
It should be emphasized, however, that the Chairman holds no special power or voting rights as against the other directors. The Board of Directors acts as a body and deliberates as a whole on matters presented to the Board. | He also exercises such powers and performs such duties specified in the By Laws and in the Manual of Corporate Governance. |

|  | Directors who willfully and knowingly vote for or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as directors shall be liable jointly and severally for all damages resulting therefrom suffered by the Company, its stockholders and other persons.\(^{31}\)  
Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, he must account to the latter for all such profits by refunding the same unless ratified by the stockholders.\(^{32}\)  
When a director or officer attempts to acquire or acquires, in violation of his duty any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Company and must account for the profits which otherwise would have accrued to the Company.\(^{34}\) | The President/CEO is ultimately accountable for the Company’s organizational and procedural controls.\(^{33}\) |

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\(^{29}\) Charter of the Board, Section 3.2.1  
\(^{31}\) Corporation Code, Section 31; Manual of Corporate Governance, Article I, Section 1.11, page 16.  
\(^{32}\) Corporation Code, Section 34; Manual of Corporate Governance, Article III, page 31.  
\(^{33}\) Manual of Corporate Governance, Article II, Section 2, page 26.  
\(^{34}\) Corporation Code, Section 31; Manual of Corporate Governance, Article III, page 31.
<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Responsibilities of the Chairman:</th>
<th>Responsibilities of the President/CEO.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. <strong>Board Management</strong>³⁵</td>
<td>In general, the President/CEO shall:</td>
</tr>
<tr>
<td></td>
<td>a.1 The Chairman shall provide leadership of the Board and shall initiate the Board’s performance of its responsibility to review and monitor the aims, strategy, policy and directions of the Corporation and the achievement of its objectives.</td>
<td>a. Have general supervision of the business, affairs, and property of the Company, and over its employees and officers;</td>
</tr>
<tr>
<td></td>
<td>a.2 The Chairman shall keep open the communication among the members of the Board to keep it up to-date on major developments about the Corporation, through timely discussion of potential developments and to provide the Board with sufficient knowledge to permit it to make informed decisions.</td>
<td>b. See that all orders of the Board are carried into effect;</td>
</tr>
<tr>
<td></td>
<td>a.3 The Chairman shall chair the Board meetings and all annual general meetings. The Chairman may vote at a Board meeting on any matter requiring resolutions or approval by the Board.</td>
<td>c. Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;</td>
</tr>
<tr>
<td></td>
<td>a.4 In consultation with the Chief Executive Officer, or Committees of the Board and the Corporate Secretary or other person(s) performing similar functions, the Chairman shall prepare or cause the preparation of the agenda for each Board meeting. Each Board meeting agenda shall include appropriate strategic issues and any other matters requiring approval of, or consideration by, the Board.</td>
<td>d. Report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice.⁴⁰</td>
</tr>
<tr>
<td></td>
<td>a.5 The Chairman shall provide input to the Nomination Committee on its recommendation to the Board for approval of (i) candidates for nomination or appointment to the Board; (ii) members and chairs of Board Committees; and (iii)</td>
<td></td>
</tr>
</tbody>
</table>

³⁵ Charter of the Board, Section 3.2.5 (a)
⁴⁰ Manual of Corporate Governance, Article II, Section 2, page 26
appointment of Executive Officers.

The Chairman shall provide input to the Nomination Committee and Remuneration Committee of the Board in respect of the appointment, removal, evaluation, compensation and succession, as applicable, of the Executive Officers.

a.6 In consultation with the Nomination Committee and the Office of the Corporate Secretary, the Chairman shall lead the director development program. As necessary, the Chairman shall discuss any plan for or status of the director development program and shall recommend changes to the program as may be appropriate.

a.7 On a continuing basis and with assistance of the Corporate Secretary, the Chairman shall assess whether the Board and its committees have appropriate administrative support, access to senior management and access to outside advisors for the purposes of the Board fulfilling its functions.

b. Advisory Functions to or in relation to the President and/or Chief Executive Officer

At least on a quarterly interval, the Chairman shall meet with the President and/or the Chief Executive Officer, to provide feedback and advice on behalf of the Board. On a continuing basis, the Chairman shall communicate with the Chief Executive Officer, on behalf of the Board regarding questions, concerns or comments of the Board, shareholders or other stakeholders.

Succession

36 Charter of the Board, Section 3.2.5 (b)
37 Charter of the Board, Section 3.2.6
The Chairman shall participate and provide input, as required, to the Nomination Committee on succession plans with respect to the position of the Chairman.

**Strategic Planning**[^38]

The Chairman shall periodically review, at least annually, the strategic plans of the management.

**Communication with Shareholders**[^39]

As necessary, in conjunction with the Board and the Chief Executive Officer, the Chairman shall review the Corporation’s shareholder communications plan.

### 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Board, with the assistance of the Remuneration Committee and the Company’s Corporate Human Resources Group, has adopted a professional development program for employees, officers and senior management. Through Competency Management, the Company has put in place a process to determine the skills necessary for particular positions in the Company and identifies key talents for purposes of succession. The Company’s Corporate Human Resources Group has developed a Talent Master Plan to determine the right organizational structuring, recruitment strategies, performance evaluation methodologies, total rewards management, and career development all geared to attract, retain, and engage the company’s employees, officers and senior management and to cultivate them to become the Company’s future business leaders.

The development of leadership talent is crucial to the success of Manila Water in the future. Hence, it is one of the top strategic priorities of the Company. For the succession of the top key management positions, the Company has formed an Acceleration Pool composed of selected high potential key talents within the organization, who embodies the values and commitment to excellence of a Manila Water leader.

[^38]: Charter of the Board, Section 3.2.6
[^39]: Charter of the Board, Section 3.2.7
As part of the Acceleration pool, a talent is subjected to the following:

a. Undergoing an assessment that gauges a talent’s business driver readiness and leadership competencies
b. Creating an Individual Development Plan that addresses strengths to leverage, developmental areas and stretched assignments
c. Coaching and mentoring session with the Management Committee.

The Management Committee is composed of the top key executives of the Company from the President/CEO to those occupying positions equivalent to Vice Presidents.

4) Other Executive, Non-Executive and Independent Directors

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

Yes. The Manual\(^{41}\) requires that the directors, aside from the usual general and statutory requirements, possess relevant qualifications such as:

a. possession of a college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;

b. membership in good standing in business, professional organizations or related industry; and

c. such other qualifications and stature that would enable them to participate effectively in the deliberations of the board.

These guidelines are strictly followed to assure the Company of the competence of the members of the Board in the industry where the Company belong.

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

Yes, the Company ensures that at least one non-executive director has an experience in the sector or industry the Company belongs to. At present, one of the current non-executive directors of the Company, Mr. Antonino T. Aquino, had been the President of the Company from January 1999 up to March 2009.

Moreover, the Company abides by the requirements of its By Laws and the Corporation Code that the President of the Company be also a director. Hence, Mr. Gerardo C. Ablaza, Jr., the President and CEO of the Company, is also currently a member of the Board of Directors. Hence, at present, the Company has two (2) directors who have experience in the sector or industry of the Company.

The Company understands the significant and indispensable contribution of a director who belongs to the same industry. During Board meetings, the

\(^{41}\) Manual of Corporate Governance, Article I, Section 1.2, pages 3-4.
experiences of said directors in the industry contribute to the informed discussion on the previous and/or similar issues confronting the Company.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

Under the Company’s current set up, the only executive director of the Company is the President/CEO. Hence, the role, accountabilities and deliverables of the executive director is generally that of the President and CEO.

On the other hand, the directors, whether executive or non-executive, act as body and deliberate as a whole on matters presented to the board.

<table>
<thead>
<tr>
<th>Role</th>
<th>Executive</th>
<th>Non-Executive</th>
<th>Independent Director</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The CEO/President, in general, shall have the administration and direction of the day to day business affairs of the Company. He also exercises such powers and perform such duties specified in the By Laws and in the Manual of Corporate Governance.</td>
<td>The corporate powers of the Company shall be exercised, all business conducted and all property of such corporations controlled and held by the board.</td>
<td>Independent directors shall hold no interests or relationships with the Company that may hinder their independence from the Company or its management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.</td>
</tr>
</tbody>
</table>

42 Amended By Laws, Article IV, Section 4.
43 Corporation Code, Section 23.
44 Manual of Corporate Governance, Article I, Section 1.5, page 8.
45 Charter of the Nomination Committee, Section 1.1.
46 Charter of the Remuneration Committee, Section 1.1.
The Audit & Governance Committee shall be chaired by an independent director.\(^{47}\)

The corporate powers of the Company shall be exercised, all business conducted and all property of such corporations controlled and held by the board.\(^{48}\)

The board oversees the management of the Company and provides directions towards the formulation of a sound corporate strategy. In the exercise of their duties, the members of the Board must exercise their best and unbiased judgment in the utmost interests of the Company. The Board is the guardian of fairness, transparency, and accountability in all of the major financial and business dealings of the Company protecting the interests of investors and stakeholders.\(^{49}\)

<table>
<thead>
<tr>
<th>Accountabilities</th>
<th>The President/CEO is ultimately accountable for the Company’s organizational and procedural controls.(^{50})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Directors who willfully and knowingly vote for or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as directors shall be liable jointly and severally for all damages resulting therefrom suffered by the Company, its stockholders and other persons.(^{51})</td>
</tr>
<tr>
<td></td>
<td>Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, he must account to the latter for all such profits by refunding the same unless ratified by the stockholders.(^{52})</td>
</tr>
<tr>
<td></td>
<td>When a director or officer attempts to acquire or acquires, in violation of his duty any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Company and must account for the profits which otherwise would have accrued to the Company.(^{53})</td>
</tr>
</tbody>
</table>

\(^{47}\) Manual of Corporate Governance, Article I, Section 2.2, page 19, and Section 2.5, page 23.

\(^{48}\) Corporation Code, Section 23.

\(^{49}\) Manual of Corporate Governance, Article I, Section 1, page 3.

\(^{50}\) Manual of Corporate Governance, Article II, Section 2, page 26.

\(^{51}\) Manual of Corporate Governance, Article I, Section 1.11, page 16; Corporation Code Section 31.

\(^{52}\) Manual of Corporate Governance, Article III, page 31; Corporation Code, Section 34.

\(^{53}\) Manual of Corporate Governance, Article I, Section 1.11, page 16; Section 31, Corporation Code.
Deliverables

<table>
<thead>
<tr>
<th>In general, the President/CEO shall:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Have general supervision of the business, affairs, and property of the Company, and over its employees and officers;</td>
</tr>
<tr>
<td>b. See that all orders of the Board are carried into effect;</td>
</tr>
<tr>
<td>c. Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;</td>
</tr>
<tr>
<td>d. Report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice. 54</td>
</tr>
</tbody>
</table>

The Company's directors shall act in good faith, with due care and in the best interests of the Company and all its shareholders, including minority shareholders, based on all relevant information. Each director is expected to attend board meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties. 55

The Board shall exercise such express powers in the By Laws and in the Manual and those that may be authorized under existing laws, rules and regulations. In this connection, the Board shall fulfil certain key functions 56, including:

| a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures. |
| b. Monitoring the effectiveness of the Corporation’s governance practices and making changes as needed. |
| c. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning. |

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54 Manual of Corporate Governance, Article II, Section 2, page 26
55 Manual of Corporate Governance, Article I, Section 1.10, page 15.
56 Charter of the Board, Article 3, Section 3.1 (3.1.1)
d. Aligning key executive and board remuneration with the longer term interests of the Corporation and its shareholders.

e. Ensuring a formal and transparent board nomination and election process.

f. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

g. Ensuring the integrity of the Corporation’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

h. Overseeing the process of disclosure and communications.

Without prejudice to the requirements of existing laws, rules and regulation, and the provisions of the By Laws and the Manual, the Board may delegate the implementation of the foregoing functions to the Board Committees, Executive Officers and key senior managers of the Corporation.

The Board shall regularly review, at least annually, the vision and mission of the Corporation and shall revise the same, as may be necessary, in accordance with the strategic directions of the Corporation.  

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Under the Charter of the Board, Independence is defined as, with respect to any person, the absence of any restrictions or limitations or freedom from any interests or relationships that would interfere with the exercise of impartial and objective judgment in carrying out the responsibilities of that person.

Under the Manual, a director is considered independent if he holds no interests or relationships with the Company that may hinder his independence from the Company or its management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Company also subscribes to the requirements of independence under existing laws, rules and regulations, in particular, the SEC Memorandum Circular No. 16 Series of 2002. Hence, the Company ensures that its independent directors have all the qualifications and none of the disqualifications specified in the said SEC Memorandum Circular.

57 Charter of the Board, Article 3, Section 3.1 (3.1.2)
58 Charter of the Board, Article 1, Definitions
59 Manual of Corporate Governance, Article I, Section 1.5, page 8.
In addition, the Manual provides for the following policy regarding independent directors:

a. Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.

b. If a director elected or appointed as an independent director becomes an officer, employee or consultant of the Company, the Company shall forthwith cease to consider him as an independent director.

c. If the beneficial ownership of an independent director in the Company or its related corporations shall exceed 2% of the subscribed capital stock of such corporation, the Company shall forthwith cease to consider him as an independent director. However, should the independent director take the appropriate action to remedy or correct the disqualification within 60 days from the occurrence of the ground, he may still be considered an independent director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes. Under the Charter of the Board, an independent director can serve as such for five (5) consecutive years. After completion of the five-year period, an independent director shall be ineligible for election as such unless the independent director has undergone a “cooling off” period of two (2) years. Subject to the provisions of existing laws, rules and regulations, an independent director shall not serve for more than five (5) consecutive years and for a total of nine (9) years.

In this regard, the Company also complies with the requirements of SEC Memorandum Circular No. 9 S. 2011 which imposes a five year limitation and such other limitations to serve as an independent director. Specifically, the SEC Memorandum Circular provides that an independent director can serve as such for five (5) consecutive years. After completion of the five-year service period, an independent director shall be ineligible for election as such in the same company unless the independent director has undergone a “cooling off” period of two (2) years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

There is no change in the composition of the incumbent Board of Directors since their election at the Annual Stockholders Meeting held on April 7, 2015.

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60 Article I, Section 1.5, page 8.
61 Manual of Corporation Governance, Article I, Section 1.5, page 8.
62 Charter of the Board, Section 2.1.3.
The same set of directors was elected at the Annual Stockholders Meeting held on April 11, 2016.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

The Company applies uniform process for the appointment of all directors, whether executive, non-executive or independent directors.

Process for Selection, Appointment, Re-appointment of Directors

Section 2.3 of the Charter of the Board provides the process for the selection, appointment, and re-appointment of directors:

“2.3.1 Every stockholder has a right to submit a nomination for election to the Board.

All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee at least thirty (30) working days before the date of the annual stockholders meeting.

i. Process of Endorsing Nominations

a. Upon expiration of the period within which nominations for election to the Board are required to be submitted, the Nomination Committee shall hold a meeting for the specific purpose of determining whether the nominees to the Board have all the qualifications and none of the qualifications.

b. The Nomination Committee shall evaluate each and every nomination and for this purpose, may even make an inquiry with their professional networks and outside references.

c. The nominees to the Board shall have all the qualifications and none of the disqualifications to become directors. The qualifications and disqualifications are those specified in the By Laws, the Manual of Corporate Governance and the Corporation Code and under relevant laws, rules and regulations.

63 Charter of the Board
64 By Laws, Article III, Section 2.
d. After evaluation of the qualifications/disqualifications of the nominees, the Nomination Committee shall issue a resolution whether endorsing or not the nominees for election to the Board of Directors.

e. If a nominee is not endorsed for election by reason of a disqualification, the resolution of the Nomination Committee should clearly specify the grounds relied upon for disqualification.”

Criteria for Selection/Appointment/Re-appointment of Directors:

The criteria for the selection/appointment and re-appointment of directors are as follows:

a. Any stockholder having at least one (1) share registered in his name may be nominated and elected Director.  

b. All nominees for election to the Board shall have all the qualifications and none of the disqualifications specified in the By Laws, in the Manual, and under existing laws, rules and regulations.  

c. The President and Chief Executive Officer must always be a Director.  

d. At least one non-executive Director shall have a prior working experience in the industry to which the Corporation belongs.  

e. The number of Directors who are citizens of the Philippines shall be proportionate to the percentage of the total outstanding capital stock of the Corporation owned by Philippine nationals as defined by law.  

f. An independent director shall have the additional qualifications prescribed by the applicable laws, rules and regulations, in particular, SRC Rule 38 and SEC Memorandum Circular No. 9 S. 2011 or any amendment thereto.  

Process for Permanent or Temporary Disqualification of Directors

Section 2.4 of the Charter of the Board provides the process for the permanent and temporary disqualification of directors:

“2.4.1 The disqualification of Directors shall either be permanent or temporary. The grounds for disqualification of directors to be nominated for election to the Board shall be the same grounds for permanent disqualification of Directors, other than the grounds for temporary disqualification that has not become permanent.

65 Charter of the Board, Section 2.2.1  
66 Charter of the Board, Section 2.2.2  
67 Charter of the Board, Section 2.2.3  
68 Charter of the Board, Section 2.2.4  
69 Charter of the Board, Section 2.2.5  
70 Charter of the Board, Section 2.2.6  
71 Charter of the Board, Section 2.4
If the ground for disqualification of a nominated director becomes known prior to the scheduled annual stockholders’ meeting, the nominated director will not be endorsed for election at the stockholders’ meeting except when such disqualification is temporary and the same is cured or remedied prior to the scheduled stockholders’ meeting.

2.4.2 A director shall have sixty (60) days upon the occurrence of any ground for temporary disqualification to remedy or correct the same otherwise, the disqualification shall become permanent.

If the ground for permanent disqualification of the director occurs during his term of office, the director should file his resignation motu proprio.

If the director does not resign despite the existence of a ground for permanent disqualification, the Board may, by a majority vote of all its members in a meeting called for the purpose, remove the director or recommend to the stockholders the removal of the concerned director. If the Board recommends the removal of the director to the stockholders, the procedures specified in Section 28 of the Corporation Code shall be strictly followed and complied with.

2.4.3 Subject to Section 2.7, a director may be declared temporarily disqualified by a resolution of a majority of the Board. A director so disqualified shall have sixty (60) days to remedy or correct the ground upon which such resolution was based otherwise, the disqualification shall become permanent.

A director with temporary disqualification may still be endorsed by the Nomination Committee for election at the annual stockholders’ meeting subject to the 60 day curing period, if the ground for temporary disqualification is capable of being cured.

However, if the disqualification becomes permanent after endorsement by the Nomination Committee and before the annual stockholders’ meeting, the nominee shall be given the discretion to refuse his nomination. If the nominee is thereafter elected, or the disqualification becomes permanent during his term of office, the provisions of 2.4.2 above shall apply.”

---

72 Section 28 of the Corporation Code provides that:

Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.
Criteria for Permanent Disqualification:

Under the Manual of Corporate Governance, the following persons are disqualified from being a director of the Company:

a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities as defined in the Securities Regulation Code, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or, (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Philippine Securities and Exchange Commission ("SEC") or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code ("SRC"), or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;

d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;
g) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment73; and,

h) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged --

h.1) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Company, or

h.2) If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person’s membership in the Board of Directors; or

h.3) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

Criteria for Temporary Disqualification:

The Manual of Corporate Governance provides the following as grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.

73 Section 27, Corporation Code
c) Dismissal/termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Company for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Process and Criteria for Removal of Directors:

Section 2.5 of the Charter of the Board provides the process and criteria/grounds for the removal of directors:

“2.5.1 Directors may be removed in the manner provided by law.

2.5.2 Directors may be removed by the Board by reason of permanent disqualification or for committing three (3) violations of the Manual\(^\text{74}\) or for any violation of the Code or relevant policies of the Corporation. The removal of the director shall be decided by the Board in a meeting called for the purpose, at which meeting a quorum duly existed.

2.5.3 The stockholders may also exercise the right to remove a director with or without cause, for which purpose, Section 28 of the Corporation Code shall apply.”

Criteria for Removal

The stockholders may exercise the right to remove a director in accordance with the process and causes specified in Section 28 of the Corporation Code is complied with.

Section 28 of the Corporation Code provides that:

Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to

\(^{74}\) Article X, page 43.
stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.

Under the Manual, the Board of Directors may also remove a director for committing three violations of the Manual after due notice and hearing.

**Process and Criteria for Reinstatement of Directors**

Section 2.6 of the Charter of the Board provides for the process and criteria/ground for the reinstatement of directors:

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2.6.1 If the removal of the Director was due to permanent disqualification, the Director will not be endorsed for re-election to the Board.

2.6.2 If the removal of the Director was due to temporary disqualification as resolved by the Board and the temporary disqualification has not become permanent, the Board may reinstate the director by a resolution of a majority of the Board.

2.6.3 If the removal of the Director was without cause but pursuant to a resolution adopted by the stockholders in a meeting for the purpose pursuant to Section 28 of the Corporation Code, the director may still be nominated for future election and his election may still be endorsed by the Nomination Committee if he has all the qualifications and none of the disqualifications.”
```

**Process and Criteria for the Suspension of Directors**

Section 2.7 of the Charter of the Board provides for the process and criteria/ground for the suspension of directors:

```
2.7.1 A Director may be suspended by the Board if he becomes temporarily disqualified pursuant to and in accordance with the provisions of the Manual of Corporate Governance.
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75 Manual of Corporate Governance, Article I, Section 1.4, page 7.
76 Ibid.
2.7.2 A Director may be suspended by the Board for committing two (2) violations of the provisions of the Manual\(^{77}\) or for committing any violation of the Code or relevant policies of the Corporation."

Voting Results for the Election of Directors at the 2016 Annual Stockholders’ Meeting (Held on April 11, 2016):

<table>
<thead>
<tr>
<th>Nominees</th>
<th>For**</th>
<th>%</th>
<th>Against*</th>
<th>%</th>
<th>Abstain*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,444,244,814</td>
<td>89.93%</td>
<td>77,024,541</td>
<td>1.27%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,446,754,764</td>
<td>89.97%</td>
<td>68,270,441</td>
<td>1.13%</td>
<td>6,270,000</td>
<td>0.10%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,506,192,805</td>
<td>90.95%</td>
<td>15,076,400</td>
<td>0.25%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,492,341,505</td>
<td>90.72%</td>
<td>28,927,700</td>
<td>0.48%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,487,348,905</td>
<td>90.64%</td>
<td>33,920,300</td>
<td>0.56%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,492,341,505</td>
<td>90.72%</td>
<td>28,927,700</td>
<td>0.48%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,436,076,864</td>
<td>89.79%</td>
<td>85,192,341</td>
<td>1.41%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,474,294,755</td>
<td>90.43%</td>
<td>40,704,450</td>
<td>0.67%</td>
<td>6,270,000</td>
<td>0.10%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,501,487,605</td>
<td>90.87%</td>
<td>19,781,600</td>
<td>0.33%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,457,971,664</td>
<td>90.16%</td>
<td>63,297,541</td>
<td>1.05%</td>
<td>0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

\(^{77}\) Manual, Article X, page 43.
Sherisa P. Nuesa  
(Independent)  
5,483,795,514  
90.58%  
37,473,691  
0.62%  
0  
0.00%

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

Voting Results for the Election of Directors at the most recent Annual Stockholders Meeting (Held on April 7, 2015)

<table>
<thead>
<tr>
<th>Nominees</th>
<th>For**</th>
<th>%</th>
<th>Against*</th>
<th>%</th>
<th>Abstain*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,429,901,366</td>
<td>89.69%</td>
<td>85,958,265</td>
<td>1.42%</td>
<td>5,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,419,829,815</td>
<td>89.53%</td>
<td>79,688,265</td>
<td>1.32%</td>
<td>16,346,451</td>
<td>0.27%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,486,758,173</td>
<td>90.63%</td>
<td>29,097,191</td>
<td>0.48%</td>
<td>5,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,472,928,313</td>
<td>90.40%</td>
<td>32,855,800</td>
<td>0.54%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,472,928,413</td>
<td>90.40%</td>
<td>32,855,800</td>
<td>0.54%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,472,928,013</td>
<td>90.40%</td>
<td>32,855,800</td>
<td>0.54%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,419,957,315</td>
<td>89.53%</td>
<td>85,830,365</td>
<td>1.42%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>Name</td>
<td>Votes</td>
<td>For %</td>
<td>Against</td>
<td>Against %</td>
<td>Abstentions</td>
<td>For %</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------</td>
<td>-------</td>
<td>---------</td>
<td>-----------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>5,505,962,211</td>
<td>90.95%</td>
<td>9,896,900</td>
<td>0.16%</td>
<td>5,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>(Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>5,503,097,831</td>
<td>90.90%</td>
<td>1,451,300</td>
<td>0.02%</td>
<td>11,315,000</td>
<td>0.19%</td>
</tr>
<tr>
<td>(Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>5,444,964,005</td>
<td>89.94%</td>
<td>60,823,765</td>
<td>1.00%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>(Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>5,503,102,503</td>
<td>90.90%</td>
<td>7,721,300</td>
<td>0.13%</td>
<td>5,036,451</td>
<td>0.08%</td>
</tr>
<tr>
<td>(Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

6) Orientation and Education Program

(a) Disclose details of the company’s orientation program for new directors, if any.

Every board meeting, directors are provided with Management Update on the operational and financial status of the Company. This is to ensure that the directors are continuously apprised of the performance of the Company.

The board meetings are also the avenue for the directors to inquire about the status of the Company’s financials and operations.

Upon assumption of office, a director appointed for the first time shall undergo a corporate orientation program to be conducted by the Office of the Corporate Secretary. The Corporate Secretary shall prepare the curriculum for the corporate orientation program. The curriculum of the corporate orientation program shall contain as a minimum, a topic on the operations of the Corporation and the applicable legal framework thereto, and relevant contracts of the Corporation, if any, as well as the existing policies, rules and regulations of the Corporation, such as but not limited to: the Code, the Manual, the Charters of the Board and the Board Committees, corporate governance framework, enterprise risk management, and corporate
communications. The curriculum of the orientation program shall be revised as often as necessary to include other subjects and matters relating to the Corporation.\(^78\)

In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary shall inform the Board of any updates on the matters covered by the orientation program. The updates can be given during the regular meetings of the Board.\(^79\)

The foregoing notwithstanding, Directors are encouraged to attend external trainings, courses or continuing professional education programs on corporate governance, or that are relevant to the performance of their functions as directors of the Corporation or the latter’s industry. Director/s shall inform the Office of the Corporate Secretary of the trainings or courses attended for record and disclosure purposes.\(^80\)

**State any in-house training and external courses attended by Directors and Senior Management\(^81\) for the past three (3) years:**

During board meetings, the management or the relevant unit/department of the Company presents to the Board and the Senior Management the latest update on corporate governance best practices, policies, regulations and standards.

In addition, the following in-house training and external courses are available to the directors and Senior Management:

- Ayala-LEAP (Ayala Leadership Acceleration Program)
- EAGLE (Emerging Ayala Group Leaders Program)
- The Leadership Circle (integrated within Ayala-LEAP and EAGLE)
- LEAP Alumni Learning Series (presentations by visiting professors and practitioners in the fields of customer centricity, strategy, leadership, etc.)
- Executive Coaching
- Ayala Group Sustainability Summit
- Harvard Advanced Management Development Program
- Temasek Foundation Water Leadership Program

**Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

During meetings of the Board, the management or the relevant unit/department of the Company presents to the Board and the Senior Management the latest update on corporate governance best practices, policies, regulations and standards.

\(^{78}\) Charter of the Board, Section 2.27

\(^{79}\) Ibid.

\(^{80}\) Ibid.

\(^{81}\) Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.
During meetings of the Board, the management or the relevant unit/department of the Company presents to the Board and the Senior Management the latest update on corporate governance best practices, policies, regulations and standards.

In addition, the following in-house training and external courses are available to the directors and Senior Management:

- Ayala-LEAP (Ayala Leadership Acceleration Program)
- EAGLE (Emerging Ayala Group Leaders Program)
- The Leadership Circle (integrated within Ayala-LEAP and EAGLE)
- LEAP Alumni Learning Series (presentations by visiting professors and practitioners in the fields of customer centricity, strategy, leadership, etc.)
- Executive Coaching
- Ayala Group Sustainability Summit

The table below lists the trainings and seminars attended by the directors for the year 2015:

<table>
<thead>
<tr>
<th>Director</th>
<th>Program</th>
<th>Name of Training Institution</th>
<th>Date of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
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<td>Delfin L. Lazaro</td>
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</tr>
<tr>
<td>Director</td>
<td>Program</td>
<td>Name of Training Institution</td>
<td>Date of Training</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------------------------------</td>
<td>------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>Corporate Governance Summit:</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td></td>
<td>Learnings from the Public Sector on Corporate Governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>Corporate Governance Summit:</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td></td>
<td>Learnings from the Public Sector on Corporate Governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>Exempted pursuant to Memorandum Circular No. 2 Series of 2015 of the Securities and Exchange Commission</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The table below lists the trainings and seminars so far attended by the directors for the year 2016:

<table>
<thead>
<tr>
<th>Director</th>
<th>Program</th>
<th>Name of Training Institution</th>
<th>Date of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
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<td>March 8, 2016</td>
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<td>Gerardo C. Ablaza, Jr.</td>
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<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (ID)</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
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</table>
B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company’s policies on the following business conduct or ethics affecting directors, senior management and employees:

<table>
<thead>
<tr>
<th>Conflict of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
</tr>
<tr>
<td>No director shall be involved in deciding his own remuneration during his incumbent term.(^{82}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.(^{83}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>The personal interest of directors should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.(^{84}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making process. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.(^{85}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>A conflict of interest arises when a Director, or an Officer or employee appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Corporation. It is not required that there be an actual conflict, it is only required that there could be perceived or seen to be a conflict by an impartial observer.(^{86}) (Revised Code of Business Conduct and Ethics)</td>
</tr>
<tr>
<td>A Director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.(^{87}) (Revised Code of Business Conduct and Ethics)</td>
</tr>
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</table>

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\(^{82}\) Manual of Corporate Governance, Article I, Section 1.12 (b), page 17.
\(^{83}\) Manual of Corporate Governance, Article I, Section 1.10, page 15.
\(^{84}\) Manual of Corporate Governance, Article III, page 30.
\(^{85}\) Manual of Corporate Governance, Article III (b), pages 30-31.
\(^{86}\) Revised Code of Business Conduct and Ethics, Section 5.1
\(^{87}\) Revised Code of Business Conduct and Ethics, Section 5.4
| Senior Management | A Director shall not use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.\(^{88}\) (Revised Code of Business Conduct and Ethics)  
A Director shall not use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.\(^{89}\) (Revised Code of Business Conduct and Ethics) |
| Employees | The personal interest of officers should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.\(^{90}\) (Manual of Corporate Governance)  
A conflict of interest arises when a Director, or an Officer or employee appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Corporation. It is not required that there be an actual conflict, it is only required that there could be perceived or seen to be a conflict by an impartial observer.\(^{91}\) (Revised Code of Business Conduct and Ethics)  
No officer or employee may have financial interest in a privately owned enterprise, which directly or indirectly deals or transacts business with the Corporation.\(^{92}\) (Revised Code of Business Conduct and Ethics)  
No officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.\(^{93}\) (Revised Code of Business Conduct and Ethics)  
No Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.\(^{94}\) (Revised Code of Business Conduct and Ethics) |

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\(^{88}\) Revised Code of Business Conduct and Ethics, Section 5.5  
\(^{89}\) Revised Code of Business Conduct and Ethics, Section 5.6  
\(^{90}\) Manual of Corporate Governance, Article III, page 30.  
\(^{91}\) Revised Code of Business Conduct and Ethics, Section 5.1  
\(^{92}\) Revised Code of Business Conduct and Ethics, Section 5.4  
\(^{93}\) Revised Code of Business Conduct and Ethics, Section 5.5  
\(^{94}\) Revised Code of Business Conduct and Ethics, Section 5.6
interest in any transaction, which may deter or influence him from acting in the best interest of the Corporation. It is not required that there be an actual conflict, it is only required that there could be perceived or seen to be a conflict by an impartial observer.  

(Revised Code of Business Conduct and Ethics)

No officer or employee may have financial interest in a privately owned enterprise, which directly or indirectly deals or transacts business with the Corporation.  

(Revised Code of Business Conduct and Ethics)

No officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.  

(Revised Code of Business Conduct and Ethics)

No Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.  

(Revised Code of Business Conduct and Ethics)

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<table>
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<tr>
<td><strong>Directors</strong></td>
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| A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.  

(Manual of Corporate Governance) |
| The personal interest of directors should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.  

(Manual of Corporate Governance) |
| The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.  

(Revised Code of Business Conduct and Ethics) |
| Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.  

(Revised Code of Business Conduct and Ethics) |

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95 Revised Code of Business Conduct and Ethics, Section 5.1  
96 Revised Code of Business Conduct and Ethics, Section 5.4  
97 Revised Code of Business Conduct and Ethics, Section 5.5  
98 Revised Code of Business Conduct and Ethics, Section 5.6  
99 Manual of Corporate Governance, Article I, Section 1.10 (a), page 15  
100 Manual of Corporate Governance, Article III, page 30.  
101 Revised Code of Business Conduct and Ethics, Section 4.1  
102 Revised Code of Business Conduct and Ethics, Section 4.2
<table>
<thead>
<tr>
<th>Role</th>
<th>Text</th>
</tr>
</thead>
</table>
| Senior Management | Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.\(^{103}\) (Revised Code of Business Conduct and Ethics)  
The personal interest of officers should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.\(^{104}\) (Manual of Corporate Governance)  
The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\(^{105}\) (Revised Code of Business Conduct and Ethics)  
Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\(^{106}\) (Revised Code of Business Conduct and Ethics)  
Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.\(^{107}\) (Revised Code of Business Conduct and Ethics) |
| Employees    | The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\(^{108}\) (Revised Code of Business Conduct and Ethics)  
Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\(^{109}\) (Revised Code of Business Conduct and Ethics)  
Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.\(^{110}\) (Revised Code of Business Conduct and Ethics) |

\(^{103}\) Revised Code of Business Conduct and Ethics, Section 4.3  
\(^{104}\) Manual of Corporate Governance, Article III, page 30.  
\(^{105}\) Revised Code of Business Conduct and Ethics, Section 4.1  
\(^{106}\) Revised Code of Business Conduct and Ethics, Section 4.2  
\(^{107}\) Revised Code of Business Conduct and Ethics, Section 4.3  
\(^{108}\) Revised Code of Business Conduct and Ethics, Section 4.1  
\(^{109}\) Revised Code of Business Conduct and Ethics, Section 4.2  
\(^{110}\) Revised Code of Business Conduct and Ethics, Section 4.3
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<th>Role</th>
<th>Description</th>
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</table>
| Directors                   | A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. (Manual of Corporate Governance)  

The personal interest of directors should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. (Manual of Corporate Governance)  

Directors, Officers and employees shall strictly follow the principles of highest ethical business standards and comply with all relevant laws and regulations. Towards this end, Directors, Officers and employees shall not accept corporate entertainment/gifts with an approximate value of more than Three Thousand Pesos (Php3,000.00) or anything that can or can be viewed to influence the manner on which a director, officer or employee may discharge his duties. (Revised Code of Business Conduct and Ethics)  

The Corporation strictly prohibits giving facilitating payments to any private or government officials or employees, their agents or intermediaries in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Corporation must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices. (Revised Code of Business Conduct and Ethics) |
| Senior Management            | Directors, Officers and employees shall strictly follow the principles of highest ethical business standards and comply with all relevant laws and regulations. Towards this end, Directors, Officers and employees shall not accept corporate entertainment/gifts with an approximate value of more than Three Thousand Pesos (Php3,000.00) or anything that can or can be viewed to influence the manner on which a director, officer or employee may discharge his duties. (Revised Code of Business Conduct and Ethics)  

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111 Manual of Corporate Governance, Article I, Section 1.10 (a), page 15.  
113 Revised Code of Business Conduct and Ethics, Section 6.1  
114 Revised Code of Business Conduct and Ethics, Section 10.1  
115 Revised Code of Business Conduct and Ethics, Section 6.1
| Employees | Directors, Officers and employees shall strictly follow the principles of highest ethical business standards and comply with all relevant laws and regulations. Towards this end, Directors, Officers and employees shall not accept corporate entertainment/gifts with an approximate value of more than Three Thousand Pesos (Php3,000.00) or anything that can or can be viewed to influence the manner on which a director, officer or employee may discharge his duties.\(^\text{117}\) (Revised Code of Business Conduct and Ethics)  

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| Compliance with Laws and Regulations | All actions of the Board are subject to the principles of legal permissibility. They must therefore not infringe on the appropriate provisions of the Philippine law and the Company’s constitutive documents.\(^\text{119}\) (Manual of Corporate Governance)  

The Board shall keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices.\(^\text{120}\) (Manual of Corporate Governance).  

Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\(^\text{121}\) (Revised Code of Business Conduct and Ethics) |

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116 Revised Code of Business Conduct and Ethics, Section 10.1  
117 Revised Code of Business Conduct and Ethics, Section 6.1  
118 Revised Code of Business Conduct and Ethics, Section 10.1  
119 Manual of Corporate Governance, Article I, Section 1.8 (d), page 10.  
120 Manual of Corporate Governance, Article I, Section 1.9 (g), page 12.  
121 Revised Code of Business Conduct and Ethics, Section 4.2
| Senior Management                                                                                                                                      | The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties. Revisions Code of Business Conduct and Ethics  
Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation. Revisions Code of Business Conduct and Ethics |
| Employees                                                                                                                                                | The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties. Revisions Code of Business Conduct and Ethics  
Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation. Revisions Code of Business Conduct and Ethics |

### Respect for Trade Secrets/Use of Non-public Information

| Directors                                                                                                                                             | Before deciding on any matter brought before the Board of Directors, every director should carefully evaluate the issues, ask questions and seek clarifications as appropriate. Manual of Corporate Governance  
A director shall keep secure and confidential all non-public information acquired or learned by reason of his position as a director. He should not reveal any confidential information to unauthorized persons without the authority of the Board. Manual of Corporate Governance  
Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts. Revisions Code of Business Conduct and Ethics |

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122 Revised Code of Business Conduct and Ethics, Section 4.1  
123 Revised Code of Business Conduct and Ethics, Section 4.2  
124 Revised Code of Business Conduct and Ethics, Section 4.1  
125 Revised Code of Business Conduct and Ethics, Section 4.2  
126 Manual of Corporate Governance, Article I, Section 1.10 (c), page 15.  
127 Manual of Corporate Governance, Article I, Section 1.10, (f), page 16.  
128 Revised Code of Conduct and Ethics, Section 4.3.
| Senior Management | Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Corporation to government and regulatory agencies, independent auditors, the media or any other person.\(^{129}\) (Revised Code of Business Conduct and Ethics)  
No Director, Officer or employee shall disclose any confidential information obtained from the Corporation for personal gain or for the advantage of any other person. This prohibition shall include investment in securities and association with a competitor, customer or supplier of the Corporation.\(^{130}\) (Revised Code of Business Conduct and Ethics) |
| Employees | Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.\(^{131}\) (Revised Code of Business Conduct and Ethics)  
Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Corporation to government and regulatory agencies, independent auditors, the media or any other person.\(^{132}\) (Revised Code of Business Conduct and Ethics)  
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### Use of Company Funds, Assets and Information

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<td>A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.(^\text{137}) (Manual of Corporate Governance)</td>
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<td>The personal interest of directors should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.(^\text{138}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>No Director, Officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.(^\text{139}) (Revised Code of Business Conduct and Ethics)</td>
</tr>
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<td>No Director, Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.(^\text{140}) (Revised Code of Business Conduct and Ethics)</td>
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<tr>
<td><strong>Senior Management</strong></td>
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<td>No Director, Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.(^\text{142}) (Revised Code of Business Conduct and Ethics)</td>
</tr>
<tr>
<td>Employees should keep all Company equipment in good working condition and should eliminate unnecessary consumption and wasteful practices. They should avoid losing or damaging these equipment by using them with care.(^\text{143}) (Employee Code of Conduct)</td>
</tr>
</tbody>
</table>

\(^{136}\) Revised Code of Conduct and Ethics, Section 8.2.

\(^{137}\) Manual of Corporate Governance, Article I, Section 1.10 (a), page 15.


\(^{139}\) Revised Code of Business Conduct and Ethics, Section 5.5.

\(^{140}\) Revised Code of Business Conduct and Ethics, Section 5.6.

\(^{141}\) Revised Code of Business Conduct and Ethics, Section 5.5.

\(^{142}\) Revised Code of Business Conduct and Ethics, Section 5.6.

\(^{143}\) Revised Code of Business Conduct and Ethics, Section 5.6.
and Discipline)

All employees are furnished with office equipment, furniture, facilities and tools of work to ensure comfort and convenience as they perform their duties and tasks. Consequently, employees are expected to exercise due care in the handling and use of these properties. (Employee Code of Conduct and Discipline)

Company equipment should not be taken out of the work area, much less out of the Company premises without proper authority. (Employee Code of Conduct and Discipline)

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Employee Code of Conduct and Discipline, Clause K, page 5.

Ibid.

Ibid.

Revised Code of Business Conduct and Ethics, Section 5.5.

Revised Code of Business Conduct and Ethics, Section 5.6.

Employee Code of Conduct and Discipline, Clause K, page 5.

Ibid.

Ibid.
<table>
<thead>
<tr>
<th>Employment &amp; Labor Laws &amp; Policies</th>
</tr>
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<td><strong>Directors</strong></td>
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| All actions of the Board are subject to the principles of legal permissibility. They must therefore not infringe on the appropriate provisions of the Philippine law and the Company’s constitutive documents.  
(Manual of Corporate Governance) |
| The Board shall keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices.  
(Manual of Corporate Governance). |
| Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.  
(Revised Code of Business Conduct and Ethics) |
| The Corporation values the dignity of every individual, promotes the enhancement of the development of its human resources, guarantees full respect for human rights, and uphold the dignity of its stakeholders, customers, workers, employees, applicants for employment, students or those undergoing training, instruction or education.  
(Revised Code of Business Conduct and Ethics) |
| Hence, the Corporation shall ensure that its directors, officers and employees subscribe strictly to this policy. All forms of sexual harassment shall be dealt with appropriately and in accordance with the applicable and all relevant laws, regulations on the subject matter.  
(Revised Code of Business Conduct and Ethics) |

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<thead>
<tr>
<th><strong>Senior Management</strong></th>
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| The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.  
(Revised Code of Business Conduct and Ethics) |
| Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.  
(Revised Code of Business Conduct and Ethics) |
| The Corporation values the dignity of every individual, promotes the enhancement of the development of its human resources, guarantees full respect for human rights, and uphold the dignity of its stakeholders, customers, workers, employees, applicants for employment, students or those undergoing training, instruction or education.  
(Revised Code of Business Conduct and Ethics) |

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151 Manual of Corporate Governance, Article I, Section 1.8 (d), page 10.
152 Manual of Corporate Governance, Article I, Section 1.9 (g), page 12.
153 Revised Code of Business Conduct and Ethics, Section 4.2
154 Revised Code of Business Conduct and Ethics, Section 11.1.
155 Ibid.
156 Revised Code of Business Conduct and Ethics, Section 4.1
157 Revised Code of Business Conduct and Ethics, Section 4.2
### Employment

employment, students or those undergoing training, instruction or education.\(^{158}\) (Revised Code of Business Conduct and Ethics)

Hence, the Corporation shall ensure that its directors, officers and employees subscribe strictly to this policy. All forms of sexual harassment shall be dealt with appropriately and in accordance with the applicable and all relevant laws, rules and regulations on the subject matter.\(^{159}\) (Revised Code of Business Conduct and Ethics)

### Employees

The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\(^{160}\) (Revised Code of Business Conduct and Ethics)

Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\(^{161}\) (Revised Code of Business Conduct and Ethics)

The Corporation values the dignity of every individual, promotes the enhancement of the development of its human resources, guarantees full respect for human rights, and uphold the dignity of its stakeholders, customers, workers, employees, applicants for employment, students or those undergoing training, instruction or education.\(^{162}\) (Revised Code of Business Conduct and Ethics)

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<th>Disciplinary Action</th>
</tr>
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<tbody>
<tr>
<td>Directors</td>
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</table>

The Manual of Corporate Governance provides for the gradation of penalties to be imposed upon the directors, officers and staff, after due notice and hearing, for violation of the provisions of the Manual, to wit:

- In case of first violation, the subject person shall be reprimanded.
- In case of second violation, suspension from office shall be imposed by the Board.

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\(^{158}\) Revised Code of Business Conduct and Ethics, Section 11.1.

\(^{159}\) Ibid.

\(^{160}\) Revised Code of Business Conduct and Ethics, Section 4.1

\(^{161}\) Revised Code of Business Conduct and Ethics, Section 4.2

\(^{162}\) Revised Code of Business Conduct and Ethics, Section 11.1.

\(^{163}\) Ibid.
For third violation, removal from office by the Board.

Under the Charter of the Board, it is provided that:

Directors may be removed in the manner provided by law.\textsuperscript{164}

Directors may be removed by the Board by reason of permanent disqualification or for committing three (3) violations of the Manual or for any violation of the Code or relevant policies of the Corporation. The removal of the director shall be decided by the Board in a meeting called for the purpose, at which meeting a quorum duly existed.\textsuperscript{165}

The stockholders may also exercise the right to remove a director with or without cause, for which purpose, Section 28 of the Corporation Code shall apply.\textsuperscript{166}

The Manual of Corporate Governance provides for the gradation of penalties to be imposed upon the directors, officers and staff, after due notice and hearing, for violation of the provisions of the Manual, to wit:

- In case of first violation, the subject person shall be reprimanded.
- In case of second violation, suspension from office shall be imposed.
- For third violation, removal from office. (Manual of Corporate Governance)

Corporate Officers, or those appointed by the Board, are subject to disciplinary actions by the Board of Directors. Those members of the management that are not appointed by the Board are subject to the Employee Code of Conduct and Discipline and by the applicable provisions of the labor laws and regulations.

Disciplinary actions upon employees are provided under the Employee Code of Conduct and Discipline and by the applicable provisions of the labor laws and regulations.

Positive staff discipline as a fundamental management responsibility is a line function to be exercised by all Managers within the organization. This being so, Managers shall be held responsible for enforcing the necessary controls to prevent the commission of any violation by their subordinates. Other than taking charge of initiating corrective action in the behaviour of their subordinates,

\textsuperscript{164} Charter of the Board, Section 2.5.1
\textsuperscript{165} Charter of the Board, Section 2.5.2
\textsuperscript{166} Charter of the Board, Section 2.5.3
whenever necessary, they shall also be held accountable for the results or repercussions of their subordinate’s offense to the Company especially for integrity-related cases.¹⁶⁷ (Employee Code of Conduct and Discipline)

Due process shall be observed in the management of all administrative cases, in accordance with the Law. This will ensure that the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness and consistency. Detailed procedures are itemized in the succeeding section.¹⁶⁸ (Employee Code of Conduct and Discipline)

<table>
<thead>
<tr>
<th>Whistle Blower</th>
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<tbody>
<tr>
<td><strong>Directors</strong></td>
</tr>
<tr>
<td>A director is required to comply with all disclosure requirements of the SRC and its Implementing Rules and Regulations and voluntarily disclose any conflict of interest, whether actual or potential upon its occurrence. The disclosure should be made fully and immediately.¹⁶⁹ (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>The Board shall commit at all times to adequately and timely disclose all material information that could potentially affect Manila Water’s share price and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations as well as other relevant laws.¹⁷⁰ (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.¹⁷¹</td>
</tr>
<tr>
<td>Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:¹⁷²</td>
</tr>
<tr>
<td>“3. <strong>Obligation to Report</strong></td>
</tr>
<tr>
<td>3.1 <strong>All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to</strong></td>
</tr>
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</table>

¹⁶⁸ Ibid.
¹⁶⁹ Manual of Corporate Governance, Article III (e), page 31.
¹⁷⁰ Manual of Corporate Governance, Article VII, page 38.
¹⁷¹ Revised Code of Business Conduct and Ethics, Section 4.5.
¹⁷² Revised Code of Business Conduct and Ethics, Annex A.
the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:

- any criminal act or gross violation of any corporate governance policy;
- failure to comply with a legal duty through negligence or gross misconduct;
- any loss or damage to the Corporation due to fraud, corruption, or similar cause;
- conflicts of interest; and
- deliberate cover-up of any of the above acts.

3.2 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

3.3 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.4 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g., Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.5 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4. Protection to Reporter

4.1 The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5. Prohibited Acts
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>5.1</td>
<td>The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws: a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns; b. reporting a false allegation with malice or bad faith; c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and d. deliberate cover-up of any fraudulent or dishonest acts.”</td>
</tr>
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**Senior Management**

Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.\(^{173}\)

Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:\(^{174}\)

“3. **Obligation to Report**

3.6 All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following: a. any criminal act or gross violation of any corporate governance policy; b. failure to comply with a legal duty through negligence or gross misconduct; c. any loss or damage to the Corporation due to fraud, corruption, or similar cause; d. conflicts of interest; and e. deliberate cover-up of any of the above acts.

3.7 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

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\(^{173}\) Revised Code of Business Conduct and Ethics, Section 4.5.  
\(^{174}\) Revised Code of Business Conduct and Ethics, Annex A.
3.8  Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.9  Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.10 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4.  Protection to Reporter

4.1  The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5.  Prohibited Acts

5.1  The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:
   a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;
   b. reporting a false allegation with malice or bad faith;
   c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and
   d. deliberate cover-up of any fraudulent or dishonest acts.”

| Employees | Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.¹⁷⁵ |

¹⁷⁵ Revised Code of Business Conduct and Ethics, Section 4.5.
Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:176

“3. Obligation to Report

3.11 All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:

a. any criminal act or gross violation of any corporate governance policy;
b. failure to comply with a legal duty through negligence or gross misconduct;
c. any loss or damage to the Corporation due to fraud, corruption, or similar cause;
d. conflicts of interest; and
e. deliberate cover-up of any of the above acts.

3.12 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

3.13 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.14 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.15 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

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4. **Protection to Reporter**

4.1 *The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.*

5. **Prohibited Acts**

5.1 *The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:*

   a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;
   b. reporting a false allegation with malice or bad faith;
   c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and
   d. deliberate cover-up of any fraudulent or dishonest acts."

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### Conflict Resolution

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<th>Directors</th>
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The Board shall ensure the presence and adequacy of internal control mechanisms for good governance by, among others, reviewing conflict-of-interest situations and providing appropriate remedial measures for the same.\(^{177}\) (Manual of Corporate Governance)

The Board shall establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts of differences between the Company and its stockholders and the Company and third parties, including regulatory authorities., without prejudice to the Company’s ability to avail of its legal rights to address or resolve conflicts or differences with such parties in the proper venue as it deems appropriated or warranted.\(^{178}\) (Manual of Corporate Governance).

The Board shall monitor and manage potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.\(^{179}\)

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\(^{177}\) Manual of Corporate Governance, Article 1.6 (e), page 10.

\(^{178}\) Manual of Corporate Governance, Article 1.9 (p), page 14.

\(^{179}\) Charter of the Board, Section 3.1.1 (f).
Due Process shall be observed in the management of all administrative cases, in accordance with the law. This will ensure that the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness and consistency.\(^\text{180}\) (Employee Code of Conduct and Discipline)

Positive staff discipline as a fundamental management responsibility is a line function to be exercised by all Managers within the organization. This being so, Managers shall be held responsible for enforcing the necessary controls to prevent the commission of any violation by their subordinates. Other than taking charge of initiating corrective action in the behaviour of their subordinates, wherever necessary, they shall also be held accountable for the results or repercussions of their subordinate’s offense to the Company especially for integrity-related cases.\(^\text{181}\) (Employee Code of Conduct and Discipline)

Due process shall be observed in the management of all administrative cases, in accordance with the Law. This will ensure the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness, and consistency.\(^\text{182}\) (Employee Code of Conduct and Discipline)

Disciplinary and corrective action should always be treated with utmost confidentiality. This will ensure that the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness and consistency. Detailed procedures are itemized in the succeeding section.\(^\text{183}\) (Employee Code of Conduct and Discipline)

Grievance arising from such disciplinary/corrective actions involving staff employees will be addressed through the grievance procedures/machinery stated in the Collective Bargaining Agreement. Grievance arising from disciplinary/corrective actions involving officers of the Company will be referred to the next higher manager up to the level of the Corporate Human Resources Group Director.\(^\text{184}\) (Employee Code of Conduct and Discipline)

2) **Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

Yes. The Revised Code of Business Conduct and Ethics was approved by the Board in its special meeting held on April 4, 2014. A copy of the Revised Code was furnished to each member of the Board.

An electronic copy of the Revised Code of Business Conduct and Ethics has been sent by electronic mail to the officers and employees of the Company and can also be downloaded from the Company’s website.

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\(^\text{181}\) Employee Code of Conduct and Discipline, Implementing Guidelines, page 5.
\(^\text{182}\) Ibid.
\(^\text{183}\) Ibid.
The Revised Code of Business Conduct and Ethics consolidates and enhances the Company’s existing policies on honesty and fair dealing, conflict of interest, corporate entertainment and gifts, insider trading, prompt and adequate disclosure of material information, creditor rights, anti-corruption, and anti-sexual harassment. The Code also includes provisions on the powers and duties of the Office of the Compliance Officer in relation to the implementation and monitoring of the Revised Code.

3] **Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

The Revised Code of Business Conduct and Ethics of the Company provides for the process for the implementation thereof. In particular, Articles 12 and 13 of the Revised Code provide:

“12. Office of the Compliance Officer

12.1 Except as otherwise provided in this Code, the Office of the Compliance Officer shall be primarily responsible for the implementation of this Code.

12.2 There shall be a Corporate Governance Panel (the “Panel”) composed of three (3) members which shall be under the direct supervision and control of the Compliance Officer. The Head of the Legal Department shall be the ex-officio chairman of the Panel, while the Heads of the Internal Audit Department and the Employee Engagement Department shall be the ex-officio members.

12.3 The Panel shall be responsible for receiving and investigating complaints for violations of the Code.

In performing any function within their authority pursuant to this Code, the chairman and the members of the panel may appoint their respective representatives.

12.4 The Panel shall, in the conduct of investigation, comply with the following procedures:

a. A complaint may be filed with the Panel in writing.

b. The Respondent shall be notified of the Complaint against him and shall be given a period of five (5) days within which to respond to the notice. The notice shall attach the Complaint, if any, or shall specify in detail the subject of the Complaint.

c. The Panel may, based on the response of the Respondent, conduct further hearings or dismiss the Complaint motu proprio. However, no finding of violation of the Code shall be issued motu proprio.
d. After conducting hearings, the Panel shall issue a resolution either finding the Respondent to have violated the Code or dismissing the Complaint. In which case, all resolutions of the Panel shall be endorsed to the Office of the Compliance Officer for his final decision.

e. The Compliance Officer may either affirm or reverse the resolution of the Panel. The Respondent shall be furnished with a copy of the decision of the Compliance Officer.

A decision exonerating the Respondent shall be deemed final and executory. A finding of violation shall be referred to the Labor Relations Department for appropriate action. A decision issued after a finding of violation of the Code shall form part of the 201 File of the Officer or the employee.

13. Implementation and Monitoring of the Code

13.1 The Code shall be distributed to all directors, officers and employees, who shall signify, in any manner capable of being recorded, that they have received, read and understood the Code. The Office of the Compliance Officer shall keep a record of this acknowledgement.

13.2 A Director, officer or employee who becomes aware of any violation of the Code shall immediately notify the Board, in case of a Director, or the immediate supervisor or the Office of the Compliance Officer, in case of officers and employees. The Board and the Office of the Compliance Officer shall take all the necessary action to investigate any and all reported violations.

13.3 An officer or employee who commits a violation of this Code shall be subject to disciplinary action, without prejudice to any civil or criminal proceedings that the Corporation or any government regulators or agencies may institute for violation of existing laws, rules or regulations.

Directors who violate the applicable provisions of this Code shall be subject to disciplinary actions by the Board, in accordance with existing laws, rules, and regulations, the By Laws of the Corporation, and other company policies. This is without prejudice to any liability, whether criminal, civil or otherwise, of the directors under the provisions of existing laws, rules and regulations.

13.4 The Board or the Office of the Compliance Officer, as the case may be, shall be responsible for implementing and monitoring compliance with the Code. The Office of the Compliance Officer shall also have the authority to decide any issues that may arise in connection with the implementation of this Code.
There shall be no exceptions from or waivers of any provision of this Code, except as expressly approved by the Office of the Compliance Officer in writing, and only under exceptional circumstances. The Office of the Compliance Officer shall maintain a record of all such requests for exceptions and waivers, the basis for the grant thereof.

13.5 The provisions of this Code shall be without prejudice to the provisions of existing and relevant laws, rules and regulations.”

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

The Company shall avoid related party transactions (“RPTs”). In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.\(^{185}\)

In addition, the Company ensures that those related party transactions are arms-length-transaction. The Contracts for provision of goods and services are bid out to accredited contractors, service providers and vendors, whether related parties or not. The terms and conditions of the Contracts are agreed upon after good faith negotiations.

<table>
<thead>
<tr>
<th>Related Party Transactions</th>
<th>Policies and Procedures</th>
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<tbody>
<tr>
<td>(1) Parent Company</td>
<td>Arms-length</td>
</tr>
<tr>
<td></td>
<td>Appropriate disclosure</td>
</tr>
<tr>
<td></td>
<td>Material Related Party Transactions (“RPTs”)* with the Company are subject to review and approval of a Committee composed entirely of independent directors of the Audit and Governance Committee</td>
</tr>
<tr>
<td></td>
<td>Non-material RPTs are subject to review and approval of the Compliance Officer</td>
</tr>
</tbody>
</table>

\(^{185}\) Manual of Corporate Governance, Article IV, page 32.
| (2) Joint Ventures | Arms-length  
|                   | In furtherance of common projects  
|                   | Appropriate disclosure  
|                   | Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee  
|                   | Non-material RPTs are subject to review and approval of the Compliance Officer  
| (3) Subsidiaries  | Arms-length  
|                   | In furtherance of the Company’s business and operations  
|                   | Appropriate disclosure  
|                   | Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee  
|                   | Non-material RPTs are subject to review and approval of the Compliance Officer  
| (4) Entities Under Common Control | Arms-length  
|                   | Appropriate disclosure  
|                   | Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee  
|                   | Non-material RPTs are subject to review and approval of the Compliance Officer  
| (5) Substantial Stockholders | Arms-length  
|                   | Appropriate disclosure |
| (6) Officers including spouse/children/siblings/parents | Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee

Non-material RPTs are subject to review and approval of the Compliance Officer

To be avoided pursuant to the Conflict of Interest policy pursuant to the Code of Business Conduct and Ethics and the Manual of Corporate Governance

Material RPTs with the Company are subject to the review and approval of a Committee (composed entirely of the independent directors of the Audit and Governance Committee)

Non-material RPTs are subject to review and approval of the Compliance Officer |
| (7) Directors including spouse/children/siblings/parents | Material RPTs with the Company are subject to the review and approval of a Committee (composed entirely of the independent directors of the Audit and Governance Committee)

Non-material RPTs are subject to review and approval of the Compliance Officer

To be avoided pursuant to the Conflict of Interest policy under the Revised Code of Business Conduct and Ethics and the Manual of Corporate Governance |
| (8) Interlocking director relationship of Board of Directors | Material RPTs with the Company are subject to the review and approval of a Committee (composed entirely of the independent directors of the Audit and Governance Committee)

Non-material RPTs are subject to review and approval of the Compliance Officer

To be avoided pursuant to the Conflict of Interest policy under the Code of Business Conduct and Ethics and the Manual of Corporate Governance |

* Under the Policy on RPT, **Material RPT** means any RPT with a stated value of at least Ten Million Pesos (Php10,000,000.00)

On April 4, 2014, the Board, in its special meeting, approved the Policy on Related Party Transactions (RPT). The Policy on RPT has the following objectives:

a. To provide guidance on what constitutes RPTs;
b. To avoid conflict of interest and comply with regulatory and good governance practices;
c. To ensure that the appropriate process for approval of the transaction has been undertaken; and
d. To ensure compliance with the Disclosure Policy of the Corporation and disclosure requirements of Financial Statement Reporting

On February 20, 2015, the Board approved the revision to the Policy on RPTs. In particular the revision requires that material RPTs shall be approved by a Committee composed only of all the independent directors of the Audit and Governance Committee, provided that there are at least three (3) independent directors in the Audit and Governance Committee.

Below is the relevant provisions of the Policy on RPT:

“5. Disclosure Requirements:

5.1 The Corporation must comply with all disclosure requirements of RPT mandated under applicable law, rules and regulations.

5.2 The Related Parties must comply with all the disclosure requirements of RPTs required under applicable law, rules and regulations of the SEC, PSE and the BIR, and other relevant government agencies.

5.3 Each director, executive officer and members of the Key Management is responsible for providing written notice to the Office of the Compliance Officer of any potential RPT involving him or her or his or her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by the Corporation.

The Office of the Compliance Officer, by himself, or in consultation with the Management Committee and with the Chief Legal Counsel or external counsel, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy.

Disclosure of a RPT shall include information about the price of the transaction, outstanding balances, if any, major terms and conditions and guarantees, if any. The Office of the Compliance Officer may require additional and other relevant information sufficient to enable the Office of the Compliance Officer to determine any Conflict of Interest and the potential effect of the relationship.

5.4 In addition, each director, executive officer and member of the Key Management may be required to complete a questionnaire that inquiries about their RPTs and those of their Immediate Family Members.

6. Guidelines prior to entering into a RPT:
6.1 All RPTs shall have terms and conditions that are fair and equitable to the Corporation.

6.2 The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Corporation. No unusual privilege or special treatment shall be afforded a Related Party.

6.3 In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Office of the Compliance Officer, in consultation with the RPT Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to the Corporation.

6.4 Prior to the award of any Material RPT, the Corporation shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation.

Non-Material RPTs shall be subject to the review and/or approval of the Compliance Officer.

7. Internal Reporting of RPTs

7.1 The following transactions, if with a Related Party, are considered RPTs:

   i. Purchases or sales of goods
   ii. Purchases or sale of property and other assets
   iii. Purchases and sales of services
   iv. Leases
   v. Transfer of Research and Development
   vi. Transfers under License Agreements
   vii. Transfers under Finance Arrangement like Loans and Equity contribution in cash or in kind
   viii. Loans and other forms of financial assistance
   ix. Provisions of Guarantees and collateral
   x. Settlement of Liabilities on behalf of the Corporation or by Corporation on behalf of another party
   xi. Commitments to do something if a particular event occurs or does not occur in the future
   xii. Such other similar or analogous transactions to the foregoing

7.2 The Compliance Officer, with the assistance of the Chief Legal Counsel, shall prepare a monthly report on RPTs based on the disclosures and/or reports of RPTs submitted to the Compliance Officer.
The Report shall be submitted to the Accounting Department to be furnished the External Auditor for proper disclosure in the Financial Statements of the Corporation, if necessary under applicable financial reporting rules and policies.

8. Prohibited RPTs

8.1 Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

a. Loans and/or financial assistance to a Director;

b. Loans and/or financial assistance to the Key Management, except when allowed pursuant to an established company benefit or plan

9. Sanctions

9.1 Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.

9.2 Any officer or employee of the Corporation who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer.

The Chief Legal Counsel, in coordination with the Office of the Compliance Officer, shall report to the RPT Committee all violations of this Policy.

9.3 The RPT Committee shall have the authority to recommend to the Board of Directors the invalidation of the Contract.

9.4 This Policy shall be without prejudice to the provisions of the Code, the Manual of Corporate Governance and all related and relevant policies of the Corporation which shall be observed and shall apply to the fullest extent possible. In particular, RPTs shall not be allowed if it would present a conflict of interest for any Related Party as defined in the Code.

10. Review of the [RPT] Policy

This Policy shall be reviewed from time to time in order to reflect the requirements of applicable law, rules and regulations. “
(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

<table>
<thead>
<tr>
<th>Details of Conflict of Interest (Actual or Probable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Director/s</td>
</tr>
<tr>
<td>Name of Officer/s</td>
</tr>
<tr>
<td>Name of Significant Shareholders</td>
</tr>
</tbody>
</table>

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

<table>
<thead>
<tr>
<th>Directors/Officers/Significant Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>The Company obtains sufficient information regarding the counterparty, including financial and ownership information.</td>
</tr>
<tr>
<td>Hence, any potential conflict of interest will be determined at the earliest instance and appropriate actions are immediately adopted. In certain instances, transactions that involve potential conflict of interest are not pursued.</td>
</tr>
<tr>
<td>Group</td>
</tr>
<tr>
<td>In case of related party transactions, the Company’s policy requires that it shall avoid the same. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.</td>
</tr>
</tbody>
</table>

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186 Manual of Corporate Governance, Article IV, page 32.
5) **Family, Commercial and Contractual Relations**

(a) Indicate, if applicable, any relation of a family,\(^{187}\) commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<table>
<thead>
<tr>
<th>Names of Related Significant Shareholders</th>
<th>Type of Relationship</th>
<th>Brief Description of the Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

<table>
<thead>
<tr>
<th>Names of Related Significant Shareholders</th>
<th>Type of Relationship</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

<table>
<thead>
<tr>
<th>Name of Shareholders</th>
<th>% of Capital Stock affected (Parties)</th>
<th>Brief Description of the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>At least 10%</td>
<td>Ayala Corp is required to own (directly or indirectly) at least 10% of the total outstanding capital stock of Manila Water pursuant to Section 6.11 of the Concession Agreement of Manila Water with the Metropolitan Waterworks and Sewerage System dated February 21, 1997, unless the requirement is waived in writing by the MWSS Regulatory Office.</td>
</tr>
</tbody>
</table>

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

---

\(^{187}\) Family relationship up to the fourth civil degree either by consanguinity or affinity.
A. Alternative Dispute Resolution System

<table>
<thead>
<tr>
<th>Corporation &amp; Stockholders</th>
<th>The Corporation has not had any dispute with any stockholder in the last three (3) years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation &amp; Third Parties</td>
<td>Negotiation and Mediation prior to arbitration or court action</td>
</tr>
<tr>
<td></td>
<td>Arbitration or Court action, depending on the provision of the contract</td>
</tr>
<tr>
<td>Corporation &amp; Regulatory Authorities</td>
<td>The Concession Agreement with the MWSS provides for arbitration before an Appeals Panel composed of three (3) members appointing and conducting proceedings in accordance with the arbitration rules of the United Nations Commission on International Trade Law</td>
</tr>
<tr>
<td></td>
<td>The Letter of Undertaking of the National Government in favor of the Company provides for arbitration before an arbitration panel consisting of three (3) members appointed and conducting proceedings in Singapore in accordance with the arbitration rules of the United Nations Commission on International Trade Law</td>
</tr>
</tbody>
</table>

The Company has not been in conflict with any of its stockholders in the last three years.

With regard to third parties and regulatory authorities, the Company has availed of arbitration or court proceedings, in accordance with the provisions of the relevant contracts, or in accordance with the applicable laws, rules and regulations, if there is no contract. Nevertheless, the Company, stockholders, third parties and regulatory authorities are entitled to avail of the remedies provided under existing laws, rules and regulations.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors’ meetings scheduled before or at the beginning of the year?

Meetings of Board of Directors are scheduled **before** the beginning of the year.

*In its regular meeting held on November 26, 2015, which meeting was attended by 10 out of 11 members of the Board, the Board approved the holding of Board meetings for the year 2016 on the dates and at times specified below, subject to the authority given by the Board to the Chairman to make changes to the schedules after consultation with the members of the Board:*
<table>
<thead>
<tr>
<th>Nature of Meeting</th>
<th>Date of Meeting</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Meeting</td>
<td>February 26, 2016, Friday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Organizational Board Meeting</td>
<td>April 11, 2016, Monday</td>
<td>Immediately after the 2016 ASM</td>
</tr>
<tr>
<td>Meeting of Non-Executive Directors</td>
<td>April 11, 2016, Monday</td>
<td>Immediately after the Organizational Meeting of the Board</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>June 9, 2016, Thursday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>August 11, 2016, Thursday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>October 4, 2016, Tuesday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>November 24, 2016, Thursday</td>
<td>9:00 a.m.</td>
</tr>
</tbody>
</table>

In the same meeting, the Board authorized the holding of the 2016 Annual Stockholders Meeting on April 11, 2016 at 9:00 a.m. at Fairmont Makati, Makati City, with record date of February 19, 2016.

2) Attendance of Directors

Board Meeting Attendance of Board of Directors in 2015:

<table>
<thead>
<tr>
<th>Board</th>
<th>Name</th>
<th>Date of Election</th>
<th>No. of Meetings Held during the year*</th>
<th>No. of Meetings Attended</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Fernando Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>April 7, 2015</td>
<td>6**</td>
<td>6/6</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Delfin L. Lazaro</td>
<td>April 7, 2015</td>
<td>7</td>
<td>6/7</td>
<td>86%</td>
</tr>
<tr>
<td>Member</td>
<td>Antonino T. Aquino</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>John Eric T. Francia</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Sherisa P. Nuesa</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Victoria P. Garchitorena</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Including the Meeting of the Non-Executive Directors

**As an Executive Director, Mr. Gerardo C. Ablaza, Jr. was not a party to the meeting of the Non-Executive Directors.
3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes. On April 11, 2016, immediately after the organizational meeting of the Board of Directors, the non-executive directors held a separate meeting, without Mr. Gerardo C. Ablaza, Jr., the President and CEO and the sole executive director of the Company.

On April 7, 2015, and on April 4, 2014, immediately after the organizational meeting of the Board of Directors, the non-executive directors held a separate meeting.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes. In its special meeting held on April 4, 2014, the Charter of the Board was approved and adopted by the Board of Directors, wherein the minimum quorum requirement for Board decisions is set at 2/3 of the Board members. In particular, Section 4.2.1 provides:

“4.2.1 At least 2/3 of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except as may have been provided in contracts binding on the Corporation, and except for the election of officers which shall require the vote of a majority of all the members of the Board. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is had.”

5) Access to Information

(a) How many days in advance are board papers for board of directors meetings provided to the board?

The Company provides the board papers to the members of the board at least five (5) days before the scheduled meeting.

Section 4.1.5 of the Charter of the Board specifically requires that “[T]he materials for the meetings shall be given to each Director at least five (5) days prior to the intended meeting to give the Directors sufficient time to prepare for the meeting and to raise any concern on the materials.”

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. The Manual of Corporate Governance states that members of the board should be given independent access to the management and the corporate

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188 Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
secretary. Accordingly, members of the board may make further inquiries as regards the operations and affairs of Company to enable them to properly perform their duties and responsibilities.

This is consistent with the principle that the Board oversees the management of the Company and provides directions towards the formulation of a sound corporate strategy. In this connection, the management is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company. In practice, the members of the Board of the Company do actually and directly refer their queries and concerns to the Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary shall ensure that the Board and management follow internal and external rules and regulations, and facilitate clear communications between the Board and management. The Office of the Corporate Secretary, in coordination with the Compliance Officer, shall be the forerunner of the Corporation in championing corporate governance practices and policies.

Upon assumption of office, a director appointed for the first time shall undergo a corporate orientation program to be conducted by the Office of the Corporate Secretary. The Corporate Secretary shall prepare the curriculum for the corporate orientation program. The curriculum of the corporate orientation program shall contain as a minimum, a topic on the operations of the Corporation and the applicable legal framework thereto, and relevant contracts of the Corporation, if any, as well as the existing policies, rules and regulations of the Corporation, such as but not limited to: the Code, the Manual, the Charters of the Board and the Board Committees, corporate governance framework, enterprise risk management, and corporate communications. The curriculum of the orientation program shall be revised as often as necessary to include other subjects and matters relating to the Corporation. In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary shall inform the Board of any updates on the matters covered by the orientation program. The updates can be given during the regular meetings of the Board.

The Charter of the Corporate Secretary which was approved by the Board of Directors in its special meeting held on April 4, 2014 provide that the Corporate Secretary has the following specific functions:

a. Adviser to the directors on their functions, responsibilities and obligations.
b. Responsible for the safekeeping and preservation of the integrity of the minutes of meetings of the stockholders, the Board, the Executive Committee, and all other committees, as well as all other official records of the Corporation.

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189 Article II, Section 1, page 25.
190 Ibid.
191 Manual of Corporate Governance, Article I, Section 1, page 3.
192 Manual of Corporate Governance, Article I, Section 1, page 24.
193 Charter of the Board, Section 2.27
194 Ibid.
He shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate.

c. Work fairly and objectively with the Board, management and stockholders.
   Custodian of the seal of the Corporation and with authority to affix it to any instrument requiring the same.

d. Custodian of the stock certificate book and such other books and papers as the Board may direct.

e. Attend to the giving and serving of notices of Board and shareholder meetings.

f. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

g. Be fully informed and be part of the scheduling process of other activities of the Board.

h. Attend all Board meetings, except when justifiable causes prevent him from doing so. For this purpose, the Board shall have discretion of determining what causes are justifiable.

i. Ensure that all Board procedures, rules and regulations are strictly followed by the members.

j. Prepare an annual schedule of board meetings and the agenda of meetings, and put the Board on notice of such agenda at every meeting.

k. Oversee the adequate flow of information to the Board prior to meetings.

l. Ensure fulfillment of disclosure requirements to the SEC and the PSE.

m. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Manual.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

Under the Charter of the Corporate Secretary and the Manual, the Corporate Secretary shall be a resident and citizen of the Philippines. He must possess organizational and interpersonal skills, the legal skills of a chief legal officer and the following additional qualifications:

a. Loyalty to the mission, vision and objectives of the Corporation;

b. Possession of and/or working knowledge of the operations of the Corporation;

c. Knowledge of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

d. Possession of appropriate administrative and interpersonal skills; and

e. Trained in legal, accountancy or corporate secretarial practices.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary of the Company, Atty. Solomon M. Hermosura, is a lawyer by profession, a member of the Integrated Bar of the Philippines in good standing, and a bar examinations topnotcher. Moreover, he has the necessary experience and skills in legal and corporate secretarial practices. He also has knowledge of accounting principles and can readily apply it in the performance of his duties as Corporate Secretary.

In sum, the Corporate Secretary of the Company has all the qualifications required under the Charter of the Corporate Secretary and the Manual, to wit:
a. Loyalty to the mission, vision and objectives of the Corporation;
b. Possession of and/or working knowledge of the operations of the Corporation;
c. Knowledge of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
d. Possession of appropriate administrative and interpersonal skills; and
e. Trained in legal, accountancy or corporate secretarial practices.

**Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Details of the procedures</th>
</tr>
</thead>
</table>
| Executive Committee | The members of the Executive Committee are provided in advance by the Office of the Corporate Secretary with the agenda of the meeting and information on the matters to be discussed during the meetings.  

The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.

As a general rule, Committee meetings shall be announced at least two (2) weeks in advance. Notice of meetings may be given by any customary means of communication such as electronic mail, in writing, by telephone, by telefax and other similar means. The notice shall specify the time and place of the meeting and include a detailed agenda. The materials of the meetings shall be given to each member of the Committee at least five (5) days prior to the intended meeting, except as otherwise provided herein.\(^{195}\)

The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.\(^{196}\)

The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Committee.\(^{197}\)

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195 Charter of the Executive Committee, Section 3.1 (b).
196 Charter of the Executive Committee, Section 4.1.
197 Charter of the Executive Committee, Section 4.2.
The Committee may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.\textsuperscript{198}

All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.\textsuperscript{199}

| Audit and Governance Committee | The members of the Audit and Governance Committee are provided by the Office of the Corporate Secretary or Internal Audit Department of the Company in advance with the agenda of the meeting and information on the matters to be discussed during the meetings.

The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.

The Internal Audit (IA) of the Company shall support the Committee in the rendition of its functions, specifically\textsuperscript{200}:

i. IA shall provide all the secretariat support to the Committee.

ii. The Chief Audit Executive (CAE) shall attend all the Committee meetings and ensure that a legal officer records the minutes of the meetings.

iii. IA shall keep all minutes of the meetings and make these available for inspection by any member of the Committee or the Board of Directors, as and when requested.

iv. IA shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and IA, these shall be highlighted to the Committee for consideration and decision. |

| Nomination Committee | The members of the Nomination Committee are provided by the Office of the Corporate Secretary in advance with the agenda and information on the matters to be discussed during the meetings.

The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting. |

\textsuperscript{198} Ibid.
\textsuperscript{199} Ibid.
\textsuperscript{200} Charter of the Audit and Governance Committee (K)
As a general rule, Committee meetings shall be announced at least two (2) weeks in advance. Notice of meetings may be given by any customary means of communication such as electronic mail, in writing, by telephone, by telefax and other similar means. The notice shall specify the time and place of the meeting and include a detailed agenda. The materials for the meetings shall be given to each member of the Committee at least five (5) days prior to the intended meeting, except as otherwise provided herein.\(^\text{201}\)

The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.\(^\text{202}\)

The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Committee.\(^\text{203}\)

The Committee may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.\(^\text{204}\)

All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.\(^\text{205}\)

<table>
<thead>
<tr>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>The members of the Remuneration Committee are provided by the Office of the Corporate Secretary or the Corporate Human Resources Group of the Company in advance with the agenda and information on the matters to be discussed during the meetings.</td>
</tr>
<tr>
<td>The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.</td>
</tr>
<tr>
<td>As a general rule, Committee meetings shall be announced at least two (2) weeks in advance. Notice of meetings may be given by any customary means of communication such as electronic mail, in writing, by telephone, by telefax and other similar means. The notice shall specify the time and place of the meeting and include a detailed agenda. The</td>
</tr>
</tbody>
</table>

\(^{201}\) Charter of the Nomination Committee, Section 3.1 (b)  
\(^{202}\) Charter of the Nomination Committee, Section 4.1  
\(^{203}\) Charter of the Nomination Committee, Section 4.2  
\(^{204}\) Ibid.  
\(^{205}\) Ibid.
materials for the meetings shall be given to each member of the Committee at least five (5) days prior to the intended meeting, except as otherwise provided herein.  

The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.

The Corporate Secretary, the Group Director for Corporate Human Resources Group, management and personnel of the Corporation shall provide assistance and support to the Committee.

The Committee may also invite such members of management and other persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.

All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.

Related Party Transactions Committee

Same process and procedure as that applied to the Audit and Governance Committee since the RPT Committee is a sub-committee of and composed of all the independent directors of the Audit and Governance Committee.

Risk Committee

Same process as the other Board Committees. In addition, the Enterprise Risk and Insurance Management (ERIM) Department shall support the Committee in the performance of its functions, specifically:

- The ERIM Department shall provide all the secretariat support to the Committee.
- The Chief Risk Officer shall attend all the Committee meetings and ensure that the minutes of the meetings are properly recorded by a representative from the Office of the Corporate Secretary.
- The ERIM Department shall keep all minutes and records of the meetings, recorded and prepared by the Office of the Corporate Secretary and make these available for inspection by any member of the Committee or the Board, as and when requested.

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206 Charter of the Remuneration Committee, Section 3.1 (b).
207 Charter of the Remuneration Committee, Section 4.1.
208 Charter of the Remuneration Committee, Section 4.2.
209 Ibid.
210 Ibid.
The ERIM Department shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and ERIM Department, these shall be highlighted to the Committee for consideration and decision.\textsuperscript{211}

The Committee shall have reasonably free and full access to the Company’s data, records and properties, as well as information from employees, officers, directors or external parties that may be relevant in monitoring and assessing risk exposures and their implications to the Company.\textsuperscript{212}

### 6) External Advice

**Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:**

Yes, there is such procedure.

The Manual provides that directors can create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company’s expense, which expense shall be reasonable. Moreover, members of the Board are given independent access to the Management and the Corporate Secretary for making inquiries to enable them to properly perform their duties and responsibilities.

Pursuant to the foregoing, the Charter of the Board of Directors provide for the following procedures:

\textit{“Section 7.1 Access to Information}

\textit{The Board shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.}

\textit{Section 7.2 Technical Assistance}

\textit{The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Board.}

\textsuperscript{211} Charter of the Risk Committee, Clause F

\textsuperscript{212} Charter of the Risk Committee, Clause G Section 4
The Board may also invite such members of management and other resource persons to its meetings and may secure independent expert 
and/or professional advice as it may deem desirable or appropriate. All resources necessary for the Board to perform its duties and 
functions shall be provided by the Corporation, at its expense.”

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

As a general rule, policies of the Companies are formulated by the Senior Management, subject to the approval of the Board of Directors or pursuant to previous authorizations given by the Board or provided under the By Laws of the Corporation.

In its regular meeting held on August 11, 2015, the Board approved the creation of a Risk Committee, and in its meeting held on November 26, 2015, the Board approved the Charter of the Risk Committee. Under its Charter, the Risk Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’ operations, and ensure that risk awareness culture is pervasive throughout the organization.
2. Ensure that an overall set of risk management policies and procedures exist for the Company.
3. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework / process.
4. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.
5. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.
6. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.
7. Perform other activities related to this Charter as requested by the Board.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation, monitoring and reporting of the risk management framework, process and strategies intended to address the identified risks.

In its regular meeting held on April 15, 2013, the Board ratified and approved the revisions to the Sustainability Policy and Climate Change Policy of the Company.

The Sustainability Policy of Manila Water was developed in 2005 and was first presented in the first-ever Sustainability Report of Manila Water which was released in the same year. Over the years, there have been several changes in the organization of Manila Water as well as in the business environment
within which the Company is operating and there were also new international standards. Given these factors, the management revisited the Company’s Sustainability Policy and identified the gaps that need to be addressed.

On other hand, the Climate Change Policy was ratified by the Board in 2007 and Manila Water was the first company to have a formal climate change policy. This Policy predates the Philippine Climate Change Act, National Framework Strategy on Climate Change and National Climate Change Action Plan which were passed/implemented in 2009, 2010 and 2011 respectively. To align the Company’s Climate Change Policy with the Philippine government’s anchor strategy of Adaptation, Manila Water revised its existing Climate Change Policy.

In its regular meeting held on November 29, 2013, the Board approved the Charters of the Board Committees, namely, the Executive Committee, the Nomination Committee, the Remuneration Committee, and the Committee of Inspectors of Ballots and Proxies. The Audit and Governance Committee has an existing charter. In its Regular Meeting held on February 26, 2016, the Board approved the amendment to the Charter of the Audit and Governance Committee which pertains to the transfer of the risk management and oversight functions to the recently established Risk Committee.

Prior to the adoption of the Board Committee Charters, the Manual, with the exception of the Audit and Governance Committee Charter, is the only basis of the authority, functions and duties of the Board Committees. With the recent trend of empowering the Board Committees, there existed a need to codify this empowerment and to supplement the Manual with regard to the duties, functions, and composition of the Board Committees.

The primary objective of the Board Committee Charters is to establish the requirements of membership of the aforesaid Committee, the powers, duties and responsibilities of the members, the meeting and quorum requirements, and the method of adopting resolutions. With the approval of the charters, the Committees will have a clearer and more direct participation in the functioning of the Board. However, the Board Committee Charters is not intended to replace, but only to supplement, the Manual.

In its special meeting held on April 4, 2014, the Board approved the following:

a. Revised Code of Business Conduct and Ethics
b. Policy on Related Party Transaction
c. Charter of the Office of the Corporate Secretary and
d. Charter of the Board of Directors

The Revised Code of Business Conduct and Ethics contains improvements in the existing policies of the Company on conflict of interest, honesty and fair dealing, disclosure, insider trading, and corporate entertainment and gifts. In addition, policies on creditor rights, anti-corruption and anti-sexual harassment have been incorporated as well. More importantly, the provisions on implementation of the Revised Code through the Compliance Officer have been made clearer and more stringent, and a corporate governance panel has been tasked to assist the Compliance Officer in the investigation of the violations of the Revised Code.
The Policy on Related Party Transactions (RPT), the Charter of the Corporate Secretary and the Charter of the Board seek to supplement the provisions of the Manual on the said relevant subjects.

The RPT Policy requires that the Company shall enter into any related-party transactions solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm’s length arrangements, and subject to appropriate corporate approvals and actions of the Corporation or the Related Parties, as the case may be. More importantly, approval of the RPT Committee (composed entirely of the independent directors of the Audit and Governance Committee) is required prior to award of Material RPTs. With respect to non-material RPTs, the approval of the Compliance Officer is required prior to award thereof. Material RPTs are those with contract price of at least Php10,000,000.00.

The Charter of the Corporate Secretary institutionalizes the Office of the Corporate Secretary as the office with the primary function of assisting the Board of Directors.

The Charter of the Board of Directors includes, among others, the process for selection, appointment, disqualification, suspension, reinstatement, and removal of directors, meeting and quorum requirements, clear delineation of the functions of the Board as a collegial body and the Chairman of the Board of Directors, and the evaluation of the Board, the Board Committees and the President of the Company. The Charter of the Board also clarifies and ingrains the policies of the Board on Business Conduct and Ethics, Diversity and Multiple Directorships.

The adoption of the above changes in or new policies are in line with the Company’s efforts to further its corporate governance practices and implementation.

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

<table>
<thead>
<tr>
<th>Process</th>
<th>CEO</th>
<th>Top 4 Highest Paid Management Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Fixed remuneration</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmark</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmark</td>
</tr>
<tr>
<td>(2) Variable remuneration</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmarks</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmarks</td>
</tr>
<tr>
<td>(3) Per diem allowance</td>
<td>Industry Benchmarks</td>
<td>Industry Benchmarks</td>
</tr>
<tr>
<td>(4) Bonus</td>
<td>Industry Benchmarks/ Individual Performance</td>
<td>Industry Benchmarks/ Individual Performance</td>
</tr>
</tbody>
</table>
2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company’s policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The Board shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. Pursuant to the Company By-Laws, the Board issued a resolution providing that each director shall receive a reasonable per diem allowance for his attendance at each meeting of the board. As compensation, the Board shall receive and allocate an amount of not more than 1% of the net income before income tax of the Company during the preceding year.

<table>
<thead>
<tr>
<th>Remuneration Policy</th>
<th>Structure of Compensation Packages</th>
<th>How Compensation is Calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td>Industry Practice</td>
<td>Industry Practice/By Laws</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td>Industry Practice</td>
<td>Industry Practice/By Laws</td>
</tr>
</tbody>
</table>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Yes. In the annual stockholders’ meeting held on April 11, 2011, the stockholders approved the following remuneration scheme for directors and members of board committees:

<table>
<thead>
<tr>
<th>Remuneration Scheme</th>
<th>Date of Stockholders’ Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retainer of P500,000.00 per member of the Board</td>
<td>April 11, 2011</td>
</tr>
</tbody>
</table>
P200,000.00 per member for every board or stockholders’ meeting actually attended  
April 11, 2011

P50,000.00 per member for every committee meeting actually attended  
April 11, 2011

The aforesaid remuneration scheme has not been revoked or amended.

3) **Aggregate Remuneration**

Complete the following table on the aggregate remuneration accrued during the most recent year:

<table>
<thead>
<tr>
<th>Remuneration Item</th>
<th>Executive Directors*</th>
<th>Non-Executive Directors (other than independent directors)*</th>
<th>Independent Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Fixed Remuneration</td>
<td>P500,000</td>
<td>P3,000,000</td>
<td>P2,000,000</td>
</tr>
<tr>
<td>(b) Variable Remuneration</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(c) Per diem Allowance</td>
<td>P1,550,000</td>
<td>P9,100,000</td>
<td>P7,300,000</td>
</tr>
<tr>
<td>(d) Bonuses</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(e) Stock Options and/or other financial instruments</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(f) Others (Specify)</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P2,050,000</td>
<td>P12,100,000</td>
<td>9,300,000</td>
</tr>
</tbody>
</table>

* The Fixed Remunerations and Per Diem allowances for Gerardo C. Ablaza, Jr. (Executive Director), Fernando Zobel de Ayala, Jaime Augusto Zobel de Ayala, John Eric T. Francia and Delfin L. Lazaro were paid directly to Ayala Corporation.

<table>
<thead>
<tr>
<th>Other Benefits</th>
<th>Executive Directors</th>
<th>Non-Executive Director (other than independent directors)</th>
<th>Independent Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Advances</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>2) Credit granted</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
3) Pension Plan/s Contributions

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

(d) Pension Plans, Obligations incurred

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

(e) Life Insurance Premium

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

(f) Hospitalization Plan

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

(g) Car Plan

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

(h) Others (Specify)

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

Total

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company’s Board of Directors who own or are entitled to stock rights, options or warrants over the Company’s shares:

Data as of March 31, 2016:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Number of Direct Option/Rights/Warrants</th>
<th>Number of Indirect Option/Rights/Warrants</th>
<th>Number of Equivalent Shares</th>
<th>Total % from Capital Stock*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>4,126,077</td>
<td>0</td>
<td>4,126,077</td>
<td>0.20088538%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,549,542</td>
<td>0</td>
<td>5,549,542</td>
<td>0.27018929%</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>708,304</td>
<td>0</td>
<td>708,304</td>
<td>0.03448504%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>130,000</td>
<td>0</td>
<td>130,000</td>
<td>0.00632928%</td>
</tr>
</tbody>
</table>

*Common Shares Only

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders’ Meeting:
There was no amendments or discontinuance of any incentive programs introduced during the period.

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

<table>
<thead>
<tr>
<th>Name of Officer/Position</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Juan B. Oreta</td>
<td></td>
</tr>
<tr>
<td>Ferdinand M. Dela Cruz</td>
<td></td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td></td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td></td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td>PhP87,196,000</td>
</tr>
</tbody>
</table>

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

On August 11, 2015, at its regular meeting, the Board approved the creation of the Risk Committee. On November 26, 2015, at its regular meeting, the Board approved the Charter of the Risk Committee.

<table>
<thead>
<tr>
<th>Committee</th>
<th>No. of Members</th>
<th>Committee Charter</th>
<th>Functions</th>
<th>Key Responsibilities</th>
<th>Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Executive</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td></td>
<td>Director (ED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (NED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (ID)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>Executive</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td></td>
<td>Director (ED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (NED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (ID)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nomination*</td>
<td>Executive</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td></td>
<td>Director (ED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (NED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (ID)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remuneration</td>
<td>Executive</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td></td>
<td>Director (ED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (NED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director (ID)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
During the organizational meeting of the Board of Directors held on April 11, 2016, the members appointed to the Nomination Committee consist only of independent directors.

**The Executive Committee**

The Board shall appoint from among its members an Executive Committee composed of five (5) members. The Board shall designate the Chairman of the Executive Committee.

The Executive Committee is authorized to act, and shall act, on matters within the competence of the Board of Directors, except with respect to --

a. approval of any action for which shareholders’ approval is also required;
b. the filling of vacancies on the Board or in the Executive Committee;
c. the amendment or repeal of By-Laws or the adoption of new By-Laws;
d. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
e. the distribution of cash dividends;
f. the exercise of powers delegated by the Board exclusively to other committees, if any.

The attendance of at least four (4) members of the Executive Committee shall constitute a quorum but the majority vote of all members shall be necessary to carry an act or resolution of the Committee. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval by the Board for its validity and effectivity. However, any such act shall be subject to revision or alteration by the Board.

The Committee shall perform such other functions as may be properly delegated to it by the Board.

The Committee shall be guided by the Company’s mission and vision in the fulfilment of its functions.

**The Audit and Governance Committee**

There shall be an Audit and Governance Committee composed of four (4) members, and at least one of whom shall be an independent director. The independent director shall chair the Audit and Governance Committee.

The Audit and Governance Committee has three (3) independent directors, one of whom is the Chairman.
Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular. One of the independent directors, Director Jaime C. Laya, is a Certified Public Accountant.

The Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.

In general, the Audit and Governance Committee shall assist the Board in the performance of the following functions:

i. Ensure the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

iii. Institutionalizing the internal audit functions;

iv. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit;

v. Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

vi. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the regulators and the Company’s shareholders and other stakeholders on matters of importance;

vii. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

viii. Adopt a system of internal checks and balances for the Board and management which systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

ix. Provide the stockholders and stakeholders with relevant and timely information about the Company’s performance, position and prospects as well as other financial reporting and control requirements as may be issued by regulator or required by the shareholders and stakeholders from time to time.

x. Adoption, implementation and continuous monitoring of policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board as well as other unusual or complex transactions;

xi. Recommend the appointment and removal of the external auditors;

xii. Creation of procedures for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, subject only to reasonableness of expense;

In particular, the Audit and Governance Committee shall have the following duties and responsibilities:

i. assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and secure Management’s assurance as to the state of the Company’s internal control;
ii. make a fair and balanced review of all financial reports and check against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

iii. determine the impact of new accounting standards and interpretations in the financial standing and reports of the Company;

iv. assess annual and interim financial reports as to completeness, clarity, consistency and accuracy of disclosures including information on related party transactions;

v. perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;

vi. be responsible for setting up an internal audit department and consider the appointment and removal of the CAE; establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

vii. ensure that internal auditors have free and full access to all the Company’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

viii. provide oversight of the Company’s internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

ix. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

x. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

xi. monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security;

xii. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.

xiii. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xiv. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xv. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor’s independence and freedom from interference by outside parties;

xvi. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xvii. recommend and review the appointment and removal of external auditors and their remuneration;

xviii. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xix. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee
shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company’s annual report;

xx. understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.

xxi conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board. Independent consultants may also be invited to assist the Committee in the process;

xxii develop and recommend to the Board corporate governance principles applicable to the Company;

xxiii monitor and assess the Company’s compliance with rules and regulations relating to corporate governance policies;

xxiv make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;

xxv evaluate and monitor compliance with the Company’s policy in detection of fraud and whistle-blower program;

xxvi evaluate compliance with the Company’s Code of Conduct and Ethics.

In the fulfillment of the foregoing functions, the Committee shall maintain a free and open communication with the Company’s independent auditors, the internal auditors and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the company and the power to retain outside counsel or other experts for this purpose.

Furthermore, the Committee may rely upon the expertise and knowledge of Management, the Internal Auditors and Independent Auditors in the fulfillment of its responsibilities. The independent Auditors are responsible to the Committee in helping ensure the integrity of the financial statements while the Internal Auditors help the Committee identify the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization’s risk management, financial reporting and controls, and corporate governance processes.

With regard to Financial Reporting, the Audit and Governance Committee shall:

i Review of the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and existing financial accounting standards, legal and regulatory requirements.

ii Review of the quarterly, mid-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, alternative accounting treatments and significant adjustments resulting from the audit, on-going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

iii Ensure that a transparent financial management system is established to ensure the integrity of internal control activities throughout the organization.

iv Maintain at international standards, the Company’s accounting and auditing processes, practices and methodologies, and ensure that: (a) The accounting system of the Company is compliant with the current and existing financial accounting standards; and (b) An accountability statement is in place that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.

v Review and approve management representation letter before the same is submitted to the independent auditor.
vi Communicate with the Company’s legal officer/s or counsel/s regarding litigations, claims, contingencies or other significant legal issues that may have an impact on the financial standing of the Company.

With regard to Internal Audit, the Audit and Governance Committee shall:

i Review and approval of the Internal Audit Charter and subsequent revisions thereto.

ii Set up the Internal Audit Activity (“IAA”), including the appointment and removal of the CAE. The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the IAA to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal.

iii Ensure that the Internal Auditors have free and full access to all Corporation’s records, properties and personnel relevant to and required by its function and that the IAA shall be free from interference in determining its scope, performing its work and communicating its results.

iv Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of higher risk.

v Review reports of the IAA and regulatory agencies, where applicable, ensure that management is taking appropriate and corrective actions in a timely manner, including addressing internal control and compliance issues.

vi Review of the IAA’s periodic reports and the IAA Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAA’s activities and performance relative to the audit plans and strategies approved by the Committee.

vii Conduct separate meetings with the President to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii Provide inputs on the performance of the IAA and communicate/discuss such inputs with the President who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

ix As necessary, institute special investigations and, if appropriate the hire of special counsel or experts to provide the necessary assistance.

x. Monitor the assessment of IAA in determining whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives. (New standard –ISPPIA 2110.A2)

xi. Provide inputs on the IAA’s evaluation of the potential occurrence of material errors and fraud. IAA should inform the Committee how the organization manages fraud risk. The Committee shall determine the sufficiency of the risk controls applied in the Company for the occurrence of such material errors and fraud and provide inputs and/or guidance on how to improve the same. (New standard–ISPPIA 2120.A2)

xii The Committee shall report to the Board any material error or fraud it may have found on its own or through the evaluation conducted by the IAA related to the business of the Company, particularly in financial reporting, and recommend appropriate actions to be taken by the Board to correct the same.

xiii Provide and approve the limits of IAA’s responsibility in assisting the management in establishing and improving risk management process. IAA must refrain from assuming management responsibility by actually managing risks. (New standard-ISPPIA 2120.C3)

xiv Oversee that IAA will only state that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement. (New standard-ISPPIA 2430)
xv Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;
xvi Evaluate and deliberate on the weaknesses of the Company’s internal control and reporting processes and provide guidance or establish corrective measures for its improvement;
xvii Ensure that management employs the services of internal auditors who are compliant with all qualification requirements of existing regulations, if any, and/or have sufficient experience and expertise in the performance of internal audit functions and that the performance of the internal auditor’s functions are in compliance with international standards on the Practice of Internal Auditing;
xviii Determine the propriety of keeping an in-house audit function as compared to outsourcing. The Committee shall make the appropriate recommendation to the Board should it determine that the internal audit function should be outsourced.

With regard to External Audit, the Audit and Governance Committee shall:
i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.
ii. Ensure that the external auditors comply with relevant and applicable auditing standards.
iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.
iv. Monitor the coordination efforts of the external and internal auditors.
v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.
vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.
vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.
viii. Evaluate the internal control issues that have been raised by the independent auditor.
ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and other material issues that affect the integrity and accuracy of the Company’s financial reporting;
x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards.

The Nomination Committee

The Nomination Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Board will designate the Chairman of the Committee who must be an independent director.
At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:

a. Install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders’ Meeting have the qualifications and none of the disqualifications stated above;

b. Encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;

c. Review and evaluate the qualifications of all persons nominated to positions in the Company which require appointment by the Board and provide guidance and advice as necessary for the appointment of persons nominated to other positions;

d. Review and revise if necessary, the succession plans for members of the Board and officers from Group Directors to the President/CEO;

e. Provide assessment on the Board’s effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors;

f. Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

The Committee shall be guided by the Corporation’s vision and mission in the fulfilment of its functions.

**The Remuneration Committee**

The Remuneration Committee shall be composed of at least three (3) members, a majority of whom shall be independent director. The Board will designate the Chairman of the Committee who must be an independent director.

At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:

a. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company’s culture, strategy and the business environment in which it operates;

b. Determine and approve all matters relating to the remuneration and benefits of the Board and the Company’s officers;

c. Evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;

d. Periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and officers of the Company;

e. Provide in the Company’s Required Reportorial Requirements, a clear, concise and understandable disclosure of all compensation that may be paid to its directors and key officers during the preceding fiscal year;
f. Review and revise, if necessary, the existing Company policies to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

**The Related Party Transaction Committee**

The Related Party Transactions Committee consists of all of the independent directors of the Audit and Governance Committee, provided that there are at least three (3) independent directors in the Committee. As such, the RPT Committee is considered a subset of the Audit and Governance Committee. Hence, except on matters relating specifically to their functions as members of the RPT Committee, the members are subject to the charter of the Audit and Governance Committee.

Prior to entering into any Material RPT, the Company shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation. A Material RPT means any RPT with a stated value of at least Ten Million Pesos (Php10,000,000.00).

**The Risk Committee**

The Risk Committee shall be comprised of at least four (4) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

The Committee shall have the following authority, roles and responsibilities;

a. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’s operations, and ensure that risk awareness culture is pervasive throughout the organization.

b. Ensure that an overall set of risk management policies and procedures exist for the Company.

c. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework/process.

d. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.

e. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.

f. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

g. Perform other activities related to this Charter as requested by the Board.
The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, more than half of the total number of committee members.

Separate executive sessions may be conducted by the Committee with the Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Audit Executive (CAE), other members of the Management team and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.

2) Committee Members

(a) Executive Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment13</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (NED)</td>
<td>Fernando Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>18</td>
</tr>
<tr>
<td>Member (ED)</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Sherisa P. Nuesa</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Antonino T. Aquino</td>
<td>April 7, 2015</td>
<td>3</td>
<td>2</td>
<td>66.7%</td>
<td>17</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>John Eric T. Francia</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>5</td>
</tr>
</tbody>
</table>

*The same individuals have been nominated and appointed members of the Executive Committee during the Organizational Meeting of the Board held on April 11, 2016.
(b) Audit and Governance Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment(^{215})</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee(^{216})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>5</td>
<td>5</td>
<td>100%</td>
<td>9</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>5</td>
<td>4</td>
<td>80%</td>
<td>0</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Victoria P. Garchitorena</td>
<td>April 7, 2015</td>
<td>5</td>
<td>5</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>5</td>
<td>4</td>
<td>80%</td>
<td>4</td>
</tr>
</tbody>
</table>

*The same individuals have been nominated and appointed members of the Audit and Governance Committee during the Organizational Meeting of the Board held on April 11, 2016.

Disclose the profile or qualifications of the Audit and Governance Committee members.

**OSCAR S. REYES**

*Independent Director, Board of Directors*
*Chairman, Audit and Governance Committee*
*Chairman, Related Party Transaction Committee*
*Chairman, Remuneration Committee*
*Member, Nomination Committee*
*Member, Risk Committee*
*Filipino, 69 years old*
*Independent Director of the Company since February 3, 2005\(^{217}\)*

Education and Training:
- Bachelor of Arts degree in Economics, *Cum Laude*, Ateneo de Manila University
- Post-Graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)

\(^{215}\) Date of last appointment
\(^{216}\) Reckoned from the date of original appointment
\(^{217}\) Pursuant to SEC Memorandum Circular No. 9 Series of 2011 of the Securities and Exchange Commission, all previous terms served by existing Independent Directors as of January 2, 2012 shall not be included in the application of the term limits under the Circular.
• Bank of the Philippine Islands (Ayala Group)
• Manila Electric Company
• Philippine Long Distance Telephone Company
• Pepsi Cola Products (Philippines), Inc.
• Basic Energy Corporation
• Cosco Capital, Inc.

Membership in the Board of Non-Listed Companies:
• PLDT Communications & Energy Ventures, Inc.
• Sun Life Financial Plans, Inc.
• Sun Life Prosperity Dollar Advantage Fund, Inc.
• Sun Life Prosperity Dollar Abundance Fund, Inc.
• Sun Life Prosperity GS Fund, Inc.
• Sun Life of Canada Prosperity Bond Fund, Inc.
• Sun Life Prosperity Money Market Fund, Inc.
• Sun Life Prosperity Dynamic Fund, Inc.
• Grepalife Fixed Income Fund Corporation
• Grepalife Dollar Bond Fund Corporation
• Grepalife Bond Fund Corporation
• Petrolift, Inc.
• Eramen Minerals Inc.
• Meralco PowerGen Corporation
• Meralco Industrial Engineering Services Corporation (MIESCOR)
• CIS Bayad Center
• Meralco Energy, Inc. (MEI)
• Redondo Peninsula Energy, Inc.
• PacificLight Pte. Ltd.
• MRail, Inc.
• Republic Surety & Insurance Corporation
• Calamba Aero Power Corporation
• Clark Electric Development Corporation

Positions in Other Organizations and Corporations:
• Member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT)
• President and CEO of Meralco
• President of Meralco PowerGen Corporation
• Chairman of MIESCOR, CIS Bayad Center, MEI, Redondo Peninsula Energy, Inc., PacificLight Pte., Ltd. and MRail, Inc.

Mr. Reyes served as Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

JOSE L. CUISIA JR.
Independent Director, Board of Directors
Chairman, Nomination Committee
Member, Remuneration Committee
Member, Audit and Governance Committee
Member, Related Party Transaction Committee
Member, Risk Committee
Filipino, 71 years old
Independent Director of the Company since April 12, 2010

Education and Training:
• AB-BSC degrees, Magna Cum Laude, De La Salle University
• MBA degree, University of Pennsylvania (University Scholar)

Membership in the Board of Directors of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)
• SM Prime Holdings
• PHINMA Corporation
• Century Properties Group, Inc.

Membership in the Board of Other Organizations and Corporations:
• The Covenant Car Company, Inc.
• AIG Shared Services – Business Processing, Inc.
• Phinma, Inc.

218 Pursuant to SEC Memorandum Circular No. 9 Series of 2011 of the Securities and Exchange Commission, all previous terms served by existing Independent Directors as of January 2, 2012 shall not be included in the application of the term limits under the Circular.
Positions in Other Organizations and Corporations:
- Chairman of the Board of Directors of The Covenant Car Company, Inc.
- Vice-Chairman of SM Prime Holdings

Mr. Cuisia is presently the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti and has oversight over the following jurisdictions: Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.

Before becoming Philam Life’s President and CEO for 16 years, Mr. Cuisia served the Philippine Government as Governor of the Central Bank of the Philippines and Chairman of its Monetary Board from 1990-1993. He was also appointed Commissioner, representative of the Employer’s Group, for the Social Security System (SSS) in September 2010. Mr. Cuisia was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was also Administrator and CEO of the Philippine Social Security System from 1986-1990.

JAIME C. LAYA
Independent Director, Board of Directors
Member, Audit and Governance Committee
Member, Related Party Transaction Committee
Member, Nomination Committee
Chairman, Risk Committee
Filipino, 75 years old
Independent Director of the Company since April 4, 2014

Education and Training:
- Certified Public Accountant
- BSBA, Magna cum Laude, University of the Philippines
- M.S. in Industrial Management, Georgia Institute of Technology
- Ph.D. in Financial Management, Stanford University in 1966

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)
- Ayala Land, Inc. (Ayala Group)
- Philippine Trust Company (Philtrust Bank)
- GMA Network, Inc.
- GMA Holdings, Inc.
Membership in the Board of Non-Listed Companies:
- Philippine AXA Life Insurance Co., Inc.
- Cultural Center of the Philippines
- St. Paul’s University – Quezon City
- Ayala Foundation, Inc.
- Fundacion Santiago
- Yuchengco Museum
- CIBI Foundation, Inc.
- Escuela Taller de Filipinas Foundation, Inc.
- Manila Polo Club.

Positions in Other Organizations and Corporations:
- Chairman of the Board of Directors and President of Philippine Trust Company (Philtrust Bank).

Mr. Laya has served as Minister of the Budget; Minister of Education, Culture and Sports; Governor of the Central Bank of the Philippines; Chairman of the National Commission for Culture and the Arts; and Professor and Dean of Business Administration of the University of the Philippines.

VICTORIA P. GARCHITORENA
Member of the Board of Directors
Member, Audit and Governance Committee
Member, Risk Committee
Filipino, 70 years old
Director of the Company since April 4, 2014

Education and Training:
- B.S. Physics, Magna cum Laude, College of the Holy Spirit
- Post-graduate studies in Management Development Program, Asian Institute of Management
- Post-graduate studies in Environmental Economics & Policy Analysis, Harvard Institute for International Development

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)
Membership in the Board of Non-Listed Companies:
• UCPB Finance Corp.
• UCPB Foundation, Inc.
• Avignon Tower Condominium Corporation
• Asian Institute of Management
• Ayala Foundation, Inc.

Positions in Other Organizations and Corporations:
• Consultant of Ayala Corporation
• Member, Makati Business Club
• Member, National Executive Committee of the Bishops-Businessmen's Conference for Human Development
• Member, National Executive Committee of the UBAS (Ugnayan ng Barangay at Simbahan)
• Adviser, Gerry Roxas Foundation
• Adviser, United CSO Federation of Makati

Ms. Garchitorena has served as a member of the Management Committee of Ayala Corporation (Ayala Group) from 2006 until 2011.

She was a Managing Director of Ayala Corporation, President of Ayala Foundation, Inc. and Philippine Development Foundation (formerly Ayala Foundation USA). Her other significant past positions include: Trustee of the International Center on Innovation, Transformation and Excellence in Governance and Pinoy Me Foundation; member of the Asia Pacific Advisory Council Against Corruption-World Bank and the World Bank Social Protection Advisory Board; League of Corporate Foundations and Makati Business Club; and member of the National Committee of Bishops-Businessmen’s Council for Human Development.

Previously, she was a Senior Consultant on Poverty Alleviation and Good Governance and the Head of the Presidential Management Staff and Secretary to the Cabinet under the Office of the President of the Republic of the Philippines; a Director of Philippine Charity Sweepstakes Office; Executive Assistant to the Chairman and President of the Meralco Foundation, Inc.; a Trustee of the Ramon Magsaysay Awards Foundation; and Co-Chairperson of EDSA People Power Commission; a Board Member of the US based Council of Foundations; Member of the Global Foundation Leaders Advisory Group of World Economic Forum and Governor of Management Association of the Philippines.

Describe the Audit and Governance Committee’s responsibility relative to the external auditor.

With regard to External Audit, the Audit and Governance Committee shall:
i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.
ii. Ensure that the external auditors comply with relevant and applicable auditing standards.
iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.

v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards. 219

(c) Nomination Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Date of Appointment&lt;sup&gt;220&lt;/sup&gt;</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee&lt;sup&gt;221&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>10</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>10</td>
</tr>
</tbody>
</table>

At the Organizational Meeting of the Board held on April 11, 2016, the following individuals were elected Chairman and members of the Nomination Committee. Hence, for the ensuing year, the Nomination Committee of the Company is composed only of independent directors.

---

<sup>219</sup> Audit and Governance Committee Charter

<sup>220</sup> Date of last appointment

<sup>221</sup> Reckoned from the date of original appointment
<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Date of Appointment†</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee‡</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Sherisa P. Nuesa</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Fernando Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>5</td>
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</table>

* The same individuals have been nominated and appointed members of the Remuneration Committee during the Organizational Meeting of the Board held on April 11, 2016.

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Date of Appointment†</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee‡</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Jaime C. Laya</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
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<td>0</td>
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<tr>
<td>Member (ID)</td>
<td>Oscar S. Reyes</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
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<tr>
<td>Member (NED)</td>
<td>Victoria P. Garchitorena</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
</tr>
</tbody>
</table>

* The same individuals have been nominated and appointed members of the Risk Committee during the Organizational Meeting of the Board held on April 11, 2016.

---

† Date of last appointment
‡ Reckoned from the date of original appointment
§ Date of last appointment
∥ Reckoned from the date of original appointment
Provide the same information on all other committees constituted by the Board of Directors:

Committee of Inspectors of Ballots and Proxies*:

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Head – Internal Audit</td>
<td>April 7, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Xerxes Noel O. Ordanez</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member</td>
<td>Head – Legal and Corporate Governance Department</td>
<td>April 7, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Atty. Jhoel P. Raquedan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member</td>
<td>Representative of External Auditor</td>
<td>April 7, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>5</td>
</tr>
</tbody>
</table>

*Formerly, the “Proxy Validation Committee”

By virtue of their positions and offices, the same individuals were nominated and appointed members of the Committee during the Organizational Meeting of the Board held on April 11, 2016.

Related Party Transactions Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
</tbody>
</table>

*The members of the Committee consist of all the independent directors of the Audit and Governance Committee. The Committee is considered a subset of the Audit and Governance Committee, and as such is governed by the same charter.

The same individuals were nominated and appointed members of the Committee during the Organizational Meeting of the Board held on April 11, 2016.

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226 Date of last appointment
227 Date of last appointment
228 Reckoned from the date of original appointment
3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Changes in Committee Membership in 2015:

<table>
<thead>
<tr>
<th>Name of Committee</th>
<th>Name</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee of Inspectors of Ballots and Proxies*</td>
<td>Xerxes Noel O. Ordanez</td>
<td>Mr. Ordanez previously held the position of Officer-in-Charge of Internal Audit, until the confirmation of his appointment as Head of the Internal Audit Department</td>
</tr>
</tbody>
</table>

*Formerly, the Proxy Validation Committee

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

<table>
<thead>
<tr>
<th>Name of Committee</th>
<th>Work Done</th>
<th>Issues Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Refer below</td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>Refer below</td>
<td></td>
</tr>
<tr>
<td>Nomination</td>
<td>Refer below</td>
<td></td>
</tr>
<tr>
<td>Remuneration</td>
<td>Refer below</td>
<td></td>
</tr>
<tr>
<td>Others (specify) Proxy Validation Committee</td>
<td>Refer below</td>
<td></td>
</tr>
</tbody>
</table>

THE EXECUTIVE COMMITTEE:

For 2015, the Executive Committee has passed the resolutions on the following:


e. Resolution No. E-5 (2015) on the cancellation of Income Tax Holiday granted by the Bureau of Internal Revenue

The acts and resolutions approved and/or passed by the Executive Committee were those acts necessary for or in furtherance of the operations of the Company. These acts and resolutions were ratified by the Board in its meeting immediately succeeding the relevant Executive Committee meeting.

THE NOMINATION COMMITTEE:

For 2015, the Nomination Committee has evaluated and endorsed:

a. the nomination of Mr. Thomas T. Mattison as Group Director for Project Delivery Group
b. the nomination for election of the eleven (11) nominees to the Board of Directors at the ASM on April 7, 2015
c. the nomination for election of the nominees to the positions of officers of the Company and the board committees at the Organizational Meeting on April 7, 2015

For 2016, the Nomination Committee has evaluated and endorsed:

a. the nomination for election of the eleven (11) nominees to the Board of Directors at the ASM on April 11, 2016
b. the nomination for election of the nominees to the positions of officers of the Company and the Board Committees at the Organizational Meeting on April 11, 2016

THE REMUNERATION COMMITTEE:

For 2015, the Remuneration Committee has approved:

a. the 2014 Employee Stock Option Plan Grant to qualified officers and employees of the Company
b. the 2015 Compensation Program of the Company

For 2016, the Remuneration Committee has evaluated and approved the 2016 Compensation Program of the Company.

THE COMMITTEE OF INSPECTORS OF BALLOTS AND PROXIES:

On March 27, 2015, the Committee of Inspectors of Ballots and Proxies validated the proxies submitted by the stockholders for the purpose of the 2015 ASM held on April 7, 2015.
On April 4, 2016, the Committee of Inspectors of Ballots and Proxies validated the proxies submitted by the stockholders for the purpose of the 2016 ASM held on April 11, 2016.

**THE AUDIT AND GOVERNANCE COMMITTEE:**

For 2015, the Audit and Governance Committee has approved the following matters:

a. 2014 Consolidated Financial Statements including the Notes to the Financial Statements, Management Discussion and Analysis and Management Representation Letters
b. 2015 SGV Audit Plan
c. 2015 Quarterly Consolidated Financial Results
d. Re-appointment of SGV and Co. as external auditor of the Company and the subsidiaries
e. The total audit fee of SGV for the audit engagement of the Company and its subsidiaries and for other audit engagements amounting to Php3,527,350, exclusive of value added tax and out of pocket expenses. Of this total audit fee, Php2 million pertains to the audit engagement of the Company.
f. Report of the Audit and Governance Committee to the Board
g. Revision to the Policy on Related Party Transactions and approval of the Secondment Agreement with Manila Water Asia Pacific Pte. Ltd. (acting as Related Party Committee)
h. Proposed Committee Meeting Schedules and Agenda for 2015
i. Minutes of Previous Audit Committee Meetings
j. 2016 Risk-Based Audit Plan
k. Establishment of a Risk Committee

For 2016, the Audit and Governance Committee has approved the following matters:

a. 2015 Consolidated Financial Statements including the Notes to the Financial Statements, Management Discussion and Analysis and Management Representation Letters
b. Endorsed the re-appointment and fixed the remuneration of SGV as external auditors of the Company and its subsidiaries for fiscal year 2016
c. Counterparty limits for relationship banks of the Company
d. Revision to the Charter of the Committee which revisions pertain to the transfer of the risk management and oversight function to the recently established Risk Committee
e. Minutes of Previous Audit Committee Meetings
f. Report of the Committee to the Board
**THE RELATED PARTY TRANSACTION COMMITTEE:**

For 2015, the Related Party Transaction Committee has approved the terms and conditions of the Memorandum of Agreement between Ayala Land, Inc. and Manila Water Philippine Ventures, Inc. (a wholly owned subsidiary of Manila Water). The objective of the MOA is to leverage on the respective expertise of the Parties, in order to provide optimum services and facilities for their customers and clients. Previously, the ALI Group provides in-house water and used water services and facilities in their property development projects. Under the MOA, MWPV will provide the water and used water services and facilities to all the property development projects of the ALI Group nationwide.

**THE RISK COMMITTEE:**

For 2015, immediately after its establishment on August 11, 2015, the Risk Committee adopted its own Charter. With the establishment of the Risk Committee, the risk oversight function of the Audit and Governance Committee has been absorbed and will be performed by the Risk Committee.

For 2016, the Committee so far discussed the top enterprise risks, with particular focus on security risks, and the existing insurance coverage of the Company and its subsidiaries.

5) **Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Each of the Board Committees is required under its own Charter to regularly review the provisions of its Charter to ensure compliance with the relevant corporate governance policies and practices. They are mandated to diligently comply with their duties, functions and responsibilities as set out in their respective Charters and in the Manual.

In addition, the Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company and shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices of the Company. The Audit and Governance Committee is also tasked to oversee the risk management system of the Company.

The Related Party Transactions Committee will ensure the all material RPTs have undergone the same process as an ordinary transaction and determine that the material RPT under review is in the best interest of the Corporation.

The establishment of the Risk Committee will ensure effective management of strategic, operational, financial and compliance-related risks. The Committee will also assist the Board in its oversight functions in relation to risk governance in the Company.
F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

In order to achieve its corporate objectives, Manila Water acknowledges the need for the active management of the risks inherent in its business which should involve the entire organization. For this reason, the Manila Water has established an Enterprise Risk Management (ERM) Program which aims to use a globally accepted approach in managing imminent and emerging risks in its internal and external operating environments. Under the ERM Program, Manila Water shall appropriately respond to risks and manage them in order to increase shareholder value and enhance its competitive advantage.

Manila Water, through its Enterprise Risk and Insurance Management Department (ERIM Department), seeks to integrate risk awareness and responsibility at each level of management activities, and into all strategic planning and decision-making processes within Manila Water and its subsidiaries to support achievement of strategies and objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The 2015 Annual Report of the Risk Committee to the Board of Directors reads in part:

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management Process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in the Company.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

The Internal Audit Department assessed the state of the ERM framework of Manila Water and the results of the assessment was reported to the Risk Committee (RC) and the Board of Directors (BOD). The assessment of the ERM framework covered the following components, namely:

- Governance and Organization;
• Risk Management Strategy;
• Reporting and Communication;
• Tools and Technology; and
• Culture and Capability.

The RC and the BOD reviewed and approved the top enterprise risks of the Company and reviewed the progress of the action plans to manage these risks. In addition, the risk management programs are reviewed and approved by RC which make a report to the BOD. The comments and recommendations of the RC and BOD were incorporated in the programs for 2015.

For 2015, the following are the improvements in the Risk Management System:
• Creation of Risk Committee of the BOD
• Conduct of Black Swan Workshop attended by Senior Leadership Team and Management Committee
• Inclusion of Manila Water subsidiaries in the Risk Management Excellence Awards program
• Inclusion of ERM maturity in corporate and group targets

In addition, an external assessment of Manila Water’s ERM maturity was conducted by Aon Philippines. Manila Water achieved a rating of 4.5 which means Manila Water is between the operational and advanced levels of ERM implementation. The 4.5 score is also above the global average for all industries (3.0) and global average for utility companies (2.5). The assessment covered the following components of ERM:

• Board Understanding and Commitment to Risk Management
• Executive Level Risk Management Stewardship
• Risk Communication
• Risk Culture: Engagement & Accountability
• Risk Identification
• Stakeholder Participation in Risk Management
• Risk Information and Decision Making Processes
• Integrating Risk Management & Human Capital Processes
• Risk Analysis & Quantification to Understand Risk and Demonstrate Value
• Risk Management Focus on Value Creation

(c) **Period covered by the review:**

2015
(d) How often the risk management system is reviewed and the directors’ criteria for assessing its effectiveness; and

Annual for the assessment of framework; quarterly progress review

(e) Where no review was conducted during the year, an explanation why not.

Not applicable

2) Risk Policy

(a) Company

Give a general description of the company’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The ERM Policy:

- Establishes the framework that shall be employed for risk management at Manila Water;
- Establishes the risk management process;
- Establishes the risk management oversight structure; and
- Defines the authorities and responsibilities of individuals, committees and organization units with roles in ERM.

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Risk Management Policy</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Treasury Risk Management Policy</td>
<td>Provide a clear guidance on the financial risks of Manila Water. (i.e. Market, Credit and Liquidity Risks) arising from Treasury transactions.</td>
</tr>
<tr>
<td>Financial and Compliance</td>
<td>CAPEX Control Policy</td>
<td>Provide a clear guidance on the CAPEX Approval Process and the tolerable limits for variations in CAPEX Projects. (i.e. cost, time, scope)</td>
</tr>
<tr>
<td>Operational</td>
<td>Business Continuity Policy</td>
<td>Provide clear guidance on the continuity and resumption strategies following any operational disruption.</td>
</tr>
<tr>
<td>Operational and Financial</td>
<td>Business Continuity Funding Policy</td>
<td>Provide funding provision for the “Big One” and now covers not only the financial and operational risks.</td>
</tr>
<tr>
<td>Financial</td>
<td>OPEX Control Policy</td>
<td>Provide guidance on the process, controls and limits for operational expenses.</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Financial</td>
<td>Liquidity Plan Policy</td>
<td>Provide granular information on daily movement of funds, cash position and requirements.</td>
</tr>
<tr>
<td>Compliance</td>
<td>Regulatory Compliance Policy</td>
<td>Provide guidance on the identification, assessment, monitoring and reporting of regulatory compliance requirements and violations of the organization.</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Health and Safety Policy</td>
<td>Provide guidance to ensure safety, preservation of life and health of employees as well as stakeholders.</td>
</tr>
</tbody>
</table>

(b) **Group**

Give a general description of the Group’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Risk Management Policy</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Enterprise Risk Management Policy</td>
<td>Subsidiaries are required to adopt the same risk management framework as the Parent Company. Subsidiaries are required to attain a certain level of risk management maturity.</td>
</tr>
<tr>
<td>Strategic</td>
<td>Secondment of Manila Water officers as General Managers (GMs) and Finance and Administration Managers (FAMs) for all subsidiaries who are trained by and directly reporting to Manila Water.*</td>
<td>To provide the parent company oversight and control over all financial and administrative processes of its subsidiaries.</td>
</tr>
<tr>
<td>Financial and Operational</td>
<td>New Business Development Policy</td>
<td>Provide guidance on the process and controls for developing New Businesses.</td>
</tr>
</tbody>
</table>

* Not a policy but an organizational strategy

(c) **Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders’ voting power.
### Risk to Minority Shareholders

No risk, since minority shareholders have a venue to exercise their voting power through the Annual Stockholders Meeting.

Also, Manila Water has independent directors with one of the independent directors as the chairman of the Risk Committee. There are three (3) independent directors in the Risk Committee.

In addition, Manila Water has a Related Party Transaction (RPT) Policy in place which provides guidance on the process and controls for handling RPTs in instances where such transactions cannot be avoided.

### 3) Control System Set Up

#### (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<table>
<thead>
<tr>
<th>2015 TOP CORPORATE RISKS</th>
<th>MITIGATION STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>RATE REBASING Failure to manage the results of the arbitral award</td>
<td>Review and analysis of approved business plan versus actual accomplishment is done to ensure compliance to the arbitral award. In addition, improvements in various processes and systems have been implemented.</td>
</tr>
<tr>
<td>INVESTMENT PLAN EXECUTION Failure to meet CAPEX targets within the approved cost, time and quality.</td>
<td>A capex optimization project was undertaken to optimize processes, functions and resources to ensure projects are implemented within budget and timeline, and at an acceptable quality level. A project risk management program is in place wherein projects are categorized in different tiers with varying frequency of review and reporting of risks and levels for risk acceptance.</td>
</tr>
<tr>
<td>WATER SUPPLY Failure to ensure adequacy and reliability of raw water supply.</td>
<td>Activities are being done to further increase reliability and efficiency of the current water supply system such as the development of medium-term water sources, weekly monitoring and investigation of non-revenue water (NRW) contributors, weekly monitoring of dam water levels, preventive and corrective maintenance of dam facilities and aqueducts and implementation of metering at raw water portal and tailrace metering.</td>
</tr>
<tr>
<td>REGULATORY Failure to meet regulatory requirements and manage threats / changes to such requirements (e.g. premature termination of CA, consolidation of water sector) which may adversely affect the organization.</td>
<td>Programs have been implemented to ensure control of regulatory and socio-political risks at both compliance and strategic levels. There were organizational changes to improve the regulatory compliance of the organization. The document management system has been enhanced to improve readiness in regulatory review and audit.</td>
</tr>
</tbody>
</table>
addition, guidelines on concession accounting and auditing and technical audit are under development.

NEW BUSINESS OPERATIONS
Failure to manage risks/issues linked to operating new businesses.

Organizational enhancements were implemented to improve Manila Water’s control and visibility in the subsidiaries. Risk Officers have been appointed to strengthen risk governance in the subsidiaries. The enterprise risk management framework had been implemented by the new businesses and their top risks and action plans are being reported to Manila Water.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Risk Assessment (Monitoring and Measurement Process)</th>
<th>Risk Management and Control (Structures, Procedures, Actions Taken)</th>
</tr>
</thead>
</table>
| Various Risks       | The parent company and its subsidiaries all go through the same Risk Assessment Process based on ISO 31000 for Corporate/Group/Department level Risks. | - Identification, Assessment, Reporting and Monitoring of Top Risks
|                     |                                                      | Incorporation of Risks Identified in Planning Activities
|                     |                                                      | - The Risk Management Executive Committees (RMECs) of Manila Water and its subsidiaries meet on a regular basis to discuss risk management matters.
|                     |                                                      | The management of top risks is delegated to the appropriate risk owners across the organization. |
| Various Risks       | Internal Audit                                       | - Manila Water’s Internal Audit follows a risk-based approach to assessing the effectiveness of controls and risk management strategies at the process level. |
| Operational Risks   | Various Processes- i.e. Business Impact Analysis, HIRAC, HAZOP, business continuity plan | - Continuous management of all project, safety, security and business continuity risks
|                     |                                                      | - The company has dedicated departments to address these various operational risks. |
(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<table>
<thead>
<tr>
<th>Committee/Unit</th>
<th>Control Mechanism</th>
<th>Details of its Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERIM Department</td>
<td>Monitoring and Reporting of Top Risks of the company and the treatment for the risks.</td>
<td>Develops, Manages and continuously improves the risk management program of the organization.</td>
</tr>
<tr>
<td>Risk Management Executive Committee.</td>
<td>Provides management oversight for the risk management program of the company.</td>
<td>Composed of the Management Committee members and the CRO. This committee provides direction on the design and implementation of the company’s Enterprise Risk Management process.</td>
</tr>
<tr>
<td>Audit and Governance Committee</td>
<td>Assists the Board of Directors in fulfilling its responsibility for oversight of the organization’s corporate governance process.</td>
<td>Composed of the Internal Audit, representatives from the Board and the chaired by an Independent Director. It reviews and endorses for approval to the board ERM policy matters as well as ensure the adequacy and effectiveness of Manila Water’s ERM Process.</td>
</tr>
</tbody>
</table>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

*The Company’s internal control is aligned with the COSO’s Interrelated Components of Internal Control*

- Control Environment/Activities
- External Control Environment
- Risk Management
A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The 2015 Annual Report of the Audit and Governance Committee to the Board of Directors reads in part:

The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

Period covered by the review;

2015

How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed on an annual basis

Where no review was conducted during the year, an explanation why not.

Review of internal controls is part of the audit activities and based on Audit’s assessment of risks.
2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Company’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

**General Audit:**

- Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
- Review the reliability and integrity of the financial reporting process and operating information and the business process used to identify, measure, classify and report such information.
- Review the adequacy of the system of internal controls, planned and in use, to safeguard the Company’s assets and operations.
- Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company’s corporate vision and objectives.
- Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
- Report the result of audit reviews and other activities in a manner that helps management address the identified risk issues/concerns and take appropriate action within a reasonable period of time.
- Appraise the adequacy of action taken by management in response to reported risk issues, control weaknesses and opportunities for improvement.

**Assurance Services**

The IAA provides reasonable assurance on the following to help ensure that management enhances the value of the Company as it competes in an ever dynamic and increasingly competitive marketplace:

- Overall effectiveness and efficiency of the control environment and the risk management and governance processes
- Compliance with policies, laws and regulations
- Safeguarding of assets
- Reasonableness of financial information, in conjunction with the external/independent auditors’ activities

**Consulting Services**
The IAA of the Company shall provide advisory and related client service activities, the nature and scope of which are agreed with the client, and are intended to add value and improve the organization’s governance, risk management, and control processes without assuming management’s responsibility.

Examples of consulting services are:

- Assistance in risk management activities
- Assessing the adequacy of internal controls in a proposed system
- Providing recommendation and advise on governance and business process improvements

<table>
<thead>
<tr>
<th>Role</th>
<th>Scope</th>
<th>Indicate whether In-house or Outsource Internal Audit Function</th>
<th>Name of Chief Internal Auditor/ Auditing Firm</th>
<th>Reporting process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Audit Executive</td>
<td>Oversees the whole Internal Audit Activity like but not limited to: • Establishing appropriate policies and procedures to guide the internal audit function • Establishing risk-based audit plans to set out the priorities of the internal audit function</td>
<td>In-house</td>
<td>Xerxes Noel Ordanez, CPA, CIA, CISA, CRISC</td>
<td>Functionally reporting to the Audit and Governance Committee and Administratively reporting to the CFO</td>
</tr>
<tr>
<td>Financial Auditor</td>
<td>Review of financial close process and provide reasonable assurance on the reliability and integrity of financial and operational information.</td>
<td>In-house</td>
<td>Jon Louis Santos, CPA, Reynan Tayag, CPA, Jonel Funtanar, CPA</td>
<td>Directly reporting to the Chief Audit Executive</td>
</tr>
<tr>
<td>System Auditor</td>
<td>Review of Information Technology (I.T.) systems to provide reasonable assurance on the reliability, integrity of financial and operational information.</td>
<td>In-house</td>
<td>Mark Joseph Cabatbat, CPA, CISA</td>
<td>Directly reporting to the Chief Audit Executive</td>
</tr>
</tbody>
</table>
Construction Auditor: Review the construction and facility management process of the Company and all the related CAPEX and facility processes, policies and procedures. Directly reporting to the Chief Audit Executive.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES. The appointment and/or removal of the Internal Auditor requires the approval of the Audit and Governance Committee. This is specifically provided in the Charter of the Audit and Governance Committee.

(c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Audit Activity (IAA) functionally reports to the Audit and Governance Committee and administratively to the Chief Finance Officer. Though this is not the optimum placement of the department to ensure independence since the standards explicitly states that IAA should administratively reports to the Chief Executive Officer, IAA maintains its independence by adhering to the provisions stated in the Internal Audit Charter where the purpose, authority, and responsibility of the IAA were formally defined consistent with the Auditing Standards, and approved by the board. The charter established the IAA’s position within the organization. It authorizes access to records, personnel, and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

<table>
<thead>
<tr>
<th>Name of Audit Staff</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franco Evangelista, CPA (Financial Auditor)</td>
<td>Resigned</td>
</tr>
<tr>
<td>Xerxes Noel Ordanez, CPA, CIA, CISA, CRISC</td>
<td>Re-assigned from Systems Auditor to Head of the Internal Audit Department</td>
</tr>
</tbody>
</table>

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.
## Progress Against Plans

<table>
<thead>
<tr>
<th>Issues</th>
<th>90-95% completion of Risk-based Audit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issues</td>
<td>Issues raised were related to the effectiveness of internal controls, risk management and governance processes. Other focus area was on the efficiency of business processes.</td>
</tr>
<tr>
<td>Findings</td>
<td>Audit findings were related to compliance with Company’s policies and procedures</td>
</tr>
<tr>
<td>Examination Trends</td>
<td>Followed the standard audit methodology</td>
</tr>
</tbody>
</table>

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

Note: MWC Internal Audit Activity for the given year has been performed in accordance with the Provisions of the International Standards on the Professional Practice of Internal Auditing (ISPPIA).

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

<table>
<thead>
<tr>
<th>Policies &amp; Procedures</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Charter</td>
<td>Passed the 2012 Quality Assessment review conducted by the Institute of Internal Auditors.</td>
</tr>
<tr>
<td>Internal Audit’s Code of Ethics/Conduct</td>
<td>Passed the 2012 Quality Assessment review conducted by the Institute of Internal Auditors.</td>
</tr>
</tbody>
</table>

229“Issues” are compliance matters that arise from adopting different interpretations.
230“Findings” are those with concrete basis under the company’s policies and rules.
(g) **Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<table>
<thead>
<tr>
<th>Auditors (Internal and External)</th>
<th>Financial Analysts</th>
<th>Investment Banks</th>
<th>Rating Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanisms under the Internal Audit Charter and the Audit and Governance Committee Charter</td>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
</tr>
<tr>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
<td>Refer to discussions below.</td>
<td>Refer to discussions below.</td>
<td>Refer to discussions below.</td>
</tr>
<tr>
<td>Refer to discussions below.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The **Internal Audit Charter** provides for the mechanisms to ensure independence of the auditors. In particular, it provides that:

**RESPONSIBILITIES of Internal Audit Activity**

The internal audit activity will govern itself by adherence to the Institute of Internal Auditor’s mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

1. General
   - Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
   - Review the reliability and integrity of the financial reporting process and operating information and the business process used to identify, measure, classify and report such information.
   - Review the adequacy of the system of internal controls, planned and in use, to safeguard the Company’s assets and operations.
• Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company’s corporate vision and objectives.
• Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
• Report the result of audit reviews and other activities in a manner that helps management address the identified risk issues/ concerns and take appropriate action within a reasonable period of time.
• Appraise the adequacy of action taken by management in response to reported risk issues, control weaknesses and opportunities for improvement.

Under the Audit and Governance Committee Charter, the Audit and Governance Committee also evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

The Revised Code of Business Conduct and Ethics also provides for the mechanisms that can ensure the independence of the Financial Analysts, Investment Banks and Rating Agencies.

The Revised Code of Business Conduct and Ethics provides that:

Honesty and Fair Dealing

d. The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.

e. Directors, Officers and employees shall act honestly, ethically and in comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.

f. Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.

g. Officers and employees involved in the procurement process for services, materials, supplies, and equipment shall strictly comply with the Corporation’s Procurement Policy. The Procurement Policy is an integral part of this Code.

h. Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and
investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.

**Conflict of Interest**

a. A conflict of interest arises when a Director, or an Officer or employee appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Corporation. It is not required that there be an actual conflict, it is only required that there could be perceived or seen to be a conflict by an impartial observer.

b. When an actual or apparent conflict of interest arises, a Director must inform the Board, and the Officer or employee must immediately inform his immediate supervisor or the Compliance Officer. Such Director, Officer or employee should not participate in, or in any way seek to influence, any negotiations, or decisions pertaining to the transaction, which is the subject of interest.

c. The Director, Officer or employee must also file a Conflict of Interest Report with the Board in case of a director or to the immediate supervisor and the Office of the Compliance Officer in case of an officer or employee. The report shall indicate a brief description of the conflict, the date when the Board, or immediate supervisor and the Office of the Compliance Officer were notified, and the action taken on the conflict.

d. No Officer or employee may have financial interest in a privately owned enterprise, which directly or indirectly deals or transacts business with the Corporation.

A Director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.

e. No Director, Officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.

f. No Director, Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.

**Corporate Entertainment / Gifts**

a. Directors, Officers and employees shall strictly follow the principles of highest ethical business standards and comply with all relevant laws and regulations.

Towards this end, Directors, Officers and employees shall not accept corporate entertainment/gifts with an approximate value of more than Three Thousand Pesos (Php3,000.00) or anything that can or can be viewed to influence the manner on which a director, officer or employee may discharge his duties.
b. Within five (5) business days from receipt of corporate entertainment and gifts, directors, officers and employees are required to submit a report to the Board, in case of directors, or to their immediate supervisor and the Office of the Compliance Officer, in case of officers and employees. The report shall identify the giver, date of receipt, and type and approximate value of the corporate entertainment/gifts received.

**Insider Trading**

a. Directors, Officers and employees who have a direct or indirect knowledge, from time to time, of material facts or changes in the affairs of the Corporation, which have not been disclosed to the public, including any information likely to affect the market price of the Corporation’s shares, are restricted to buy or sell Manila Water shares during the following period:

b. Ten (10) calendar trading days before and three (3) calendar trading days after the disclosure of quarterly and annual financial results; and

c. Three (3) calendar trading days before and three (3) calendar trading days after the disclosure of any material information other than the above.

d. All Directors, Officers, and employees are required to report their trades on a quarterly basis to the Office of the Compliance Officer within fifteen (15) calendar days from the end of each quarter.

e. Directors and Officers who may be covered by the reporting requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) in respect of their shareholding in the Corporation or any changes thereof shall do so promptly and accurately. Notwithstanding anything to the contrary, the directors shall report their dealings in Corporation shares one (1) business day before the dealing and within three (3) business days after the dealing.

**Disclosure**

a. The Corporation hereby adopts a policy of prompt and adequate disclosure of all material facts or changes in the affairs of the Corporation including any information likely to affect the market price of the Corporation’s shares.

b. The Corporation shall ensure transparency of information to its shareholders, stakeholders and the public. It shall regularly and truthfully update its shareholders, stakeholders and the public on its financial and operational results, business prospects and all other relevant information.

c. The Corporation shall fully comply with all the disclosure and reporting requirements of the SEC, PSE and all other government and regulatory agencies.

d. Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Corporation to government and regulatory agencies, independent auditors, the media or any other person.
e. No Director, Officer or employee shall disclose any confidential information obtained from the Corporation for personal gain or for the advantage of any other person. This prohibition shall include investment in securities and association with a competitor, customer or supplier of the Corporation.

**Creditor Rights**

a. The Corporation values its partnership with its creditors. The Corporation shall at all times, strictly comply with its covenants under its agreements with its creditors.

b. No distribution or disposal of assets of the Corporation shall be made except:

- When allowed by the law; or
- By decrease of capital stock; or
- Upon lawful dissolution and after payment of all its debts and liabilities;
- When allowed by the material agreements of the Corporation, but without prejudice to vested rights.

**Anti-Corruption**

The Corporation strictly prohibits giving facilitating payments to any private or government officials or employees, their agents or intermediaries in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Corporation must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

In its Annual Reports (glossy and SEC Form 17A), the Company affirms its full compliance with the SEC Code of Corporate Governance.

Moreover, in a Certification dated January 30, 2016, Mr. Luis Juan B. Oreta, the Compliance Officer, and Mr. Gerardo C. Ablaza, Jr., President and CEO of the Company, affirmed the Company’s full compliance with the Manual of Corporate Governance pursuant to Article V, Section 3 of the Manual of Corporate Governance.

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company’s policy and activities relative to the following:
<table>
<thead>
<tr>
<th>Customers' welfare</th>
<th><strong>Policy</strong></th>
<th><strong>Activities</strong></th>
</tr>
</thead>
</table>
| The core principle of the Company is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees. | Excellent customer service  
Strong partnership with Customers  
24/7 water supply  
Environmental protection initiatives | Water quality compliance with the PNSDW  
Sustainability programs that affect the triple bottom line  
Making clean water accessible to urban poor communities  
Enabling better health and sanitation / improving general welfare of communities  
Community programs |

<table>
<thead>
<tr>
<th>Supplier/contractor selection practice</th>
<th><strong>Policy</strong></th>
<th><strong>Activities</strong></th>
</tr>
</thead>
</table>
| The core principle of the Company is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees.  
Officers and employees shall act honestly, ethically and in compliance with all applicable laws, rules and regulations and to protect the good name and reputation of the Company. | All suppliers and contractors are expected to comply strictly with the Company's Vendor Management Policies and Standard Contracting Procedures and adhere to the Manila Water Vendor’s Code of Conduct, which requires all accredited vendors to conduct their business with utmost integrity and professionalism and in full compliance with Philippine tax laws, statutory fund laws, and the Philippine Labor Code. The Company also studies the results of their commercial evaluations, which it contracts from a third party, as part of its due diligence to further mitigate risks of violations of labor laws and human rights. Moreover, Manila Water conducts regular performance evaluation according to the guidelines of its Service |  |
<table>
<thead>
<tr>
<th>Environmentally friendly value-chain</th>
<th>Long-term goal and programs for contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Training and development programs for contractors</td>
</tr>
<tr>
<td></td>
<td>Safety policy</td>
</tr>
<tr>
<td></td>
<td>Sustainability policy</td>
</tr>
<tr>
<td></td>
<td>Environmental protection initiatives</td>
</tr>
<tr>
<td></td>
<td>Greening the Supply Chain</td>
</tr>
<tr>
<td></td>
<td>Fair treatment of vendors</td>
</tr>
<tr>
<td></td>
<td>Payment method</td>
</tr>
</tbody>
</table>

Providers Performance Appraisal Policy.

Officers and employees involved in the procurement process for services, materials, supplies, and equipment shall strictly comply with the Company’s Procurement Policy.

Manila Water continually implements its Greening the Supply Chain through the provision of forums and seminars to its Contractors and Suppliers.

<table>
<thead>
<tr>
<th>Community interaction</th>
<th>Communicating Clearly and Responsibly</th>
</tr>
</thead>
</table>

When communicating to the public, Manila Water upholds truth in all its information, advertising, and marketing programs and materials. All promotions, advertising, and sponsorships are regarded as opportunities to inform and educate its stakeholders and the greater public of the environmental and social sustainability objectives under the goals of water access and security which the Company espouses. Promoting these advocacies also helps strengthen and enhance relations with the stakeholders, with the end views of determining areas of synergy and forging partnerships. Manila Water also provides innovative sponsorships by way of agreeing to be hydration sponsors for events such as fun runs and other sports or family and environmental events.

The Company has a strict policy and practice of checking all data and figures that will be released to the public. It adheres to the basic tenets
of truth in advertising as set forth in the standards of the Philippine Association of National Advertisers, and complies strictly with the standards for transparent and accurate media reporting as put forth by the Kapisanan ng mga Broadkaster ng Pilipinas (KBP), a national association of broadcast practitioners, the Public Relations Society of the Philippines, International Association of Business Communicators, and the Foreign Correspondents Association of the Philippines.

| Anti-corruption programmes and procedures | Revised Code of Business Conduct and Ethics on Anti-corruption | The Corporation strictly prohibits giving facilitating payments to any private or government officials or employees, their agents or intermediaries in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Corporation must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices. |
| Safeguarding creditors' rights | Strict compliance with loan covenants | The Corporation values its partnership with its creditors. The Corporation shall at all times, strictly comply with its covenants under its agreements with its creditors. |

Includes but not limited to:

- a. timely submission of documentary reports or requirements under the loan agreements for the information to the lenders
- b. constant communication with the lenders on the financial status of the Company
- c. payment of obligations as scheduled

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**


For the years 2005 up to 2012, Manila Water has published its Sustainability Report. Manila Water has published its 2013-2014 Sustainability Report, a biennial report in accordance to the latest Global Reporting Initiative Guidelines G4- Core option. Published Sustainability Reports can be downloaded from
the Manila Water website. In addition, the Annual Reports (glossy and SEC Form 17A) and the Definitive Information Statement of Manila Water issued every year and its website contain a section on Sustainability.

3) **Performance-enhancing mechanisms for employee participation.**

(a) **What are the company’s policy for its employees’ safety, health, and welfare?**

An orientation towards healthy and safe practices at work is ingrained in the culture of Manila Water.

Manila Water is committed to achieving customer satisfaction, upholding environmental sustainability and ensuring safety, preservation of life and health of its employees and all stakeholders. To achieve these objectives, it is the policy of Manila Water to:

a. Continuously assess, implement and improve its processes and the way it conducts its business by adopting best practices and keeping abreast with the latest innovations to ensure reliability and efficiency of its operations;
b. Ensure full compliance with relevant laws and standards in pollution prevention and environmental sustainability, safety and health protection, as well as applicable regulatory standards and customer requirements related to the quality of its products and services;
c. Build a strong culture committed to customer satisfaction, environmental protection, health and safety through education, training and awareness at all levels of the organization that will empower its employees, contractors, suppliers and stakeholders;
d. Actively promote the conservation and optimal use of precious resources by constantly creating and improving existing programs aimed at pollution prevention, waste minimization, resource conservation and environmental sustainability;
e. Systematically manage and control its health and safety risks through effective risk assessment processes; and
f. Regularly revisit, improve, develop and maintain its Quality, Environment, Health and Safety management system to ensure its effectiveness and relevance to the changing needs of the company to drive continuous improvement in operations, quality, environmental, health and safety performances.

(b) **Show data relating to health, safety and welfare of its employees.**

The Company has managed to maintain an excellent record of occupational health and safety, which was recognized by the Safety Organization of the Philippines last November 2014. The company was given an Award of Merit for achieving 4.4 Million Safe Man-Hours for a period of one year. This recognizes Manila Water’s unrelenting efforts to maintain occupational health and safety for optimum productivity and zero accident in the workplace.

Safe and Work procedures were also revisit last year and was improved through creation of Safe Systems of Work Handbook which is a quick guide that converts lengthy safe work procedures into an illustrative instruction manual to increase employee’s awareness and understanding of the standards. It also aims to effectively communicate hazards in the workplace and equip users with a guide on what controls to employ to effectively manage hazards in their respective work activities.
Training programs held last year were on safety topics such as Behavioral Based Safety Training (employees and contractors), First Aid and Basic Life Support, Safe Operation of Overhead Cranes, Electrical Safety, Safe Systems of Work, Fire Safety, Chemical Safety and Spill Response. The Company also observes and complies with the Labor Code’s Working Conditions and rest Periods, Hours of Work and Weekly Rest Periods. Employees involved in operations that require a 24 x 7 work schedule are provided two consecutive rest days per week.

Manila Water has several health and safety committees on relevant Occupational Health and Safety (OHS) issues and practices such as HMO screening, safe conditions, observance of safe working practices and the use of personal protective equipment. A new brand of safety was also launched which is “SAFETY MANES I CARE”. This campaign exemplifies the value we put in the in caring for the safety of our employees and other stakeholders. The workforce is well represented in these various joint management-worker health and safety committees. Wellness programs were also implemented and these covered a variety of topics determined to be relevant to and requested by the employees. These are: education and awareness campaigns, in the form of lectures, wellness bulletins, and emails, on healthy lifestyles to help prevent cardiovascular diseases and the risk of smoking; free vaccinations against flu, pneumonia, cervical cancer, dog bites; annual physical examination and follow-up counseling on identified illnesses; regular audiometry test (measuring of hearing capacity) for plant operators and employees exposed to noise; and physical fitness sessions such as aerobics and cardiovascular exercises. Counseling and training on the prevention, risk control, and treatment of serious and seasonal diseases like dengue were also conducted. These programs are made available to Manila Water employees, their family members, and the community.

(c) State the company’s training and development programmes for its employees. Show the data.

Manila Water reinforces human capital as the company’s competitive advantage by continuing to invest significantly on its talents’ training and development. The transition to competency-based training and development at both the individual and the organizational level took off as integrated support for various forms of learning and for various types of learning environments have been instituted to facilitate in the development of the core, leadership and technical competencies of Manila Water. Employees were equipped with the knowledge and skills required to perform their current jobs effectively as well as prepare them for future roles.

In 2015, a total of 41,326 training hours were logged by 1,081 employees who comprise approximately 80 % of the Manila Water workforce across all levels of the organization. This translates to an average of 32 training hours or 4 training days per employee.

Apart from the launch of the competency-based Management Development Training Program (MDTP) and kick-off of the competency-based Business Zone Leadership School (BZLS) that continue to help sustain the organization’s talent supply, in-house functional trainings such as Stakeholder Relations Management and Communication, Project Management, Business and Technical Writing, among others, were also provided to employees to help drive their performance at work.

As Manila Water recognizes that its institutional knowledge also constitutes a valuable intangible asset for creating and sustaining competitive advantage, capture of the company’s technical expertise was also set in motion through the development of a holistic technical curriculum which lays the foundation for Manila Water’s Center for Technical Excellence. Knowledge sharing activities are now supported by the newly established learning platform that is the
Manila Water University designed to conduct activities that foster individual and organizational learning and knowledge in support of the company's business objectives.

(d) State the company’s reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company as a policy, assesses the individual performance of the officers and employees annually. Based on the metrics used, the performance of the officers and employees are rated and rewarded. Rewards are based on company performance and individual achievements, and target amounts are predetermined prior to the applicable year and depends on market conditions.

4) What are the company’s procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

Under the Revised Code of Business Conduct and Ethics, Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted. 231

Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts: 232

"3. Obligation to Report

3.1 All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:

a. any criminal act or gross violation of any corporate governance policy;
b. failure to comply with a legal duty through negligence or gross misconduct;
c. any loss or damage to the Corporation due to fraud, corruption, or similar cause;
d. conflicts of interest; and
e. deliberate cover-up of any of the above acts.

231 Revised Code of Business Conduct and Ethics, Section 4.5.
3.2 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

3.3 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.4 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.5 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4. Protection to Reporter

4.1 The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5. Prohibited Acts

5.1 The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:

   a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;
   b. reporting a false allegation with malice or bad faith;
   c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and
   d. deliberate cover-up of any fraudulent or dishonest acts.”

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure
(a) Holding 5% shareholding or more

**Data as of December 31, 2015**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of Shares</th>
<th>Percent of class</th>
<th>Beneficial Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>870,542,896 common shares***</td>
<td>42.38%*</td>
<td>Ayala Corporation</td>
</tr>
<tr>
<td>PCD Nominee Corporation</td>
<td>152,142,261 common shares</td>
<td>7.41%*</td>
<td>First State Investment Management (UK) Limited,</td>
</tr>
<tr>
<td>Philwater Holdings Company, Inc.</td>
<td>3,999,999,998 participating preferred shares</td>
<td>100%**</td>
<td>Philwater Holdings Company, Inc.</td>
</tr>
</tbody>
</table>

*Based on the outstanding numbers of common shares (registered securities)
**Based on the outstanding numbers of participating preferred shares
***Inclusive of 1,000,000 shares held through Michigan Holdings, Inc., a wholly owned subsidiary of Ayala Corporation

**Data as of December 31, 2015:**

<table>
<thead>
<tr>
<th>Name of Senior Management</th>
<th>Number of Direct shares</th>
<th>Number of Indirect shares / Through (name of record owner)</th>
<th>% of Capital Stock*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>1</td>
<td>4,126,077 / ESOWN</td>
<td>0.20088542%</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>0</td>
<td>1,572,727 / ESOWN</td>
<td>0.07657100%</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>0</td>
<td>1,248,264 / ESOWN</td>
<td>0.06077395%</td>
</tr>
<tr>
<td>Virgilio C. Rivera, Jr.</td>
<td>0</td>
<td>2,242,795 / ESOWN</td>
<td>0.10919445%</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>0</td>
<td>1,629,800 / ESOWN</td>
<td>0.07934971%</td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td>0</td>
<td>513,600 / ESOWN</td>
<td>0.02500553%</td>
</tr>
<tr>
<td>Abelardo P. Basilio</td>
<td>0</td>
<td>775,200 / ESOWN</td>
<td>0.03774199%</td>
</tr>
<tr>
<td>Thomas T. Mattison</td>
<td>0</td>
<td>274,100 / ESOWN</td>
<td>0.01334504%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1</strong></td>
<td><strong>12,382,563/ESOWN</strong></td>
<td><strong>0.60286709%</strong></td>
</tr>
</tbody>
</table>

*Common Shares only

2) **Does the Annual Report disclose the following:**

The 2015 Annual Report discloses the following:

<p>| Key risks | Yes |</p>
<table>
<thead>
<tr>
<th>Corporate objectives</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance indicators</td>
<td>Yes</td>
</tr>
<tr>
<td>Non-financial performance indicators</td>
<td>Yes</td>
</tr>
<tr>
<td>Dividend policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of whistle-blowing policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners</td>
<td>Yes</td>
</tr>
<tr>
<td>Training and/or continuing education programme attended by each director/commissioner</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of board of directors/commissioners meetings held during the year</td>
<td>Yes</td>
</tr>
<tr>
<td>Attendance details of each director/commissioner in respect of meetings held</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of remuneration of the CEO and each member of the board of directors/commissioners</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor’s fee**

For 2015:

<table>
<thead>
<tr>
<th>Name of auditor</th>
<th>Audit Fee</th>
<th>Non-audit Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sycip Gorres Velayo and Co.</td>
<td>PhP2,000,000</td>
<td>PhP82,880</td>
</tr>
</tbody>
</table>

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

The Company disseminates information through the following:

a. Philippine Stock Exchange Disclosures
b. Securities and Exchange Commission reports and submissions
c. Company website and world wide web  
d. Print media  
e. Company billboards  
f. Project Identification Cards  
g. Public Consultations with customers and stakeholders  
h. Roadshows both international and local  
i. Analysts Briefings and Press Briefings and conferences  
j. Social Networking sites (e.g. Facebook)  
k. Similar media  

5) **Date of release of audited financial report:**

The 2015 Audited Consolidated Financial Statements was filed with the Securities and Exchange Commission and disclosed to the Philippine Stock Exchange on February 29, 2016, within 60 days from the end of the fiscal year 2015.

6) **Company Website**

**Does the company have a website disclosing up-to-date information about the following?**

<table>
<thead>
<tr>
<th>Information</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business operations</td>
<td></td>
</tr>
<tr>
<td>Financial statements/reports (current and prior years)</td>
<td></td>
</tr>
<tr>
<td>Materials provided in briefings to analysts and media</td>
<td></td>
</tr>
<tr>
<td>Shareholding structure</td>
<td></td>
</tr>
<tr>
<td>Group corporate structure</td>
<td></td>
</tr>
<tr>
<td>Downloadable annual report</td>
<td></td>
</tr>
<tr>
<td>Notice of AGM and/or EGM</td>
<td></td>
</tr>
<tr>
<td>Company's constitution (company's by-laws, memorandum and articles of association)</td>
<td></td>
</tr>
</tbody>
</table>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.
7) **Disclosure of RPT**

<table>
<thead>
<tr>
<th>RPT</th>
<th>Relationship</th>
<th>Nature</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and Support Services Agreement with Ayala Corporation</td>
<td>Ayala Corporation as the Service Provider</td>
<td>Service Agreement for the provision of services in relation to human resources, treasury, accounting, capital works, corporate services, regulatory affairs and administrative management of the Company. This Service Agreement was entered into by the Company to ensure compliance with its service and contractual obligations under the Concession Agreement with the Metropolitan Waterworks and Sewerage System.</td>
<td>$1,000,000.00 Annual Base Fee</td>
</tr>
</tbody>
</table>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.\(^{233}\)

In addition, the Company shall ensure that those related party transactions are arms-length-transaction.

On April 4, 2014, the Board, in its special meeting, approved the Policy on Related Party Transactions (RPT). The Policy on RPT has the following objectives:

a. To provide guidance on what constitutes Related Party Transactions;
b. To avoid conflict of interest and comply with regulatory and good governance practices;
c. To ensure that the appropriate process for approval of the transaction has been undertaken; and
d. To ensure compliance with the Disclosure Policy of the Corporation and disclosure requirements of Financial Statement Reporting

\(^{233}\) Manual of Corporate Governance, Article IV, page 32.
Below are the relevant provisions of the Policy on RPT:

“5. Disclosure Requirements:

5.2 The Corporation must comply with all disclosure requirements of RPT mandated under applicable law, rules and regulations.

5.2 The Related Parties must comply with all the disclosure requirements of RPTs required under applicable law, rules and regulations of the SEC, PSE and the BIR, and other relevant government agencies.

5.3 Each director, executive officer and members of the Key Management is responsible for providing written notice to the Office of the Compliance Officer of any potential RPT involving him or her or his or her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by the Corporation.

The Office of the Compliance Officer, by himself, or in consultation with the Management Committee and with the Chief Legal Counsel or external counsel, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy.

Disclosure of a RPT shall include information about the price of the transaction, outstanding balances, if any, major terms and conditions and guarantees, if any. The Office of the Compliance Officer may require additional and other relevant information sufficient to enable the Office of the Compliance Officer to determine any Conflict of Interest and the potential effect of the relationship.

5.5 In addition, each director, executive officer and member of the Key Management may be required to complete a questionnaire that inquires about their RPTs and those of their Immediate Family Members.

6. Guidelines prior to entering into a RPT:

6.5 All RPTs shall have terms and conditions that are fair and equitable to the Corporation.

6.6 The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Corporation. No unusual privilege or special treatment shall be afforded a Related Party.

6.7 In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Office of the Compliance Officer, in consultation with the Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to the Corporation.
6.8 Prior to the award of any Material RPT, the Corporation shall submit the same for the review of the Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation.

When a Material RPT is submitted to the Committee for review, the presence of at least two (2) independent directors shall be necessary to constitute a quorum of the Committee.

Non-Material RPTs shall be subject to the review and/or approval of the Compliance Officer.

7. Internal Reporting of RPTs

7.3 The following transactions, if with a Related Party, are considered RPTs:

   i. Purchases or sales of goods  
   ii. Purchases or sale of property and other assets  
   iii. Purchases and sales of services  
   iv. Leases  
   v. Transfer of Research and Development  
   vi. Transfers under License Agreements  
   vii. Transfers under Finance Arrangement like Loans and Equity contribution in cash or in kind  
   viii. Loans and other forms of financial assistance  
   ix. Provisions of Guarantees and collateral  
   x. Settlement of Liabilities on behalf of the Corporation or by Corporation on behalf of another party  
   xi. Commitments to do something if a particular event occurs or does not occur in the future  
   xii. Such other similar or analogous transactions to the foregoing  

7.4 The Compliance Officer, with the assistance of the Chief Legal Counsel, shall prepare a monthly report on RPTs based on the disclosures and/or reports of RPTs submitted to the Compliance Officer.

The Report shall be submitted to the Accounting Department to be furnished the External Auditor for proper disclosure in the Financial Statements of the Corporation, if necessary under applicable financial reporting rules and policies.

8. Prohibited RPTs
8.2 Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

a. Loans and/or financial assistance to a Director;
b. Loans and/or financial assistance to the Key Management, except when allowed pursuant to an established company benefit or plan

9. Sanctions

9.1 Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.

9.2 Any officer or employee of the Corporation who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer.

The Chief Legal Counsel, in coordination with the Office of the Compliance Officer, shall report to the Committee all violations of this Policy.

9.3 The Committee shall have the authority to recommend to the Board of Directors the invalidation of the Contract.

9.4 This Policy shall be without prejudice to the provisions of the Code, the Manual of Corporate Governance and all related and relevant policies of the Corporation which shall be observed and shall apply to the fullest extent possible. In particular, RPTs shall not be allowed if it would present a conflict of interest for any Related Party as defined in the Code.

10 Review of the Policy

This Policy shall be reviewed from time to time in order to reflect the requirements of applicable law, rules and regulations.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.
(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<table>
<thead>
<tr>
<th>System Used</th>
<th>By Poll</th>
</tr>
</thead>
</table>
| Description | Unless otherwise provided by law, in all regular or special meeting of stockholders, the affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company shall be necessary to approve matters requiring stockholders’ action.  

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

<table>
<thead>
<tr>
<th>Stockholders’ Rights under The Corporation Code</th>
<th>Stockholders’ Rights not in The Corporation Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-emptive rights</td>
<td>There shall be no pre-emptive rights with respect to shares of stock to be issued, sold or otherwise disposed of by the Company (i) to its officers and/or employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans, or (ii) through a duly approved public offering of the primary shares of the Company.</td>
</tr>
</tbody>
</table>

Dividends

<table>
<thead>
<tr>
<th>Declaration Date</th>
<th>Record Date</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 20, 2014*</td>
<td>March 6, 2014</td>
<td>March 21, 2014</td>
</tr>
</tbody>
</table>

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234 Amended By Laws, Article II, Section 5.

235 Revised Articles of Incorporation, Seventh Article.
<table>
<thead>
<tr>
<th>Date</th>
<th>Date</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 7, 2014*</td>
<td>October 21, 2014</td>
<td>November 5, 2014</td>
</tr>
<tr>
<td>November 27, 2014**</td>
<td>December 1, 2014</td>
<td>December 26, 2014</td>
</tr>
<tr>
<td>November 26, 2015**</td>
<td>December 10, 2015</td>
<td>December 22, 2015</td>
</tr>
</tbody>
</table>

*Dividends on common and participating preferred shares
**Dividends on the coupon rate of the participating preferred shares only

(d) **Stockholders’ Participation**

1) **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders’ meetings.**

<table>
<thead>
<tr>
<th>Measures Adopted</th>
<th>Communication Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question and Answer after each Agenda Item</td>
<td>Stockholders are given opportunity to ask questions and seek clarification regarding the agenda item</td>
</tr>
<tr>
<td>Question and Answer Portion in the agenda</td>
<td>A question and answer portion is allotted during every stockholders’ meeting to allow stockholders to ask questions regarding matters that concern them as stockholders of the Company.</td>
</tr>
</tbody>
</table>

2) **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

   (a) **Amendments to the company's constitution**

   This is subject to approval by stockholders’ owning or representing at least 2/3 of the outstanding voting capital stock of the Company.236

   (b) **Authorization of additional shares**

236 Corporation Code, Section 16.
This is subject to approval by stockholders’ owning or representing at least 2/3 of the outstanding voting capital stock of the Company.\textsuperscript{237}

(c) Transfer of all or substantially all assets, which in effect results in the sale of the company

This is subject to approval by stockholders’ owning or representing at least 2/3 of the outstanding voting capital stock of the Company.\textsuperscript{238}

3) \textbf{Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?}

Yes. For purposes of the 2016 Annual Stockholders Meeting held on April 11, 2016, the Company:

a. Sent on March 2, 2016 via registered mail copies of the Notice and Agenda of ASM to the stockholders of record as of February 19, 2016;
b. Published on March 12 and 13, 2016, respectively, in the Philippine Daily Inquirer and Philippine Star, the Notice and Agenda of ASM;
c. Sent the Definitive Information Statement starting March 9, 2016 via electronic mail, and thereafter, via registered mail in compact disc and hard copy formats

This is because the Company is required to comply with Section 7 of the Revised PSE Disclosure Rules which provides that:

For the holding of any stockholders’ meeting, the Philippine Stock Exchange must be given a written notice thereof at least ten (10) trading days prior to the record date fixed by the Issuer. The notice must include all the necessary details including the time, venue and agenda of the meeting and the inclusive dates when the stock and transfer books will be closed. The Issuer shall further submit within five (5) trading days after the record date the list of stockholders who are entitled to notice and to vote at a regular or special stockholders’ meeting.

The disclosure to the PSE also serves as the initial notice of the meeting to the stockholders. Thereafter, the stockholders will still be furnished with the Definitive Information Statement at least fifteen (15) working days prior to the meeting.

\textbf{a. Date of sending out notices:}

For purposes of the 2016 Annual Stockholders Meeting held on April 11, 2016, the Company:

a. Sent on March 2, 2016 via registered mail copies of the Notice and Agenda of ASM to the stockholders of record as of February 19, 2016;

\textsuperscript{237} Ibid.
\textsuperscript{238} Corporation Code, Section 40.
b. Published on March 12 and 13, 2016, respectively, in the Philippine Daily Inquirer and Philippine Star, the Notice and Agenda of ASM;  
c. Sent the Definitive Information Statement starting March 9, 2016 via electronic mail, and thereafter, via registered mail in compact disc and hard copy formats

For the 2015 ASM held on April 7, 2015, the notice and agenda of ASM was disclosed to the PSE on February 2, 2015. The notice and agenda of meeting was also sent out to stockholders via electronic mail by March 13, 2015.

b. **Date of the Annual/Special Stockholders’ Meeting:**

   The 2016 ASM was held on April 11, 2016

   The 2015 ASM was held on April 7, 2015

4) **State, if any, questions and answers during the Annual/Special Stockholders’ Meeting.**

   The Questions and Answers during the April 11, 2016 ASM are as follows:

<table>
<thead>
<tr>
<th>Stockholder:</th>
<th>Query:</th>
<th>Response:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stephen G. Soliven</td>
<td>Are there legal cases filed against Manila Water?</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mr. Gerardo C. Ablaza, Jr., the President and CEO, responded that there are a number of legal suits involving Manila Water but the most significant of which are the cases now pending with the Supreme Court and filed against Manila Water, together with Maynilad Water Services, Inc. (“Maynilad”) and the Metropolitan Waterworks and Sewerage System (MWSS), which cases raise the following similar issues, among others:</td>
</tr>
</tbody>
</table>
|                       |                               | a. a challenge to the validity of the concession agreement with the MWSS;  
|                       |                               | b. whether Manila Water and Maynilad, as concessionaires of the MWSS, are public utilities; and  
|                       |                               | c. whether Manila Water and Maynilad, as concessionaires of MWSS, are eligible to recover their corporate income taxes  
<p>|                       |                               | As regards the other cases, the President mentioned that they are being attended to, and do not pose significant risks to the Company at this time. |</p>
<table>
<thead>
<tr>
<th>Name</th>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jose Leonardo</td>
<td>How many trees were planted in 2015?</td>
<td>Mr. Ablaza directly responded to the second question of Mr. Lorenzo, and he said that the Company actually initiated a project for a treatment plant that will extract water from Laguna Lake to produce 15 million liters per day (MLD) of treated water. This treatment plant is expandable to 100 mld and is one of the ways the Company will provide for and ensure water supply reliability because 97% of Metro Manila’s water source is the Angat Dam.</td>
</tr>
</tbody>
</table>
|                    | What is the Company’s plan for Laguna Lake?                              | On the first question, Mr. Ablaza mentioned that the Company is significantly involved in tree-planting initiatives in watersheds but he referred the question to Mr. Mark M. Mulingbayan, the Head of the Sustainability Department of Manila Water, for further details thereon.  
Mr. Mulingbayan said that the Company measures its tree-planting activities not by the number of trees, but by the number of hectares of land planted because the more important aspect of this activity is the survival rate of the trees planted and the number of hectares of land covered. In this regard, he mentioned that the Company has completed planting 500 hectares out of the 4,000 hectares of the Marikina watershed. In addition, the Company is also involved in the watershed management program of the Marikina watershed and the La Mesa watershed, as well as those of the watershed management program and activities of its subsidiaries in Boracay Island, Clarkfield, Pampanga and Laguna. He further assured the stockholders that the Company continues to cooperate with the watershed managers from the government to make sure that the watersheds are protected and rehabilitated because they are the sources of raw water supply of the Company. |
| Dr. Alan Robert R. Karaan | What is the source of water for the Cebu Bulk Water Supply Project? | Mr. Ablaza responded that the water supply for the project is obtained by the Luyang River in the town of Carmen, which is around 35 kilometers from the city of Cebu. A 35 km pipeline had to be constructed to convey |
Considering that there is El Nino, will the Company ration water to its customers?

He added that there are other potential sources of surface water that are being explored for the project. Mr. Ablaza acknowledged that ground water source is seriously depleted in Cebu.

On the second query, Mr. Ablaza said that around the third quarter of 2015, the Company was worried that there might not be enough water supply due to the El Nino phenomenon. However, the tropical depression “Lando” brought with it sufficient water which filled the Angat Dam. Towards the end of the year, the Angat Dam level was above spilling level, for which reason the Company does not foresee any water shortage problem during the current year.

Which concessionaire of MWSS (Manila Water and Maynilad) charges higher tariffs?

Mr. Ablaza responded that the tariffs in the East Zone concession (operated by Manila Water) and in the West Zone (operated by Maynilad) are not the same. The tariff being charged by Manila Water in the East Zone is cheaper by 20% than the tariff being charged by Maynilad in the West Zone. The reason for this is that each concessionaire has a different set of programs of operating and capital expenditures and the tariff is determined according to the value of the approved expenditure plan of the concessionaire.

The Questions and Answers during the April 7, 2015 ASM are as follows:

<table>
<thead>
<tr>
<th>Stockholder:</th>
<th>Query:</th>
<th>Response:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carmencita C. Santos</td>
<td>She said that she is comfortable that Manila Water follows strict rules on related party transactions. However, she noticed that one third or P2 billion of Manila Water’s P6 billion cash and cash equivalents are being held by the Bank of the Philippine Islands, which according to her is beyond the rule of</td>
<td>The Chairman said that the Company has several banking relationships both in the domestic and international scene. He added that the Board also has independent directors who take part in the decision process relating to the banking transactions and relationships of the Company. Mr. Ablaza said that the Company has counterparty limits with all banking relationships of the Company and each of the counterparty limits is</td>
</tr>
</tbody>
</table>
She then inquired how Manila Water manages this kind of exposure.

Carmencita C. Santos inquired how long has the Company engaged SGV and Company as external auditor.

Director Oscar S. Reyes responded that the Company has not replaced SGV for a long time. He explained further SGV has satisfactorily performed its task as independent director of Manila Water. However, as an internal control, the Partner assigned to the Company is rotated every five (5) years. SGV is also subjected to annual performance review and evaluation before the management of the Company recommends further engagement of its service to the Audit and Governance Committee, which is composed mainly of independent directors.

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The Questions and Answers during the April 4, 2014 ASM are as follows:

<table>
<thead>
<tr>
<th>Stockholder:</th>
<th>Query:</th>
<th>Response:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacifico Pacu</td>
<td>What is the reason for the failure of the investment in Palyja in Jakarta, Indonesia?</td>
<td>The Chairman responded that the Company went through a bidding and negotiation process with the private party who owned the concession in Jakarta. Mr. Ablaza confirmed that all of the elements of the sale had been completed. In fact, a Share Purchase Agreement (SPA) had been executed. However, the SPA included as a condition precedent the grant of consent of the government of Jakarta through the governor of Jakarta, in compliance with the requirement of the concession agreement of Palyja. The governor of Jakarta eventually decided to withhold the consent to the transaction.</td>
</tr>
</tbody>
</table>

---

239 Rotation of signing partner is based on SRC Rule No. 68 as amended (in 2011) per Provision No. 3 B(ix) under the “Qualification and Report of Independent Auditors” which states that:

ix) Rotation of External Auditors

The independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor.
and the explanation that the management obtained was that the governor was considering a government–linked corporation to be the owner of the 51% stake.

| Alfred Reiterer | What is the view of the Company on the possible election of the governor of Jakarta as President of Indonesia, in relation to the failed Palyja transaction and the Company’s aim for a substantial income contribution from Indonesia? | The Chairman said that the Company will continue to look for opportunities in Indonesia because of the very good investment prospects therein. Mr. Ablaza also mentioned his observation of the Indonesian political regulatory environment, in particular, that the local governments in Indonesia are very strong and independent units. When it comes to infrastructure, particularly, water infrastructure projects, the governors and the mayors appear to have significant control than the national government. Hence, the assumption is that all the intended projects of the Company in Indonesia would have to be pursued at the local level, rather than at the national level. |
| Alfred Reiterer | What is the aim of the Company in relation to the ASEAN integration in 2015? | Mr. Ablaza said that the ASEAN integration may have more advantage in terms of trade rather than in the areas of infrastructure investment. In any case, the Company has made a strategic commitment to expansion in the emerging markets, in particular, Vietnam, Indonesia, Myanmar and the Philippines (VIMP). |
| Jose Leonardo | How does the Company plan to increase the supply of water in its service areas? | Mr. Ablaza replied that part of the business plan that the Company has submitted under the RR13 submission is a plan for new water sources. In particular, the Company is considering the areas of Kaliwa, Tayabasan, and Kanan as potential sources of new water for Metro Manila. There was also a plan to develop a small project to draw 50 to 100 mld of water from Laguna Lake which is within the ability of the lake to provide. Mr. Ablaza said that there is a very well-planned sequence of new water source development programs but these are now under discussion with the MWSS under the RR 2013. |
| Jose Leonardo | How does the Company plan to address the siltation in Laguna Lake? | Mr. Ablaza said that the clearing of siltation in the Laguna Lake is beyond the ability of the Company to undertake and it is in fact a subject of a national government project. In connection with the intended new water source project of the Company, the Company understands that it may have to use technology to clean and treat the water. |
| Stephen Soliven | What is the nature of the following items in the financial statements of the Company:  
1. Concession financial receivables;  
2. Schedule of payments;  
3. Increase in related party transactions | Ms. Marilou P. Bago, the Head of the Accounting Department of Manila Water, addressed the query of Mr. Soliven. She said that the item on the concession financial receivables pertains to the investment in the Province of Cebu. Under the Water Purchase Agreement between the water district and the Cebu Manila Water Development, Inc., the subsidiary of the Company, there is an arrangement whereby CMWD is entitled to be paid a minimum fixed amount for the guaranteed supply of bulk water. Under IFRIC 12 financial asset model, this fixed income is required to be recognized as a receivable. On the schedule of payments, Ms. Bago explained that the Company has assumed the dollar denominated loans of the MWSS and these loans are booked as an obligation to pay of the Company. Finally, on the increase of RPT, Ms. Bago explain that the increase pertains to the acquisition of the water system of the Laguna Technopark, Inc. Laguna Water, the subsidiary of Manila Water, initially paid 35% of the purchase price and undertook to pay the remainder within the year. |
| Stephen Soliven | Does the Company have budget for its operational expenditures? | The Chairman responded that the budget has been done and approved by the Board several months ago in anticipation of year 2014. |
| Rommel Sangco | Will the Company continue to spend its cash flows in the east zone or in other investment opportunities or maintain a higher level of free cash flows? | Mr. Ablaza stated that the Company will always be committed to fulfil its service obligations that span the rest of the concession’s life up to 2037. Therefore, the Company will definitely undertake the capital expenditures and operating expenditures necessary to fulfil those obligations. Nevertheless, the management would like to see an increasing diversification of the overall group’s investment portfolio, because from a growth point of view, Metro Manila is reaching its maturity stage and for the Company to pursue its expansion plans, it must continue to look for other markets and opportunities. |
| Rommel Sangco | What is the effect on the revenues of the water rate adjustment should the Company lose or win the arbitration with the MWSS? | Mr. Ablaza said that he preferred providing the details at the conclusion of the arbitration proceeding. Nevertheless, he said that should the Company prevail in the arbitration, then its financial projections will remain very healthy over the next five years. If it loses, then the Company will have to |
make adjustments in its operational expenditures and capital which are logically connected to which business plan would be accepted.

Guillermo Gili

How much environmental fees are being paid by the customers of Manila Water and how do these compared to that of Maynilad?

Mr. Oreta replied that in the audited FS of the Company, the amount of environmental charges paid by the customers in 2013 amounted to approximately P2.2 billion. As a percentage of the bill, the customers paid about 20% of the basic water tariff as environmental charges. With regard to the environmental charges of Maynilad, Mr. Oreta said that the amount of environmental fee is the same in terms of the percentage of the basic water tariff. However, Maynilad charges a basic water tariff which is about 20% more than the basic water tariff being charged by Maynilad.

5) Result of Annual/Special Stockholders’ Meeting’s Resolutions

Results of 2016 ASM

<table>
<thead>
<tr>
<th>Resolution</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of minutes of previous meeting</td>
<td>5,523,090,519 (91.23%)</td>
<td>0 (0.00%)</td>
<td>26,900 (0.00%)</td>
</tr>
<tr>
<td>Approval of the Annual Report and the 2015 Audited Financial Statements</td>
<td>5,515,418,619 (91.10%)</td>
<td>0 (0.00%)</td>
<td>7,698,800 (0.13%)</td>
</tr>
<tr>
<td>Appointment of SGV as External Auditor</td>
<td>5,516,816,518 (91.23%)</td>
<td>0 (0.00%)</td>
<td>6,300,900 (0.10%)</td>
</tr>
</tbody>
</table>

Results of Election of Directors at the 2016 ASM:

<table>
<thead>
<tr>
<th>Nominees</th>
<th>Number of Votes and Percentage of Outstanding and Voting Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>For**</td>
</tr>
<tr>
<td></td>
<td>5,444,244,814</td>
</tr>
<tr>
<td>Name</td>
<td>Shares</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,446,754,764</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,506,192,805</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,492,341,505</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,487,348,905</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,492,341,505</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,436,076,864</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,474,294,755</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,501,487,605</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,457,971,664</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,483,795,514</td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.
## Results of 2015 ASM

<table>
<thead>
<tr>
<th>Resolution</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of minutes of previous meeting</td>
<td>5,514,829,696</td>
<td>0</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>91.10%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Approval of the Annual Report and the 2014 Audited Financial Statements</td>
<td>5,462,906,131</td>
<td>23,186,681</td>
<td>29,843,584</td>
</tr>
<tr>
<td></td>
<td>90.00%</td>
<td>0.38%</td>
<td>0.49%</td>
</tr>
<tr>
<td>Ratification and approval of all acts and resolutions of the directors,</td>
<td>5,514,821,996</td>
<td>0</td>
<td>1,114,400</td>
</tr>
<tr>
<td>board committees and officers during the preceding year</td>
<td>91.10%</td>
<td>0.00%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Re-Appointment of SGV as External Auditors and fixing of remuneration</td>
<td>5,494,600,844</td>
<td>15,058,500</td>
<td>6,277,000</td>
</tr>
<tr>
<td></td>
<td>90.76%</td>
<td>0.25%</td>
<td>0.10%</td>
</tr>
</tbody>
</table>

## Results of Election of Directors at the 2015 ASM:

<table>
<thead>
<tr>
<th>Nominees</th>
<th>Number of Votes and Percentage of Outstanding and Voting Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td><strong>Fernando Zobel de Ayala</strong></td>
<td>5,429,901,366</td>
</tr>
<tr>
<td><strong>Jaime Augusto Zobel de Ayala</strong></td>
<td>5,419,829,815</td>
</tr>
<tr>
<td><strong>Gerardo C. Ablaza, Jr.</strong></td>
<td>5,486,758,173</td>
</tr>
<tr>
<td><strong>Antonino T. Aquino</strong></td>
<td>5,472,928,313</td>
</tr>
<tr>
<td>Name</td>
<td>For</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,472,928,413</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,472,928,013</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,419,957,315</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,505,962,211</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,503,097,831</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,444,964,005</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,503,102,503</td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes.

Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

Results of 2014 ASM

<table>
<thead>
<tr>
<th>Resolution</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of minutes of previous meeting</td>
<td>5,270,976,635 (87.16%)</td>
<td>0 (0.00%)</td>
<td>200 (0.00%)</td>
</tr>
<tr>
<td>Resolution Description</td>
<td>For*</td>
<td>%</td>
<td>Against*</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------</td>
<td>-------------</td>
<td>-------</td>
<td>----------</td>
</tr>
<tr>
<td>Approval of the Annual Report and the 2013 Audited Financial Statements</td>
<td>5,270,951,235</td>
<td>87.16%</td>
<td>0</td>
</tr>
<tr>
<td>Ratification and approval of all acts and resolutions of the directors, board</td>
<td>5,270,975,935</td>
<td>87.16%</td>
<td>1,000</td>
</tr>
<tr>
<td>committees and officers during the preceding year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amendment of the Third Article of the Articles of Incorporation</td>
<td>5,270,956,935</td>
<td>87.16%</td>
<td>0</td>
</tr>
<tr>
<td>Election of External Auditors and fixing of remuneration</td>
<td>5,264,686,835</td>
<td>87.06%</td>
<td>0</td>
</tr>
</tbody>
</table>

Results of Election of Directors at the 2014 ASM:

<table>
<thead>
<tr>
<th>Nominees</th>
<th>For**</th>
<th>%</th>
<th>Against*</th>
<th>%</th>
<th>Abstain*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,228,165,594</td>
<td>86.45%</td>
<td>35,755,091</td>
<td>0.68%</td>
<td>6,270,000</td>
<td>0.12%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,227,341,940</td>
<td>86.44%</td>
<td>36,621,455</td>
<td>0.69%</td>
<td>6,270,000</td>
<td>0.12%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,231,497,545</td>
<td>86.51%</td>
<td>44,546,340</td>
<td>0.84%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,226,683,245</td>
<td>86.43%</td>
<td>34,881,200</td>
<td>0.66%</td>
<td>8,873,440</td>
<td>0.17%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,234,459,994</td>
<td>86.56%</td>
<td>34,881,200</td>
<td>0.66%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Name</td>
<td>Shares</td>
<td>%</td>
<td>Votes</td>
<td>%</td>
<td>Abst.</td>
<td>%</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------</td>
<td>-----</td>
<td>---------</td>
<td>-----</td>
<td>-------</td>
<td>-----</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,235,243,285</td>
<td>86.57</td>
<td>35,607,791</td>
<td>0.68</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,235,186,685</td>
<td>86.57</td>
<td>34,881,200</td>
<td>0.66</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,263,817,885</td>
<td>87.04</td>
<td>6,270,000</td>
<td>0.12</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,263,847,835</td>
<td>87.04</td>
<td>42,025,091</td>
<td>0.80</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,228,040,294</td>
<td>86.45</td>
<td>0</td>
<td>0%</td>
<td>6,270,000</td>
<td>0.12</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,263,967,785</td>
<td>87.04</td>
<td>6,270,700</td>
<td>0.12</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

6) Date of publishing of the result of the votes taken during the most recent ASM for all resolutions:

The results of the 2016 ASM was disclosed to the PSE immediately after the ASM. In addition, the results of voting in the 2016 ASM was published on the website of the Company immediately on the next day.

The results of the 2015 ASM was disclosed to the PSE immediately after the ASM. In addition, the results of voting in the ASM was published on the website of the Company on the next day.
(e) **Modifications**

State, if any, the modifications made in the Annual/Special Stockholders’ Meeting regulations during the most recent year and the reason for such modification:

The following modifications were applied to the proceedings of the ASM starting April 15, 2013:

<table>
<thead>
<tr>
<th>Modifications</th>
<th>Reason for Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation of votes by independent body</td>
<td>For transparency of proceedings</td>
</tr>
<tr>
<td>Use of ballots that includes all resolutions for stockholders’ approval</td>
<td>For transparency of proceedings and to give stockholders sufficient information on the proposals to be approved</td>
</tr>
</tbody>
</table>

In addition to the modifications applied for the ASM conducted for 2013, the following mechanism was applied to the proceedings of the ASM conducted last April 4, 2014, April 7, 2015, and April 11, 2016:

<table>
<thead>
<tr>
<th>Modifications</th>
<th>Reason for Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Voting</td>
<td>To facilitate voting procedure and counting of votes</td>
</tr>
</tbody>
</table>

(f) **Stockholders’ Attendance**

(i) **Details of Attendance in the Annual/Special Stockholders’ Meeting Held:**

Details of Attendance in the 2014, 2015 and 2016 ASM:

<table>
<thead>
<tr>
<th>2014 Annual Stockholders Meeting</th>
<th>2015 Annual Stockholders Meeting</th>
<th>2016 Annual Stockholders Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Names of Board Members/Officers</strong></td>
<td>The Board members present were:</td>
<td>The Board members present were:</td>
</tr>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Fernando Zobel de Ayala</td>
<td>Fernando Zobel de Ayala</td>
</tr>
<tr>
<td>Date</td>
<td>April 4, 2014</td>
<td>April 7, 2015</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Voting Procedures (by poll, show of hands, etc.)</td>
<td>By Poll (electronic and manual voting through the use of ballots and computers)</td>
<td>By Poll (electronic and manual voting through the use of ballots and computers)</td>
</tr>
</tbody>
</table>
| present      | Jaime Augusto Zobel de Ayala  
   Gerardo C. Ablaza, Jr.  
   Antonino T. Aquino  
   John Eric T. Francia  
   Delfin L. Lazaro  
   Sherisa P. Nuesa  
   Oscar S. Reyes  
   Jose L. Cuisia, Jr.  
   Masaji Santo  | Jaime Augusto Zobel de Ayala  
   Gerardo C. Ablaza, Jr.  
   Antonino T. Aquino  
   John Eric T. Francia  
   Delfin L. Lazaro  
   Sherisa P. Nuesa  
   Oscar S. Reyes  
   Jose L. Cuisia, Jr.  
   John Eric T. Francia  
   Gerardo C. Ablaza, Jr.  
   Antonino T. Aquino  
   John Eric T. Francia  
   Delfin L. Lazaro  
   Sherisa P. Nuesa  
   Oscar S. Reyes  
   Jose L. Cuisia, Jr.  
   Masaji Santo  | Jaime Augusto Zobel de Ayala  
   Gerardo C. Ablaza, Jr.  
   Antonino T. Aquino  
   John Eric T. Francia  
   Delfin L. Lazaro  
   Sherisa P. Nuesa  
   Oscar S. Reyes  
   Jose L. Cuisia, Jr.  
   John Eric T. Francia  
   Gerardo C. Ablaza, Jr.  
   Antonino T. Aquino  
   John Eric T. Francia  
   Delfin L. Lazaro  
   Sherisa P. Nuesa  
   Oscar S. Reyes  
   Jose L. Cuisia, Jr.  
   Masaji Santo  |
| The Officers present, among others, were: | Gerardo C. Ablaza, Jr.  
   Luis Juan B. Oreta  
   Virgilio C. Rivera, Jr.  
   Geodino V. Carpio  
   Ruel T. Maranan  
   Ferdinand M. dela Cruz  
   Abelardo P. Basilio  
   Rodell A. Garcia  
   Ma. Victoria P. Sugapong  
   Solomon M. Hermosura  
   Jhoel P. Raquedan  | Gerardo C. Ablaza, Jr.  
   Luis Juan B. Oreta  
   Virgilio C. Rivera, Jr.  
   Geodino V. Carpio  
   Ruel T. Maranan  
   Ferdinand M. dela Cruz  
   Abelardo P. Basilio  
   Rodell A. Garcia  
   Ma. Victoria P. Sugapong  
   Solomon M. Hermosura  
   Jhoel P. Raquedan  | Gerardo C. Ablaza, Jr.  
   Luis Juan B. Oreta  
   Virgilio C. Rivera, Jr.  
   Geodino V. Carpio  
   Ruel T. Maranan  
   Ferdinand M. dela Cruz  
   Abelardo P. Basilio  
   Rodell A. Garcia  
   Ma. Victoria P. Sugapong  
   Solomon M. Hermosura  
   Jhoel P. Raquedan  |
<p>| The senior management of the Company were also all in attendance. | The senior management of the Company were also all in attendance. | The senior management of the Company were also all in attendance. |</p>
<table>
<thead>
<tr>
<th>Percentage of Shareholders Attending in Person</th>
<th>8.85%</th>
<th>9.39%</th>
<th>0.19%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Shareholders in Proxy</td>
<td>91.15%</td>
<td>90.61%</td>
<td>91.04%</td>
</tr>
<tr>
<td>Total Percentage of Shareholders in Attendance</td>
<td>87.22%</td>
<td>91.11%</td>
<td>91.23%</td>
</tr>
</tbody>
</table>

No special meeting for the stockholders was held in 2013, 2014 and 2015.

(ii) **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

For the 2016 ASM, the Company appointed the firm of Sycip Gorres Velayo and Company to validate the votes at the 2016 ASM. The counting and validating of votes were primarily performed by the Committee of Inspectors of Ballots and Proxies, in coordination with the Office of the Corporate Secretary.

For the 2015 ASM, the Company appointed the firm of Sycip Gorres Velayo and Company to validate the votes at the 2015 ASM. The counting and validating of votes were primarily performed by the Committee of Inspectors of Ballots and Proxies, in coordination with the Office of the Corporate Secretary.

(iii) **Do the company’s common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

All shares of the Company, regardless of class, have the same voting rights.\(^{240}\)

\(^{240}\) Amended Articles of Incorporation, Seventh Article.
Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders’ Meeting.

<table>
<thead>
<tr>
<th>Company’s Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Execution and acceptance of proxies</strong></td>
</tr>
<tr>
<td><strong>Notary</strong></td>
</tr>
<tr>
<td><strong>Submission of Proxy</strong></td>
</tr>
<tr>
<td><strong>Several Proxies</strong></td>
</tr>
<tr>
<td><strong>Validity of Proxy</strong></td>
</tr>
</tbody>
</table>

\(^\text{241}\) Corporation Code, Section 58; Charter of the Committee of Inspectors of Ballots and Proxies
\(^\text{242}\) By Laws, Article II, Section 7; Charter of the Committee of Inspectors of Ballots and Proxies
\(^\text{243}\) By Laws, Article II, Section 7; Charter of the Committee of Inspectors of Ballots and Proxies
\(^\text{244}\) Corporation Code, Section 56; Charter of the Committee of Inspectors of Ballots and Proxies
\(^\text{245}\) Corporation Code, Section 58; Charter of the Committee of Inspectors of Ballots and Proxies
\(^\text{246}\) Manual of Corporate Governance, Article IX, page 42; Charter of the Committee of Inspectors of Ballots and Proxies
<table>
<thead>
<tr>
<th>Proxies executed abroad</th>
<th>No formal requirement for proxies executed abroad.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invalidated Proxy</td>
<td>Any doubt on the validity of the Proxy shall be resolved in the stockholders’ favor.\textsuperscript{247}</td>
</tr>
<tr>
<td>Validation of Proxy</td>
<td>Validation of the proxies shall be conducted by the Committee of Inspectors of Ballots and Proxies at least five (5) days prior to the date of the stockholders’ meeting.\textsuperscript{248}</td>
</tr>
<tr>
<td>Violation of Proxy</td>
<td>Any doubt on the Validity of the Proxy shall be resolved in the stockholders’ favor.\textsuperscript{249}</td>
</tr>
</tbody>
</table>

**(h) Sending of Notices**

State the company’s policies and procedure on the sending of notices of Annual/Special Stockholders’ Meeting.

<table>
<thead>
<tr>
<th>Policies</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notices for Regular/Annual or Special Stockholders Meeting</td>
<td></td>
</tr>
</tbody>
</table>
Under the Revised PSE Disclosure Rules:  
For the holding of any stockholders’ meeting, the Philippine Stock Exchange must be given a written notice thereof at least ten (10) trading days prior to the record date fixed by the Issuer. The notice must include all the necessary details including the time, venue and agenda of the meeting and the inclusive dates when the stock and transfer books will be closed. The Issuer shall further submit within five (5) trading days after the record date the list of stockholders who are entitled to notice and to vote at a regular or special stockholders’ meeting.\textsuperscript{250}  
Under the By Laws:  
Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, postal or electronic mail, telegraph, or cable at least fifteen (15) working days prior to the date of the meeting to each stockholder of record at his address as it

\textsuperscript{247} Manual of Corporate Governance, Article IX, page 42; Charter of the Committee of Inspector of Ballots and Proxies  
\textsuperscript{248} Amended By Laws, Article II, Section 7; Charter of the Committee of Inspectors of Ballots and Proxies  
\textsuperscript{249} Manual of Corporate Governance, Article IX, page 42; Charter of the Committee of Inspector of Ballots and Proxies  
\textsuperscript{250} PSE Revised Disclosure Rules, Section 7.
appears on the record of the stockholders of the Corporation or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

The requirement of notice to the meeting shall be deemed waived if the stockholder, in person or by proxy, shall be present thereat.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at he meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

The notice of any regular or special meeting of stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, or sent electronically or by e-mail and addressed as herein provided. 251

The Company may provide information or documents to a stockholder by e-mail or by posting the information or documents on the website of the Company or another electronic network provided that a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the later of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting. 252

There shall be an Investor Relations Division within the Company, which shall be tasked with: 253:

i. Creation and implementation of an investor relations program that reaches out to all

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251 Amended By Laws, Article II Section 4
252 Manual of Corporate Governance, Article VI, (2)
shareholders and fully informs them of corporate activities;

ii. Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;

iii. Preparation of disclosure documents to the SEC and the Philippine Stock Exchange

<table>
<thead>
<tr>
<th>Electronic Notice and Provision of Information or Documents to Stockholders</th>
</tr>
</thead>
</table>
| The Company shall give notice and provide information and documents electronically, as provided above, only to stockholders who have consented to receive notices, information or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information, or documents electronically if he has provided an e-mail or electronic address to the Company and he has not notified the Company in writing that he requires notices, information, or documents to be given to him in physical paper form.  

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(i) **Definitive Information Statements and Management Report**

For the 2016 ASM:

<table>
<thead>
<tr>
<th>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</th>
<th>1,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</td>
<td>March 9, 2016</td>
</tr>
<tr>
<td>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</td>
<td>March 9, 2016</td>
</tr>
<tr>
<td>State whether CD format or hard copies were distributed</td>
<td>CD format and hardcopies were given to the stockholders. Soft copy of the DIS were also mailed electronically to stockholders who indicated their electronic mail addresses.</td>
</tr>
</tbody>
</table>

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254 Amended By Laws, Article II, Section 4
If yes, indicate whether requesting stockholders were provided hard copies

Requesting stockholders were provided with hardcopies.

For the 2015 ASM:

| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 1,260 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | March 17, 2015 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | March 17, 2015 |
| State whether CD format or hard copies were distributed | CD format and hardcopies were given to the stockholders. Soft copy of the DIS were also mailed electronically to stockholders who indicated their electronic mail addresses. |
| If yes, indicate whether requesting stockholders were provided hard copies | Requesting stockholders were provided with hardcopies. |

(j) Does the Notice of Annual/Special Stockholders’ Meeting include the following:

| Each resolution to be taken up deals with only one item. | YES |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | YES |
| The auditors to be appointed or re-appointed. | YES |
| An explanation of the dividend policy, if any dividend is to be declared. | YES, dividend policy was explained in the Definitive Information Statement, but Cash Dividends are not required to be approved |
Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The dividend policy was included in the Definitive Information but the amount payable for final dividends are not included in the notice of stockholders’ meeting because the declaration of cash dividends is not required to be approved by the stockholders as these are matters only for board approval.

Nevertheless, declaration of cash dividends by the Board of Directors are disclosed pursuant to the disclosure rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

2) Treatment of Minority Stockholders

(a) State the company’s policies with respect to the treatment of minority stockholders.

<table>
<thead>
<tr>
<th>Policies</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right to Information</td>
<td>In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information, and if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders’ meeting provided always that this right of access is conditioned upon the requesting shareholders’ having a legitimate purpose for such access.(^{255})</td>
</tr>
<tr>
<td>Duty to Promote Shareholder rights</td>
<td>It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of</td>
</tr>
</tbody>
</table>

\(^{255}\) Manual of Corporate Governance, Article IX, page 40
shareholders rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders’ voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders’ meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any reasonable doubt about the validity of a proxy should be resolved in the stockholder’s favor.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting that relate directly to legitimate business purposes, all in accordance with the By-laws.256

<table>
<thead>
<tr>
<th>Voting Right/Removal of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board.257</td>
</tr>
<tr>
<td>All shares of the Company, regardless of class, have the same voting rights.258</td>
</tr>
<tr>
<td>Each share of stock is entitled to one vote.</td>
</tr>
</tbody>
</table>

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. The By Laws provide that the members of the Board of Directors are to be elected by and from among the stockholders.259

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256 Manual of Corporate Governance, Article IX, page 41
257 Manual of Corporate Governance, Article IX, page 40; Corporation Code of the Philippines, Section 28.
258 Amended Articles of Incorporation, Seventh Article.
259 Amended By Laws, Article III, Section 1, page 9
Every stockholder has a right to submit a nomination for election to the Board. All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee at least thirty (30) working days before the date of the annual stockholders meeting. The stockholders, in making their nominations, or the Company, may make use of professional search firms or external sources of candidates when searching for candidates to the Board. For this year’s election of directors, the last day of nomination was on February 24, 2016.

There is nothing in the constitutional documents of the Company that prohibit an individual stockholder to nominate candidates to the board of directors. In fact, the Independent Directors of the Company have always been nominated by individual shareholders of the Company. Mr. Jaime C. Laya was nominated as independent director by Loida S. Diño, Mr. Jose L. Cuisia, Jr. by Dave Michael V. Valeriano, Mr. Oscar S. Reyes by Jennifer S. Gutierrez, and Ms. Sherisa P. Nuesa by Mary Lorraine Ibasco-Gomez. Ms. Diño, Mr. Valeriano, Ms. Gutierrez and Ms. Ibasco are minority stockholders of the Company, each owning less than 0.02% of the outstanding voting capital stock of the Company.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company’s external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company is committed to the highest standards of disclosure, transparency and information dissemination. The Company provides the public with strategic, operating and financial information through adequate and timely disclosure filings submitted to the regulatory authorities. Along with regular quarterly financial reports, the Company discloses any and all material and critical information about the Company that may have an impact on the market price and trading volume of its securities.

Aside from disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange that are handled by the Governance Department, the Company also addresses the various information requirements of the investors and other stakeholders through a dedicated Investor Relations Department.

Both the Governance and Investor Relations Departments report directly to the Chief Finance Officer (CFO).

2) Describe the company’s investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

The Company believes in open and transparent communication with all shareholders in order to build investor confidence. Through the Investor Relations Department, which reports directly to the Chief Finance Officer (CFO), the Company addresses the various information requirements of the investing public in general, and minority shareholders, in particular, and fosters dialogue between senior management and the investors.

Aside from disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, the Company conducts quarterly Analysts’ Briefings for both equity (buy-side and sell-side) and credit analysts and communicates directly with institutional and retail investors through one-on-one meetings,
written communications such as electronic mails, and conference calls.

Analysts and fund managers not able to attend the quarterly briefings in person can also be informed of the discussions through a live streaming of the event or the audio recording of the meeting that is uploaded immediately in the website. The presentation materials of the briefing are also uploaded in the website shortly after the briefing is concluded.

The Company also has a continuing program of enhancing the Investor Relations and Governance section in the corporate website.

Throughout the year, the CEO, CFO, Director for Financial Planning Policy, Investor Relations and Supply Chain, Head of Investor Relations, and other members of the Management Committee (where appropriate) make themselves available for meetings with institutional investors through prearranged company visits, teleconferences, Analysts’ Briefings, and attendance in local and international investor conferences.

<table>
<thead>
<tr>
<th>(1) Objectives</th>
<th>To adhere to the highest standards of disclosure, transparency and information dissemination</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Principles</td>
<td>The Company believes in open and transparent communication with all shareholders in order to build investor confidence</td>
</tr>
<tr>
<td>(3) Modes of Communications</td>
<td>Disclosures to SEC and PSE, Analysts’ Briefings, one-on-one meetings, written communications such as electronic mails, conference calls, website, participation in local and international investor conferences</td>
</tr>
<tr>
<td>(4) Investors Relations Officer</td>
<td>Rosenni A. Basilio – Director of Financial Planning, Investor Relations and Supply Chain; Patricia Carmen D. Pineda – Head of Investor Relations; Abby Nicole A. Romasanta* – Investor Relations Officer</td>
</tr>
</tbody>
</table>

*Effective January 7, 2016

3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

NOT APPLICABLE. THE COMPANY HAS NOT HAD ANY TRANSACTION INVOLVING ACQUISITION OF CORPORATE CONTROL IN THE CAPITAL MARKETS AND EXTRA-ORDINARY TRANSACTIONS SUCH AS Mergers, AND SALES OF SUBSTANTIAL PORTIONS OF CORPORATE ASSETS.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

NOT APPLICABLE. THE COMPANY HAS NOT HAD ANY TRANSACTION INVOLVING ACQUISITION OF CORPORATE CONTROL IN THE CAPITAL MARKETS AND EXTRA-ORDINARY TRANSACTIONS SUCH AS Mergers, AND SALES OF SUBSTANTIAL PORTIONS OF CORPORATE ASSETS.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES
Discuss any initiative undertaken or proposed to be undertaken by the company.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beneficiary</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tubig Para Sa Barangay</td>
<td>1.8 million people from urban poor communities</td>
<td>2015 Accomplishments (as of Nov. 2015)</td>
</tr>
<tr>
<td></td>
<td>This Program makes piped-in water supply available to low-income communities by offering flexible payment schemes and lower tariff, especially for customers consuming 10 cubic meters or less.</td>
<td>East Zone of Metro Manila: 2,107 households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Laguna: 150 households</td>
</tr>
<tr>
<td>Lingap programs</td>
<td>381 institutions (plus 9 Lingap projects rehabilitated)/ 1.6 million people</td>
<td>2015 Accomplishments: 27 institutions (plus 9 Lingap projects rehabilitated)</td>
</tr>
<tr>
<td></td>
<td>This Program involves improvement of water supply and sanitation for public service institutions such as schools, hospitals / health centers, markets, city jails, orphanages, etc.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The activities conducted pursuant to this Program includes rehabilitation of the reticulation of after-the-meter pipelines; construction / installation of drinking fountains and hand washing facilities; and the rehabilitation of toilet facilities</td>
<td></td>
</tr>
<tr>
<td>Kabuhayan Para Sa Barangay</td>
<td>195 cooperatives 68,250 families</td>
<td>2015 Accomplishments: Total of 195 Cooperatives 58,250 families</td>
</tr>
<tr>
<td></td>
<td>The program aims to provide financial assistance to target cooperatives that are in good standing, and have the potential to grow their businesses but are encountering some financial difficulties. They are also given trainings, capacity building and development seminars for program sustainability.</td>
<td>Program Cost: P 19,500,000.00</td>
</tr>
<tr>
<td></td>
<td>The beneficiaries are also linked with the Company’s supply chain and the company may avail the products and services at a</td>
<td></td>
</tr>
</tbody>
</table>
competitive price. In addition, the beneficiaries are allowed to serve other clienteles and are not exclusive to Manila Water to encourage entrepreneurial growth.

Lakbayan

This Program involves an educational tour of the Water Trail to show the participants the process that the raw water undergoes from the sources, to treatment and prior to distribution to customers.

Participants are given a tour of the water and wastewater treatment facilities of the Company. The Program aims to promote stakeholder awareness on the need to conserve water and to care for our water sources.

Mobile Lakbayan

Another scheme is the Mobile Lakbayan wherein Lakbayan educational tools are brought to the communities, schools and other partner agencies.

Mobile Lakbayan – Bawat Patak, Tumatatak... Goes to School

Another form of Mobile Lakbayan is the Mobile Lakbayan – Bawat Patak, Tumatatak.. Goes to School. It caters specifically to elementary students and involves volunteer Manila Water employees to educate students on proper solid waste management and used water treatment.

Toka Toka

Toka-Toka Lingap Sapa in Maytunas Creek covers the following 9 barangays:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beneficiary</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lakbayan</td>
<td>Lakbayan: 1,210 groups 40,135 participants from Non-Governmental Agencies, Local Government Units, academe, media, corporates, Non-Governmental Organizations, and similar entities.</td>
<td>2015 Accomplishments: Lakbayan: 96 groups/ 2,009 participants from Non-Governmental Agencies, Local Government Units, academe, media, corporates, Non-Governmental Organizations, and similar entities.</td>
</tr>
<tr>
<td>Mobile Lakbayan</td>
<td>Mobile Lakbayan: 195 groups 9,868 participants</td>
<td>2015 Accomplishments: Mobile Lakbayan: Jan- Dec 2015 Accomplishments: 195 groups 9,868 participants</td>
</tr>
<tr>
<td>Mobile Lakbayan - Bawat Patak, Tumatatak... Goes to School</td>
<td>Mobile Lakbayan - Bawat Patak, Tumatatak... Goes to School 8 schools 21 sections 813 students</td>
<td>Mobile Lakbayan - Bawat Patak, Tumatatak... Goes to School 8 schools 21 sections 813 students 88 volunteer employees</td>
</tr>
<tr>
<td>Toka Toka</td>
<td>Toka-Toka Lingap Sapa in Maytunas Creek covers the following 9 barangays:</td>
<td>2015 Accomplishments: Number of clean-ups conducted: 8</td>
</tr>
</tbody>
</table>
Manila Water Used Water Advocacy which partners with different public and private institutions to help inform, educate, and influence each individual to do their 'toka’ (share) to help revive the waterways.

This 2015, Manila Water launched Toka-Toka Lingap Sapa in Maytunas Creek which traverses the cities of Mandaluyong and San Juan. Lingap Sapa aims to:

1. To develop Toka-Toka Barangay Champions who meet the following criteria:
   a. Conducts regular waterway clean-up involving residents of the barangay in coordination with the local government unit;
   b. Implements barangay ordinances in support of RA 9275 (Clean Water Act) and RA 9003 (Solid Waste Management Act);
   c. Conducts information, education, campaigns for the residents of the barangays regarding solid waste management, environmental protection, Supreme Court Continuing Mandamus to rehabilitate Manila Bay, etc.

2. To decrease the number of solid waste collected from Maytunas creek (baseline from the project launch)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beneficiary</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water Used Water Advocacy</td>
<td>Kabayan, San Juan, Pleasant Hills, San Juan, Maytunas, Mandaluyong, Addition Hills, Mandaluyong, Daang Bakal, Mandaluyong, Addition Hills, Mandaluyong, Hagdang Bato Libis, Mandaluyong, Mauway, Mandaluyong, Bagong Silang, Mandaluyong</td>
<td>Total Length Cleaned: approximately 1300 meters</td>
</tr>
</tbody>
</table>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

The Company has an Annual Board Evaluation Process that is required to be accomplished by the directors. This Annual Board Evaluation Process is comprehensive enough in scope and enables the directors to assess the following:
The idea for the evaluation is to give the Board and the management information on the areas that need improvement in terms of the foregoing scope.

The evaluation process also allows the Board to explain the ratings they gave and to provide their own comments and recommendations on the matters discussed in the evaluation.

The evaluation criteria are as follows:

<table>
<thead>
<tr>
<th>Scope</th>
<th>Criteria</th>
<th>Point System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Processes and Meetings</td>
<td>a. Adequacy, frequency, duration and scheduling of Board and Committee meetings per year</td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
<tr>
<td></td>
<td>b. Attendance to the Board and Committee meetings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Adequacy of materials for meetings of the Board and the Committees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d. Content and quality of materials for meetings of the Board and the Committees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>e. Quality of presentations to the Board and the Committees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>f. Quality and adequacy of discussions and deliberations during Board and Committee meetings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>g. Preparedness of the directors for the Board and Committee meetings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>h. Appropriateness of delegation of business to the respective Board Committees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>i. Adequate information to the Board of Committee acts and approvals</td>
<td></td>
</tr>
<tr>
<td>Compliance with the Responsibilities and Functions of the Board</td>
<td>a. Involvement of the Board and the Committees in the determination of the Corporation’s strategic initiatives and direction</td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
<tr>
<td></td>
<td>b. Effectiveness of the Board and the Committees in monitoring of management’s implementation of corporate strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Effectiveness of the Board and the Committees in monitoring the operational and financial performance of the Corporation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d. Effectiveness of the Board and the Committees in handling crisis situation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>e. Commitment of the Board and the Committees to good corporate governance practices</td>
<td></td>
</tr>
<tr>
<td><strong>Board – Management Relationship</strong></td>
<td><strong>f. Consideration by the Board and the Committees of the interest of the minority shareholders</strong></td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>a. Existence of open lines of communication and constructive interaction between directors and the management of the Corporation</td>
<td><strong>Support of the Board and the Committees to the management</strong></td>
<td></td>
</tr>
<tr>
<td>b. Clear understanding of the delineation between the roles of the Board and the Committees and the key officers/management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Board Member Self Evaluation</strong></td>
<td><strong>a. Exercise of independent judgment in that a Director views each problem/situation objectively and supports plans and ideas which such Director believes are beneficial to the Corporation</strong></td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
<tr>
<td></td>
<td><strong>b. Avoidance of any situation where a Director may be placed in a conflict of interest</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>c. Inclination to disclose any conflict of interest</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>d. Prompt and complete attendance in Board and Committee meetings</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>e. Preparedness on the topics to be discussed on Board and Committee meetings</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>f. Active and objective participation in the Board and Committee discussions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>g. Working knowledge on the statutory and regulatory requirements affecting the Corporation</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>h. Promotion and support on good corporate governance practices</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation of the CEO/President</strong></td>
<td><strong>a. Possession by the CEO/President of the qualifications to effectively discharge the functions of the office</strong></td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
<tr>
<td></td>
<td><strong>b. Ability of the CEO/President to achieve Key Result Areas and Performance of the CEO against clear, measurable and documented objectives</strong></td>
<td></td>
</tr>
</tbody>
</table>

In addition, the Audit and Governance Committee adopted SEC Memorandum Circular No. 4 Series of 2012 on the Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange which took effect on 30 June 2012.

**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees
To strictly observe and implement the provisions of the Manual, the following penalties\(^{260}\) shall be imposed after notice and hearing, on the Company’s directors, officers, and staff in case of violation of any of the provisions of the Manual:

<table>
<thead>
<tr>
<th>Violations</th>
<th>Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Violation</td>
<td>Reprimand</td>
</tr>
<tr>
<td>Second Violation</td>
<td>Suspension from office, for such duration at the reasonable discretion of the Board, depending on the gravity of the violation</td>
</tr>
<tr>
<td>Third Violation</td>
<td>Removal from office</td>
</tr>
<tr>
<td>Third Violation by a director</td>
<td>Removal from directorship</td>
</tr>
</tbody>
</table>

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\(^{260}\) Manual of Corporate Governance, page 43.
References:
Amended Articles of Incorporation
Amended By Laws
Manual of Corporate Governance
Revised Code of Business Conduct and Ethics
Charter of the Board of Directors
Charter of the Executive Committee
Charter of the Nomination Committee
Charter of the Remuneration Committee
Charter of the Audit and Governance Committee
Charter of the Committee of Inspectors of Ballots and Proxies
Charter of the Risk Committee
Policy on Related Party Transactions
2012 Sustainability Report
2013 Annual Report
2014 Annual Report
2013 Financial Statements
2013 Definitive Information Statement
Quality, Environment, Health and Safety Policy
2014 Definitive Information Statement
2015 Definitive Information Statement
Minutes of Meeting 2013 Annual Stockholders Meeting
Minutes of Meeting 2014 Annual Stockholders Meeting
2015 ASM Voting Results
Procurement Policy
Vendor’s Code of Conduct
Employee Code of Conduct and Discipline
Corporation Code of the Philippines (Batas Pambansa Blg. 68)
Securities Regulations Code (Republic Act No. 8799)
SEC Memorandum Circular No. 9 Series of 2011 (Term Limits for Independent Directors)
SEC Memorandum Circular No. 16 Series of 2002 (Guidelines on the Nomination and Election of Independent Directors)
SEC Memorandum Circular No. 4 Series of 2012 (Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange)
Internal Audit Charter
Enterprise Risk Management Policy
Certification of Full Compliance to the Manual of Corporate Governance
Report of the Risk Committee to the Board of Directors
Report of the Audit and Governance Committee to the Board of Directors
SEC Certification on permanent exemption of Ambassador Jose L. Cuisia, Jr. (independent director), from attendance in Corporate Governance Training requirements of the SEC
SECRETARY'S CERTIFICATE

I, JHOEL P. RAQUEDAN, Filipino, of legal age, and with business address at the 2nd Floor, MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City, after having been duly sworn in accordance with law, do hereby certify that:

1.0 I am the Assistant Corporate Secretary of Manila Water Company, Inc. (the "Company"), a corporation duly organized and existing under Philippine laws, with business address at the MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City.

2.0 This certification is being rendered in connection with the submission of the consolidated changes in the Annual Corporate Governance Report (ACGR) of the Company pursuant to the Securities and Exchange Commission Memorandum Circular No. 12 Series of 2014 and the Securities and Exchange Commission Advisory dated March 12, 2015 in connection with the Company’s submission of it SEC Form 17-A.

3.0 At the regular meeting of the Board of Directors held on February 26, 2016, at which meeting a quorum duly existed, the Board approved the Report of the Risk Committee and the Report of the Audit and Governance Committee to the Board.

In its report to the Board, the Risk Committee confirmed that:

- The Committee reviewed and endorsed the Committee Charter for the approval of the Board of Directors;

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in Manila Water.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

In its report to the Board, the Audit and Governance Committee confirmed that:

- The Committee reviewed and approved the quarterly unaudited consolidated financial statements and the annual Audited Consolidated Financial Statements of Manila Water Company, Inc. and subsidiaries, including Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2015, with the Company's Management, internal auditors, and SGV& Co. These activities were conducted in the following context:
- That, Management has the primary responsibility for the financial statements and the reporting process.
- That, SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with the Philippine Financial Reporting Standards.

- The Committee reviewed and approved the Management representation letter before submission to the Company's independent external auditors.

- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2015 based on its review of SGV's performance and qualifications, including consideration of Management's recommendation.

- The Committee reviewed and approved all audit and audit-related services provided by SGV & Co. to the Company and the related fees for such services.

- The Committee discussed and approved the overall scope and the respective audit plans of the Company's Internal auditors and of SGV & Co., the results of their audits and their assessment of the Company's internal controls, and the overall quality of the financial reporting process.

- The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

- The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management's system of internal controls and the Committee found the internal control system to be adequate and effective.

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee reviewed and confirmed that the existing Audit and Governance and Internal Audit Charters are sufficient to accomplish the Committee's and Internal Audit's objectives. The A&GC Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

- The Committee conducted a self-assessment of its performance to confirm that the Committee continues to meet the expectations of the Board, Management and shareholders.
- Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Governance Committee recommended to the Board of Directors the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2015 and the filing thereof with the Securities and Exchange Commission.

4.0 In the same regular meeting of the Board of Directors held on February 26, 2016, at which meeting a quorum duly existed, the Board approved the following resolutions:
Approval of 2015 Financial Statements: Resolution No. 2 (2016)

RESOLVED, to approve the financial statements of the Company as of the fiscal year ended December 31, 2015.

Re-appointment of SGV & Co. as External Auditor: Resolution No. 3 (2016)

RESOLVED, to approve the re-appointment of the firm of Sycip Gorres Velaya and Company as the external auditor of the Company for the fiscal year January 1, 2016 to December 31, 2016, for an audit fee of Php2,000,000.00, exclusive of Value Added Tax and out-of-pocket expenses.

RESOLVED, FINALLY, to approve the re-appointment of the firm of Sycip Gorres Velaya and Company as the external auditor of the Manila Water Group for the fiscal year January 1, 2016 to December 31, 2016, for a total audit fee of Php3,754,600.00, exclusive of Value Added Tax and out-of-pocket expenses.

Declaration of First Semester Cash Dividends: Resolution No. 4 (2016)

RESOLVED, to approve the declaration of the following cash dividends for the first semester of 2016:
   (a) P 0.4167 per share on the outstanding Common shares;
   (b) P0.04167 per share on the outstanding Participating Preferred shares, payable on March 23, 2016 to shareholders of record of the Company as of March 11, 2016.

Ratification of Audit and Governance Committee Acts and Resolutions: Resolution No. 9 (2016)

RESOLVED, to approve and ratify the following actions and resolutions of the Audit & Governance Committee adopted in its meeting held on February 24, 2016:
   a. Endorsement for Board's approval of the Financial Statements of the Company for the year ended December 31, 2015 and the accompanying Notes to Financial Statements
   b. Approval of the Management Discussion and Analysis
   c. Approval of the External auditors' communication to the Committee and the Management Representation Letter
   d. Re-appointment of SGV and Co. as the external auditors of the Company and the Group for the fiscal year 2016 for an audit fee of Php2,000,000.00 and Php3,754,600.00 respectively, exclusive of value added taxes and out-of-pocket expenses
e. Discussion of the revisions to the counterparty limits of the Company consisting of inclusion of Bank of China in the counterparty banks, and increasing the counterparty limits of HSBC and PNB
f. Approval of the Report of the Committee to the Board
g. Approval of the Revised Charter of the Committee which revisions pertain to the transfer of the risk management and oversight function to the recently established Risk Committee

RESOLVED, FINALLY, to note the following actions and resolutions of the Audit & Governance Committee adopted in the same meeting:

a. Discussion of the focus areas of SGV and Co., the significant accounting and auditing issues noted by SGV, the unadjusted audit differences, and the communications of SGV to the Committee

b. Approval of the minutes of the previous meeting of the Committee
c. Discussion of the communication of the Internal Audit to the Committee
d. Proposed schedules and agenda of meetings of the Committee in 2016
e. Discussion of the status of the Risk Based Audit Plan and the fourth quarter results of the audit of the Internal Audit

f. Discussion of the treasury risks exposures of the Company to the following: foreign exchange risk on cash and loans; interest rate risk and liquidity risk

Ratification of Remuneration Committee Acts and Resolutions; Resolution No. 10 (2015)

RESOLVED, to approve and ratify the following actions and resolutions of the Remuneration Committee adopted in its meeting held on February 24, 2016:

a. Approval of the 2016 Salary Increases

b. Approval of the 2016 Corporate Incentive Program

Ratification of Risk Committee Acts and Resolutions; Resolution No. 11 (2015)

RESOLVED, to approve and ratify the following actions and resolutions of the Risk Committee adopted in its meeting held on February 11, 2016:

a. Approval of the Report of the Committee to the Board

RESOLVED, FINALLY, to note the following actions and resolutions of the Risk Committee adopted in the same meeting:

a. Discussion on the Committee approach regarding the risk oversight and management function of the Committee

b. Discussion of the security risks of the Company and the Group and the water quality report of Clark Water
c. Insurance briefing of the Enterprise Risk and Insurance Management Department to the Committee

d. Approval of the minutes of the previous meeting of the Committee

Ratification of Nomination Committee Acts and Resolutions: Resolution No. 12 (2016)

RESOLVED, to note the following actions and resolutions of the Nomination Committee adopted in its meeting held on February 24, 2016:

a. Endorsement of the election of the following nominees to the Board for election at the 2016 annual meeting of stockholders:

- Fernando Zobel de Ayala
- Gerardo C. Ablaza, Jr.
- John Eric T. Francia
- Oscar S. Reyes
- Sherisa P. Nuesa
- Jaime C. Laya
- Jaime Augusto Zobel de Ayala
- Delfin L. Lazaro
- Antonino T. Aquino
- Jose L. Cuisia, Jr.
- Victoria P. Garchitorena

S.0 At the Annual Stockholders Meeting held on April 11, 2016, at which meeting a quorum duly existed, the stockholders:

a. Approved the election of the following as Directors of the Company:

- Fernando Zobel de Ayala
- Gerardo C. Ablaza, Jr.
- Delfin L. Lazaro
- Victoria P. Garchitorena
- Jose L. Cuisia, Jr. (Independent)
- Sherisa P. Nuesa (Independent)
- Jaime Augusto Zobel de Ayala
- Antonino T. Aquino
- John Eric T. Francia

b. Approved the 2015 audited financial statement of the Company and adopted the following resolution:

Resolution No. 2 (2016): “RESOLVED, to note the Annual Report and to approve the 2015 Audited Financial Statements of the Company.”

c. Approved the re-appointment of Sycip Gorres Velayo & Co. as external auditor and adopted the following resolution:

Resolution No. 4 (2016): “RESOLVED, to approve the re-appointment of the firm of Sycip Gorres Velayo & Company as external auditor of the Company for the fiscal year January 1, 2016 to December 31, 2016 for an audit fee of Pesos: Two Million (P2,000,000.00), exclusive of value-added tax and out-of-pocket expenses.”
6.0 At the organizational meeting of the Board held on April 11, 2016, at which meeting a quorum duly existed, the Board approved the following appointments:

**Board Chairman and Vice Chairman**

Fernando Zobel de Ayala  
Jaime Augusto Zobel de Ayala  

**Executive Committee**

Fernando Zobel de Ayala  
Gerardo C. Ablaza, Jr.  
Antonino T. Aquino  
John Eric T. Francia  
Sherisa P. Nuesa  

**Audit and Governance Committee**

Oscar S. Reyes (Independent)  
Jose L. Cuisia, Jr. (Independent)  
Jaime C. Laya (Independent)  
Victoria P. Garchitorena  

**Nomination Committee**

Jose L. Cuisia, Jr. (Independent)  
Oscar S. Reyes (Independent)  
Jaime C. Laya (Independent)  

**Remuneration Committee**

Oscar S. Reyes (Independent)  
Jose L. Cuisia, Jr. (Independent)  
Sherisa P. Nuesa (Independent)  
Fernando Zobel de Ayala  

**Committee of Inspectors of Ballots and Proxies**

Chief Internal Auditor - Xerxes Noel O. Ordanez  
Chief Legal Counsel - Atty. Jhoel P. Raquedan  
Representative of External Auditor  

**Key Officers**

Gerardo C. Ablaza, Jr.  
Luis Juan B. Oreta  
Virgilio C. Rivera, Jr.  
Ferdinand M. Dela Cruz  

President and Chief Executive Officer  
Chief Finance Officer and Treasurer  
Group Director, Corporate Finance and Governance  
Chief Operating Officer- New Business Operations  
Chief Operating Officer- Manila Water Operations
7.0 Immediately after the organizational meeting of the board on April 11, 2016, the non-executive members of the Board of Directors held an executive session.

8.0 The other changes in the ACGR are made to update the sections of the ACGR on programs, plans and policies as of date of this certification, which are not required to be approved by the Board or which are not required to be discussed by the Board, but which changes are either pursuant to the normal operations of the Company or are made within the authorities of the departments, and units of the Company and the corresponding managers and heads thereof.

9.0 I attest to the truth of the foregoing and that the above-quoted Resolutions have not been amended or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and impressed the seal of the Company on this ___ day of April 2016 at Quezon City, Metro Manila, Philippines.

[Signature]
JHOEL P. RAQUEDAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13 day of April 2016 at Quezon City, Metro Manila, Philippines, affiant, Jhoel P. Raquedan, exhibited to me his Passport with Passport Number EB4733000 valid until February 16, 2017.

TATY JOVENCIO D. FULGUERAS

[Stamp]
SECRETARY'S CERTIFICATE

I, JHOEL P. RAQUEDAN, Filipino, of legal age, and with business address at the 2nd Floor, MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City, after having been duly sworn in accordance with law, do hereby certify that:

1.0 I am the Assistant Corporate Secretary of Manila Water Company, Inc. (the “Company”), a corporation duly organized and existing under Philippine laws, with business address at the MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City.

2.0 This certification is being rendered in connection with the submission of the consolidated changes in the Annual Corporate Governance Report (ACGR) of the Company pursuant to the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014.

3.0 At the regular meeting of the Board of Directors held on February 20, 2015, at which meeting a quorum duly existed, the Board approved the following resolutions:

Appointment of SGV as External Auditor

Resolution No. 3 (2015)

RESOLVED, to approve the 2014 Audited Consolidated Financial Statements of the Company and to authorize the management of the Company to release the 2014 Audited Consolidated Financial Statements to the public and to submit the same to the Bureau of Internal Revenue, the Securities and Exchange Commission and other relevant government agencies.

RESOLVED, FINALLY, to approve the re-appointment of Sycip Gorres Velayo and Company as the external auditor of the Company for the fiscal year January 1, 2015 to December 31, 2015, for an audit fee of Php2,000,000.00, exclusive of Value Added Tax and out-of-pocket expenses.

Declaration of First Semester Cash Dividends

Resolution No. 7 (2015)

RESOLVED, to approve the declaration of the following cash dividends for the first semester of 2015:
(a) P0.4075 per share on the outstanding Common shares;
(b) P0.04075 per share on the outstanding Participating Preferred shares,
    payable on March 20, 2015 to stockholders of record of the Company as of March 6,
    2015.

4.0 At the Annual Stockholders Meeting held on April 7, 2015, at which meeting a quorum duly
existed, the stockholders:

a. Approved the election of the following as Directors of the Company:
   i. Fernando Zobel de Ayala
   ii. Jaime Augusto Zobel de Ayala
   iii. Gerardo C. Ablaza, Jr.
   iv. Antonino T. Aquino
   v. Delfin L. Lazaro
   vi. John Eric T. Francia
   vii. Victoria P. Garchitorena
   viii. Jaime C. Laya (Independent)
   ix. Jose L. Cuisia, Jr. (Independent)
   x. Oscar S. Reyes (Independent)
   xi. Sherisa P. Nuesa (Independent)

b. Approved the re-Appointment of SyCip Gorres Velayo & Co. as external auditor and
   adopted the following resolution:

   Resolution No. 4 (2015): “RESOLVED, to approve the re-appointment of the firm of SyCip
   Gorres Velayo & Company as external auditor of the Company for the fiscal year January
   1, 2015 to December 31, 2015 for an audit fee of Pesos: Two Million (P2,000,000.00),
   exclusive of value-added tax and out-of-pocket expenses.”

5.0 At the organizational meeting of the Board held on April 7, 2015, at which meeting all eleven
(11) directors are present, the Board unanimously approved the following appointments:

**Board Chairman and Vice Chairman**

Fernando Zobel de Ayala  Chairman
Jaime Augusto Zobel de Ayala  Vice Chairman

**Board Committee Compositions**

**Executive Committee**

Fernando Zobel de Ayala  Chairman
Gerardo C. Ablaza, Jr.  Vice Chairman
Antonino T. Aquino  Member
John Eric T. Francia  Member
Sherisa P. Nuesa  Member
Audit and Governance Committee
Oscar S. Reyes Chairman
Jose L. Cuisia, Jr. Member
Victoria P. Garchitorena Member
Jaime C. Laya Member

Nomination Committee
Jose L. Cuisia, Jr. Chairman
Oscar S. Reyes Member
Jaime C. Laya Member
Jaime Augusto Zobel de Ayala Member

Remuneration Committee
Oscar S. Reyes Chairman
Jose L. Cuisia, Jr. Member
Sherisa P. Nuesa Member
Fernando Zobel de Ayala Member

Committee of Inspectors of Ballots and Proxies
MWC Chief Internal Auditor Chairman
Atty. Jhoel P. Raquedan Member
Representative of External Auditor Member

Key Officers
Gerardo C. Ablaza, Jr. President and Chief Executive Officer
Luis Juan B. Oreta Chief Finance Officer and Treasurer
       Compliance Officer
       Group Director, Corporate Finance and Governance
Virgilio C. Rivera, Jr. Chief Operating Officer - New Business Operations
Ferdinand M. Dela Cruz Chief Operating Officer - Manila Water Operations
Geodino V. Carpio Group Director
       Corporate Operations – Manila Water Operations
Abelardo P. Basilio Group Director
       Strategic Asset Management – Manila Water Operations
Rodell A. Garcia Group Director
       Chief Technology Adviser – Manila Water Operations
Thomas T. Mattison Group Director
       Corporate Project Management – Manila Water Operations
Solomon M. Hermosura Corporate Secretary
Jhoel P. Raquedan Assistant Corporate Secretary
Ma. Victoria P. Sugapong Chief Risk Officer

6.0 At the regular meeting of the Board of Directors of the Company held on August 11, 2015, at which meeting all eleven (11) directors are present, the Board unanimously approved the following resolutions:
Declaration of Second Semester Cash Dividends

Resolution No. 20 (2015)

RESOLVED, to approve the declaration of the following cash dividends for the second semester of 2015:
(a) ₱0.4075 per share on the outstanding Common shares;
(b) ₱0.04075 per share on the outstanding Participating Preferred shares, payable on September 9, 2015 to stockholders of record of the Company as of August 26, 2015.

Creation of a Risk Committee

Resolution No. 21 (2015)

RESOLVED, to approve the creation of a Risk Committee to exercise and perform the risk governance and management functions of the Audit and Governance Committee;

RESOLVED, FURTHER, to authorize the Committee to draft its own charter which shall provide for, among others, its power, authorities, functions and responsibilities, subject to the approval thereof by the Board in its next meeting;

RESOLVED, FINALLY, to approve the election and appointment of the following as Chairmen and members of the newly created Risk Committee to perform the duties mandated by law, the by-laws of the Company, the Committee’s Charter, and such other duties and functions as may from time to time be assigned and delegated to them by the Board.

Risk Committee Chairman and Members:

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Jaime C. Laya</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member</td>
<td>Jose L. Cuisia, Jr.</td>
</tr>
<tr>
<td>Member</td>
<td>Victoria P. Garchitorena</td>
</tr>
<tr>
<td>Member</td>
<td>Oscar S. Reyes</td>
</tr>
</tbody>
</table>

Revision to the Mission-Vision Statement

Resolution No. 24 (2015)

RESOLVED, to approve the new mission statement and the updated vision statement of the Company, to wit:

Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.
Our vision is to become a leader in the provision of water, used water and environmental services, which will empower people, protect the environment and enhance sustainable development.

7.0 At the regular meeting of the Board of Directors of the Company held on November 26, 2015, at which meeting a quorum duly existed, the Board approved the following resolutions:

Approval of the Risk Committee Charter

Resolution No. 28 (2015)

RESOLVED, to approve and ratify the following actions and resolutions of the Risk Committee adopted in its meeting held on October 28, 2015:

a. Endorsement of the Risk Committee Charter

The Committee discussed the proposed Risk Committee Charter which includes structure of the Committee, the authority, roles and responsibilities of the Committee, the meetings and schedules of the Committee, the functional and secretariat support to the Committee, reports to the Board of the Committee, performance evaluation of the Committee, annual review of the Committee Charter and access to information.

The Committee approved/endorsed the draft Committee Charter for the approval of the Board, subject to the incorporation of the amendments and comments of the Committee members.

RESOLVED, FINALLY, to approve the Charter of the Risk Committee.

Cash Dividends on Participating Preferred Shares

Resolution No. 29 (2015)

RESOLVED, to authorize the declaration of cash dividends in the amount of Php0.01 per share on the Php4 Billion outstanding Participating Preferred shares, payable on December 22, 2015 to stockholders of record of the Company as of December 10, 2015.

Schedule of 2016 Board Meetings

Resolution No. 31 (2015)

RESOLVED, to approve the following schedules of the meetings of the Board of Directors in 2016:
<table>
<thead>
<tr>
<th>Type of Meeting</th>
<th>Date of Meeting</th>
<th>Day</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Meeting</td>
<td>February 26, 2016</td>
<td>Friday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Organizational Board Meeting and Meeting of Non-Executive Directors</td>
<td>April 11, 2016</td>
<td>Monday</td>
<td>Immediately after the 2016 ASM</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>June 9, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>August 11, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>October 4, 2016</td>
<td>Tuesday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>November 24, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
</tbody>
</table>

RESOLVED, FINALLY, to authorize the Chairman of the Board to make changes to the schedules after consultation with the members of the Board.

8.0 The other changes in the ACGR are updates to the sections of the ACGR on programs, plans and policies as of December 31, 2015, which are not required to be approved by the Board or which are not required to be discussed by the Board, but which changes are either pursuant to the regular operations of the Company or are made within the authorities of the departments and units of the Company and the corresponding managers and heads thereof.

9.0 I attest to the truth of the foregoing and that the above-quoted Resolutions have not been amended or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and impressed the seal of the Company on this ___th day of January 2016 at Quezon City, Metro Manila, Philippines.

[Signature]
JHOEL P. RAQUEDAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___th day of January 2016 at Quezon City, Metro Manila, Philippines: affiant, Jhoel P. Raquedan, exhibited to me his Philippine Passport with Passport Number EB4733000 valid until February 16, 2017.

[Signature]
JHOEL P. RAQUEDAN
Assistant Corporate Secretary
Report of the Risk Committee to the Board of Directors
For the year ended December 31, 2015

The Risk Committee was established by the Board of Directors at its August 2015 meeting in pursuit of the Board’s oversight responsibilities in relation to risk governance in Manila Water. The Risk Committee’s roles, responsibilities and authority are defined in the Risk Committee Charter approved by the Board of Directors during its November 26, 2015 meeting.

In compliance with the Risk Committee Charter, the Committee confirms that:

- An independent director chairs the Risk Committee. The Committee has three out of four members who are independent directors.
- The Committee had one meeting during the year with the following attendance rate:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held</th>
<th>Percent Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaime C. Laya</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Jose L. Cuista, Jr.</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>1/1</td>
<td>100%</td>
</tr>
</tbody>
</table>

- The Committee reviewed and endorsed the Committee Charter for the approval of the Board of Directors.
- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.
- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in Manila Water Company, Inc.
- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

The Risk Committee was established in August 2015, its tasks having been performed by the previously responsible Committee. The present Risk Committee addressed only the matters reported above and expects to more fully exercise its functions and meet Board, Management and shareholder expectations in the coming year.
February 24, 2016

JAIME C. ALAYA
Chairman

JOSE L. CURSIA JR.
Member

VICTORIA P. GARCHITORENA
Member

OSCAR S. REYES
Member
Report of the Audit and Governance Committee to the Board of Directors
For the year ended December 31, 2015

The Audit & Governance Committee’s roles, responsibilities and authority are defined in the Audit and Governance Committee Charter approved by the Board of Directors. The Committee provides assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the:

a) integrity of the Manila Water Company, Inc.’s (“Company’s”) financial statements and the financial reporting process;

b) appointment, remuneration, independence and performance of internal audit and of the independent auditors, and integrity of the audit process;

c) effectiveness of the systems of internal controls and enterprise risk management process;

d) compliance with applicable legal and regulatory requirements and other reporting standards;

e) performance and leadership of the internal control function;

f) preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

In compliance with the Audit and Governance Committee Charter, the Committee confirms that:

- An independent director chairs the Audit and Governance Committee. The Committee has three out of four members who are independent directors;
- The Committee had four meetings during the year with the following attendance rate:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held</th>
<th>Percent Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oscar S. Reyes</td>
<td>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5/5</td>
<td>100%</td>
</tr>
</tbody>
</table>

- The Committee reviewed and approved the quarterly unaudited consolidated financial statements and the annual Audited Consolidated Financial Statements of Manila Water Company, Inc. and subsidiaries, including Management’s Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2015, with the Company’s Management, internal auditors, and SGV& Co. These activities were conducted in the following context:
  - That, Management has the primary responsibility for the financial statements and the reporting process.
- That, SGV & Co. is responsible for expressing an opinion on the conformity of the Company’s audited consolidated financial statements with the Philippine Financial Reporting Standards.

- The Committee reviewed and approved the Management representation letter before submission to the Company’s Independent external auditors.

- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2015 based on its review of SGV’s performance and qualifications, including consideration of Management’s recommendation.

- The Committee reviewed and approved all audit and audit-related services provided by SGV & Co. to the Company and the related fees for such services.

- The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s Internal controls, and the overall quality of the financial reporting process.

- The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

- The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of Internal controls and the Committee found the internal control system to be adequate and effective.

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee reviewed and confirmed that the existing Audit and Governance and Internal Audit Charters are sufficient to accomplish the Committee’s and Internal Audit’s objectives. The A&GC Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

- The Committee conducted a self-assessment of its performance to confirm that the Committee continues to meet the expectations of the Board, Management and shareholders.
Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Governance Committee recommended to the Board of Directors the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2015 and the filing thereof with the Securities and Exchange Commission.

February 24, 2016

[Signatures]

OSCAR S. REYES
Chairman, Audit & Governance Committee

[Signatures]

JOSE L. CUISIA JR.  JAIME P. LAYA  VICTORIA P. GARCHITORENA
Independent Director  Independent Director  Member
CERTIFICATION OF FULL COMPLIANCE WITH
THE MANUAL OF CORPORATE GOVERNANCE

The Manual of Corporate Governance of Manila Water Company, Inc., as revised in June 2014, adopts the leading practices and principles of good governance, and to the best of the undersigned’s knowledge and belief, full compliance therewith has been made since the adoption of the Manual.

This Certification is issued in accordance with the requirement of the Corporation’s Manual of Corporate Governance, Article V, Section 3, Paragraph (iii), and is executed to attest to the truth of the foregoing facts.

January 30, 2016, Quezon City, Metro Manila.

Attested by:

[Signature]
LUIS JUAN B. ORETA
Compliance Officer

Noted by:

[Signature]
GERARDO C. ABLAZA, JR.
President and CEO
10 December 2015

MANILA WATER COMPANY, INC.
MWSS Administration Building
489 Katipunan Road, 1105, Balara
Quezon City

Attention: MR. JHOEL P. RAQUEDAN
Chief Legal Counsel/Assistant Corporate Secretary

Re: Request for Exemption from Attending Corporate Governance Trainings for Ambassador Jose L. Cuisia, Jr.

Gentlemen:

This refers to your letter dated 07 October 2015 requesting that Ambassador Jose L. Cuisia, Jr. be exempted from the requirement to attend corporate governance trainings/seminars, pursuant to SEC Memorandum Circular No. 20, Series of 2013.

Please be informed that the Commission, in its en banc meeting on 08 December 2015 resolved to GRANT the said request. Ambassador Cuisia is granted a permanent exemption from the training requirement.

Very truly yours,

JUSTINA F. CALLANGAN
Director
A. INTRODUCTION

This document shall be known as the Audit and Governance Committee Charter (the “Charter”) and shall prescribe the roles, responsibilities, and authority of the Audit and Governance Committee (“Committee”) of Manila Water Company, Inc. (“Manila Water” or the “Company”), including the rules of procedures necessary for the conduct of the duties and functions of the Committee, as approved by the Board of Directors (the “Board”).

The Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company and shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices of the Company.

B. THE COMMITTEE STRUCTURE, MEMBERSHIP AND QUALIFICATIONS

It is the duty of the Board to ensure the presence and adequacy of internal control mechanisms for good governance. For this purpose, the Board created the Committee composed of four (4) members at least one of whom shall be an independent director. The independent director shall chair the Committee.

The Board will appoint the Committee members and the Committee Chair. Vacancies shall be filled up by the Board within a reasonable period so as not impair the functions of the Committee subject to the qualifications requirement as herein provided. The Chairman shall be selected from among the incumbent independent directors of the Company.

The members of the Committee who are members of the Board shall have all the qualifications and none of the disqualifications provided in the Corporate Governance Manual (the “Manual”) of the Company. Any member of the Committee who is not a member of the Board shall have the following qualifications:

i. At least twenty-one (21) years of age;

ii. A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;

iii. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
iv. Possesses adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular;

v. Possesses such qualifications and stature that would enable them to effectively participate in the deliberations of the Committee;

vi. Other relevant qualifications, such as membership in good standing in business, professional organizations or relevant industry;

vii. Possesses none of the disqualifications provided in the Manual and By-Laws of the Company as well as existing rules and regulations, if any.

The Committee members shall be prohibited from being an employee of the Company. In addition, the Committee members shall not engage in any private business transactions with the Company or receive compensation from any private entity that has material business relationship with the Company other than being a shareholder thereon.

C. MEETINGS AND SCHEDULE OF ACTIVITIES

To provide a systematic guide for the discharge of its responsibilities, the Committee shall approve the annual calendar/schedule of activities and the determined agenda for each meeting subject to adjustments and/or revisions, as needed. The Chief Audit Executive (“CAE”) will ensure that the schedule is carried out as planned.

The Committee shall meet at least quarterly. Preferably, the quarterly meetings will be held prior to meeting of the Board of Directors. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, the Chairman of the Committee shall call for a special meeting and determine the conduct thereof.

The agenda for the meetings will be developed by the CAE based on the agreed calendar of activities and inputs from the Committee members, subject to the approval of the Chairman. The quarterly meetings will include the review and discussion of the quarterly or year-end financial statements, the related disclosures and other reportorial requirements.

The President and the CFO may be requested to attend Committee meetings. As and when appropriate, the Committee may require other members of management to be present at the meetings. External subject experts, such as the appointed independent auditors and other consultants, may also be invited to the meetings.
The Committee shall meet with the internal and the external auditors in executive session at least once a year. The CAE must communicate and interact directly with the Committee. *(New standard – ISPIIA 1111)*

The Committee shall meet with the CAE and the Senior Management, as it may deem necessary, to discuss the Definition of Internal Auditing, the Code of Ethics, and the Standards. *(New standard-ISPIIA 1010)*

**D. FUNCTIONS AND RESPONSIBILITIES**

In general, the Committee shall assist the Board in the performance of the following functions:

i. Ensure the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

iii. Institutionalizing the internal audit functions;

iv. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit;

v. Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

vi. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the regulators and the Company’s shareholders and other stakeholders on matters of importance;

vii. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

viii. Adopt a system of internal checks and balances for the Board and management which systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

ix. Provide the stockholders and stakeholders with relevant and timely information about the Company’s performance, position and prospects as well as other
financial reporting and control requirements as may be issued by regulator or
required by the shareholders and stakeholders from time to time.

x. Adoption, implementation and continuous monitoring of policies and procedures
that will ensure the integrity and transparency of related party transactions
between and among the Company and its parent company, joint ventures,
subsidiaries, affiliates, major stockholders, officers and directors, including their
spouses, children and dependent siblings and parents, and of interlocking
director relationships by members of the Board as well as other unusual or
complex transactions;

xi. Recommend the appointment and removal of the external auditors;

xii. Creation of procedures for directors, either individually or as a group, in the
furtherance of their duties, to take independent professional advice, if
necessary, subject only to reasonableness of expense;

In particular, the Committee shall have the following duties and responsibilities:

i. assist the Board in its oversight responsibility for the financial reporting process,
system of internal control, audit process, and monitoring of compliance with
applicable laws, rules and regulations and secure Management’s assurance as to
the state of the Company’s internal control;

ii. make a fair and balanced review of all financial reports and check against its
compliance with both the internal financial management handbook and
pertinent accounting standards, including regulatory requirements;

iii. determine the impact of new accounting standards and interpretations in the
financial standing and reports of the Company;

iv. assess annual and interim financial reports as to completeness, clarity,
consistency and accuracy of disclosures including information on related party
transactions;

v. perform oversight financial management functions specifically in the areas of
managing credit, market, liquidity, operational, legal and other risks of the
Company, and crisis management;

vi. be responsible for setting up an internal audit department and consider the
appointment and removal of the CAE; establish and identify the reporting line of
the CAE so that the reporting levels allow the internal audit activity to fulfill its
responsibilities;
vii. ensure that internal auditors have free and full access to all the Company’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

viii. provide oversight of the Company’s internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

ix. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

x. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

xi. monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security;

xii. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.

xiii. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xiv. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xv. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor’s independence and freedom from interference by outside parties;

xvi. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the
audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xvii. recommend and review the appointment and removal of external auditors and their remuneration;

xviii. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xix. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company’s annual report;

xx. understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.

xxi. conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board. Independent consultants may also be invited to assist the Committee in the process;

xxii. develop and recommend to the Board corporate governance principles applicable to the Company;

xxiii. monitor and assess the Company’s compliance with rules and regulations relating to corporate governance policies;

xxiv. make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;

xxv. evaluate and monitor compliance with the Company’s policy in detection of fraud and whistle-blower program;

xxvi. evaluate compliance with the Company’s Code of Conduct and Ethics.

In the fulfillment of the foregoing functions, the Committee shall maintain a free and open communication with the Company’s independent auditors, the internal auditors and the management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts,
facilities and personnel of the company and the power to retain outside counsel or other experts for this purpose.

Furthermore, the Committee may rely upon the expertise and knowledge of Management, the Internal Auditors and Independent Auditors in the fulfillment of its responsibilities.

The independent Auditors are responsible to the Committee in helping ensure the integrity of the financial statements while the Internal Auditors help the Committee identify the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization’s risk management, financial reporting and controls, and corporate governance processes.

E. FINANCIAL REPORTING
The Committee shall:

i. Review of the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and existing financial accounting standards, legal and regulatory requirements.

ii. Review of the quarterly, mid-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, alternative accounting treatments and significant adjustments resulting from the audit, on-going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

iii. Ensure that a transparent financial management system is established to ensure the integrity of internal control activities throughout the organization.

iv. Maintain at international standards, the Company’s accounting and auditing processes, practices and methodologies, and ensure that:
   a. The accounting system of the Company is compliant with the current and existing financial accounting standards.
   b. An accountability statement is in place that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.

v. Review and approve management representation letter before the same is submitted to the independent auditor.
vi. Communicate with the Company’s legal officer/s or counsel/s regarding litigations, claims, contingencies or other significant legal issues that may have an impact on the financial standing of the Company.

F. INTERNAL AUDIT

The Committee shall:

i. Review and approval of the Internal Audit Charter and subsequent revisions thereto.

ii. Set up the Internal Audit Activity (“IAA”), including the appointment and removal of the CAE. The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the IAA to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal.

iii. Ensure that the Internal Auditors have free and full access to all Corporation’s records, properties and personnel relevant to and required by its function and that the IAA shall be free from interference in determining its scope, performing its work and communicating its results.

iv. Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of higher risk.

v. Review reports of the IAA and regulatory agencies, where applicable, ensure that management is taking appropriate and corrective actions in a timely manner, including addressing internal control and compliance issues.

vi. Review of the IAA’s periodic reports and the IAA Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAA’s activities and performance relative to the audit plans and strategies approved by the Committee.

vii. Conduct separate meetings with the President to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii. Provide inputs on the performance of the IAA and communicate/discuss such inputs with the President who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.
ix. As necessary, institute special investigations and, if appropriate the hire of special counsel or experts to provide the necessary assistance.

x. Monitor the assessment of IAA in determining whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives. *(New standard – ISPPIA 2110.A2)*

xi. Provide inputs on the IAA’s evaluation of the potential occurrence of material errors and fraud. IAA should inform the Committee how the organization manages fraud risk. The Committee shall determine the sufficiency of the risk controls applied in the Company for the occurrence of such material errors and fraud and provide inputs and/or guidance on how to improve the same. *(New standard–ISPPIA 2120.A2)*

xii. The Committee shall report to the Board any material error or fraud it may have found on its own or through the evaluation conducted by the IAA related to the business of the Company, particularly in financial reporting, and recommend appropriate actions to be taken by the Board to correct the same.

xiii. Provide and approve the limits of IAA’s responsibility in assisting the management in establishing and improving risk management process. IAA must refrain from assuming management responsibility by actually managing risks. *(New standard–ISPPIA 2120.C3)*

xiv. Oversee that IAA will only state that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement. *(New standard–ISPPIA 2430)*

xv. Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;

xvi. Evaluate and deliberate on the weaknesses of the Company’s internal control and reporting processes and provide guidance or establish corrective measures for its improvement;

xvii. Ensure that management employs the services of internal auditors who are compliant with all qualification requirements of existing regulations, if any, and/or have sufficient experience and expertise in the performance of internal audit functions and that the performance of the internal auditor’s functions are in compliance with international standards on the Practice of Internal Auditing;

xviii. Determine the propriety of keeping an in-house audit function as compared to outsourcing. The Committee shall make the appropriate recommendation to
the Board should it determine that the internal audit function should be outsourced.

G. EXTERNAL AUDIT

The Committee shall:

i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.

ii. Ensure that the external auditors comply with relevant and applicable auditing standards.

iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.

v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and
other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards.

I. REPORTING PROCEDURES

To keep the Board of Directors apprised on the results of the Committee’s activities, the Committee Chairman shall submit a report every quarter to the Chairman of the Board and shall report to the Board during its meeting for the quarter, if necessary.

The Committee Chairman will also submit and present an Annual Audit and Governance Committee report to the Board during its first meeting immediately following the end of the fiscal year.

J. PERFORMANCE EVALUATION AND CONTINUOUS IMPROVEMENT

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually.

In this regard, the Committee shall:

i. As a body, evaluate its performance by filling up a self-assessment questionnaire that shall benchmark its practices against the expectations set out in this Charter.

ii. Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern (e.g. emerging risks).

iii. Annually, review the status of implementation of such plans for improvement.

iv. In addition, the Committee shall obtain and subject itself to an independent assessment by the Board of Directors relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in the Committee’s Calendar of Activities.
K. FUNCTIONAL AND SECRETARIAT SUPPORT

The IAA shall support the Committee in the rendition of its functions, specifically:

i. IAA shall provide all the secretariat support to the Committee.

ii. The CAE shall attend all the Committee meetings and ensure that a legal officer records the minutes of the meetings.

iii. IAA shall keep all minutes of the meetings and make these available for inspection by any member of the Committee or the Board of Directors, as and when requested.

iv. IAA shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and IAA, these shall be highlighted to the Committee for consideration and decision.

L. REVIEW AND AMENDMENTS

The Committee shall review the Charter annually and any revision deemed necessary or appropriate will be endorsed by the Committee for approval of the Board.

M. APPROVAL

This revised Charter was approved by unanimous vote of the members of the Audit and Governance Committee during its Audit and Governance Committee Meeting on 24 February 2016 held at 34th Floor, Mancom Dining, Ayala Tower 1, Ayala Avenue, Makati City.

The Charter was revised to remove the roles and responsibilities on Risk Management that is contained in the Risk Committee Charter that was approved in the November 26, 2015 Board Meeting.

JOSE L. CUISIA, JR.  Jaime C. Laya  Victoria P. Garchitorena
Member  Member  Member

OSCAR S. REYES
Chairman
N. ADOPTION AND EFFECTIVITY

This Charter was adopted by the Board of Directors on November 8, 2004 and became effective on January 1, 2005. The Revised Charter shall be effective March 1, 2016.

Initial Issue Date: November 8, 2004
Revisions:
- November 25, 2009 - to include new Auditing Standards
- February 15, 2010 – to explicitly state and clearly define Definition of Internal Auditing and the responsibilities of IAA in consulting services
- February 14, 2011 - to include the ERM functions of the AGC that is also the function of the Board to review and endorse to the Board the adequacy and effectiveness of Manila Water’s enterprise risk management process.
- February 14, 2012 – change in Audit and Governance Committee Members. The AGC reviewed the Charter to determine its adequacy in achieving the AGC’s and Internal Audit’s objectives. Consequently, the AGC approved and signed Charter.
- August 29, 2012 – to adopt the guidelines set forth by the Securities and Exchange Commission in its Memorandum Circular No. 4 Series of 2012 on the specific functions of the Audit Committee and an assessment of its performance.
- February 24, 2016 – to reflect new roles of the Audit & Governance Committee in light of the creation of Risk Committee
March 2, 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject : Updates and Amendments to the Annual Corporate Governance Report

Gentlemen :

Please be advised of the updates and amendments to the Annual Corporate Governance Report (ACGR) of Manila Water Company, Inc. The affected portions of the ACGR are attached for your reference.

The aforesaid updates and amendments were due to the revision of the Audit and Governance Committee Charter approved by the Board of Directors in its Regular Meeting held on February 26, 2016.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
B. BOARD MEETINGS & ATTENDANCE

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

As a general rule, policies of the Companies are formulated by the Senior Management, subject to the approval of the Board of Directors or pursuant to previous authorizations given by the Board or provided under the By Laws of the Corporation.

In its regular meeting held on August 11, 2015, the Board approved the creation of a Risk Committee, and in its meeting held on November 26, 2015, the Board approved the Charter of the Risk Committee. Under its Charter, the Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’s operations, and ensure that risk awareness culture is pervasive throughout the organization.
2. Ensure that an overall set of risk management policies and procedures exist for the Company.
3. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework/process.
4. Review and endorse any changes or amendments to the Enterprise Risk Management (ERM) Policy.
5. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.
6. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.
7. Perform other activities related to this Charter as requested by the Board.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation, monitoring and reporting of the risk management framework, process and strategies intended to address the identified risks.

In its regular meeting held on April 15, 2013, the Board ratified and approved the revisions to the Sustainability Policy and Climate Change Policy of the Company.
The Sustainability Policy of Manila Water was developed in 2005 and was first presented in the first-ever Sustainability Report of Manila Water which was released in the same year. Over the years, there have been several changes in the organization of Manila Water as well as in the business environment within which the Company is operating and there were also new international standards. Given these factors, the management revisited the Company's Sustainability Policy and identified the gaps that need to be addressed.

On other hand, the Climate Change Policy was ratified by the Board in 2007 and Manila Water was the first company to have a formal climate change policy. This Policy predates the Philippine Climate Change Act, National Framework Strategy on Climate Change and National Climate Change Action Plan which were passed/implemented in 2009, 2010 and 2011 respectively. To align the Company's Climate Change Policy with the Philippine government's anchor strategy of Adaptation, Manila Water revised its existing Climate Change Policy.

In its regular meeting held on November 29, 2013, the Board approved the Charters of the Board Committees, namely, the Executive Committee, the Nomination Committee, the Remuneration Committee, and the Committee of Inspectors of Ballots and Proxies. The Audit and Governance Committee has an existing charter. However, in its Regular Meeting held on February 26, 2016, the Board approved the amendment to the Charter of the Audit and Governance Committee which pertains to the transfer of the risk management and oversight functions to the recently established Risk Committee.

Prior to the adoption of the Board Committee Charters, the Manual, with the exception of the Audit and Governance Committee Charter, is the only basis of the authority, functions and duties of the Board Committees. With the recent trend of empowering the Board Committees, there existed a need to codify this empowerment and to supplement the Manual with regard to the duties, functions, and composition of the Board Committees.

The primary objective of the Board Committee Charters is to establish the requirements of membership of the aforesaid Committee, the powers, duties and responsibilities of the members, the meeting and quorum requirements, and the method of adopting resolutions. With the approval of the charters, the Committees will have a clearer and more direct participation in the functioning of the Board. However, the Board Committee Charters is not intended to replace, but only to supplement, the Manual.

In its special meeting held on April 4, 2014, the Board approved the following:

a. Revised Code of Business Conduct and Ethics
b. Policy on Related Party Transaction
c. Charter of the Office of the Corporate Secretary and
d. Charter of the Board of Directors
The Revised Code of Business Conduct and Ethics contains improvements in the existing policies of the Company on conflict of interest, honesty and fair dealing, disclosure, insider trading, and corporate entertainment and gifts. In addition, policies on creditor rights, anti-corruption and anti-sexual harassment have been incorporated as well. More importantly, the provisions on implementation of the Revised Code through the Compliance Officer have been made clearer and more stringent, and a corporate governance panel has been tasked to assist the Compliance Officer in the investigation of the violations of the Revised Code.

The Policy on Related Party Transactions (RPT), the Charter of the Corporate Secretary and the Charter of the Board seek to supplement the provisions of the Manual on the said relevant subjects.

The RPT Policy requires that the Company shall enter into any related-party transactions solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm’s length arrangements, and subject to appropriate corporate approvals and actions of the Corporation or the Related Parties, as the case may be. More importantly, approval of the Committee (composed entirely of the independent directors of the Audit and Governance Committee) is required prior to award of Material RPTs. With respect to non-material RPTs, the approval of the Compliance Officer is required prior to award thereof. Material RPTs are those with contract price of at least PhP10,000,000.00.

The Charter of the Corporate Secretary institutionalizes the Office of the Corporate Secretary as the office with the primary function of assisting the Board of Directors.

The Charter of the Board of Directors includes, among others, the process for selection, appointment, disqualification, suspension, reinstatement, and removal of directors, meeting and quorum requirements, clear delineation of the functions of the Board as a collegial body and the Chairman of the Board of Directors, and the evaluation of the Board, the Board Committees and the President of the Company. The Charter of the Board also clarifies and ingrains the policies of the Board on Business Conduct and Ethics, Diversity and Multiple Directorships.

The adoption of the above changes in or new policies are in line with the Company’s efforts to further its corporate governance practices and implementation.

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E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities
Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

On August 11, 2015, at its regular meeting, the Board approved the creation of the Risk Committee. On November 26, 2015, at its regular meeting, the Board approved the Charter of the Risk Committee.

<table>
<thead>
<tr>
<th>Committee</th>
<th>No. of Members</th>
<th></th>
<th></th>
<th>Committee Charter</th>
<th>Functions</th>
<th>Key Responsibilities</th>
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</table>

The Executive Committee

The Board shall appoint from among its members an Executive Committee composed of five (5) members. The Board shall designate the Chairman of the Executive Committee.

The Executive Committee is authorized to act, and shall act, on matters within the competence of the Board of Directors, except with respect to --

a. approval of any action for which shareholders' approval is also required;

b. the filling of vacancies on the Board or in the Executive Committee;

c. the amendment or repeal of By-Laws or the adoption of new By-Laws;

d. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

e. the distribution of cash dividends;
f. the exercise of powers delegated by the Board exclusively to other committees, if any.

The attendance of at least four (4) members of the Executive Committee shall constitute a quorum but the majority vote of all members shall be necessary to carry an act or resolution of the Committee. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval by the Board for its validity and effectivity. However, any such act shall be subject to revision or alteration by the Board.

The Committee shall perform such other functions as may be properly delegated to it by the Board.

The Committee shall be guided by the Company’s mission and vision in the fulfilment of its functions.

The Audit and Governance Committee

There shall be an Audit and Governance Committee composed of four (4) members, and at least one of whom shall be an independent director. The independent director shall chair the Audit and Governance Committee.

The Audit and Governance Committee has three (3) independent directors, one of whom is the Chairman.

Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular.

The Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.

In general, the Audit and Governance Committee shall assist the Board in the performance of the following functions:

i. Ensure the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

iii. Institutionalizing the internal audit functions;

iv. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit;

v. Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

vi. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the regulators and the Company’s shareholders and other stakeholders on matters of importance;
vii. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

viii. Adopt a system of internal checks and balances for the Board and management which systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

ix. Provide the stockholders and stakeholders with relevant and timely information about the Company’s performance, position and prospects as well as other financial reporting and control requirements as may be issued by regulator or required by the shareholders and stakeholders from time to time.

x. Adoption, implementation and continuous monitoring of policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board as well as other unusual or complex transactions;

xi. Recommend the appointment and removal of the external auditors;

xii. Creation of procedures for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, subject only to reasonableness of expense;

In particular, the Audit and Governance Committee shall have the following duties and responsibilities:

i. Assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and secure Management's assurance as to the state of the Company's internal control;

ii. Make a fair and balanced review of all financial reports and check against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

iii. Determine the impact of new accounting standards and interpretations in the financial standing and reports of the Company;

iv. Assess annual and interim financial reports as to completeness, clarity, consistency and accuracy of disclosures including information on related party transactions;

v. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;

vi. Be responsible for setting up an internal audit department and consider the appointment and removal of the CAE; establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities;
vii. ensure that internal auditors have free and full access to all the Company’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
viii. provide oversight of the Company’s internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;
ix. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;
x. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;
xii. monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security;
xiii. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.
xiv. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;
xv. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
xvi. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor’s independence and freedom from interference by outside parties;
xvii. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;
xviii. recommend and review the appointment and removal of external auditors and their remuneration;
xix. coordinate, monitor and facilitate compliance with laws, rules and regulations;
xx. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company’s annual report;
xx. understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.

xxi conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board.

Independent consultants may also be invited to assist the Committee in the process;

xxii develop and recommend to the Board corporate governance principles applicable to the Company;

xxiii monitor and assess the Company's compliance with rules and regulations relating to corporate governance policies;

xxiv make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;

xxv evaluate and monitor compliance with the Company's policy in detection of fraud and whistle-blower program;

xxvi evaluate compliance with the Company's Code of Conduct and Ethics.

In the fulfillment of the foregoing functions, the Committee shall maintain a free and open communication with the Company's independent auditors, the internal auditors and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the company and the power to retain outside counsel or other experts for this purpose.

Furthermore, the Committee may rely upon the expertise and knowledge of Management, the Internal Auditors and independent Auditors in the fulfillment of its responsibilities. The Independent Auditors are responsible to the Committee in helping ensure the integrity of the financial statements while the Internal Auditors help the Committee identify the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization's risk management, financial reporting and controls, and corporate governance processes.

With regard to Financial Reporting, the Audit and Governance Committee shall:

i Review of the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and existing financial accounting standards, legal and regulatory requirements.

ii Review of the quarterly, mid-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, alternative accounting treatments and significant adjustments resulting from the audit, on-going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

iii Ensure that a transparent financial management system is established to ensure the integrity of internal control activities throughout the organization.
iv Maintain at international standards, the Company's accounting and auditing processes, practices and methodologies, and ensure that: (a) The accounting system of the Company is compliant with the current and existing financial accounting standards; and (b) An accountability statement is in place that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.

v Review and approve management representation letter before the same is submitted to the independent auditor.

vi Communicate with the Company's legal officer/s or counsel/s regarding litigations, claims, contingencies or other significant legal issues that may have an impact on the financial standing of the Company.

With regard to Internal Audit, the Audit and Governance Committee shall:

i Review and approval of the Internal Audit Charter and subsequent revisions thereto.

ii Set up the Internal Audit Activity (“IAA”), including the appointment and removal of the CAE. The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the IAA to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal.

iii Ensure that the Internal Auditors have free and full access to all Corporation’s records, properties and personnel relevant to and required by its function and that the IAA shall be free from interference in determining its scope, performing its work and communicating its results.

iv Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of higher risk.

v Review reports of the IAA and regulatory agencies, where applicable, ensure that management is taking appropriate and corrective actions in a timely manner, including addressing internal control and compliance issues.

vi Review of the IAA’s periodic reports and the IAA Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAA’s activities and performance relative to the audit plans and strategies approved by the Committee.

vii Conduct separate meetings with the President to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii Provide inputs on the performance of the IAA and communicate/discuss such inputs with the President who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

ix As necessary, institute special investigations and, if appropriate, the hire of special counsel or experts to provide the necessary assistance.

x Monitor the assessment of IAA in determining whether the information technology governance of the organization sustains and supports the organization's strategies and objectives. (New standard—ISPPIA 2110.A2)
xi. Provide inputs on the IAA’s evaluation of the potential occurrence of material errors and fraud. IAA should inform the Committee how the organization manages fraud risk. The Committee shall determine the sufficiency of the risk controls applied in the Company for the occurrence of such material errors and fraud and provide inputs and/or guidance on how to improve the same. (New standard-ISPPIA 2120.A2)

xii The Committee shall report to the Board any material error or fraud it may have found on its own or through the evaluation conducted by the IAA related to the business of the Company, particularly in financial reporting, and recommend appropriate actions to be taken by the Board to correct the same.

xiii Provide and approve the limits of IAA’s responsibility in assisting the management in establishing and improving risk management process. IAA must refrain from assuming management responsibility by actually managing risks. (New standard-ISPPIA 2120.C3)

xiv Oversee that IAA will only state that their engagements are “conducted in conformance with the international Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement. (New standard-ISPPIA 2430)

xv Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;

xvi Evaluate and deliberate on the weaknesses of the Company’s internal control and reporting processes and provide guidance or establish corrective measures for its improvement;

xvii Ensure that management employs the services of internal auditors who are compliant with all qualification requirements of existing regulations, if any, and/or have sufficient experience and expertise in the performance of internal audit functions and that the performance of the internal auditor’s functions are in compliance with international standards on the Practice of Internal Auditing;

xviii Determine the propriety of keeping an in-house audit function as compared to outsourcing. The Committee shall make the appropriate recommendation to the Board should it determine that the internal audit function should be outsourced.

With regard to External Audit, the Audit and Governance Committee shall:

i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.

ii. Ensure that the external auditors comply with relevant and applicable auditing standards.

iii. Review and pre-approve the independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.
v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate executive session with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards.

The Nomination Committee
The Nomination Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Board will designate the Chairman of the Committee who must be an independent director.

At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman

is an independent Director.

The Committee shall have the following functions:

a. Establish and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders’ Meeting have the qualifications and none of the disqualifications stated above;

b. Encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;

c. Review and evaluate the qualifications of all persons nominated to positions in the Company which require appointment by the Board and provide guidance and advice as necessary for the appointment of persons nominated to other positions;

d. Review and revise if necessary, the succession plans for members of the Board and officers from Group Directors to the President/CEO;
e. Provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors;
f. Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

The Committee shall be guided by the Corporation's vision and mission in the fulfillment of its functions.

The Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members, a majority of whom shall be independent director. The Board will designate the Chairman of the Committee who must be an independent director.

At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:
a. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates;
b. Determine and approve all matters relating to the remuneration and benefits of the Board and the Company's officers;
c. Evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;
d. Periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and officers of the Company;
e. Provide in the Company's Required Reportorial Requirements, a clear, concise and understandable disclosure of all compensation that may be paid to its directors and key officers during the preceding fiscal year;
f. Review and revise, if necessary, the existing Company policies to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

The Related Party Transaction Committee
The Related Party Transactions Committee consists of all of the independent directors of the Audit and Governance Committee, provided that there are at least three (3) independent directors in the Committee. As such, the RPT Committee is considered a subset of the Audit and Governance Committee. Hence, except on matters relating specifically to their functions as members of the RPT Committee, the members are subject to the charter of the Audit and Governance Committee.

Prior to entering into any Material RPT, the Company shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation. A Material RPT means any RPT with a stated value of at least Ten Million Pesos (PhP10,000,000.00).

The Risk Committee

The Risk Committee shall be comprised of at least four (4) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

The Committee shall have the following authority, roles and responsibilities:

a. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company's operations, and ensure that risk awareness culture is pervasive throughout the organization.

b. Ensure that an overall set of risk management policies and procedures exist for the Company.

c. Review the Company's risk governance structure and the adequacy of the Company's risk management framework/process.

d. Review and endorse the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.

e. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.

f. In coordination with the Audit and Governance Committee, ensure that the Company's internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

g. Perform other activities related to this Charter as requested by the Board.

The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, more than half of the total number of committee members.
Separate executive sessions may be conducted by the Committee with the Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Audit Executive (CAE), other members of the Management team and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.
March 2, 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject : Updates and Amendments to the Annual Corporate Governance Report

Gentlemen :

Please be advised of the updates and amendments to the Annual Corporate Governance Report (ACGR) of Manila Water Company, Inc. The affected portions of the ACGR are attached for your reference.

The aforesaid updates and amendments were pursuant to the 2015 Annual Reports of the Audit and Governance Committee and the Risk Committee presented to the Board of Directors at its Regular Meeting held on February 26, 2016. The Reports of the said Board Committees confirm the adequacy and sufficiency of the internal controls and risk management systems of the Company.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The 2015 Annual Report of the Risk Committee to the Board of Directors reads in part:

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management Process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in the Company.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water's business.

The Internal Audit Department assessed the state of the ERM framework of Manila Water and the results of the assessment was reported to the Risk Committee (RC) and the Board of Directors (BOD). The assessment of the ERM framework covered the following components, namely:

- Governance and Organization;
- Risk Management Strategy;
- Reporting and Communication;
- Tools and Technology; and
- Culture and Capability.
The RC and the BOD reviewed and approved the top enterprise risks of the Company and reviewed the progress of the action plans to manage these risks. In addition, the risk management programs are reviewed and approved by RC which make a report to the BOD. The comments and recommendations of the RC and BOD were incorporated in the programs for 2015.

For 2015, the following are the improvements in the Risk Management System:

- Creation of Risk Committee of the BOD
- Conduct of Black Swan Workshop attended by Senior Leadership Team and Management Committee
- Inclusion of Manila Water subsidiaries in the Risk Management Excellence Awards program
- Inclusion of ERM maturity in corporate and group targets

In addition, an external assessment of Manila Water’s ERM maturity was conducted by Aon Philippines. Manila Water achieved a rating of 4.5 which means Manila Water is between the operational and advanced levels of ERM implementation. The 4.5 score is also above the global average for all industries (3.0) and global average for utility companies (2.5). The assessment covered the following components of ERM:

- Board Understanding and Commitment to Risk Management
- Executive Level Risk Management Stewardship
- Risk Communication
- Risk Culture: Engagement & Accountability
- Risk Identification
- Stakeholder Participation in Risk Management
- Risk Information and Decision Making Processes
- Integrating Risk Management & Human Capital Processes
- Risk Analysis & Quantification to Understand Risk and Demonstrate Value
- Risk Management Focus on Value Creation

xxx xxx xxx
G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

XXX XXX XXX

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The 2015 Annual Report of the Audit and Governance Committee to the Board of Directors reads in part:

- The Committee discussed and approved the overall scope and the respective audit plans of the Company's internal auditors and of SGV & Co., the results of their audits and their assessment of the Company's internal controls, and the overall quality of the financial reporting process.

- The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

- The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management's system of internal controls and the Committee found the internal control system to be adequate and effective.

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

XXX XXX XXX
A. Introduction

In line with best corporate governance practices and to ensure effective management of strategic, operational, financial and compliance-related risks, the Board of Directors (the “Board”) of Manila Water Company, Inc. (the “Company”) created the Risk Committee (the “Committee”) to provide assistance in fulfilling the Board’s oversight responsibilities in relation to risk governance in the Company.

B. Committee Structure

The Committee shall be comprised of four (4) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

C. Authority, Roles and Responsibilities of the Committee

The Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’ operations, and ensure that risk awareness culture is pervasive throughout the organization.

2. Ensure that an overall set of risk management policies and procedures exist for the Company.

3. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework / process.

4. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.

5. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, operational and other risks of the Company, and crisis management.
6. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

7. Perform other activities related to this Charter as requested by the Board.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation, monitoring and reporting of the risk management framework, process and strategies intended to address the identified risks.

D. Meetings and Schedule of Activities

The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, three (3) committee members.

Separate executive sessions may be conducted by the Committee with the Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Audit Executive (CAE), other members of the Management team and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The minutes of the Committee meeting shall be recorded and maintained by the Enterprise Risk and Insurance Management (ERIM) Department and presented to the Committee at the next meeting for approval.

Aside from regular meetings, the Committee shall also construct and agree on an annual calendar, which will lay down the schedule of activities for the year. This shall provide a systematic guide for the discharge of the Committee’s responsibilities. Accordingly, the Chief Risk Officer shall ensure that the schedule is followed as planned.

E. Functional and Secretariat Support

The Enterprise Risk and Insurance Management (ERIM) Department shall support the Committee in the performance of its functions, specifically:

1. The ERIM Department shall provide all the secretariat support to the Committee.
2. The Chief Risk Officer shall attend all the Committee meetings and ensure that the minutes of the meetings are properly recorded by a representative from the Office of the Corporate Secretary.

3. The ERIM Department shall keep all minutes of the meetings, recorded and prepared by the Office of the Corporate Secretary and make these available for inspection by any member of the Committee or the Board, as and when requested.

4. The ERIM Department shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and ERIM Department, these shall be highlighted to the Committee for consideration and decision.

F. Other Matters

1. Reports to the Board

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.

Similarly, the Committee Chairman shall also submit and present an annual report to the Board during its first meeting following the immediate calendar year. The annual report shall include a summary of the Committee’s activities during the year, an over-all assessment of its performance and recommendations for improvement.

2. Performance Evaluation

The Committee shall review its performance annually with respect to the fulfillment of its functions and responsibilities as mandated in this Charter. The Board may conduct an independent annual assessment of the Committee’s performance.

3. Annual Charter Review

This Charter shall be reviewed annually by the Committee to ensure its continuing adequacy and consistency with the Board’s objectives and responsibilities. Any proposed changes shall be approved by the Board.
4. Access to Information

The Committee shall have reasonably free and full access to the Company’s data, records and properties, as well as information from employees, officers, directors or external parties that may be relevant in monitoring and assessing risk exposures and their implications to the Company.

Endorsed for Approval:

(Original Signed)
Jaime C. Laya
Chairman

(Original Signed)
Oscar S. Reyes
Member

(Original Signed)
Jose L. Cuisia, Jr.
Member

(Original Signed)
Victoria P. Garchitorena
Member

Approved by:

(Original Signed)
FERNANDO ZOBEL DE AYALA
MWCI Chairman of the Board

Date Approved:
## Financial Assets

### As of December 31, 2015

#### Loans and Receivables

<table>
<thead>
<tr>
<th>Name of Issuing Entity &amp; Association of Each Issue</th>
<th>Number of Shares</th>
<th>Principal Amount of Bonds and Notes</th>
<th>Amount Shown in the Balance Sheet</th>
<th>Income Received and Accrued</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Cash on hand and in banks</em></td>
<td></td>
<td>1,862,685,336</td>
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<tr>
<td><em>Cash equivalents</em></td>
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<tr>
<td>BPI</td>
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<td>1,557,873,534</td>
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<td>BDO</td>
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<td>1,419,249,553</td>
<td>70,329,969</td>
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<tr>
<td>Metrobank</td>
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<td>1,396,591,124</td>
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<tr>
<td>Security Bank</td>
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<td>292,000,000</td>
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<tr>
<td>Citibank</td>
<td></td>
<td>94,120,000</td>
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<tr>
<td>AUB</td>
<td></td>
<td>82,800,000</td>
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<tr>
<td>RCBC</td>
<td></td>
<td>144,636,132</td>
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<tr>
<td><em>Receivables</em></td>
<td></td>
<td>2,323,490,090</td>
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<tr>
<td><em>Concession financial receivable</em></td>
<td></td>
<td>1,198,083,563</td>
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<td>10,371,529,332</td>
</tr>
</tbody>
</table>

#### Available-for-Sale Financial Assets

| Stocks:                                        |                  |                                    |                                  |                             |
| Meralco preferred shares                      |                  | 2,409,290                          |                                  | 2,409,290                   |

**Total**                                        |                  | 10,373,938,622                     |                                  |                             |
MANILA WATER COMPANY, INC. AND SUBSIDIARIES  
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
As of December 31, 2015

Note: Receivables from related parties and principal stockholders represent receivables for water revenue which arise in the ordinary course of business.

<table>
<thead>
<tr>
<th>Name and Designation of Debtor</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance (Current)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cash Collections</td>
<td>Collections Other than Cash</td>
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<tr>
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<tr>
<td>OFFICERS AND EMPLOYEES</td>
<td></td>
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</tr>
<tr>
<td>Various</td>
<td>39,554,286</td>
<td>62,310,590</td>
<td>62,111,144</td>
<td>39,753,731</td>
</tr>
<tr>
<td>RELATED PARTIES - Affiliates</td>
<td></td>
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<tr>
<td>ALI and subsidiaries</td>
<td>4,930,789</td>
<td>323,777,129.36</td>
<td>328,630,708.36</td>
<td>77,209</td>
</tr>
<tr>
<td>BPI and subsidiaries</td>
<td>24,293</td>
<td>9,913,437.56</td>
<td>9,937,730.56</td>
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<tr>
<td>PRINCIPAL STOCKHOLDERS</td>
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<td></td>
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<tr>
<td>Ayala Corporation</td>
<td>39,156</td>
<td>7,288,971.67</td>
<td>7,317,016.67</td>
<td>11,111</td>
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<tr>
<td>TOTAL</td>
<td>44,548,523.50</td>
<td>403,290,128.13</td>
<td>407,996,601</td>
<td>-</td>
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<td>39,842,051</td>
</tr>
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</table>
## Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of the Financial Statements

### As of December 31, 2015

<table>
<thead>
<tr>
<th>Entity Name (Creditor)</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance</th>
<th>Volumes</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of &quot;Other Receivables&quot; Account</th>
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<tbody>
<tr>
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<td><strong>Advances to contractors</strong></td>
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<td><strong>Dividends receivable</strong></td>
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<td><strong>Other receivables</strong></td>
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<table>
<thead>
<tr>
<th>Entity Name (Creditor)</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance</th>
<th>Volumes</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of &quot;Other Receivables&quot; Account</th>
</tr>
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<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Interest receivable</td>
<td>30,099,009</td>
<td>-</td>
<td>30,099,009</td>
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<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Interest receivable</td>
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<td>-</td>
<td>5,678,232</td>
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<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
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<td>783,197,493</td>
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</tr>
<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>34,307,380</td>
<td>-</td>
<td>34,307,380</td>
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<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>31,634,951</td>
<td>23,092,784</td>
<td>28,007,218</td>
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<tr>
<td><strong>Zamboanga Water</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>-</td>
<td>9,673,552</td>
<td>(1,044,732)</td>
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<tr>
<td><strong>Davao Water and subsidiary</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>-</td>
<td>535,133</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td><strong>MWAP and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>1,604,087</td>
<td>26,025,358</td>
<td>26,025,358</td>
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</tbody>
</table>

| **TOTAL**              |                                                          |              |                   |           |            |                |         |             |                     |         |                                            |

<table>
<thead>
<tr>
<th>Entity Name (Creditor)</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance</th>
<th>Volumes</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of &quot;Other Receivables&quot; Account</th>
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<tbody>
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<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
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<tr>
<td><strong>MWPVI and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>56,465,651</td>
<td>22,062,784</td>
<td>28,007,218</td>
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<tr>
<td><strong>Zamboanga Water</strong></td>
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<td>(1,044,732)</td>
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<tr>
<td><strong>MWAP and subsidiaries</strong></td>
<td>Subsidiary</td>
<td>Other receivables</td>
<td>1,604,087</td>
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<p>| <strong>TOTAL</strong>              |                                                          |              |                   |           |            |                |         |             |                     |         |                                            |</p>
<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Additions at Cost</th>
<th>Charged to Cost and Expenses</th>
<th>Charged to Other Accounts</th>
<th>Other Charges Add/(Ded)</th>
<th>Ending Balance</th>
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<tbody>
<tr>
<td>Goodwill</td>
<td>130,319,465</td>
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<tr>
<td>Intangible service concession assets</td>
<td>55,835,666,758</td>
<td>6,673,119,891</td>
<td>2,315,929,346</td>
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<td>-</td>
<td>60,192,856,303</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>60,323,175,768</td>
</tr>
</tbody>
</table>

**Total**                                                                                               **60,323,175,768**
## Schedule E - Long-Term Debt

As of December 31, 2015

<table>
<thead>
<tr>
<th>Title of Issue &amp; Type of Obligation</th>
<th>Interest Rates</th>
<th>Principal Amount as of December 31, 2015</th>
<th>Maturity</th>
<th>Current Portion of Long-term Debt</th>
<th>Long-term Debt</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREIGN CURRENCY-DENOMINATED LOANS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>USD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manila Water NEXI Loan</td>
<td>6m Libor plus margin</td>
<td>$93,750,000</td>
<td>21-Oct-20</td>
<td>PhP 882,375,000</td>
<td>PhP 3,382,462,624</td>
<td>PhP 4,264,837,624</td>
</tr>
<tr>
<td>Second IFC Loan</td>
<td>4.57%</td>
<td>$1,000,000</td>
<td>15-Jun-16</td>
<td>PhP 47,059,134</td>
<td>PhP (331,030)</td>
<td>PhP 46,728,104</td>
</tr>
<tr>
<td>Second IFC Loan</td>
<td>6m Libor plus margin</td>
<td>$1,000,000</td>
<td>15-Jun-16</td>
<td>PhP 47,060,866</td>
<td>PhP (331,030)</td>
<td>PhP 46,729,836</td>
</tr>
<tr>
<td>LBP Loan</td>
<td>6m Libor plus margin</td>
<td>$22,600,000</td>
<td>15-May-37</td>
<td>PhP -</td>
<td>PhP 1,055,747,830</td>
<td>PhP 1,055,747,830</td>
</tr>
<tr>
<td><strong>JPY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manila Water First IFC Loan</td>
<td>4.66%</td>
<td>JPY 110,120,000</td>
<td>15-Jun-18</td>
<td>PhP 17,266,816</td>
<td>PhP 25,626,855</td>
<td>PhP 42,893,671</td>
</tr>
<tr>
<td>First IFC Loan</td>
<td>6m Libor plus margin</td>
<td>JPY 608,200,000</td>
<td>15-Jun-18</td>
<td>PhP 95,365,760</td>
<td>PhP 140,441,597</td>
<td>PhP 235,807,357</td>
</tr>
<tr>
<td>LBP Loan</td>
<td>6m Libor plus margin</td>
<td>JPY 2,210,370,601</td>
<td>15-Apr-22</td>
<td>PhP 133,423,756</td>
<td>PhP 726,206,749</td>
<td>PhP 859,630,505</td>
</tr>
<tr>
<td><strong>PESO-DENOMINATED LOANS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PHP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manila Water Fixed Rate Corporate Notes</td>
<td>6.34% to 7.33%</td>
<td>PhP 9,800,000,000</td>
<td>09-Apr-16 and 08-Apr-21</td>
<td>PhP 4,925,000,000</td>
<td>PhP 4,870,031,029</td>
<td>PhP 9,795,031,029</td>
</tr>
<tr>
<td>$5.00 billion Loan</td>
<td>4.42%</td>
<td>PhP 4,950,000,000</td>
<td>30-Aug-20</td>
<td>PhP 25,000,000</td>
<td>PhP 4,903,561,646</td>
<td>PhP 4,928,561,646</td>
</tr>
<tr>
<td>Laguna Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.50 billion Laguna Water Loan</td>
<td>6.73%</td>
<td>PhP 250,000,000</td>
<td>15-Nov-20</td>
<td>PhP 25,000,000</td>
<td>PhP 305,889,889</td>
<td>PhP 330,889,889</td>
</tr>
<tr>
<td>3.03 billion Laguna Water DBP Loan</td>
<td>7.25%</td>
<td>PhP 833,000,000</td>
<td>15-Jan-34</td>
<td>PhP -</td>
<td>PhP 830,941,608</td>
<td>PhP 830,941,608</td>
</tr>
<tr>
<td>3.50 billion Laguna Water DBP Loan</td>
<td>7.25%</td>
<td>PhP 500,000,000</td>
<td>15-Jul-33</td>
<td>PhP -</td>
<td>PhP 498,812,152</td>
<td>PhP 498,812,152</td>
</tr>
<tr>
<td>25.50 billion Laguna Water SBC Loan</td>
<td>6.03%</td>
<td>PhP 600,000,000</td>
<td>09-Dec-30</td>
<td>PhP -</td>
<td>PhP 599,996,080</td>
<td>PhP 599,996,080</td>
</tr>
<tr>
<td>Clark Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.75 billion Clark Water RCBC Loan</td>
<td>6.18%</td>
<td>PhP 1,000,000,000</td>
<td>30-Apr-30</td>
<td>PhP -</td>
<td>PhP 990,939,069</td>
<td>PhP 990,939,069</td>
</tr>
<tr>
<td>Cebu Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.75 billion Cebu Water DBP Loan</td>
<td>7.32%</td>
<td>PhP 751,566,667</td>
<td>20-Dec-33</td>
<td>PhP -</td>
<td>PhP 741,770,953</td>
<td>PhP 741,770,953</td>
</tr>
<tr>
<td>Boracay Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.00 billion Boracay Water DBP-SBC Loan</td>
<td>1.99% to 9.00%</td>
<td>PhP 383,823,529</td>
<td>25-Aug-31</td>
<td>PhP 32,419,205</td>
<td>PhP 447,398,970</td>
<td>PhP 479,818,175</td>
</tr>
<tr>
<td>3.50 billion Boracay Water DBP-SBC Loan</td>
<td>9.00%</td>
<td>PhP 383,823,529</td>
<td>25-Aug-31</td>
<td>PhP 29,446,324</td>
<td>PhP 447,450,819</td>
<td>PhP 476,897,143</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>PhP 6,259,416,860</td>
<td>PhP 19,960,955,809</td>
<td>PhP 26,220,372,669</td>
</tr>
</tbody>
</table>
MANILA WATER COMPANY, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT (MWSS)
As of December 31, 2015

Note: This pertains to payable assumed from MWSS by the Parent Company.

<table>
<thead>
<tr>
<th>Title of Issue &amp; Type of Obligation</th>
<th>Amount Authorized by Indenture</th>
<th>Amount Shown Under Caption “Current portion of long-term debt” in Related Balance Sheet</th>
<th>Amount Shown Under Caption “Long-term debt” in Related Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREIGN CURRENCY-DENOMINATED LOANS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADB 1379</td>
<td>65,601,367</td>
<td>338,786,826</td>
<td></td>
</tr>
<tr>
<td>ADB 1746</td>
<td>65,354,758</td>
<td>149,317,591</td>
<td></td>
</tr>
<tr>
<td>ADB 779</td>
<td>1,239,175</td>
<td>4,119,633</td>
<td></td>
</tr>
<tr>
<td>IBRD 4019</td>
<td>50,336,540</td>
<td>121,713</td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JBIC-PH110</td>
<td>91,694,689</td>
<td>110,571,509</td>
<td></td>
</tr>
<tr>
<td><strong>French Loan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Loan</td>
<td>2,416,798</td>
<td>4,576,997</td>
<td></td>
</tr>
<tr>
<td><strong>China Loan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eximbank</td>
<td>180,914,751</td>
<td>2,559,757,964</td>
<td></td>
</tr>
<tr>
<td>Before turn-over(FRF)</td>
<td>1,046,919</td>
<td>80,540</td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>337,433,236</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Service Concession Obligation</strong></td>
<td>796,038,231</td>
<td>3,167,332,773</td>
<td></td>
</tr>
<tr>
<td><strong>REGULATORY FEE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manila Water</td>
<td>395,714,907</td>
<td>3,016,084,119</td>
<td></td>
</tr>
<tr>
<td><strong>Total Regulatory Fee</strong></td>
<td>395,714,907</td>
<td>3,016,084,119</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>1,191,753,138</td>
<td>6,183,416,892</td>
<td></td>
</tr>
</tbody>
</table>
The Group has no long-term loans from related parties.
The Group has no guarantees of securities of other issuers.
### MANILA WATER COMPANY, INC. AND SUBSIDIARIES
### SCHEDULE H - CAPITAL STOCK
### As of December 31, 2015

<table>
<thead>
<tr>
<th>TITLE OF ISSUE</th>
<th>NUMBER OF SHARES AUTHORIZED</th>
<th># OF SHARES ISSUED/SUBSCRIBED</th>
<th># OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION &amp; RIGHTS</th>
<th># OF SHARES HELD BY AFFILIATES, DIRECTORS, OFFICERS &amp; EMPLOYEES</th>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred stock - ₱0.10 par value, 10% cumulative,</td>
<td>4,000,000,000</td>
<td>4,000,000,000</td>
<td>-</td>
<td>4,000,000,000</td>
<td>-</td>
</tr>
<tr>
<td>voting, participating, nonredeemable and nonconvertible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock - ₱1.00 par value</td>
<td>3,100,000,000</td>
<td>2,018,209,523</td>
<td>-</td>
<td>920,318,928</td>
<td>1,097,890,595</td>
</tr>
</tbody>
</table>
### MANILA WATER COMPANY, INC. AND SUBSIDIARIES

**SCHEDULE I - RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

**As of December 31, 2015**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unappropriated retained earnings, beginning</td>
<td>28,202,654,069</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Equity in net earnings of subsidiaries and associates</td>
<td>(1,242,581,377)</td>
</tr>
<tr>
<td>Deferred tax asset recognized</td>
<td>(1,174,431,248)</td>
</tr>
<tr>
<td>Accretion of receivable from Bonifacio Water Corporation</td>
<td>(120,591,565)</td>
</tr>
<tr>
<td>Mark-to-market gain on receivables from Bonifacio Water Corporation</td>
<td>(113,488,598)</td>
</tr>
<tr>
<td>Accretion of deferred credits</td>
<td>(13,408,630)</td>
</tr>
<tr>
<td><strong>Unappropriated retained earnings, adjusted to available for dividend</strong></td>
<td></td>
</tr>
<tr>
<td>distribution, beginning</td>
<td>25,538,152,651</td>
</tr>
<tr>
<td>Add (Less):</td>
<td></td>
</tr>
<tr>
<td>Net income during the period closed to retained earnings</td>
<td>5,333,135,806</td>
</tr>
<tr>
<td>Deferred tax benefit during the period</td>
<td>(131,709,583)</td>
</tr>
<tr>
<td>Accretion of receivable from Bonifacio Water Corporation</td>
<td>(35,739,893)</td>
</tr>
<tr>
<td>Amortization of deferred credits</td>
<td>(8,432,177)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,695,406,804</td>
</tr>
<tr>
<td>Less: Dividend declarations during the period</td>
<td>(2,039,953,671)</td>
</tr>
<tr>
<td><strong>Unappropriated retained earnings available for dividend distribution</strong></td>
<td>28,655,453,133</td>
</tr>
</tbody>
</table>

*As discussed in Note 19 to the audited consolidated financial statements, excess retained earnings will be utilized for capital expenditures under the approved Business Plan in compliance with Manila Water’s service obligations under the Concession Agreement.*
## MANILA WATER COMPANY, INC. AND SUBSIDIARIES
### SCHEDULE K - FINANCIAL RATIOS
#### As of December 31, 2015

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Ratio</td>
<td>0.55</td>
<td>0.82</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>0.21</td>
<td>0.23</td>
</tr>
<tr>
<td>Debt-to-Equity Ratio</td>
<td>0.83</td>
<td>0.90</td>
</tr>
<tr>
<td>Assets-to-Equity Ratio</td>
<td>2.03</td>
<td>2.13</td>
</tr>
<tr>
<td>Interest Rate Coverage Ratio</td>
<td>8.22</td>
<td>7.07</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>0.15</td>
<td>0.17</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>0.08</td>
<td>0.08</td>
</tr>
</tbody>
</table>

### Ratio Formula

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Ratio</td>
<td>Cash/ Cash equivalents + Short-term cash investments Current Liabilities</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>After-Tax Net Profit + (Depreciation + Amortization)+ Allowance for Bad Debts Long-term Liabilities + Short Term Liabilities</td>
</tr>
<tr>
<td>Debt-to-Equity Ratio</td>
<td>Total Liabilities - Service Concession Obligations Total Stockholders’ Equity</td>
</tr>
<tr>
<td>Assets-to-Equity Ratio</td>
<td>Total Assets Total Stockholders’ Equity</td>
</tr>
<tr>
<td>Interest Rate Coverage Ratio</td>
<td>EBITDA Interest Expense</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>Net Income Total Stockholders’ Equity</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>Net Income Total Assets</td>
</tr>
</tbody>
</table>
Schedule L  Beneficial Ownership of Shares

(1) Ayala Corporation

Ayala Corporation is a publicly listed Philippine company. The following table lists the record of beneficial owners of more than five percent (5%) of the issued and outstanding shares of Ayala Corporation as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name of Stockholder</th>
<th>Number of Shares</th>
<th>Percentage</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mermac, Inc.</td>
<td>303,689,196</td>
<td>49.01%</td>
<td>Filipino</td>
</tr>
<tr>
<td>PCD Nominee Corporation</td>
<td>161,544,933</td>
<td>26.07%</td>
<td>Various</td>
</tr>
<tr>
<td>(Non-Filipino)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCD Nominee Corporation</td>
<td>68,662,712</td>
<td>11.08%</td>
<td>Filipino</td>
</tr>
<tr>
<td>(Filipino)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>63,077,540</td>
<td>10.18%</td>
<td>Japanese</td>
</tr>
</tbody>
</table>

(2) Philwater Holdings Company, Inc.

The stockholders of record of Philwater Holdings Company, Inc. as of December 31, 2015 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>Percentage</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>333,383,321</td>
<td>100%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Jose Teodoro K. Limcaoco</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Felipe P. Estrella III</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Ma. Cecilia T. Cruzabra</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
</tbody>
</table>

The Company has 222,255,555 preferred shares held in Treasury.

(3) First State Investment Management

First State Investments is part of a global asset management business with experience across a range of asset classes and specialist investment sectors. We manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients. We also have pooled funds registered in a number of different countries inside and outside of Europe.
REPUBLIC OF THE PHILIPPINES 
QUEZON CITY, METRO MANILA) S.S.

TREASURER'S CERTIFICATION

I, LUIS JUAN B. ORETA, of legal age, Filipino and with office address at 489 Katipunan Road, Balara, Quezon City, after being sworn in accordance with law, hereby certify that:

1. I am the Chief Finance Officer (CFO) and Treasurer of MANILA WATER COMPANY, INC. (the “Corporation”), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under Securities and Exchange Commission (SEC) Certificate of Registration No. A1996-11593, with principal address at MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City,

2. Except for certain details/breakdowns required in the General Form for Financial Statements (GFFS), the accounts and figures prescribed under the Generally Accepted Accounting Principles in the Philippines and provided in the compact disk are based on the AAFS submitted to the SEC.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reporterial requirements of the SEC, including the SEC Memorandum Circular No. 6 Series of 2006.

WITNESS MY HAND on this ___ day of March 2016 at Quezon City.

LUIS JUAN B. ORETA
CFO and Treasurer

SUBSCRIBED AND SWORN to before me this ___ day of March 2016, affiant exhibiting to me his Passport No. EB6664924 valid until October 29, 2017.

Doc. No.: 1247
Page No.: 11
Book No.: 4
Series of 2016

ATTY. JUVENAL E. FULGUERAS
PUBLIC NOTARY
NOMA @ 31, 2016-PANIN CITY
ROLL No.: 120-2016-PANIN CITY
MANILA WATER COMPANY, INC.
MWSS Administration Building,
489 Katipunan Road, 1105 Balara,
Quezon City, Philippines
IN MANDATORY:
W: www.manilawater.com
Customer Service Hotline 1527
MANILA WATER COMPANY INC.

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Company Name)

Atty. JHOEL P. RAQUEDA
Contact Person

981-8122
Company Telephone Number

GFFS
STOCK
FORM TYPE

1231
Month Day
Fiscal Year

04
Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

Total Amount of Borrowings

Domestic
Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY, METRO MANILA) S.S.

TREASURER'S CERTIFICATION

I, LUIS JUAN B. ORETA, of legal age, Filipino and with office address at 489 Katipunan Road, Balara, Quezon City, after being sworn in accordance with law, hereby certify that:

1. I am the Chief Finance Officer (CFO) and Treasurer of MANILA WATER COMPANY, INC. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under Securities and Exchange Commission (SEC) Certificate of Registration No. A1996-11593, with principal address at MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

2. Except for certain details/breakdowns required in the General Form for Financial Statements (GFFS), the accounts and figures prescribed under the Generally Accepted Accounting Principles in the Philippines and provided in the compact disk are based on the AAFS submitted to the SEC.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC, including the SEC Memorandum Circular No. 6 Series of 2006.

WITNESS MY HAND on this __ day of March 2016 at Quezon City.

LUIS JUAN B. ORETA
CFO and Treasurer

SUBSCRIBED AND SWORN to before me this __ day of March 2016, affiant exhibiting to me his Passport No. EB6664924 valid until October 29, 2017.

Doc. No. 147 Page No. 41 Book No. 4 Series of 2016
### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)</td>
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<tr>
<td>A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)</td>
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<tr>
<td>A.1.1.1 On hand</td>
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<tr>
<td>A.1.1.2 In domestic banks/entities</td>
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<tr>
<td>A.1.1.3 In foreign banks/entities</td>
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<tr>
<td>A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)</td>
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<tr>
<td>A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</td>
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<td>A.1.2.1.1 Due from customers (trade)</td>
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<td>A.1.2.1.3.1 Receivable from Bonifacio Water Corporation (BWC)</td>
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<td>A.1.2.1.3.2 Receivable from Saigon Water Corporation (SAWACO)</td>
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<td>A.1.2.1.3.3 Other receivables</td>
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<td>A.1.2.1.4 Allowance for doubtful accounts (negative entry)</td>
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<tr>
<td>A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)</td>
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<td>A.1.2.2.4 Allowance for doubtful accounts (negative entry)</td>
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<td>A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)</td>
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<tr>
<td>A.1.3.1 Raw materials and supplies</td>
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<td>A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)</td>
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<td>A.1.3.3 Finished goods</td>
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<td>A.1.3.4 Merchandise/Goods in transit</td>
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<td>A.1.3.5 Unbilled Services (in case of service providers)</td>
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<td>A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)</td>
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<td>A.1.3.6.1</td>
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<tr>
<td>A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)</td>
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<tr>
<td>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)</td>
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<td>A.1.4.1.1 National Government</td>
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<td>A.1.4.1.3 Public Non-Financial Institutions</td>
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<td>A.1.4.1.4 Private Financial Institutions</td>
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<td>A.1.4.1.5 Private Non-Financial Institutions</td>
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<td>A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)</td>
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<td>A.1.4.2.2 Public Financial Institutions</td>
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<td>A.1.4.2.3 Public Non-Financial Institutions</td>
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<td>A.1.4.2.4 Private Financial Institutions</td>
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<tr>
<td>A.1.4.2.5 Private Non-Financial Institutions</td>
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</tbody>
</table>

**NOTE:**
This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.
### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)</td>
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<td>A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)</td>
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<td>A.1.4.4.5 Private Non-Financial Institutions</td>
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<td>A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)</td>
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<td>A.1.4.5.1 Financial Assets at fair value through profit or loss</td>
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<td>A.1.4.5.2 Held-to-maturity investments</td>
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<td>A.1.4.5.3 Loans and Receivables</td>
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</tr>
<tr>
<td>A.1.4.5.4 Available-for-sale financial assets</td>
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<tr>
<td>A.1.4.6 Allowance for decline in market value (negative entry)</td>
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<tr>
<td>A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3 + A.1.5.4)</td>
<td>675,797.00</td>
<td>531,320.00</td>
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<td>A.1.5.1 Advances to contractors</td>
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<td>A.1.5.2 Prepaid expenses</td>
<td>155,301.00</td>
<td>111,263.00</td>
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<td>A.1.5.3 Other assets from Vietnam Project</td>
<td>0.00</td>
<td>44,631.00</td>
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<td>A.1.5.4 Deposit in escrow</td>
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<td>A.1.5.5 Others</td>
<td>2,524.00</td>
<td>2,505.00</td>
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<tr>
<td>A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)</td>
<td>817,090.00</td>
<td>1,884,242.00</td>
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<td>A.2.1 Land</td>
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<td>A.2.2 Leasehold improvements</td>
<td>264,526.00</td>
<td>253,041.00</td>
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<td>A.2.3 Machinery and equipment (on hand and in transit)</td>
<td>967,518.00</td>
<td>936,777.00</td>
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<tr>
<td>A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment</td>
<td>423,901.00</td>
<td>394,545.00</td>
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<td>A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)</td>
<td>1,601,189.00</td>
<td>1,340,643.00</td>
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<tr>
<td>A.2.5.1 Furniture and fixtures</td>
<td>1,601,189.00</td>
<td>1,340,643.00</td>
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<td>A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)</td>
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<td>A.2.6.4</td>
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<tr>
<td>A.2.7 Accumulated Depreciation (negative entry)</td>
<td>(2,642,105.00)</td>
<td>(2,493,361.00)</td>
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<tr>
<td>A.2.8 Impairment Loss or Reversal (if loss, negative entry)</td>
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<tr>
<td>A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)</td>
<td>6,676,877.00</td>
<td>5,564,520.00</td>
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<tr>
<td>A.3.1 Equity in domestic subsidiaries/affiliates</td>
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<tr>
<td>A.3.2 Equity in foreign branches/subsidiaries/affiliates</td>
<td>6,676,877.00</td>
<td>5,564,520.00</td>
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<td>A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4)</td>
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<tr>
<td>A.4 Investment Property</td>
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<td>A.5 Intangible Assets (A.6.1 + A.6.2)</td>
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<td>51,211,361.00</td>
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<td>A.5.1 Intangible Assets</td>
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<td>A.6.1.1 Service concession assets</td>
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<td>A.7 Assets classified as held for sale</td>
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<tr>
<td>A.8 Assets included in disposal groups classified as held for sale</td>
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</table>
## Table 1. Balance Sheet

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<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
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<tr>
<td></td>
<td>(in P'000)</td>
<td>(in P'000)</td>
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<tr>
<td>A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)</td>
<td>458,642.00</td>
<td>465,052.00</td>
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<td>A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)</td>
<td>458,642.00</td>
<td>465,052.00</td>
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<tr>
<td>A.9.1.1 Receiveable from BIWC - net of current portion</td>
<td>458,642.00</td>
<td>465,052.00</td>
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<td>A.9.1.4</td>
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<td>A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)</td>
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<td>A.9.2.1 Due from</td>
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<td>A.9.2.4</td>
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<td>A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)</td>
<td>1,784,684.00</td>
<td>1,278,491.00</td>
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<tr>
<td>A.10.1 Deferred charges - net of amortization</td>
<td>707,226.00</td>
<td>237,799.00</td>
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<td>A.10.2 Deferred Income Tax</td>
<td>853,139.00</td>
<td>819,584.00</td>
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<td>A.10.3 Advance/Miscellaneous deposits</td>
<td>96,800.00</td>
<td>114,107.00</td>
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<td>A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)</td>
<td>127,519.00</td>
<td>116,516.00</td>
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<tr>
<td>A.10.4.1 Miscellaneous</td>
<td>125,110.00</td>
<td>114,107.00</td>
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<tr>
<td>A.10.4.2 Other assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)</td>
<td>3,995,780.00</td>
<td>3,547,658.00</td>
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<tr>
<td>A.10.5 Allowance for doubtful accounts, net of current portion (negative entry)</td>
<td>2,409.00</td>
<td>2,409.00</td>
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<td>A.10.6</td>
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<td>A.10.8</td>
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<tr>
<td>A.10.9</td>
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<tr>
<td>B.1 Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)</td>
<td>34,761,045.00</td>
<td>35,383,378.00</td>
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<td>B.1.1 Trade and Other Payables to Domestic Entities</td>
<td>11,772,040.00</td>
<td>7,399,352.00</td>
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<td>B.1.1.1 Loans/Notes Payables</td>
<td>2,150,286.00</td>
<td>2,149,066.00</td>
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<td>B.1.1.2 Trade Payables</td>
<td>17,580.00</td>
<td>17,028.00</td>
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<td>B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)</td>
<td>17,580.00</td>
<td>17,028.00</td>
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<td>B.1.1.3.1 Payable to stockholders</td>
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<td>B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3 + B.1.1.4.4)</td>
<td>1,224,678.00</td>
<td>1,034,654.00</td>
</tr>
<tr>
<td>B.1.1.4.1 Accrued expenses</td>
<td>1,224,678.00</td>
<td>1,034,654.00</td>
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<tr>
<td>B.1.1.4.2 Interest payable</td>
<td>299,469.00</td>
<td>298,387.00</td>
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<td>B.1.1.4.3 Contracts payable</td>
<td>231,299.00</td>
<td>0.00</td>
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<td>B.1.1.4.4 Others</td>
<td>72,468.00</td>
<td>48,523.00</td>
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<tr>
<td>B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.1.2.1 Advances from SAWACO</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.1.2.4</td>
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<td></td>
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<tr>
<td>B.1.3 Provisions</td>
<td></td>
<td></td>
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<tr>
<td>B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3)</td>
<td>411,956.00</td>
<td>452,874.00</td>
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<td>B.1.4.4</td>
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<tr>
<td>B.1.5 Liabilities for Current Tax</td>
<td></td>
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</tr>
<tr>
<td>B.1.6 Deferred Tax Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7 Others, specify (if material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)</td>
<td>7,364,304.00</td>
<td>3,398,820.00</td>
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<tr>
<td>B.1.7.1 Dividends declared and not paid at balance sheet date</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.2 Acceptances Payable</td>
<td></td>
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<tr>
<td>B.1.7.3 Liabilities under Trust Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.4 Portion of Long-term Debt Due within one year</td>
<td>6,172,551.00</td>
<td>2,392,717.00</td>
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<tr>
<td>B.1.7.5 Deferred Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)</td>
<td>1,191,753.00</td>
<td>1,006,103.00</td>
</tr>
<tr>
<td>B.1.7.6.1 Service concession obligation - current portion</td>
<td>1,191,753.00</td>
<td>1,006,103.00</td>
</tr>
<tr>
<td>B.1.7.6.2</td>
<td></td>
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<td>B.1.7.6.3</td>
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<td>B.1.7.6.4</td>
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### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B.2 Long-term Debt - Non-current Interest-bearing Liabilities</strong> (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)</td>
<td>15,103,416.00</td>
<td>19,852,047.00</td>
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<tr>
<td><strong>B.2.1 Domestic Public Financial Institutions</strong></td>
<td></td>
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<tr>
<td><strong>B.2.2 Domestic Public Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.2.3 Domestic Private Financial Institutions</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>B.2.4 Domestic Private Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.2.5 Foreign Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.3 Indebtedness to Affiliates and Related Parties (Non-Current)</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>B.5 Other Liabilities Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</strong></td>
<td>7,885,589.00</td>
<td>8,131,979.00</td>
</tr>
<tr>
<td><strong>B.5.1 Deferred Income Tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.5.2.1 Service concession obligation - net of current portion</strong></td>
<td>6,183,416</td>
<td>6,427,356</td>
</tr>
<tr>
<td><strong>B.5.2.2 Pension liabilities</strong></td>
<td>73,192</td>
<td>10,850</td>
</tr>
<tr>
<td><strong>B.5.2.3 Provisions and contingencies</strong></td>
<td>1,003,512</td>
<td>1,013,825</td>
</tr>
<tr>
<td><strong>B.5.2.4 Other noncurrent liabilities</strong></td>
<td>6,329,823</td>
<td>5,077,380</td>
</tr>
<tr>
<td><strong>C. EQUITY (C.3 + C.4 + C.5 + C.7 + C.8 + C.9+C.10)</strong></td>
<td>36,450,032.00</td>
<td>33,053,216.00</td>
</tr>
<tr>
<td><strong>C.1 Authorized Capital Stock (no. of shares, par value and total value; show details)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.1.1 Common shares</strong> (P1 par value; 2,053,667 shares in 2015 and 2,047,270 shares in 2014)</td>
<td>2,453,667.00</td>
<td>2,447,270.00</td>
</tr>
<tr>
<td><strong>C.1.2 Preferred Shares</strong> (P0.10 par value; 4,000,000,000 shares in 2015 and 2014)</td>
<td>400,000.00</td>
<td>400,000.00</td>
</tr>
<tr>
<td><strong>C.1.3 Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>C.2.1 Common shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.2.2 Preferred Shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.2.3 Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.3 Paid-up Capital Stock (C.3.1 + C.3.2)</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>C.3.1 Common shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.3.2 Preferred Shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus</strong></td>
<td>4,193,023.00</td>
<td>3,969,017.00</td>
</tr>
<tr>
<td><strong>C.5 Minority Interest</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.6.1 Common stock options outstanding</strong></td>
<td>20,818.00</td>
<td>16,207.00</td>
</tr>
<tr>
<td><strong>C.6.2 Subscriptions receivable</strong></td>
<td>(346,007.00)</td>
<td>(251,544.00)</td>
</tr>
<tr>
<td><strong>C.6.3 Unrealized gain on available-for-sale financial assets</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>C.6.4 Remeasurement loss on defined benefit plans</strong></td>
<td>(124,714.00)</td>
<td>(87,807.00)</td>
</tr>
<tr>
<td><strong>C.6.5 Other equity reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.6.6 Cumulative translation adjustment</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus</strong></td>
<td>30,253,255.00</td>
<td>26,960,073.00</td>
</tr>
<tr>
<td><strong>C.8 Retained Earnings (C.8.1 + C.8.2)</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>C.8.1 Appropriated</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>C.8.2 Unappropriated</strong></td>
<td>30,253,255.00</td>
<td>26,960,073.00</td>
</tr>
<tr>
<td><strong>C.9 Head / Home Office Account (for Foreign Branches only)</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>C.10 Cost of Stocks Held in Treasury (negative entry)</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>D. TOTAL LIABILITIES AND EQUITY (B + C)</strong></td>
<td>71,211,077.00</td>
<td>68,436,594.00</td>
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</table>
### Table 2. Income Statement

<table>
<thead>
<tr>
<th>FINANCIAL DATA</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)</strong></td>
<td>15,476,465.00</td>
<td>15,122,178.00</td>
</tr>
<tr>
<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)</td>
<td>15,088,029.00</td>
<td>14,995,128.00</td>
</tr>
<tr>
<td>A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)</td>
<td>180,472.00</td>
<td>38,283.00</td>
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<tr>
<td>A.3.1 Rental Income from Land and Buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)</td>
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<td></td>
</tr>
<tr>
<td>A.3.3 Sale of Real Estate or other Property and Equipment</td>
<td>24,590.00</td>
<td>43.00</td>
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<tr>
<td>A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)</td>
<td></td>
<td></td>
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<tr>
<td>A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)</td>
<td>155,882.00</td>
<td>38,240.00</td>
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<tr>
<td>A.3.5.1 Revenue from rehabilitation works</td>
<td>3,767,456.00</td>
<td>2,729,011.00</td>
</tr>
<tr>
<td>A.3.5.2 Cost of rehabilitation works</td>
<td>(3,767,456.00)</td>
<td>(2,729,011.00)</td>
</tr>
<tr>
<td>A.3.5.3 Amortization of deferred credits</td>
<td>8,432.00</td>
<td>7,241.00</td>
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<tr>
<td>A.3.5.4 Gain (loss) on revaluation of receivable from Bonifacio Water Corp.</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>A.3.5.5 Dividend income</td>
<td>0.00</td>
<td>30,999.00</td>
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<tr>
<td>A.3.5.6 Other income</td>
<td>147,450.00</td>
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<td>A.3.5.7</td>
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<tr>
<td>A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)</td>
<td>207,964.00</td>
<td>88,767.00</td>
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<tr>
<td>A.4.1 Interest Income</td>
<td>101,106.00</td>
<td>96,668.00</td>
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<tr>
<td>A.4.2 Dividend Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>A.4.3.1 Gain on disposal of available-for-sale financial assets</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>A.4.3.2</td>
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<tr>
<td>A.4.3.4</td>
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</tr>
<tr>
<td>A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)</td>
<td>106,858.00</td>
<td>(7,901.00)</td>
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<tr>
<td>A.4.4.1 Foreign currency differentials</td>
<td>502,580.00</td>
<td>(133,789.00)</td>
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<tr>
<td>A.4.4.2 Foreign exchange gains (losses)</td>
<td>(395,722.00)</td>
<td>125,888.00</td>
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<td>A.4.4.3</td>
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<td>A.4.4.4</td>
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<tr>
<td><strong>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>B.1.1 Direct Material Used</td>
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<tr>
<td>B.1.2 Direct Labor</td>
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<tr>
<td>B.1.3 Other Manufacturing Cost / Overhead</td>
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<td></td>
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<tr>
<td>B.1.4 Goods in Process, Beginning</td>
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<td></td>
</tr>
<tr>
<td>B.1.5 Goods in Process, End (negative entry)</td>
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<tr>
<td>B.2 Finished Goods, Beginning</td>
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</tr>
<tr>
<td>B.3 Finished Goods, End (negative entry)</td>
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<tr>
<td><strong>C. COST OF SALES (C.1 + C.2 + C.3)</strong></td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>C.1 Purchases</td>
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<tr>
<td>C.2 Merchandise Inventory, Beginning</td>
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</tr>
<tr>
<td>C.3 Merchandise Inventory, End (negative entry)</td>
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<tr>
<td><strong>D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3)</strong></td>
<td>5,794,263.00</td>
<td>5,193,214.00</td>
</tr>
<tr>
<td>D.1 Cost of services</td>
<td>5,794,263.00</td>
<td>5,193,214.00</td>
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<tr>
<td>D.2</td>
<td></td>
<td></td>
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<td>D.3</td>
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Table 2. Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F. GROSS PROFIT (A - B - C - D - E)</strong> *</td>
<td>9,682,202.00</td>
<td>9,928,964.00</td>
</tr>
<tr>
<td><strong>G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)</strong></td>
<td>1,326,353.00</td>
<td>1,483,065.00</td>
</tr>
<tr>
<td>G.1 Selling or Marketing Expenses</td>
<td></td>
<td></td>
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<tr>
<td>G.2 Administrative Expenses</td>
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</tr>
<tr>
<td>G.3 General Expenses</td>
<td>1,326,353.00</td>
<td>1,399,494.00</td>
</tr>
<tr>
<td>G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)</td>
<td>0.00</td>
<td>83,571.00</td>
</tr>
<tr>
<td>G.4.1 Others</td>
<td>0.00</td>
<td>83,571.00</td>
</tr>
<tr>
<td>G.4.2 Others</td>
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<td></td>
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<tr>
<td>G.4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.4.4</td>
<td></td>
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</tr>
<tr>
<td>G.4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.4.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>H. FINANCE COSTS</strong></td>
<td>1,329,441.00</td>
<td>1,513,124.00</td>
</tr>
<tr>
<td><strong>I. NET INCOME (LOSS) BEFORE TAX</strong> (F - G - H)</td>
<td>7,026,408.00</td>
<td>6,932,775.00</td>
</tr>
<tr>
<td><strong>J. INCOME TAX EXPENSE</strong> (negative entry)</td>
<td>(1,693,271.00)</td>
<td>(1,694,747.00)</td>
</tr>
<tr>
<td><strong>K. INCOME AFTER TAX</strong></td>
<td>5,333,137.00</td>
<td>5,238,028.00</td>
</tr>
<tr>
<td><strong>L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M. Profit or Loss Attributable to Minority Interest</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>N. Profit or Loss Attributable to Equity Holders of the Parent</strong></td>
<td>5,333,137.00</td>
<td>5,238,028.00</td>
</tr>
</tbody>
</table>

*Difference in the gross profit per audited financial statements was due to grouping presentation in the GFFS form.
### Table 3. Cash Flow Statements

#### Financial Data

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss) Before Tax and Extraordinary Items</td>
<td>7,026,408.00</td>
<td>6,932,776.00</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,287,129.00</td>
<td>2,192,870.00</td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,328,803.00</td>
<td>1,513,124.00</td>
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<tr>
<td>Provision for probable losses</td>
<td>86,981.00</td>
<td>166,158.00</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>68,698.00</td>
<td>63,051.00</td>
</tr>
<tr>
<td>Due from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain from sale of investment in subsidiary</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Gain on disposal of property and equipment</td>
<td>(24,590.00)</td>
<td>(43.00)</td>
</tr>
<tr>
<td>Gain on shares swap</td>
<td>(183,352.00)</td>
<td>0.00</td>
</tr>
<tr>
<td>Amortization of deferred credits</td>
<td>(8,432.00)</td>
<td>(7,241.00)</td>
</tr>
<tr>
<td>Pension expense (contribution)</td>
<td>26,072.00</td>
<td>(385,742.00)</td>
</tr>
<tr>
<td>Interest income</td>
<td>(101,106.00)</td>
<td>(96,668.00)</td>
</tr>
<tr>
<td>Write-down of Property, Plant, and Equipment</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (Increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>358,457.00</td>
<td>(501,387.00)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(8,315.00)</td>
<td>(64,218.00)</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>(237,016.00)</td>
<td>(157,521.00)</td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service concession assets</td>
<td>(3,447,799.00)</td>
<td>(2,687,716.00)</td>
</tr>
<tr>
<td>Increase (Decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>328,550.00</td>
<td>(16,647.00)</td>
</tr>
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<td>Others, specify:</td>
<td>551.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>(1,675,204.00)</td>
<td>(1,712,589.00)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</td>
<td>5,825,834.00</td>
<td>5,276,207.00</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>100,824.00</td>
<td>63,351.00</td>
</tr>
<tr>
<td>Proceeds from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturities of available-for-sale financial assets</td>
<td>0.00</td>
<td>100,000.00</td>
</tr>
<tr>
<td>Sale of property and equipment</td>
<td>25,168.00</td>
<td>1,244.00</td>
</tr>
<tr>
<td>Issuance of Securities</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Others, specify:</td>
<td>Redemption of investment in shares of stock of a subsidiary</td>
<td>587,502.00</td>
</tr>
<tr>
<td>Acquisitions of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>(929,005.00)</td>
<td>(27,010.00)</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>(422,631.00)</td>
<td>(163,054.00)</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Others, specify (negative entry):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>0.00</td>
<td>71,845.00</td>
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<tr>
<td>Other noncurrent assets</td>
<td>(81,587.00)</td>
<td>341,375.00</td>
</tr>
<tr>
<td>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</td>
<td>(719,929.00)</td>
<td>387,751.00</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term debt:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availments</td>
<td>1,020,102.00</td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td>(2,435,905.00)</td>
<td>(1,812,499.00)</td>
</tr>
<tr>
<td>Service concession obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availments</td>
<td>(735,199.00)</td>
<td>(868,768.00)</td>
</tr>
<tr>
<td>Payments</td>
<td>(2,059,954.00)</td>
<td>(2,013,110.00)</td>
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<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments of dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection of subscriptions receivable</td>
<td>71,842.00</td>
<td>31,984.00</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,064,746.00)</td>
<td>(1,340,856.00)</td>
</tr>
<tr>
<td>Decrease in noncurrent liabilities</td>
<td>(40,048.00)</td>
<td>(102,940.00)</td>
</tr>
<tr>
<td>Others, specify (negative entry):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</td>
<td>(5,229,998.00)</td>
<td>(5,165,893.00)</td>
</tr>
</tbody>
</table>

**NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)**

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
</tr>
<tr>
<td>End of year</td>
</tr>
<tr>
<td>F I N A N C I A L   D A T A</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>A. Balance, 2013</td>
</tr>
<tr>
<td>A.1 Correction of Error(s)</td>
</tr>
<tr>
<td>A.2 Changes in Accounting Policy</td>
</tr>
<tr>
<td>B. Restated Balance</td>
</tr>
<tr>
<td>C. Surplus</td>
</tr>
<tr>
<td>C.1 Surplus (Deficit) on Revaluation of Properties</td>
</tr>
<tr>
<td>C.2 Surplus (Deficit) on Revaluation of Investments</td>
</tr>
<tr>
<td>C.3 Currency Translation Differences</td>
</tr>
<tr>
<td>C.4 Other Surplus (specify)</td>
</tr>
<tr>
<td>C.4.1 Collections from subscriptions receivable</td>
</tr>
<tr>
<td>C.4.2 Exercised common stock outstanding</td>
</tr>
<tr>
<td>C.4.3 Actuarial gain (loss) on defined benefit plans</td>
</tr>
<tr>
<td>C.4.4 Realized FV gain transferred to profit and loss</td>
</tr>
<tr>
<td>C.4.5 Share of non controlling interest</td>
</tr>
<tr>
<td>D. Net Income (Loss) for the Period</td>
</tr>
<tr>
<td>E. Dividends (negative entry)</td>
</tr>
<tr>
<td>F. Appropriation for (specify)</td>
</tr>
<tr>
<td>F.1</td>
</tr>
<tr>
<td>F.2</td>
</tr>
<tr>
<td>F.3</td>
</tr>
<tr>
<td>F.4</td>
</tr>
<tr>
<td>F.5</td>
</tr>
<tr>
<td>G. Issuance of Capital Stock</td>
</tr>
<tr>
<td>G.1 Common Stock</td>
</tr>
<tr>
<td>G.2 Preferred Stock</td>
</tr>
<tr>
<td>G.3 Others</td>
</tr>
<tr>
<td>H. Balance, 2014</td>
</tr>
<tr>
<td>H.1 Correction of Error(s)</td>
</tr>
<tr>
<td>H.2 Changes in Accounting Policy</td>
</tr>
<tr>
<td>I. Restated Balance</td>
</tr>
<tr>
<td>J. Surplus</td>
</tr>
<tr>
<td>J.1 Surplus (Deficit) on Revaluation of Properties</td>
</tr>
<tr>
<td>J.2 Surplus (Deficit) on Revaluation of Investments</td>
</tr>
<tr>
<td>J.3 Currency Translation Differences</td>
</tr>
<tr>
<td>J.4 Other Surplus (specify)</td>
</tr>
<tr>
<td>J.4.1 Collections from subscriptions receivable</td>
</tr>
<tr>
<td>J.4.2 Exercised common stock outstanding</td>
</tr>
<tr>
<td>J.4.3 Realized FV gain transferred to profit and loss</td>
</tr>
<tr>
<td>J.4.4 Actuarial gain (loss) on defined benefit plans</td>
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### Table 4. Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount in P'000</th>
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<tbody>
<tr>
<td>J.4.5 Share of non controlling interest</td>
<td>0.00</td>
</tr>
<tr>
<td>K. Net income (Loss) for the Period</td>
<td>5,333,137.00</td>
</tr>
<tr>
<td>L. Dividends (negative entry)</td>
<td>(2,039,954.00)</td>
</tr>
<tr>
<td>M. Appropriation for (specify)</td>
<td></td>
</tr>
<tr>
<td>M.1</td>
<td>0.00</td>
</tr>
<tr>
<td>M.2</td>
<td>0.00</td>
</tr>
<tr>
<td>M.3</td>
<td>0.00</td>
</tr>
<tr>
<td>M.4</td>
<td>0.00</td>
</tr>
<tr>
<td>M.5</td>
<td>0.00</td>
</tr>
<tr>
<td>N. Issuance of Capital Stock</td>
<td></td>
</tr>
<tr>
<td>N.1 Common Stock</td>
<td>6,397.00</td>
</tr>
<tr>
<td>N.2 Preferred Stock</td>
<td>224,006.00</td>
</tr>
<tr>
<td>N.3 Others</td>
<td>0.00</td>
</tr>
<tr>
<td>O. Balance, 2015</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,453,667.00</td>
</tr>
<tr>
<td></td>
<td>4,193,023.00</td>
</tr>
<tr>
<td></td>
<td>(346,017.00)</td>
</tr>
<tr>
<td></td>
<td>(20,818.00)</td>
</tr>
<tr>
<td></td>
<td>30,253,255.00</td>
</tr>
<tr>
<td></td>
<td>(124,714.00)</td>
</tr>
<tr>
<td></td>
<td>36,450,032.00</td>
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</tbody>
</table>
### Table 5. Details of Income and Expenses, by source

(both applicable to corporations transacting with foreign corporations/entities)

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. REVENUE / INCOME (A.1 + A.2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 + A.1.2)</td>
<td>15,088,029.00</td>
<td>14,995,128.00</td>
</tr>
<tr>
<td>A.1.1 Domestic</td>
<td>15,088,029.00</td>
<td>14,969,640.00</td>
</tr>
<tr>
<td>A.1.2 Foreign</td>
<td>0.00</td>
<td>25,488.00</td>
</tr>
<tr>
<td>A.2 Other Revenue (A.2.1 + A.2.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.1 Domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2 Foreign, specify (A.2.2.1 + A.2.2.2 + A.2.2.3 + A.2.2.4 + A.2.2.5 + A.2.2.6 + A.2.2.7 + A.2.2.8 + A.2.2.9 + A.2.2.10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. EXPENSES (B.1 + B.2)</strong></td>
<td>7,120,616.00</td>
<td>6,592,708.00</td>
</tr>
<tr>
<td>B.1 Domestic</td>
<td>7,068,723.00</td>
<td>6,538,421.00</td>
</tr>
<tr>
<td>B.2 Foreign, specify (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5 + B.2.6 + B.2.7 + B.2.8 + B.2.9 + B.2.10)</td>
<td>51,893.00</td>
<td>54,287.00</td>
</tr>
<tr>
<td>B.2.1 Cost of management contracts</td>
<td>51,893.00</td>
<td>54,287.00</td>
</tr>
<tr>
<td>B.2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.4</td>
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<td></td>
</tr>
<tr>
<td>B.2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
COVER SHEET

M A N I L A W A T E R C O M P A N Y I N C.

(Company's Full Name)

M W S S A D M I N I S T R A T I O N B U I L D I N G

4 8 9 K A T I P U N A N R O A D B A L A R A 1 1 0 5

Q U E Z O N C I T Y M E T R O M A N I L A

(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN

Contact Person

GFFS

981-8122

Company Telephone Number

1 2 3 1

Month

Day

Fiscal Year

S T O C K

G F F S

FORM TYPE

0 4

Month

Day

Any

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S
REPUBLIC OF THE PHILIPPINES
QUEZON CITY, METRO MANILA) S.S.

TREASURER’S CERTIFICATION

I, LUIS JUAN B. ORETA, of legal age, Filipino and with office address at 489 Katipunan Road, Balara, Quezon City, after being sworn in accordance with law, hereby certify that:

1. I am the Chief Finance Officer (CFO) and Treasurer of MANILA WATER COMPANY, INC. (the “Corporation”), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under Securities and Exchange Commission (SEC) Certificate of Registration No. A1996-11593, with principal address at MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

2. Except for certain details/breakdowns required in the General Form for Financial Statements (GFFS), the accounts and figures prescribed under the Generally Accepted Accounting Principles in the Philippines and provided in the compact disk are based on the AAFS submitted to the SEC.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC, including the SEC Memorandum Circular No. 6 Series of 2006.

WITNESS MY HAND on this 28 day of March 2016 at Quezon City.

[Signature]

LUIS JUAN B. ORETA
CFO and Treasurer

SUBSCRIBED AND SWORN to before me this 28 day of March 2016, affiant exhibiting to me his Passport No. EB6664824 valid until October 29, 2017.

[Signature]

ATTY. JOVYNE P. FULGUERAS
N. COMMISSIONED ON DEC. 31, 2017
P.I. ROLL NO. 130-2016-PANIC CITY

MANILA WATER COMPANY, INC.
MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City, Philippines

W: www.manilawater.com
Customer Service Hotline 1527
Table 1. Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</td>
<td>80,608,485.00</td>
<td>74,859,904.00</td>
</tr>
<tr>
<td>A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)</td>
<td>9,484,298.00</td>
<td>9,094,063.00</td>
</tr>
<tr>
<td>A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)</td>
<td>6,489,956.00</td>
<td>6,452,554.00</td>
</tr>
<tr>
<td>A.1.1.1 On hand</td>
<td>5,490.00</td>
<td>1,047.00</td>
</tr>
<tr>
<td>A.1.1.2 In domestic banks/entities</td>
<td>6,080,765.00</td>
<td>5,654,866.00</td>
</tr>
<tr>
<td>A.1.1.3 In foreign banks/entities</td>
<td>763,701.00</td>
<td>796,041.00</td>
</tr>
<tr>
<td>A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)</td>
<td>1,864,487.00</td>
<td>1,694,446.00</td>
</tr>
<tr>
<td>A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</td>
<td>1,864,487.00</td>
<td>1,694,446.00</td>
</tr>
<tr>
<td>A.1.2.1.1 Due from customers (trade)</td>
<td>2,253,884.00</td>
<td>1,996,173.00</td>
</tr>
<tr>
<td>A.1.2.1.2 Due from related parties</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)</td>
<td>337,458.00</td>
<td>416,008.00</td>
</tr>
<tr>
<td>Receivable from Saigon Water Corporation (SAWACO)</td>
<td>0.00</td>
<td>32,888.00</td>
</tr>
<tr>
<td>Receivable from Bonifacio Water Corporation (BWC)</td>
<td>70,858.00</td>
<td>64,449.00</td>
</tr>
<tr>
<td>A.1.2.1.3.3 Other receivables</td>
<td>266,600.00</td>
<td>318,671.00</td>
</tr>
<tr>
<td>A.1.2.1.4 Allowance for doubtful accounts (negative entry)</td>
<td>(726,495.00)</td>
<td>(717,735.00)</td>
</tr>
<tr>
<td>Due from foreign entities, specify</td>
<td></td>
<td></td>
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<tr>
<td>A.1.2.2 (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)</td>
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<tr>
<td>A.1.2.2.4 Allowance for doubtful accounts (negative entry)</td>
<td></td>
<td></td>
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<tr>
<td>A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)</td>
<td>177,027.00</td>
<td>186,290.00</td>
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<tr>
<td>A.1.3.1 Raw materials and supplies</td>
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<td>186,290.00</td>
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<td>A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished)</td>
<td>2,562.00</td>
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<td>A.1.3.3 Finished goods</td>
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<td>A.1.3.4 Merchandise/Goods in transit</td>
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<tr>
<td>A.1.3.5 Un billed Services (in case of service providers)</td>
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<td>A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)</td>
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<tr>
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<tr>
<td>Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1.1 National Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.1.2 Public Financial Institutions</td>
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<td></td>
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<tr>
<td>A.1.4.1.3 Public Non-Financial Institutions</td>
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<td>A.1.4.1.4 Private Financial Institutions</td>
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<td></td>
<td></td>
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<tr>
<td>A.1.4.2 Held to Maturity Investments - issued by domestic entities</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>A.1.4.2.1 National Government</td>
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<td>A.1.4.2.5 Private Non-Financial Institutions</td>
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</tbody>
</table>

Note:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.
### Table 1. Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>F I N A N C I A L   D A T A</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
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</thead>
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<tr>
<td>A.1.3 Loans and Receivables - issued by domestic entities:</td>
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<td>0.00</td>
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<tr>
<td>A.1.3.1 National Government</td>
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<td>A.1.3.2 Public Financial Institutions</td>
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<td>A.1.3.4 Public Non-Financial Institutions</td>
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<tr>
<td>A.1.3.5 Private Non-Financial Institutions</td>
<td></td>
<td></td>
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<tr>
<td>A.1.4 Available-for-sale financial assets - issued by domestic entities:</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1 National Government</td>
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<td>A.1.4.2 Public Financial Institutions</td>
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<td></td>
</tr>
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<td>A.1.4.3 Private Financial Institutions</td>
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<td>A.1.4.4 Public Non-Financial Institutions</td>
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</tr>
<tr>
<td>A.1.4.5 Private Non-Financial Institutions</td>
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<td></td>
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<tr>
<td>A.1.5 Financial Assets issued by foreign entities:</td>
<td>1,056,468.00</td>
<td>760,773.00</td>
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<tr>
<td>A.1.5.1 Financial Assets at fair value through profit or loss</td>
<td>209,011.00</td>
<td>76,914.00</td>
</tr>
<tr>
<td>A.1.5.2 Held-to-maturity investments</td>
<td>201,545.00</td>
<td>125,899.00</td>
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<tr>
<td>A.1.5.3 Loans and Receivables</td>
<td>577,979.00</td>
<td>419,942.00</td>
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<tr>
<td>A.1.5.4 Available-for-sale financial assets</td>
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<td></td>
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<tr>
<td>A.1.6 Allowance for decline in market value (negative entry)</td>
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<td>0.00</td>
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<tr>
<td>A.1.5 Other Current Assets (state separately material items)</td>
<td>1,056,468.00</td>
<td>760,773.00</td>
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<tr>
<td>A.1.5.1 Concession financial receivable - current portion</td>
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<td>76,914.00</td>
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<tr>
<td>A.1.5.2 Prepaid expenses</td>
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<td>125,899.00</td>
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<td>A.1.5.3 Advances to contractors</td>
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<td>419,942.00</td>
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<td>A.1.5.4 Value-added Input Tax</td>
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<td>A.1.5.5 Deposit in escrow</td>
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<td>A.1.5.6 Others</td>
<td>87,933.00</td>
<td>20,993.00</td>
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<td>A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)</td>
<td>1,254,888.00</td>
<td>2,131,967.00</td>
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<tr>
<td>A.2.1 Land</td>
<td>209,011.00</td>
<td>76,914.00</td>
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<tr>
<td>A.2.2 Building and improvements including leasehold improvement</td>
<td>201,545.00</td>
<td>125,899.00</td>
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<tr>
<td>A.2.3 Machinery and equipment (on hand and in transit)</td>
<td>577,979.00</td>
<td>419,942.00</td>
</tr>
<tr>
<td>A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment</td>
<td>1,694,077.00</td>
<td>1,427,902.00</td>
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<tr>
<td>A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)</td>
<td>1,694,077.00</td>
<td>1,427,902.00</td>
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<tr>
<td>A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)</td>
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<tr>
<td>A.2.6.3</td>
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<tr>
<td>A.2.6.4</td>
<td></td>
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<tr>
<td>A.2.7 Accumulated Depreciation (negative entry)</td>
<td>(2,755,197.00)</td>
<td>(2,563,208.00)</td>
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<tr>
<td>A.2.8 Impairment Loss or Reversal (if loss, negative entry)</td>
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<td>A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)</td>
<td>5,723,534.00</td>
<td>4,961,500.00</td>
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<tr>
<td>A.3.1 Equity in domestic subsidiaries/affiliates</td>
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<tr>
<td>A.3.2 Equity in foreign branches/subsidiaries/affiliates</td>
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<tr>
<td>A.3.3 Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)</td>
<td>5,723,534.00</td>
<td>4,961,500.00</td>
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<td></td>
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<td>A.3.3.4</td>
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<tr>
<td>A.4 Investment Property</td>
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<tr>
<td>A.5 Biological Assets</td>
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<tr>
<td>A.6 Intangible Assets (A.6.1 + A.6.2)</td>
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<tr>
<td>A.6.1 Major items, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)</td>
<td>60,323,175.00</td>
<td>55,965,985.00</td>
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<tr>
<td>A.6.1.1 Service concession assets</td>
<td>60,323,175.00</td>
<td>55,965,985.00</td>
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<td>A.6.1.2 Goodwill</td>
<td>130,319.00</td>
<td>130,319.00</td>
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<td>A.6.1.4</td>
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<td>A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)</td>
<td>0.00</td>
<td>0.00</td>
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<td>A.7 Assets Classified as Held for Sale</td>
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<tr>
<td>A.8 Assets included in Disposal Groups Classified as Held for Sale</td>
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</tbody>
</table>
### Table 1. Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)</td>
<td>458,642.00</td>
<td>465,052.00</td>
</tr>
<tr>
<td>A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)</td>
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<td></td>
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<tr>
<td>A.9.1.1 Receivable from BWC - net of current portion</td>
<td>458,642.00</td>
<td>465,052.00</td>
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<tr>
<td>A.9.1.2</td>
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<td>A.9.1.4</td>
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<td>A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)</td>
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<td>0.00</td>
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<tr>
<td>A.9.2.1</td>
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<td></td>
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<tr>
<td>A.9.2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)</td>
<td>2,899,948.00</td>
<td>2,241,337.00</td>
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<td>A.10.1 Deferred charges - net of amortization</td>
<td>644,429.00</td>
<td>141,189.00</td>
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<td>A.10.2 Deferred Income Tax</td>
<td>924,502.00</td>
<td>881,183.00</td>
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<td>A.10.3 Advance/Miscellaneous deposits</td>
<td>148,864.00</td>
<td>166,580.00</td>
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<td>A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)</td>
<td>1,182,153.00</td>
<td>1,052,385.00</td>
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<td>A.10.4.1 Concession financial receivable - net of current portion</td>
<td>989,073.00</td>
<td>899,070.00</td>
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<td>A.10.4.2 Receivable from Ayala Multipurpose Cooperative (AMPC)</td>
<td>95,757.00</td>
<td>89,124.00</td>
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<td>A.10.4.3 Miscellaneous</td>
<td>94,914.00</td>
<td>61,782.00</td>
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<td>A.10.4.4 Available-for-sale financial assets</td>
<td>2,409.00</td>
<td>2,409.00</td>
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<td>A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)</td>
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<td>0.00</td>
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<td>B.1.1 Trade and Other Payables to Domestic Entities</td>
<td>4,443,921.00</td>
<td>3,857,596.00</td>
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<tr>
<td>B.1.1.1 Loans/Notes Payables</td>
<td>2,451,212.00</td>
<td>2,347,683.00</td>
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<td>B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)</td>
<td>10,835.00</td>
<td>11,490.00</td>
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<td>B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3 + B.1.1.4.4)</td>
<td>1,081,874.00</td>
<td>1,498,423.00</td>
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<td>B.1.2 Trade and Other Payables to Foreign Entities (specify)</td>
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<td>719.00</td>
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<td>B.1.2.1 Advances from SAWACO</td>
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<td>719.00</td>
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<td>B.1.3 Provisions</td>
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<td>0.00</td>
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<td>B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)</td>
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<td>B.1.5 Liabilities for Current Tax</td>
<td>440,797.00</td>
<td>484,703.00</td>
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<td>B.1.6 Deferred Tax Liabilities</td>
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<td>B.1.7 Others, specify (if material, state separately; indicate if the item is payable to public/private)</td>
<td>7,515,094.00</td>
<td>3,515,144.00</td>
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<td>B.1.7.1 Dividends declared and not paid at balance sheet date</td>
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<tr>
<td>B.1.7.2 Acceptances Payable</td>
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<td>B.1.7.3 Liabilities under Trust Receipts</td>
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<td>B.1.7.4 Portion of Long-term Debt Due within one year</td>
<td>6,259,417.00</td>
<td>2,495,629.00</td>
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<tr>
<td>B.1.7.5 Deferred Income</td>
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</tr>
<tr>
<td>B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:</td>
<td>1,255,677.00</td>
<td>1,019,515.00</td>
</tr>
<tr>
<td>B.1.7.6.1 Service concession obligation - current portion</td>
<td>1,255,677.00</td>
<td>1,019,515.00</td>
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<td>B.1.7.6.2</td>
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<td>B.1.7.6.4</td>
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</tbody>
</table>
## Table 1. Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F I N A N C I A L   D A T A</strong></td>
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<tr>
<td>B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)</td>
<td>19,960,956.00</td>
<td>22,975,122.00</td>
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<tr>
<td>B.2.1 Domestic Public Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
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<td>B.2.2 Domestic Public Non-Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.2.3 Domestic Private Financial Institutions</td>
<td>14,568,815.00</td>
<td>17,822,742.00</td>
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<td>B.2.4 Domestic Private Non-Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.2.5 Foreign Financial Institutions</td>
<td>5,392,141.00</td>
<td>5,152,380.00</td>
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<tr>
<td>B.3 Indebtedness to Affiliates and Related Parties (Non-Current)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.5 Other Liabilities (B.5.1 + B.5.2)</td>
<td>8,528,724.00</td>
<td>8,925,050.00</td>
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<tr>
<td>B.5.1 Deferred Income Tax</td>
<td>71,912.00</td>
<td>68,950.00</td>
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<td>B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)</td>
<td>8,456,812.00</td>
<td>8,856,100.00</td>
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<td>B.5.2.1 Service concession obligation - net of current portion</td>
<td>6,671,194.00</td>
<td>6,981,694.00</td>
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<td>B.5.2.2 Pension liabilities</td>
<td>102,347.00</td>
<td>38,769.00</td>
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<td>B.5.2.3 Provisions</td>
<td>1,003,512.00</td>
<td>1,013,825.00</td>
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<tr>
<td>B.5.2.4 Other noncurrent liabilities</td>
<td>679,759.00</td>
<td>821,812.00</td>
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<tr>
<td><strong>C. EQUITY (C.3 + C.4 + C.5 + C.7 + C.8 + C.9+C.10)</strong></td>
<td>39,718,993.00</td>
<td>35,101,570.00</td>
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<tr>
<td>C.1 Authorized Capital Stock (no. of shares, par value and total value; show details)</td>
<td>2,453,667.00</td>
<td>2,447,270.00</td>
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<tr>
<td>C.1.1 Common shares (P1 par value; 2,053,667 shares in 2015 and 2,047,270,452 shares in 2014)</td>
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<td>2,047,270.00</td>
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<td>C.1.2 Preferred Shares</td>
<td>400,000.00</td>
<td>400,000.00</td>
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<td>C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)</td>
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<tr>
<td>C.2.1 Common shares</td>
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<tr>
<td>C.2.2 Preferred Shares</td>
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<tr>
<td>C.2.3 Others</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>C.3 Paid-up Capital Stock (C.3.1 + C.3.2)</td>
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</tr>
<tr>
<td>C.3.1 Common shares</td>
<td>0.00</td>
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</tr>
<tr>
<td>C.3.2 Preferred Shares</td>
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<td>0.00</td>
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<tr>
<td>C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus</td>
<td>4,193,023.00</td>
<td>3,969,017.00</td>
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<td>C.5 Minority Interest</td>
<td>894,275.00</td>
<td>593,397.00</td>
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<tr>
<td>C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)</td>
<td>57,547.00</td>
<td>(110,768.00)</td>
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<tr>
<td>C.6.1 Common stock options outstanding</td>
<td>20,818.00</td>
<td>16,207.00</td>
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<tr>
<td>C.6.2 Subscriptions receivable</td>
<td>(346,017.00)</td>
<td>(251,544.00)</td>
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<tr>
<td>C.6.3 Unrealized gain on available-for-sale financial assets</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>C.6.4 Remeasurement loss on defined benefit plans</td>
<td>(123,584.00)</td>
<td>(103,141.00)</td>
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<td>C.6.5 Other equity reserve</td>
<td>7,500.00</td>
<td>7,500.00</td>
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<tr>
<td>C.6.6 Cumulative translation adjustment</td>
<td>498,830.00</td>
<td>220,210.00</td>
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<td>C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>C.8 Retained Earnings (C.8.1 + C.8.2)</td>
<td>32,120,481.00</td>
<td>28,202,654.00</td>
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<tr>
<td>C.8.1 Appropriated</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>C.8.2 Unappropriated</td>
<td>32,120,481.00</td>
<td>28,202,654.00</td>
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<tr>
<td>C.9 Head / Home Office Account (for Foreign Branches only)</td>
<td>(negative entry)</td>
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<td>C.10 Cost of Stocks Held in Treasury</td>
<td>400,000.00</td>
<td>400,000.00</td>
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<td><strong>D. TOTAL LIABILITIES AND EQUITY (B + C)</strong></td>
<td>80,606,485.00</td>
<td>74,859,904.00</td>
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<td>Table 2. Consolidated Income Statement</td>
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<td><strong>FINANCIAL DATA</strong></td>
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<td>( in P'000 )</td>
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<tr>
<td>( in P'000 )</td>
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<tr>
<td><strong>A.</strong> REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)</td>
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<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, share in the profit or loss of associates and joint ventures accounted for using the equity)</td>
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<tr>
<td>17,835,698.00</td>
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<tr>
<td>16,900,187.00</td>
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<td>A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity</td>
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<td>16,935,883.00</td>
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<td>16,357,145.00</td>
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<td>A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)</td>
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<tr>
<td>75,634.00</td>
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<tr>
<td>7,284.00</td>
<td></td>
<td></td>
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<tr>
<td>A.3.1 Rental income from land and buildings</td>
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<tr>
<td>0.00</td>
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<tr>
<td>0.00</td>
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<tr>
<td>A.3.2 Receipts from sale of merchandise (trading) (from secondary activity)</td>
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<td></td>
</tr>
<tr>
<td>0.00</td>
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<tr>
<td>A.3.3 Sale of real estate or other property and equipment</td>
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<tr>
<td>24,952.00</td>
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<td>43.00</td>
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<tr>
<td>A.3.4 Royalties, franchise fees, copyrights (books, films, records, etc.)</td>
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<tr>
<td>0.00</td>
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<td>0.00</td>
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<tr>
<td>A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)</td>
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<tr>
<td>7,284.00</td>
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<tr>
<td>A.3.5.1 Revenue from rehabilitation works</td>
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<tr>
<td>5,219,358.00</td>
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</tr>
<tr>
<td>3,435,789.00</td>
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<tr>
<td>A.3.5.2 Cost of rehabilitation works</td>
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<tr>
<td>(5,219,358.00)</td>
<td></td>
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<tr>
<td>(3,435,789.00)</td>
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<td>A.3.5.3 Amortization of deferred credits</td>
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<td>8,432.00</td>
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<td>7,241.00</td>
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<td>A.3.5.4 Gain (loss) on revaluation of receivable from Bonifacio Water Corp.</td>
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<tr>
<td>A.3.5.5 Other income</td>
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<td>A.3.5.6</td>
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<td>A.3.5.7</td>
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<td>A.4 Other income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)</td>
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<td>178,460.00</td>
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<td>A.4.1 Interest income</td>
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<td>316,944.00</td>
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<td>185,635.00</td>
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<td>A.4.2 Dividend income</td>
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<tr>
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<tr>
<td>A.4.3 Gain / (Loss) from selling of assets, specify</td>
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</tr>
<tr>
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<td>A.4.3.1</td>
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<td>A.4.3.4</td>
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<tr>
<td>A.4.4 Gain / (Loss) on foreign exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)</td>
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<td>103,722.00</td>
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<td>(7,175.00)</td>
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<td>(174,789.00)</td>
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<td>A.4.4.2 Foreign exchange gains (losses)</td>
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<td>(413,741.00)</td>
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<td>A.4.4.4</td>
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<td><strong>B.</strong> COST OF GOODS SOLD (B.1 + B.2 + B.3)</td>
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<td>B.1 Cost of goods manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)</td>
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<td>B.1.1 Direct material used</td>
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<td>B.1.3 Other manufacturing cost / overhead</td>
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<td>B.1.4 Goods in process, beginning</td>
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<td>B.1.5 Goods in process, end (negative entry)</td>
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<tr>
<td>B.2 Finished goods, beginning</td>
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<td>B.3 Finished goods, end (negative entry)</td>
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<tr>
<td><strong>C.</strong> COST OF SALES (C.1 + C.2 + C.3)</td>
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<tr>
<td>C.1 Purchases</td>
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<tr>
<td>C.2 Merchandise inventory, beginning</td>
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<tr>
<td>C.3 Merchandise inventory, end (negative entry)</td>
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<tr>
<td><strong>D.</strong> COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)</td>
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<td></td>
</tr>
<tr>
<td>6,676,774.00</td>
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<tr>
<td>6,009,426.00</td>
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<tr>
<td>D.1 Cost of services</td>
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<td>6,676,774.00</td>
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<td>6,009,426.00</td>
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<td>D.2</td>
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<td>D.4</td>
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### Table 2. Consolidated Income Statement

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<th>Financial Data</th>
<th>2015</th>
<th>2014</th>
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<td>E. Other Direct Costs, Specify (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)</td>
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<td>E.1</td>
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<td>E.2</td>
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<td>E.3</td>
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<td>E.4</td>
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<tr>
<td>E.6</td>
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<tr>
<td>F. Gross Profit (A - B - C - D - E)</td>
<td>11,158,924.00</td>
<td>10,890,761.00</td>
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<tr>
<td>G. Operating Expenses (G.1 + G.2 + G.3 + G.4)</td>
<td>1,772,425.00</td>
<td>1,588,377.00</td>
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<tr>
<td>G.1 Selling or Marketing Expenses</td>
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<td>G.2 Administrative Expenses</td>
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<tr>
<td>G.3 General Expenses</td>
<td>1,772,425.00</td>
<td>1,522,320.00</td>
</tr>
<tr>
<td>G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)</td>
<td>0.00</td>
<td>66,057.00</td>
</tr>
<tr>
<td>G.4.1 Other charges</td>
<td></td>
<td>66,057.00</td>
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<td>G.4.6</td>
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<td></td>
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<tr>
<td>H. Finance Costs</td>
<td>1,457,535.00</td>
<td>1,636,137.00</td>
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<tr>
<td>I. Net Income (Loss) Before Tax (F - G - H)</td>
<td>7,928,964.00</td>
<td>7,666,247.00</td>
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<td>J. Income Tax Expense (negative entry)</td>
<td>(1,794,924.00)</td>
<td>(1,836,298.00)</td>
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<td>K. Income After Tax</td>
<td>6,134,040.00</td>
<td>5,829,949.00</td>
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<td>L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss</td>
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<td>0.00</td>
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<tr>
<td>L.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.2</td>
<td></td>
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<tr>
<td>M. Profit or Loss Attributable to Minority Interest</td>
<td>176,260.00</td>
<td>16,860.00</td>
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<tr>
<td>N. Profit or Loss Attributable to Equity Holders of the Parent</td>
<td>5,957,780.00</td>
<td>5,813,089.00</td>
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### Table 5. Details of Consolidated Income and Expenses, by source

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<tr>
<th>Financial Data</th>
<th>2015</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td><strong>A. REVENUE / INCOME (A.1 + A.2)</strong></td>
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<td></td>
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<tr>
<td>Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)</td>
<td>16,935,883.00</td>
<td>16,357,145.00</td>
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<td>A. Domestic</td>
<td>16,935,883.00</td>
<td>16,331,657.00</td>
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<td>A. Foreign</td>
<td>0.00</td>
<td>25,488.00</td>
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<td>A.2 Other Revenue (A.2.1 +A.2.2)</td>
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<tr>
<td>A.2.1 Domestic</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>A.2.2 Foreign, specify (A.2.2:1+A.2.2:2+ A.2.2:3+ A.2.2:4+ A.2.2:5+ A.2.2:6+A.2.2:7+ A.2.2:8+A.2.2:9+A.2.2:10)</td>
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<tr>
<td>A.2.2.1</td>
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<td></td>
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<tr>
<td>A.2.2.2</td>
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<td>A.2.2.7</td>
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<td>A.2.2.8</td>
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<td>A.2.2.9</td>
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<td>A.2.2.10</td>
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<tr>
<td><strong>B. EXPENSES (B.1 + B.2)</strong></td>
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<tr>
<td>B.1 Domestic</td>
<td>8,397,307.00</td>
<td>7,477,460.00</td>
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<tr>
<td>B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)</td>
<td>51,893.00</td>
<td>54,287.00</td>
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<tr>
<td>B.2.1 Cost of management contracts</td>
<td>51,893.00</td>
<td>54,287.00</td>
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<td>B.2.7</td>
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<td>B.2.10</td>
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### Table 3. Consolidated Cash Flow Statements

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<th>Financial Data</th>
<th>2015 (in P'000)</th>
<th>2014 (in P'000)</th>
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<td><strong>Cash Flows from Operating Activities</strong></td>
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<td></td>
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<tr>
<td>Net Income (Loss) Before Tax and Extraordinary Items</td>
<td>7,928,964.00</td>
<td>7,666,247.00</td>
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<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</td>
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<tr>
<td>Depreciation</td>
<td>2,600,213.00</td>
<td>2,443,987.00</td>
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<td>Amortization, specify:</td>
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<tr>
<td>Interest expense</td>
<td>1,457,536.00</td>
<td>1,636,137.00</td>
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<td>Provision for probable losses</td>
<td>76,526.00</td>
<td>188,034.00</td>
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<td>Share-based payment</td>
<td>68,698.00</td>
<td>83,051.00</td>
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<td>Gain on disposal of property, plant and equipment</td>
<td>(24,952.00)</td>
<td>(43.00)</td>
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<td>Amortization of deferred credits</td>
<td>(6,432.00)</td>
<td>(7,241.00)</td>
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<td>Pension expense, net of contribution and benefit payment</td>
<td>42,253.00</td>
<td>(324,173.00)</td>
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<td>Interest income</td>
<td>(316,944.00)</td>
<td>185,635.00</td>
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<td>Equity share in net income of associate</td>
<td>(403,515.00)</td>
<td>(357,298.00)</td>
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<td>Write-down of Property, Plant, and Equipment</td>
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<td>0.00</td>
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<td>Changes in Assets and Liabilities:</td>
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<td></td>
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<td>Decrease (Increase) in:</td>
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<td></td>
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<tr>
<td>Receivables</td>
<td>(178,664.00)</td>
<td>(291,607.00)</td>
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<td>Inventories</td>
<td>9,263.00</td>
<td>(82,993.00)</td>
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<td>Other current assets</td>
<td>(255,162.00)</td>
<td>(158,107.00)</td>
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<td>Others, specify:</td>
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<td></td>
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<tr>
<td>Service concession assets</td>
<td>(6,452,555.00)</td>
<td>(6,779,781.00)</td>
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<td>Concession financial receivable</td>
<td>(13,255.00)</td>
<td>(212,289.00)</td>
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<tr>
<td>Increase (Decrease) in:</td>
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<tr>
<td>Trade and other payable</td>
<td>243,999.00</td>
<td>(197,048.00)</td>
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<tr>
<td>Income and other taxes payable</td>
<td>(1,787,622.00)</td>
<td>(1,777,131.00)</td>
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<td>Others, specify:</td>
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<td>Payables to related parties</td>
<td>(655.00)</td>
<td>(127,529.00)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</strong></td>
<td>4,988,870.00</td>
<td>5,024,581.00</td>
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<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
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<tr>
<td>Proceeds from:</td>
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<tr>
<td>Maturities of available-for-sale financial assets</td>
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<td>100,000.00</td>
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<td>Sale of property and equipment</td>
<td>45,935.00</td>
<td>1,244.00</td>
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<tr>
<td>Issuance of securities</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Others, specify:</td>
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<tr>
<td>Interest received</td>
<td>107,602.00</td>
<td>58,445.00</td>
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<tr>
<td>Dividends received from associates</td>
<td>259,014.00</td>
<td>134,028.00</td>
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<td>Acquisitions of:</td>
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<tr>
<td>Investment in associates</td>
<td>(316,163.00)</td>
<td>0.00</td>
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<tr>
<td>Property, plant and equipment</td>
<td>(725,855.00)</td>
<td>(352,517.00)</td>
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<tr>
<td>Available-for-sale financial assets</td>
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<td>0.00</td>
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<tr>
<td>Others, specify (negative entry):</td>
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<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
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<td></td>
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<tr>
<td>Short-term cash investments</td>
<td>0.00</td>
<td>94,345.00</td>
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<tr>
<td>Other noncurrent assets</td>
<td>(164,062.00)</td>
<td>(395,042.00)</td>
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<td></td>
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<tr>
<td><strong>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</strong></td>
<td>(795,529.00)</td>
<td>(395,497.00)</td>
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<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
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<tr>
<td>Long term debt:</td>
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<td></td>
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<tr>
<td>Availments</td>
<td>2,798,379.00</td>
<td>1,236,629.00</td>
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<td>Payments</td>
<td>(2,476,014.00)</td>
<td>(1,896,518.00)</td>
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<td>Payments of service concession obligation</td>
<td>(799,794.00)</td>
<td>(698,927.00)</td>
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<td>Others, specify:</td>
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<td></td>
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<tr>
<td>Payments of dividends</td>
<td>(2,039,954.00)</td>
<td>(2,013,110.00)</td>
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<tr>
<td>Collection of subscriptions receivable</td>
<td>71,842.00</td>
<td>31,984.00</td>
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<tr>
<td>Interest paid</td>
<td>(1,341,396.00)</td>
<td>(1,507,050.00)</td>
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<td>Decrease in noncurrent liabilities</td>
<td>(134,521.00)</td>
<td>(154,318.00)</td>
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<td>Additional investment of non-controlling interest</td>
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<td>0.00</td>
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<td>Others, specify (negative entry):</td>
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<td></td>
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<tr>
<td><strong>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</strong></td>
<td>(3,795,940.00)</td>
<td>(4,992,310.00)</td>
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<tr>
<td><strong>Net Increase in Cash and Cash Equivalents (A + B + C)</strong></td>
<td>397,401.00</td>
<td>(327,226.00)</td>
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<td><strong>Cash and cash equivalents</strong></td>
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<td><strong>Beginning of year</strong></td>
<td>6,452,555.00</td>
<td>6,779,781.00</td>
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<td><strong>End of year</strong></td>
<td>6,849,956.00</td>
<td>6,452,555.00</td>
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### Table 4. Consolidated Statement of Changes in Equity

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<th>F I N A N C I A L   D A T A</th>
<th>Capital Stock</th>
<th>Additional Paid-in Capital</th>
<th>Subscriptions Receivable</th>
<th>Common Stock Options Outstanding</th>
<th>Translation Differences</th>
<th>Retained Earnings</th>
<th>Unrealized Gain on AFS Assets</th>
<th>Remeasurement Gain (Loss) on Defined Benefit Plans</th>
<th>Other Equity Reserve</th>
<th>Non-controlling Interest</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Balance, 2013</td>
<td>2,447,270.00</td>
<td>3,998,364.00</td>
<td>(283,327.00)</td>
<td>13,807.00</td>
<td>118,239.00</td>
<td>24,402,675.00</td>
<td>3,302.00</td>
<td>(140,373.00)</td>
<td>7,500.00</td>
<td>576,800.00</td>
<td>31,054,057.00</td>
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<td>A.2 Changes in Accounting Policy</td>
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<td>B. Restated Balance</td>
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<tr>
<td>C. Surplus (Deficit)</td>
<td>0.00</td>
<td>60,653.00</td>
<td>31,983.00</td>
<td>2,400.00</td>
<td>101,971.00</td>
<td>0.00</td>
<td>(3,302.00)</td>
<td>37,232.00</td>
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<td>(263.00)</td>
<td>230,674.00</td>
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<td>C.2 Surplus (Deficit) on Revaluation of Investments</td>
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<td>C.3 Currency Translation Differences</td>
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<td>C.4 Other Surplus (specify)</td>
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<td>31,983.00</td>
<td>2,400.00</td>
<td>101,971.00</td>
<td>0.00</td>
<td>(3,302.00)</td>
<td>37,232.00</td>
<td>0.00</td>
<td>(263.00)</td>
<td>128,703.00</td>
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<td>C.4.1 Collections from subscriptions receivable</td>
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<td>C.4.2 Exercised common stock outstanding</td>
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<td>C.4.3 Actuarial gain (loss) on defined benefit plans</td>
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<td>C.4.4 Realized FV gain transferred to profit and loss</td>
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<td></td>
<td>(3,302.00)</td>
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<td>C.4.5 Share of non controlling interest</td>
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<td>(263.00)</td>
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<td>D. Net Income (Loss) for the Period</td>
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<td>5,829,949.00</td>
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<tr>
<td>E. Dividends (negative entry)</td>
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<td>(2,013,110.00)</td>
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<td>F. Appropriation for (specify)</td>
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<td>H. Balance, 2014</td>
<td>2,447,270.00</td>
<td>3,969,017.00</td>
<td>(251,344.00)</td>
<td>16,207.00</td>
<td>226,219.00</td>
<td>28,202,654.00</td>
<td>0.00</td>
<td>(193,141.00)</td>
<td>7,500.00</td>
<td>593,397.00</td>
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<td>H.2 Changes in Accounting Policy</td>
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<td>I. Restated Balance</td>
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<td>J. Surplus</td>
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<td>(94,473.00)</td>
<td>4,611.00</td>
<td>278,629.00</td>
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<td>(20,443.00)</td>
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<td>124,618.00</td>
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<td>F I N A N C I A L   D A T A</td>
<td>Capital Stock</td>
<td>Additional Paid-in Capital</td>
<td>Subscriptions Receivable</td>
<td>Common Stock Options Outstanding</td>
<td>Translation Differences</td>
<td>Retained Earnings</td>
<td>Unrealized Gain on AFS Assets</td>
<td>Remeasurement Gain (Loss) on Defined Benefit Plans</td>
<td>Other Equity Reserve</td>
<td>Non-controlling Interest</td>
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<tr>
<th>Table 4. Consolidated Statement of Changes in Equity</th>
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</thead>
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<tr>
<td>(Amount in P'000)</td>
</tr>
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</table>

- Capital Stock
- Additional Paid-in Capital
- Subscriptions Receivable
- Common Stock Options Outstanding
- Translation Differences
- Retained Earnings
- Unrealized Gain on AFS Assets
- Remeasurement Gain (Loss) on Defined Benefit Plans
- Other Equity Reserve
- Non-controlling Interest
- TOTAL

| J.1 Surplus (Deficit) on Revaluation of Properties | 0.00 |
| J.2 Surplus (Deficit) on Revaluation of Investments | 0.00 |
| J.3 Currency Translation Differences | 278,620.00 |
| J.4 Other Surplus (specify) | 278,620.00 |

J.4.1 collections from subscriptions receivable: (94,473.00)

J.4.2 exercised common stock outstanding: 4,611.00

J.4.3 realized FV gain transferred to profit and loss: 0.00

J.4.4 actuarial gain (loss) on defined benefit plans: (20,443.00)

J.4.5 additions to noncontrolling interest: 124,618.00

K. Net Income (Loss) for the Period: 5,957,780.00

L. Dividends (negative entry): (2,039,953.00)

M. Appropriation for (specify): 0.00

N. Issuance of Capital Stock: 0.00

O. Balance, 2015: 2,453,667.00
### List of Top 20 Stockholders as of December 31, 2015

<table>
<thead>
<tr>
<th>RANK</th>
<th>NAME</th>
<th>NUMBER OF COMMON SHARES</th>
<th>PERCENTAGE OF COMMON SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ayala Corporation*</td>
<td>869,542,896</td>
<td>42.34%</td>
</tr>
<tr>
<td>2</td>
<td>PCD Nominee Corporation (Non-Filipino)**</td>
<td>787,889,063</td>
<td>38.36%</td>
</tr>
<tr>
<td>3</td>
<td>PCD Nominee Corporation (Filipino)**</td>
<td>316,545,367</td>
<td>15.41%</td>
</tr>
<tr>
<td>4</td>
<td>Antonino Aquino</td>
<td>7,200,000</td>
<td>0.35%</td>
</tr>
<tr>
<td>5</td>
<td>ESOWN Administrator 2014****</td>
<td>6,393,986</td>
<td>0.31%</td>
</tr>
<tr>
<td>6</td>
<td>ESOWN Administrator 2013****</td>
<td>5,797,256</td>
<td>0.28%</td>
</tr>
<tr>
<td>7</td>
<td>ESOWN Administrator 2005****</td>
<td>5,757,501</td>
<td>0.28%</td>
</tr>
<tr>
<td>8</td>
<td>ESOWN Administrator 2009****</td>
<td>5,252,080</td>
<td>0.26%</td>
</tr>
<tr>
<td>9</td>
<td>ESOWN Administrator 2008****</td>
<td>5,032,870</td>
<td>0.25%</td>
</tr>
<tr>
<td>10</td>
<td>Janine T. Carreon as Manila Water Company, Inc. ESOP Administrator</td>
<td>4,644,924</td>
<td>0.23%</td>
</tr>
<tr>
<td>11</td>
<td>ESOWN Administrator 2011****</td>
<td>4,387,732</td>
<td>0.21%</td>
</tr>
<tr>
<td>12</td>
<td>ESOWN Administrator 2012****</td>
<td>4,200,886</td>
<td>0.20%</td>
</tr>
<tr>
<td>13</td>
<td>Ernesto O. Chua Chiaco and/or Margaret Sy Chua Chiaco</td>
<td>2,240,000</td>
<td>0.11%</td>
</tr>
<tr>
<td>14</td>
<td>Sherisa P. Nuesa</td>
<td>1,900,000</td>
<td>0.09%</td>
</tr>
<tr>
<td>15</td>
<td>Genevieve Sy Chuachiaco</td>
<td>1,490,500</td>
<td>0.07%</td>
</tr>
<tr>
<td>16</td>
<td>Peace Equity Access for Community Empowerment Foundation</td>
<td>1,345,000</td>
<td>0.07%</td>
</tr>
<tr>
<td>17</td>
<td>Ruel Ternate Maranan</td>
<td>1,275,000</td>
<td>0.06%</td>
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<tr>
<td>18</td>
<td>Ernesson Sy Chua Chiaco</td>
<td>1,258,000</td>
<td>0.06%</td>
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<tr>
<td>19</td>
<td>Margaret Sy Chua Chiaco</td>
<td>1,106,000</td>
<td>0.05%</td>
</tr>
<tr>
<td>20</td>
<td>Lozano A. Tan</td>
<td>950,000</td>
<td>0.05%</td>
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</table>

* Excludes shares of Michigan Holdings, Inc., a wholly owned subsidiary of Ayala Corporation

** Includes shares of First State Investment Management

*** Includes shares of Michigan Holdings, Inc.

**** Shares granted under the Company’s ESOWN Plan
### Securities and Exchange Commission

**Barcode Page**

The following document has been received:

- **Receiving Officer/Encoder**: Ramon L. Legaspi
- **Receiving Branch**: SEC Head Office
- **Receipt Date and Time**: December 01, 2015 12:57:35 PM
- **Received From**: Head Office

**Company Information**

- **SEC Registration No.**: A-99811593
- **Company Name**: MANILA WATER CO. INC.
- **Industry Classification**: Stock Corporation.

**Document Information**

- **Document ID**: 12012015000424
- **Document Type**: 17-C (FORM 11-C.CURRENT DISC/RPT)
- **Document Code**: 17-C
- **Period Covered**: November 26, 2015
- **No. of Days Late**: 0
- **Department**: CFD
- **Remarks**:

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. November 26, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer's principal office
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 1105

8. Issuer's telephone number, including area code
   (02) 981-8122 / (02) 981-8176

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884

    b. Debt Securities

   1 2,017,167,719 Listed Shares under PSE
   2,978,166 Shares Under the Stock Ownership Plans
   2,033,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
   Yes [x] No: [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange, Inc. (PSE) on the Clarification of News Article.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

[Signature]
Chief Legal Counsel
Assistant Corporate Secretary

Date: November 26, 2015
November 26, 2015

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Clarification of News Article

Gentlemen:

We reply to your request for clarification of the news article entitled “Manila Water allots P15B for 2016 capex” posted in Business World Online on November 25, 2015. The article reported in part that:

“MANILA WATER Co. is setting aside P15 billion in capital expenditure for next year, the bulk of which will be allotted for its water concession in Metro Manila.

‘For the east zone, that’s set already. We’ve programmed in 2016 about P12 billion,’ Manila Water Chief Finance Officer Luis Juan B. Oraeta told reporters after he received the ING Finex CFO of the Year Award in a ceremony in Makati City.

Including operations outside Metro Manila, he said the company had allocated an additional P3 billion, bringing the total spending next year to P15 billion, he said.

... The company had said it had set aside $4.26 million to pursue more ventures in Vietnam.

...

We would like to confirm that Manila Water Company, Inc. (“Manila Water” or the “Company”) has allotted P15 billion for capital expenditures for 2016. Of the total allocation, approximately P12 billion is programmed for the implementation of the Company’s Business Plan for the East Zone franchise area of the Metropolitan Waterworks and Sewerage System (“MWSS”). These include costs and expenses for construction of water and used water treatment plants, pipeline networks and other facilities, and development of raw water sources, pursuant to the Company’s service obligations under its Concession Agreement with the MWSS. This is consistent with our disclosure on April 8, 2015 wherein we stated that the projected capital expenditures beginning 2016 will reach more than P10 billion.
With regard to the statement that the Company had set aside $4.26 million to pursue more ventures in Vietnam, in relation to our disclosure last October 5, 2015, this amount is also included in the P15 billion capital expenditures budget for 2016. In particular, the amount will be used to implement projects involving non-revenue water reduction, provision of potable water, and other allied projects.

We trust that the foregoing explanation satisfies your request for clarification.

Very truly yours,

[Signature]

MOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Certified Person

981-8122
Company Telephone Number

1 2 3 1
Month Day Fiscal Year

STOCK
FORM TYPE
0 4 Any
Month Day Annual Meeting

Secondary License Type, if Applicable

Fills Number

Document I.C.

STAMPS
1. **December 14, 2015**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A1996-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**
   Quezon City, Philippines

6. **Industry Classification Code:** [ ] (SEC Use Only)

7. **Address of issuer’s principal office**
   Postal Code
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. **Issuer’s telephone number, including area code**
   (02) 981-8122 / (02) 981-8179

9. **Former name or former address, if changed since last report**
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**
    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884
    b. Debt Securities

11. **2,047,667,719**
    Listed Shares under PSE

12. **13,224,161**
    Shares Under the Stock Ownership Plan

13. **1,053,943,884**
    Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?
   Yes [X] No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Boracay Island Water Company, Inc. Tariff Adjustment.

   Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

   MANILA WATER COMPANY, INC.
   Issuer

   By [Signature]

   NHOEL P. RAGUEDAN
   Chief Legal Counsel
   Assistant Corporate Secretary

   Date: December 14, 2015
December 14, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENDO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCAENACION
Head, Disclosure Department

Subject : BORACAY ISLAND WATER COMPANY, INC. TARIFF ADJUSTMENT

Gentlemen :

Please be informed that we have received the letter of the Tourism Infrastructure and
Enterprise Zone Authority (TIEZA) Regulatory Office approving the new water rates of the
will be effective fifteen (15) days after its date of publication in two (2) national newspapers of
general circulation and the filing of a copy thereof with the University of the Philippines Law
Center.

Attached is the letter from TIEZA for your reference.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Barcode Page
The following document has been received:

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Company Information

SEC Registration No: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation
Company Type: Stock Corporation

Document Information

Document ID: 11217201500462
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 14, 2015
No. of Days Late: 0
Department: CFD
Remarks:
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **December 14, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer’s principal office
   **MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **1105**

8. Issuer’s telephone number, including area code
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
       - Common Shares, par value P1.00 each – **2,053,945,884**¹
    b. Debt Securities

¹ 2,017,477,719 Listed Shares under PSE
    36,223,366 Shares Under the Stock Ownership Plan
    2,053,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the New Water Tariff Rates.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: _______________________
    JOEL P. RAQUEDAN
    Chief Legal Counsel
    Assistant Corporate Secretary

Date: December 14, 2015
December 14, 2015

SECURITIES AND EXCHANGE COMMISSION
StC Building, EDSA, Greenhills, Mandaluyong City

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: New Water Tariff Rates

Gentlemen:

Effective January 1, 2016, Manila Water Company, Inc. ("Manila Water") will implement the following adjustments:

1. "R" Factor of negative 2.21% as applied to the prevailing Average Basic Charge of Php75.25 per cubic meter;

2. "C" Factor of 0.80% as applied to the prevailing Average Basic Charge of Php75.75 per cubic meter, and

3. Foreign Currency Differential Adjustment of 0.59% as applied to the 2016 Average Basic Charge of Php24.89 per cubic meter.

The new rates are pursuant to the MWSS Board Resolution No. 2015-147-RO dated December 10, 2015 approving the MWSS-RO Resolution No. 2015-14-CA dated December 3, 2015.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building
485 Katipunan Road, 1191 Trion, Quezon City, Philippines
T: (632) 917 5800
W: www.manilawater.com
C: 1-800-1572-000
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Dennis E. Malazarte
Receiving Branch: SEC Head Office
Receipt Date and Time: December 22, 2015 01:46:17 PM
Received From: Head Office

Company Information
SEC Registration No.: A1996-1593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 12222015000721
Document Type: 17-C (FORM 11-C: CURRENT DISC/REPRT)
Document Code: 17-C
Period Covered: December 21, 2015
No. of Days Late: 0
Department: CFD
Remarks:
MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALAARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

1 2 3 1
Month Day Fiscal Year

SEC Form 17C
STOCK

0 4 Any
Month Day Annual Meeting

Secondary listing Type, if applicable

Total Amount of Borrowing

File Number

LCU

Document Type

Washer

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. December 21, 2015
   Date of Report (Date of earliest event reported)

2. SFC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of issuer's principal office
   MWSS Admin. Bldg., 489 Katipunan Road, Batara, Quezon City
   Postal Code: 1105

8. Issuer’s telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884

    b. Debt Securities

   2,017,167,710 Listed Shares under PSE;
   36,775,657 Shares Under the Stock Ownership Plan
   2,053,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

17. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange, Inc. (PSE) on the Clarification of News Article entitled “Manila Water sets P30-B capex for 2016-17”.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

By: __________________________

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: December 21, 2015
December 21, 2015

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle,
Ayala Avenue, Makati City, Philippines

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Clarification of News Article entitled
"Manila Water sets P30-B capex for 2016-17"

Gentlemen:

We reply to your request for clarification on the news article entitled "Manila Water sets P30-B capex for 2016-17" posted in PhilSTAR.com on December 21, 2015. The article reported in part that:

"Ayala-led Manila Water Company Inc., the water concessionaire for Metro Manila’s east zone, has allocated an estimated P30 billion capital expenditures for the next two years as it commences a ‘catch up year’ in 2016, a ranking official said.

In an interview with The STAR, Manila Water chief finance officer Luis Juan Oreta said the company has set aside P15 billion for its 2016 capex and ‘very likely the same amount’ for 2017.

...."

We would like to confirm that Manila Water Company, Inc. ("Manila Water" or the "Company") has forecasted approximately P15 billion for capital expenditures for 2017. Of the total allocation, approximately P12 billion is programmed for the implementation of the Company's Business Plan for the East Zone franchise area of the Metropolitan Waterworks and Sewerage System ("MWSS"). These include costs and expenses for the construction of water and used water treatment plants, pipeline networks and other facilities, and development of raw water sources, pursuant to the Company’s service obligations under its Concession Agreement with MWSS.

We trust that the foregoing explanation satisfies your request for clarification.

Very truly yours,

[Signature]

Miguel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Grouth\ns, Makati City, Metro Manila, Philippines
Tel: (02) 756-6551/5 Fax (02) 756-6523 Email: info@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Wendalyn Francisco
Receiving Branch: SEC Head Office
Receipt Date and Time: December 11, 2015 02:52:26 PM
Received From: Head Office

Company: MANILA WATER CO., INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 112112015001741
Document Type: 17-C (FORM 11-C CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 10, 2015
No. of Days Late: 0
Department: CF-D

Remarks:
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **December 10, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-638-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**
   **Quezon City, Philippines**

6. **Industry Classification Code:**
   (SEC Use Only)

7. **Address of issuer’s principal office**
   **MWSS Admin. Bldg., 489 Katipunan Road, Bala, Quezon City**
   **Postal Code 1195**

8. Issuer’s telephone number, including area code
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884

    b. Debt Securities

---

1. 2,011,161,215 Listed Shares under PSE
    36,773,185 Shares Under the Stock Ownership Plans
    2,537,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Notice of Arbitration to the Republic of the Philippines under the Letter of Undertaking of the Department of Finance.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By: [Signature]

HOEL R. RACUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: December 10, 2015
December 10, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention:  MR. VICENTE GRACIANO P. FEUZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention:  MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject:  Notice of Arbitration to the Republic of the Philippines under the Letter of Undertaking of the Department of Finance

Gentlemen

In relation to our disclosure letter dated April 23, 2015, please be informed that Manila Water Company, Inc. (the “Company”) has filed a Notice of Arbitration with the Permanent Court of Arbitration in Singapore. This Notice of Arbitration is a consequence of the Notice of Claim submitted by the Company on April 23, 2015 to the Republic of the Philippines (the “Republic”) through the Department of Finance (“DOF”), under the Letter of Undertaking dated July 31, 1997, as reiterated in the letter dated October 19, 2009 (the “Letter of Undertaking”). The Letter of Undertaking was issued by the Republic to guarantee the obligations of the Metropolitan Waterworks and Sewerage System (MWSS) under its 21 February 1997 Concession Agreement with the Company.

In the Letter of Undertaking, the Republic, through the DOF, undertook to indemnify Manila Water, against any loss caused by any action on the part of the Republic and/or the MWSS resulting in the reduction of the standard rates “below the level that would otherwise be applicable in accordance with the Concession Agreement,” thereby denying Manila Water a rate of return “allowed from time to time to operators of long term infrastructure concession agreements in other countries having a credit standing similar to the Philippines” pursuant to Section 9.4 of the Concession Agreement. As a result of certain actions by the MWSS and the Republic, which are covered by the provisions of the Letter of

---

3The Letter of Undertaking was a requirement in the Concession Agreement of Manila Water with the Metropolitan Waterworks and Sewerage System executed on February 21, 1997.
Undertaking, the Company demanded indemnification from the Republic by reimbursing its losses in operating revenues to be realized for each remaining year of the Concession as such losses are realized, which losses are estimated to amount to Php79 billion for the period 2015 up to 2037.

Since the filing of the Notice of Claim on April 23, 2015, the Republic has not responded thereto, which prompted the Company to avail of its remedy under the Letter of Undertaking. Hence, the Notice of Arbitration in the Permanent Court of Arbitration in Singapore.

We shall inform the Exchange of further developments regarding this matter.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Ramon L. Legaspi
Receiving Branch: SEC Head Office
Receipt Date and Time: November 09, 2015 02:41:06 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No: A198611593
Company Name: MANILA WATER CO INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 1110520150091555
Document Type: 17-C (FORM 17-C:CURRENT DISC/RT)
Document Code: 17-C
Period Covered: November 09, 2015
No. of Days Late: 0
Department: CFD
Remarks

SECURITIES AND EXCHANGE COMMISSION

SCC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila Philippines
Tel: (632) 756-0921/3 Fax: (632) 756-5250 Email: tieb@sec.gov.ph
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 1-A-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. November 6, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer’s principal office
   MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City
   Postal Code 1105

8. Issuer’s telephone number, including area code
   (02) 881-8122 / (02) 881-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884

    b. Debt Securities

---

1. Listed Shares under PSE
   4,486,627
2. Shares Under the Stock Ownership Plan
   2,486,910
3. Issued and Outstanding Shares
   2,053,945,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Signing of a Memorandum of Understanding of Manila Water Asia Pacific Pte. Ltd. with PDAM Tirtawening Kota Bandung in Bandung City.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: ___________________________

[Signature]

IHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: November 6, 2015
November 6, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNAION
Head, Disclosure Department

Subject : Manila Water Asia Pacific Pte. Ltd. Signs a Memorandum of Understanding with PDAM Tirtawening Kota Bandung in Bandung City

Gentlemen:

Please be informed that today, Manila Water Asia Pacific Pte. Ltd. ("MWAP"), a wholly owned subsidiary of Manila Water Company, Inc. ("Manila Water") in Singapore, signed a Memorandum of Understanding ("MOU") with the PDAM Tirtawening Kota Bandung ("PDAM Bandung") in Bandung City, West Java, Indonesia. PDAM Bandung is a water utility company owned and controlled by the Regional Government of Bandung City.

Pursuant to the MOU, MWAP shall conduct a Demonstration Project for Non-Revenue Water Reduction in Bandung City, Indonesia as the first step in the implementation of other cooperation schemes for the development of PDAM services in accordance with the prevailing Indonesian laws and regulations. MWAP and PDAM Bandung intend to cooperate to undertake the Demonstration Project, on an exclusive basis, towards the successful realization of the Cooperation Scheme. The execution of the MOU is in line with Manila Water's strategic objective to pursue expansion projects and investments outside of the East Zone Service Area.

Very truly yours,

JIHEL P. RACUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWEE Administrative Building,
1609 Quirino Highway, Mandaluyong City, Philippines

T. 63221207
W. www.manilawater.com
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 728-0991 to 99 Fax: (632) 728-5293 Email: sec@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Ramon L. Legaspi
Receiving Branch: SEC Head Office
Receipt Date and Time: December 01, 2015 12:58:34 PM
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Company Representative
Doc Source

Company Information
SEC Registration No: A190611393
Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information
Document ID: 112012015000426
Document Type: 17-C (FORM 11-C CURRENT DISC./RPT)
Document Code: 17-C
Period Covered: November 26, 2015
No. of Days Late: 0
Department: CFU
Remarks
COVER SHEET

MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAGUEDAN
Contact Person

981-8122
Company Telephone Number

1 2 3 1
Month Day Fiscal Year

SEC Form 17C
STOCK
FORM TYPE
0 4
Any Month Day
Annual Meeting

Secondary License Type, If Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

Item Number

LCU

Document ID.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **November 26, 2015**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A-1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   **Quezon City, Philippines**

6. Industry Classification Code:  
   [ ] (SEC Use Only)

7. Address of issuer’s principal office  
   **MWSS Admin. Bldg., 489 Katipunan Road, Baguio, Quezon City**  
   Postal Code **1105**

8. Issuer’s telephone number, including area code  
   **(02) 981-8127 / (02) 981-8179**

9. Former name or former address, if changed since last report  
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    
    a. Shares of Stock  
        Common Shares, par value P1.00 each  
        **2,053,845,884**

    b. Debt Securities

---

1. 2,913,167,715 Linked Shares under PSE  
2. 12,775,165 Shares Under PSE Stock Ownership Plans  
3. 2,053,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Results of the Regular Meeting of the Board of Directors.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: 

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: November 26, 2015
November 26, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FEIJEMENIC, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Philippines

Attention : MS. JANE R. ENCARNAÇÃO
Head, Disclosure Department

Subject : Results of Regular Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors of Manila Water Company, Inc. ("Manila Water" or the "Company") held this morning, the Board approved and authorized the following:

1. Ratification of the acts and resolution of the Executive Committee

The Board approved and ratified the acts and resolutions of the Executive Committee adopted since the last meeting of the Board on August 11, 2015, which includes:

a. Additional Investment in Manila Water Asia Pacific Pte. Ltd. and Manila Water Philippine Ventures, Inc.; and
b. Changes in the membership of the Retirement Committee and the signatories of the Retirement Trust Funds

2. Ratification of the acts and resolutions of the Audit and Governance Committee

The Board approved and ratified the acts and resolutions of the Audit and Governance Committee adopted since the last meeting of the Board on August 11, 2015, which includes:

a. 9M Financial Results and the Management Discussion and Analysis;
b. Status of the 2015 Risk Based Audit;
c. 2016 Audit Plan;
d. SGV Interim Audit Status Report;
e. Internal Audit Findings and Updates

3. Risk Committee

a. Endorsement of Risk Committee Charter for approval of the Board;
b. 2015 Top Risks Update;
c. Results of Risk Maturity Index Exercise; and
d. 2016 Enterprise Risk and Insurance Management Department Plans

4. Risk Committee Charter

The Board approved the Charter of the Risk Committee.

5. Dividend Declaration

The Board declared cash dividends on the participating preferred shares of the outstanding capital stock of the Company amounting to PHP 0.01 per share. The dividends will be paid on December 22, 2015 to stockholders of record as of December 10, 2015.

6. 2016 Annual Stockholders’ Meeting

The Board approved and authorized the holding of the Annual Stockholders’ Meeting on April 11, 2016 in Fairmont Makati, Makati City, Philippines, with record date of February 19, 2016.

7. 2016 Board Meetings Schedule

The Board approved the holding of Board Meetings for 2016 on the dates and time specified below:

<table>
<thead>
<tr>
<th>Type of Meeting</th>
<th>Date of Meeting</th>
<th>Day</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Meeting</td>
<td>February 26, 2016</td>
<td>Friday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Organizational Board Meeting and Meeting of Non-Executive Directors</td>
<td>April 11, 2016</td>
<td>Monday</td>
<td>Immediately after the 2016 ASM</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>June 9, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>August 11, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>October 4, 2016</td>
<td>Tuesday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>November 24, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
</tbody>
</table>

*In the same meeting, the Board authorized the holding of the 2016 Annual Stockholders’ Meeting on April 11, 2016 at 9:00 A.M. at Fairmont Makati, Makati City, with record date of February 19, 2016.

8. 2016 Budget and Five Year Forward Plan

The Board approved the Company’s consolidated 2016 budget and the five (5) year forward plans.

Very truly yours,

[Signature]

NOEL F. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SEcurities and Exchange Commission

Sec form 17-c

Current report under section 17
of the Securities Regulation Code
and SRC rule 17.2(c) thereunder

1. **November 3, 2015**
   Date of report (date of earliest event reported)

2. SFC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **D05-E38-428**

4. **Manila Water Company, Inc.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: 
   (SEC use only)

7. Address of issuer's principal office
   **MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **1106**

8. Issuer’s telephone number, including area code
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884
    b. Debt Securities

---

1 2,017,477,625 Listed Shares under: PSE
   2,053,945,884 Shares Under the Stock Ownership Plan
   2,053,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange, Inc. (PSE) on the Signing of Agreement of Manila Water's Singapore Subsidiary to Invest in Cu Chi Water Supply Sewerage Company Ltd. in Vietnam.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

By: [Signature]

HOEL B. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: November 3, 2015
3 November 2015

SECURITIES AND EXCHANGE COMMISSION (SEC)
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FEUZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC. (PSE)
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Manila Water’s Singapore Subsidiary Signs Agreement to Invest in Cu Chi Water Supply Sewerage Company Ltd. in Vietnam

Gentlemen:

Please be informed that Manila Water South Asia Holdings Pte. Ltd. (“MWSAH”), a wholly-owned subsidiary of Manila Water Company, Inc. (“Manila Water”) in Singapore, has completed the execution of a Capital Transfer Agreement (“Agreement”) with Saigon Water Infrastructure Corporation (“SWI”) for the acquisition of 74.55% of the charter capital of Cu Chi Water Supply Sewerage Company Ltd. (“Cu Chi Water”) in the total amount of VND 1,543,500,000,000.

Cu Chi Water is a limited liability company in Vietnam with the following line of business, among others: water exploitation, treatment and supply and sewerage and wastewater treatment, installation of water supply system, and management consultancy services.

Manila Water undertakes to provide the Exchange with additional information regarding the transaction.

Very truly yours,

Joel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building,
489 Kalipunan Road, 1105 Balara,
Quezon City, Philippines
T: 0632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1697
SECURITIES AND EXCHANGE COMMISSION
SF-C Building, EDSA, Greenbelt, Makati City, Metro Manila, Philippines
Tel: (632) 725-0931/10 Fax: (632) 725-0033 Email: info@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Ramon L. Legaspi
Receiving Branch: SEC Head Office
Receipt Date and Time: November 09, 2015 02:42:07 PM
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Company Representative:

Doc Source:

Company Information
SEC Registration No.: A19961593
Company Name: MANILA WATER CO. INC.
Industry Classification:
Company Type: Stock Corporation

Document Information
Document ID: 111092015001066
Document Type: 17-C (FORM 11-C currents DISC/RPT)
Document Code: 17-C
Period Covered: November 06, 2015
No. of Days Late: 0
Department: CFR
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

(Company's Filer Name)

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Business Address, No. Street, Day / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC Form 17C
STOCK
FORM TYPE
04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

Amended Articles Number/Section

Total Amount of Drawings

Domestic
Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document List

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SFC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **November 6, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office
   **MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **1105**

8. Issuer's telephone number, including area code
   *(02) 981-8122 / (02) 981-8179*

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each - **2,053,945,884**

    b. Debt Securities

---

1 2,572,373,425 Registered Shares under PSE
   26,818,295 Shares Under the Stock Ownership Plans
   2,053,945,884 Issued and Outstanding & Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Unaudited Year-to-Date September 2015 Performance Results.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By: ____________________________

[Signature]

[Name]
Chief Legal Counsel
Assistant Corporate Secretary

Date: November 6, 2015
November 6, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FEIJIZMENO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Unaudited Year-to-Date September 2015 Performance Results

Gentlemen:

Manila Water announces today its unaudited year to date September 2015 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
### MANILA WATER FINANCIAL AND OPERATING HIGHLIGHTS (CONSOLIDATED)

#### (In Million Php)

<table>
<thead>
<tr>
<th></th>
<th>9M 2015 Unaudited</th>
<th>9M 2014 Unaudited</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COS and Operating Expenses</td>
<td>12,680</td>
<td>12,207</td>
<td>4%</td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Share in Net Income of Associated Others</td>
<td>237</td>
<td>310</td>
<td>(24%)</td>
</tr>
<tr>
<td></td>
<td>257</td>
<td>263</td>
<td>(2%)</td>
</tr>
<tr>
<td></td>
<td>(21)</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>8,803</td>
<td>8,763</td>
<td>0%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>69%</td>
<td>72%</td>
<td>(3%)</td>
</tr>
<tr>
<td><strong>Depreciation and Amortization</strong></td>
<td>1,846</td>
<td>1,817</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>882</td>
<td>1,042</td>
<td>(15%)</td>
</tr>
<tr>
<td><strong>Provision for Income Tax</strong></td>
<td>1,370</td>
<td>1,292</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Non-controlling Interests</strong></td>
<td>100</td>
<td>62</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>4,606</td>
<td>4,549</td>
<td>1%</td>
</tr>
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#### (In Million Php)

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2015 Unaudited</th>
<th>December 31, 2014 Audited</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td>10,563</td>
<td>9,094</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td>68,183</td>
<td>65,766</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>78,746</td>
<td>74,860</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Liabilities and Stockholders' Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>12,308</td>
<td>7,858</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td>28,296</td>
<td>31,900</td>
<td>(11%)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>40,604</td>
<td>39,758</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Stockholders' Equity</strong></td>
<td>38,142</td>
<td>35,102</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total Liabilities and Stockholders' Equity</strong></td>
<td>78,746</td>
<td>74,860</td>
<td>5%</td>
</tr>
</tbody>
</table>

#### (in mcm)

<table>
<thead>
<tr>
<th></th>
<th>9M 2015</th>
<th>9M 2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Billed Volume</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>515.3</td>
<td>503.8</td>
<td>2%</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>346.0</td>
<td>337.6</td>
<td>2%</td>
</tr>
<tr>
<td>Cebu Manila Water Development</td>
<td>3.3</td>
<td>3.0</td>
<td>7%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>9.7</td>
<td>8.6</td>
<td>13%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>27.0</td>
<td>23.2</td>
<td>16%</td>
</tr>
<tr>
<td>Ihu Duc Water</td>
<td>81.8</td>
<td>90.3</td>
<td>(9%)</td>
</tr>
<tr>
<td>Kenh Dong Water</td>
<td>41.8</td>
<td>41.1</td>
<td>2%</td>
</tr>
</tbody>
</table>

#### Total Water Service Connections

<table>
<thead>
<tr>
<th></th>
<th>9M 2015</th>
<th>9M 2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Zone</td>
<td>970,012</td>
<td>943,624</td>
<td>3%</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>6,353</td>
<td>6,073</td>
<td>5%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>1,955</td>
<td>1,987</td>
<td>(2%)</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>98,357</td>
<td>87,193</td>
<td>13%</td>
</tr>
</tbody>
</table>
SECURITIES AND EXCHANGE COMMISSION

Bar Code Page

The following document has been received:

Receiving Officer/Encoder: Donna Encarnado - COS
Receiving Branch: SEC Head Office
Receipt Date and Time: November 33, 2015 01:03:30 PM
Received From: Head Office

Company Representative

Document Information

SEC Registration No.: A199811993
Company Name: MANILA WATER CO INC
Industry Classification: Stock Corporation
Document ID: 111032015006645
Document Type: 17-C (FORM 11-C.CURRENT DISCURPT)
Document Code: 17-C
Period Covered: November 02, 2015
No. of Days Late: 0
Department: CFO
Remarks
COVER SHEET

MANILA WATER COMPANY INC.

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Att'y. JHOEL P. RAQUEDAN
Contact Person
981-8122

SEC Form 17C
STOCK
FORM TYPE

1231
Month Day
Fiscal Year

04 Any
Month Day
Annual Meeting

Secondary Officers, if Applicable

Armed's Articles Number: Section

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Casher

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **November 2, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   *Quezon City, Philippines*

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office
   **MWSS Admin. Bldg., 489 Katipunan Road, Bagong, Quezon City**
   Postal Code **1105**

8. Issuer's telephone number, including area code
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report
   *Not Applicable*

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,053,945,884
   b. Debt Securities

---

2,053,945,884 Listed Shares under PSE
358,818,259 Shares Issuance Reinvestment Plans
2,053,945,884 Issued and Outstanding Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange, Inc. (PSE) on the Number of Issued and Outstanding Common Shares as of September 30, 2015.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

__________________________
JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: November 2, 2015
November 2, 2015

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject : Number of Issued and Outstanding Common Shares as of September 30, 2015

Gentlemen :

Please be informed that as of September 30, 2015, Manila Water Company, Inc. ("Manila Water") has a total issued and outstanding common shares of 2,059,945,884. The aforesaid number of total issued and outstanding common shares is inclusive of the 37,620,694 shares under the Employee Stock Ownership Plan (ESOWN) of Manila Water.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 725-0931 Fax: (632) 725-0939 Email: info@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Donna Encarnado - COS
Receiving Branch: SEC Head Office
Receipt Date and Time: November 03, 2015 01:05:00 PM
Received From: SEC Head Office

Company Information

Company Name: MANILA WATER CO. INC
Industry Classification: Stock Corporation

Document Information

Document ID: 1110320150000647
Document Type: 17-C (FORM 11-C-CURRENT DISCURPT)
Document Code: 17-C
Period Covered: October 30, 2015
No. of Days Late: 0
Department: CFD
Remarks:
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **October 30, 2015**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number: A 1956-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. **Industry Classification Code:** ________ {SEC Use Only}

7. **Address of issuer’s principal office**
   **MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   **Postal Code:** 1105

8. **Issuer’s telephone number, including area code:**
   (02) 981-8122 / (02) 981-8179

9. **Former name or former address, if changed since last report:**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 17 of the Securities Regulation Code (SRC):**

    a. Shares of Stock
       Common Shares, par value P1.00 each − 2,033,945,884

    b. Debt Securities

---

1 2,033,945,884 Outstanding Common Shares
2,033,945,884 Shares Issued Under Stock Ownership Plans

---

---
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
   Yes [x]  No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Notice of Analysts' Briefing.

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

   MANILA WATER COMPANY, INC.
   Issuer

   By: [Signature]

   KOHEL F. RAJUELAN
   Chief Legal Counsel
   Assistant Corporate Secretary

   Date: October 30, 2015
October 30, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Notice of Analysts’ Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. (the “Company”) will hold an Analysts’ Briefing on the Company’s financial and operating results for the nine months of 2015 on November 6, 2015, Friday, at 2:00 P.M. at the Zobel Rooms 1 and 2, 3rd Floor, Ayala Museum, Makati Avenue corner de la Rosa Street, Makati City, Philippines.

Very truly yours,

JHELI P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
**SECURITIES AND EXCHANGE COMMISSION**

S.C. Bulacan, EDZA, Green Hills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 725-9611 ext. 387 Fax: (632) 725-9613 Email: FRA@secreg.gov.ph

**Barcode Page**

The following document has been received:

**Receiving Officer/Encoder**: Donna Encarnado - COS  
**Receiving Branch**: SFC Head Office  
**Receipt Date and Time**: October 29, 2015 01:32:49 PM  
**Received From**: Head Office

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**Company Information**

- **SEC Registration No.**: A195611593  
- **Company Name**: MANILA WATER CO. INC  
- **Industry Classification**:  
- **Company Type**: Stock Corporation

---

**Document Information**

- **Document ID**: 110282015000777  
- **Document Type**: 17-C (FORM 11-C: CURRENT DISC/RPT)  
- **Document Code**: 17-C  
- **Period Covered**: October 23, 2015  
- **No. of Days Late**: 3  
- **Department**: CFD  
- **Remarks**:

---

---
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

Contact Person

981-3122

Company Telephone Number

SEC Form 17C
STOCK
FORM TYPE

1 2 3 1
Month Day
eyear

0 4
Any

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Total No. of Shareholders

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **October 23, 2015**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A1996-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. **Industry Classification Code:** [ ] (SEC Use Only)

7. **Address of issuer's principal office**
   MWSS Admin. Bldg., 489 Katipunan Road, Bagumbay, Quezon City
   **Postal Code:** 1105

8. **Issuer's telephone number, including area code**
   (02) 981-8122 / (02) 981-8179

9. **Former name or former address, if changed since last report**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**
    a. **Shares of Stock**
       Common Shares, par value P1.00 each – 2,059,945,884
    b. **Debt Securities**

---

1. 2,017,127,625 Outstanding Common Shares
   26,838,624 Shares Under the Stock Ownership Plan
   2,033,945,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Term-Loan Facility for Laguna AAAWater Corporation.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: October 23, 2015
October 23, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Term-Loan Facility for Laguna AAAWater Corporation

Gentlemen:

Please be informed that today, Laguna AAAWater Corporation ("Laguna Water"), a subsidiary of Manila Water Company, Inc., signed a Term Loan Agreement in the amount of PHP 2.5 Billion with Security Bank Corporation. The proceeds of the loan will be used to partially finance Laguna Water’s Capital Expenditure Program.

Laguna Water is the concessionaire of the Provincial Government of Laguna under a 25-year contract for the construction, management, operation and maintenance of the water and wastewater facilities in the concession areas.

Very truly yours,

[Signature]

NOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
# SECURITY AND EXCHANGE COMMISSION

Bar Code Page
The following document has been received:

| Receiving Officer/Encoder      | Ma. Theresa D. Mabuyo |
| Receiving Branch              | SEC Head Office       |
| Receipt Date and Time         | October 16, 2015 12:38 PM |
| Received From                 | Head Office           |

Company Information

| SEC Registration No.          | A199611593             |
| Company Name                  | MANILA WATER CO. INC.  |
| Industry Classification       |                         |
| Company Type                  | Stock Corporation      |

Document Information

| Document ID                   | 1:019201500088C        |
| Document Type                 | 17 C (FORM 11-C:CURRENT DISC/RT) |
| Document Code                 | 17-C                   |
| Period Covered                | October 15, 2015       |
| No. of Days Late              | 0                      |
| Department                    | CFO                    |
| Remarks                       |                        |
COVER SHEET

MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

12 31
Month Day Fiscal Year

SEC Form 17C
STOCK FORM 17E

04
Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Annotated Articles Number/Section

Total No. of Stockholders Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCJ

Document ID

Cashier

STAMPS
SEcurities and exchange commission

SFC FORM 17 C

Current report under section 17
of the securities regulation code
and SRC Rule 17.2(c) Thereunder

1. October 15, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. D05-D38-428

4. MANILA WATER COMPANY, INC
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [_____] (SEC User Only)

7. Address of Issuer’s principal office
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 1105

8. Issuer’s telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884

    b. Debt Securities

---

1 2,053,945,884 Outstanding Common Shares
2 37,620,884 Shares Issued Under the Stock Ownership Plan
3 2,033,245,684
Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
   Yes [X]  No [   ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Joint Venture Agreement between the Lagum City Water District and the Consortium of Manila Water Company, Inc. and iWater, Inc.

   Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

   MANILA WATER COMPANY, INC.
   Issuer

   By: [Signature]

   JHOEL P. RAQUEDAN
   Chief Legal Counsel
   Assistant Corporate Secretary

   Date: October 15, 2015
October 25, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject : Joint Venture Agreement between the Tagum City Water District and the Consortium of Manila Water Company, Inc. and iWater, Inc.

Gentlemen:

In relation to our disclosure dated July 28, 2015, please be informed that Davao Del Norte Water Infrastructure Company, Inc. ("Davao Water") has signed and executed a Joint Venture Agreement with the Tagum City Water District ("TWD"). The Joint Venture Agreement ("JVA") will govern the relationship of Davao Water and TWD as joint venture partners in the Tagum City Bulk Water Supply Project (the "Project").

Under the said JVA, Davao Water and the TWD shall cause the incorporation of a Joint Venture Company ("JVC") which shall implement the Project for 15 years from the Operations Start Date as defined in the JVA. The consortium of Davao Water shall own 90% while TWD shall own 10% of the JVC's outstanding capital stock.

Davao Water is a consortium of Manila Water Company, Inc. and iWater, Inc. Manila Water owns 51% of the issued and outstanding capital stock of Davao Water.

Manila Water shall update the SEC and the PSB for further developments on this transaction.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MASS Administrative Building
488 Kalsadaan Road, TIE Belfair, Quezon City, Philippines
T: (632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1827
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Makati City, Metro Manila, Philippines
Tel: (632) 728-0551 to 39 Fax: (632) 728-0537 Email: misc@sec.gov.ph

Barcode Page
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Company Representative

Doc. Source

Company Information
SEC Registration No : A109611693
Company Name : MANILA WATER CO. INC.
Industry Classification
Company Type : Stock Corporation

Document Information
Document ID : 110072015500912
Document Type : 17-C (FORM 17-C CURRENT DISC/RPT)
Document Code : 1/C
Period Covered : September 30, 2015
No. of Days Late : 0
Department : CFD
Remarks

______________________________

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______________________________

______________________________
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA, 1105
QUEZON CITY METRO MANILA

Business Address: No Street City / Town Province,

Atty. JHOEL P. RAQUEDAN
Contact Person

961-8122
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC Form 17C
STOCK
FORM TYPE

0 4
Month
Any
Day
Annul Voting

Secondary Jurisdiction, if applicable

[ ]
Dept. Requiring this Doc.

[ ]
Amended Articles, Name/Status

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel, concerned

File Number

Document 15

Cashier

STAMPS
1. **September 30, 2015**  
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A 1996-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   Quezon City, Philippines

6. **Industry Classification Code: [ ] (SEC Use Only)**

7. **Address of issuer’s principal office**  
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City  
   Postal Code 1105

8. **Issuer’s telephone number, including area code**  
   (02) 981-8122 / (02) 981-8179

9. **Former name or former address, if changed since last report**  
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**
    a. **Shares of Stock**  
       Common Shares, par value P1.00 each – 2,053,945,884
    b. Debt Securities

---

1.254,863,140 Outstanding Common Shares
17,620,664 Shares Under the Stock Ownership Plans
2,952,943,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the 7-Year JPY40 Billion Loan Facility.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: ________________________________

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: September 30, 2015
September 30, 2015

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina P. Callangan
Corporate Governance & Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Gentlemen:

Please be informed that today, Manila Water Company, Inc. signed a 7-year JPY40 Billion loan facility with three international banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Banking Corporation. The proceeds of the loan will be used to finance the company's capital expenditures.

Kindly refer to the enclosed press release for more details.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
PRESS RELEASE

Manila Water closes JPY40 Billion, 7-Year Loan

September 30, 2015; Wanchai, Hong Kong – Manila Water recently concluded the financing agreements for a JPY40 Billion term loan facility with three international banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Banking Corporation.

This deal is the single largest capital raising activity of Manila Water following the approval of the Rate Rebasing Business Plan in April 2015. The loan, which has a term of 7 years, is also the longest-tenured unguaranteed yen loan facility extended by Japanese banks to a Philippine corporation. This transaction signifies the strong support by the banking industry to the company.

The proceeds of the term loan facility will be used to partly finance Manila Water’s capital expenditures which include used water projects such as new sewerage treatment plants and rehabilitation of sewer lines. In addition, the loan will also facilitate the development of new water sources and the rehabilitation of water treatment plants and distribution networks to ensure reliability during natural disasters. These projects will enable the company to continuously provide the highest quality of water and used water services to its customers in the East Zone concession area.

Manila Water currently serves 6.3 million population in parts of Quezon City and Manila Marikina, Pasig, San Juan, Mandaluyong, Pateros, Makati, Taguig and Rizal Province.
Bar Code Page

The following document has been received:

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Receiving Branch : SEC Head Office
Receipt Date and Time : October 07, 2015 03:01:51 PM
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Company Representative

Doc Source

Company Information

SEC Registration No. : A199611593
Company Name : MANILA WATER CO INC.
Industry Classification
Company Type : Stock Corporation

Document Information

Document ID : 110172015000901
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : October 06, 2015
No. of Days Late : 0
Department : CFD
Remarks
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person
981-8122

SEC Form 17C
STOCK
FORM "EPZ"

1 2 3 1
Fiscal Year

0 4 Any
Annual Meeting

Secondary License Type, If Applicable

[ ]

Duly Requiring this Doc

Total No. of Stockholders

[ ] Domestic
[ ] Foreign

To be accomplished by SEC Personnel concerned

File Number
LCJ

Document ID
Cachet

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 5, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [_______] (SEC Use Only)

7. Address of issuer’s principal office
   Postal Code
   MWSS Admin. Bldg., 489 Katipunan Road, Balaaning Cty
   1105

8. Issuer’s telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,945,884¹

    b. Debt Securities

¹ 2,016,323,190 Outstanding Common Shares
   17,620,664 Shares Under the Stock Ownership Plan
   2,933,515,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Results of Regular Meeting of the Executive Committee.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

IHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: October 5, 2015
October 5, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower Uno and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Results of Regular Meeting of the Executive Committee

Gentlemen:

Please be informed that at the regular meeting of the Executive Committee (the “Committee”) of Manila Water Company, Inc. (“Manila Water”) held this afternoon, the Committee approved and authorized the following:

1. Minutes of Previous Meetings of the Committee held on July 22, 2015 and September 7, 2015.

2. Additional Investment in Manila Water Philippine Ventures, Inc.

The Committee approved the additional investment of Four Hundred Eighteen Million Pesos (PHP418,000,000.00) in its wholly-owned domestic subsidiary, Manila Water Philippine Ventures, Inc. (MW PV). The additional investment shall be used to fund the operations of MW PV.

3. Additional Investment in Manila Water Asia Pacific

The Committee approved the additional investment of Four Million Two Hundred Sixty Thousand US Dollars (US$4,260,000.00) or its equivalent in Philippine Pesos at the time of conversion, in its wholly-owned Singapore subsidiary, Manila Water Asia Pacific Pte. Ltd. (MWAP). The additional equity infusion in MWAP shall be used to fund further investments in Vietnam.

MANILA WATER COMPANY, INC.
MWRSS Administration Building,
4th Floor Katipunan Road, UST Balara,
Quezon City, Philippines
Tel: (632) 917 6400
Web: www.manilawater.com
Customer Service Hotline 1027
4. Change in Membership of the Retirement Committee and Signatories for Retirement Fund

The Committee also approved the change in the membership of Manila Water's Retirement Committee and the change in the signatories for the Retirement Trust Fund.

Thank you

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
1. **September 14, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **905-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer’s principal office
   **MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **1105**

8. Issuer’s telephone number, including area code
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
       Common Shares, par value P1.00 each = 2,053,945,884
    b. Debt Securities

---

1. 2,053,945,884 Ordinary Common Shares
2. 37,620,624 Shares Under the Stock Option Plan
3. 2,053,945,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Foreign Currency Differential Adjustment.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]
JOEL F. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: September 14, 2015
September 14, 2015

SECURITIES AND EXCHANGE COMMISSION
Attention: Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Foreign Currency Differential Adjustment

Gentlemen:

Effective 1 October 2015, water rates for the customers of Manila Water Company, Inc. ("Manila Water") will have a Foreign Currency Differential Adjustment (FCDA) of P0.05 per cubic meter. This is based on the exchange rates of US$1:PHP45.2649 and JPY1:PHP0.3674. The FCDA component of the water bill will be adjusted to 0.21% of the basic charge for the fourth quarter of 2015.

As provided in the Concession Agreement between Manila Water and the Metropolitan Waterworks and Sewerage System (MWSS), as amended, the FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS, as well as loans of Manila Water for service expansion and improvement of its services. The FCDA has no impact on the projected net income of the company.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Sucat, Muntinlupa, Philippines
Tel: (632) 755-0611 to 39 Fax: (632) 755-0620 Email: mlit@seccom.gov.ph

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Company Representative

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Company Information
SEC Registration No.: A199611693
Company Name: MANILA WATER CO INC
Industry Classification
Company Type: Stock Corporation

Document Information

Document ID: 108182015000825
Document Type: 17-C (FORM 11-C: CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: August 14, 2015
No. of Days Late: 0
Department: CFO
Remarks: 
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Contact Person
Atty. JOEL P. RAQUEDAN
981-8122

Month Day Fiscal Year
1 2 3 1

VOTED STOCK

Any

Secondary License Type, if Applicable

Amended Articles Number/Section
Total Amount of Borrowing
Domestic
Foreign

To be accomplished by SFC Personnel Concerned

File Number
LCJ

Document No.
Casher

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **August 14, 2015**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   **Quezon City, Philippines**

6. Industry Classification Code: [ ] (SFC Use Only)

7. Address of issuer’s principal office  
   **MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**  
   Postal Code **1105**

8. Issuer’s telephone number, including area code  
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report  
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock  
       Common Shares, par value P1.00 each – 2,053,925,884²
    b. Debt Securities

²Outstanding Common Shares  
²²Status Under the Stock Ownership Plans
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Boracay Island Water Company, Inc. Tariff Adjustment.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: August 14, 2015
August 14, 2015

SECURITIES AND EXCHANGE COMMISSION (SEC)
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC. (PSE)
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNACION
Head, Disclosure Department

Regarding : BORACAY ISLAND WATER COMPANY, INC. TARIFF ADJUSTMENT

Gentlemen :

Please be informed that we have received the letter of the Tourism Infrastructure and Enterprise Zone Authority Regulatory Office approving the new water rates of the Boracay Island Water Company, Inc., a subsidiary of Manila Water Company, Inc. The new rates will be effective fifteen (15) days after its date of publication in two (2) national newspapers of general circulation and the filing of a copy thereof with the University of the Philippines Law Center.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Bar Code Page
The following document has been received:

Receiving Officer/Encoder: Donna Encarnado - COS
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Receipt Date and Time: August 14, 2015 12:29:05 PM
Received From: Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC
Industry Classification: Stock Corporation
Company Type: Stock Corporation

Document Information

Document ID: 103142015001031
Document Type: 17-C (FORM 11-C.CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: August 11, 2015
No. of Days Late: 0
Department: CFD
Remarks: 
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. August 11, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer's principal office
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 1106

8. Issuer's telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
     Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each - 7,053,925,884

    b. Debt Securities

---

1 Shares outstanding for the calculation of ownership percentage are as follows:
   2,052,023,184 Shares Under the Stock Ownership Plan
   2,052,023,184 Shares as of August 11, 2015
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Results of Special Meeting of the Board of Directors.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: August 11, 2015
August 11, 2015

SECURITIES AND EXCHANGE COMMISSION
SFC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Results of Special Meeting of the Board of Directors

Gentlemen:

Please be informed that at the special meeting of the Board of Directors (the "Board") of Manila Water Company, Inc. ("Manila Water") held this morning, the Board approved and authorized the following, among others:

1. Ratification

1.1. Acts and Resolutions of the Executive Committee

The Board approved and ratified the acts and resolutions of the Executive Committee adopted in its meeting held on July 22, 2015.

1.2. Acts and Resolutions of the Audit and Governance Committee

The Board approved and ratified the acts and resolutions of the Audit and Governance Committee adopted in its meetings held on July 30, 2015 and August 6, 2015, which include:

(a) 2015 SGV Audit Plan
(b) Q2 Consolidated Financial Results
(c) Status of the CAPEX Plan and Activities of the Company
(d) Internal Audit Matters
(e) Business Continuity and Earthquake Mitigation Plan
(f) Update on and status of Top Enterprise Risks

2. Cash Dividend Declaration

The Board declared the following cash dividends for the second semester of 2015:

(a) Php0.4075 per share on the outstanding Common Shares; and
(b) Php0.04075 per share on the outstanding Participating Preferred Shares.
The dividends will be paid on September 9, 2015 to stockholders of record as of August 26, 2015.

3. Establishment and Appointment of Risk Committee

The Board approved the creation of a Risk Committee in line with the best corporate governance practices and to ensure the effective management of risks.

The composition of the Risk Committee is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>Chairman</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>Member</td>
</tr>
<tr>
<td>Jose L. Cusia, Jr. (Independent)</td>
<td>Member</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>Member</td>
</tr>
</tbody>
</table>

4. New Mission-Vision Statement

The Board approved the new Mission-Vision Statement of the Company, to wit:

Mission
“Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.”

Vision
“Our vision is to become a leader in the provision of water, used water and environmental services which will empower people, protect the environment, and enhance sustainable development.”

Thank you,

Very truly yours,

[Signature]

NOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving Officer/Encoder: Donna Encarnado - COS
Receiving Branch: SEC Head Office
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Company Representative

Doc Source

Company Information

SEC Registration No.: A199614593
Company Name: MANILA WATER CO., INC.
Industry Classification: Stock Corporation
Company Type: Stock Corporation

Document Information

Document ID: 108042015001719
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: July 30, 2015
No. of Days Late: 0
Department: CFD
Remarks:

108042015001719
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

SEC Form 17C
STOCK
FORM TYPE

Month: 12
Day: 31
Rental Year: Any

Secondary License Type, if Applicable

Arrested Artiles Number/Section:

Total Amount of Borrowings

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID.

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. July 30, 2015
   Date of Report [Date of earliest event reported]

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-478

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of Incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer’s principal office
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 1105

8. Issuer’s telephone number, including area code
   (02) 881-8122 / (02) 881-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,925,884

    b. Debt Securities

   2,053,925,884 Outstanding Common Shares
   12,625,624 Shares Under the Stock Ownership Plan
   2,053,925,884

None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [   ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Unaudited First Half 2015 Performance Results.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

HOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: July 30, 2015
July 30, 2015

SECURITIES AND EXCHANGE COMMISSION (SEC)
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC. (PSE)
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Unaudited First Half 2015 Performance Results

Gentlemen:

Manila Water Company, Inc. announces today its first half 2015 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

[Signature]

PHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION

The following document has been received.

Receiving Officer/Encoder: Dona Encarnado - COS
Receiving Branch: SEC Head Office
Receipt Date and Time: July 29, 2015 12:12:56 PM
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Company Information

SEC Registration No.: A19611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation
Company Type: Stock Corporation

Document Information

Document ID: 107292015000912
Document Type: 17-C (FORM 11-C CURRENT DISC/REP)
Document Code: 17-C
Period Covered: July 28, 2015
No. of Days Late: 0
Department: CFD
Remarks: 
COVER SHEET

MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
981-8122

1 2 3
Month Day Fiscal Year

SEC Form 17C
STOCK
FORM TYPE
0 4
Month Day Annual Meeting

Secondary License Type, If Applicable

Filed Requesting this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **July 28, 2015**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A-1996-11593**

3. **BIR Tax Identification No. 095-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**
   Quezon City, Philippines

6. **Industry Classification Code:** (SEC Use Only)

7. **Address of issuer's principal office**
   MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   **Postal Code**
   1105

8. **Issuer's telephone number, including area code**
   (02) 981-8122 / (02) 981-8176

9. **Former name or former address, if changed since last report**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**
    a. Shares of Stock
       Common Shares, par value P1.00 each 2,053,925,884

    b. Debt Securities

---

1. 7,616,125,181 Outstanding Common Shares
    27,620,694 Shares Under the Stock Dividend Plan
    2,053,925,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Notice of Award from the Tagum City Water District (TCWD)

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By: [Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: July 28, 2015
July 28, 2015

SECURITIES AND EXCHANGE COMMISSION (SEC)
SEC Building, LUSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENDO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC. (PSE)
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Notice of Award from the Tagum City Water District (TCWD)

Gentlemen

Please be informed that Manila Water Company, Inc. ("Manila Water") received a letter dated July 28, 2015 from the Tagum City Water District (TCWD) informing Manila Water that the Tagum City Bulk Water Supply Project (the "Project") is being awarded to the consortium of Manila Water and iWater, Inc.

In accordance with the terms of the joint venture agreement, the TCWD and the consortium of Manila Water and iWater will form a joint venture company (JVC) which will undertake the performance of all obligations under the joint venture agreement and the bulk water supply purchase agreement.

Manila Water undertakes to provide the Exchange of further developments regarding this transaction.

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SEcurities and EXchange CoMMission

SECBuilding, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 725-5301 to 39 Fax:(632) 725-5253 Email: mia@sec.gov.ph

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The following document has been received:

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Receiving Branch : SEC Head Office
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Company Representative

Doc Source

Company Information

SEC Registration No. A199611503
Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information

Document ID: 1072420150000973
Document Type: 17-C (FORM 11-C:CURRENT DISCL.RPT)
Document Code: 17-C
Period Covered: July 23, 2015
No. of Days Late: 0
Department: CFU
Remarks
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN 991-8122

Contact Person

SEC Form 17C

Month 12
Day 31
Fiscal Year

STOCK

FORM 17C

04

Any

Annual Meeting

Secondary Issue Type, if Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Pile Number

LCU

Document No.

Stamps
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **July 23, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A1995-11592**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: ________ (Sec. Use Only)

7. Address of Issuer's principal office
   **MWSS Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City**
   **Postal Code 1105**

8. Issuer's telephone number, including area code
   **(02) 981-8127 / (02) 981-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    
    a. Shares of Stock
       **Common Shares, par value P1.00 each – 2,053,925,884**

    b. Debt Securities

---

\(^1\) 2,053,925,884 Outstanding Common Shares

27,620,634 Shares Under the Stock Ownership Plans

2,333,723,444 Shares Under the Plan for Issuing Additional Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE) on the Notice of Analysts’ Briefing.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

HOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: July 23, 2015
July 23, 2015

SEcurities and EXchange COMMISSION (SEc)
SLC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICTOR GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC. (PSE)
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Notice of Analysts' Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold its 1st Half 2015 Analysts' Briefing on July 30, 2015, Thursday, at 4:30 P.M. at the Bonifacio Lounge, 25th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines.

Thank you very much

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
1. **June 30, 2015**  
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number** A1986-11592

3. **BIR Tax Identification No.** 005-038-428

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**  
   Quezon City, Philippines

6. **Industry Classification Code:** (SEC Use Only)

7. **Address of issuer’s principal office**  
   2F MWSS Admin. Bldg., 489 Kalipunan Road, Balara, Quezon City  
   **Postal Code** 1105

8. **Issuer’s telephone number, including area code**  
   (02) 981-8122 / (02) 981-8179

9. **Former name or former address, if changed since last report**  
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**
    
   a. **Shares of Stock**  
      Common Shares, par value P1.00 each – 2,053,915,884

   b. **Debt Securities**

<table>
<thead>
<tr>
<th>Shares</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,036,605,991</td>
<td>Common Shares</td>
</tr>
<tr>
<td>17,501,584</td>
<td>Shares Under the Stock Ownership Plans</td>
</tr>
<tr>
<td>7,051,913,384</td>
<td>Shares</td>
</tr>
</tbody>
</table>
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Amendment of Concession Agreement of Laguna AAAWater Corporation.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: _____________________________

JHIEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: June 30, 2015
30 June 2015

SECURITIES AND EXCHANGE COMMISSION
SCC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

Attention: Director Vicente Graciano P. Felizmenio, Jr
Markets & Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Amendment of Concession Agreement of Laguna AAAWater Corporation

Gentlemen:

Please be informed that today, the Provincial Government of Laguna ("PGL") and Manila Water Philippine Ventures, Inc. ("MWPV"), a wholly-owned subsidiary of Manila Water Company, Inc., signed an amendment to their Joint Venture Agreement dated 10 November 2000. The amendment expanded the territorial scope of the water supply services of their joint venture from the cities of Biñan, Cabuyao and Sta. Rosa to cover all cities and municipalities in the entire Province of Laguna. The amendment likewise included the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

Simultaneously, and consequent to the amendment of the Joint Venture Agreement, the joint venture company of PGL and MWPV, the Laguna AAAWater Corporation ("Laguna Water"), signed an amendment to its Concession Agreement with the PGL (a) expanding its concession area to cover all cities and municipalities in the province of Laguna, and (b) including 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.

With the expansion of its concession area, Laguna Water aims to provide clean, safe and reliable water supply to the entire province of Laguna and replicate the improvements in water services it has done in the cities of Biñan, Cabuyao and Sta. Rosa.

Thank you.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

12 31
Month Day Fiscal Year

SEC Form 17C
STOCK FORM TYPE
04 Any Month Day Annual Meeting

Secondary License Type, if Applicable

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **June 15, 2015**  
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A 1996-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**  
   Quezon City, Philippines

6. **Industry Classification Code:** (SEC Use Only)

7. **Address of issuer’s principal office**  
   **Postal Code**  
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City  
   **1105**

8. **Issuer’s telephone number, including area code**  
   (02) 981-8127 / (02) 981-8179

9. **Former name or former address, if changed since last report**  
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**

   a. Shares of Stock  
      Common Shares, par value P1.00 each — 2,053,915,884

   b. Debt Securities

---

1. 2,053,915,884 Outstanding Common Shares  
2. 32,010,691 Shares Under the Stock Ownership Plans

---
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Revised Certification of Independent Director.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: SHOEL P. AGUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Date: June 15, 2015
June 15, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject: Revised Certification of Independent Director

Gentlemen:

In compliance with the Notice of the Securities and Exchange Commission dated October 20, 2010, attached herewith is the revised certification of Sherisa P. Nuesa, Independent Director of Manila Water Company, Inc.

Very truly yours,

[Signature]

SHOEL P. RAMO
Chief Legal Counsel
Assistant Corporate Secretary
REVISED CERTIFICATION OF INDEPENDENT DIRECTOR

1. SHERISA P. NUESA, Filipino, of legal age, and a resident of Muntinhupa City, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company, Inc. (“Manila Water”),

2. On April 16, 2015, I submitted my Certification of Independent Director to the Corporate Secretary of Manila Water which states that I shall inform the Corporate Secretary of any changes in the information therein within five (5) days of its occurrence. Thus, I am submitting this revised Certification;

3. At present, I am affiliated with the following companies or organizations:

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Service period, from:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Far Eastern University</td>
<td>Independent Trustee</td>
<td>August 2010</td>
</tr>
<tr>
<td>Financial Executives Institute of the Phils.</td>
<td>*President and Director</td>
<td>May 2012</td>
</tr>
<tr>
<td>(FINEX)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALRM Mutual Funds</td>
<td>Board Member &amp; Vice President</td>
<td>January 2012</td>
</tr>
<tr>
<td>Institute of Corporate Directors (ICD)</td>
<td>Board Trustee</td>
<td>May 2012</td>
</tr>
<tr>
<td>Manila Water Company</td>
<td>Independent Director</td>
<td>April 2013</td>
</tr>
<tr>
<td>FTBN Realty Corp.</td>
<td>Independent Director</td>
<td>August 2012</td>
</tr>
<tr>
<td>FEIU Health, Welfare &amp; Retirement Fund</td>
<td>Independent Governor</td>
<td>June 2012</td>
</tr>
<tr>
<td>ING Foundation, Inc. (Philis)</td>
<td>Independent Director</td>
<td>July 2012</td>
</tr>
<tr>
<td>East Asia Computer Center, Inc.</td>
<td>Independent Director</td>
<td>February 2014</td>
</tr>
<tr>
<td>East Asia Educational Foundation</td>
<td>Independent Director</td>
<td>February 2014</td>
</tr>
<tr>
<td>Integrity Initiative Foundation</td>
<td>Board Trustee</td>
<td>May 2015</td>
</tr>
<tr>
<td>Vicedal Development Corporation</td>
<td>Consultant for Special Projects</td>
<td>March 2012</td>
</tr>
</tbody>
</table>

*President as of April 2013

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

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of Manila Water Company, Inc. of any changes in the abovementioned information within five days of its occurrence.

Done this ___ day of June 2015 at Manila,

SHERISA P. NUESA
Affiant
SUBSCRIBED AND SWORN to before me this 1 day of June 2015, at Quezon City, affinity personally appeared before me and exhibited to me her Tax Identification Number 132-204-906 issued in the Philippines.

[Signature]

CERTIFIED TRUE COPY

PSYCHIATRIST IME D. C.

[Stamp]

PSYCHIATRIST IME D. C.

[Stamp]

PSYCHIATRIST IME D. C.

[Stamp]
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-3931 to 39 Fax: (632) 726-5290 Email: mrelsec@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Fernando I. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: June 11, 2015 11:49:56 AM
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Company Information

SEC Registration No.: A199811593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 106112015000322
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Document Code: 17-C
Period Covered: June 08, 2015
No. of Days Late: 0
Department: CHD
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOHIEL P. RAQUEDAN

981-8122

12 31
Month Day

FISCAL YEAR

SEC Form 17C

STOCK

FORM TYPE

04 Any

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCL

Document No.

Counter

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 8, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 905-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: ___________ (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 981-8122 / (02) 981-8178

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each - 2,053,915,884

    b. Debt Securities

\footnote{2,016,383,199 Outstanding Common Shares
17,612,681 Series H Holders Stock Ownership Plans
2,931,715,884 Total Shares Issued}
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Foreign Currency Differential Adjustment.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: ____________________________

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: June 8, 2015
June 08, 2015

SECURITIES AND EXCHANGE COMMISSION
Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Foreign Currency Differential Adjustment

Gentlemen:

Effective 1 July 2015, water rates for the customers of Manila Water Company, Inc. ("Manila Water") will have a Foreign Currency Differential Adjustment (FCDA) of P0.02 per cubic meter. This is based on the exchange rates of US$1:PHP44.4136 and JPY1:PHP0.3717. The FCDA component of the water bill will be adjusted to 0.08% of the basic charge for the third quarter of 2015.

As provided in the Concession Agreement between Manila Water and the Metropolitan Waterworks and Sewerage System (MWSS), as amended, the FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS, as well as loans of Manila Water for service expansion and improvement of its services. The FCDA has no impact on the projected net income of the company.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION

SFC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 9, 2015
   Date of Report (Date of earliest event reported)

2. SFC Identification Number A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of Issuer's principal office
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balarita, Quezon City
   Postal Code 1105

8. Issuer's telephone number, including area code
   (02) 981-8122 / (02) 981-8170

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each - 2,053,915,884

    b. Debt Securities

1

2,016,327,193 Outstanding Common Shares
25,616,691 Shares Under the Stock Ownership Plan
2,053,915,884 Shares
None

Registrant has no other registered securities either in the form of shares,
debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]   No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and
Philippine Stock Exchange (PSE) on the Results of Regular Meeting of the Board
of Directors.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has
duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

By: ____________________________

PHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: June 9, 2015
9 June 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City

Attention: Ms. Janet A. Encarnacion
Hed, Disclosure Department

Subject: Results of Regular Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors of Manila Water Company, Inc. ("Manila Water" or the "Company") held this morning, the Board approved and authorized the following:

1. Ratification

1.1 Acts and Resolutions of the Remuneration Committee

The Board approved and ratified the 2015 Salary Increase and Corporate Incentive Program of the Company for its employees.

1.2 Acts and Resolutions of the Audit and Governance Committee

The Board approved and ratified the following acts and resolutions of the Audit and Governance Committee adopted on May 7, 2015:

(a) Approval of the first quarter unaudited consolidated financial statements of Manila Water and its subsidiaries and the Management Discussion and Analysis;
(b) Approval of the minutes of the previous meeting,
(c) Discussion of the Enterprise Risk Management: Updates. 2014 Values of the Key Risk Indicators and the 2015 Top Enterprise Risk; and
(d) Discussion of Internal Audit Matters: Status of the 2015 Risk Based Audit Plan and the Audit Issues Monitoring

MANILA WATER COMPANY, INC.
Main Administration Building
480 Kalipayan Road, Pasig, Philippines
T: 06321 997 5600
W: www.manilawater.com
Customer Service Hotline: 657
2. **Authority to Bid for the Bulacan Bulk Water Supply Project**

The Board authorized the Company, through a consortium, to participate in the Bulacan Bulk Water Supply Project which is being bid out by the Metropolitan Waterworks and Sewerage System.

Thank you.

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
## COVER SHEET

**MANILA WATER COMPANY INC**

(M Company's Full Name)

**MWSS ADMINISTRATION BUILDING**

**489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA**

(Business Address: No. Street, City, Town, Province)

<table>
<thead>
<tr>
<th>Contact Person</th>
<th>Company Telephone Number</th>
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<tbody>
<tr>
<td>Atty. JHOEL P. RAQUEDAN</td>
<td>981-8122</td>
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**SEC Form 1TC**

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(Secondary License Type, If Applicable)

**Cost Requiring this Doc.**

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<tr>
<td>Domestic</td>
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**Total No. of Shareholders**

To be accomplished by SEC Personnel concerned

**FAE Number**

<table>
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</table>

**Document I.D.**

<table>
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<tr>
<th>Cashier</th>
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**STAMPS**
1. **May 15, 2015**  
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A 1996-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   **Quezon City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. **Address of issuer's principal office**  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City**  
   Postal Code **1105**

8. Issuer's telephone number, including area code  
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report  
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
   a. Shares of Stock  
      Common Shares, par value P1.00 each - 2,053,915,884
   b. Debt Securities

---

2,014,260.5G  Outstanding Common Shares  
17,625,454  Shares Under the Stock Ownership Plans
2,053,915,884  Total Shares Outstanding
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the New Water Tariff Rates.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By: ________________________________

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: May 15, 2015
May 15, 2015

SECURITIES AND EXCHANGE COMMISSION
EDSA, Greenhills, Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: New Water Tariff Rates

Gentlemen:

Please see attached tariff table which contains the new water rates to be implemented by Manila Water Company, Inc. ("Manila Water"). The new rates will be published on May 16, 2015, and will become effective on June 1, 2015. The net adjustment applicable for 2015 is equivalent to negative 2.42% of the prevailing basic charge.

The new rates are pursuant to the final award of the Appeals Panel in the arbitration proceeding between Manila Water and the Metropolitan Waterworks and Sewerage System (MWSS). The final award mandated a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% from the 2012 basic average water charge of Php25.07 per cubic meter.

Nonetheless, annual CPI adjustments will continue to be implemented pursuant to the Concession Agreement with MWSS.

Very truly yours,

[Signature]

[Name]
Chief Legal Counsel

MANILA WATER COMPANY, INC.
VVWSS Administration Building,
403 Admiral Road, 905 Balara,
Quezon City, Philippines
T: (632) 617-5900
F: www.manilawater.com
Customer Service 1-8000 1627
## NOTICE TO MANILA WATER CUSTOMERS AND THE PUBLIC

**NEW WATER RATES FOR THE EAST ZONE**

Effective June 1, 2015, Manila Water Company, Inc. will implement a 2.44% adjustment on the basic rates charge (in accordance with MWAES Regulatory Resolution No. 2015-005-CA dated April 28, 2015 and as approved/confirmed by the MWAES Board Resolution No. 2015-055-RC dated May 8, 2015).

Manila Water Corporation, the East Zone water provider, serves the following areas: Manila (San Andres and Sta. Ana only), Quezon City (north of San Juan River, West Avenue, EDSA, Congressional Ave, and Valenzuela Ave), Balintawak, Bagumbayan, and Mandaluyong (away from the major business districts), Mandaluyong City, San Juan, Mandaluyong City, Pasig City, Pateros, Taguig - all in Metro Manila, Rizal Province.

The new schedule of water and sewer rates for all East Zone customers is as follows:

### I. WATER CHARGE

#### A. BASIC CHARGE

<table>
<thead>
<tr>
<th>RESIDENTIAL</th>
<th>OLD RATE</th>
<th>NEW RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Household</td>
<td>90.64 Hm³</td>
<td>90.14 Hm³</td>
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<tr>
<td>中部 Consuming</td>
<td>1.00 Cu. M</td>
<td>10.57 Cu. M</td>
</tr>
<tr>
<td>2.00 Cu. M</td>
<td>3.36 Cu. M</td>
<td>29.82 Cu. M</td>
</tr>
<tr>
<td>3.00 Cu. M</td>
<td>4.10 Cu. M</td>
<td>33.95 Cu. M</td>
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<tr>
<td>4.00 Cu. M</td>
<td>4.85 Cu. M</td>
<td>38.97 Cu. M</td>
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<tr>
<td>Over 5.00 Cu. M</td>
<td>5.60 Cu. M</td>
<td>43.99 Cu. M</td>
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</tbody>
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#### B. BUSINESS GROUP I

<table>
<thead>
<tr>
<th>OLD RATE</th>
<th>NEW RATE</th>
</tr>
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<tbody>
<tr>
<td>499.03 Cu. M</td>
<td>447.55 Cu. M</td>
</tr>
<tr>
<td>500.00 Cu. M</td>
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<tr>
<td>498.01 Cu. M</td>
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<tr>
<td>497.02 Cu. M</td>
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<td>500.02 Cu. M</td>
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<tr>
<td>496.03 Cu. M</td>
<td>444.55 Cu. M</td>
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#### C. BUSINESS GROUP II

<table>
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<tr>
<th>OLD RATE</th>
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<tbody>
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<td>496.71 Cu. M</td>
<td>444.05 Cu. M</td>
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<tr>
<td>499.01 Cu. M</td>
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<td>445.36 Cu. M</td>
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<tr>
<td>496.03 Cu. M</td>
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### II. CONSUMING MORE THAN 10 CU. M

<table>
<thead>
<tr>
<th>Old Rate</th>
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<tr>
<td>100.00 Cu. M</td>
<td>100.00 Cu. M</td>
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</tbody>
</table>

### Addendum

- The new rates will be effective as of June 1, 2015.
- The rates above are subject to change without notice and are applied to water rates in the East Zone. Any adjustments will be communicated to the customers in advance.
- The company reserves the right to adjust the rates at any time.
- For questions or concerns, please contact Manila Water's customer service at 1-123-4567890.
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

961-8122
Company Telephone Number

12 31
Month Day Fiscal Year

4
Any Month Annual Meeting

Secondary Joanna Type, If Applicable

Depl. Receiving this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Foreign

STAMPS
1. May 7, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of issuer’s principal office
   2F MWSS Admin, Bldg., 489 Katipunan Road, Bagarao, Quezon City
   Postal Code 1105

8. Issuer’s telephone number, including area code
   (02) 881-8122 / (02) 881-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,053,915,884

   b. Debt Securities

   2,016,290,190 Outstanding Common Shares
   12,623,694 Shares Under the Stock Ownership Plan
   2,053,915,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Unaudited First Quarter 2015 Performance Results.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned

MANILA WATER COMPANY, INC.
Issuer

By: ____________________________

HOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: May 7, 2015
May 7, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : Mr. Vicente Graciano P. Felizmenio, Jr.
            Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : Ms. Janet A. Encarnacion
            Head, Disclosure Department

Subject : Unaudited First Quarter 2015 Performance Results

Gentlemen :

Manila Water Company, Inc. announces today its first quarter 2015 performance results. Please refer to the enclosed financial and operating highlights

Very truly yours,

JUDEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
### MANILA WATER FINANCIAL AND OPERATING HIGHLIGHTS (CONSOLIDATED)

#### (In Million PhP)

<table>
<thead>
<tr>
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<th>1Q 2015 Unaudited</th>
<th>1Q 2014 Unaudited</th>
<th>% Change</th>
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</thead>
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<td>Revenues</td>
<td>4,026</td>
<td>3,827</td>
<td>5%</td>
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<tr>
<td>COS and Operating Expenses</td>
<td>1,253</td>
<td>1,099</td>
<td>14%</td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td>82</td>
<td>95</td>
<td>(56%)</td>
</tr>
<tr>
<td>Equity Share in net income of associates</td>
<td>85</td>
<td>87</td>
<td>(2%)</td>
</tr>
<tr>
<td>Others</td>
<td>743</td>
<td>8</td>
<td>(622%)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>2,815</td>
<td>2,823</td>
<td>(0%)</td>
</tr>
<tr>
<td><strong>EBITDA margin</strong></td>
<td>70%</td>
<td>74%</td>
<td>(4%)</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>593</td>
<td>594</td>
<td>1%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>285</td>
<td>406</td>
<td>(35%)</td>
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<tr>
<td>Provision for Income Tax</td>
<td>488</td>
<td>388</td>
<td>20%</td>
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<tr>
<td>Non-controlling Interests</td>
<td>49</td>
<td>3</td>
<td>1,497%</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>1,484</td>
<td>1,431</td>
<td>0%</td>
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#### (In Million PhP)

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<tr>
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<th>March 31, 2014 Unaudited</th>
<th>December 31, 2014 Audited</th>
<th>% Change</th>
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<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>9,040</td>
<td>9,094</td>
<td>(1%)</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>56,199</td>
<td>65,766</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>75,239</td>
<td>74,860</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Liabilities and Stockholders' Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>7,555</td>
<td>7,858</td>
<td>(4%)</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>50,033</td>
<td>31,900</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>57,588</td>
<td>39,758</td>
<td>(0%)</td>
</tr>
<tr>
<td>Stockholders' Equity</td>
<td>38,650</td>
<td>35,102</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total Liabilities and Stockholders' Equity</strong></td>
<td>76,238</td>
<td>74,860</td>
<td>1%</td>
</tr>
</tbody>
</table>

#### (In mmcf)

<table>
<thead>
<tr>
<th></th>
<th>4Q 2015</th>
<th>1Q 2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Billed Volume</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>140.4</td>
<td>160.4</td>
<td>2%</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>1.4</td>
<td>1.0</td>
<td>7%</td>
</tr>
<tr>
<td>Cebu Manila Water Development</td>
<td>1.4</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Clark Water</td>
<td>2.7</td>
<td>6.8</td>
<td>26%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>29.8</td>
<td>29.7</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>Thu Duc Water</td>
<td>13.7</td>
<td>13.7</td>
<td>1%</td>
</tr>
<tr>
<td>Kenh Dong Water</td>
<td>4.8</td>
<td>4.8</td>
<td></td>
</tr>
</tbody>
</table>

**Total Water Service Connections**

<table>
<thead>
<tr>
<th></th>
<th>4Q 2015</th>
<th>1Q 2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Zone</td>
<td>915,716</td>
<td>928,224</td>
<td>3%</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>4,521</td>
<td>5,762</td>
<td>7%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>4,952</td>
<td>4,977</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>90,379</td>
<td>70,514</td>
<td>32%</td>
</tr>
</tbody>
</table>
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOEEL P. RAQUEDAN
Certified Person

981-8122
Company Telephone Number

12 31
Fiscal Year

SEC Form 17C
STOCK FORM TYPE
04 Any
Month Day

Total Amount of Bookings

Total No.of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Branch

STAMPS
SEcurities and exchange commission

SEC Form 17 C

Current report under section 17
Of the Securities Regulation Code
And SRC rule 17.2(c) thereunder

1. April 29, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-098-428

   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer’s principal office
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 1105

8. Issuer’s telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,915,884^1

    b. Debt Securities

^1 2,016,250,450 Outstanding Common Shares
   17,625,484 Shares Issued and Outstanding Shares
   2,053,915,884 Shares Under the Slack Ownership Plan
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
    Yes [X]  No [  ]

12. Indicate the item numbers reported herein:

    Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Notice of Analysts' Briefing.

    Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

    MANILA WATER COMPANY, INC.
    Issuer

    By: 

    JOEL P. RAGUEDAN
    Chief Legal Counsel
    Assistant Corporate Secretary

    Date: April 29, 2015
April 29, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention : Mr. Vicente Graciano P. Felixmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Notice of Analysts’ Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold its quarterly analysts’ briefing on May 7, 2015, Thursday, at 1:30 p.m. at the Zobel Rooms 1 and 2, 3rd Floor Ayala Museum, Makati Avenue corner Dela Rosa Street, Makati City.

Thank you very much.

Very truly yours,

RHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **April 24, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of issuer’s principal office

   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City

   Postal Code **1105**

8. Issuer’s telephone number, including area code
   **(02) 981-8122 / (02) 981-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,915,584

    b. Debt Securities

---

1. **1,316,390,190** Outstanding Common Shares
   **75,827,882** Shares Under Stock Ownership Plans
   **2,032,915,584** Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on Healthy Family Purified Drinking Water Certificate of Product Registration.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

HEGEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: April 24, 2015
April 24, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Healthy Family Purified Drinking Water
Certificate of Product Registration

 Gentlemen

Please be informed that, today, Manila Water Total Solutions Corporation ("Total Solutions"), a wholly-owned subsidiary of Manila Water Company, Inc., received the Certificate of Product Registration ("CPR") for its Healthy Family Purified Drinking Water product.

The CPR was issued by the Bureau of Food and Drugs and serves as authorization for Manila Water Total Solutions to implement a full-scale marketing and promotion of its Healthy Family Purified Drinking Water.

Healthy Family is 5-gallon Purified Bottled Water with a shelf-life of six (6) months and delivered directly to customer homes at an affordable price of 40 pesos. It is produced through a closed-loop fully-automated system that guarantees no human contact, with stringent quality processes overseen by certified water experts to guarantee superior quality. This product is currently available for distribution and consumption in Taguig, Pateros and select areas of Makati, Manila and Mandaluyong, with further expansion in Metro Manila targeted for the third quarter of this year.

Very truly yours,

[Signature]

RHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC
VWS3 Administration Building,
484 Katipunan Road, 1058 E. Quezon,
Quezon City, Philippines
T: (632) 917 6900
W: www.manilawater.com
Customer Service: 1827
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING

488 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

1231
Month Fiscal Year

STOCK
FORM TYPE

04
Month Annual Meeting

Any
Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Document ID.

Carrier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 23, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: ___________ (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections B and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,915,884

    b. Debt Securities

   2,016,295,170 Outstanding Common Shares
   17,033,696 Shares Under the Stock Ownership Plan
   2,053,915,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Notice of Claim to the Republic of the Philippines.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By:

JHOEL P. RABQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: April 23, 2015
April 23, 2015

SECURITIES AND EXCHANGE COMMISSION
EDSA, Greenhills, Mandaluyong City

Attention : Mr. Vicente Graciano P. Felizmeno, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One Sand Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Notice of Claim to the Republic of the Philippines

Gentlemen:

Please be informed that today, Manila Water Company, Inc. (“Manila Water”) filed with the Department of Finance (“DOF”) its Notice of Claim (the “Notice”) under the Letter of Undertaking of the Republic of the Philippines (the “Republic”), issued through the DOF and dated July 31, 1997, as reiterated in its Letter dated October 19, 2009 (“Letter of Undertaking”). The Letter of Undertaking was a requirement in the Concession Agreement of Manila Water with the Metropolitan Waterworks and Sewerage System (“MWSS”) executed on February 21, 1997.

In the Letter of Undertaking, the Republic, through the DOF, undertook to indemnify Manila Water against any loss caused by any action on the part of MWSS resulting in the reduction of the standard rates “below the level that would otherwise be applicable in accordance with the Concession Agreement,” thereby denying Manila Water a rate of return “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” pursuant to Section 9.4 of the Concession Agreement.

In view thereof, Manila Water, through the Notice, demanded that the Republic indemnify it by reimbursing the losses in operating revenues to be realized for each remaining year of the Concession as the losses are realized. Current estimates place this amount at approximately Php 9 billion covering the period 2015 to 2037.

Very truly yours,

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

0 4
Any
March April
Annual Meeting

Secondary Issue Type, if Applicable

Dept. Requiring this Doc

Total No. of Shareholders

To be accomplished by SEC Personnel concerned

File Name:

Document ID:

Cashier

STAMPS
1. **April 21, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1886-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: [ ] (SecUse Only)

7. Address of issuer's principal office
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City**
   **Postal Code 1105**

8. Issuer's telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,915,884
    b. Debt Securities

---

2,053,915,884 Outstanding Common Shares
32,026,000 Shares Under 116 Stock Ownership Plans
20,053,915,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?
   Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Decision of the Appeals Panel on the Manila Water Arbitration with the Metropolitan Waterworks and Sewerage System.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: ________________
HOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: April 21, 2015
April 21, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Decision of the Appeals Panel on the Manila Water Arbitration with the Metropolitan Waterworks and Sewerage System

Gentlemen,

Please be informed that Manila Water Company Inc. ("Manila Water" or "the Company") received today the Decision of the Appeals Panel dated April 21, 2015 (the "Decision") in the arbitration proceedings between the Company and the Metropolitan Waterworks and Sewerage System ("MWSS"). The Decision concludes a three-year rate rebasing process that began in March 2012 with the submission of a business plan by Manila Water to MWSS and which subsequently resulted in arbitration when the latter released its tariff determination in September 2013 reducing existing tariffs by 29.47% or an average of negative P7.24 per cubic meter. On September 24, 2013, Manila Water objected by filing a Dispute Notice with the International Chamber of Commerce which formally commenced the arbitration process.

The final award included the adoption of the following tariff component determinations:

a. Opening Cash Position or "OCP" (defined as the total amount of historical cash flows, in 2013 prices) of P28.1 billion. This figure restores P11 billion from the September 2013 OCP determination of MWSS of P17.1 billion. The amount of OCP contained in the Decision clarifies disagreements over the rules on disallowances adopted by the MWSS-Regulatory Office during the 2013 Rate Rebasing exercise. Prospectively, OCP calculations will be undertaken under a new set of regulatory accounting rules mutually agreed upon by Manila Water and MWSS. These rules are envisioned to provide standards of "prudence and efficiency", the bases upon which the Company's expenditures are considered recoverable or not.

MANILA WATER COMPANY, INC.
MWSS Administration Building,
488 Katipunan Road, BGC Bldg.,
BGC, Taguig City, Philippines
T: (632) 917 6900
F: www.manilawater.com
Customer Service: Tel. 180

MANILA WATER COMPANY, INC.
MWSS Administration Building,
488 Katipunan Road, BGC Bldg.,
BGC, Taguig City, Philippines
T: (632) 917 6900
F: www.manilawater.com
Customer Service: Tel. 180
b. Capital Expenditures and Concession Fees (in 2013 prices and over the life of the concession) of ₱199.6 billion. This figure restores ₱29.5 billion from the September 2013 future capital and concession fee expenditures determination of MWSS of ₱170.1 billion. Certain future capital expenditure programs were reviewed and aligned with the service obligation targets for the remaining life of the concession. Key projects to be pursued prospectively include new water source development and the expansion of the used water collection and treatment system.

c. Appropriate Discount Rate or “ADR” (defined as the concessionaires’ rate of return in deriving tariff) of 7.61% (post-tax). This figure is an improvement of 79 bps from the post-tax ADR of 6.82% determined by MWSS in September 2013.

d. Exclusion of corporate income taxes or “CIT” from cash flows beginning January 1, 2013. The Appeals Panel decided that CIT should be excluded from the cash flows used for the determination of tariffs. This was a result of their finding that the Company is a public utility.

The final award also resulted in the setting of the rate rebasing adjustment for the period 2013 to 2017 at a negative 11.05% from Manila Water’s 2012 average basic water charge of ₱25.07 per cubic meter. This translates to a decrease of ₱2.77 per cubic meter. The rate rebasing adjustment to the basic water charge will be implemented in the following manner: (a) negative ₱1.66 per cubic meter in 2015, (b) negative ₱0.55 per cubic meter in 2016, and (c) negative ₱0.55 per cubic meter in 2017. Separately, a CPI adjustment of 4.19% will also be made to the basic water charge in 2015 equivalent to ₱1.08 per cubic meter. Annual CPI adjustments will continue to be made consistent with the Company’s Concession Agreement with MWSS.

According to Manila Water President and CEO, Mr. Gerardo C. Ablaza Jr., “While the ruling resolved specific issues raised by Manila Water in the dispute, we are deeply concerned about the finding of the Appeals Panel that Manila Water is a public utility. This, in our view, fundamentally changes the Concession Agreement which characterizes the Company as an agent and contractor of MWSS. This was Government’s representation during the 1997 bidding for private sector participation in the operation of MWSS. We will study the full implications of this ruling and expect MWSS to also look for ways to resolve this regulatory challenge.”

Thank you.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
48 9 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

1 2 3 1
Month Day
STOCK
FORM TYPE
0 4 Any
Month Day

Secondary License Type, if applicable

0

Debt requiring this Inc.

Amended Articles Numbers/Section

Total Amount of Borrowings

5

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCT

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **April 16, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A 1996-11593**

3. BIR Tax Identification No.: **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, county or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: ________ (SEC Use Only)

7. Address of issuer’s principal office
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City**
   Postal Code: **1105**

8. Issuer’s telephone number, including area code
   **(02) 881-8122 / (02) 881-8179**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each  **2,053,915,884**

   b. Debt Securities

---

1. 2,053,915,884 Outstanding Common Shares
2. 2,630,000 Shares Under the Stock Ownership Plans
3. 2,513,015,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
   Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Independent Directors' Certifications.

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: ____________________________
   JOEL P. RAQUEDAN
   Chief Legal Counsel
   Assistant Corporate Secretary

Date: April 16, 2015
April 16, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: Mr. Vicente Graciano P. Felizmenio
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Independent Directors' Certifications

Gentlemen:

In compliance with the Notice of the Securities and Exchange Commission dated October 20, 2006, attached herewith are the certifications executed by the independent directors of Manila Water Company, Inc. ("Manila Water"), namely, Messrs. Oscar S. Reyes, Jose L. Cuisia, Jr. and Jaime C. Layta and Mme. Sherisa P. Nuesa. The aforesaid independent directors were elected by the stockholders of Manila Water in their Annual Stockholders Meeting held on April 7, 2015.

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
CERTIFICATION OF INDEPENDENT DIRECTOR

I, OSCAR S. REYES, Filipino, of legal age and a resident of Unit 6 Kasiyahan Homes, 56 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of MANILA WATER CO., INC.

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

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/ Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippine Long Distance Tel. Co.</td>
<td>Director</td>
<td>2001-2010</td>
</tr>
<tr>
<td></td>
<td>Member, Advisory Board</td>
<td>2010 - present</td>
</tr>
<tr>
<td>PLDT Communications &amp; Energy Ventures Inc.</td>
<td>Director</td>
<td>2013 - present</td>
</tr>
<tr>
<td>Bank of the Philippine Islands</td>
<td>Director</td>
<td>2003 - present</td>
</tr>
<tr>
<td>Manila Electric Company</td>
<td>President &amp; CEO / Director</td>
<td>2012 - present</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>2010 - present</td>
</tr>
<tr>
<td>Pepsi Cola Products Phils. Inc.</td>
<td>Director</td>
<td>2007-present</td>
</tr>
<tr>
<td></td>
<td>Chairman</td>
<td>2012-present</td>
</tr>
<tr>
<td>Sun Life Financial Plans Inc.</td>
<td>Independent Director</td>
<td>2006 - present</td>
</tr>
<tr>
<td>Sun Life Prosperity Funds</td>
<td>Independent Director</td>
<td>2002 - present</td>
</tr>
<tr>
<td>Grepalife Dollar Bond Fund Corporation</td>
<td>Independent Director</td>
<td>2011 - present</td>
</tr>
<tr>
<td>Grepalife Fixed Income Fund Corporation</td>
<td>Independent Director</td>
<td>2011 - present</td>
</tr>
<tr>
<td>Grepalife Bond Fund Corporation</td>
<td>Independent Director</td>
<td>2011 - present</td>
</tr>
<tr>
<td>Basic Energy Corporation</td>
<td>Independent Director</td>
<td>2007 - present</td>
</tr>
<tr>
<td>Cosco Capital Corporation</td>
<td>Independent Director</td>
<td>2009 - present</td>
</tr>
<tr>
<td>Petrolift Inc.</td>
<td>Independent Director</td>
<td>2007 - present</td>
</tr>
<tr>
<td>Eramen Minerals, Inc.</td>
<td>Independent Director</td>
<td>2004-present</td>
</tr>
<tr>
<td>Redondo Peninsula Energy Inc.</td>
<td>Chairman</td>
<td>2011-present</td>
</tr>
<tr>
<td>Meralco Industrial Engineering Services Inc.</td>
<td>Chairman</td>
<td>2010 - present</td>
</tr>
<tr>
<td>Meralco Energy Inc.</td>
<td>Chairman</td>
<td>2010 - present</td>
</tr>
<tr>
<td>CIS Bayad Center, Inc.</td>
<td>Chairman</td>
<td>2010 - present</td>
</tr>
</tbody>
</table>
5. I shall inform the corporate secretary of Manila Water Co., Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 8th day of April, 2015, at Quezon City.

[Signature]

Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of [City], this [Date] day of April, 2015. The affiant, whom I identified through the following competent evidence of identity: Philippine Passport No. EB 330979 expiring on 12 June 2018, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

WITNESS MY HAND AND SEAL on the date and at the place first abovementioned.

[Signature]

Notary Public
CERTIFICATION OF INDEPENDENT DIRECTORS

I, JOSE L. CUISIA, JR., 70, of legal age, and resident of 2253 R Street NW, Washington, D.C. 20008, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company.

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

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPI-Philam Assurance Company</td>
<td>Director</td>
<td>5 years</td>
</tr>
<tr>
<td>SM Prime Holdings</td>
<td>Vice Chairman, Independent Director</td>
<td>21 years</td>
</tr>
<tr>
<td>Phinma Corporation</td>
<td>Independent Director</td>
<td>21 years</td>
</tr>
<tr>
<td>Phinma, Inc.</td>
<td>Independent Director</td>
<td>3 years</td>
</tr>
<tr>
<td>The Covenant Car Company</td>
<td>Chairman of the Board</td>
<td>4 years</td>
</tr>
<tr>
<td>AIG Shared Services (Asia)</td>
<td>Independent Director</td>
<td>13 years</td>
</tr>
<tr>
<td>Five J's Diversified Holdings</td>
<td>Chairman – Majority Shareholder</td>
<td>16 years</td>
</tr>
<tr>
<td>Ademi Properties, Inc.</td>
<td>Chairman – Majority Shareholder</td>
<td>14 years</td>
</tr>
<tr>
<td>JVC Holdings, Inc.</td>
<td>Chairman – Majority Shareholder</td>
<td>12 years</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Manila Water Company as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the Corporate Secretary of Manila Water Company of any changes in the abovementioned information within five days of its occurrence.

Done this 7th day of April 2015 in Makati City, Philippines.

[Signature]

JOSE L. CUISIA, JR.
Affiant

[Seal]

[Seal]

[Seal]

[Seal]
CERTIFICATION OF INDEPENDENT DIRECTORS

1. I, JAIME C. LAVA, Filipino of legal age, and with office address at Suite 703 Midland Mansion Condominium A. Arnaiz Avenue, Makati City, after having been duly sworn in accordance with law, do hereby declare that:

2. I am an Independent Director of Manila Water Company, Inc.;

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

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippine Trust Company (Philtrust Bank)</td>
<td>Chairman and President</td>
<td>2004-present</td>
</tr>
<tr>
<td>Philippine AXA Life Insurance Co., Inc.</td>
<td>Director</td>
<td>2005-present</td>
</tr>
<tr>
<td>GMA Network, Inc. and</td>
<td>Independent Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>GMA Holdings, Inc.</td>
<td>Independent Director</td>
<td>2010-present</td>
</tr>
<tr>
<td>Ayala Land, Inc.</td>
<td>Independent Director</td>
<td>2013-present</td>
</tr>
<tr>
<td>Osmeña-Teller Foundation of the Philippines, Inc.</td>
<td>Chairman</td>
<td>2015-present</td>
</tr>
<tr>
<td>Don Norberto Ty Foundation, Inc.</td>
<td>Chairman</td>
<td>1979-present</td>
</tr>
<tr>
<td>Our Lady of the Immaculate Concepcion</td>
<td>Trustee</td>
<td>ca. 1979-present</td>
</tr>
<tr>
<td>Heart Foundation of the Philippines, Inc.</td>
<td>Trustee</td>
<td>1981-present</td>
</tr>
<tr>
<td>Christ Foundation, Inc.</td>
<td>Trustee</td>
<td>1998-present</td>
</tr>
<tr>
<td>St. Paul University - Quezon City</td>
<td>Trustee</td>
<td>2002-present</td>
</tr>
<tr>
<td>FundacioSa Santiaga, Inc.</td>
<td>Trustee</td>
<td>2009-present</td>
</tr>
<tr>
<td>Cultural Center of the Philippines</td>
<td>Trustee</td>
<td>1999-present</td>
</tr>
<tr>
<td>Metropolitan Museum of Manila</td>
<td>Trustee</td>
<td>2004-present</td>
</tr>
<tr>
<td>Yuchengco Museum</td>
<td>Trustee</td>
<td>ca. 1999-present</td>
</tr>
<tr>
<td>Society for Cultural Protection, Inc.</td>
<td>Trustee</td>
<td>2009-present</td>
</tr>
<tr>
<td>Ayala’s Foundation, Inc.</td>
<td>Trustee</td>
<td>2013-present</td>
</tr>
<tr>
<td>Manila Polo Club</td>
<td>Trustee</td>
<td>2014-present</td>
</tr>
<tr>
<td>Philippine Opera Society Foundation, Inc.</td>
<td>Trustee</td>
<td>2014-present</td>
</tr>
<tr>
<td>Various family corporations</td>
<td>Director</td>
<td>ca. 1969-present</td>
</tr>
</tbody>
</table>

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

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of Manila Water Company, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 4th day of April two thousand and fifteen at Makati City.

JAIME C. LAYA
Affiant

SUBSCRIBED AND SWORN to before me this 4th day of April, two thousand and fifteen, at Quezon City, affiant personally appeared before me and exhibited to me his Passport No. EC3123777 issued at Manila on January 7, 2015.

JOY VICENTE Public Notary Public
MY COMMISSION ENDED ON DEC. 31, 2014
BASEMENT KATIPUNAN
BASEMENT KATIPUNAN
BASEMENT KATIPUNAN
BASEMENT KATIPUNAN

Doc. No. 262
Page No. 67
Book No. 2
Series of 2015.
CERTIFICATION OF INDEPENDENT DIRECTORS

1. SHERISA P. NUESA, Filipino, of legal age, and resident of 306 Lian Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with the law do hereby declare that:

   1. I am an independent director of Manila Water Company.

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

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALFM Mutual Fund Group</td>
<td>President/Board member</td>
<td>May 2012</td>
</tr>
<tr>
<td>Far Eastern University, Inc.*</td>
<td>Board Director</td>
<td>August 2010</td>
</tr>
<tr>
<td>East Asia Computer Center*</td>
<td>Board Director</td>
<td>March 2014</td>
</tr>
<tr>
<td>FERN Realty Corp.*</td>
<td>Board Director</td>
<td>August 2012</td>
</tr>
<tr>
<td>East Asia Educational Foundation*</td>
<td>Board Director</td>
<td>March 2014</td>
</tr>
<tr>
<td>FEU Retirement Fund</td>
<td>Board Director</td>
<td>June 2012</td>
</tr>
<tr>
<td>ING Foundation, Inc. (Phil.)*</td>
<td>Board Director</td>
<td>July 2012</td>
</tr>
<tr>
<td>Institute of Corporate Directors (ICD)</td>
<td>Board Trustee</td>
<td>May 2012</td>
</tr>
<tr>
<td>Financial Executives Institute of the Phils (FINEX)</td>
<td>Board Director</td>
<td>January 2012</td>
</tr>
<tr>
<td>Vicsal Development Corporation</td>
<td>Board Adviser/Consultant</td>
<td>March 2012</td>
</tr>
</tbody>
</table>

* Independent Board Director/Trustee

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

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of Manila Water Company of any changes in the abovementioned information within five days of its occurrence.

Done this ___ day of April 2018 at Quezon City.

SHERISA P. NUESA
Affiant
SUBSCRIBED AND SWORN to before me, a notary public in and for the City of
this 10 day of April 2015. The affiant, whom I identified through the following
competent evidence of identity: Philippine Passport No. EC 1320564 expiring on 03 June 2019,
personally signed the foregoing instrument before me and avowed under penalty of law to the
whole truth of the contents of said instrument.

WITNESS MY HAND AND SEAL on the date and at the place first abovementioned.

NOTARY PUBLIC

[Signature]

[Stamp]
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOHIEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

SEC Form 17C
STOCK

FORM 17C
Any
Month Day Fiscal Year

Secondary License Type, If Applicable

Depts. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Foreigner

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LOC

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 10, 2015
Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 065-038-428

4. MANILA WATER COMPANY, INC.
Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer's principal office
2F MWSS Admin. Bldg., 488 Katipunan Road, Balaup, Quezon City
Postal Code 1105

8. Issuer's telephone number, including area code
(02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each — 2,053,915,884

   b. Debt Securities

---

1 2,016,184,996 Outstanding Common Shares
   177,217,224 Shares Under the Stock Ownership Plan
   2,053,915,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on the Term-Loan Facility for Clark Water Corporation.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: April 10, 2015
April 10, 2015

SECURITIES AND EXCHANGE COMMISSION
Attention: Mr. Vicente Graciano P. Felizmenio, Jr.  
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE INC.
Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Re: Term-Loan Facility for Clark Water Corporation

Gentlemen:

Please be informed that today, Clark Water Corporation ("Clark Water"), a wholly-owned subsidiary of Manila Water Company, Inc., signed a Term Loan Agreement in the amount of PHP1.15 Billion with Rizal Commercial Banking Corporation. The proceeds of the loan will be used to partially finance Clark Water’s Capital Expenditure Program.

Clark Water is the concessionaire of Clark Development Corporation under a 40-year contract for the construction, management, operation and maintenance of the water and wastewater facilities in the concession area.

Sincerely,

[Signature]

JHOEL P. RAQUEDAN  
Chief Legal Counsel  
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 7, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer’s principal office
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02) 981-8122 / (02) 981-8179

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,915,884

    b. Debt Securities

1. 2,016,192,659  Outstanding Common Shares
2. 3,733,264  Shares Under the Stock Ownership Plan
3. 2,053,915,884  Shares
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the Results of the Annual Stockholders’ Meeting, Organizational Board Meeting, and Meeting of the Non-executive Directors held on April 7, 2015.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: __________________________

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: April 7, 2015
7 April 2015

SEcurities AND exchange Commission
Sec. Building, EOSA, Greenhills,
Mandaluyong City, Metro Manila

Attention       .  Director vicente graciano p. felizmenio, Jr.
Markets & Securities Regulation Department

The Philippine stock exchange, Inc.
Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Attention       .  Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject         :  Results of the Annual Stockholders’ Meeting, Organizational Board
Meeting, and Meeting of the Non-executive Directors

Gentlemen:

Please be informed that at the annual stockholders meeting held today, at 3:00 p.m., the
stockholders approved the following acts and/or passed the following resolutions:

1. Approval of minutes of previous meeting
   Resolution No. 1 (2015): “RESOLVED, to approve the minutes of the annual stockholders’
   meeting held on 4 April 2014.”

2. Approval of annual report and audited financial statements
   Resolution No. 2 (2015): “RESOLVED, to approve the annual report and the 2014 audited
   financial statements of the Company.”

3. Ratification of all acts and resolutions of the Board of Directors and Management adopted
during the preceding year
   Resolution No. 3 (2015): “RESOLVED, to approve and ratify all acts and resolutions of the
   Board of Directors, the Board Committees, as well as all the acts of the management and
   officers of the Company taken or adopted since the annual stockholders’ meeting on 4 April
   2014 until 7 April 2015.”

Manila water company, Inc.
Manila water company building and kalawanan road, 10th balboaquezon city philippines
T.: (632) 571-9600 - Customer Service hotline 1829 - W: www.manilawater.com
4. Election of the following as Directors:
   a. Fernando Zobel de Ayala
   b. Jaime Augusto Zobel de Ayala
   c. Gerardo C. Ablaza, Jr.
   d. Antonino T. Aquino
   e. Delfin L. Lazaro
   f. John Eric T. Francia
   g. Victoria P. Garchitorena
   h. Jaime C. Laya (Independent)
   i. Jose L. Cuisia, Jr. (Independent)
   j. Oscar S. Reyes (Independent)
   k. Sherisa P. Nuesa (Independent)

6. Re-Appointment of SyCip Gorres Velayo & Co. as external auditor

   Resolution No. 4 (2015): “RESOLVED, to approve the re-appointment of the firm of SyCip Gorres Velayo & Company as external auditor of the Company for the fiscal year January 1, 2015 to December 31, 2015 for an audit fee of Pesos: Two Million (P2,000,000.00), exclusive of value-added tax and out-of-pocket expenses.”

At the organizational meeting, the newly-elected Board of Directors approved the following appointments:

1. Board Chairman and Vice Chairman
   - Fernando Zobel de Ayala
     Chairman
   - Jaime Augusto Zobel de Ayala
     Vice Chairman

2. Board Committee Compositions

   Executive Committee
   - Fernando Zobel de Ayala
     Chairman
   - Gerardo C. Ablaza, Jr.
     Vice Chairman
   - Antonino T. Aquino
     Member
   - John Eric T. Francia
     Member
   - Sherisa P. Nuesa (Independent)
     Member

   Audit and Governance Committee
   - Oscar S. Reyes (Independent)
     Chairman
   - Jose L. Cuisia, Jr. (Independent)
     Member
   - Jaime C. Laya (Independent)
     Member
   - Victoria P. Garchitorena
     Member
Nomination Committee
Jose L. Cuisia, Jr. (Independent)  Chairman
Oscar S. Reyes (Independent)  Member
Jaime C. Laya (Independent)  Member
Jaime Augusto Zobel de Ayala  Member

Remuneration Committee
Oscar S. Reyes (Independent)  Chairman
Jose L. Cuisia, Jr. (Independent)  Member
Sherisa P. Nuesa (Independent)  Member
Fernando Zobel de Ayala  Member

Committee of Inspectors of Ballots and Proxies
MWC Chief Internal Auditor  Chairman
Atty. Jhoel P. Raquedan  Member
Representative of External Auditor  Member

3. Key Officers
Gerardo C. Ablaza, Jr.  President and Chief Executive Officer
Luis Juan B. Oreta  Chief Finance Officer and Treasurer
Compliance Officer
Group Director, Corporate Finance and Governance
Virgilio C. Rivera, Jr.  Chief Operations Officer - New Business Operations
Ferdinand M. Dela Cruz  Chief Operations Officer - Manila Water Operations
Geodino V. Carpio  Group Director
Corporate Operations – Manila Water Operations
Abelardo P. Basilio  Group Director
Strategic Asset Management – Manila Water Operations
Rodell A. Garcia  Group Director
Chief Technology Adviser – Manila Water Operations
Thomas T. Mattison  Group Director
Corporate Project Management – Manila Water Operations
Solomon M. Hermosura  Corporate Secretary
Jhoel P. Raquedan Assistant Corporate Secretary

Ma. Victoria P. Sugapung Chief Risk Officer

Finally, immediately after the Organizational Board meeting, the non-executive directors of Manila Water held a meeting.

Thank you.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER COMPANY INC
MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

931-8122
Company Telephone Number

1231
Month Day Fiscal Year

FORM 17C
SEC Form

STOCK
FORM TYPE

04
Any Month Day Annual Meeting

Secondary License Type, if Applicable

Debt Security this Doc.

Amended Article Number Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

His Number

LCU

Document No.

Cashier

STAMPS
1. **April 8, 2015**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number**  **A 1996-11593**

3. **BIR Tax Identification No.**  **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**
   **Quezon City, Philippines**

6. **Industry Classification Code.**  **[SEC Use Only]**

7. **Address of issuer's principal office**
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   **Postal Code 1105**

8. **Issuer’s telephone number, including area code**
   **(02) 981-8122 / (02) 981-8179**

9. **Former name or former address, if changed since last report**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**
    a. **Shares of Stock**
       Common Shares, par value P1.00 each – 2,053,915,884
    b. **Debt Securities**

---

1. 2,053,915,884 Common Shares
   17,521,764 Shares Under the Stock Ownership Plan
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) on the Clarification of News Article.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: _________________________

SHOELA. BAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: April 8, 2015
8 April 2015

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion,
Head, Disclosure Department

Re: Clarification of News Article

Gentlemen:

We reply to your request for clarification of the news article entitled “Manila Water to ramp up annual spending to over P10 billion” posted in BusinessWorld Online on April 7, 2015. The article reported in part that:

"MANILA WATER Co., Inc. plans to ramp up its capital spending to over P10 billion starting 2016, company officials said yesterday, on prospects its rate dispute with the Metropolitan Waterworks and Sewerage System (MWSS) would be resolved within this quarter...”

We would like to confirm that Manila Water Company, Inc. (“Manila Water” or the “Company”) will indeed annually increase its capital expenditures beginning 2016, which the Company projects will eventually reach more than P10 billion. This projection is aligned to the rate rebasing Business Plan submitted to Metropolitan Waterworks and Sewerage System-Regulatory Office (MWSS-RO) in 2013.

As a background, Manila Water undergoes a rate rebasing exercise with MWSS-RO every five years, where a long-term business plan is submitted and is approved by the MWSS-RO being the Company’s regulator. The Business Plan contains the capital and operating expenditures to be spent until the end of the concession period. Due to the pending arbitration proceedings with MWSS which was commenced by the Company in 2013, Manila Water managed to spend capital expenditures of P4 billion in 2014, lower than the target spend of P5 to P8 billion. The Company expects to build up capital expenditures above P10 billion on an annual basis starting 2016 with the expectation that CAPEX levels set in the plan will be met upon the receipt of the Appeals Panel’s Final Award and the consequent approval and implementation of the 2013 Business Plan.

We trust that the foregoing satisfies your request for clarification.

Very truly yours,

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building,
4230 Katipunan Road, 105 Batasan,
Quezon City, Philippines
T: (822) 917-5900
W: www.manilawater.com
Customer Service Hotline 1077
SEcurities and Exchange Commission

SEC Building, BSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0030 to 39 Fax: (632) 726-5553 Email: mis@seac.gov.ph

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Company Representative: __________________________

Doc Source: __________________________

Company Information
SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 103172015000979
Document Type: 17-C (FORM 11-C: CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: March 16, 2015
No. of Days Late: 0
Department: CFD
Remarks: __________________________
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel. (632) 755-6911 to 30 Fax: (632) 755-6933 Email: mis@sec.gov.ph

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Company Information

Company Registration No.: A199611593
Company Name: MANILA WATER CO., INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 103172015000979
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: March 16, 2015
No. of Days Late: 0
Department: CFD
Remarks:
MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

981-6122

Notice of ASM
Month: 12
Day: 31
Fiscal Year

STOCK FORM TYPE 04

Any Month
Annual Meeting

Secondary License Type, if Applicable

Debt Requiring this Uoc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

To be accomplished by SEC Personnel concerned

File Number

LCO

Document ID

Cachet

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. March 16, 2015
Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer's principal office
2F MWSS Admin. Bldg., 489 Kalipunan Road, Balara, Quezon City
Postal Code 1105

8. Issuer's telephone number, including area code
(02)981-8179 or (02)981-8133 or (02)981-8122

9. Former name or former address, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each: 2,015,915,984

   b. Debt Securities

1. 2,015,915,984 Outstanding Common Shares
2. 35,721,784 Shares Under the Stock Ownership Plans
3. 2,101,174,384
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the revised notice of annual stockholders meeting.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: ____________________________

[Signature]

KIOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: March 16, 2015
March 16, 2015

SEcurities and Exchange COMmission
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmanio, Jr.
Director, Markets and Securities Regulation Department

PHILippine stock exchange, Inc.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Revised Notice of Annual Stockholders Meeting

Gentlemen

Please see attached revised Notice of Annual Stockholders Meeting of Manila Water Company, Inc. which clarifies the Record Date as February 16, 2015.

Very truly yours,

JOSEPHINE P. PAGDANGANAN
Senior Legal Counsel
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MANILA WATER COMPANY, INC. will be held at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City on Tuesday, April 7, 2015, at 3:00 P.M., with the following

AGENDA

1. Call to Order
2. Notice of Meeting, Certification of quorum and Rules of Conduct and Voting Procedures
3. Approval of the minutes of the meeting of stockholders on April 4, 2014
4. Reports of the Chairman of the Board of Directors and the President
5. Annual Report and Approval of the Audited Financial Statements as of December 31, 2014
6. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Board Committees, Management Committees and officers of the Company
7. Election of directors, including independent directors
8. Re-appointment of the external auditor and fixing of its remuneration
9. Consideration of such other business as may properly come before the meeting
10. Adjournment

In accordance with Section 8, Article II of the Company’s By Laws, the Board has fixed February 16, 2015 as the record date for the stockholders entitled to notice and vote at this meeting.

In accordance with Section 7, Article II of the Company’s By Laws, any stockholder who wishes to authorize a proxy to act for and in his behalf during the meeting shall submit duly accomplished proxies to the Office of the Corporate Secretary on or before March 25, 2015 at the 2/F MWSS Administration Building 489 K. A. 21 Road, Malate, Quezon City. Validation of proxies is set on March 27, 2015.

The Annual Meeting of Stockholders will be followed by an organizational meeting of the Board of Directors for the election of the officers of the Company and for the transaction of such other business as may properly come before the meeting.

For the details and rationale of each agenda item, and the draft resolutions, if applicable, please refer to Annex “A”.

Balara, Quezon City, March 16, 2015.

SOLOMON M. HERMOSURA
Corporate Secretary
DETAILS AND RATIONALE OF THE AGENDA

1. Call to Order

The Chairman of the Board of Directors, and the chairman of the meeting, Mr. Fernando Zobel de Ayala, will call the meeting to order.

2. Notice of Meeting, Certification of quorum and Rules of Conduct and Voting Procedures

The Corporate Secretary will certify the date when written notice of the date, time, place, and purpose of the meeting was sent to all stockholders of record as of February 16, 2015, and the date of publication of the notice in the newspapers of general circulation.

The Corporate Secretary will further certify the presence of a quorum. The holders of record for the time being of a majority of the stocks of the Company then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of the business.

The following are the Rules of Conduct and Voting Procedures:

a. Anyone who wish to make a remark or to make a query shall identify himself after being acknowledged by the Chairman and shall limit his remarks and query to the item in the agenda under consideration.

b. On the voting procedures, stockholders may opt for manual or online voting. For manual voting, each stockholder will be given a ballot upon registration to enable the stockholder to vote in writing per item in the agenda. For online voting, there will be computer stations placed outside the Ballroom where stockholders may cast their votes online. Both ballot and website platform will state the proposed resolutions for consideration by the stockholders and each proposed resolution will be shown on the screen as the same is taken up at the meeting.

c. All the items in the agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting capital stock. Each outstanding share of stock entitles the registered stockholder to one vote. All votes received shall be tabulated by the Office of the Corporate Secretary, and the results shall be validated by an independent party to be announced at the meeting.

The election of the directors shall be by plurality of votes and every stockholder shall be entitled to cumulate his votes.
3. Approval of the minutes of the meeting of stockholders on April 4, 2014

Copies of the minutes of the stockholders meeting held on April 4, 2014 will be distributed to the stockholders upon their registration for this meeting. The minutes are also available at the Company website, www.manilawater.com.

The stockholders will be requested to approve the draft minutes of previous stockholders’ meeting and to acknowledge the completeness and accuracy thereof.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the minutes of the annual stockholders’ meeting held on April 4, 2014."

4. Reports of the Chairman of the Board and the President

The Chairman, Mr. Fernando Zobel de Ayala, and the President, Mr. Gerardo C. Ablaza, Jr. will deliver their reports on the highlights of the Y2014 Company performance as reflected in the audited financial statements, and the outlook for Y2015.

5. Approval of the Annual Report and of the Audited Financial Statements as of December 31, 2014

The Chairman will request the stockholders’ approval of the annual report and the audited financial statements as of December 31, 2014.

The stockholders will be given opportunity to ask questions prior to submitting the Annual Report and the Audited Financial Statements for approval by the stockholders. Copies of the Annual Report and the Audited Financial Statements will be distributed to the stockholders before the meeting. Further, the Audited Financial Statements will be released by the Company and be made available at the Company website, www.manilawater.com.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the annual report and the 2014 audited financial statements of the Company."

6. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Board Committees, Management and officers of the Company

The Chairman will request the stockholders to ratify all acts and resolutions adopted during the preceding year by the Board of Directors, the Board Committees, Management Committee and the officers of the Company.
The acts and resolutions of the Board and its Committees are reflected in the minutes of meetings and they include approval of contracts and agreements, projects and investments, treasury matters and acts and resolutions covered by disclosures to the SEC and PSE. The acts of the Management and officers were those taken to implement the resolutions of the Board or its Committees or taken in the general conduct of business.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve and ratify all acts and resolutions of the Board of Directors, all the Board Committees, as well as all the acts of the Management and officers of the Company taken or adopted since the annual stockholders' meeting on April 4, 2014 until April 7, 2015."

7. Election of directors, including independent directors

In accordance with Section 2, Article II of the Company's By Laws, all nominations to the Board of Directors must be submitted in writing to the Nomination Committee on or before February 20, 2015. The Nomination Committee, in the exercised of its assigned task under its charter and the Manual of Corporate Governance of the Company, shall evaluate and determine whether the nominees for election to the Board of Directors including the independent directors, have all the qualifications and none of the disqualifications before submitting the nominees for election by the stockholders of the eleven (11) members of the Board of Directors including the independent directors.

Copies of the curriculum vitae and profiles of the candidates to the Board of Directors will be provided in the Preliminary Information Statement and in the Definitive Information Statement.

8. Re-appointment of the external auditor and fixing of its remuneration

The external auditor of the Company is tasked with the preparation of its annual audited financial statements.

The stockholders approval for the re-appointment of Sycip Gorres Velayo and Company, the Company's external auditor, will be sought at the meeting.

The Audit Committee will endorse to the stockholders the re-appointment of SGV as external auditor for the ensuing year, as well as the proposed remuneration. The profile of the external auditor will be provided in the Preliminary Information Statement and the Definitive Information Statement.
Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the re-appointment of the firm of SyCip Gorres Velayo & Company as external auditor of the Company for the fiscal year January 1, 2015 to December 31, 2015."

9. Consideration of such other business as may properly come before the meeting.

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may also propose to consider such other relevant matters and issues.

10. Adjournment

Upon determination by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman shall declare the meeting adjourned.

---

Section 7. Article II, By Laws

Section 7. Election of Directors. The directors of the Corporation shall be elected by majority vote at the annual meeting of the stockholders at which a quorum is present. At each election for directors every stockholder shall have the right to vote in person or proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes at the same principle among any number of candidates.
Barcode Page

The following document has been received:

Receiving Officer/Encoder : Edmundo Guia
Receiving Branch : SEC Head Office
Receipt Date and Time : March 17, 2015 11:42:51 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. A199611593
Company Name MANILA WATER CO INC
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 1031720150000974
Document Type : 7-C (FORM 11-C CURRENT DISC/LRPT)
Document Code 17-C
Period Covered March 13, 2015
No. of Days Late 0
Department CFD
Remarks
Barcode Page

The following document has been received:

Receiving Officer/Encoder: Edmundo Guia
Receiving Branch: SEC Head Office
Receipt Date and Time: March 17, 2015 11:42:51 AM
Received From: Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO INC.
Industry Classification
Company Type: Stock Corporation

Document Information

Document ID: 103172015000074
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: March 13, 2015
No. of Days Late: 0
Department: CFD

Remarks
COVER SHEET

MANILA WATER COMPANY, INC

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Conc. Person

981-8122
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM Type-E

04 Any
Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. March 13, 2015  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1995-11593

3. BIR Tax Identification No 005-038-428

4. MANILA WATER COMPANY, INC.  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of Issuer's principal office  
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City 1105

8. Issuer's telephone number, including area code  
   (02)981-8122 / (02)981-8179

9. Former name or former address, if changed since last report  
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,053,915,884¹

    b. Debt Securities

¹ 2,053,915,884 Outstanding Common Shares
   17,221,786 Shares Issued Under the Sabsa Ownership Plan
   3,053,915,884
None

Registrant has no other registered securities other in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned:

MANILA WATER COMPANY, INC.

Issuer

By:

AHOEL F. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: March 13, 2015
March 13, 2015

SECURITIES AND EXCHANGE COMMISSION
Attention: Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Foreign Currency Differential Adjustment

Gentlemen:

Effective April 1, 2015, water rates for the customers of Manila Water Company, Inc. ("Manila Water") will have a Foreign Currency Differential Adjustment (FCDA) of PhP0.05 per cubic meter. This is based on the exchange rates of US$1:PhP44.6044 and JPY1:PhP0.3764. The FCDA component of the water bill of Manila Water customers will be adjusted to 0.18% of the basic charge for the second quarter of 2015.

As provided in the Concession Agreement between Manila Water and the Metropolitan Waterworks and Sewerage System (MWSS), as amended, the FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS, as well as loans of Manila Water for service expansion and improvement of its services. The FCDA has no impact on the projected net income of Manila Water.

Very truly yours,

Khoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administrative Building 4th Floor, Meralco Road, Ortigas Center, Pasig City, Philippines
T. (632) 917 5900 - Customer Service Hotline 1627 - W. www.manilawater.com
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Menes S. Guevera
Receiving Branch: SEC Head Office
Receipt Date and Time: February 13, 2015 04:35:21 PM
Received From: Head Office

Company Information

Company Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 102132015001958
Document Type: 17-C (FORM 11-C: CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: February 12, 2015
No. of Days Late: 0
Department: CRD
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING
488 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

091-8122
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

0 4 Any
Month Day
Annual Meeting

Secondary License Type If Applicable

Debt, Requiring this Doc.

Amendment Article Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID
Cabinet

STAMPS
SEcurities And Exchange Commission

SFC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. February 12, 2015
   Date of Report (Date of earliest event reported)

2. SFC Identification Number A 1996-11593

3. BIR Tax Identification No. 095-038-428

   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of Issuer's principal office
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Baguio, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 881-8127 / (02) 881-8179 / (02) 881-8129

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each 2,053,915,884

   b. Debt Securities

   2,053,915,884 Shares Under the Stock Ownership Plans
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
    Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

    Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated February 12, 2015 on the Unaudited Full Year 2014 Performance Results.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By:  

HOEL P. RAQUEDAN  
Chief Legal Counsel  
Assistant Corporate Secretary

Date: February 12, 2015
February 12, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Unaudited Full Year 2014 Performance Results

Gentlemen:

Manila Water announces today its unaudited full year 2014 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

JOEL E. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
Miraflores Administration Building,
459 Katipunan Avenue, Upper Bicutan,
Davao City, Philippines
Tel: (032) 847 5000
Web: www.manilawater.com
Customer Service Hotline: 857
## Manila Water Financial and Operating Highlights (Consolidated)

<table>
<thead>
<tr>
<th></th>
<th>2014 (In Million Php)</th>
<th>2013 (In Million Php)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>16,357</td>
<td>15,526</td>
<td>3%</td>
</tr>
<tr>
<td>Costs and Operating Expenses</td>
<td>5,088</td>
<td>4,654</td>
<td>9%</td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td>291</td>
<td>375</td>
<td>(122%)</td>
</tr>
<tr>
<td>Equity Share in net income of associates</td>
<td>357</td>
<td>294</td>
<td>22%</td>
</tr>
<tr>
<td>Others</td>
<td>(66)</td>
<td>81</td>
<td>(181%)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>11,581</td>
<td>11,647</td>
<td>(1%)</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>72%</td>
<td>73%</td>
<td>(2%)</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>2,444</td>
<td>2,495</td>
<td>(2%)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>1,451</td>
<td>1,581</td>
<td>(7%)</td>
</tr>
<tr>
<td>Provision for income Tax</td>
<td>1,846</td>
<td>1,812</td>
<td>1%</td>
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<tr>
<td>Non-controlling Interests</td>
<td>17</td>
<td>28</td>
<td>(40%)</td>
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<tr>
<td>Net Income</td>
<td>5,813</td>
<td>5,751</td>
<td>1%</td>
</tr>
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<tr>
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<th>December 31, 2014</th>
<th>December 31, 2013</th>
<th>% Change</th>
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<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Current Assets</td>
<td>9,094</td>
<td>9,069</td>
<td>0%</td>
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<tr>
<td>Noncurrent Assets</td>
<td>65,766</td>
<td>63,788</td>
<td>3%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>74,860</td>
<td>72,858</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Liabilities and Stockholders’ Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>7,858</td>
<td>8,073</td>
<td>(2%)</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>31,900</td>
<td>33,732</td>
<td>-5%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>39,758</td>
<td>41,805</td>
<td>(5%)</td>
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<tr>
<td>Stockholders’ Equity</td>
<td>35,102</td>
<td>31,054</td>
<td>13%</td>
</tr>
<tr>
<td>Total Liabilities and Stockholders’ Equity</td>
<td>74,860</td>
<td>72,857</td>
<td>3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014 (in mcm)</th>
<th>2013 (in mcm)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Billed Volume</strong></td>
<td>671.2</td>
<td>599.4</td>
<td>12%</td>
</tr>
<tr>
<td>East Zone</td>
<td>449.0</td>
<td>433.6</td>
<td>4%</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>4.0</td>
<td>3.6</td>
<td>11%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>11.6</td>
<td>9.8</td>
<td>18%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>31.8</td>
<td>11.4</td>
<td>179%</td>
</tr>
<tr>
<td>Thu Duc Water</td>
<td>119.7</td>
<td>120.4</td>
<td>(1%)</td>
</tr>
<tr>
<td>Kenh Dung Water</td>
<td>55.2</td>
<td>20.6</td>
<td>168%</td>
</tr>
<tr>
<td><strong>Total Water Service Connections</strong></td>
<td>2014</td>
<td>2013</td>
<td>% Change</td>
</tr>
<tr>
<td>East Zone</td>
<td>949,230</td>
<td>921,898</td>
<td>3%</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>6,125</td>
<td>5,647</td>
<td>8%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>1,978</td>
<td>3,975</td>
<td>0%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>90,036</td>
<td>66,433</td>
<td>35%</td>
</tr>
</tbody>
</table>
SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving Officer/Encoder: Marites S. Guevara
Receiving Branch: SEC Head Office
Receipt Date and Time: February 11, 2015 01:40:10 PM
Received From: Head Office

Company Information
SEC Registration No.: A199611593
Company Name: MANILA WATER CO., INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 102112015001531
Document Type: 17-C (FORM 11-C;CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: February 11, 2015
No. of Days Late: 0
Department: CFO
Remarks:
SEcurities AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report: February 11, 2015
   (Date of earliest event reported)

2. SEC Identification Number: A 1996-11593

3. BIR Tax Identification No.: 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization:
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer’s principal office:
   Postal Code:
   2F MWS5 Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code:
   (02) 981-8122 / (02) 981-8179 / (02) 981-8129

9. Former name or former address, if changed since last report:
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each - 2,047,519,110

   b. Debt Securities

   2,047,519,110
   Outstanding Common Shares
   31,812,923 Shares Issued and Outstanding Under Plans
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated February 11, 2015 on the Appointment of Officer.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

By:  

PHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: February 11, 2015
February 11, 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention: Mr. Vicente Graciano P. Felixmenio, Jr.
               Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention: Ms. Janet A. Encarnacion
               Head, Disclosure Department

Subject: Appointment of Officer

Gentlemen:

Please be informed that today, the Executive Committee of Manila Water Company, Inc. approved the appointment of Mr. Thomas T. Mattison as Group Director for Project Delivery effective March 1, 2015.

Thank you very much.

Very truly yours,

[Signature]

NOE Gonzalez
Chief Legal Counsel
Assistant Corporate Secretary
BARCODE PAGE

The following document has been received:

Receiving Officer/Encoder: Marites S. Guvona
Receiving Branch: SFC Head Office
Receipt Date and Time: February 10, 2015 01:51:02 PM
Received From: Head Office

Company Representative

Doc. Source

Company Information
SEC Registration No.: A109611593
Company Name: MANILA WATER CO., INC.
Industry Classification: Stock Corporation
Company Type: Stock Corporation

Document Information
Document ID: 102102015001325
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: February 06, 2015
No. of Days Late: 0
Department: CFD
Remarks

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDCA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (02) 728-0331 x 20 Fax: (02) 728-6256 Email: rile@sec.gov.ph
1. **February 6, 2015**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number**: A1996-11593

3. **BIR Tax Identification No.**: 005-038-428

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**
   Quezon City, Philippines

6. **Industry Classification Code**: [ ] (SEC Use Only)

7. **Address of issuer’s principal office**: 2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   **Postal Code**: 1105

8. **Issuer’s telephone number, including area code**
   (02)981-8122 / (02)981-8178 / (02)981-8129

9. **Former name or former address, if changed since last report**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**

    a. **Shares of Stock**
       Common Shares, par value P1.00 each – 2,047,519,110

    b. **Debt Securities**

---

*2,047,519,110^1* Outstanding Common Shares
31,120,000^2 Shares Under the Stock Ownership Plan

---

^1 Outstanding Common Shares
^2 Shares Under the Stock Ownership Plan
None

Registrar has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrar's securities listed on stock exchange?

Yes [X]  No [  ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated February 6, 2015 on the Analysts' Briefing to be held on February 12, 2015 at 3:00 P.M. at the Barossa and Tuscany Rooms, Tower Club, 33rd Floor, Philamlife Tower, Paseo de Roxas, Makati City.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: February 6, 2015
February 6, 2015

SEcurities AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : Mr. Vicente Graciano P. Felizmenio, Jr.
            Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : Ms. Janet A. Encarnacion
            Head, Disclosure Department

Subject : Analysts’ Briefing

Gentlemen :

Please be informed that Manila Water Company, Inc. will hold its quarterly analysts’ briefing on
February 12, 2015 at 3:00 P.M. at the Barossa and Tuscany Rooms, Tower Club, 33rd Floor,
Philamlife Tower, Pasos de Roxas, Makati City.

Thank you very much.

Very truly yours,

[Signature]

JHOEL P. MABATI
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC
MVSS Administration Building,
485 Kalipunan Road, Makati,
Quezon City, Philippines
T. (02) 817 5800
W www.manilawater.com
Customer Service Hotline 1627
**Securities and Exchange Commission**

The following document has been received:

- **Receiving Officer/Encoder**: Manitos S. Guevarra
- **Receiving Branch**: SEC Head Office
- **Receipt Date and Time**: February 23, 2015 01:14:32 PM
- **Received From**: Head Office

**Company Information**

- **SEC Registration No.**: A198611893
- **Company Name**: MANILA WATER CO., INC.
- **Industry Classification**: Stock Corporation

**Document Information**

- **Document ID**: 102232015001304
- **Document Type**: 17-C (FORM 11-C: CURRENT DISCL/RPT)
- **Document Code**: 17-C
- **Period Covered**: February 20, 2015
- **No. of Days Late**: 0
- **Department**: CFD
- **Remarks**:

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*Barcode Page*
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 20, 2015**  
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A 1996-11593**

3. **BIR Tax Identification No. 005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**  
   Quezon City, Philippines

6. **Industry Classification Code:** [ ] (SEC Use Only)

7. **Address of issuer’s principal office**  
   Postal Code  
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. **Issuer’s telephone number, including area code**  
   (02) 881-8122 / (02) 881-8179

9. **Former name or former address, if changed since last report**  
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC).**

   a. **Shares of Stock**  
      Common Shares, par value P1.00 each – 2,053,915,884¹

   b. **Debt Securities**

   ¹ 2,053,915,884 Ordinary Common Shares
   22,006,246 Shares under the Black Ownership Plan
   2,633,125,884
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated February 20, 2015 on the Results of Regular Meeting of the Board of Directors.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

MHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: February 20, 2015
20 February 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

Attention : Director Vicente Graciano P. Felizmenio, Jr.
Markets & Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Results of Regular Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors of Manila Water Company, Inc. (“Manila Water”) held this morning, the Board approved and authorized the following:

1. Ratification

1.1 Acts and Resolutions of the Remuneration Committee

The Board approved and ratified the grant of stock options for 2014 to qualified officers and employees of Manila Water.

1.2 Acts and Resolutions of the Nomination Committee

The Board approved and ratified the acts and resolutions of the Nomination Committee which include:

(a) Nomination of Mr. Thomas T. Mattison for appointment as Group Director for Project Delivery Group; and
(b) Evaluation of the qualifications of the following individuals and their endorsement as nominees for the election of the eleven (11) members of the Board of Directors at the annual stockholders meeting:

(i) Fernando Zobel de Ayala  
(ii) Jaime Augusto Zobel de Ayala  
(iii) Gerardo C. Abaza, Jr.  
(iv) Antonino T. Aquino  
(v) Delfin L. Lazaro  
(vi) John Eric T. Francia  
(vii) Victoria P. Garchitorena  
(viii) Sherisa P. Nuesa (nominated as independent director)  
(ix) Oscar S. Reyes (nominated as independent director)  
(x) Jose L. Cuisia, Jr. (nominated as independent director)  
(xi) Jaime C. Layas (nominated as independent director)

1.3 Acts and Resolutions of the Executive Committee

The Board approved and ratified the appointment of Mr. Thomas T. Mattison as Group Director for Project Delivery Group.

1.4 Acts and Resolutions of the Audit and Governance Committee

The Board approved and ratified the acts and resolutions of the Audit and Governance Committee which include:

(a) Approval of the 2014 Consolidated Financial Statements of Manila Water and its subsidiaries, including the Notes to Financial Statements, the Management Discussion and Analysis, and the Management Representation Letters;
(b) Endorsement of re-election of Syco Gorres Velayo and Company in the annual stockholders meeting as external auditor of Manila Water;
(c) Approval of the revision to the Policy on Related Party Transaction;
(d) Approval of the Secondment Agreement with Manila Water Asia Pacific Pte. Ltd. pursuant to the policy on Related Party Transactions;
(e) Approval of the minutes of the Committee’s previous meeting;
(f) Approval of the Committee’s Report to the Board of Directors;
(g) Approval of the 2015 Risk Based Audit Plan of the Company;
(h) Approval of the schedules and agenda of 2015 meetings of the Committee;
(i) Discussion of the risk management and mitigation updates for the top risks of the Company and the subsidiaries;
(j) Discussion of the treasury risk exposures of the Company; and
(k) Discussion of the Internal Audit matters, including but not limited to, the status of the 2014 Audit Plan, and the Internal Audit’s Communication to the Committee and its organizational structure.
2. 2014 Audited Consolidated Financial Statements of the Company

The Board approved the 2014 Consolidated Financial Statements of the Company, audited by its external auditor, Sycip Gorres Velayo and Company.

3. Re-Election of Sycip Gorres Velayo and Company as External Auditor

The Board approved and endorsed the re-election of Sycip Gorres Velayo and Company in the annual stockholders meeting as the external auditor of the Company for the fiscal year January 1, 2015 to December 31, 2015.

4. Report of the Audit and Governance Committee to the Board

The Board approved the 2014 Report of the Audit and Governance Committee.

5. Additional Investment in Manila Water Total Solutions Corporation

The Board approved the additional investment of Four Hundred Ninety Two Million Pesos (Php 492,000,000.00) in Manila Water Total Solutions Corporation (“Total Solutions”), a wholly-owned subsidiary of the Company. The investment shall be effected at such time and frequency as may be necessary for the full commercialization of the after-the-meter products and services of Total Solutions.

Considering that there are pending regulatory requirements on the business of Total Solutions as described above, the Company shall provide the Exchange with further information when the business of the former becomes fully operational.

6. Additional Investment in Manila Water Philippine Ventures, Inc.

The Board approved the additional investment of Two Hundred Fifty Million Pesos (Php250,000,000.00) in Manila Water Philippine Ventures, Inc. (“Philippine Ventures”), a wholly-owned subsidiary of the Company. The investment shall be used to fund the operations of Philippine Ventures which is the vehicle intended by the Company to hold its investments in its domestic operating subsidiaries.

7. Cash Dividend Declaration

The Board declared the following cash dividends for the first semester of 2015:

(a) Php0.4075 per share on the outstanding Common Shares; and
(b) Php0.04075 per share on the outstanding Participating Preferred Shares.
The dividends will be paid on 20 March 2015 to stockholders of record as of 6 March 2015.

8 Signatories for Recurring Transactions

The Board approved the designation of signatories for the following recurring acts and transactions of the Company:

(a) Bank Transactions
(b) Administrative Matters and Contracts
(c) Representatives in Court Cases and Legal Proceedings

subject to the limits of authority specified in the Board resolution.

9. Revision to the Policy on Related Party Transactions

The Board approved the revision to the Policy on Related Party Transactions. The revision consists in requiring that the related party transactions of the Company be reviewed by a committee composed only of all the independent directors of the Audit and Governance Committee.

Thank you,

Very truly yours,

[Signature]

[Name]
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, BDSA, Greenhills,Mandaluyong City, Metro Manila, Philippines
Tel: (632) 754-9631 to 38 Fax: (632) 754-5293 Email: mmr@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Guevarra
Receiving Branch: SEC Head Office
Receipt Date and Time: February 03, 2015 02:55:59 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A199811593
Company Name: MANILA WATER CO INC
Industry Classification
Company Type: Stock Corporation

Document Information
Document ID: 02032015001988
Document Type: 1-C (FORM 1-C CURRENT DISC/REP)
Document Code: 17-C
Period Covered: January 30, 2015
No. of Days Late: 0
Department: CFD
Remarks: 

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

1231
Month Day Fiscal Year

SEC Form 17C
STOCK
FORM TYPE

04 Any
Months Day Annual Meeting

Secondary License Type, If Applicable

To be accomplished by SEC Personnel concerned

File Number

DOM Pending

Daouvar D.
Cashier

STAMPS
SEcurities and EXchange commIssion

sec form 17-c

current report under section 17
of the securities regulation code
and sec rule 17.2(c) thereunder

1. January 30, 2015
    Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANila WAtEr CoMpaNY, Inc.
    exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of Incorporation or organization
    Quezon City, Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office
    2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
    Postal Code 1105

8. Issuer's telephone number, including area code
    (02)981-8122 / (02)981-8179 / (02)981-8129

9. Former name or former address, if changed since last report
    Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
        Common Shares, par value P1.00 each – 2,047,519,110

    b. Debt Securities

3 2,047,519,110 Outstanding Common Shares
    11,810,503 Shares Issued the Zweiz Ownership Plans
    2,047,519,110
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [x] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated January 30, 2015 on the Joint Venture Agreement between Manila Water Company, Inc. and Zamboanga City Water District.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By: [Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: January 30, 2015
30 January 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention : Mr. Vicente Graciano P. Felixmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Joint Venture Agreement between Manila Water Company, Inc. and Zamboanga City Water District

Gentlemen :

In relation to our disclosure dated 29 December 2014, please be informed that today, Manila Water Company, Inc (“Manila Water”) and the Zamboanga City Water District (ZCWD) have signed and executed a Joint Venture Agreement to govern their relationship as joint venture partners in the conduct of Non-Revenue Water Reduction Activities (the “Project”). Manila Water and ZCWD shall thereafter cause the incorporation of a Joint Venture Company (the “JVC”) which shall perform the Project for a period of ten (10) years. Manila Water shall own seventy percent (70%) while ZCWD shall own thirty percent (30%) of the JVC’s outstanding capital stock.

Manila Water shall update the SEC and the PSE for further developments on this transaction.

Very truly yours,

JUAN P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
KVSS Administrative Building
4199 Kalikasan Road, 1103 Balaan,
Quezon City, Philippines
T: (632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1087
COVER SHEET

MANILA WATER COMPANY INC

MWSS ADMINISTRATION BUILDING

439 KATIPUNAN ROAD, BALARA 1106
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

SEC Form 17C
STOCK FORM TYPE
12 31
Month Fiscal Year

Secondary License Type, if applicable

84
Any

Dept. Receiving this Doc.

Total No. of Shareholders

To be accomplished by SEC Personnel concerned

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 2, 2015**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Philippines**

6. Industry Classification Code: **___** (SEC Use Only)

7. Address of Issuer's principal office
   Postal Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Bagar, Quezon City**  **1105**

8. Issuer's telephone number, including area code
   **(02)981-8127 / (02)981-8179 / (02)981-8129**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,047,519,110
    b. Debt Securities

---

1 2,015,788,587  Outstanding Common Shares
11,816,593  Shares Under the Direct Ownership Plans
1,247,519 110
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?

Yes [X]   No [   ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated February 2, 2015 on the Annual Stockholders' Meeting.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.

Issuer

By: ____________________________

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: February 2, 2015
2 February 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention : Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention : Ms. Janet A. Encarnadon
Head, Disclosure Department

Subject : Annual Stockholders' Meeting

Gentlemen :

Please see attached notice and agenda of our annual stockholders' meeting which is set for April 7, 2015.

Thank you,

Very truly yours,

[Signature]

THOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MANILA WATER COMPANY, INC., will be held at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City, on Tuesday, April 7, 2015, at 3:00 P.M., with the following Agenda:

1. Call to Order
2. Notice of Meeting, Certification of quorum and Rules of Conduct and Voting Procedures
3. Approval of the minutes of the meeting of stockholders on April 4, 2014
4. Reports of the Chairman of the Board of Directors and the President
5. Annual Report and Approval of the Audited Financial Statements as of December 31, 2014
6. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Board Committees, Management Committees and officers of the Company
7. Election of directors, including independent directors
8. Re-appointment of the external auditor and fixing of its remuneration
9. Consideration of such other business as may properly come before the meeting
10. Adjourment

In accordance with Section 8, Article II of the Company's By-Laws, the Board has fixed February 16, 2015 as the record date for the stockholders entitled to notice and vote at this meeting.

In accordance with Section 7, Article II of the Company’s By-Laws, any stockholder who wishes to authorize a proxy to act for and in his behalf during the meeting shall submit duly accomplished proxies to the Office of the Corporate Secretary on or before March 25, 2015 at the 2/F MWSS Administration Building 489 Katipunan Road, Balaan, Quezon City. Validation of proxies is set on March 27, 2015.

The Annual Meeting of Stockholders will be followed by an organizational meeting of the Board of Directors for the election of the officers of the Company and for the transaction of such other business as may properly come before the meeting.

For the details and rationale of each agenda item, and the draft resolutions, if applicable, please refer to Annex “A”.

Balaan, Quezon City, February 2, 2015.

SOLOMON M. HERMOSURA
Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building,
489 Katipunan Road, Balaan,
Quezon City, Philippines
T: 2832 3472 5800
W: www.manlawater.com
Customer Service Hotline 1627
DETAILS AND RATIONALE OF THE AGENDA

1. Call to Order

The Chairman of the Board of Directors, and the chairman of the meeting, Mr. Fernando Zobel de Ayala, will call the meeting to order.

2. Notice of Meeting, Certification of quorum and Rules of Conduct and Voting Procedures

The Corporate Secretary will certify the date when written notice of the date, time, place, and purpose of the meeting was sent to all stockholders of record as of February 16, 2015, and the date of publication of the notice in the newspapers of general circulation.

The Corporate Secretary will further certify the presence of a quorum. The holders of record for the time being of a majority of the stocks of the Company then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of the business.

The following are the Rules of Conduct and Voting Procedures:

a. Anyone who wish to make a remark or to make a query shall identify himself after being acknowledged by the Chairman and shall limit his remarks and query to the item in the agenda under consideration.

b. On the voting procedures, stockholders may opt for manual or online voting. For manual voting, each stockholder will be given a ballot upon registration to enable the stockholder to vote in writing per item in the agenda. For online voting, there will be computer stations placed outside the Ballroom where stockholders may cast their votes online. Both ballot and website platform will state the proposed resolutions for consideration by the stockholders and each proposed resolution will be shown on the screen as the same is taken up at the meeting.

c. All the items in the agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting capital stock. Each outstanding share of stock entitles the registered stockholder to one vote. All votes received shall be tabulated by the Office of the Corporate Secretary, and the results shall be validated by an independent party to be announced at the meeting.

The election of the directors shall be by plurality of votes and every stockholder shall be entitled to cumulate his votes.
3. Approval of the minutes of the meeting of stockholders on April 4, 2014

Copies of the minutes of the stockholders meeting held on April 4, 2014 will be distributed to the stockholders upon their registration for this meeting. The minutes are also available at the Company website, www.manilawater.com.

The stockholders will be requested to approve the draft minutes of previous stockholders’ meeting and to acknowledge the completeness and accuracy thereof.

Below is the proposed resolution for this agenda item:

“RESOLVED, to approve the minutes of the annual stockholders’ meeting held on April 4, 2014.”

4. Reports of the Chairman of the Board and the President

The Chairman, Mr. Fernando Zobel de Ayala, and the President, Mr. Gerardo C. Ablaza, will deliver their reports on the highlights of the Y2014 Company performance as reflected in the audited financial statements, and the outlook for Y2015.

5. Approval of the Annual Report and of the Audited Financial Statements as of December 31, 2014

The Chairman will request the stockholders’ approval of the annual report and the audited financial statements as of December 31, 2014.

The stockholders will be given opportunity to ask questions prior to submitting the Annual Report and the Audited Financial Statements for approval by the stockholders. Copies of the Annual Report and the Audited Financial Statements will be distributed to the stockholders before the meeting. Further, the Audited Financial Statements will be released by the Company and be made available at the Company website, www.manilawater.com.

Below is the proposed resolution for this agenda item:

“RESOLVED, to approve the annual report and the 2014 audited financial statements of the Company.”

6. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Board Committees, Management and officers of the Company
The Chairman will request the stockholders to ratify all acts and resolutions adopted during the preceding year by the Board of Directors, the Board Committees, Management Committee and the officers of the Company.

The acts and resolutions of the Board and its Committees are reflected in the minutes of meetings and they include approval of contracts and agreements, projects and investments, treasury matters and acts and resolutions covered by disclosures to the SEC and PSE. The acts of the Management and officers were those taken to implement the resolutions of the Board or its Committees or taken in the general conduct of business.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve and ratify all acts and resolutions of the Board of Directors, all the Board Committees, as well as all the acts of the Management and officers of the Company taken or adopted since the annual stockholders' meeting on April 4, 2014 until April 7, 2015."

7. Election of directors, including independent directors

In accordance with Section 2, Article II of the Company’s By Laws, all nominations to the Board of Directors must be submitted in writing to the Nomination Committee on or before February 20, 2015. The Nomination Committee, in the exercised of its assigned task under its charter and the Manual of Corporate Governance of the Company, shall evaluate and determine whether the nominees for election to the Board of Directors including the independent directors, have all the qualifications and none of the disqualifications before submitting the nominees for election by the stockholders of the eleven (11) members of the Board of Directors including the independent directors.

Copies of the curriculum vitae and profiles of the candidates to the Board of Directors will be provided in the Preliminary Information Statement and in the Definitive Information Statement.

8. Re-appointment of the external auditor and fixing of its remuneration

The external auditor of the Company is tasked with the preparation of its annual audited financial statements.

The stockholders approval for the re-appointment of Sycip Gorres Velayo and Company, the Company’s external auditor, will be sought at the meeting.

The Audit Committee will endorse to the stockholders the re-appointment of SGV as external auditor for the ensuing year, as well as the proposed remuneration. The profile of the external auditor will be provided in the Preliminary Information Statement and the Definitive Information Statement.
Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the re-appointment of the firm of Sycip Gorres Velayo & Company as external auditor of the Company for the fiscal year January 1, 2015 to December 31, 2015."

9. Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may also propose to consider such other relevant matters and issues.

10. Adjournment

Upon determination by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman shall declare the meeting adjourned.

Section 7, Article II, By Laws

Section 7. Election of Directors – The directors of the Corporation shall be elected by majority vote at the annual meeting of the stockholders at which a quorum is present. At each election for directors every stockholder shall have the right to vote, in person or proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes at the same principle among any number of candidates.
Securities and Exchange Commission

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Quiwara
Receiving Branch: SEC Head Office
Receipt Date and Time: January 20, 2015 03:47:51 PM
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Company Representative

Doc Source

Company Information
SEC Registration No.: A199611583
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 01202015002473
Document Type: 7-C (FORM 1-C - CURRENT DISCL/RPT)
Document Code: 7-C
Period Covered: January 14, 2015
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

WWSS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

1231
Fiscal Year

SEC Form 17C
STOCK
FORM TYPE

04
Any
Month
Day
Annual Meeting

Secondary Listings Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Counsel ID.

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. January 14, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1998-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact Name of Issuer as Specified in its Charter

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

6. Industry Classification Code: ——— (SEC Use Only)

7. Address of Issuer’s Principal Office
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City

   Postal Code 1105

8. Issuer’s Telephone Number, Including Area Code
   (02)981-8122 / (02)981-8179 / (02)981-8129

9. Former Name or Former Address, if Changed Since Last Report
   Not Applicable

10. Securities Registered Pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value $1.00 each – 2,047,519,110

    b. Debt Securities

   Outstanding Common Shares
   2,047,519,110
   Shares Under the Stock Ownership Plans
   31,816,503
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
   Yes [x]  No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission (SFC) and Philippine Stock Exchange (PSE) dated January 14, 2015 on the Resignation of Officer.

   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

   MANILA WATER COMPANY, INC.
   Issuer
   By: 
   JOEL P. RAQUEDAN
   Chief Legal Counsel
   Assistant Corporate Secretary
   Date: January 14, 2015
14 January 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City

Attention : Mr. Vicente Graciano P. Felizmenlo, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Resignation of Officer

Gentlemen :

Please be informed that today, we have received the letter of resignation of Mr. Ruel T. Maranan as Group Director of Corporate Human Resources Group of Manila Water Company, Inc. effective January 13, 2015.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building
#39 Kalusuan Road, 10th Floor
Quezon City, Philippines
T. 8321 817 55910
W. www.manilawater.com
Customer Service Hotline 1627
January 13, 2015

Gerardo C. Ablaza Jr.
President and Chief Executive Officer
Manila Water Company Inc.

Dear Mr. Ablaza,

This is to officially inform you of my resignation as Corporate Human Resources Group Director, effective January 13, 2015.

Sincerely,

[Signature]

Cesar T. Maranan
Group Director
Corporate Human Resources Group

Approved:

[Signature]

Gerardo C. Ablaza Jr.
President and Chief Executive Officer
Manila Water Company Inc.
Bar Code Page

The following document has been received:

Receiving Official/Encoder: Joselito O. Alfaro
Receiving Branch: SEC Head Office
Receipt Date and Time: January 06, 2015 02:57:18 PM
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Company Representative: ____________________________
Doc Source: ____________________________

Company Information:
SEC Registration No.: A199511593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information:
Document ID: 101082015001547
Document Type: 17-C (FORM 11-C: CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: January 06, 2015
No. of Days Late: 0
Department: CFO
Remarks: ____________________________
SECURITIES AND EXCHANGE COMMISSION

SFC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. January 6, 2015
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Philippines

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer’s principal office
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Brgy. Balauna, Quezon City

8. Issuer’s telephone number, including area code
   (02)981-8122 / (02)981-8179 / (02)981-8129

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

       a. Shares of Stock
          Common Shares, par value P1.00 each – 2,047,519.110

       b. Debt Securities

---

1 2,047,519.110 Outstanding Common Shares
   31,816.500 Shares Under the Stock Ownership Plans
   2,047,519.110 Shares

---
None

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of registrant's securities listed on stock exchange?
   Yes [X]   No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) dated January 6, 2015 on the Employee Stock Ownership Grant.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned.

MANILA WATER COMPANY, INC.
Issuer

By: [Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

Date: January 6, 2015
6 January 2015

SECURITIES AND EXCHANGE COMMISSION
Securities and Exchange Commission Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : Mr. Vicente Graciano P. Felizmenlo, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Employee Stock Ownership Grant

Gentlemen:

Please be informed that the Remuneration Committee approved the grant to the qualified executives, officers and employees of Manila Water Company, Inc. ("Manila Water"), pursuant to our Employee Stock Ownership Plan (the "Plan"), of stock options covering up to 7,281,647 common shares at a subscription price of PhP 26.00 per share equivalent to the average closing price of Manila Water's common shares at the Philippine Stock Exchange for twenty (20) consecutive trading days ending November 26, 2014, net of 10% discount.

Thank you.

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary